

Why Being a W-2 Employee is Better for Family Caregivers: A Look at the Benefits

As a family caregiver, it's important to ensure that the financial and practical aspects of caregiving are working in your favor. At CNS Cares, we recognize the challenges caregivers face, and we want to help you understand and navigate your options. One key decision you may face is whether to work as a 1099 independent contractor or a W-2 employee. In this issue of CareBeat, we'll explain why being a W-2 employee is a better option for family caregivers.

Understanding the Difference: W-2 Employee vs. 1099 Contractor

When you're hired as a **W-2 employee**, your employer handles many administrative and financial responsibilities, including taxes and benefits. As a **1099 contractor**, you are considered self-employed and must take on these tasks yourself. The implications for your finances, benefits, and long-term security differ significantly. Let's break it down:

1. The Tax Factor:

One of the biggest financial differences between W-2 employees and 1099 contractors is taxes. As a **1099 contractor**, you're responsible for paying both the employee and employer portions of Social Security and Medicare taxes—this totals 15.3% of your income. On the other hand, as a **W-2 employee**, you only pay the employee portion, and your employer covers the other half. This means more money in your pocket when you're a W-2 employee.

2. Insurance Considerations

Health insurance, life insurance, and disability coverage can be expensive for self-employed contractors. Most **W-2 employees** receive subsidized health insurance, often with additional life and disability coverage provided by their employer. This can be a significant cost savings and provide you with crucial protection. As a **1099 contractor**, you would need to purchase your own insurance, which can be costly and challenging to manage.

3. Work-Related Expenses

W-2 employees generally enjoy access to company-provided resources such as training and administrative support. These resources can help reduce your out-of-pocket expenses and provide opportunities for professional development. As a **1099 contractor**, you're on your own to purchase equipment, supplies, and training, which can quickly add up.

4. Retirement Planning

Building a stable financial future is important, and **W-2 employees** often have access to employer-sponsored retirement plans such as 401(k)s, often with matching contributions. This can significantly accelerate your retirement savings. **1099 contractors**, however, must take a more hands-on approach to retirement planning, which means setting aside money independently without the benefit of employer contributions.

5. Paid Time Off (PTO)

When you're a **W-2 employee**, you typically receive paid time off for vacations, holidays, and sick days. This provides financial security and peace of mind when you need a break from caregiving responsibilities. **1099 contractors**, however, only get paid for the hours they work, and must save up for time off—leaving you with less flexibility and fewer options for self-care.

1099 Contractor

- ▶ Initial pay may seem higher but may not be after accounting out-of-pocket costs for taxes, insurance, and health care benefits.
- ▶ Not eligible for overtime pay or paid time off.
- ▶ Responsible for calculating federal, state and local taxes and paying them annually.
- ▶ Pays higher rates for Social Security and Medicare taxes — up to twice the amount.
- ▶ Must Self-Fund any health care benefits.
- ▶ Must self-fund any retirement savings.
- ▶ Does not receive Workers' Compensation insurance.
- ▶ Not guaranteed payment for time training or for continued education.
- ▶ Holds all responsibility and risk exposure.
- ▶ Independent, working on their own.

W-2 Employee

- ✓ Employer pays half of the W-2 employees taxes resulting in higher annual pay overall.
- ✓ Eligible for BOTH overtime pay and paid time off.
- ✓ Employer calculates and ensures withholding for federal, state and local taxes.
- ✓ Lower Social Security and Medicare taxes.
- ✓ Employer provides health care benefits including medical, dental and vision insurance.
- ✓ Employer provides 401k matching contributions.
- ✓ Provided with Workers' Compensation insurance.
- ✓ Provided paid training, support tools and materials, and ongoing continued education.
- ✓ Employer manages risk exposure.
- ✓ Part of a supportive team of caregivers.

Your Caregiving Journey, Our Priority

At CNS Cares, we are committed to supporting family caregivers.

Get in touch with our **Care Team** today to explore the benefits of becoming a W-2 employee and to see why so many 1099 contractors are making the switch to CNS Cares.

Who You Choose Matters. Talk To The Team Who Cares.

Call us at 1-877-259-9001 or visit [CNSCares.com](https://www.CNSCares.com)