

How Does a Paycheck Work?

Summary: Have your child learn about how a paycheck works including taxes and deductions.

Age Group: Grades 6th through 8th

Materials: paper and writing utensil, calculator

Instructions:

Explain to your child that a paycheck is an important part of working at a job. Every person who works a job receives a paycheck for their work. Look at the paycheck information below and answer a few questions to completely fill in the blank spaces to determine how much money you made in the last pay period.

1. Your employer pays you a rate of \$10.50 per hour. This amount is also called your wages. If you worked a total of 24 hours last week, how much money did you earn from working?
2. Last week included a holiday and your employer has decided to pay all part-time employees like you 4 additional hours of work. These hours are paid at the same rate as your hourly work. How much did you earn from Holiday pay?
3. What is the total amount of money earned from wages and from holiday pay?
4. Unfortunately, you do not get to keep every dollar that you earn. Some of it goes towards taxes or other deductions. When you first started your job, you decided to put 5% of your earnings into a 401k retirement account. Find 5% of your total earnings to determine how much of your earnings was removed for your 401k during this pay period.
5. Taxes are another important deduction. The Federal government takes 10% of your total earnings. How much money do you have to pay the Federal government during your last pay period? Other taxes include paying into Social Security and Medicare. Anyjob Retailers Inc. has calculated these taxes for you.
6. States and some cities will also charge an income tax. In Missouri, you might be charged 2% of your total earnings and in Kansas City, you might be charged 3% of your total earnings. How much money did you pay to Missouri and how much did you have to pay to Kansas City?
7. Add up all of your Deductions and Taxes including your 401k, Federal, Medicare, Social Security, Missouri, and Kansas City taxes. This number is your Total Withholdings.

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8. To find out how much money you earned, subtract your Total Withholdings from your Total Earnings. This is called your Net Pay and this is what you will see on your check you can take to the bank.

Your Paycheck			
EARNINGS	RATE	HOURS	CURRENT
Wages	\$10.50	24.00	\$
Holiday	\$10.50	4.00	\$
Sick	\$10.50	0.00	\$0.00
TOTAL EARNINGS			\$
DEDUCTIONS			CURRENT
401k (5%)			\$
Dental			\$ 0.00
Med			\$ 0.00
Vision			\$ 0.00
TAXES			CURRENT
FED (10%)			\$
MED (6.2%)			\$18.23
SOC (1.45%)			\$ 4.26
MISSOURI (2%)			\$
KANSAS CITY (3%)			\$
TOTAL WITHHOLDINGS			\$
NET PAY			\$

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