

# Examining elements of a paycheck

Students review a sample pay stub to understand the real-world effect of taxes and deductions on the amount of money workers take home.

## Learning goals

### Big idea

A paycheck typically includes payment for work completed and a pay stub that records earnings and all deductions.

### Essential questions

- How is the amount of a paycheck calculated?
- How does gross income differ from net income?

### Objectives

- Understand the components of a pay stub
- Become familiar with the types of taxes that are deducted from a paycheck

## What students will do


- Review a sample pay stub.
- Discuss the entries and deductions on the pay stub and what they mean.

### NOTE

Please remember to consider your students' accommodations and special needs to ensure that all students are able to participate in a meaningful way.

### KEY INFORMATION

Building block:

 Financial knowledge and decision-making skills

Grade level: Middle school (6-8)

Age range: 11-14

Topic: Earn (Getting paid, Making money, Paying taxes)

School subject: CTE (Career and technical education), Math, Social studies or history

Teaching strategy: Cooperative learning, Simulation

Bloom's Taxonomy level: Understand, Analyze

Activity duration: 45-60 minutes

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National Standards for Personal Financial Education, 2021  
Earning income: 8-3

These standards are cumulative, and topics are not repeated in each grade level. This activity may include information students need to understand before exploring this topic in more detail.

## Preparing for this activity

- While it's not necessary, completing the "Getting paid" activity first may make this one more meaningful.
- Print copies of all student materials for each student, or prepare for students to access them electronically.
- Review the "How to read a pay stub" handout to become familiar with it.
- Consider displaying the poster, "How to Read a Pay Stub" before doing this activity.
  - You can order the poster for free here:  
<https://pueblo.gpo.gov/CFPBPubs/CFPBPubs.php?PubID=13465>
- Print one copy of the "Sample pay stub entries and deductions" card template (in this guide) and cut into individual cards.

### What you'll need

#### THIS TEACHER GUIDE

- Examining elements of a paycheck (guide)  
[cfpb\\_building\\_block\\_activities\\_examining-elements-paycheck\\_guide.pdf](#)

#### STUDENT MATERIALS

- Sample pay stub entries and deductions cards (in this guide)
- How to read a pay stub (handout)  
[cfpb\\_building\\_block\\_activities\\_how-to-read-pay-stub\\_handout.pdf](#)

## Exploring key financial concepts

When you get your very first paycheck, the words used and the amounts on the pay stub may not always be easy to understand. You may wonder why your take-home pay is different from what you expected, based on what you earned. This may be your first direct experience with deductions and paying income taxes. Income tax and employee benefit programs can seem like abstract concepts. Learning about each item on a pay stub can help you understand how taxes and deductions reduce your gross income, resulting in take-home pay that may be far less.

### TIP

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Because financial products, terms, and laws change, students should be encouraged to always look for the most up-to-date information.

## Teaching this activity

### Whole-class introduction

- Distribute the “How to read a pay stub” handout.
- Tell students that they’ll learn about the information that appears on a pay stub.
- Explain that an earnings statement, or pay stub, serves as a record of the money a person earned during a period of time as well as a record of what taxes and other deductions were taken out of a paycheck.
- Be sure students understand key vocabulary:
  - **Federal income tax:** The federal government collects taxes based on the earnings of individuals and businesses, called an income tax. The federal income tax pays for national programs such as defense, foreign affairs, law enforcement, and interest on the national debt.
  - **FICA - Federal Insurance Contributions Act:** A tax deducted from your pay to contribute to Social Security and Medicare; your employer contributes the same amount on your behalf.
  - **Gross income:** Total pay before taxes and other deductions are taken out.
  - **Net income:** Amount of money you receive in your paycheck after taxes and other deductions are taken out; also called take-home pay.
  - **State income tax:** Most states and some local municipalities require their residents to pay a personal income tax. Generally, states use one of two methods to determine income tax: the graduated income tax or the flat rate income tax. Both methods first require you to figure your taxable income.
- Divide students into nine groups.
- Give each group a “pay stub entries and deductions” card.

#### TIP

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Visit CFPB’s financial education glossary at [consumerfinance.gov/financial-education-glossary/](https://consumerfinance.gov/financial-education-glossary/).

### Group work

- Students should find the number(s) that appears on their card on the sample pay stub (on the handout). This will help them to identify what element of the pay stub they have.
- Once they identify the element, they should read the description of that element on the handout and try to put it in their own words.

## Wrap-up

- Bring the class back together to share each of their findings. Have them present in the order shown on the handout.
- Be sure that each group describes the element in their own words and that the class feels they understand what each element means.
- Encourage them to ask questions and engage in dialogue.

## Suggested next steps

Consider searching for other CFPB activities that address the topic of earning, including getting paid, making money, and paying taxes. One suggested activity is "Identifying ways we all benefit from taxes."

## Measuring student learning

Students' answers during discussion can give you a sense of their understanding.

This answer guide provides possible answers for the "Sample pay stub entries and deductions" cards. **Keep in mind that students' answers may vary.** The important thing is for students to have reasonable justification for their answers.

## Answer guide

1. 8/01/22-8/15/22 (Pay period)
2. \$200 (Gross income for this pay period)
3. \$2,800.00 (Year-to-date [YTD] gross income)
4. \$8.63 (Federal tax)
5. \$12.40 (FICA Social Security tax)
6. \$2.90 (FICA Medicare)
7. \$0.74 (State tax)
8. \$24.67 (Deductions)
9. \$175.33 (Net income)

# Sample pay stub entries and deductions cards

## Instructions

- Cut along the dotted lines to make individual cards.
- Distribute one card to each student group.
- Students will match the number(s) on their card to the sample pay stub in the "How to read a pay stub" handout to identify what element of a pay stub the number represents.
- Each group will read about this element and explain it to the rest of the class.



8/01/22-8/15/22

\$200

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\$175.33

\$8.63

\$12.40

\$2.90

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\$24.67