

ACCESS TO HOME ADVISORY SERVICES

*Simplify complicated
home management
logistics with the
partnership of best-
in-class professionals*

For both the single estate and multiple residences, our team advises and provides assistance with staff management and the maintenance needs of property.

Morgan Stanley Private Wealth Management provides referrals to leading industry professionals in home advisory services, assisting you in making an informed decision. Our professionals can create a Preventive Maintenance Calendar, Furniture Care Guide, Master Vendor List and Budget Oversight¹ for your properties. Additional items include:

HOME MANAGEMENT ITEMS: These service professionals can help to manage and protect your treasures.

- Multi-Home & Estates Management
- Home Maintenance and Inventory Management
- Relocation: Freighters, Craters and Shippers
- Real Estate Research for Leasing, Purchase and Sale, or Auction

Professional staff can better anticipate your needs. Lifestyle Advisory can assist in the process of consolidating resources that improve your family's quality of life. Expert assistance provides assurance that your home staff is knowledgeable, professional and kind.²

HOME STAFFING ITEMS:

- Confidential recruitment of household staff
- Best practices on staff hires and terminations, salary and benefit analysis
- Extensive skill and personality testing
- Problem solving household and staffing issues that can reduce turnover costs
- Assistance understanding the liabilities of state and federal labor laws with multi-state staffing

*Relax. Enjoy your home
and family knowing that
staff specifically chosen
to meet your family's
needs surround you.*

MAINTAINING HARMONY AT HOME

BEST PRACTICES IN HIRING AND RETAINING HOUSEHOLD STAFF

The best way to attract and retain truly skilled professionals is to offer them a truly professional work environment.

Among the most enduring rewards of financial success is the ability to afford a gracious home, where you and your family can live in style and comfort. So why does it often feel like the burdens of maintaining your home, or homes, outweigh the pleasures? What are the common mistakes that lead to inadequate service levels, financial and legal liability and a general sense of chaos and disharmony?

In this paper, we explore best practices in assessing household staffing needs, screening and hiring, training and performance evaluation, compensation, documentation and conflict resolution. The goal is to offer practical information that helps you replace *ad hoc* household management practices with a more professional approach, creating calm from all the chaos. You should speak to your tax or legal advisors about the how this information applies to your individual situation.

Why you are having trouble finding qualified people.

With millions of Americans out of work, it shouldn't be so difficult to hire and retain qualified domestic staff. After all, who wouldn't want to work for nice people in a lovely setting? Unfortunately, it's not that simple.

Working in the home is a fundamentally different environment from working

in a business setting. The hours can be long and erratic, there are fewer clear paths for advancement, and many household positions offer few, if any, benefits. Domestic employers are often non-compliant with federal and state labor laws, and in some cases, may not even pay minimum wage.¹ Lacking the service traditions of many European

¹Nadasen, P., William, T.; Barnard Center for Research on Women, Valuing Domestic Work, Volume 5. Available at: <http://bcrw.barnard.edu/wp-content/nfs/reports/NFSS-Valuing-Domestic-Work.pdf>. Accessed 1/14/13.

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THE SIX KEYS TO SUCCESSFUL HOUSEHOLD HIRING:

1. Don't rush the process.
2. While it's important to have a positive rapport with your staff, don't hire someone just because you like them.
3. Hold all screening interviews at a neutral location. Don't invite applicants to your home or even reveal your name.
4. Conduct a thorough background investigation before extending a job offer.
5. Don't be vague about your requirements. Present to candidates a written job description for each household position that includes the specific skills needed for the job.
6. Know your own limits. If you don't have the time, the patience and specialized knowledge to conduct a proper search, seek outside help.

and Asian nations, domestic work lacks status in the eyes of young Americans. As a result, a less than professional search effort may yield a large number of candidates, but few will have the skills and dedication to become productive, long-term employees. Those who do are in high demand and will have other offers. As cliché as it might sound, good people really are hard to find.

Matching tasks to titles.

Why do those who have achieved financial success by running highly efficient enterprises accept a relatively high level of chaos in their own homes? According to Teresa Leigh, CEO of Teresa Leigh Household Risk Management LLC, it is because they have neglected to apply the most basic management principles to the "business" of running their households.

She suggests that the first steps in running an orderly home are to clearly define and describe the help you need:

- Delineate the tasks you need accomplished.
- Determine the number of hours that will be required.
- Define the skill sets needed.
- Assign the proper job title to these skill sets.

