

PEOs FOR DUMMIES



Straight Answers / What you need to know /
What the industry doesn't want you to know /

HOW MUCH DOES A PEO REALLY COST?



Here's the short answer -

The price of a PEO is based on a combination of things within a bundled price. Sounds like a vague answer but it's not.

Here's why:

The total cost of the PEO is combination of the cost of the Administration, (Payroll, HR, Compliance, Time and Attendance etc..), Worker's Compensation, Medical, Unemployment and a few other services.

Generally, when people ask how much does a PEO cost they're really thinking about the administrative fee, but you really have to think about the total cost and then compare it to your current expense for the apples and apples products and services.

Some companies charge a lot for the administration and very little for the insurance, while some companies charge the opposite. That's really why you have to look at the combined totals to compare to each other and to your current costs.

But what about Administrative fees?

They really have an extraordinary range – they can be anywhere from \$49 per month per employee to over \$150 a month per employee.

Yes, that sounds high but remember you probably save way more than that on the Medical, Workers Comp and Unemployment.

Some PEOs also charge a percentage of payroll basis, and this is often the best pricing model for those companies with lower paid employees. Those costs might range from 2 to 3.5% of payroll. (some also charge by check)

Are there other nickel and dime fees we need to know?

The answer can be yes – another reason you really need a professional to let you know all this and which peo's have what fees you may not know to even look at.

Often when people receive the quote they ask if that includes health insurance, Worker's Comp and unemployment and the answer to that is no.

So do PEOs actually save you money?

The answer is usually yes, however not always. It depends on what you're spending on health insurance, participations in your plans, etc. They generally can save a lot of money, buy it varies depending on your situation.

But the truth is you never know, and it's worth the effort to get quotes because sometimes it's dramatically cheaper.

Choose an experienced PEO broker to help figure this out – they are objective, actually save you money, and save you from having talk to 5 different PEO salespeople and finding the right PEO's to compare.

WHAT DON'T PEOs DO?

Some don't do a lot –

What most PEOs don't recruit--they are not staffing operations or leasing companies.

Some will do actual employee relations, disciplinary action, etc. but most do not.

Most will do training, but it is primarily discrimination, and sexual harassment. Many also will have online training classes on everything from Excel to OSHA to leadership skills in multiple languages.

Since the PEO will be replacing your broker, do they do everything that a broker does? And the answer is yes-- they will come out to meet your employees (at least most -will) They will do on-boarding in-person and provide everything in HR paperlessly.

- Some don't do FMLA, overtime alerts, or time attendance with GPS paperless I-9 forms.
- Some don't automatically provide all the required forms automatically as part of the package where ever that employee is eligible.
- Some don't even do ACA reporting and compliance automatically.

Perhaps the most important differentiators are:

- Who has the service model you want and who has the technology that really makes it user friendly for you and your employees?
- Who really does have good long-term medical and workers comp renewals?

What they're not is an insurance broker that doesn't know anything about HR, or payroll.

They are not a payroll company that doesn't know about HR or Benefits.

Think of a PEO as an HR company that also does payroll, HR technology, and all the expertise of HR.

PEOs are the iPhone of human capital with people behind them that enables you to run your company better and safer and much less expensively.



HOW A PEO SALESPERSON GETS PAID, AND WHY DO I CARE?

Some don't do a lot –

The average PEO salesperson makes \$150,000 - \$200,000 or more, and their annual quota is about 300 to 400 new employees a year. Not 300 new companies. (average employer size is 30 to 35 employees per company).

So, you can do the math how much the PEO must add on to use their expensive direct sales force. SBE479 – ThePEOpeople, bypass the local salesperson and save you all that money.

Plus, we have the clout to get:



lower admin rates



lower Set up fees



lower medical costs



lower workmen's comp costs

You'll also get the modules you wouldn't normally get!

Because that PEO salesperson is only representing a single company, they will only try to steer you toward their direction. They aren't telling you what is inferior with their only product. Macy's doesn't sell Gimbels.

And once you sign on the dotted line with that salesperson, that's usually the last you'll see of them. They've got 299 more customers to sign-up....

WHAT IS SCOOPING?



Scoping is something you would never even think to ask?

You most likely charge employees a portion of their benefit costs and hopefully are using a Section 125 Plan (one you have filed and one you submit 5500's for (that is another story)).

Under the 125 plan, those contributions are deductible by the employee for Federal and State Income tax. Under Section 125 you as the company, would also save money because your F.I.C.A. matching contribution is based on a lower salary.

Here's a simple example:

Your employee makes \$50,000 and contributes \$10,000 for health insurance (hopefully in real life the employee's contribution - even for family coverage, is much less, but for this example let's stick with easy numbers - the point will be the same).

So, your employee will pay Federal and State Tax on \$40,000 and Social Tax on \$40,000 not \$50,000. From the company point of view, you saved 7.65% on the \$40,000 instead of the \$50,000 also.

Or did you???

Scoping is when the PEO charges you the 7.65% on the \$50,000 – pays the Government the tax on the \$40,000 and keeps the rest! Really? Yes.

Who would even think to ask that question – and by the way that 7.65% of the total employee contributions for all your benefit plans really adds up!

That is only one example of why you need a professional PEO broker to guide and educate you on what you need to know about each of these PEOs – whether it is their fees, modules, service model, history of renewals, etc. That is one of the reasons some many smart HR and Finance professionals use SBE479.org – ThePEOpeople.

Click here to set up a time for a 15 chat with a professional – with no obligation.