

Take Home Pay

MODULE 6



PACIFIC NW
FEDERAL CREDIT UNION

Questions?
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Take Home Pay

Lesson: Take Home Pay

Grade: 10th-12th

Objectives:

1. Students will understand the difference between Net and Gross pay.
2. Students will be able to read a paycheck and understand where the money that is taken out is distributed to.

Vocabulary:

1. Net Pay
2. Gross Pay
3. Payroll Withholdings
4. Exemptions
5. Federal Withholding
6. State Withholding
7. Appropriations

Procedure:

1. Have the Take Home Pay PowerPoint projected to begin the lesson. Follow the slides to guide your lesson.
2. Allow for natural class discussion and pause for questions after every slide.
3. Look at slide 9 on the PowerPoint and lead a class discussion. Possible discussion questions?
 1. **Who got the largest amount of the paycheck?** (the employee)
 2. **Where did the second largest amount go to?** (Federal Taxes)
 3. **Who decides how the money from Federal Taxes are spent?** (Appropriations are annual decisions made by Congress about how the federal government spends some of its money. In general, the appropriations process addresses the discretionary portion of the budget – spending ranging from national defense to food safety to education to federal employee salaries – but excludes mandatory spending, such as Medicare and Social Security, which is spent automatically according to formulas.)
 4. **So what does that mean Federal Taxes are spent on?** (Social Security, Medicaid/Medicare, Defense, Safety Net Programs (Providing aid to families who need it), interest on national debt, benefits for national retirees and veterans, education, transportation, science and medical research, along with other smaller spending categories)
 5. **What else was taken out of your paycheck?** (State taxes and FICA)
 6. **What is FICA?** (The Federal Insurance Contributions Act (FICA) is a U.S. law that mandates a payroll tax on the paychecks of employees, as well as contributions from employers, to fund the Social Security and Medicare programs. For self-employed persons, there is an equivalent law called the Self-Employed Contributions Act (SECA).)
 7. **What are State Taxes spent on?** (See Slide 6 of PowerPoint)
4. Once finished, hand out the “Take Home Pay Discovery Activities” Packet and allow students time to work. Depending on teacher preference, students may work with partners or on their own.

Take Home Pay

Discovery Activities



Name_____

Paycheck Vocabulary

When you earn money at a job, you will probably get a pay stub with each paycheck. Many people do not bother reading their pay stubs, as they're more concerned with the money they've earned on payday.

However:

The information presented on a paystub is both helpful and important. If you do not read your pay stub, you will not know about the deductions subtracted from your paycheck, and you won't know where your money is going. It is even possible that money is being deducted incorrectly! Learn how to read and understand a pay stub so you can track your earnings and deductions. You might also want to use a paycheck calculator to figure out your take-home pay.

- 1. Pay Period:** The pay period is the date range covered on the pay stub. You might be paid weekly, biweekly, or monthly, depending on your company's payment policy. The pay period will be important to know if you ever need to contest errors with paid leave or deductions.
- 2. Gross Pay:** The gross pay is the total income you earned during a specific pay period. Gross pay is your earnings before deductions, and it should always correspond with your salary amount.
- 3. Net Pay:** The net pay is the amount of money you earn after deductions are subtracted from the gross pay. The net pay is the amount paid with your paycheck, whether by direct deposit or with an actual check.
- 4. Taxes:** The taxes deducted from your paycheck will include federal, state, and possibly local taxes. Federal taxes are based on your earnings and deducted according to the exemptions you indicated on the W-4 form you filled out with your employer. State taxes are based on the unique policies of your state of residence. Local taxes are somewhat uncommon, but some municipalities deduct local taxes from residents' income. The Federal Insurance Contributions Act, or FICA, includes money withheld to fund programs such as Social Security.
- 5. Medicare:** Medicare is a mandatory deduction from gross pay to pay for health insurance for retirees and disabled people. Your employer will match your contribution to Medicare.
- 6. Social Security:** Social Security is a mandatory deduction from gross pay. Your deductions will be matched by your employer and placed into an account that you can access later.
- 7. Year-to-Date Information:** The year-to-date information contained on your pay stub shows the total amount of money withheld for the different categories. Monitoring year-to-date information helps you track how much taxes and other money has been withheld during the calendar year.
- 8. Health Insurance:** If your employer offers health insurance, you may have a deduction to help pay for your coverage.
- 9. Employer-Sponsored Retirement Account Contributions:** Your employer may also offer a savings plan that you can contribute to each paycheck.
- 10. Flexible Spending Account:** Some employers set up accounts for employees that allow them to save pre-tax earnings to use to pay for medical expenses.
- 11. Health Savings Account:** This account enables you to save pre-tax earnings to pay for medical expenses. Employees with high-deductible insurance plans may have this benefit.
- 12. Leave Balance:** A leave balance shows the amount of paid leave you have available for the current year.

Portland's Best Records

Employee Paycheck, Pete	SSN/Employee ID Number 123-45-6789	Check # 152	Check Amount (Net Pay) \$224.88
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Employee Address 12005 NE Erin Way Portland, OR 97220	Hourly Wage: \$15.00
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Pay Type- Gross Pay	Deductions	Current	Year-to-date
Total Hours Worked: 12	Federal Withholding	\$18.10	\$296.10
\$180.00	State Withholding	\$9.45	\$130.80
	FICA	\$17.57	\$330.48
Overtime Pay			
Hours Worked: 4			
\$90.00			
Total Pay:	Total Deductions:	\$45.12	\$757.38
\$270.00			

Pay Period 9/15/2020-9/29/2020

Name _____ Date _____

Reading a Paycheck

Pete has a full-time job working at the local record store. To help you better understand the difference between gross income, net income, and some common payroll deductions, analyze the pay stub for Pete. Then answer the following questions.

1. Who is Pete's employer?
2. What is the length of the pay period Pete just worked?
3. How many total hours did Pete work during this pay period?
4. What amount per hour does Pete get paid for regular hours worked?
5. Did Pete work any overtime this period? If yes, how many hours?
6. What amount per hour does Pete get paid for overtime?
7. What is Pete's gross income for this period?
8. What is Pete's net income for this period?
9. List the type and amount of each tax deduction for Pete for this pay period:
10. List the type and amount of any other deductions for Pete for this pay period:

Additional Discussion Questions

1. When/if you are employed will you take home every dollar that you earn? Why or why not?
2. What is the difference between “gross income” and “net income”?
3. What are payroll deductions?
4. What kinds of payroll deductions are made from a typical paycheck?
5. What are taxes?
6. What is tax money used for?
7. Do you think it is fair to have money taken out of your paycheck without your permission?
8. Why wasn't any money taken out for medical insurance or retirement savings plans such as a 401k?
9. Were you surprised to learn that workers receive less income than they earn? Why or why not?