

# MANAGING YOUR MONEY

## Ways to More Effectively Manage Your Paycheck

According to a national, online survey conducted by the American Payroll Association (APA), more than 63 percent of America's workers would experience financial difficulties if their paychecks were delayed for just a week, indicating that workers are still managing their expenses living paycheck to paycheck.

In partnership, the APA and ADP, Inc. combined resources and payroll expertise to provide America's workers with information on how to maximize additional income through strategic management of their paychecks, withholdings and deductions:

**Taxes: Knowledge is power.** Pay attention to new tax laws. They are like a moving target—changing yearly. Recent tax changes are supposed to put more money in the pockets of American taxpayers. However, if you don't have enough taxes withheld, you may be in for an unpleasant shock at tax time. On the other hand, if you received a large refund last year, you may have had too much money withheld at work, in effect giving Uncle Sam an interest-free loan at your expense.

**Be smart about your 401(k).** Many workers do not take full advantage of, or effectively manage, the benefits offered by their employer. For more than 20 years, Section 401(k) of the Internal Revenue Code has authorized employers to create tax-deferred savings plans for their employees to help supplement Social Security. It's your responsibility to pay attention to how your contributions are allocated to ensure your nest egg is appropriately diversified for your stage of life. Also, find out if your company gives a percentage match to your 401(k) contributions. If it does, and you are not contributing the maximum amount that your employer matches, you are giving up "free money."



**Manage medical costs with advance planning.** Some employer-sponsored insurance plans allow your medical and/or dental insurance premiums to be deducted from your paycheck before taxes are taken out. These Health Care Flexible Spending Accounts also allow you to set up other accounts that help you save tax dollars on your planned out-of-pocket medical/dental care costs. With healthcare costs on the rise, this is a great way to save tax dollars. Check with your benefits administrator to determine if these options are available.

**Dependent care costs could lower your tax bill.** Some employers offer Dependent Care Flexible Spending Accounts to help defray the cost of work related to dependent care, including child or day care. If your dependent care costs are deducted from your pre-tax paycheck, you could save money in more ways than one. While saving for your child's care today you could save tax dollars tomorrow.

**Ease the cost of your commute with TRIP.** Transportation Reimbursement Incentive Programs (TRIP) are available to many American workers to help them save tax dollars based on the cost of their daily commute. You don't have to pay Federal and FICA taxes on commuting-related parking or transit expenses if you have money deducted from your paycheck before taxes are calculated. Can you offset your transportation costs by using pre-tax dollars? Find out more from your employer or benefit administrator.

**Think about college savings today.** With college costs rising at more than twice the rate of inflation, the easiest way to secure the necessary sums of money is to start early and let compounded earnings work to help you reach your goal. Recent tax-related changes to 529 College Savings Plans have made them one of the more attractive ways to save for college today as all investment earnings are federal tax-free, provided that they are used for qualified education expenses. Additionally, you can save for your own education, a spouse's or a relative's. And any money left over in the account can be transferred to a sibling of the same generation without triggering federal gift or federal income taxes.

**Saving—the best of intentions.** Although we intend to, many Americans save less than 5 percent of their annual income. Direct deposit is an easier way to manage your paycheck deductions and to continue saving for a rainy day. By setting up separate allotments to both your checking and savings accounts, you are more likely to live within your budget while still ensuring that a portion of your paycheck is automatically added to your savings.

**START NOW! It's not difficult.** There is a wealth of information available on how to make your paychecks pay out even more. Free resources, including the MyPaycheck Web site, [www.nationalpayrollweek.com/mypaycheck](http://www.nationalpayrollweek.com/mypaycheck), provide you with the information you need to more efficiently and effectively manage your income, utilize your employee benefits, and save for college and retirement. Making small but well-planned adjustments now can help you reach your financial goals for the future.

To learn more about your paycheck and how to better manage your paycheck, log on to: [www.nationalpayrollweek.com/mypaycheck](http://www.nationalpayrollweek.com/mypaycheck).