Leigh strongly suggests writing formal job descriptions for all household positions. This not only helps your staffing agency or advisor find the right people, it gives your employees a clear set of expectations against which you can measure their performance.

Determining your own role.

Perhaps the most important question to ask in the household staffing process is, "What role you want to play in

running your own home, or homes?" Do you want to be the hands-on manager who screens, hires, directs and provides the proper documentation for your staff? If so, do you need additional training to manage all of these functions efficiently while complying with your state's labor laws? If this is not the job you want, you may want to consider hiring a household advisor to help you assess your needs and put a professional plan in place. Even if you have a Household Manager, an outside advisor may come in handy as an outsourced Human Resources department, providing supplemental expertise in areas like staffing, payroll and compliance with federal and state labor laws.

Identifying qualified candidates.

By far, the best way to build and maintain a harmonious household staff is to hire the right candidates in the first place. This is not a process that should be rushed. Household staffing experts suggest that it typically takes at least 150 hours and over 90 to 120 days to adequately solicit candidates,² perform background investigations, assess skills and determine a candidate's compatibility with members of the household. Teresa Leigh reports that her firm typically screens over 75 resumes to find a single candidate to present to her clients and has had cases where she reviewed well over a thousand applicants for a single hire. Here's the process she recommends for winnowing top-notch candidates from the raw applicant pool:

STEP ONE: THE PAPER CUT. Review resumes not only for indications that candidates have the skill set you require, but also have record of sustained employment and can work productively in the household environment. Be wary of those who have switched positions

²Teresa Leigh Household Risk Management Internal data.

frequently or have only worked in corporate settings.

STEP TWO: THE PERSONAL INTERVIEW.

Personal interviews are an opportunity to verify information on a resume and gain a better understanding of whether a candidate is a good cultural fit for the household. One of the principle goals is to gather referral sources. Ask candidates about their success stories and their setbacks and get names and numbers you can call for verification.

STEP THREE: SKILL TESTING. Many household positions require very specific skill sets that are not always transferable from one job to the next. For example, a housekeeper who has only worked in modern homes may not know how to properly clean antique furniture. Ask very specific questions and don't be shy about asking candidates to demonstrate skills.

STEP FOUR: PERSONALITY ASSESSMENT.

Not everyone is cut out for domestic employment and not all qualified household professionals will be a good fit for your family. Formal personality tests can help you gain insight into a candidate's suitability for a specific position in your home.

STEP FIVE: VERIFICATION. Contact a minimum of eight references before extending an offer to a candidate. These should include those the candidate initially supplied and those you discovered in the interviewing process. **You should also hire a firm to conduct formal background investigations on finalist candidates.**

Training and Performance Reviews.

The job descriptions you wrote before hiring a new employee are a great

HOUSEHOLD JOB TITLES

One of the reasons why it can be so difficult to hire the right person for the job is that there are so many distinctly different jobs. Each of the following positions requires its own skills and places its own demands. Those who maintain household and property employees are well advised to seek assistance in defining their needs and screening potential applicants.

MANAGEMENT POSITIONS:

- Chief of Staff
- Estate Manager
- Executive Household Manager
- Household Manager
- Facilities Manager
- Property Manager
- Butler

HOUSEKEEPING POSITIONS:

- Head Housekeeper
- Executive Housekeeper
- Caregiver Housekeeper
- Housekeeper
- Laundress
- Houseman

GROUNDS KEEPING POSITIONS:

- Household Maintenance
- Arborist
- Gardener
- Master Gardener
- Caretaker
- Caretaker Couple

PERSONAL ASSISTANCE POSITIONS:

- Executive Personal Assistant
- Household Personal Assistant
- Social Secretary
- Bookkeeper

PERSONAL ATTENDANTS:

- Driver
- Valet
- Dresser

CHILD CARE POSITIONS:

- Doula
- Baby Nurse
- Babysitter
- Nanny
- Special Needs Nanny
- Governess
- Personal Assistant (mother's helper)

ELDERCARE AND MEDICAL POSITIONS:

- Home Health Care Nurse (elder)
- Companion
- Elder Caregiver
- Home Health Aide (CAN)
- Personal Care Attendant
- Private Duty Nurse

CULINARY POSITIONS:

- Personal Chef
- Cook

SECURITY POSITIONS:

- Personal Security
- Household Security

FARMING AND RANCHING POSITIONS:

- Ranch Manager
- Ranch Hand
- Wrangler
- Foreman
- Animal Keeper
- General Farmer
- Organic Agri-Farmer Specialist

