

Your Finances

Your Paycheck: A Financial Instrument That Can Play Many Tunes

(NAPSA)—Paychecks are a lot more than take-home pay. From contributions to retirement accounts to adjusting your withholdings and taking advantage of flexible spending accounts, paychecks allow everyone to maximize their own bottom line. Workers can use the payroll withholding system to their personal advantage.

The paycheck has evolved to meet the needs of a rapidly changing society. “A paycheck not only pays the rent and utility bills, it is a planning tool to chart a solid financial future. Recent innovations in the payroll industry have made it possible to get more value out of your paycheck,” explains Dan Maddux, Executive Director of the American Payroll Association, the leader in payroll training and education.

Living paycheck to paycheck is a common occurrence for many workers, so it is vital to understand your paycheck’s key elements and how to effectively use the payroll withholding system. To honor the efforts of the millions of workers in the United States who help make this country great, National Payroll Week was founded by the American Payroll Association (APA) in 1996. This year, the celebration of NPW is scheduled for September 3-7.

‘Unbanked’ employees can sing a different song with payroll debit cards

New technologies are changing the way paychecks are delivered. Many employers now offer em-



ployees a new alternative to a ‘paper paycheck’ and direct deposit: the payroll debit card. The payroll debit card works in a similar fashion to a standard debit card and is a direct deposit solution for workers without bank accounts.

Until recently, workers without accounts in banks or other financial institutions had no choice but to be paid with a paper check or cash. To pay employees with debit cards, employers calculate gross to net as always, and print a detailed receipt for the employee. With a personal identification number, employees can access their pay at any ATM or use the card at grocery stores, gas stations and department stores.

If a card is lost, the employer can immediately deactivate it. Terminated employees can be paid on the spot with debit cards. Employees working in other cities, states, or countries can be paid immediately. Overseas employees can gain access to funds in local currency. Expenses can be reimbursed without delay. Plus, the

card cannot get lost in the mail.

Workers also have 24-hour access to their paycheck. Instead of standing in line at a check-cashing store or supermarket, workers can go to the nearest ATM and withdraw their pay. The payroll debit card can also help workers avoid costly check cashing fees.

Keeping your retirement on key

One major financial component of your paycheck is retirement planning. There are a variety of investment options—many available through payroll withholding—designed to help you make the most of your retirement.

401(k) salary deferral plans have been the most popular choice in employee retirement savings plans. Most 401(k) plans permit employees to contribute a fixed percentage of their pre-tax pay, usually between 1 percent and 15 percent, and some employers match a percentage of employee contributions. Pre-tax 401(k) contributions are not taxed for federal income tax purposes until they are withdrawn from the plan. Nor are any earnings on plan contributions taxed while they remain in the plan.

Like any instrument, a paycheck can be finely tuned, creating harmony now and in your financial future.

Visit www.nationalpayrollweek.com to learn more about maximizing your paycheck and related information.