

Getting Paid

Advanced Level



What are the two primary sources of employment?



You are hired
by a business
or an **employer**

You are self-
employed

What is the difference between an
employee and an employer?



Salary vs. Hourly

Salary

- Set amount of money
- Not dependent on the specific number of hours worked
- Example: \$30,000/year

Hourly wage

- Earn a specific rate for every hour worked
- Example: \$16.00/hour
- Minimum wage – Federal and state

Would you rather be paid a salary or hourly wage?



What methods do employers use to pay employees?



Paper paycheck

Direct deposit

Payroll card

Paper Paycheck and Direct Deposit

Paper paycheck

Direct deposit

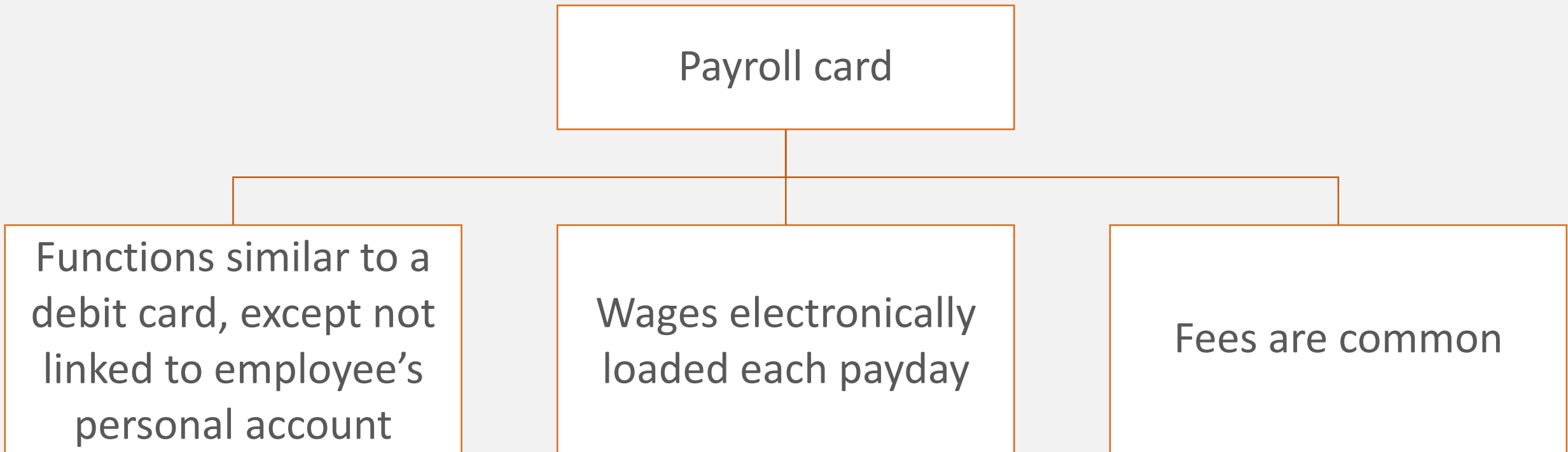
What are the pros and cons of each method?



Access funds by
cashing or depositing
a check

Wages deposited
directly to depository
institution account

Payroll Card



What method of payment would be best for you?



How often will I get paid?



