



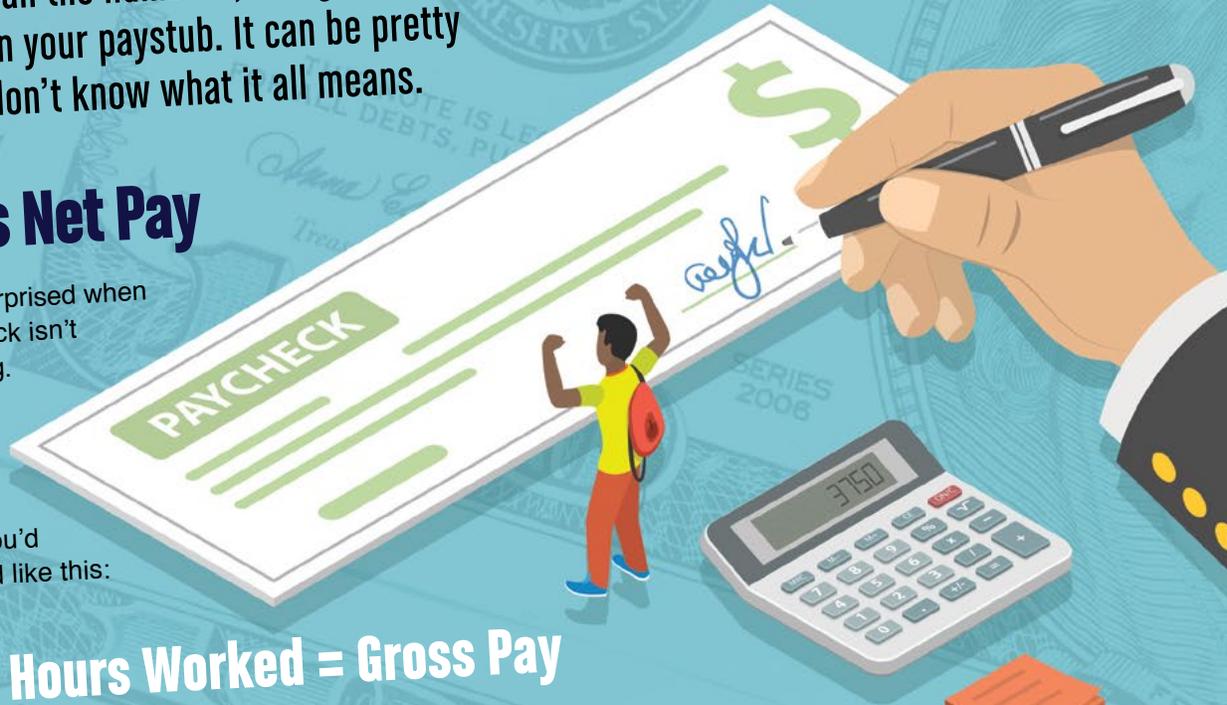
Your First Paycheck

You may have dreamed about this magical day for a long time—getting your first paycheck. When you get it, whether in paper or electronic form, it's important to understand what all the numbers, categories and acronyms are on your paystub. It can be pretty intimidating if you don't know what it all means.



★ Gross Pay vs Net Pay

For starters, don't be surprised when the amount of your check isn't what you were expecting. Gross Pay and Net Pay will both be on your paystub, with Gross Pay being the amount you thought you'd receive. It is calculated like this:



★ Hourly Pay x Hours Worked = Gross Pay

Net Pay, or “take-home pay” as it's commonly referred, is the amount you get after taxes and deductions are taken out. Some deductions are required, like State and Federal Income Tax, and others aren't required by law but are things you can opt into such as retirement, medical, dental and other benefits.

You'll also see FICA, which stands for Federal Insurance Contributions Act. This money is taken out of workers' paychecks to pay taxes for government programs such as Social Security retirement and Medicare benefits. It is a mandatory payroll deduction but states have different rules regarding what and how much they take out.

★ You Got Paid, Now What?

You'll want to double-check that your hourly pay and hours worked on your paystub is correct. If it's not correct, don't hesitate to talk to your manager or supervisor. They'll be able to help you understand what you're seeing and correct any inaccuracies if needed.



Getting to Know

DIRECT DEPOSIT

What is it? A direct deposit is a deposit of electronic funds from one bank account to another, rather than a physical, paper check. The most common use for direct deposit is pay checks.

Why use it? There are numerous reasons to use direct deposit and one of the most obvious is ease of use. After setting up your direct deposit, there's no further action required on your part—the funds are automatically added to your account. Since it is electronic, everyone has a record of the payment so it's easy to see in your account's transaction history.

Direct deposit is secure because there isn't a physical check floating around to be stolen, altered or cashed fraudulently. Getting paid faster is another benefit of direct deposit because the funds hit your account a day or two earlier than a paper check would get to you. Plus, you'll save time not having to deposit the check and wait for it to clear.

How to set it up. In order to receive payments electronically, you'll need to provide some basic information about your bank account to the organization that is paying you. There's usually a form, called a direct deposit form, you'll be asked to complete that will include:

1. Bank account number
2. Routing number
3. Type of account (in most cases a checking or savings account)
4. Bank name and address

As a minor, you may also be asked for names of other account holders listed on the account such as one of your parents or grandparents.

The 50/30/20 Budgeting Rule

So how does this plan work? Start with your Net Pay—what you get after taxes and deductions. Determine how much you spend on “needs” each month. Needs are considered things like groceries, housing, utilities, car payment, etc. According to the 50/30/20 rule, your total shouldn't be more than 50 percent of your net pay.

Figuring out which expenses are “needs” and which ones are “wants” is the tricky part. Here's a good way to filter needs vs. wants: Any payment that would severely impact your quality of life, such as electricity and car insurance, is a need. The rest fall under the “wants” category, which is the “30” part of the rule. They include the niceties of life that you enjoy—your monthly streaming bill, your unlimited text messaging plan, etc.

The “20” rule says you should spend 20 percent of your net pay repaying debts and saving money, either in an emergency fund or retirement account.

50/30/20 Rule Example: Net Pay \$2,000



Groceries
Utilities
Gas
Car payment
Car insurance



Dining out
Hobbies
Phone
Entertainment
Subscriptions



Savings
Pay debt
Emergency fund
Plan for future
Student loans

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