

PUTTING YOUR PAYCHECK TO WORK STUDENT ACTIVITIES GUIDE

FEDERAL RESERVE BANK of KANSAS CITY - [HTTP://PAYCHECK.KCFED.ORG](http://PAYCHECK.KCFED.ORG)

TEACHER INTRODUCTION

The Federal Reserve Bank of Kansas City developed Putting Your Paycheck to Work fact sheets for employees to understand and make the most of their paychecks. These six personal finance fact sheets and related activities can be used with high school students and young adults to help them understand and manage their paychecks and income. The payroll paystub is explained in detail, including withholdings and deductions. Different methods of receiving wages, such as by check, direct deposit or payroll card, are discussed through looking at the advantages and disadvantages of each method. Ideas to expand and get more from your paycheck are also explored.

Suggestions for teacher use include the following:

- Teach to fulfill a district, state or national personal finance standard
 - Integrate into a business, personal finance or consumer math lesson
 - Introduce as extension for extra-curricular clubs and outside organizations
 - Use in job training programs or with new employees
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FACT SHEET TOPICS:

1. Understanding Your Paycheck (with related pretest)
2. Managing Your Paycheck - Withholdings
3. Managing Your Paycheck - Deductions
4. Getting Your Paycheck - Direct Deposit, Check or Payroll Card (with related activity)
5. Expanding Your Paycheck - Benefits and Services to Consider
6. Ten Actions to Get More from Your Paycheck

*Note: Fact sheets 1 and 4 have suggested student activities.

CONTENT STANDARDS

National Standards for Financial Literacy

- Standard 1: Earning Income: Grade 12, Benchmark 7: Taxes are paid to federal, state and local governments to fund government goods and services, and transfer payments from government to individuals. The major type of taxes are income taxes, Social Security taxes, property taxes and sales taxes.

National Jumpstart Standards in K-12 Personal Finance

- Financial Responsibility and Decision Making Standard 4: Make financial decisions by systemically considering alternatives and consequences.
- Income and Careers Standard 3: Describe factors affecting take-home pay.

Colorado Personal Finance Literacy Standards

- Social Studies Standards: Economics Standard 4: Design, analyze and apply a financial plan based on short- and long-term financial goals.



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CONTENT STANDARDS (CONTINUED)

Kansas Consumer Science Standards

- Academic Foundations Benchmark 0.1: Apply reading and writing, math and science skills in personal, professional, entrepreneurial and community situations.

Missouri Personal Finance Competencies

- Income: Relate taxes, government transfer payments and employee benefits to disposable income.

Oklahoma Passport to Personal Finance Literacy Standards

- Standard 2: The student will identify and describe the impact of local, state and federal taxes upon income and standard of living.
- Standard 4: The student will demonstrate the ability to balance a checkbook and reconcile financial accounts.

Wyoming Career and Vocational Standards

- Standard 1: Resources: Students effectively manage time, money, materials, work space and human resources.
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GENERAL PROCEDURE

- Read and discuss each fact sheet with students.
 - Do suggested activities before Fact Sheet 1 and after Fact Sheets 1 and 4 to apply and reinforce concepts discussed.
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FACT SHEET 1: UNDERSTANDING YOUR PAYCHECK

[HTTP://PAYCHECK.KCFED.ORG](http://paycheck.kcfed.org)

OBJECTIVES FOR FACT SHEET 1

- Define and understand paycheck vocabulary words: gross pay; net pay; Federal withholding; voluntary deductions; paystub; taxes; 401(k); W-2; W-4.
 - Read and interpret a check paystub.
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OVERVIEW OF FACT SHEET 1 ACTIVITIES

- Do suggested pretest (using [PowerPoint](#) or Handout 1) before sharing Fact Sheet 1.
 - Read Fact Sheet 1 to find information that answers pretest questions.
 - Review PowerPoint or Handout 1 to discuss correct answers based on reading.
 - Do paystub assessment using Handouts 2 and 3.
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TIME REQUIRED: 45 minutes

