YOUR NEW JOB

STARTING YOUR FINANCIAL FUTURE

GETTING ON BOARD AT YOUR NEW JOB

When you start a new job, learning the culture of your new workplace, not to mention getting up to speed on the work you'll be doing, can be intimidating. You will also be getting a paycheck and will need to make decisions about how to spend it.

In the first day or two, your employer will ask you to fill out forms that will impact your take-home pay, your health and retirement benefits, and taxes. Let's take a look at some key decisions you may need to make when you start working and when you start spending the money you earn.

COMPLETING AN I-9

When you're hired, your employer will ask you to complete Section 1 of **USCIS Form I-9** to verify that you're eligible to work in the United States, and to provide evidence to support your claim of eligibility. For example, if you're a US citizen, you may be asked to show your passport, or you can use your driver's license and a Social Security card.

YOUR PAYCHECK

If you earn a **salary**, your pay is a set annual amount that is paid out in equal installments over the year. If you earn a **wage**, your pay is determined by the number of hours you worked multiplied by a fixed dollar rate.

Each pay period—which may be every two weeks, twice a month, or monthly—your employer will issue your paycheck, along with a statement showing how your pay was calculated and how much you've earned for the year. Having your employer direct deposit your paycheck to your bank account is probably your safest and most convenient option.

OPENING A NEW ACCOUNT

If you're planning to open an account with a bank or credit union, be sure to compare costs, including ATM fees, online banking options, and overdraft protection.

EMPLOYEE HANDBOOK

Many companies have an Employee Handbook or Policy Manual which you'll receive when you start your job.

The handbook typically describes your company's policies, including information about the benefits that are offered, time off, your ethical obligations, and what happens when you leave your job, among other things. You may be asked to sign a form saying that you've read the document and will adhere to the policies. So make sure to read it carefully, and keep it as a reference.

GROSS PAY VS. NET PAY: THE DIFFERENCE IS WITHHOLDING

When you get your paycheck, you'll notice that there is a difference between your **gross pay** and your take-home pay, also called your **net pay**.

That's because your employer is required by federal law to withhold, or deduct, money from your gross pay to prepay any income taxes you'll owe and to pay into Social Security and Medicare. Amounts may also be deducted for certain benefits, such as health insurance and a retirement plan.

That means the amount you'll see on your paycheck—your net pay—is what's left after these amounts have been subtracted from your gross pay.

HOW MUCH TO WITHHOLD: FILLING OUT A W-4

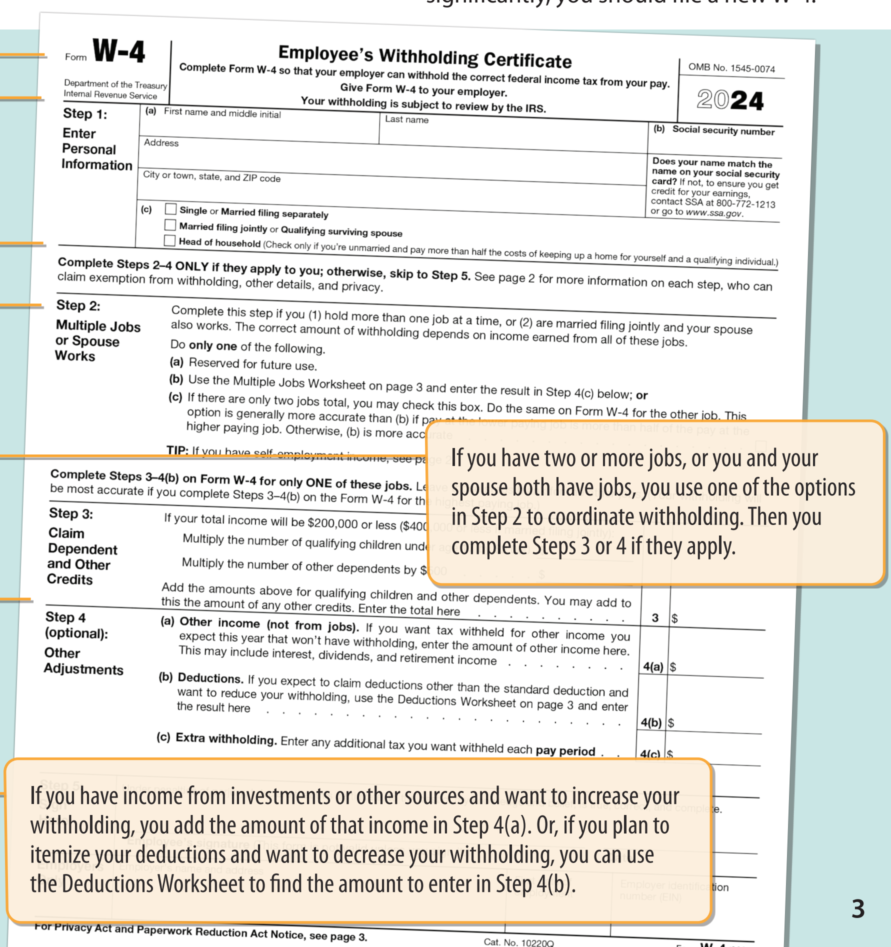
The amount that is withheld in taxes is determined by the income tax rates the government sets, combined with the amount you earn and the information you provide to your employer when you fill out your **IRS Form W-4**. If you need to pay state and city income taxes, you'll have to fill out a separate withholding form for those taxes as well.