Weekly? 52 pay periods a year



Bi-Weekly? 26 pay periods a year

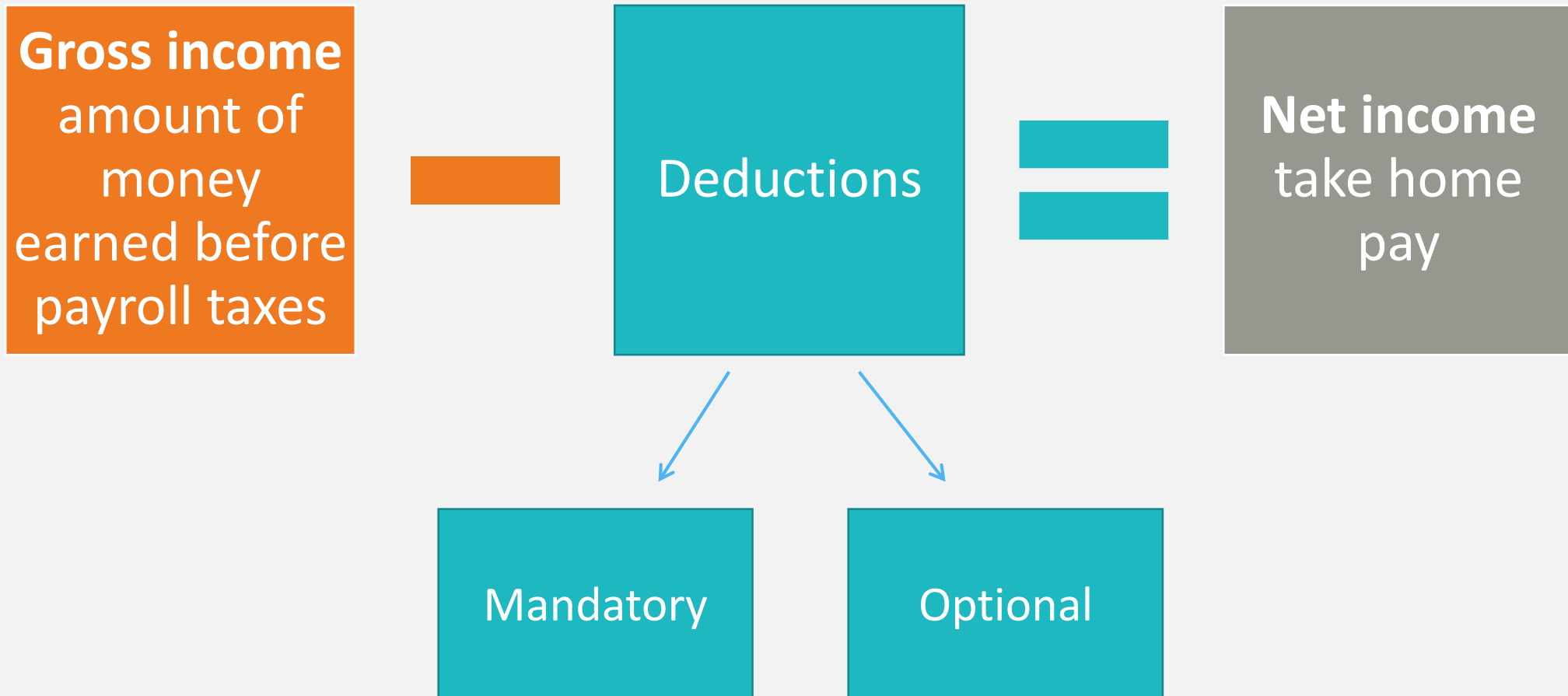


Bi-Monthly? 24 pay periods a year

