MONEY · FIRST PAYCHECK

Decode Your First Paystub

Where did a quarter of your money go? Here's every line on that stub, translated — and what to double-check so payroll mistakes don't cost you.

📄 A sample stub (yours will look close to this)

Line	Amount	What it means
Gross pay	$1,750.00	What you earned before anyone touched it
Federal income tax	−$155.00	Your prepayment toward this year's taxes
Social Security	−$108.50	6.2% — funds retirement/disability system
Medicare	−$25.38	1.45% — health coverage for 65+
State income tax	−$52.00	Depends on your state (some have none)
Health insurance	−$60.00	Your share of the premium, pre-tax
401(k) contribution	−$87.50	5% to retirement — future-you's money
Net pay ("take-home")	**$1,261.62**	**What actually hits your bank account**

Rule of thumb: take-home lands around 70–80% of gross. Nobody warns you the first time. It stings. It's normal.

🗂️ Decoder: the jargon

YTD	"Year to date" — running totals since Jan 1. Handy at tax time.
FICA	Social Security + Medicare together (7.65% of gross).
Pre-tax deduction	Taken out *before* taxes are figured (401k, health) — lowers your tax bill.
Post-tax deduction	Taken out after (Roth 401k, some insurance).
W-4	The form that sets how much federal tax is withheld. Set it wrong = surprise bill or big refund.
Pay period	The dates this check covers — often 1–2 weeks behind today.

✅ Check these on your first stub (payroll makes mistakes)

- ☐ Hourly rate or salary matches your offer letter — exactly
- ☐ Hours are right (count them yourself, including overtime at 1.5×)
- ☐ Legal name and SSN are correct — a typo here messes up your taxes
- ☐ Health insurance amount matches what you signed up for
- ☐ 401(k) percentage matches what you picked — and the match is showing up
- ☐ State taxes match the state you actually work in

Something off? Email HR/payroll politely with the stub attached. It's a 5-minute fix now, a headache in April.

💡 Three moves that pay for themselves

- ☐ **Take the full 401(k) match.** If they match 4%, contribute at least 4% — it's a 100% instant return, aka free money
- ☐ **Huge refund every year?** You're loaning the government money at 0% — adjust your W-4
- ☐ **Save every stub** (or download the PDFs) — you'll want them for apartments, car loans, and taxes

🧮 Quick math for your own stub

My gross pay this period	$
My net pay this period	$
Net ÷ gross = my take-home %	%
Budget built on this number, not gross	☐

🎓 **Dad's Quick Take:** Gross is what you earn; net is what you get; the difference is taxes and future-you. Budget on net, grab the whole 401(k) match, and check the first stub like it owes you money — because it might.