

A woman with dark hair in a ponytail, wearing a white sweater, is seen from behind, looking out a train window. The background is blurred, showing the interior of the train and other passengers. The entire image is framed by a thick blue border.

LBOPTIONS.COM PRESENTS

TOP 10 REASONS TO USE A

"PEO"

FOR PAYROLL AND  
WORKERS' COMP



# WHAT ARE PEO'S?

PEO's, or Professional Employer Organizations, sometimes known as employee leasing companies, got big in the 80's in Florida as a way for companies to eliminate administrative hassles and save money on workers comp.

The concept caught fire quickly across the entire United States varying slightly in each state depending on the specific rules and regulations on State Unemployment (SUTA) or Workers' Comp.

Over the last 4 decades, the PEO industry has evolved to provide employers with distinct competitive advantages against their rivals in several areas.

We live in a time where payroll and employment related costs are often the highest cost items in the budget or on the balance sheet for any business.

Costs related to Group Medical Insurance and Employee Benefits can be astronomical and continue to rise.

Time and dollars spent on retirement plans and administration can be hefty.

These and other areas can potentially be impacted in a big way with "the right PEO partner".

After a detailed analysis, we have shown clients huge disparities and savings. Even for companies with as few as 3 employees, we have seen an impact of \$5,000 - \$25,000 per year.

We will outline some of the areas for savings or where a business can take advantage of a PEO and the full service offering provided.



## REASON #1 ECONOMIES OF SCALE

Ok, we're not *just* trying to sound fancy using a business idea like "Economies of Scale". This is the main premise for the entire PEO concept.

Essentially, it's like the big warehouse clubs. If they have 1,000 members and can go buy Paper Towels, Ground Beef, and Bottled Water in bulk, everyone wins.

The warehouse company gets bulk pricing. The customer becomes a "member" and shares in some of that cost savings when they buy their paper towels, ground beef, and water there.

Still with me?

That's what a PEO does. "Members" or client companies use their services for at least the payroll and workers comp piece.

They shop as large groups of small employers from 1,000's to 100,000's. This gets the PEO large advantages in several areas, where they can pass some of this benefit/savings on to the client.

We will cover the specific areas of savings, but this is essentially the advantage and how a PEO works.

So, even a company with 100 or 200 employees cannot compete with the buying power of a group of 50,000 or 100,000.

The cost savings for many companies is huge!



## REASON #2: PAYROLL TAX FILINGS

PEO's handle the responsibility for all of the employer's 941, 940, and UCT6 tax filings.

Additionally, if taxes are filed incorrectly or late, the burden falls on the PEO.

They are on the hook for any penalty or late fee, not the client.

Moreover, the PEO now handles disputing the unemployment claims and the negative experience if claims go against them.

It is an additional way for employers to protect themselves and focus on their core business service or function.



## REASON #3: ANNUAL REPORTS AND W-2'S

PEO's also provide annual reports to your accountants when it comes time to file your annual taxes.

Plus, they will print and mail all of your W-2's by the annual deadline.

Most companies do not even charge anything for this.

Many PEO's will even handle your 1099 filings at the end of the year as well.

A PEO is a good way to have everything in one place.

Many accountants like working with PEO's as well, for this reason. A few look at a PEO as their competition. Some of them just do not have a ton of familiarity or knowledge about PEO's, too.



## REASON #4 HR SUPPORT

PEO's generally have HR experts on staff with PHR or SPHR certifications and training. Most companies don't charge anything for advice and guidance in all sorts of situations or areas regarding employment.

This can be priceless.

Many provide Employee Handbooks and Labor Law Posters at no charge.

In addition, programs like an EAP, Employee Assistance Program are provided at little or no cost.

The EAP helps employees get counseling on personal issues so they get back on track.

In today's world of lawsuits, a PEO can act as another line of defense in protecting the business.



## **REASON #5:**

### **NO LARGE, LUMP SUM WORKERS' COMP DEPOSITS**

Most companies, and especially new businesses need to be wise when managing their capital and cash.

With a standard new Workers' Comp policy, the employer is required to put a lump sum down as a deposit on the policy.

Sometimes, this amount is 50% of the annual premium.

PEO's offer a Pay-As-You-Go Workers' Comp. solution, so you only pay the premium on the payroll you run each week or biweekly.

Most times there is a discount or savings on the rate, too.

So, this is another Win-Win for the company.



## **REASON #6:**

### **NO WORK COMP AUDITS**

With a PEO, you are no longer at the mercy of the insurance company's feared auditors.