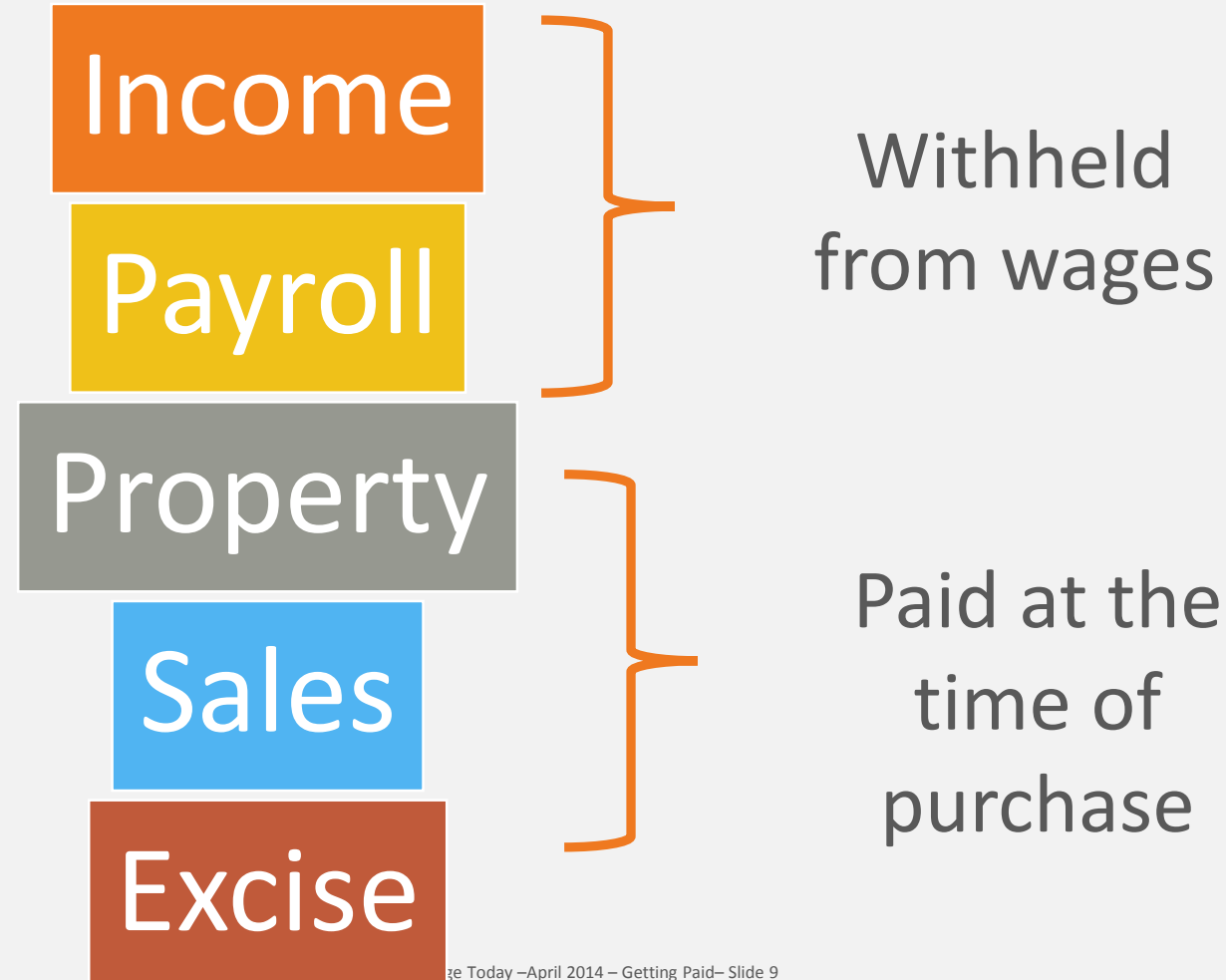


Monthly? 12 pay periods a year

Payroll deductions



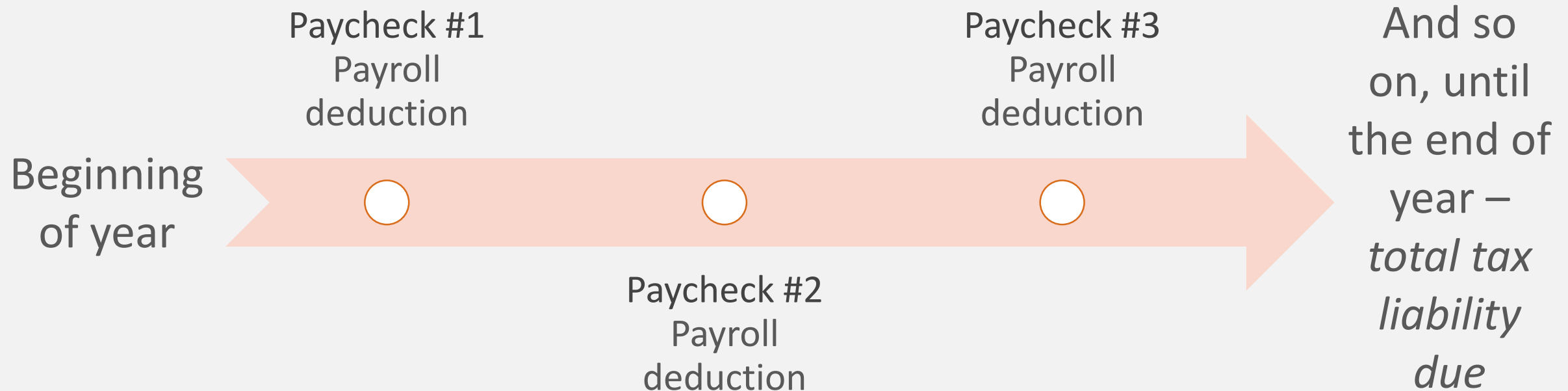
What are the five main types of taxes?





