Getting Paid

Advanced Level



What are the two primary sources of employment?



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

You are selfemployed



What is the difference between an employee and an employer?







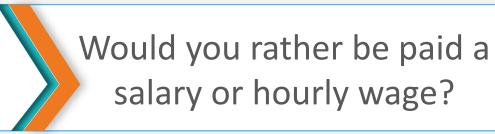
Salary vs. Hourly

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



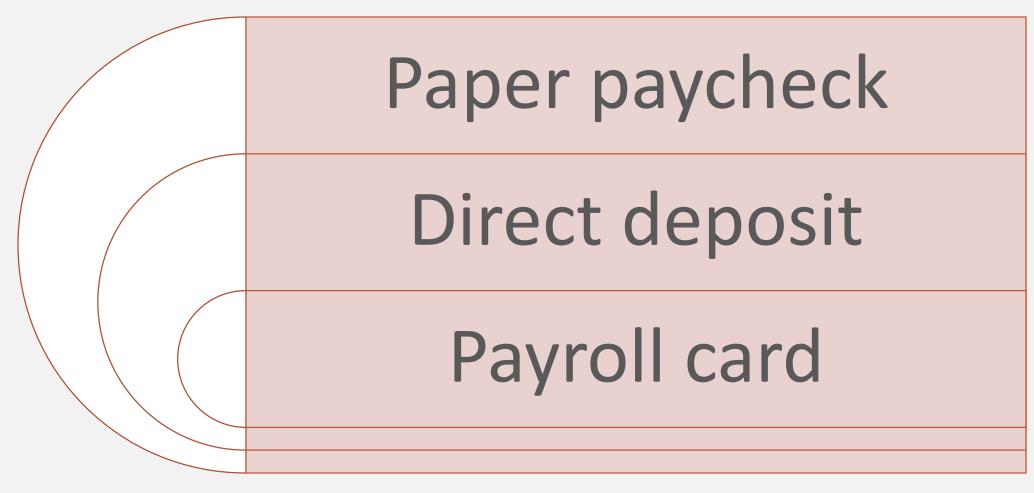






What methods do employers use to pay employees?









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

Payroll card

Functions similar to a debit card, except not linked to employee's personal account

Wages electronically loaded each payday

Fees are common



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



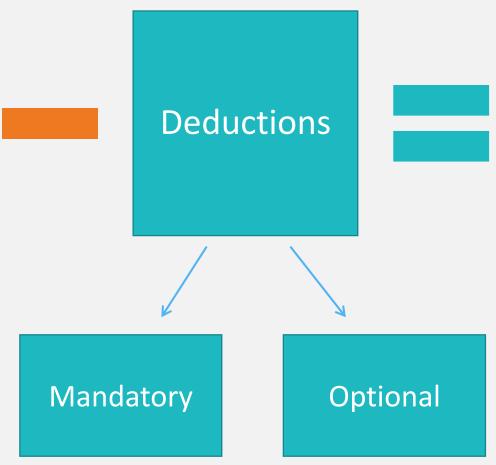
Monthly? 12 pay periods a year





Payroll deductions

Gross income
amount of
money
earned before
payroll taxes

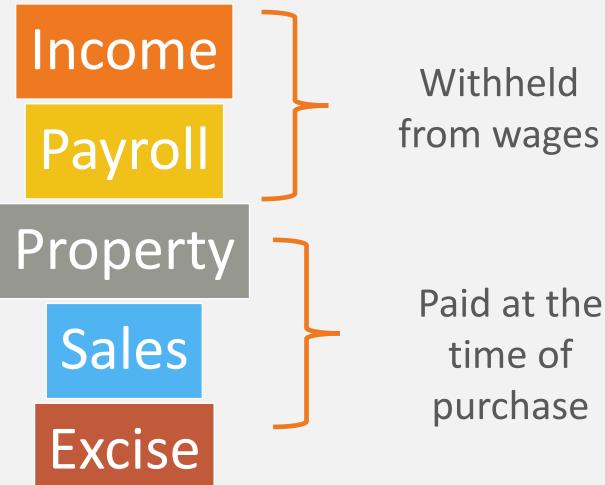


Net income take home pay





What are the five main types of taxes?







Why are income and payroll taxes deducted from wages?

