

Paycheck Walkthrough

If you are working or once you start working, it is important to understand your paycheck. Understanding this helps you plan better. If you know what you're earning per week, you can make better decisions about spending and saving. Below is an example of how to understand gross pay, net pay, and deductions. If you are already familiar with these concepts, you can move to the paycheck activity on the next page.

To better understand, let's start with a simple example. **Imagine you have a job that pays you \$12 per hour, and you work 40 hours in a week.** How much do you think you'd earn?

Let's calculate it together:

$$\$12 \times 40 \text{ hours} = \textbf{\$480 (gross pay)}$$

This is what we call your **gross pay**. It's the total amount you earned before any money is taken out. Money is taken out of your paycheck due to something called deductions.

Deductions are money taken out of your paycheck for taxes, insurance, or other reasons. Everyone who pays taxes will have deductions on their paycheck.

So, for example, let's say **\$100** is taken out of your paycheck for taxes. These taxes help pay for things like roads, schools, and other services. So, your pay would look like this:

Gross Pay: **\$480**

Deductions: **\$100**

To figure out your net pay, the amount of money you actually get to take home, we do this math:

Gross Pay - Deductions = Net Pay

So, in our example:

$$\$480 - \$100 = \textbf{\$380 (net pay)}$$

Your net pay, the money you actually get to take home, would be \$380. Understanding this helps you plan how you need and want to use your money.

Name: _____ **Date:** _____

Here is an example of a paycheck. Use this paycheck to help answer some of the questions below.

XYZ Company 1234 Main Street Anywhere, OH 12345			Employee:		Russell Hedgehog		
			Social Security Number:		xxx-xx-6789		
			Pay Period:		02/01/2024 – 02/15/2024		
			Pay Date:		02/16/2024		
			Check Number:		101010		
Hours				Earnings			
	Regular	Overtime	Regular	Overtime	Bonus	Other	Gross Pay
This Pay	60	0	\$12.00	\$0.00	\$0.00	\$0.00	\$720.00
YTD	180	0	\$12.00	\$0.00	\$0.00	\$0.00	\$2,160.00
Deductions							
	Social Security Tax	Medicare Tax	Federal Withholding Tax	State Withholding Tax	Pension	Total Deductions	Net Pay
This Pay	\$44.64	\$10.44	\$86.40	\$28.80	\$0.00	\$170.28	\$549.72
YTD	\$133.92	\$31.32	\$259.20	\$86.40	\$0.00	\$510.84	\$1,649.16

1. What is the pay period?_____
2. What is Russell Hedgehog's hourly wage?_____
3. How many hours did Russell work?_____
4. What is Russell's gross pay for this pay period?_____
5. How much was deducted for federal taxes this pay period?_____
6. How much was deducted for federal taxes year to date (YTD)?_____
7. What are the total deductions for this pay period?_____
8. What is the net pay for this pay period?_____