




Lesson Guide

Climbers learn how to make sense of both their earnings and tax withholdings, with helpful guidance for filling out a W-4 form and breaking down a pay stub. By the end of the lesson, Climbers will have a better understanding of the tools and tips they can use to ensure they are getting paid fairly, while also paying taxes and other mandatory dues that provide government services.

Learning Objectives	<p>Understand the difference between wages and salaries and how each affects financial planning.</p> <p>Learn the importance of completing a W-4 form accurately for proper tax withholdings.</p> <p>Explore how taxes are allocated and their impact on local and national services.</p> <p>Analyze pay stubs to understand gross pay, net pay, and the role of deductions.</p>
WIOA Program Elements	<p>E11. Financial Literacy Education. Directly addresses budgeting, managing income, understanding taxes/pay stubs, and using digital banking platforms.</p>
Key Concepts	<p>Paystub: A document outlining an employee’s earnings and deductions, including taxes.</p> <p>Tax Deductions: The amount of money subtracted from your earnings for taxes.</p> <p>Take Home Pay: The amount of money you receive in your paycheck <i>after</i> taxes and other deductions.</p>
Materials	<p>Coach Deck:  Getting Paid Your Due Lesson Deck</p> <p>Internet-ready devices with Hats & Ladders access</p> <p>Activity: Calculating Take Home Pay</p> <p>Answer Key: Calculating Take-Home Pay</p>

Coach Prep

1. Review lesson instructions and activity materials, including the **Coach Deck**, an optional resource to guide Climbers through the lesson, and digital Career Climb.
2. Arrange a computer lab or laptop cart, or instruct your group to bring their own devices with internet connectivity.
3. *Optional:* From the Coach platform, assign the **Getting Paid Your Due** Career Climb to your group. This will allow you to track their progress from your dashboard.

Warm-Up

1. Introduce the topic of getting paid by asking the following:
 - *Zoey earns \$660 a week for a 40-hour-per-week job that pays minimum wage. How much money do you think Zoey's weekly paycheck is?*
2. Have a few Climbers share their responses.
3. Show the top half of **Zoey's Sample Pay Stub** with the group, and ask them to take a minute to review and then share what they notice. Suggested prompts:
 - *When she gets her paycheck, how much money is able to cash or deposit?*
 - *Why is it that much less than the \$660 she earns?*
 - *Why might someone else earning the same weekly amount bring home a different amount of money?*
4. Explain, if not clear from the discussion, that her net pay is **\$478.76**. This is also called **take-home pay** because it is the amount of money you can spend from your earnings once taxes and other deductions are taken out of your paycheck.
 - *While some deductions like federal, state, and local taxes, and Medicare are required, others might come from voluntary contributions made to retirement funds or health insurance premiums.*
 - *Some people also ask the government to withhold even more of their paychecks to minimize the taxes they have to file.*
 - *Understanding a paystub is important because it will help you make sure your spending is based on your take-home pay and not your gross earnings.*
5. Briefly outline other topics that will be covered in the lesson, including:
 - **Earning money**, and how to differentiate between wages and salaries
 - **Filling out a W-4**, and how this form affects your paycheck and income taxes
 - **Taxes**, where do all those deductions actually go?

Guide a Career Climb

1. Direct Climbers to the Hats & Ladders platform to start the **Getting Paid Your Due** Career Climb which consists of four Ladders:
 - **Wages vs. Salaries** (4 Mins)
 - **Getting Paid Right with Form W-4** (7 Mins)
 - **Where are my Tax Dollars Going?** (5 Mins)
 - **Breaking Down your Pay Stub?** (9 Mins)
2. Climbers can complete the entire Career Climb **at once**, or they can **pause** to share out takeaways and questions along the way.
3. After they complete the Career Climb, lead a brief discussion on what they've learned. Suggested prompts:
 - **What are some pros and cons of wage jobs? What about the pros and cons of a salary job?** *With wages, you'll get paid for every hour you work and may have a more flexible schedule versus a steady salary job that comes with benefits but usually no overtime*
 - **What happens to your paycheck if you claim more allowances or dependents?** *You'll get bigger paychecks now (because less money is deducted) but might receive a smaller tax refund (or owe money) later*
 - **Where do most of your tax dollars go?** *Social security*
 - **Why do you think social security is mandatory** *(unlike voluntary retirement contributions)?*
4. Preview that understanding their paycheck is going to be the focus of the lesson activity. Climbers will practice using tools that help them calculate their take-home pay, as well as see how it differs based on different variables like the number of dependents they claim.