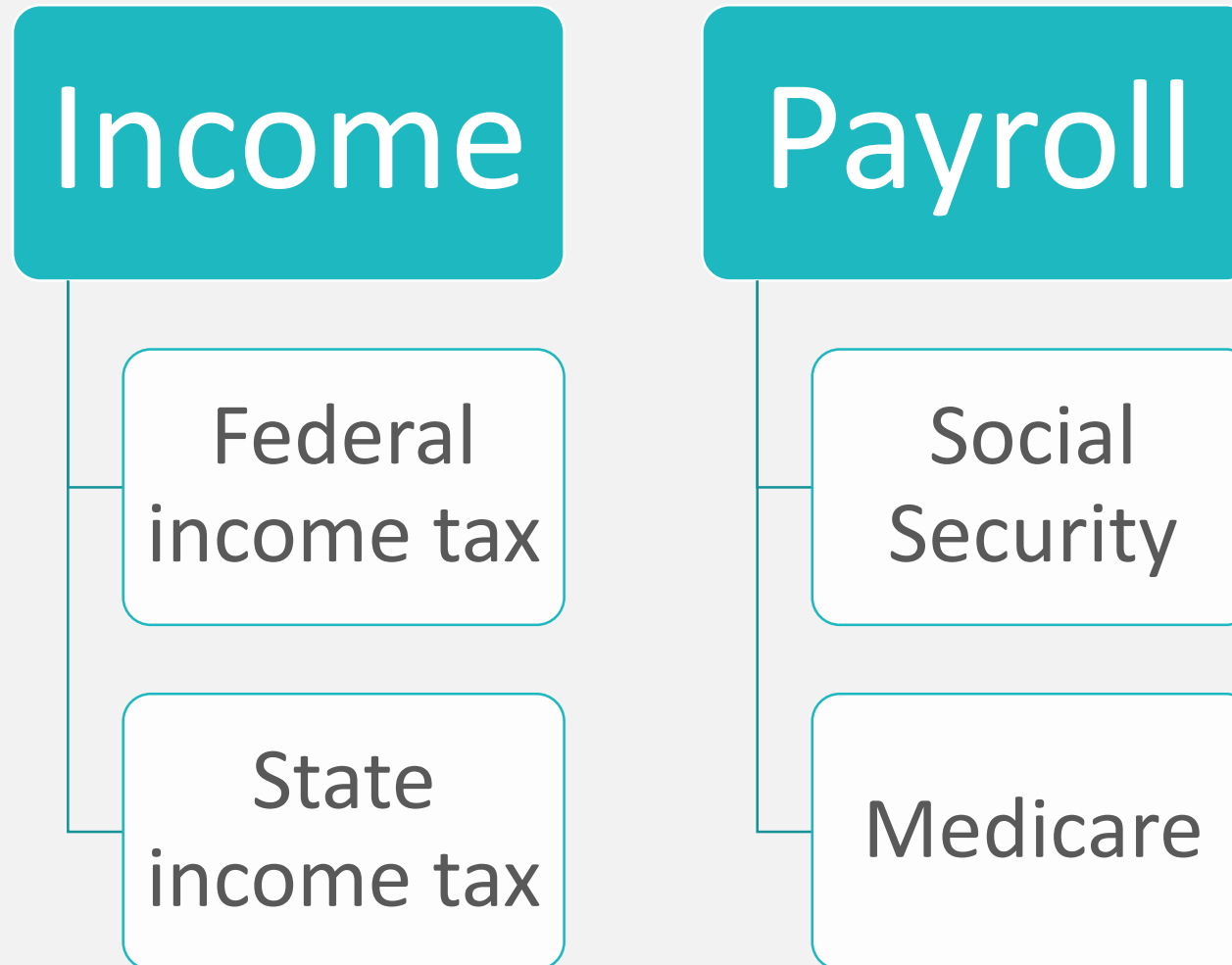
Why are income and payroll taxes deducted from wages?

