

Should I Hire a Family Member?

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What are the benefits of hiring family?

What are the risks of hiring family?

How can working with a family member affect your relationship with them?

What are the tax implications of hiring family?

What are some tips for hiring and working with family members?

Learn how you can work with family members without hurting your relationships or your business.

- Working with a family member comes with unique benefits and challenges.
- Some tax withholding and reporting rules depend on your relationship to your employee, particularly if they are your spouse or child.
- To avoid damaging your relationship or creating an awkward situation at work, it's important to set clear expectations before you hire a family member.

What should you do when your brother (or child or cousin) asks you for a job? Running your own company is hard enough as it is, but adding family members into the mix can make for some complicated situations.

Surrounding yourself with family members – people you know and trust – has its benefits, and family-owned businesses like Smucker's, Walmart and Ford have shown us that things can work out really well when done correctly. However, it isn't something every family can do. When sibling rivalries and other complex family dynamics are brought into the

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workplace, it can rip businesses – and families – apart.

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So, for the sake of your company (and peaceful family Thanksgivings), it's important to carefully consider whether hiring family is a smart move. Here's what you should know about hiring relatives to make the best choices for your family and business.

What are the benefits of hiring family?

Ideally, hiring someone you've known your entire life comes with a foundation of trust. You probably already know what kind of person they are and whether they'd be beneficial to your small business.

"Hiring a family member means you don't have to guess who they are," [realtor](#) and business coach Chantay Bridges told [business.com](#).

Keeping things in the family brings an innate sense of loyalty and responsibility for the business that isn't guaranteed when you hire strangers or even friends. In some ways, it can even make the job even easier or more meaningful, as family members can bring a level of trust and natural care to the business that you aren't likely to find in regular employees. They not only look out for the business, but they choose (and sometimes feel obligated) to look out for you as well, whether out of love or shared family values.

Take, for instance, working with a spouse. If they're a good partner in your marriage, they might also be a great business partner. You can trust your spouse to do the right thing for your company without you checking up on them, said Steven Weil, president of [Royale Management Services Accounting](#).

In addition to having your back, some relatives may be helpful during the beginning stages of your business. For instance, they might work extra hours or allow you to pay them less than you would pay other employees, because they want to help you out as you manage initial cash flow concerns or late invoices.

"They're more likely to go the extra mile for you if you

need overtime, someone who can switch roles, or even those who would be satisfied with an irregular work schedule or inconsistent hours," said David Blakke, business expert at [DollarSanity](#).

What are the risks of hiring family?

In a perfect world, the dynamics of family and business would never awkwardly clash. However, hiring relatives comes with potential hazards. So, before you hand them an application, it's important to consider potential issues:

- **A disagreement at work can affect your relationship.** Because your emotions don't exist in a vacuum, sometimes issues at work leak into other settings. Separating how you feel about your family member at work from how you feel about them at home can be hard, possibly affecting how you behave toward one another when you're off the clock.
- **Nepotism can create human resources problems.** Sometimes your love and appreciation for a family member can cause issues at work if others feel you are playing favorites. Your other employees may feel they are overlooked or getting less favorable treatment because they aren't related to you. Be mindful of this hazard and keep your family member's employment professional.
- **Family members may struggle to see you as their boss.** Some family members may not respect you as an authority figure – despite being hired by you. "They might think it's OK to treat you differently than they would a traditional boss," Blakke said.

How can working with a family member affect your relationship with them?

The most common risk of hiring a relative is that they end up being a terrible employee, which results in you penalizing them or terminating their employment. This could hurt your relationship

deeply, and your entire family may be impacted if relatives decide to take sides.

"A family member will always be your family member, so if anything goes wrong businesswise, it risks ruining or hurting a relationship that will always be in your life," said business coach [Stacy Caprio](#).

The only thing worse than firing this family member is keeping them employed out of fear of this very situation, which hurts your business in the long run.

What are the tax implications of hiring family?

When working with your spouse, child or other family members, there may be [different tax rules](#) to navigate, depending on the relationship type. Blakke suggests consulting a business tax expert for the best way to handle your specific circumstances. Here are a few instances where a family relationship affects business taxes.