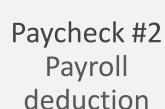


By paying income & payroll taxes with every paycheck you earn, this helps manage your personal tax liability on an ongoing basis (your total tax bill)

Paycheck #1
Payroll
deduction

Paycheck #3
Payroll
deduction

Beginning of year



And so on, until the end of year – total tax liability due





What are the mandatory income and payroll tax deductions?



Income

Federal income tax

State income tax

Payroll

Social Security

Medicare





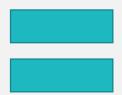
Federal Income Tax

Largest required deduction

Amount of money earned



Information on Form W-4



Amount deducted



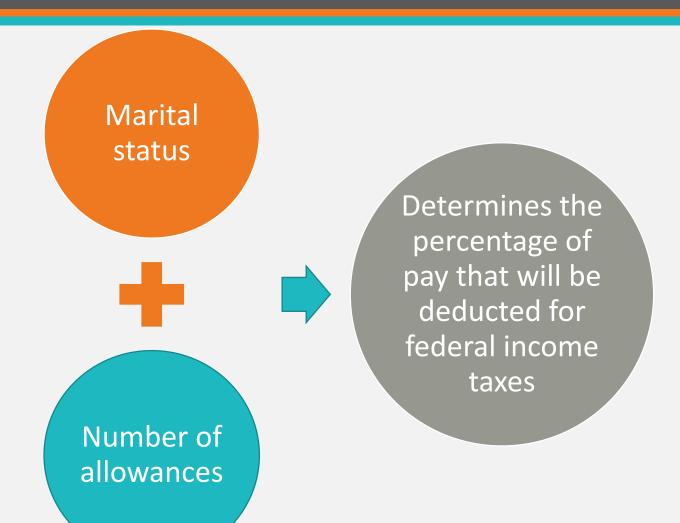
How do you benefit from paying federal income taxes?







What is a Form W-4?







Form W-4 Allowances

May claim an allowance only if no one else claims that person as a dependent

Rule of thumb
= may claim an
allowance for
every
dependent
(but not
required)

Dependent person who
relies on the
taxpayer for
financial
support

Qualifying child

Qualifying adult relative

Allowance



Funded by a grant f

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amily and Consumer Sciences Take Charge America Institute at the University of Arizona

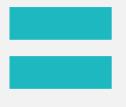


Allowances

Number of allowances claimed



Federal income tax deducted



Federal income tax liability

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

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

Insurance

Retirement plans

Flexible spending accounts





How Employers Further Support Employees

Workers' compensation

Unemployment insurance

Helps pay medical expenses if you are injured on the job

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 Leave Balances											
	Туре	Beginning balance current	Beginning balance YTD	Used Current	Used YTD	Ending Balance						
ide	Personal	10	15	0	5	10						
	Sick	5	5	0	0	5						

mployee Informatio	n							Pay Date: 6/11/2013		
lame		entification umber	Ac	ldress		Pay Ra	ite	Pay Period		
oe Beakens	00	112233		3 Micha ove	el	\$15.00		5/1 – 5/31/2013		
ummary										
	Gross	Income		Total F Deduc			Ne	t Income		
Current	\$2,400	0.00	0.00				\$1,653.00			
TD		\$3,735		\$8,	,265.00					
arnings										
уре		Rate	Hours	ırs		Current		YTD		
·	l .		,							

Туре	Rate	Hours	Current	עוץן
Regular	\$15.00	160	\$2,400.00	\$12,000.00
Overtime	0	0	0	0
Deductions				

Туре	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			
Workers' compensation	0	\$13.80			
Unemployment insurance	0	\$6.26			

			current				
2014 — Getting Pr	aid— Slida	Personal	10	15	0	5	10
2014 – Getting Pa and Consumer Sc	ciences T	Sick	5	5	0	0	5