MAINTAINING HARMONY AT HOME

MEDIAN SALARY OF SELECT HOUSEHOLD WORKERS³

The following represents the median salary of select household staff positions in the United States, exclusive of bonuses and benefits. Considerable regional variation is to be expected:

Housekeeper	\$22,063
Licensed Home Care Nurse	\$44,669
Chauffeur	\$30,652
Senior Groundskeeper	\$35,326
Live-in Nanny	\$33,904*

place to begin their training. It's always a good idea to sit down with a new employee and with your household manager, if applicable, to review the job description and make certain they understand their duties. Even the most highly qualified hires will need to learn the specifics of a new job, so make sure they know it's alright to ask questions. If you have very specific requirements, write them down and go over them, point by point.

In addition to the site-specific instruction that should become part of your onboarding process, you may want to consider more formal training for your staff. A growing number of physical and online resources offer classes in everything from house-keeping to child care to household management. You may also want to consider enrolling all of your employees in CPR and first aid classes. Investing in your employees' education not only pays immediate dividends in the skill level of your staff, it also sends a powerful message that you are interested in their career development. Like a well-run business, a well-run household continues to enhance the talents of its employees.

All new hires should have evaluations after their first 30, 60 and 90 days and keep open lines of communications. Be clear about procedures that need to be corrected and new skills that need to be mastered, but also remember that positive reinforcement builds strong employee-employer relationships. Performance reviews should be dialogues, not lectures. You are working together to help a valued employee perform at a higher level.

Once a new employee has settled in, performance appraisals, including written evaluations, should be conducted with each employee once a year. If your

employee is responsible for children, try to hold these meetings in their absence or in a neutral location so your employee is able to fully participate.

Compensation and the law.

Given the choice, most household employers would prefer to pay their employees like they pay their outside vendors, write a check for services rendered and be done with it. Unfortunately, you are rarely given a choice, at least within the bounds of the law. How you compensate domestic staff is largely determined by the answers to two questions:

QUESTION ONE: ARE THEY EMPLOYEES OR INDEPENDENT CONTRACTORS?

Generally speaking, independent contractors perform services to the broad public, maintain their own places of business and are in a position to realize profits or losses from their work. Employees, on the other hand, have a continual work relationship and are paid on a regular basis. With employees, you have the right to set hours, direct how jobs are done and provide the tools and materials to do their work. Not so with independent contractors. With rare exceptions, all members of your permanent household staff are considered employees in the eyes of the law.

QUESTION TWO: IF THEY ARE EMPLOYEES, ARE THEY SALARIED OR HOURLY?

The Department of Labor considers household employees non-exempt from the Fair Labor Standards Act.⁵ That means they are considered hourly employees. You are responsible for the employer portions of their Social Security and Medicare payments, and they

³Source: salary.com. Accessed 11/11/12.

⁴Available at <http://www.nanny.org/document.doc?id=80>. Accessed 11/11/12.

⁵United States Department of Labor. Available at: <http://www.dol.gov/whd/regs/compliance/hrg.htm#UPRJcxwohWs>. Accessed 1/14/13.

must be compensated at time and a half of their hourly rate for overtime worked. Overtime kicks in over 40 hours worked in a given week for live-out employees, and over 44 hours for live-in employees (with daily limits in some states). Regardless of how they have traditionally been paid, only employees with management responsibilities, such as estate managers and chefs, qualify as salaried employees.

Under the auspices of Vice President Biden's Middle Class Task Force, the **Department of Labor is stepping up efforts to enforce classification statutes for domestic employees.** A recent agreement between the Department and the Internal Revenue Service, the agencies will work together and share information to reduce the incidence of misclassification of employees. Their intent is to help reduce the tax gap and to improve compliance with federal labor laws.

It should also be noted that many states have additional requirements and that they vary considerably from one to the other. For example, 23 states require homeowners to carry Worker's Compensation insurance for household employees, though no two have quite the same criteria for who qualifies. If you have household staff who travel with you, from home to home or on vacation, you are required to abide by the laws of each state.

While all too common in practice, it should go without saying that hiring undocumented workers and/or paying cash off the books are flagrantly illegal. Such practices, whether pursued intentionally or out of ignorance of the law, subject the employer to serious legal and reputational risk and may result in substantial fines and penalties. Those who live in the public eye, as virtually all affluent families do,

should take great pains to avoid the liability and potential for disruption and embarrassment caused by illegal hiring practices.

