

Your Pay, Taxes, and Benefits

What Compensation Can You Expect? Compensation is the pay and benefits you receive from working. A salary is the amount you earn, usually expressed in terms of the total amount earned over a year.

Wages are the amount earned for each hour you work, usually paid on a weekly basis. Wages can include overtime pay. Overtime pay is pay you receive if you work beyond the standard 40 hours per week.

Benefits are the compensation other than money your employer gives you, including health insurance, paid vacation time, paid tuition for education, or matching retirement savings.

Gross Pay and Net Pay If you had an annual salary of \$35,000, this amount would be your **gross pay**, or the salary before taxes and other amounts are deducted. Usually, the annual salary is divided by the total number of pay periods in the year. At the end of every pay period, you receive a paycheck that consists of two parts:

- The actual check that you deposit in your bank account.
- The pay stub.

The pay stub lists the gross pay for the period and specifies all the amounts that are deducted from the gross pay. It also lists the **take-home pay**, or net pay, which is the amount you receive after all tax payments and other amounts are subtracted from your gross pay.

Example of a Pay Stub:

Employee number 378002	Employee Name Amy Martinez			Social Security # XXX-XX-XXXX	Pay period ending 03/26/--
Pay per hour, based on annual salary 25.00	Hours worked in pay period 80				Gross pay \$2,000.00
					Net pay \$1,360.60
Federal income tax withheld 250.00	FICA withheld 149.60	State income tax withheld 160.00	Local income tax withheld 40.00	Insurance withheld 39.80	
Year-to-date Federal withholding 1,500.00	Year-to-date FICA withheld 897.60	Year-to-date state withholding 960.00	Year-to-date local withholding 240.00	Year-to-date insurance withheld 238.80	