By paying income & payroll taxes with every paycheck you earn, this helps manage your personal **tax liability** on an ongoing basis (your total tax bill)



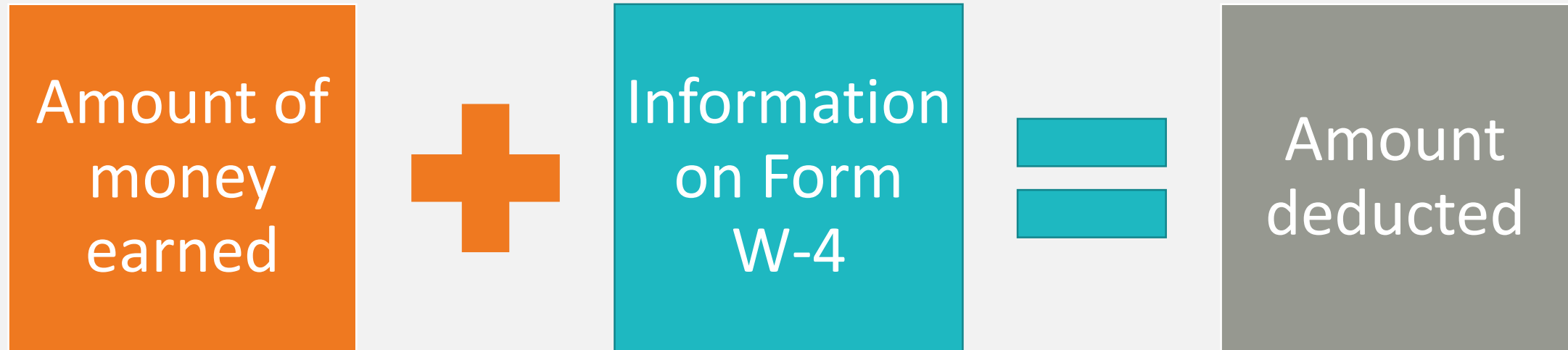


What are the mandatory income and payroll tax deductions?