FUTA exemptions

The [Federal Unemployment Tax Act](#) mandates an unemployment tax for employers to pay. According to the IRS, the [FUTA rate is 6%](#) and applies to the first \$7,000 you pay to each employee as wages. There are [FUTA exceptions for some family employees](#); you are not required to pay the FUTA tax under the following circumstances:

- Your business is a sole proprietorship and your employee is your spouse or your child (under 21 years old).
- Your business is a partnership and your business partner is your spouse, and your employee is the child of both partners.
- Your employee is your parent.

Health insurance deductibles for spouses

When employing a spouse, if you buy health insurance in your name and then expand the coverage to them, it can be [written off as a deductible](#).

Special tax filing option for married business partners

Married couples who run a business together can treat their business as a [qualified joint venture](#), which allows couples who file a joint return to file taxes as sole proprietors instead of as a partnership. This allows both spouses to receive Social Security and Medicare credit. This treatment isn't available to LLCs or corporations.

Tax advantages of hiring your child

If your [child is part of the family business](#) and under the age of 18, they aren't affected by the Federal Insurance Contributions Act (FICA) or FUTA taxes, and their salaries can be considered deductible business expenses. If your child is between the ages of 18 and 21, their salaries are subject to FICA taxes, but they are still exempt from FUTA taxes.

What are some tips for hiring and working with family members?

If you think working with family might be the right option for you, there are some things you can do to make sure it's a good experience for you, your relative and your business. Here are four tips that can make it easier to work with family members.

1. Set your standards.

To avoid damaging your relationship or creating an awkward situation at work, it's important to draw the line. Before hiring a family member, explain to them all your company's rules, regulations and policies, as well as your expectations. When operating a family business, you want to avoid accusations of nepotism, so it's important for your family members to understand they will be treated like any other workers and receive no special treatment.

2. Vet family properly.

As you would with any other employee, you need to make sure your family member is qualified for the job and can perform the duties it requires. Although you probably have a formal process in place for employing a stranger, you may be tempted to skip it for a family member – but don't. Requiring them to go through the standard hiring process helps you avoid misunderstandings and disagreements

about their role and responsibilities down the road.

"Regardless of how desperately your family member needs a job or you need a job filled, consider their qualifications," said Nate Masterson, HR manager for [Maple Holistics](#). "If there are more appropriate candidates, then hiring family might not be a smart move. When it comes to business matters, business comes before family. It sounds harsh, but the success of a company is founded on a leader's ability to make decisions that put the business first."

It can also save you and your relative from a falling-out caused by their inexperience and your frustrations.

3. Respect one another.

If you're working with a family member, stay in your lane of expertise, suggests Sharon Gill, business coach and chief leadership officer at [Sharon Gill International](#). It's important to respect each other's roles.

"He might be your younger brother at home, but at work, he's the CEO," Masterson said. "It's much easier said than done, but try to keep things as formal as possible when you're at work. Part of this means you might need to set private meetings to address any concerns that you may have."

This can minimize disagreements but won't eliminate them, as they're inevitable in any workspace. When you do have one, never argue in front of the team – for the same reason you'd avoid arguing in front of children. It's best to present a united front for your company, sealing your team's confidence in you and your employed family members. It's also important to show respect for each other's intelligence and ideas and avoid competing with one another, Gill said.

4. Keep work and family separate.

Be mindful to keep work issues from clouding your family time if you work with a spouse or family member you see often. It helps your relationships to draw those lines.

As tempting as it may be, if your family member is not a partner of the business, do not tell them everything that's going on within your company.

Avoid sharing information with them that you wouldn't offer to a stranger in their position.

"Operate as a business," Bridges said. "Maintain structure and use wisdom in what you disclose. Don't assume because they are a relative it gives them carte blanche."



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Simone R. Johnson was born and raised in New York City. She graduated from the University of Rochester in 2017 with a dual degree in English language media and communications and film media production. She has been a reporter for several New York publications prior to joining Business News Daily and business.com as a full-time staff writer. When she isn't writing, she enjoys community enrichment projects that serve disadvantaged groups and rereading her favorite novels.

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