



# PUTTING YOUR *Paycheck* TO WORK

FEDERAL RESERVE BANK OF KANSAS CITY

**FACT SHEET 4**

## MANAGING YOUR PAYCHECK - *DIRECT DEPOSIT, CHECK OR PAYROLL CARD*

*How do you get paid from your employer? Most likely you receive your pay in one of three ways: a paper check, direct deposit into your bank account or loaded onto a payroll card. Your choice of method can make a difference in how you can use and benefit from your paycheck.*

### DIRECT DEPOSIT

The most common way to receive your paycheck is by direct deposit. Direct deposit is when your employer electronically transfers your net pay directly into your bank account. Your employer will then provide you a separate paycheck record detailing your gross and net pay, and any withholdings and deductions.

### DIRECT DEPOSIT OFFERS MANY ADVANTAGES:

- 1.** Your net pay will be available the day it is deposited into your account.
- 2.** You do not have to go to your bank to deposit your paycheck into your bank account.
- 3.** Your paycheck cannot be lost or stolen like a paper check.
- 4.** You can put your money to work sooner if your account offers interest.
- 5.** You may save money by not having to pay for check cashing services.

- 6.** You are more likely to save more of your earnings when it is directly deposited into an account.
- 7.** You will be paid and have access to your money even if you are out of town on payday.

You do need to have either a checking or savings account at a bank or credit union to use direct deposit.

### HOW TO START DIRECT DEPOSIT

Ask your employer if direct deposit is available. An increasing number of employers do because it often reduces their expenses and provides a service to their employees. In some states your employer can require that you accept direct deposit. In other states it can only be offered but not required.

You will have to fill out a simple enrollment form to start receiving your pay through direct deposit. This form provides your employer permission to make the electronic deposit and the necessary information about your bank account. Your employer and bank can both help you complete this form.

### *Split Deposits*

If you use direct deposit, you may be able to set up a split deposit to help you save even more. A split deposit tells your employer to divide your paycheck into several different accounts when your pay is transferred to your bank. You may split your deposit, for example, into both a checking account for your regular expenses and a savings account to build an emergency savings fund. Split deposits can help you save each month by making it easy and routine. Ask your employer if split deposits are available.

### CHECKS

Like many employees, you may receive your pay by a paper check. The paycheck will have a paystub attached that can be used as a record of your earnings, withholdings and deductions. You are responsible for turning the paycheck into money to pay your bills. You can do this through depositing it in your savings or checking account, or cashing it at a bank, credit union, supermarket, check casher or other similar store.

A paper check may offer you a sense of control and certainty over your pay. You also may find it easier to manage the cash in hand to pay your bills and living expenses. Paper checks, however, can have some drawbacks:

1. Check cashing fees may be higher than bank account fees.
2. You may be more likely to lose your paycheck or have it stolen.
3. Your pay may be interrupted in case of an emergency. For example, you may not be able to collect your paycheck because of illness, or you cannot travel because of a severe storm.
4. Your personal safety may be at greater risk if you carry your pay in cash or keep it in your house.

### PAYROLL CARDS

A payroll card is the newest way for delivering an employee's pay. Your employer may provide you with a card that looks like a credit or debit card. Your employer will load, or deposit, your pay on this card. You can then use the card to get cash at an ATM machine or point of service terminal at a store, as well as make purchases where credit and debit cards are accepted. Some cards may offer other services such as convenience checks and electronic bill payments.

Payroll cards may be a good option if you do not have or want a bank account. However, you need to be aware of any fees charged by your payroll card. A payroll card can be more expensive than direct deposit or paper checks. Most cards, however, will provide at least one option for withdrawing your pay each month without a fee.

### OPENING A BANK ACCOUNT

You have several options for opening a checking or savings account at a bank or credit union. A bank account will allow you to have direct deposit of your pay, save for the future and prepare for a car loan or mortgage.

*To open a new account, you will need:*

1. Identification: Two types of identification are usually needed. These can include a Social Security card, driver's license, passport, birth certificate, or a utility bill with a name and address.
2. Opening deposit: Most accounts can be opened with an initial deposit of \$10 to \$100. This money is deposited in your new account – it is not a fee or charge.

Each bank and credit union is different. Each may require different identification and opening deposit amount, and offer different features and benefits depending on the account. Be sure to check with more than one bank or credit union to get the account that works best for you.

*Your choice of method can make a difference in how you can use and benefit from your paycheck.*

**VISIT [HTTP://PAYCHECK.KCFED.ORG](http://PAYCHECK.KCFED.ORG)**

for additional information and resources about understanding and managing your paycheck. This publication presents general information of interest to the public. It is not intended to provide specific advice or recommendations. *Fact sheets in the series "Putting Your Paycheck to Work" include:*

- *Understanding Your Paycheck*
- *Managing Your Paycheck – Withholdings*
- *Managing Your Paycheck – Deductions*
- *Getting Your Paycheck: Direct Deposit, Check or Payroll Card*
- *Expanding Your Paycheck: Benefits and Services to Consider*
- *Ten Actions to Get More from Your Paycheck*

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