Now, you work with the PEO's Risk Management or Safety Department.

The PEO's Risk and Safety team will conduct site surveys and even help with planning safety meetings or creating a safety manual.

But, thankfully, there is no more annual audit where you might get a few bucks back or owe a whole lot more!

The PEO determines which code and rate your employees qualify for based on their expertise and you pay-as-you-go.



## REASON #7: SUTA - STATE UNEMPLOYMENT TAXES

In Florida and many other states, there are SUTA advantages to the client employer through a PEO.

Since a PEO offering is a "co-employment" relationship, the payroll taxes are filed under the PEO's FEIN#, not the client's.

So, for this reason, instead of the SUTA rate being based on the client's experience, it is based on the PEO's experience.

Most PEO's have 5-12 different FEIN's and "shell companies" that they use for SUTA purposes.

They keep some of these dormant, use some for enticing new clients, some for legacy clients, and even see some hit the maximum (5.40% in Florida).

A new business in Florida pays 2.70% for the first 3 years in business while they build experience. After which time, the rate may go down or up even higher.

Some PEO's offer SUTA rates as low as 1.50% or 2.0% in Florida.

This provides a competitive cost advantage to that employer.

Even if it is only used strategically for a few years, it can be a distinct advantage. This comes into play, even more so for high turnover industries like restaurants, hotels, and construction companies.



## REASON #8: GROUP MEDICAL

Health insurance rates have soared for over 20 years. Group medical is a great way to reduce costs through a PEO. Most PEO's shop for their own Group medical, as a much larger pool of employees. This is offered to the client and based on certain criteria, preferential rate tiers may be offered. These tiers can be a fluctuation of 40-60% and with most family rates over \$1,000 per month, that can be a bundle of dough for the company to re-invest in the employee healthcare programs or elsewhere in the organization. It is an avenue worth exploring, with costs becoming so high.



## REASON #9: VOLUNTARY BENEFITS

PEO's usually offer their clients a "cafeteria" style program where the employees can pick or choose the best programs to meet their families needs, without any required match or cost to the employer.

This can be a great way for companies to add to employee benefits and compensation without adding to the cost or company's bottom line.

Programs like Dental, Vision, Short Term and Long Term Disability, Life Insurance, as well as some variation of supplementals like Cancer insurance and accident and critical illness or hospitalization policies are all generally offered and the client or the employees choose.

## REASON #10 401K PLANS

A PEO can be a great way for a small business to offer a 401K.

Typically, it can cost \$1,000's for a small company to setup their own 401K with fees and annual administration costs, plus the additional responsibility and liability of managing the entire process and annually completing the dreaded 5500 form.

Not with a PEO. Most or all of the costs are eliminated. There may be a small set up fee, but usually no annual administration fee. Plus, they should manage all of the paperwork, even the 5500 form.

The best part is that there is No Match Required in most programs. So, the employer can set up the 401K, and any employees have the benefit of setting aside pre-tax dollars for retirement in a wide range of fund options. But the client is not required to match the funds at all. This is a Win for the client and the employees!



## KEY TAKEAWAYS

These and other areas of the business can be significantly impacted when you work with "the right PEO partner". The challenge for business professionals is finding the right one. With hundreds of companies out there and new ones popping up every day, who can you trust with vital business components like payroll, workers comp, and insurance? Every sales person says their company and rates are the best...

That's where Liberty Blue Options comes in. We work for our clients. We find the best fit PEO's and rates available in the marketplace and the best part is our clients NEVER pay us a dime! Our industry experts are at your service.

We cut out the salesperson and negotiate with the owners and upper level management of the PEO's. So, we get the best rates and cut out the salesperson's tactics, extra fees, and commissions.

And we know the players out there. We know the good companies from the bad ones, like who isn't paying their clients' taxes, or lost their workers' comp.

As you know, many times when a deal seems too good to be true, it is!

### OTHER LIBERTY BLUE INSIGHTS:

- Review your PEO/payroll invoice on a regular basis and know your costs. If something changes or seems off, give us a call or let us know.
- It doesn't hurt to kick the tires and see what's out there. The PEO industry is odd in that customer loyalty is rarely rewarded. In most cases, if you've been with a company for years, it is a good idea to shop.
- Use another trusted advisor. You use CPA's, Attorneys, Insurance Agents and many times pay these professionals \$100-\$200/hour. This costs you \$o! Our clients speak very highly of the value we provide.

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