

Personal Money Management
Paycheck Essentials: Reinforcement Worksheet

Section One: Match the correct term with the correct definition.

Definitions	Terms
1. <u>E</u> Total tax bill	A. Net Income
2. <u>A</u> Amount of money left once all deductions have been taken from pay.	B. Gross Income
3. <u>D</u> Outlines the deductions made to the wages.	C. Employee Benefits
4. <u>F</u> A person who relies on the taxpayer for financial support.	D. Pay Stub
5. <u>B</u> The amount of money a person earns <i>before</i> deductions are taken out.	E. Tax Liability
6. <u>C</u> Products or services provided by an employer that adds extra value for employees beyond wages paid.	F. Dependent

Section Two: Short Answer

7. In order for an employer to know how much taxes to withhold from an employees paycheck, which form should be completed?
a. W2 b. I9 c. **W4** d. 1040ez

8. What are two methods employers may offer to pay employee wages? Give an advantage and a disadvantage for each method.

PAPER CHECK: ADVANTAGE → EMPLOYEE CAN CHOOSE WHAT TO DO WITH THE MONEY

DISADVANTAGE → EMPLOYEE CAN LOSE THE CHECK

DIRECT DEPOSIT: ADVANTAGE → INCREASED SECURITY, EXACT DATE OF DEPOSIT IS KNOWN

DISADVANTAGE → EMPLOYEE MUST HAVE AN ACCOUNT AT A BANK

PAYROLL CARD: ADVANTAGE → SAFER THAN CARRYING CASH

DISADVANTAGE → FEES ASSOCIATED WITH USING THE CARD

9. Given an explanation for what would happen if employers did not deduct monies from income and payroll taxes on an ongoing format.

AMERICAN'S WOULD BE EXPECTED TO PAY THEIR TAX BILL IN ONE LUMP SUM AT THE END OF THE YEAR. THE MAJORITY OF PEOPLE DO NOT MANAGE THEIR MONEY APPROPRIATELY IN ORDER TO OFFER SUCH A BILL.

10. Who are the dependents in your household? Why are you considered a dependent?

A DEPENDENT IS SOMEONE WHO RELIES ON A TAX PAYER FOR SUPPORT

11. What is the % of tax taken out for the following:

a. Social Security: **6.2%**

b. Medicare: **1.45%**

12. What do the following taxes pay for?
- Social Security: **RETIREMENT FOR EDLERLY, SUPPORT FOR DISABLED, SURVIVOR BENEFITS FOR CHILDREN WHO HAVE LOST A PARENT**
 - b. Medicare: **HEALTH INSURANCE FOR ELDERLY**
13. How many paychecks would a person receive if they were paid:
- Monthly: **12**
 - b. Weekly: **52**
 - c. Bi-Weekly: **26**
 - d. Bi-Monthly: **6**
14. What is the difference between a person who is paid hourly and a person who is paid salary?
- HOURLY: EMPLOYEE IS PAID PER THE MINUTE HE/SHE WORKS. EMPLOYEE HAS A SET PAYRATE PER HOUR**
- SALARY: EMPLOYEE IS PAID A SET AMOUNT REGARDLESS OF THE HOURS WORKED.**
15. List two mandatory deductions taken out of paychecks.
- SOCIAL SECURITY**
- MEDICARE**
- FEDERAL WITHHOLDING TAXES**
- STATE TAXES**
- LOCAL TAXES**
16. List two optional deductions taken out of paychecks.
- HEALTHCARE**
- PERSONAL RETIREMENT SAVINGS**

Section Three: Paycheck Math

The paystub below belongs to JD Martinez. JD is paid salary and he receives a bi-weekly paycheck. His yearly salary is \$197,450. Each month, JD saves \$300.00 for his retirement. Using the information provided answer the questions below the paystub.

PAYCHECK STUB				
Employee JD Martinez	Employee Identification Number 28		Check #215	Check Amount
Employee Address: 1827 Stargazer Pass Detroit, MI 46201				
	Pay Type- Gross Pay	Deduction	Current	Year-to-Date
		Federal Withholding	214.50	\$1136.25
		State Withholding	98.27	\$415.18
		Social Security		\$580.65
		Medicare		\$135.80
		Medical		\$0.00
		401K		\$600.00
		TOTALS		\$2,867.88
Pay Period 2/1/14- 2/15/14				

- What is JD's Gross pay for this pay period? **\$7594.23**
- How much money will JD pay in Social Security taxes? **\$470.84**
- How much money will JD pay in Medicare taxes? **\$110.17**
- Did JD enroll in his employer's healthcare plan? **NO**
- What is the total amount of deductions taken from JD's check? **\$1193.78**
- What is the net pay of JD's check? **\$6400.50**