Name

Standard Employee Information

Address

Identification number

employee Informa	ation										F	Pay Date: 6/11/2013
Name		Identi Numb		ion	A	Address		1 3'	y Rat	e F	Pay Period	
Joe Beakens		00112	2233	293 Michael .			\$1	\$15.00		5/1 – 5/31/2013		
Summary												
Gross Inc			ome				tal P duct			I	Net	Income
Current	\$2,	,400.00)			\$74	47.0	0			\$1,6	53.00
YTD	\$12	2,000.0	00			\$3,	735	.00			\$8,2	65.00
Earnings												
Туре		Ra	ate		Hour	S		Cu	rrer	nt	١	(TD
Regular		\$1	5.00		160			\$2,400.00		Ş	\$12,000.00	
Overtime		0		0				0	0		()
Deductions												
Туре				Personal Deduction					Emp	oloye	er Contribution	
Federal income tax	x			\$249.40					0			
State income tax				\$100.00					0			
Social Security and	d Medic	are		\$183.60					\$183.60			
Retirement plan				\$144.00					\$144.00			
Health insurance				\$10	00.00					\$40	0.00	
Workers' compen	sation			0						\$13.80		
Unemployment in	surance	è		0						\$6.2	26	
Employee Leave B	alances	i										
'			eginning alance YTD			Used		nt	Use YTD		Ending Balance	
Personal	10		15				0			5		10
Sick	5		5				0			0		5



Pay Period

Regular schedule that employers pay employees



Weekly, bi-weekly, bimonthly, or monthly



Why is the pay period different than the pay date?



Employee Information		Pay Date: 6/11/2013			
Name	Identification Number	Address	Pay R	te	Pay Period
Joe Beakens	00112233	293 Michael Grove	\$15.00		5/1 – 5/31/2013

	Joe Beakens					293 Michael Grove		\$15.00		5/1 – 5/31/2013	
	Summary	,									
		Gross	s Income	0.00			Total Personal Deductions \$747.00 \$3,735.00			Income	
	Current	\$2,40	00.00							653.00	
	YTD	\$12,0	00.00							\$8,265.00	
	Earnings										
	Туре		Rate	Н	ours		Curre	nt		YTD	
	Regular		\$15.00	1	50		\$2,400.0		\$12,000.00		
	Overtime		0	0			0		0		
	Deductions										
	Туре		Perso	nal [Deduction	on	Employer Contribution				
Federal income tax				\$249	40			0			
	State income tax			\$100	.00			0			

Туре	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			
Workers' compensation	0	\$13.80			
Unemployment insurance	0	\$6.26			

Employee Leave Balances Beginning Used Used **Ending Balance** Type **Beginning** balance balance YTD Current current 15 Personal 10 10 Sick

- Gross income
- Net income

Current	Year-to-date (YTD)
Amount this pay period	Amount from January 1 to last day of current pay period

Employee Inform	ation		Pay Date: 6/11/2013								
Name		dentifica Iumber	tion	Ad	Address		Pay	Rate	Pay Period		
Joe Beakens	0	00112233			293 Michael Grove		\$15.00		5/1 – 5/31/2013		
Summary											
	s Income	ncome			Total Persona Deductions			et Income			
Current	\$2,40	00.00			\$747.0	00		\$1	,653.00		
YTD	\$12,0	00.00			\$3,735	.00		\$8,	,265.00		
Earnings											
Туре		Rate	H	Hours		Cu	rrent	İ	YTD		
Regular	Regular		0 1	160		\$2,	400.	00	\$12,000.00		
Overtime	Overtime))		0		
Deductions											
Туре			Personal Deduction					Emplo	yer Contribution		
Federal income ta	X		\$249.40					0			
State income tax			\$100	0.00				0			
Social Security and	d Medicar	·e	\$183	3.60				\$183.60			
Retirement plan			\$144	4.00				\$144.0	00		
Health insurance			\$100	0.00				\$400.0	00		
Workers' comper	nsation		0					\$13.80)		
Unemployment in	surance		0					\$6.26			
Employee Leave B	Balances										
Type Beginning balance current		-	Beginning balance Y		D Cui			Used YTD	Ending Balance		
Personal	10	15	5		0			5	10		
Sick	5	5			0			0	5		



Earnings

How wages were calculated

May show current and YTD



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2.3.3.01											
Employee Inform	ation								Pay I	Date: 6/11/2013	
Name	1	lentific umber		Ad	ddress		Pay Rate		Pay f	Period	
Joe Beakens	0	011223			293 Michael Grove		\$15.00		5/1 -	- 5/31/2013	
Summary											
	Gross Income				Total Deduc			Ne	t Inco	me	
Current	Current \$2,400.00				\$747.	00		\$1	,653.0	00	
YTD	\$12,0	00.00			\$3,73	5.00		^0	265.0	00	
carnings	carnings										
Туре		Rate		Hours		Current		t	YTD		
Regular		\$15.	.00	160	.60		\$2,400.00		\$12,0	000.00	
O. *time		0		0	0						
Deductions											
Туре			Pe	Personal Deduction				Employer Contribution			
Federal income ta	ax		\$2	49.40				0			
State income tax			\$1	00.00				0			
Social Security an	d Medicar	е	\$1	83.60				\$183.6	50		
Retirement plan			\$1	44.00				\$144.0	\$144.00		
Health insurance			\$1	00.00				\$400.00			
Workers' compe	nsation		0					\$13.80			
Unemployment in	Unemployment insurance							\$6.26			
Employee Leave E	Balances										
Туре	Type Beginning Beg			ginning Used lance YTD Curren				Used YTD	E	nding Balance	