Federal Income Tax

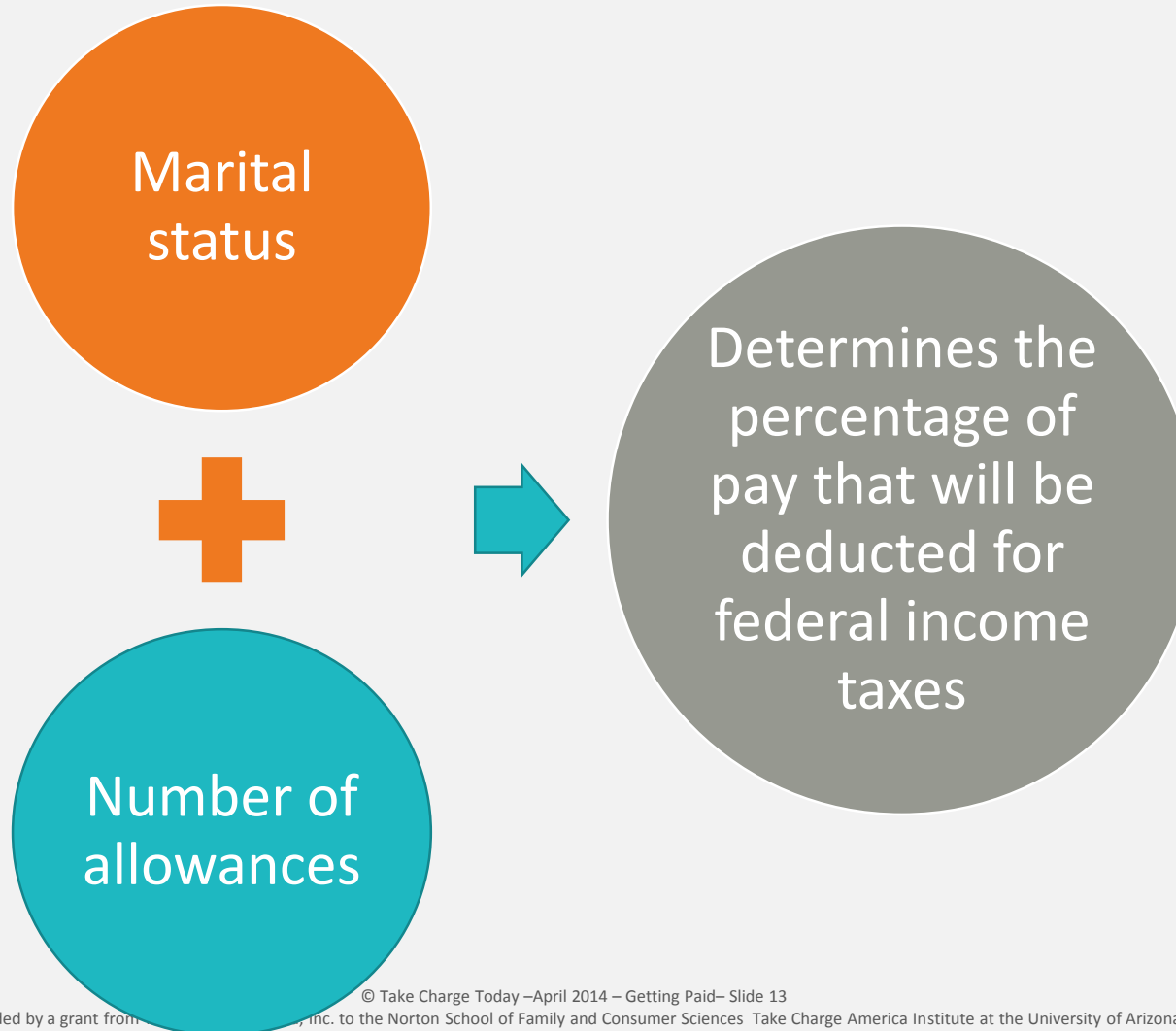
Largest required deduction



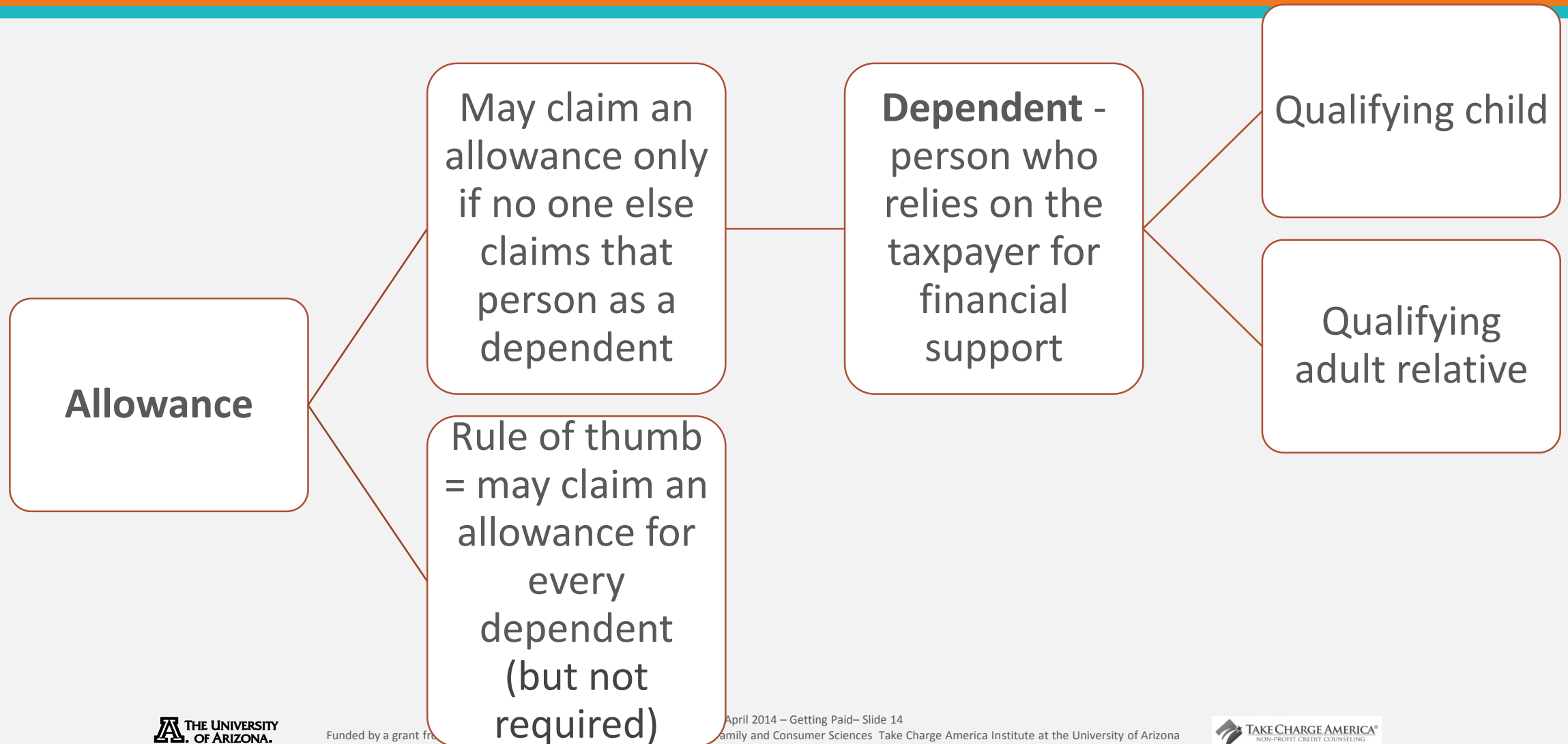
