



Filling Out The Paperwork For Your First Job

After the interview, salary negotiation, and getting hired, you will probably go to the Human Resource Department or see the Business Manager to handle some of the financial details of your job. Here are some of the items you probably will face:

- *Income Tax Withholding* – Unless you are hired as an independent contractor, every paycheck will have federal (and state) income tax withheld. By having tax withheld, you will not have to pay everything all at once when you file your tax return. To determine the amount your employer will withhold, you will probably have to complete the IRS Form W - 4. On this form, you will be asked how many exemptions you want to claim. The larger the number of exemptions, the smaller amount that will be withheld. Unless there is something special about your income tax situation, you will probably just want to claim one exemption (yourself). Your state may also have a similar form.
- *Social Security and Medicare Withholding* – Your wages are subject to Social Security and Medicare taxes that will be withheld from each paycheck. Currently, you will pay Social Security tax of 6.2% on your wages up to \$106,800 and a Medicare tax of 1.45% on all your wages. Your employer pays an equal amount. If you are an independent contractor or self employed, you are responsible for both amounts.
- *Direct Deposit* – It is a good idea to enroll for this convenience. Instead of getting your paycheck, you can have your funds go directly into your bank account. This saves the time of going to your financial institution, waiting in line and making the deposit. It is also safer and gets your money working for you even faster.
- *Retirement Plan* – If your employer has a retirement plan like a 401(k) plan, be sure to enroll and participate. That way, you will be setting aside some savings from each paycheck. You will probably have the ability to decide how much you want to contribute and how you want your funds invested. Contribute as much as you can and still be comfortable. Your plan may also have a provision where the employer matches some or all of your contribution. Be sure to understand the details and try to get the entire match. Ask about your investment options and try to diversify into a few investment options.
- *Other Employee Benefits* – Many employers also offer health insurance, life insurance and disability insurance. These policies are usually much cheaper than what you could get by buying them as an individual. Health insurance is almost always a must and the others may be attractive if you need them.

Summary

Plan to spend some time evaluating your options and completing the paper work. Ask questions about anything you do not understand and if your situation changes, go back and ask more questions. These things take some time and they will reduce what you have to spend. But, they are very important.