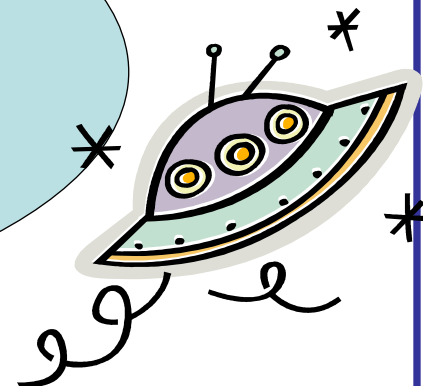


Take Charge Today

Planet Paycheck



AN EARTHLINGS GUIDE TO
UNDERSTANDING PAYCHECKS

PLANET PAYCHECK NAVIGATION

Welcome to Planet Paycheck!

While visiting Planet Paycheck the vast
world of paychecks will be explored!



FIRST JOB!

- Miss Patty Paycheck has just received her first paycheck from her new job!
 - But, the paycheck amount seems a little lower than she had figured. How could that be?
- **Taxes** – Required charges of citizens by local, state, and federal governments
 - Taxes are deducted from all employees paychecks
 - Used to provide public goods and services
 - Roads, police, schools, governmental agencies, fire and emergency services

STARTING A NEW JOB

To receive a paycheck, an employee must:

Complete a Form W-4

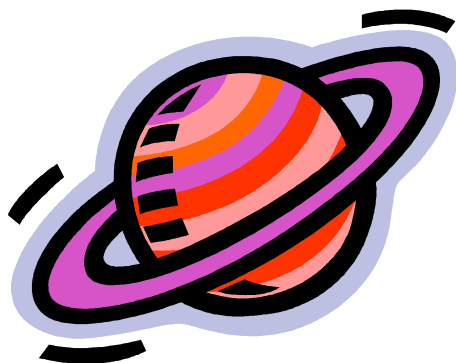
- Employee's Withholding Allowance Certificate
- Determines the amount of money withheld for taxes



STARTING A NEW JOB

Complete a Form I-9

- Used to prove the identity of people and avoid hiring non United States citizens
- Must provide at least 2 of the following
 - passport
 - driver's license
 - U.S. military card
 - Social Security card
 - birth certificate



STARTING A NEW JOB

Form W-2 (Wage and Tax Statement)

- States the amount of money earned and taxes paid throughout the previous year
- Used to file income taxes by April 15th
- Individuals may be exempt from filing federal withholdings if they make less than a certain amount per year



METHODS FOR PAYING EMPLOYEES



I. Paycheck

- Paper check with stub
- Least secure payment method because the employee is responsible for handling the paycheck

2. Direct Deposit

- Employers directly deposit employee's paycheck into the authorized employee's bank account

3. Payroll Card

- A payroll card electronically carries the balance of the employee's net income

PAYMENT METHOD PROS AND CONS

• Paycheck

—Pros:

- Employee controls when the check is deposited

—Cons:

- Least secure, employee responsible for getting it to the bank

• Direct Deposit

—Pros:

- No direct handling of check
- Employee knows exactly when he/she will be paid

• Payroll card

— Pros:

- Wages automatically loaded onto a card

— Cons

- May charge fees for use of the card



READING A PAYCHECK STUB

Items on a paycheck stub include:

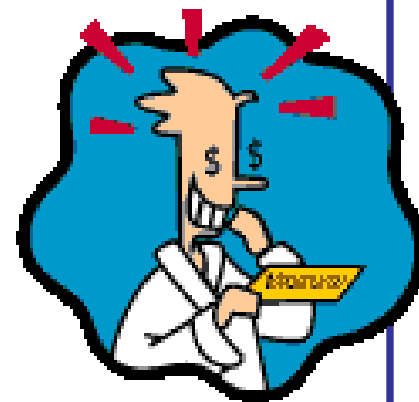
- **Personal Information** - The employee's full name, address, and social security number or employee identification number
- **Pay Period** - The length of time for which an employee's wages are calculated
 - Most businesses pay employees either weekly, bi-weekly, or monthly



READING A PAYCHECK STUB

Gross Income— The total amount of money earned before payroll withholdings

- If a person earns an hourly wage, gross income is calculated by multiplying the number of hours worked by the wage



WHAT IS THE GROSS INCOME?

If Miss Patty Paycheck worked at Terrific Tacos for **\$6.00/hour** for **15 hours** a week what will her **gross income** be?

hours worked x wage = gross
income

$$15 \text{ hours} \times \$6.00/\text{hr} = \$90.00/\text{week}$$



What is Miss Patty Paycheck's gross income for a two week pay period?

$$30 \text{ hours} \times \$6.00/\text{hr} = \$180.00 \text{ for 2 weeks}$$

READING A PAYCHECK STUB

- **Payroll Withholdings** – The amount of money subtracted from the gross income for taxes. Typically about 30% of your paycheck!
 - **Withholding Tax** – The amount required by law for employers to withhold from earned wages to pay taxes
 - **FICA-Federal Insurance Contribution Act**
 - **Fed OASDI/EE (Federal Old Age Survivors Disability Insurance Employee Employment Tax) or Social Security** - helps provide retirement income for the elderly and pays disability benefits
 - **Fed MED/EE (Federal Medicare Employee Employment Tax) or Medicare** - health care program for the elderly and disabled

READING A PAYCHECK STUB

Net Income– The amount left after all payroll deductions have been taken from the gross income

Net income is also referred to as “take home” pay



MISS PATTY PAYCHECK'S PAYCHECK STUB

- Miss Patty Paycheck's paycheck includes:
 - Gross Income **\$180.00**
 - Payroll Withholdings:
 - Federal Withholding Tax **\$14.10**
 - State Withholding Tax **\$5.45**
 - FICA **\$13.77**
- What is her Net Income?
- Gross Income – Payroll Withholdings = Net Income



$$\mathbf{\$180.00 - (\$14.10 + \$5.45 + \$13.77) = \$146.68}$$

READING A PAYCHECK STUB

- **Year-to-Date-** Totals all of the deductions which have been withheld from an individual's paycheck from January 1 to the last day of the pay period indicated on the paycheck stub



SAMPLE PAYCHECK STUB

Terrific Tacos				
Employee Paycheck, Patty	SSN/Employee Identification Number 201-92-4856	Check # 164		Check Am (income) \$146.68
Employee Address 293 Michael Grove Billings, MT 59102				
	Pay Type- Gross Income	Deductions		Current
	\$180.00	Federal Withholding State Withholding FICA		\$14.10 \$5.45 \$13.77
		Totals		\$33.32
Pay Period 6/11/2007-6/25/2007				

REMEMBER TO REVIEW

- It is important to review each paycheck stub to identify any possible mistakes!
 - If a mistake is found, contact the employer for clarification

THANKS FOR VISITING



Thank you for visiting planet paycheck.
Good luck with all of your future paycheck journeys!