



PUTTING YOUR *Paycheck* TO WORK

FEDERAL RESERVE BANK OF KANSAS CITY

NEWSLETTER ARTICLE 1

MANAGING YOUR PAYCHECK - *IT PAYS TO UNDERSTAND YOUR PAYCHECK*

You may know the amount you receive in your paycheck is less than your total earnings. But, do you know why it is less and where that money goes? It may be easy to say, "It goes to taxes" and leave it at that. However, it is important to understand what affects your pay.

After all, it is your money. And the better you understand your paycheck, the better you can manage it to meet your financial needs.

UNDERSTAND YOUR PAYSTUB

Your paystub, or paycheck record, is an important document that explains how much you have earned and how much has been withheld or deducted from your paycheck. Your employer provides a paystub for each of your paychecks.

KNOW YOUR WITHHOLDINGS AND DEDUCTIONS

You may have money deducted from your paycheck for many reasons, such as taxes, retirement programs, insurance or a parking permit. Carefully review any deductions that you have from your paycheck. Check with your employer to learn about the different benefit plans offered through payroll deduction and how those costs may affect both your taxes and your net pay.

TAKE CONTROL OF YOUR TAXES: THE W-4

Your withholdings for taxes are determined by two pieces of information - how much money you make in a pay period and the information you provide on the Employee's Withholding Allowance Certificate, or W-4 form. Your employer uses this information to determine how much money to withhold using tables provided by the IRS.

The W-4 is an important form completed by every employee. Too often, employees fill it out when they start a new job and then forget about it. You can change it at any time - and each change can impact how much your employer withholds, how much money is left in your paycheck and whether you will get a tax refund or have to pay additional taxes at the end of the year. While you must decide what is best for your situation, you can manage your paycheck more effectively by understanding and using the W-4.

Contact your human resource department to learn more about how to make the most of your paycheck. Additional information also is available in the series "Putting Your Paycheck to Work" available online at <http://paycheck.kcfed.org>.

PAYCHECK.KCFED.ORG