How do you benefit from paying federal income taxes?



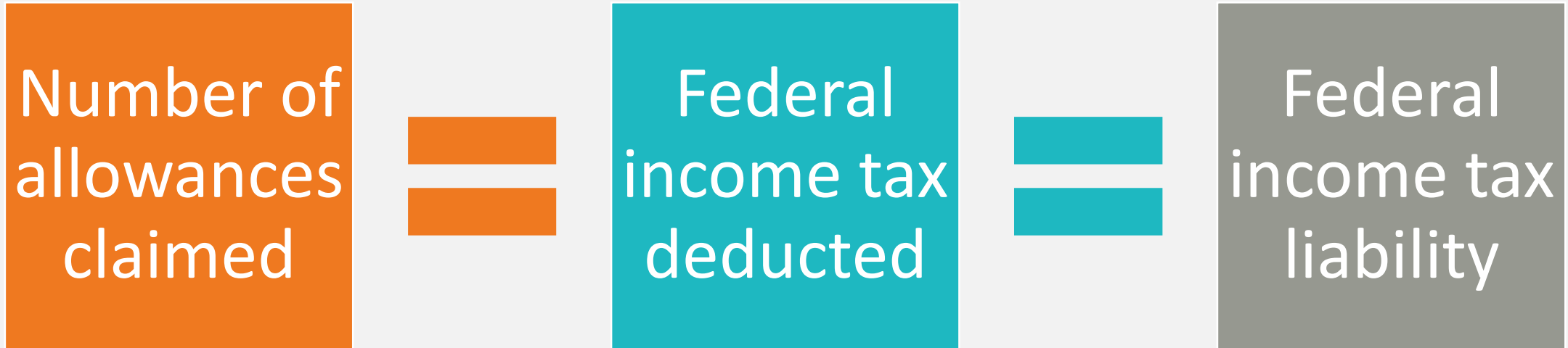
What is a Form W-4?



