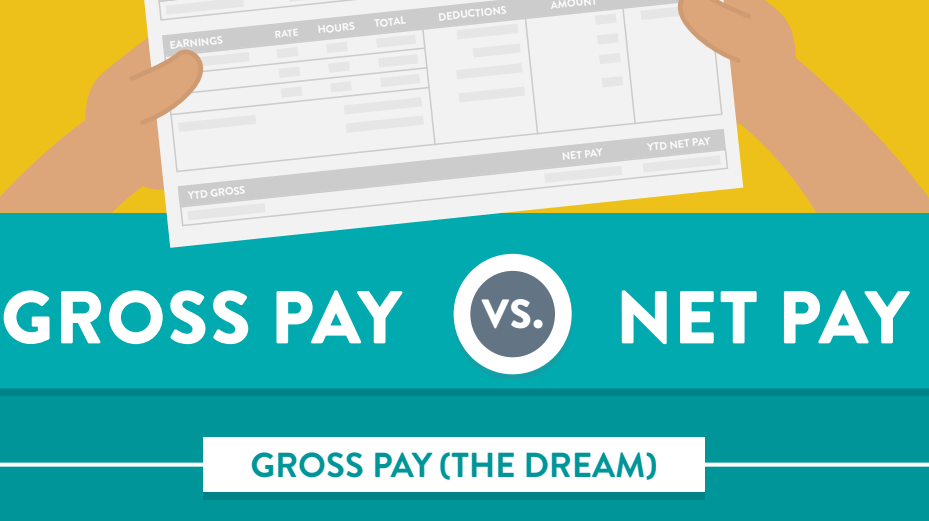


# Understanding your PAYCHEQUE

Your pay stub is a source of valuable information—it shows you how your income is distributed, gives you a heads-up on what to expect at tax time and allows you to set a realistic budget



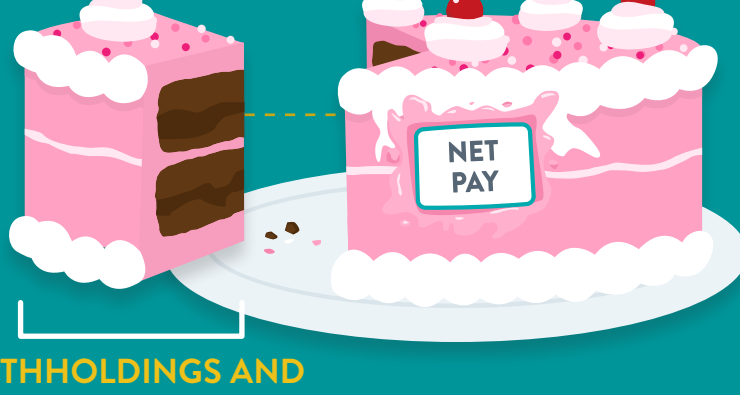
## GROSS PAY vs. NET PAY

### GROSS PAY (THE DREAM)



**Gross Pay** is the total amount you earn before withholdings. You tend to think of it in terms of your salary or your hourly wage.

### NET PAY (THE REALITY)



#### WITHHOLDINGS AND DEDUCTIONS

**Net Pay** is your take-home pay (spoiler alert: it's less than your gross pay). It's what's left of your earnings after withholdings and deductions have been made.



#### BUDGETING TIP

Don't make the rookie mistake of using your gross pay to calculate your monthly budget—use your **net pay** instead

### WITHHOLDINGS AND DEDUCTIONS

#### WITHHOLDINGS

**Withholdings** are the portion of your paycheque that your employer withholds for the government—these can also be referred to as **Involuntary** or **Mandatory Deductions**

#### DEDUCTIONS

**Deductions** are other amounts that can be taken from your paycheque—you opt into these deductions; as a result, they vary from person to person

#### WITHHOLDINGS

#### DEDUCTIONS



#### TAKE NOTE

Terminology can differ: your pay stub may use the term "deduction" to refer to **both** withholdings **and** voluntary deductions

## TAXES

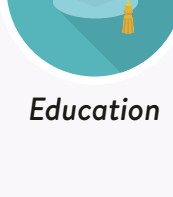
### FEDERAL TAXES

Federal income tax is automatically deducted from your paycheque. The amount deducted depends on the federal tax rate as well as how much money you make.

Your federal tax dollars go toward things like:



Public Safety



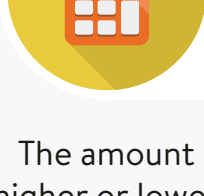
Education



Infrastructure



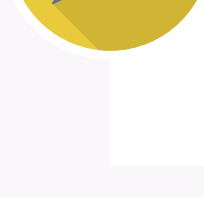
National Defence



#### CALCULATE YOUR WITHHOLDINGS

Online withholdings calculators are a helpful (and free) tool that can help you better understand how tax rates affect your income

The amount of tax withheld on your paycheque might be higher or lower than the actual amount of federal tax due to the government, so you may find yourself owing additional funds or getting a refund at tax time.



#### UPDATE YOUR TD1

To keep your tax allowance accurate, fill out a new TD1 when your marital status changes, when you have or adopt a child, when you get a second job, when your spouse's employment situation changes or if you'll be unemployed for part of the year

### PROVINCIAL AND LOCAL TAXES

The amount withheld from your paycheque for provincial and local taxes varies depending on where you live

Your provincial and local tax dollars go toward things like:



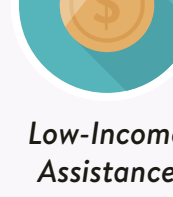
Schools



Healthcare



Public Transportation

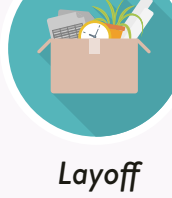


Low-Income Assistance

## EMPLOYMENT INSURANCE

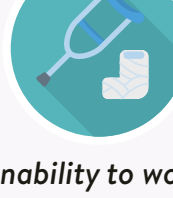
Employment Insurance (EI) provides regular benefits to individuals who lose their jobs through no fault of their own.

Examples include:



#### Layoff

Due to shortage of work, or seasonal or mass layoffs

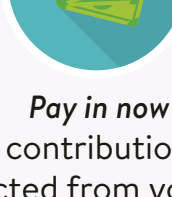


#### Inability to work

Due to sickness, injury or quarantine

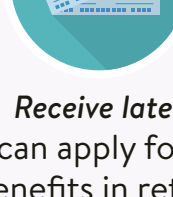
## CANADA PENSION PLAN

Canada Pension Plan (CPP) contributions mainly go toward providing retirement benefits.



#### Pay in now

CPP contributions are deducted from your pay



#### Receive later

You can apply for your CPP benefits in retirement (typically at age 65)

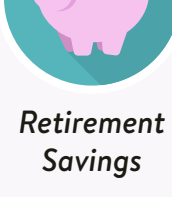
## VOLUNTARY DEDUCTIONS

Voluntary deductions are amounts that you choose to have deducted from your paycheque—common examples include:



Extended Health Coverage

This includes extended medical, dental or vision plans



Retirement Savings

Contributions to your RRSP can be taken directly from your pay



Life Insurance

Insurance coverage premiums may be deducted from your pay

Voluntary deductions can be taken out of your gross pay as a pre-tax deduction, a tax-deferred deduction or a post-tax deduction



#### GET TO KNOW YOUR DEDUCTIONS

Reading your pay stub can serve as a reminder to make use of the coverage and benefits available to you through your employer

BROUGHT TO YOU BY



Sources: Government of Canada, Duke University, The Balance