

Pay stub contains useful information

► Consumers should study their paychecks for withholding errors.

By AILEEN ALT POWELL

Associated Press

NEW YORK — The next time you get your paycheck, don't just throw away the pay stub or bury it in a drawer. Take a few minutes to study the numbers.

The American Payroll Association, which is holding its National Payroll Week observance through Friday, says much of the information on pay stubs can help consumers manage their money.

"Paychecks are something we tend to take for granted," said Dan Maddux, executive director of the San Antonio-based association, which trains payroll workers. "We want people to understand better how to make their money work for them."

One of the first things workers can do is determine whether they're withholding too much to cover their federal, state and local income taxes.

If you got a big tax refund last April, or if your family situation has changed this year through marriage or divorce or, perhaps, the birth of a child, you should consider filling out an IRS Form W-4 to change the amount of money withheld from your check, Maddux said.

"It's best to withhold as close as possible to what you owe in taxes," he said. "Then you can use that extra money to save or invest ... or, for many Americans, to pay off debt."

Consumers should also review the amount they're saving for retirement, he said.

Under the 2001 tax reform act, workers can contribute up to \$12,000 in pretax income to their 401(k) retirement plans this year and \$13,000 next year. Workers 50 and older can add \$2,000 in "catch-up" contributions this year and \$3,000 next year.

A benefit often overlooked by workers, Maddux said, is the flexible spending account. These accounts allow workers to put pretax money aside to cover

medical expenses, dependent care and, sometimes, transportation costs. Registration is generally in the fall.

"Some people are discouraged from setting these up because if you don't use the money during the year, you lose it," he said. "If you plan out the year and set aside the money you know you're going to have to spend, you can take advantage of spending with pretax dollars."

Another point to consider is whether you're taking advantage of having your check deposited directly to your checking or savings account.

NACHA — The Electronic Payments Association, said 65 percent of private sector workers use direct deposit for their paychecks. The trade group, based in Herndon, Va., estimates each direct deposit saves a worker more than \$8 by eliminating the time and expense of going to a financial institution to make a deposit. It also reduces the possibility of theft or fraud, it says.

Workers who want to do some strategizing with their payroll stubs can go to www.paycheckcity.com. The Web site was created by Symmetry Software, a firm in Scottsdale, Ariz., that produces tax and accounting software, primarily for the payroll industry.

Jon Bohnert, executive vice president of the company, said the site "is great for 'what if-ing.'"

"Say you're having a baby next month and you want to know how that will impact your pay. In the past, you had to go to a payroll manager, an accountant or a tax expert to figure it out," Bohnert said. "Now you can use our calculator to adjust your withholding to account for the new deduction."

He said workers moving to jobs in different states also might want to see how changes in withholding will affect their take-home pay. The site can help calculate Form W-4 changes, he added.

Web sites

www.nationalpayrollweek.com

www.nacha.org