When it doesn't work out

Of course, the best way to avoid the termination of employees is to hire carefully, communicate clear expectations, train well and conduct productive performance reviews. It's more productive to give people the chance to improve, providing them with the specific measures of performance needed to retain their position, than it is to terminate them at the first sign of under-performance.

There will, however, be times when an employee must be let go. In such eventualities, the advocacy group Domestic Workers United suggests that employees should be given three weeks notice or three weeks pay in lieu of notice.⁶ For employees with longer tenure, employees should be paid one week's severance for each year of service, up to a mutually agreed upon number of weeks.

When giving an employee their termination, be clear, direct and fair. Briefly delineate the reasons for their dismissal and the terms of their severance pay. Make sure that you have documented any complaints, accidents or pending claims in advance of giving termination notice. By having a clear exit strategy in place, including a checklist of all points you need to cover, you may be able to reduce the stress and frustration of the termination process. If you do not have an exit strategy program, consult with your household advisor to provide one for you.

Consider using an Exit Interview Form signed by the employee. This document

MOBILE APPS TO DOCUMENT HOURS

To properly compensate hourly employees, you obviously need a reliable way of tracking hours. This should be a simple, transparent process that leaves a well-organized record in case an employee files a grievance. The U.S. Department of Labor (DOL) offers a mobile application for smart phones and tablets that serves as such a solution. Designed to help hourly employees keep track of their own hours, the app provides a personal copy of time worked, including overtime documentation. Employees enter their start, end and meal/break times daily. The app records hours worked per week and calculates appropriate overtime in the state where the work was done. The DOL app also allows workers to add notes and email a summary of work hours as an attachment.⁷

Employers are ultimately responsible for keeping accurate records of employee work hours, changes in pay, and providing a safe work environment.

⁶Center for Research on Women, *Valuing Domestic Work*, Volume 5. Available at: <http://bcrw.barnard.edu/wp-content/nfs/reports/NFS5-Valuing-Domestic-Work.pdf>. Accessed 1/14/13.

⁷The Department of Labor website, dol.gov/wnd, offers an extensive amount of information about the latest rules governing workplace wages and overtime, as well as a printable work-hours calendar.

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Replacing a household staff member typically costs a minimum of 7.5 times their annual salary in lost productivity and replacement fees.⁸

can help reduce the chances of employee arguments or retaliation.

If an employee files for unemployment benefits, you will receive a notification from the State Employment Securities office. Every employer is responsible for payroll documentation and their assigned contributions for state unemployment benefits. Should your employee be terminated, thorough documentation will be required to deny benefits. Clear documentation of the causes will greatly simplify your case. All household employees should be required to sign a Non-Disclosure Agreement upon hire and should be reminded of the consequences for violating this agreement in conjunction with their Exit Interview.

Further best practices include:

- Always have a third person present, particularly when a male employer is terminating a female employee.
- Do not terminate live-in employees in their rooms.
- Collect all keys, credit cards, etc.
- Change any relevant security or access codes.

Moving forward.

Great success may create a feeling of invincibility. Those who can afford sizeable household staffs can also afford expensive lawyers to defend themselves against the occasional wage dispute, or even Department of Labor inquiry. This is a trap that snares too many wealthy families. While you should certainly speak to your legal and tax advisors about the information in this paper, the best defense is understanding your obligations and following both the spirit and the letter of the law.

We all have read the stories of successful individuals whose ambitions have been curtailed by household staffing missteps. Scores of others have suffered PR disasters, stressful lawsuits and, in extreme cases, even criminal liability. More commonly, substandard household hiring and management practices corrode the peace and tranquility we strive for in our homes. Affluent families with large homes do not have to accept high staff turnover as the status quo. With the systematic application of sensible policies, you can attract and retain a first-rate staff. You can live in a grand house, and enjoy a happy home.

⁸ Teresa Leigh Household Risk Management. Internal data.

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The U.S. Equal Employment Opportunity Commission (EEOC) is responsible for enforcing federal laws that make it illegal to discriminate against a job applicant or an employee because of the person's race, color, religion, sex (including pregnancy), national origin, age (40 or older), disability or genetic information. It is also illegal to discriminate against a person because the person complained about discrimination, filed a charge of discrimination, or participated in an employment discrimination investigation or lawsuit.

Most employers with at least 15 employees are covered by EEOC laws (20 employees in age discrimination cases). Most labor unions and employment agencies are also covered.

The laws apply to all types of work situations, including hiring, firing, promotions, harassment, training, wages, and benefits.

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