

Paycheck Basics





The mission of Broadview Financial Well-Being is to guide and encourage individuals to focus on achieving economic stability—using innovative tools, making informed decisions, and encouraging positive habits.

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CONGRATULATIONS!

You have two job offers.

Each job has a different pay option. Which do you choose? Payment Option 1 or Payment Option 2?

Power of A PENNY FOR 20 DAYS

PAYMENT OPTION 1:
\$200.00 a day x 20 days = \$4,000.00

PAYMENT OPTION 2:

Day 1	\$0.01
Day 2	\$0.02
Day 3	\$0.04
Day 4	\$0.08
Day 5	\$0.16
Day 6	\$0.32
Day 7	\$0.64
Day 8	\$1.28
Day 9	\$2.56
Day 10	\$5.12
Day 11	\$10.24
Day 12	\$20.48
Day 13	\$40.96
Day 14	\$81.92
Day 15	\$163.84
Day 16	\$327.68
Day 17	\$655.36
Day 18	\$1,310.72
Day 19	\$2,621.44
Day 20	\$5,242.88

Power of A PENNY FOR 30 DAYS

PAYMENT OPTION 1:
\$1,000,000.00

PAYMENT OPTION 2:

Day 1	\$0.01
Day 2	\$0.02
Day 3	\$0.04
Day 4	\$0.08
Day 5	\$0.16
Day 6	\$0.32
Day 7	\$0.64
Day 8	\$1.28
Day 9	\$2.56
Day 10	\$5.12
Day 11	\$10.24
Day 12	\$20.48
Day 13	\$40.96
Day 14	\$81.92
Day 15	\$163.84
Day 16	\$327.68
Day 17	\$655.36
Day 18	\$1,310.72
Day 19	\$2,621.44
Day 20	\$5,242.88
Day 21	\$10,485.76
Day 22	\$20,971.52
Day 23	\$41,943.04
Day 24	\$83,886.08
Day 25	\$167,772.16
Day 26	\$335,544.32
Day 27	\$671,088.64
Day 28	\$1,342,177.28
Day 29	\$2,684,354.56
Day 30	\$5,368,709.12

It is important to consider
the power of savings!





Gross EARNINGS vs. Net PAY The Money You EARN vs. The Money You KEEP

What do you think would be (or is) the best part of having a job?

For many people payday is the best part of having a job.

Unfortunately, some people are disappointed with their first paycheck because they underestimate the cost of taxes.

Taxes are required citizen charges by local, state, and federal governments. The money is used to provide public goods and services such as police, fire and emergency services, schools, and roads. Approximately 30% of every paycheck goes to taxes.



Do the MATH

Marcello is paid \$18.00 per hour at their job in the local sandwich shop. During the summer, they are able to work full-time, which is usually 30-40 hours each week.

How might Marcello forecast their earnings for the summer, assuming work starts July 1 and ends August 31? To get started, gather the following facts:

Wages: \$_____ per hour Hours: _____ weekly average Number of Weeks: _____

Apply the Formulas: $A = (r) \times (h)$ and $G = (A) \times (w)$

$$\frac{\text{Hourly Rate (r)}}{\text{Hourly Rate (r)}} \times \frac{\text{Hours per week (h)}}{\text{Hours per week (h)}} = \frac{\text{Average Earnings Per Week (A)}}{\text{Average Earnings Per Week (A)}}$$

$$\frac{\text{Average Earnings (A)}}{\text{Average Earnings (A)}} \times \frac{9}{\text{Weeks in Summer (w)}} = \frac{\text{Gross Summer Earnings (G)}}{\text{Gross Summer Earnings (G)}}$$

Estimate Marcello's take-home pay, assuming that 30% of their gross earnings goes to taxes.

$$\frac{G}{G} \times \frac{0.30}{30\% \text{ Tax}} = \frac{\text{Estimated Tax (E)}}{\text{Estimated Tax (E)}} \quad \frac{G}{G} - \frac{E}{E} = \frac{\text{Estimated Take-Home Pay}}{\text{Estimated Take-Home Pay}}$$



Ways to RECEIVE YOUR PAY

There are options for how you can receive your pay. Review the delivery methods below and consider the pros and cons. Use this exploration to decide which is best for you.

Direct Deposit

Employers send the employee's paycheck funds into their authorized bank account. On payday, the employee receives a paycheck stub detailing the payroll withholdings.

Pro: *Pay can't get lost*

Saves the task of depositing

Con: *Must check stub online for*

accuracy



Payroll Card

This is issued from the employer and it carries the balance of the employee's net income. You can only spend what you have earned, and it is not linked to a consumer bank account.

