



# What's on a pay stub

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## The activity

Show your teenager the sample pay stub to explore how the paycheck amount is calculated and what the entries mean. For many teenagers, their first job brings their first paycheck, and the terms and the amounts on the pay stub are not always easy to understand. Income tax and employee benefit programs can seem like abstract concepts. Looking at each item and seeing it in dollars and cents can help your teenager understand the real-world effect of taxes and deductions on the amount he or she can spend.

## Set up

Print a copy of the sample pay stub form for your teenager and get a copy of your teenager's pay stub. If your teen doesn't have a pay statement yet, decide if you feel comfortable showing your own pay stub as an example.

## What to do

With your teenager, go over all the entries and deductions on the sample pay stub. Then, fill in the blanks in the form with the information on your or your teenager's pay stub.

This activity shows your teenager the difference between gross pay and net pay. Your teenager might be able to tell you what he or she earns as

an hourly or yearly amount—usually that is the gross pay. When your teen sees how gross pay is reduced by taxes and deductions to the “take-home” pay amount, he or she can think more realistically about how much money is available for spending and saving.

## Things to talk about

Based on what your teenager discovers through this activity, consider ways to keep the conversation going. Each part on a pay stub gives you something more to talk about. For example, together you could:

- Look at the deductions on your teen's W-4 form to see how much is being withheld.
- Talk about how your teenager can use the information on take-home pay. For example, your child could think about a realistic budget for ongoing expenses like a cell phone, or start to save up for something he or she wants in future, like a trip or a car.
- Talk about the W-2 your teenager receives at tax time, and how it is used to file a tax return.
- Review any employee benefit programs your teenager is eligible for at work, and talk about how some of those benefits could reduce taxable income and reduce taxes at the end of the year.

# How to read a paycheck

## BIG BOX STORE

## EARNINGS STATEMENT

EMPLOYEE NAME	SOCIAL SEC. NO.	EMPLOYEE ID	CHECK NO.	1 PAY PERIOD	PAY DATE	
Casey Smith	123-45-6789	101	123	8/01/16-8/15/16	8/22/16	
INCOME	RATE	HOURS	CURRENT TOTAL	DEDUCTIONS	CURRENT TOTAL	YEAR TO DATE
2 GROSS WAGES			200.00	4 FEDERAL TAX	8.63	93.51
				5 FICA SS TAX	12.40	125.40
				6 FICA MEDICARE	2.90	31.90
				7 STATE TAX	0.74	8.21
				RETIREMENT	20.00	220.00
3 YTD GROSS	YTD DEDUCTIONS	YTD NET PAY	TOTAL	8 DEDUCTIONS	9 NET PAY	
2,800.00	479.02	2320.98	200.00	44.67	155.33	

### 1 Pay period

Calendar days included in the paycheck. Your employer sets up the schedule of when you are paid.

## Money you've earned

### 2 Gross wages

How much you made before deductions were taken out.

### 3 YTD gross

Summary of total gross wages, deductions, and net pay from the beginning of the year to end of the current pay period (year to date).

### 9 Net pay

Gross pay minus all the deductions. This is your "take-home" pay.

## Money taken out of your paycheck

### 4 Federal tax

Amount withheld for federal income tax. This is deducted each pay period so you do not have a large tax bill when you send in your tax return.

### 5 FICA tax

Amount withheld by your employer to pay your Social Security tax. Social Security primarily provides benefits to retired people and the disabled. You and your employer both contribute to Social Security, and your paycheck shows the part you pay.

### 6 FICA Medicare

Amount withheld by your employer to pay your Medicare tax. Medicare is a federal health insurance program generally available to those who are 65 and older or disabled.

### 7 State tax

Amount your employer withholds to pay your state income tax. (Not all states have income tax.) This is deducted each pay period so you do not have to pay a large amount when you file your tax return.

### 8 Deductions

Taxes, insurance premiums, and the cost of other programs that are subtracted from your gross wages. (Because contributions to programs like a 401(k) retirement plan or health saving plan are subtracted before your tax withholdings are calculated, they reduce your tax liability.)

# Your own paycheck example

Look at your own paycheck, or ask someone else to show you a paycheck of theirs.  
Find these amounts on the paycheck and fill them in below.

Place paycheck here

Pay rate: _____	Other deductions: _____
Hours worked: _____	Total deductions: _____
Gross wages: _____	Net pay: _____
FICA Medicare: _____	YTD gross: _____
FICA SS tax: _____	YTD deductions: _____
Federal tax: _____	YTD net pay: _____
State tax (if applicable): _____	

## Put your money to work for you

Most employers offer to deposit your paychecks directly into your checking or savings account, instead of giving you a paper check. Direct deposit usually makes your money available faster.

And, you can instruct your employer to split your paycheck between your checking account and your savings account. This can help your savings add up automatically, a little at a time.

Questions about checking and saving accounts? We've got answers online at  
Ask CFPB: [consumerfinance.gov/askcfpb](https://consumerfinance.gov/askcfpb)