

Week 1 Financial Football Game Information PAYCHECK INFORMATION

When you get a formal job there are many things to understand so that you are not disappointed with that first paycheck. People are paid in different ways. Some people are **paid by the hour**. An hourly employee makes a certain amount of money per hour. A full week is considered to be **40 hours**. Any work done in one week over 40 hours is considered to be **overtime** and you will earn more per hour for those hours over 40. There is also a state and federal **minimum wage** that is set by law. Right now New Hampshire's minimum wage is \$7.25 an hour. This is the least amount that you may be paid per hour. Some people are paid on a **salary**, like your teacher. On a salary, the **employee** makes a certain amount of money no matter how many hours worked that pay period. Other workers get paid a **commission** and sometimes a **base rate** as well. Commission is a percentage of sales. For example, if you sold \$100 of merchandise and your commission is 10%, you will be paid \$10. The base rate is an amount that you get paid for just coming to work. If you are being paid only commission you need to make sure that you are a good salesperson. You also need to realize that if you are on commission your pay varies every pay period based on how many sales you made.

Before you can be paid your employer will have you fill out a **W-4 Form**. This form asks about how many people you are supporting, whether you have any special disabilities and whether you are being claimed on anyone else's income tax. Then your employer knows how much income tax to take out of your paycheck for **withholding**. This money is sent to the federal government and credited to your social security number. At the end of the year your employer will send you a **W-2 Form**. This form tells you how much you were paid by the employer for the year and how much was sent to the government towards your income tax. You need this form to fill out your income tax and your employer is required by law to send it to you by January 31st each year.

The amount you are paid before anything is taken out is called your **gross pay**. In Economics the word gross means total. The amounts of money taken out of your gross pay are called **deductions**. The Federal government takes about 23% of your gross pay. Most states - but not NH- take out another 7% for state income tax. Then there is **FICA** (Federal Insurance Contributions Act) and **Medicare** that goes towards the social security program. Then any other expenses that you are required to contribute to like health insurance, uniforms, and other fringe benefits are deducted. Now you have your **net pay**. This is the amount of the check that you actually get to spend!

Some people will get a paycheck at work with a **pay stub** that tells you all the money earned and all the deductions. You will then need to cash this check to use it. Other people will use **direct deposit** and they just get a pay stub and maybe a copy of a check. Their money is sent electronically to their bank and they can use it without going to the bank to cash the check.

The big thing to realize is that your paycheck will not be as big as you thought!!! Next week we will look at budgets to try to help you get the most out of the money that you do earn.