Pro: *Works similar to debit card*

Earnings are loaded onto card

Con: *Could lose the card*

May have fees to access funds



Paper Check

The employer physically give the employee a check. The paycheck stub is attached to show gross earnings and payroll withholdings. The employee is responsible for cashing or depositing the funds at the bank.

Pro:

Con:



Social Security Card:

Your Social Security card is an official document that proves your Social Security Number (SSN) belongs to you. It will be necessary to provide this number on some employment forms and at other times in your future, so it is a good idea to memorize your SSN. Do not carry the card in your wallet. Keep it at home in a safe place. If it gets lost, contact your local Social Security Administration office to receive a replacement. You will need proper identification to do so.

Reading a PAYCHECK STUB

100 FLAVORS ICE CREAM					
Employee	Employee ID Number		Check #: 239	Check Amount:	
Your Name	123		Check Date: 01/07/20xx	\$146.68	
Employer Address:	999 Ice Cream Way Your City, NY, 11111		Pay Period: 12/17/20xx-12/31/20xx		
Earnings This Period	Earnings Year-to-Date		Employee Taxes/Withholdings	Current	Year-to-Date
Gross Pay: \$180.00	Wages	\$4,680.00	Federal Withholding	\$14.10	\$503.46
			State Withholding	\$5.45	\$117.72
			FICA	\$13.77	\$636.00
			Totals	\$33.32	\$1,502.10

A **paycheck stub** lists the payroll deductions as well as other important information, including the terms described below.

Personal Information—States the employee's name, address, and Social Security number.

Gross Income—The total amount of money earned during the pay period before payroll withholdings.

Net Income—The amount of money left after all payroll withholdings have been taken from the gross pay. This is take-home pay.

Pay Period—The length of time for which an employee's wages are calculated: usually weekly, bi-weekly, twice a month, or monthly.

Year-to-Date—Totals of all 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.

Use the sample paycheck stub above to locate these specific items and circle the corresponding information in the diagram.

- Employer's Name
- Check #
- Net Pay (Current Amount)
- Gross Pay (YTD)
- Total Deductions (YTD)
- State Withholding Taxes (Current Amount)
- Federal Withholding Taxes (YTD)
- FICA (Current Amount)

Check your pay stub immediately for accuracy.



Withholding Tax—The amount required by law for employers to withhold from earned wages to pay taxes. On a paycheck stub, these are separated into two different withholding categories - federal and state. The amount withheld depends on two things: the amount of money earned and/or the information provided on the Form W-4.

FICA (Federal Insurance Contribution Act)—

This tax is used to fund government programs such as Social Security, healthcare, and workers' compensation. This includes two primary taxes:

- Fed OASDI/EE (Federal Old Age Survivors Disability Insurance Employee Employment Tax) or Social Security—This tax helps provide retirement income for the elderly and pays disability benefits.
- Fed MED/EE (Federal Medicare Employee Employment Tax) or Medicare—This tax provides hospital and medical insurance to those who are over 65 years of age, for certain younger people with disabilities, and people with end-stage renal disease.

State Withholding Tax—This tax is used to maintain and improve state and local infrastructure and services, including first responders, road maintenance, and parks. The rate/amount depends on the state you live in and what programs are supported by tax dollars.



Sample FORM W-2

The W-2 is a wage and tax statement, since it shows income and taxes paid during the year. The W-2 lists the taxes withheld by your employer. Each employee must receive this form by their employers at the beginning of the year. For each employer you worked for, you will receive a W-2 statement.

22222		a Employee's social security number XXX-XX-XXXX		OMB No. 1545-0008	
b Employer identification number (EIN)			1 Wages, tips, other compensation \$4,680.00	2 Federal income tax withheld \$503.46	
c Employer's name, address, and ZIP code 100 Flavors Ice Cream 999 Ice Cream Way Your City, NY 11111			3 Social security wages	4 Social security tax withheld \$636.00	
			5 Medicare wages and tips	6 Medicare tax withheld	
			7 Social security tips	8 Allocated tips	
d Control number			9	10 Dependent care benefits	
e Employee's first name and initial Last name Suff. Your Name Your Street City, State Zip Code			11 Nonqualified plans		12a
			13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b
			14 Other		12c
					12d
f Employee's address and ZIP code					
15 State	Employer's state ID number	16 State wages, tips, etc. \$4,680.00	17 State income tax \$117.72	18 Local wages, tips, etc.	19 Local income tax
					20 Locality name

Form **W-2** Wage and Tax Statement
Copy 1—For State, City, or Local Tax Department

20XX

Department of the Treasury—Internal Revenue Service

Important information on the W-2 includes:

Box 1—Wages, tips, other compensation: This is the amount that will be entered on the wages line of your tax return

