



What's In My Paycheck?

compensation package:

all of the wages (salary, bonus, commission) and benefits provided by an employer

wages:

money paid or received for work or services completed, usually by the hour, day, or week

salary:

wages an employee receives from the employer on a regular basis, usually weekly, bi-weekly or monthly.

Examples and Practice

Read the two scenarios below and construct a spreadsheet that helps you answer the questions that follow.

- **Job 1:** base pay = \$2,500/month, average work week = 47 hours
- **Job 2:** base pay = \$10.25/hour, average work week = 47 hours

Create a spreadsheet that will calculate:

- *What is the weekly pay for Job 1? (What formula will you enter for this calculation?)*
- *What is the hourly wage for Job 1 including overtime hours? (What formula will you enter for this calculation?)*
- *What is the weekly pay for Job 2? (What formula will you enter for this calculation?)*
- *Which of the two jobs would you rather have? Why?*

base pay:

the basic rate of pay for a particular job not including overtime, bonuses, or commissions

bonus:

a sum of money given to an employee (usually one that is paid a salary) in addition to the employee's usual wages; usually based on business or employee performance, not guaranteed

commission:

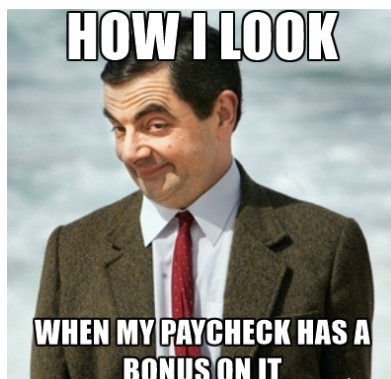
a fee paid to an employee or agent for providing a service, such as a sale

- **Job 1:** Your boss offers you monthly bonus of \$200 if you obtain five new customers each month
- **Job 2:** Your boss offers you a 3% commission for every dollar's worth of product you sell.

Examples and Practice

Compare the two jobs by calculating:

- *Assume you meet the goal of obtaining five new customers per month for 10 of the 12 months of the year. How much would you earn in bonus money for the year?*
- *Assume you sell an average of \$700 worth of product each week. How much would you earn in commission for the month? How much would that equate to throughout the year?*
- *Based on your calculations, and assuming identical base pay, which of these is a better paying job? Why?*



insurance:

promised payment for specific, potential and/or future losses in exchange for a periodic payment

paid time off (PTO):

time not worked by an employee for which the regular rate, a fixed or a prorated amount of pay, is accrued and paid to the employee

sick leave:

work for an employee temporarily unable to perform duties due to illness or disability

profit sharing:

a program in which the employer shares some of its profits with employees through stocks, bonds or cash



Examples and Practice

Read the two scenarios below and answer the questions that follow.

Job 1: The employer will pay half of the monthly insurance premiums for your medical, dental and vision insurance. The total cost for these each month is \$470. You get disability insurance at no cost and an amount of life insurance equal to one year's salary at no cost.

Job 2: The employer will pay 75% of the \$500 monthly insurance premiums for your medical and dental insurance. You can purchase vision insurance for \$5 per month. Your disability insurance costs \$35 per month and the employer provides an amount of life insurance equal to the value of 1½ times your salary at no cost.

Compare the two jobs by calculating:

- For Job 1, how much would you have to pay for your half of the medical, dental and vision insurance and all the other benefits listed?
• For Job 2, how much would you have to pay for your portion of the medical, dental and vision insurance and all the other benefits listed?
• All other things being equal, which job would you rather have? Why?

gross pay:

regular pay, overtime pay, and other taxable earnings paid to an employee during a pay period before any obligations, such as taxes, are deducted

income taxes:

percentage of your income paid to the government each year

withholding:

part of an employee's wages or salary that is withheld by the employer as partial payment of the employee's income taxes

FICA:

stands for Federal Insurance Contributions Act, a federal payroll tax paid by employers and employees to fund government programs that provide benefits to retirees

dependent:

someone (such as a child under 18) who relies on an adult for support

net pay:

remaining amount of pay after taxes, retirement contributions and other deductions are made

W4:

a form that the employee fills out to let the employer know his or her tax situation, allowing the employer to figure out the correct amount of tax to withhold from the employee's paycheck

Form W-4 (2016) The exceptions do not apply to supplemental wages greater than \$1,000.00.
How much income, if you have a large amount of income, such as interest or dividend...
Head of household. Generally, you can claim head of household if you are unmarried and live with a dependent.

Personal Allowances Worksheet (Keep for your records.)
Enter "1" for yourself if no one else can claim you as a dependent.
Enter "1" if you are single and have only one job; or
Enter "1" if you are married, have only one job, and your spouse does not work; or

W-4 Employee's Withholding Allowance Certificate
OMB No. 1545-0074
2016
Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.

What's Included on a Paycheck Stub

ABC Corp.
450 Chamber Street
Somewhere, USA 00010

Employee Name: Mary Smith
Social Security #: 999-99-9999
Period End Date: 01/07/13

Wages					Deductions		
Description	Hours	Rate	Current Amount	Y-T-D Amount	Description	Current Amount	Y-T-D Amount
Regular	40.00	10.00	400.00	400.00	Federal Withholdings	37.29	37.29
Overtime	1.00	15.00	15.00	15.00	Social Security Tax	24.83	24.83
Holiday			0.00	0.00	Medicare	5.81	5.81
Tuition			37.43	37.43	Tax	8.26	8.26
					NY State	5.11	5.11
					Income Tax	0.61	0.61
					NYC Income Tax		
					NY SUI/SDI Tax		
					Other		
					401(k)	27.15	27.15
					Life Insurance	2.00	2.00
					Loan	30.00	30.00
					Dental	2.00	2.00
					HMO	20.00	20.00
					Dep Care FSA	30.00	30.00
Totals			452.43	452.43	Deduction Totals	193.06	193.06
Taxable Gross			335.85	335.85			
					NET PAY	259.38	259.38

Examples and Practice

What's Included on a Paycheck Stub

- On the left you can see this is an hourly employee. She is paid 1 ½ times her hourly rate for overtime. She also gets holiday pay and reimbursement for tuition as benefits.
- On the right you can see the federal withholdings along with state and local taxes.
- Look at the various benefits the employee gets. You can see these listed under the "Other" category on the right side.
- Study the four numbers at the bottom of the pay stub: Totals, Taxable Gross, Deduction Totals and Net Pay. You can see how the various withholdings and deductions impact the amount of pay the employee takes home for the week.
- Note that "Y-T-D" refers to the "Year-to-Date" summary of each item.
- *How many hours did she work last week, including overtime?*
- *What benefits does this employer give the employee?*
- *Does she pay taxes on the tuition reimbursement? How can you tell?*
- *What other deductions are not taxable and made before taxes are calculated?*
- *What percentage of the money earned was actually paid to the employee?*
- *How much did the employee put into the 401(k)? How much did she pay for dental, medical (HMO) and life insurance?*
- *Using the data from the current pay period column, approximately how much will be withheld for this employee's annual federal taxes?*