Form W-4 Allowances



Allowances




Individuals may change their Form W-4 at any time


State Income Tax

Not all states
have state
income tax

Amount
deducted varies
between states



Does your state have
state income tax?



What is Social Security?



Provides

- Income for:
 - Retirees
 - People with profound disability
 - Children who have lost a parent
 - A person with children who has experienced the death of a spouse

Tax deducted from wages

- 6.2%
- Up to an annual maximum
- Paid by each worker and matched by employer

What is Medicare?



Provides

- Helps pay for health care for individuals 65 and older

Tax deducted from wages

- 1.45%
- No limit
- Paid by **each** worker and matched by **each** employer

What are optional payroll deductions?



Employee benefits – products or services that add extra value for employees beyond wages earned

Employee's portion of the cost is deducted

Insurance

Retirement plans

Flexible spending accounts

Employee will typically pay much less than privately purchasing that same benefit.

How Employers Further Support Employees

Workers' compensation

Helps pay medical expenses if you are injured on the job

Unemployment insurance

You can receive this if you lose your job due to no fault of your own

Both required at no cost to the employee

How Employers Further Support Employees

Paid or unpaid
days for illness,
personal, holidays

Match
contributions to
Social Security and
Medicare

What is a pay stub?

Pay stub - outlines the deductions made to wages

Why is it important to review your pay stub?



Employee Information				Pay Date: 6/11/2013	
Name	Identification Number	Address	Pay Rate	Pay Period	
Joe Beakens	00112233	293 Michael Grove	\$15.00	5/1 – 5/31/2013	
Summary					
	Gross Income	Total Personal Deductions	Net Income		
Current	\$2,400.00	\$747.00	\$1,653.00		
YTD	\$12,000.00	\$3,735.00	\$8,265.00		
Earnings					
Type	Rate	Hours	Current	YTD	
Regular	\$15.00	160	\$2,400.00	\$12,000.00	
Overtime	0	0	0	0	
Deductions					
Type	Personal Deduction		Employer Contribution		
Federal income tax	\$249.40		0		
State income tax	\$100.00		0		
Social Security and Medicare	\$183.60		\$183.60		
Retirement plan	\$144.00		\$144.00		
Health insurance	\$100.00		\$400.00		
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Type	Beginning balance current	Beginning balance YTD	Used Current	Used YTD	Ending Balance
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Sick	5	5	0	0	5

Pay Stub

Standard Employee Information

Name

Address

Identification number

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Pay Stub

Pay Period

Regular schedule that employers pay employees

Weekly, bi-weekly, bi-monthly, or monthly

Why is the pay period different than the pay date?



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Pay Stub

- Gross income
- Net income

Current

Amount this pay period

Year-to-date (YTD)

Amount from January 1 to last day of current pay period

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Pay Stub

Earnings

How wages
were
calculated

May show
current and
YTD

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Pay Stub

Deductions

- All deductions from gross income

What are examples of deductions?



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Pay Stub

Employer contributions

- Amount the employer has contributed to various employee benefits and other contributions.

What contributions are included?



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Pay Stub

Employee Leave Balance

Summary of the employee's
leave time

Sick

Vacation

Holidays

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Can an employer pay employees in cash?

Ensure employer is deducting income and payroll taxes from wages paid in cash

If taxes are not deducted from your wages you:

- Are not managing your tax liability
- Will be responsible for tracking the amount of money made and paying those taxes
- Are probably not receiving worker's compensation and unemployment insurance coverage

Consult a tax professional to determine if you should pay taxes on cash earned.

Summary

Employers make deductions to wages (outlined on the pay stub)

Deducting payroll and income taxes on a “pay as you go” system helps manage your personal tax liability

Being employed provides additional benefits beyond wages earned

Employers are required to pay unemployment insurance and worker’s compensation

Employers may offer employee benefits that save the employee money