

LINX EDUCATIONAL INSTRUCTOR'S GUIDE

SHOW ME THE MONEY: Understanding Your Paycheck

OVERVIEW:

Trying to decipher a paystub can be challenging. How do you determine what the “take-home” pay is? What is FICA? What is a medicare deduction? And why is the amount we take home so different from what we actually earn? This video features experts who help viewers unravel the mysteries of withholding, from FICA to Worker’s Comp. And they will learn the purpose of a W-4 form and how to fill one out for an employer.

OBJECTIVES:

- Identify paycheck deductions, where the money goes

- Explain government required, personal choice and company deductions

- Identify two ways to reduce AGI (adjusted gross income)

- Know and understand: gross pay, net pay, AGI, taxable income, withholding, FICA, W-2, W-4

- Describe the importance of a savings and/or investment plan

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ACTIVITY 1: The Paycheck

No. 3096
Date _____
Pay to the order of _____ \$ _____
Pay this amount _____ dollars
Memo: January 2 - January 15, 2010 The People's Bank, Jacksonville FL 32250
_____ authorized signature
00000.123 :011000000041: 06321

PAYCHECK STUB

PAY PERIOD	ACCOUNT	GROSS	HOURS	FED WH	STATE TAX	F.I.C.A.	MEDCARE	INS	OTHER	NET
01/02/2010 - 01/15/2010	32	\$360.00	45							

DIRECTIONS: Fill in the amounts on the paycheck and stub; some may need to be calculated.

1. What is the amount earned? _____ This is the _____ pay.
2. What is the social security to be withheld? (Multiply gross pay times 6.2% Or .062) _____
3. What is the Federal Withholding amount? (Multiply gross pay times 13%) _____
4. How much is withheld for Medicare? (Multiply the gross pay times 1.45% or .0145) _____
5. Identify any other deductions: \$ _____ for _____
6. Total amount of deductions: \$ _____
7. What is the amount of take home pay? _____ This is the _____ pay.
8. What is hourly rate of pay? _____

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ACTIVITY 2: Terms

Define the following words:

1. Gross pay _____
2. Net pay _____
3. AGI or Adjusted Gross Income _____
4. Taxable income _____
5. F.I.C.A. _____
6. W-2 _____
7. W-4 _____
8. Withholding _____
9. Exemptions _____
10. Deductions _____

Answer Key

Activity 1: Paycheck

1. Earned \$360.00 gross pay
2. FICA = Social Security = \$22.32
3. Federal Withholding = \$46.80
4. Medicare = \$5.22
5. \$40.00 for optional Insurance deduction
6. Total deductions = \$114.34
7. \$245.66 Net pay
8. \$8.00 per hour

Activity 2: Terms

1. Gross pay: Total money earned before taxes/deductions.
2. Net pay: Take-home pay; amount after taxes/deductions.
3. Adjusted Gross Income (AGI): Amount reported for tax purposes after legal deductions.
4. Taxable Income: Amount of money on which you owe taxes.
5. F.I.C.A.: Social security (Federal Insurance Contributions Act)
6. W-2: Form employer uses to report taxable income and deductions
7. W-4: Employee Withholding Allowance Certificate; employee reports number of deductions to employer
8. Withholding: Allowances to reduce income tax owed.
9. Exemptions: Fixed deductions allowed by government (self, child, etc)
10. Deductions: Personal expenses that are allowed, to reduce taxes owed.

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