



In this episode Eric & Melissa tackle the hot topic of how hiring your children is a great way to reduce your taxes.

The TRUTH. Yes you can ABSOLUTLEY hire your kids.

The payroll deduction and funds used you get from hiring your children can be used to make additional investments that will benefit them. When hiring your children, be sure to seek the advice of your financial expert* to determine the best funds to establish, as well as the advantages and disadvantages of doing so. *Tax professional or Financial Advisor

Utilize a payroll service, set a salary & a job description. Make sure your kids have a good job description when you hire them, one that you will be able to update as they get older.

Be sure to use a payroll service to ensure that a W2 is created for each child. Discuss with your financial expert* the maximum amount payable per year before it is a tax liability. ***This is something you should consult your tax advisor with because the cap varies from year to year.*** (Generally wages between \$10,000 - \$15,000 to minors are not taxable)

Employing your children not only lowers your tax liability it can also result in compound interest savings. of more that \$10,000 over a ten-year period.

When you employ your child you generate a W2 for them. The fact that the W2 will be sent to federal and state agencies adds credibility to the deduction. It does not imply that there will be tax obligations on wages paid. You are exempt for filing taxes if the income amount is less than the threshold for that year.

Understand that rules vary depending upon your business entity.

Employing your children is just as beneficial if they are currently attending college as if they are under 17 and in your home. If your employed child is in college then perhaps they can manage social media or take care of remote customer service tasks. This is great particularly due to most cases college students do not have much time for work outside of their schooling.

It is a terrific idea to hire your family members. Just confirm that you are familiar with the regulations for each scenario, as hiring your children under 17 and children over 17 are different, the same is true with hiring a parent. Each scenario has different requirements. Consult your financial expert* or give Busy Bee Advisors a call and schedule a complimentary consultation.

Breaking it down by the numbers. Looking at the numbers;

John and Elizabeth are husband and wife owners of a small construction company. They have 3 young children – Brandon (age 10), Michael (age 8) & Julie (age 3) estimating an annual salary of \$10,000 per year, per child Brandon could potentially have \$80,000 (plus interest) saved for college, Michael could potentially have \$100,000 (plus interest) saved for college and Julie could potentially have \$150,000 (plus interest) saved for college. Plus John and Elizabeth now have a \$30,000 annual deduction.

Eric & Melissa Broughton are Co-Owners of Busy Bee Advisors a Northern California Based Tax and Accounting Firm specializing in helping their client to pay their fair share in taxes. They are also hosts of the popular podcast **The Real Buzz: Taking the sting out of Taxes** (available to download on all major podcast platforms). Melissa is proud to be the author of **Busy Bee Advisors Guide to Basic Bookkeeping** and **The 4-Hour Bookkeeper** both titles are available at INeedBookkeeping.com

To schedule a consultation visit BusyBeeAdvisors.com