MATERIALS TO ACCOMPANY FACT SHEET 1

- Paycheck Check-Up Pretest ([link to PowerPoint](#))
 - Copies of Handout 1: Paycheck Check-Up Pretest, one per student
 - Handout 1A: Paycheck Check-Up Answer Key for teacher
 - Copies of Handout 2: Paystub for Julie Jones, one per student
 - Copies of Handout 3: Paystub Problem Solving Assessment, one per student
 - Handout 3A: Paystub Problem Solving Answer Key for teacher
 - Paper/pencils
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SUGGESTED ACTIVITIES FOR FACT SHEET 1

1. Begin by giving the Paycheck Check-Up pretest. (You can use the [PowerPoint link](#) or Handout 1 paper/pencil pretest.) Have students record their responses to each question. **DO NOT** give correct answers during the pretest activity.
2. Distribute Fact Sheet 1 and ask class to read the information to find correct answers to the pretest. They should underline or highlight sentences that contain the facts to support correct answers.
3. Show the PowerPoint pretest again or go over Handout 1. Discuss correct answers by using the answer key and reviewing Fact Sheet 1 information for support. Students should check their paper responses and award themselves ten points for each correct answer.
4. When finished with the pretest, ask students to rank themselves according to the following scoring guide:
 - 80-100: Paycheck Proficient
 - 60-79: Paycheck Prepared
 - 40-59: Paycheck Potential
 - 0-39: Paycheck Problem
5. Distribute Handout 2: Sample Paystub for Julie Jones, and Handout 3: Paystub Problem Solving. Ask students to answer the problem-solving questions using Julie's information from Handout 2. (The assessment can be done individually or within small groups.)
6. Check and discuss Paystub Problem Solving answers with the group using Handout 3A.



Paycheck Check-Up Pretest

- 1) **Your paycheck paystub lists your pay and deductions for:**
 - A) the current pay period
 - B) the year-to-date period
 - C) both A and B

- 2) **Gross pay refers to:**
 - A) the amount you receive after your employer takes out withholdings and deductions
 - B) the amount you receive before your employer takes out withholdings and deductions
 - C) old and disgusting currency

- 3) **Whether you receive your pay by check, direct deposit or payroll card, it is listed on the paystub as:**
 - A) net pay distribution
 - B) federal withholding
 - C) pay rate

- 4) **Tax information stated on your paycheck includes:**
 - A) your marital status (whether you're married or single)
 - B) the number of withholding allowances (personal exemptions)
 - C) both A and B

- 5) **Your Social Security number is listed on each paystub.**
 - A) true
 - B) false

- 6) **An example of a voluntary deduction is:**
 - A) a parking fee
 - B) Social Security
 - C) income tax

- 7) **An example of a mandatory withholding is:**
 - A) medical insurance
 - B) 401(k) plan
 - C) Medicare

- 8) **Your withholdings for taxes are determined by:**
 - A) your W-2
 - B) your W-4
 - C) your W-6

- 9) **State income taxes are withheld:**
 - A) In all 50 states
 - B) In most states
 - C) In a few states

- 10) **Funds for 401(k) retirement savings plans are taken from pre-tax wages.**
 - A) true
 - B) false

Paycheck Check-Up Pretest Answer Key

- 1) Your paycheck paystub lists your pay and deductions for:
A) the current pay period
B) the year-to-date period
C) both A and B
- 2) Gross pay refers to:
A) the amount you receive after your employer takes out withholdings and deductions
B) the amount you receive before your employer takes out withholdings and deductions
C) old and disgusting currency
- 3) Whether you receive your pay by check, direct deposit or payroll card, it is listed on the paystub as:
A) net pay distribution
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- 4) Tax information stated on your paycheck includes:
A) your marital status (whether you're married or single)
B) the number of withholding allowances (personal exemptions)
C) both A and B
- 5) Your Social Security number is listed on each paystub.
A) true
B) false
- 6) An example of a voluntary deduction is:
A) a parking fee
B) Social Security
C) income tax
- 7) An example of a mandatory withholding is:
A) medical insurance
B) 401(k) plan
C) Medicare
- 8) Your withholdings for taxes are determined by:
A) your W-2
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C) your W-6
- 9) State income taxes are withheld:
A) In all 50 states
B) In most states
C) In a few states
- 10) Funds for 401(k) retirement savings plans are taken from pre-tax wages.
A) true
B) false