10

5

15

10

Personal

Sick

Deductions

 All deductions from gross income



What are examples of deductions?





						2.3.9.G		
Employee Information	Pay Date: 6/11/2013							
Name	Identification Number	Ad	dress	Pay Rate		Pay Rate		Pay Period
Joe Beakens	00112233		3 Michael ove	ael \$15.00		\$15.00		5/1 – 5/31/2013
Summary								
	Gross Income		Total Personal Deductions		Net Income			

\$747.00

\$3,735.00

\$1,653.00

\$8,265.00

Fa	rni	inc	J C

Current

YTD

\$2,400.00

\$12,000.00

Туре	Rate	Hours	Current	YTD	
Regular	\$15.00	160	\$2,400.00	\$12,000.00	
Over ame	0	0	0	0	

Deductions

Туре	Personal Deduction	Employer Contribution
Federal income tax	\$249.40	0
State income tax	\$100.00	
Social Security and Medicare	\$183.60	183.60
Retirement plan	\$144.00	\$144.00
Health insurance	\$100.00	\$400.00
Workers' compensation	0	\$13.80
Une poloyment insurance	0	\$6.26

Employee Lea. Palances

Туре	Beginning balance current	Beginning balance YTD	Used Current	Used YTD	Ending Balance
Personal	10	15	0	5	10
Sick	5	5	0	0	5

Employer contributions

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



What contributions are included?





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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	Net Income						
		Deductions							
Current	\$2,400.00	\$747.00	\$1,653.00						

\$3,735.00

\$8,265.00

\$12,000.00

YTD

Earnings					
Туре	Rate Hours		Current	YTD	
Regular	\$15.00 160		\$2,400.00	\$12,000.00	
Overtime	0	0	0	0	

Deductions					
Туре	Personal Deduction	n	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 \$100.00 0		\$144.00		
Health insurance			\$400.00		
Workers' compensation			\$13.80		
Unemployment insurance	0		\$6.26		

	Employee Leave Balances									
	Туре	Beginning balance current	Beginning balance YTD	Used Current	Used YTD	Ending Balance				
	Personal	10	15	0	5	10				
e			_			_				

Employee Leave Balance

Summary of the employee's leave time

Sick

Vacation

Holidays

Employee Information								Pa	y Date: 6/11/2013		
Name		lentific umbe	cation r	А	ddress		Pay	Pay Rate		y Period	
Joe Beakens	00	01122	33		293 Michael Grove		\$15	\$15.00		1 – 5/31/2013	
Summary											
	Gross	Incor	me			Total Personal Deductions		N	Net Income		
Current	\$2,40	00.00			\$747	.00		\$:	1,653	3.00	
YTD	\$12,0	00.00)		\$3,73	35.00)	\$8	3,265	5.00	
Earnings											
Туре		Rate	е	Hour	S	Cı	ırren	t	YT	D	
Regular		\$15	.00	160		\$2	,400	.00	\$1	\$12,000.00	
Overtime		0		0		0	0		0		
Deductions											
Туре			Pe	Personal Deduction				Empl	oyer	Contribution	
Federal income tax			\$2	\$249.40				0			
State income tax			\$1	\$100.00			0				
Social Security and N	/ledicare	e	\$1	\$183.60			\$183.60				
Retirement plan			\$1	\$144.00				\$144.00			
Health insurance			\$1	\$100.00				\$400.00			
Workers' compensa	ition		0					\$13.80			
Unemployment insurance			0					\$6.26	;		
Employee Leave Balances											
		Beginr balanc	_		Jsed Jurre	nt	Used YTD		Ending Baia		
	urrent		2010110			31161		.,,			
Personal 10)		15		0			5		10	



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



