FINANCIAL AND CONSUMER SERVICES COMMISSION

FCNB.ca

HOW TO READ A PAYSTUB

MONEY COMING IN:

Gross Income: total income before any taxes or other costs are deducted.

Net Income: income after taxes and other deductions such as EI and CPP. This is the amount of money that gets deposited into your bank account.

Vacation pay: Employers across Canada are required to give their employees a minimum of two weeks of paid vacation each year. Full-time employees are usually paid their regular salary while on vacation. Instead of being paid while on vacation some employees are paid an additional 4% "vacation pay" on each pay cheque. This is most common for part-time employees.

MONEY GOING OUT:

Income Tax: A percentage of gross income that is sent to the Government of Canada and the Government of New Brunswick (or the provincial or territorial government where you live) to pay for federal, provincial and territorial government services such as health care, education, and roads.

Employment Insurance (EI): A percentage of gross income paid by employees and employers to provide temporary income if workers become unemployed.

Canada Pension Plan (CPP): A percentage of gross income paid by employees and employers to provide income when workers retire or become disabled.

Other Deductions: Deductions the employer makes under an agreement with the employee, the employee's union or other agent, including:

- **Health insurance premiums**– A monthly fee that is paid to an insurance company or health plan to provide health coverage. This could include paying for health-related services such as medications, dental services, and prescription glasses. If an employer offers health insurance the employee may be required to pay a portion of the premiums.
- **Life insurance premiums** – A monthly fee paid to an insurance company to help protect your family's future by providing them with a financial payment when you pass away.

- **Disability insurance premiums** – A monthly fee paid to an insurance company to replace part of your income for a period time if you can't work temporarily or are permanently disabled due to an injury or illness.
- **Private pension plans** – Private pension plans provide employees with a source of income after retirement. Depending on the type of pension an employer offers, both the employee and employer, or just the employer makes contributions to pool of funds that are invested on the employee's behalf.
- **Union dues and professional fees** – payments by members of unions and professional groups that are used to fund the organization's activities. A union is an organized group of workers, often in a particular trade or profession, formed to protect and further their member rights and interests. Ex: safer working conditions, higher pay, better benefits such as pension plans an health care.
- **Transfers to the employees' Registered Retirement Saving Plan (RRSP)** – An RRSP is a savings plan that allows you to save for the future. When you put money into your RRSP account, you get a receipt showing how much you contributed. You don't pay income tax on this amount if it stays in your RRSP. You only pay the tax when you take the money back out of the plan, usually after your retirement. You can also use your RRSPs to fun certain expenses such as a down payment on your first home or to help pay for education. In these cases, if you borrow money from your RRSPs, you will have a number of years to pay it back before you have to pay taxes on the withdrawal.
- **Employee Stock Purchase Plans (ESPPs)** - An ESPP lets you set aside a percentage of your pay to buy stock of the company you work for. Your contributions are matched in part or in full by your employer and the funds are used to buy shares of the company every pay period. Your employer's matching contributions are fully taxable to you as employment income. Many EEPSs plans let you hold your stock in a Group RRSP so that contributions are tax deductible.
- **Charitable donations** -Contributions made to a charity through automatic payroll deductions. Some employers may give you the option of having a portion of your income deducted and donated to a charity they support.

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