FREE PRACTICE | LIFEREADY

How to Read a Pay Stub

Sammy starts with the pay period: which dates does this payment cover? Gross pay is earnings before deductions. Net pay is money left after deductions. Year-to-date (YTD) is the running calendar-year total, not another deduction. Compare hours, rate, earnings, deductions, and the deposit.

Fictional educational pay stub: Harbor Studio

One-week period	Calculation / amount
Regular hours and rate	20 hours x $15 = $300 gross
Employee Social Security	$300 x 6.2% = $18.60
Employee Medicare	$300 x 1.45% = $4.35
Federal / state withholding	$12 / $6 (illustrative amounts)
Total deductions / net pay	$40.95 / $259.05

This assumes covered employee wages below the 2026 Social Security wage base, no special exceptions, no benefits, and no overtime. The federal and state withholding amounts are invented, not tax calculations or final tax liability.

Paycheck detective

1. A second timecard shows 24 hours at $15, but the stub lists 22 hours and $330 gross. Find the missing gross pay.

2. For the corrected $360 gross, use 6.2% Social Security, 1.45% Medicare, and assumed $20 combined income-tax withholding. Find total deductions and net pay.

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HOW TO READ A PAY STUB

Check, explain, and apply

Fully worked check

1. Correct gross is 24 x $15 = $360. The stub shows 22 x $15 = $330, so two hours and $30 gross are missing. Compare records and ask payroll through a known channel; do not assume a difference is deliberate.

2. Social Security: $360 x 0.062 = $22.32. Medicare: $360 x 0.0145 = $5.22. Total deductions: $22.32 + $5.22 + $20 = $47.54. Net pay: $360 - $47.54 = $312.46.

Important limits

Federal overtime generally applies after 40 hours in one workweek for covered, nonexempt workers, at least 1.5 times the regular rate. Different state protections and exemptions can matter; a salary alone does not decide eligibility. Benefits and pretax deductions can change a real calculation.

Explain the difference

1. Why should a monthly budget start with reliable take-home pay instead of gross pay? Name three pay-stub details to verify before spending.

Check dates, hours/rate, each deduction, YTD amounts, and the resulting deposit. Keep personal payroll documents private.

Sources (2026): irs.gov/taxtopics/tc751 ; dol.gov/general/topic/workhours/overtime . Educational practice, not individualized financial, legal, tax, or investment advice. Examples are fictional. U.S. rules and account terms can vary.

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