Activity: Calculating Take Home Pay

1. Have Climbers independently read the instructions on the **activity handout**, or have a volunteer read them aloud.
2. Climbers complete the activity handout which checks their understanding of key terminology (Part 1), sends them to a free paycheck calculator school to try out (Part 2), and asks them to reflect on their activity takeaways (Part 3).
3. Share out responses from Part 3 Reflection.
 - *Why is it important to know where income is going when you look at your paycheck?*

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- *What is one piece of information you learned today about pay stubs that you didn't already know?*

Wrap-Up

1. Share out responses from the Activity reflection:
 - *Why is it important to know where income is going when you look at your paycheck?*
 - *What is one piece of information you learned today about pay stubs that you didn't already know?*
2. Summarize that understanding how paycheck stubs work, and using free tools to see how different factors affect take home pay, is one of the best ways of making sure they are getting paid fairly and that there are no surprises when it comes to filing their income taxes.

Assessment

- To check the **Climbers' understanding** of the lesson, use the provided **answer key**.

Modifications

- If you do not have access to devices, have Climbers complete the digital Career Climb at home.

Activity: Calculating Take Home Pay

Power up your payday by testing your knowledge of paycheck terminology and by using a free paycheck calculator to estimate take-home pay.

Part 1: Pay Stub Matching

Directions: The terms and their definitions have been mixed up. Match each by drawing a line from the term to the correct definition.

Terms	Definitions
Gross Pay	The amount of money you take home after all deductions, taxes , and other withholdings are subtracted from the gross pay.
Net Pay	The portion of your pay withheld for state taxes, which varies depending on the state's tax laws and the employee's earnings.
Federal Income Tax	The total accumulation of all earnings, taxes , and deductions for the current year starting from January 1st up to the current pay period. Often abbreviated.
State Income Tax	Additional pay due to hours worked beyond the standard work week , typically paid at a higher rate than regular hours.
Year-to-Date (YTD)	The amount deducted from your earnings that goes to the federal government, based on income level and filing status.
Overtime	The total amount earned by an employee before any deductions or taxes are taken out. It reflects the full salary or hourly wage earnings.

Part 2: Try out a Paycheck Calculator

Directions: Use an online paycheck calculator to estimate deductions based on your hourly wage.

Go to this Hourly Paycheck Calculator,

<https://www.adp.com/resources/tools/calculators/hourly-paycheck-calculator.aspx>

1) Under the “Earnings” tab, calculate the **gross pay** and estimated **biweekly take home pay** for a person making \$25/hr who works 40 hours per week.

Gross Pay:

Take Home Pay:

2) What happens when you go to the “States Taxes” tab and select New York?

- a) The take home pay *increases*
- b) The take home pay *decreases*
- c) The take home pay stays the same

3) What happens when you go to the “Federal Taxes” tab and enter \$2000 for the dependent amount?*

- a) The take home pay *increases*
- b) The take home pay *decreases*
- c) The take home pay stays the same

**Form W-4 allows you to claim children and other dependents, and instructs you to multiply each child by \$2000.*

Part 3: Reflection

Why is it important to know where income is going when you look at your paycheck?

What is one piece of information you learned today about pay stubs that you didn't already know?

Answer Key: Calculating Take Home Pay

Key Terms and Definitions

Gross Pay - The total amount earned by an employee before any deductions or taxes are taken out. It reflects the full salary or hourly wage earnings.

