

Understanding Paychecks

What is a Paycheck?

- A paycheck is a payment you receive from your employer for the work you have done.
- It represents the money you earn and are paid regularly, usually every week, bi-weekly (every two weeks), or monthly.

How Do You Get Paid?

- **Earnings:** The amount of money you earn for the hours you work.
- **Gross Pay:** The total amount you earn before any deductions are taken out.
- **Net Pay:** The amount you take home after deductions, like taxes and other withholdings.





Reading a Paycheck

1. Gross Pay

- This is the total amount you earned before any deductions.
- **Example:** If you earn \$10 per hour and work 20 hours in a week, your gross pay is \$200.

2. Deductions:

- **Taxes:** The government takes a portion of your earnings for income tax and Social Security.
- **Other Deductions:** This might include health insurance, retirement savings, or union dues.
- **Example:** If your gross pay is \$200 and \$30 is deducted for taxes and other deductions, your net pay is \$170.

3. Net Pay:

- This is the amount you actually take home after all deductions.
- **Example:** From the \$200 gross pay, after \$30 in deductions, you receive \$170.

4. Paycheck Components:

- **Pay Stub:** A document that comes with your paycheck showing details of your earnings and deductions.
- **Pay Period:** The time frame for which you are being paid, can vary from one employer to another.
- **Employee Information:** Your name, address, and employee number.
- **Employer Information:** The name and address of the company you work for.

Managing Your Paycheck

1. Budgeting:

- Plan how to use your paycheck by budgeting for needs (like food and transportation), wants (like entertainment), and savings.

2. Saving:

- Set aside a portion of your paycheck for savings. Consider opening a savings account to keep your money safe and help it grow.

3. Tracking Your Spending:

- Keep track of how you spend your money to make sure you stay within your budget and save for future goals.



Taxes and Withholdings

1. Understanding Taxes:

- Taxes are required contributions you pay to the government. They help fund public services like schools and roads.

2. Withholding:

- Your employer withholds a portion of your paycheck to cover taxes and other deductions before you receive your net pay.

Summary

- A paycheck represents your earnings and is usually paid on a regular schedule.
- **Gross Pay** is the total amount earned, and **Net Pay** is what you take home after deductions.
- Understanding and managing your paycheck helps you budget, save, and plan for your financial future.





Financial Fitness Facts

Quiz: Understanding Paychecks

1. What is a paycheck?

- A. A document showing details of your earnings and deductions
- B. A payment you receive from your employer for the work you have done
- C. A summary of taxes paid
- D. A plan for managing your money

2. What does Gross Pay represent?

- A. The amount of money you earn after deductions
- B. The total amount you earn before any deductions
- C. The amount you save each month
- D. The amount your employer withholds for taxes

3. If you earn \$15 per hour and work 30 hours in a week, what is your Gross Pay?

- A. \$450
- B. \$300
- C. \$500
- D. \$600

4. What are deductions?

- A. The amount you save from your paycheck
- B. The portion of your earnings taken out for taxes and other withholdings
- C. The total amount you earn before any deductions
- D. The money you spend on entertainment



Financial Fitness Facts

Quiz: Understanding Paychecks

5. If your Gross Pay is \$500 and \$70 is deducted for taxes and other withholdings, what is your Net Pay?

- A. \$430
- B. \$500
- C. \$570
- D. \$600

6. What is a Pay Stub?

- A. A payment you receive from your employer
- B. A document that comes with your paycheck showing details of your earnings and deductions
- C. The total amount you earn before any deductions
- D. A summary of your spending

7. What is the purpose of budgeting your paycheck?

- A. To determine your Gross Pay
- B. To keep track of your hours worked
- C. To plan how to use your paycheck for needs, wants, and savings
- D. To calculate the amount of taxes you owe

8. What should you do to manage your paycheck effectively?

- A. Spend all of it immediately
- B. Ignore your deductions
- C. Plan your spending, save a portion, and track your expenses
- D. Only spend on entertainment



Financial Fitness Facts

Answers:

1. **B)** A payment you receive from your employer for the work you have done
2. **B)** The total amount you earn before any deductions
3. **A)** \$450
4. **B)** The portion of your earnings taken out for taxes and other withholdings
5. **A)** \$430
6. **B)** A document that comes with your paycheck showing details of your earnings and deductions
7. **C)** To plan how to use your paycheck for needs, wants, and savings
8. **C)** Plan your spending, save a portion, and track your expenses



Financial Fitness Facts

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