

# Understanding Your Paycheck



## Objective

In this lesson, you will

## How Do We Get Paid?

Sarah, Jason, and Malcolm are having a discussion to understand the details shown on their paycheck stubs.

**Question 1:** What are gross pay and net pay?

- \_\_\_\_\_ pay is your total pay for a particular pay \_\_\_\_\_ before the deductions and taxes have been subtracted. Your \_\_\_\_\_ pay, or take-home pay, is the amount remaining after the \_\_\_\_\_ are subtracted from your gross pay.
- The hourly \_\_\_\_\_ for overtime pay is \_\_\_\_\_ than the hourly rate for the first 40 hours.

**Question 2:** How is a salary different from an hourly wage?

- \_\_\_\_\_ is a \_\_\_\_\_ amount paid on a weekly, bi-weekly, or monthly basis.
- If you work on \_\_\_\_\_ basis, your pay entirely depends on the number of \_\_\_\_\_ you worked.
- The hourly \_\_\_\_\_, or rate of pay, is the amount you are \_\_\_\_\_ for one \_\_\_\_\_ of work.

**Question 3:** What is overtime?

- When you're paid on \_\_\_\_\_ basis, if you work more than the regular 40 hours a week or on weekends or holidays, you get \_\_\_\_\_ money.



Gross pay is more than net pay.

## How Do We Get Paid?



The Department of Labor in your state sets the minimum wage.

<b>Part A:</b> What is the minimum wage in your state?	\$ _____
<b>Part B:</b> Solve the expression to find Harry's gross pay.	$\$5 \times 25 \text{ hours} = \$$ _____
<b>Part C:</b> Solve the expression to find Serena's hourly rate of pay.	$\$100 \div \$25 = \$$ _____

## Where Did Our Money Go?

**Question 1:** What are deductions?

- Deductions increase reduce the amount of our take-home pay.
- Some deductions are required by \_\_\_\_\_, while others are optional and may be deducted at the employee's request.
- Mandatory deductions are generally for various \_\_\_\_\_.

**Question 2:** What types of Federal and state tax deductions are required by law?

- Federal and state income taxes are the smallest largest deductions from your paycheck.
- \_\_\_\_\_ provides money to retirees, survivors, and those who have disabilities that make them unable to work; Medicare provides \_\_\_\_\_ insurance for retirees and those who have disabilities.
- Social Security and Medicare are two separate \_\_\_\_\_ taxes but are often referred to together as FICA (Federal Insurance Compensation Act) taxes.

**Question 3:** What other types of deductions are there?

- Retirement \_\_\_\_\_, such as a 401(k).
- Health \_\_\_\_\_.
- Flexible \_\_\_\_\_ accounts allow employees to set aside a portion of their earnings to pay for expenses such as medical expenses for themselves or their families.

# Did We Get the Right Amount?

Check and verify that Sarah has the correct paycheck amount (net pay).

**Step 1:** Calculate the \_\_\_\_\_ pay.

$$\text{\$8 per hour} \times 30 \text{ hours} = \text{\$_____}$$

**Step 2:** Determine the applicable \_\_\_\_\_.

- Sarah's deductions are:

FICA OASDI: \\$14.88

FICA Medicare: \\$3.48

Federal tax: \\$21.00

**Step 3:** Calculate \_\_\_\_\_ pay.

Gross Pay – Total Deductions = Net Pay

$$\text{\$240} - \text{\$14.88} - \text{\$3.48} - \text{\$21.00} = \text{\$_____}$$



To calculate net pay, employers subtract various mandatory or optional deductions from gross pay.

## Summary

What types of deductions might not appear on your paycheck as a student worker? Would some of these be included on your parent's paycheck deductions? Why or why not?