



Your First Paycheck, Explained

Getting your first paycheck is exciting and a big accomplishment. But many teens aren't sure what to do with the money. It can be tempting to spend it all right away, so making a plan can help you cover expenses, save toward your goals, and still have money to spend on the things you like.

Pay period and payday

The pay period covers the dates included in your payment. Payday is the date you receive the money. These dates may be different.

Hours and pay rate

For an hourly job, check the hours listed on your own records and confirm your hourly rate. For regular hours, multiply hours worked by your rate to calculate those earnings. Overtime, tips, or bonuses may appear separately.

Gross pay

Gross pay is your earnings before taxes and other deductions.

Deductions

Deductions are amounts taken out of your earnings. Some common deductions are:

- **Federal income tax**
- **State or local income tax**
- **Social Security and Medicare**
- **Other deductions:** Items such as employee contributions for benefits.

Net pay

Net pay, or take-home pay, is what remains after deductions and is the amount you actually receive.

Gross pay – total deductions = net pay

A simple example



PAY STUB • FICTIONAL EXAMPLE	
Item	Amount
Regular hours	22
Hourly rate	\$16.50
Gross pay	\$363.00
Social Security (6.2%)	–\$22.51
Medicare (1.45%)	–\$5.26
Federal income tax withheld	–\$12.00
State/local income tax withheld	–\$10.00
Total deductions	–\$49.77
Net pay	\$313.23

All amounts are fictional and provided for illustration only. Actual earnings, taxes, and deductions vary.

When you get your pay stub, check:

- ☐ The pay period covers the dates you expected.
- ☐ Your hours and pay rate match your records.
- ☐ You understand each deduction.
- ☐ Your payment matches the net pay shown, accounting for any split deposits.

Something looks wrong? Keep your records and ask your employer.

Sources:

CFPB — How to Read a Pay Stub - https://files.consumerfinance.gov/f/documents/cfpb_building_blocks_activities_how-read-pay-stub_poster.pdf

CFPB — Calculating the Numbers in Your Paycheck - https://files.consumerfinance.gov/f/documents/cfpb_building_block_activities_calculating-numbers-your-paycheck_guide.pdf

IRS — Students and Withholding - <https://www.irs.gov/faqs/irs-procedures/form-w-4-excess-fica-students-withholding>

U.S. Department of Labor — Recordkeeping - <https://www.dol.gov/agencies/whd/fact-sheets/21-flsa-recordkeeping>

Illinois Department of Labor — Pay Stub Requirements - <https://labor.illinois.gov/news/press-release.30753.html>