

Your Paycheck Explained

Your paycheck is the money your employer pays you for doing your job. You also get a pay stub that tells you how much you earned and how much money your employer took out of your paycheck for taxes and benefits.



How do I get money from my paycheck?

You can deposit your paycheck in your bank or credit union account. Some employers will put your paycheck directly into your account for you. This is called direct deposit. With direct deposit, you get your money right away and don't have to pay fees. But you might need to sign up for it with your employer.

You can also cash your paycheck at a bank, credit union, or another business. Cashing a paycheck at your bank or credit union is usually free. Some convenience stores, grocery stores, or check-cashing stores will cash paychecks. These businesses charge different fees for cashing a check. Call, visit, or go online to find out what a business charges.

Read about [Opening a Bank Account](https://www.consumer.gov/yourmoney) at [consumer.gov/yourmoney](https://www.consumer.gov/yourmoney).

Why do I bring home less money than I earn?


Your employer takes out, or deducts, money for taxes before you get your paycheck. This is called tax withholding.

The law says that employers must deduct money for:

- ▶ state and federal employment taxes
- ▶ Federal Insurance Contributions Act. This money is used for the government's Social Security and Medicare programs.
- ▶ disability or unemployment insurance

Employers also deduct money for benefits, if you have them. They can include:

- ▶ health insurance
- ▶ a retirement savings account



When you have a big change in your life, like having a baby, your taxes might change. You could owe more or less money in taxes than before. Talk to your employer if you have a big change.

To see how you spend the money you earn, use the [Budget Worksheet](https://www.consumer.gov/budgetworksheet) at [consumer.gov/budgetworksheet](https://www.consumer.gov/budgetworksheet).

What is a pay stub?

When you get a paycheck, you also get a pay stub, which is sometimes called an earnings statement. It shows how much money you earned and how much your employer took out for taxes and benefits. Keep your pay stubs for a year.

What is a W-2?

A W-2 is a form that shows how much money you earned during the year. It also shows how much your employer took out for taxes. Your employer will send you a W-2 form each year. You use your W-2 when you file your taxes with the Internal Revenue Service (IRS) and some states.

When you know your W-2 is right, you can throw away your pay stubs for that year. It's important to shred your pay stubs before throwing them away. Your pay stubs might have your Social Security number on them. Someone could use that to steal your identity.

