

How small business owners can help employees stretch their paychecks

Never before has it been so important for employees to get the most mileage out of their [paychecks](#). With a difficult economy and the rising cost of seemingly everything, there are some great ways for businesses to help employees stretch their paychecks.

Small business employers can assist employees by providing several low- or no-cost programs and benefits through employees' paychecks that will not only help a worker's bottom line, but increase morale and retention.

Among the tools and advice small business owners can provide employees to help them make ends meet during difficult times:

- **Flexible Spending Accounts (FSA)** allow employees to save up to 35% on everyday expenses such as health care and dependent care costs. They are tax-advantaged, free programs that will help employees maximize earnings and increase savings. The two most common FSAs include dependent and medical care. FSA money can be used for things such as doctor and prescription co-pays, daycare, eldercare, qualified summer camp for kids, contact lenses, and over the counter medical supplies like aspirin and bandages.

It is extremely simple to participate in the program – making it an even easier choice for employees to join. Employees simply sign up for the program through their payroll department or directly with their employer's payroll provider and estimate how much they will spend over the next year on each type of expense. The pre-tax money will be withdrawn from the employee's paychecks before taxes are taken out. The employee then has until the end of the first quarter of the next calendar year to use the funds in the account.

- **Transportation reimbursement incentives** or programs can offset commuting costs. These programs offer a great way to save money by paying for transportation at pre-tax rates. Especially with the rising cost of fuel, which in turn is raising the cost of most forms of mass transit, your employees will be able to stretch their dollar on commuting expenses.
- Employers can remind employees that they might be able to receive more money per paycheck. In 2008, the average income tax refund averaged out to more than \$200 a month in overpaid taxes. Employees who chose to withhold the maximum amount of taxes when filling out their Form **W-4** (by choosing "0" allowances), can change their status to "1" or higher and receive additional cash on payday moving forward. The most important thing to remind employees is: pay yourself first. The extra money that you set aside today can be used for savings or for your retirement. Direct deposit is a great way to help employees save for a rainy day or retirement. Show your employees this W-4 Assistant to help them choose the correct number of allowances on their Form W-4.

- Speaking of **retirement**, it's definitely important to remind employees of the importance of your company's **401(k) plan**. Contributions to most retirement plans are pre-tax, and the compounded interest earned will make the employees' money work for them to ensure a financially stable retirement. Simple versions of 401(k) and similar savings and investment plans are available for small businesses to offer employees. If you already do offer such a plan, make a concerted effort to remind workers of the long-term value of your company's 401(k) plan and the amount you match, if applicable.

This information has been provided by the American Payroll Association, which provides public service education on payroll and employment issues, and ADP, a leading provider of small business services including payroll and retirement services. For more information about the APA, visit www.americanpayroll.org. For more information about ADP's Small Business Services, visit www.smallbusiness.adp.com/index.asp.