

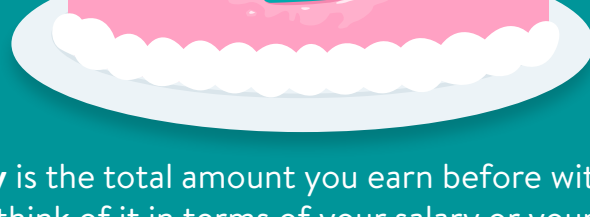
Understanding your PAYCHEQUE

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



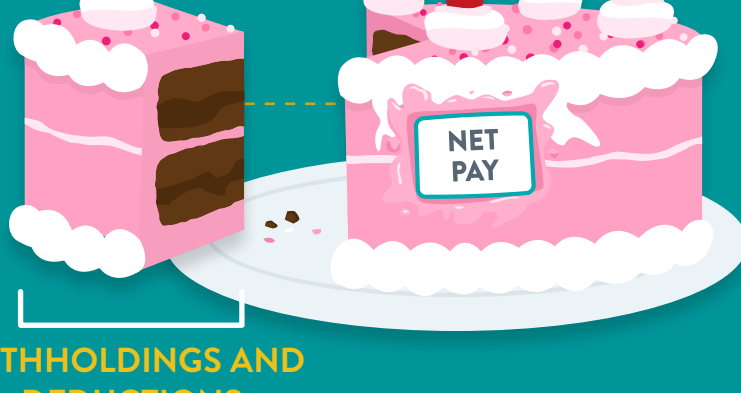
GROSS PAY vs. NET PAY

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 paycheck 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 paycheck—you opt into these deductions; as a result, they vary from person to person

WITHHOLDINGS

DEDUCTIONS



TAXES

EMPLOYMENT INSURANCE

CANADA PENSION PLAN

VOLUNTARY DEDUCTIONS



TAKE NOTE

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

TAXES

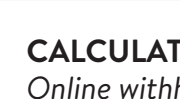
FEDERAL TAXES

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

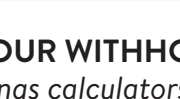
Your federal tax dollars go toward things like:



Public Safety



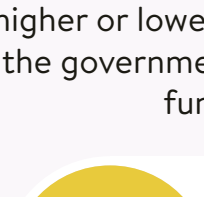
Education



Infrastructure



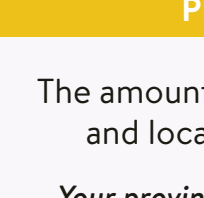
National Defence



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 paycheck 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.



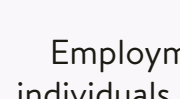
UPDATE YOUR TD1

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

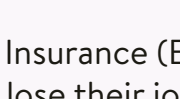
PROVINCIAL AND LOCAL TAXES

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

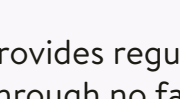
Your provincial and local tax dollars go toward things like:



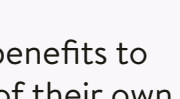
Schools



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

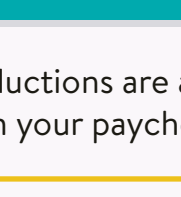


Inability to work

Due to sickness, injury or quarantine

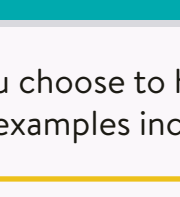
CANADA PENSION PLAN

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)

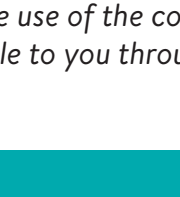
VOLUNTARY DEDUCTIONS

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



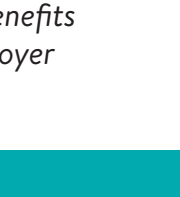
Extended Health Coverage

This includes extended medical, dental or vision plans



Retirement Savings

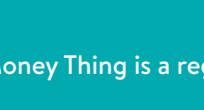
Contributions to your RRSP can be taken directly from your pay



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