Net Pay - The amount of money an employee takes home after all deductions, taxes, and other withholdings are subtracted from the gross pay.

Federal Income Tax - The amount deducted from earnings that goes to the federal government, based on income level and filing status.

State Income Tax - The portion of an employee's earnings withheld for state taxes, which varies depending on the state's tax laws and the employee's earnings.

Year-to-Date (YTD) - The total accumulation of all earnings, taxes, and deductions for the current year starting from January 1st up to the current pay period.

Overtime - Additional pay due to hours worked beyond the standard workweek, typically paid at a higher rate than regular hours.

Answers to Part 2.

1) Under the "Earnings" tab, calculate the **gross pay** and estimated **biweekly take home pay** for a person making \$25/hr who works 40 hours per week.

Gross pay: \$1000.00 Estimated Take Home Pay: \$881.19 (exact amount may vary)

2) What happens when you go to the "States Taxes" tab and select New York?

- a) The take home pay *increases*
- b) The take home pay *decreases***
- c) The take home pay stays the same

3) What happens when you go to the "Federal Taxes" tab and enter \$2000 for the dependent amount?*

- a) **The take home pay *increases***
- b) The take home pay *decreases*
- c) The take home pay stays the same

EARNINGS STATEMENT

COMPANY NAME
SOME CORPORATION 123
SOMEWHERE ST, NEW YORK, NY 12345

Employee Name: Zoey Midge
SSN: xxx-xx-5678
Employee ID: 98856

1 Check No: 98765
Pay Period: 7/6/2025-7/12/2025
Pay Date: 7/17/2025

2	Income	3 Rate	Hours	4 Current Total	5	Mandatory Deductions	Current Total	Year-To-Date		
	Gross Wages	16.50	40	660.00		FED TAX	40.00	240.00		
						SOCIAL SECURITY (FICA SS TAX)	37.20	223.20		
						MEDICARE TAX (FICA MED)	9.57	57.42		
						NY STATE INCOME TAX	25.31	151.86		
						NY FAMILY LEAVE INSURANCE (FLI)	2.56			
						NY STATE DISABILITY INSURANCE (SDI)	.60	\$3.60		
					6	Voluntary Deductions				
						RETIREMENT	\$66.00	\$396.00		
9	YTD GROSS 3,960	10	YTD DEDUCTIONS 1,087.44	11	YTD NET PAY 2,872.56	7	CURRENT TOTAL 660.00	8	CURRENT DEDUCTIONS 181.24	NET PAY 478.76

*Excluded from federal taxable wage

WHAT TO LOOK FOR ON YOUR PAYSTUB

1 PAY FREQUENCY

This is how often you receive your income payments. It is often weekly, fortnightly, or monthly.

2 HOURLY WAGE OR SALARY FOR PAY PERIOD

How much you earn per week or per hour.

3 HOURS WORKED DURING PAY PERIOD (IF HOURLY)

The number of hours you worked in that pay period.

4 GROSS PAY FOR PAY PERIOD (CURRENT TOTAL)

This is the amount of pay you received before any deductions.

5 MANDATORY DEDUCTIONS

This included federal and state taxes, medicare, social security and taxes on other sources of income, such as tips.

6 VOLUNTARY CONTRIBUTIONS

This is the amount you may spend on health insurance premiums, or contribute towards a retirement account like a 401(k).

7 DEDUCTIONS FOR PAY PERIOD

The total amount of deductions that have been taken from your earning for the current pay period.

8 NET PAY FOR PAY PERIOD

This is your gross pay minus any deductions listed on your paycheck.

9 YEAR TO DATE GROSS PAY

The amount earned before any deductions or taxes from the start of the year to the present.

10 YEAR TO DATE DEDUCTIONS

The amount of money that has been withheld from an individual's salary.

11 YEAR TO DATE NET PAY

Total earnings after all deductions and taxes from the start of the year to the present.