Putting your paycheck to work

TaxableGr	Total Taxes	Total Earnings	Cur TaxableGr	Total Taxes	Total Deductions	Net Pay
2,630.55	573.04	2,742.00	2,630.55	573.04	138.43	2,030.53
42,798.32	11,217.59	44,135.72	42,798.32	11,217.59	1,654.65	31,263.48

Amount	YTD Amount	Description	Amount	YTD Amount	Description	Amount	YTD Amount
293.33	6,327.91	Fed Withholding	2,742.00	27,451.16	Fed Withholding	293.33	6,327.91
39.76	639.98	Fed MED	11,200.55	11,200.55	Fed MED	39.76	639.98
170.00	2,736.39	Fed OASDI	11,200.55	11,200.55	Fed OASDI	170.00	2,736.39
69.95	1,513.31	CA Withholding	11,200.55	11,200.55	CA Withholding	69.95	1,513.31
573.04	11,217.59	Total:	2,742.00	44,135.72	Total:	573.04	11,217.59

Federal Reserve Bank of Kansas City

Handout 2

Sample Paystub for Julie Jones

Stop and Shop 456 Willow Way Tulsa, OK 74115		Pay Period: Week of June 17-23, 2012		
Employee:	Employee Info:	Tax Data:	Federal	State
Julie Jones 1770 N. Canton Ave. Tulsa, OK 74115	Employee ID: 4628 Job Title: Cashier Pay Rate: \$12	Marital Status: Single Allowances: 1 Addl. Pct: 0 Addl. Amt.: 0	1	1
Hours and Gross Pay:		Current Period	Year-to-Date	
Description	Rate	Hours		
Regular pay	\$12	30	\$360	\$7,920
Deductions:		Current Period	Year-to-Date	
Federal Withholding			12.40	272.80
Social Security			15.10	332.20
Medicare			5.20	114.40
State Withholding			5.85	128.70
401(k)			10.50	231.00
Totals			49.05	1,079.10
*Excluded from federal taxable wages				
Net Pay:			\$310.95	\$6,840.90
Net Pay Distribution:				
Form	Amount			
Check #15151515-551	\$310.95			

Paystub Problem Solving

Answer the following questions, using Handout 2 paystub for reference.

1. What was Julie's gross pay for this pay period?
What was her net pay?
Why is her net pay less than her gross pay?
2. Name three mandatory withholding payments from Julie's paycheck, along with their dollar amounts.

Explain what the dollars from each withholding payment are used for.

3. What voluntary deduction payment was taken out of Julie's account?
What will this deduction be used for?
4. How many allowances does Julie have under tax data?
What will this information be used for?
5. How much does Julie make per hour?
How many hours does she work weekly?
If Julie began working 40 hours per week, what would her gross pay for one week be?
6. How did Julie receive her weekly pay?
What other methods can be used to pay employees?

Paystub Problem Solving Answer Key

Answer the following questions, using Handout 2 paystub for reference.

1. What was Julie's gross pay for this pay period?
\$360
What was her net pay?
\$310.95
Why is her net pay less than her gross pay?
Withholdings and deductions were taken out of Julie's gross pay in the amount of \$49.05, leaving \$310.95 for her net pay.

2. Name three mandatory withholding payments from Julie's paycheck, along with their dollar amounts.
Federal withholding - \$12.40; Social Security - \$15.10; Medicare - \$5.20

Explain what the dollars from each withholding payment are used for.

Federal withholding dollars are taxes on your income. These taxes help pay for public education, transportation, and defense. Social Security dollars are used for retirement and disability payments. Medicare funds are used for health coverage for people over 65. They also help support Medicaid, health coverage for low income families and individuals.

3. What voluntary deduction payment was taken out of Julie's account?
401(k) contribution of \$10.50
What will this deduction be used for?
An employer-sponsored retirement plan
4. How many allowances does Julie have under tax data?
1
What will this information be used for?
The federal government uses this information to calculate how much money to withhold for tax purposes.
5. How much does Julie make per hour?
\$12
How many hours does she work weekly?
30
If Julie began working 40 hours per week, what would her gross pay for one week be?
 $\$12 \times 40 = \480
6. How did Julie receive her weekly pay?
By paycheck
What other methods can be used to pay employees?
Employees can also be paid by direct deposit or payroll card.