Box 2—Federal income tax withheld by your employer

Box 3—Social security tax withheld

Box 6—Medicare tax withheld

Box 17—State income tax

Box 8—Allocated tips

Box 10—Dependent care benefits; total dependent care benefits that were paid to you by your employer or incurred on your behalf



Knowledge CHECK

What are the taxes collected through payroll deductions used for in our local community, state and country?		What is another name for take-home pay or the check amount? Net income or gross income?	
What form provides the year-long income and deduction information needed for filing your tax returns?		Why is it important to check your pay stub every pay period?	
If gross income is \$400 and total payroll withholdings are \$50, what is the net income?		If you receive your pay by check, you may have to pay a fee to cash it if you do not have a bank account.	<input type="radio"/> T <input type="radio"/> F
Optional payroll deductions can include health insurance, retirement savings and contributions to charity.	<input type="radio"/> T <input type="radio"/> F	Portions of your paycheck are deducted every pay period for withholdings.	<input type="radio"/> T <input type="radio"/> F
You cannot make any changes to your W-4 form once you complete and submit.	<input type="radio"/> T <input type="radio"/> F	If you do not withhold enough taxes throughout the year, you could owe taxes.	<input type="radio"/> T <input type="radio"/> F
You must use a paid tax preparer to file your taxes.	<input type="radio"/> T <input type="radio"/> F	Your pay cannot get lost when you use direct deposit.	<input type="radio"/> T <input type="radio"/> F
You will receive a W-2 form from each job you worked during the calendar year.	<input type="radio"/> T <input type="radio"/> F	If you are hired to make \$15 an hour and work 10 hours, your paycheck will be net \$150.00.	<input type="radio"/> T <input type="radio"/> F



Vocabulary LIST

TERM	DEFINITION
Deductions	The amount that is subtracted from gross pay
Direct Deposit	Wages go directly from an employer bank account to an employee's bank account
FICA	Federal Insurance Contribution Act; includes Social Security and Medicare
Form I-9	Used to prove citizenship
Form W-2	The wage and tax statement; states the amount of money earned and taxes paid throughout the previous year
Form W-4	Employee's Withholding Allowance Certificate; it determines the amount of money withheld for taxes
Gross Income	The total amount of money earned before payroll withholdings
Medicare	Health care program for the elderly and disabled
Net Income	The check amount that is often referred to as the take-home pay
Pay Period	The length of time for which an employee's wages are calculated
Paycheck	Paper payment for wages earned
Paycheck Stub	A document an employee receives as a notice of payment and deductions
Payroll Card	An electronic card that carries the wages earned on it
Payroll Deductions	Items deducted from gross pay
Social Security	Helps provide retirement income for the elderly and pays disability benefits
Take-Home Pay	Net income—the amount an employee receives after deductions
Taxes	Required charges of citizens by local, state, and federal governments
Withholding Tax	The amount required by law for employers to withhold from earned wages to pay taxes
Year-to-Date	Accumulated deductions for the year

Archaeological Dig CHALLENGE

DIRECTIONS

It is the year 2525. You are part of a team of archaeologists who have discovered what appears to be the remains of a civilization that existed in 2021.

Your team has uncovered a specific dig site that contains early 21st century technology within the remains of a building called Broadview Federal Credit Union. Within this structure, you find several artifacts that have led you to believe that people who worked for Broadview were paid for the work they performed during this ancient time period. Within the dig site you find many documents that indicated personal information and how people of the time were paid. Your team is assigned to a specific land area to dig up as many artifacts as you can find. You need to try to understand the civilization from the artifacts you have discovered. Your team needs to label and tag the artifacts, describing where they were found and what you believe the artifacts represent. Your team will then present your findings to the Worldwide Archeology Regulatory Agency at their next meeting.

NOTE: The criteria for your presentation is listed on the next page. The team that best represents the artifacts found, labeled, and tagged, will win a promotion and a prize.



Presentation Criteria:

Make sure you review the checklist below carefully for specific details.

1. Your cohesive presentation must be 3-5 minutes long.
2. Language must be positive. Inappropriate language or gestures are not allowed.
3. Your team **MUST USE** at least 3 of these artifacts in your presentation and explain the purpose of each.
 - **Form W-2**
 - **Form W-4**
 - **Paycheck**
 - **Form I-9**
 - **Payroll Card**
 - **Social Security card**
4. You must define at least **10** of these terms: **gross income, net income, income taxes, alien, deductions, social security, direct deposit, FICA, payroll deductions, Medicare, state withholding taxes, federal withholding taxes, pay period.**
5. All members of the team must be introduced by name.
6. All team members must participate substantially in the workload. Give credit where credit is due!
7. Team members must use professionalism and enthusiasm.
8. Presentation must have a WOW factor.

Evaluation:

Each team will present the results of their findings including artifacts and their meaning.





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