What you want to accomplish in completing a W-4 is to have enough money withheld to prepay the full amount you will owe by the end of the calendar year—but no more. Getting the amount right is important because you could be charged a penalty if you've underpaid what's due when you file your tax return for the year. But if you overpay, you're reducing your take-home pay unnecessarily.

If you're single, have just one job and little or no investment income, completing the W-4 is fairly straightforward. You provide your name and address, check a box to indicate your marital status, and sign your name at the bottom.

It's a little more complicated, however, if your spouse is also employed, you have multiple jobs, or you have dependents, substantial investment income, or large deductions. Fortunately, there are instructions and worksheets that come with Form W-4 to help you out, plus a link to a useful calculator (irs.gov/W4App). Your employer's HR department should also be able to offer some assistance.

If your financial circumstances change significantly, you should file a new W-4.



Form **W-4** Employee's Withholding Certificate

Department of the Treasury Internal Revenue Service

Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay.
Give Form W-4 to your employer.
Your withholding is subject to review by the IRS.

OMB No. 1545-0074

2024

Step 1: Enter Personal Information

(a) First name and middle initial | Last name | (b) Social security number

Address

City or town, state, and ZIP code

Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to www.ssa.gov.

(c) ☐ Single or Married filing separately
☐ Married filing jointly or Qualifying surviving spouse
☐ Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)

Complete Steps 2–4 ONLY if they apply to you; otherwise, skip to Step 5. See page 2 for more information on each step, who can claim exemption from withholding, other details, and privacy.

Step 2: Multiple Jobs or Spouse Works

Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs.

Do **only one** of the following.

(a) Reserved for future use.

(b) Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below; **or**

(c) If there are only two jobs total, you may check this box. Do the same on Form W-4 for the other job. This option is generally more accurate than (b) if pay at the lower paying job is more than half of the pay at the higher paying job. Otherwise, (b) is more accurate

TIP: If you have self-employment income, see page 2

Complete Steps 3–4(b) on Form W-4 for only ONE of these jobs. Leave ... be most accurate if you complete Steps 3–4(b) on the Form W-4 for the highest paying job.)

Step 3: Claim Dependent and Other Credits

If your total income will be $200,000 or less ($400,000 or less if married filing jointly):

Multiply the number of qualifying children under age ...

Multiply the number of other dependents by $500 ... $

Add the amounts above for qualifying children and other dependents. You may add to this the amount of any other credits. Enter the total here . . . . **3** $

Step 4 (optional): Other Adjustments

(a) **Other income (not from jobs).** If you want tax withheld for other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income . . . . **4(a)** $

(b) **Deductions.** If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here . . . . **4(b)** $

(c) **Extra withholding.** Enter any additional tax you want withheld each **pay period** . . **4(c)** $

For Privacy Act and Paperwork Reduction Act Notice, see page 3. Cat. No. 10220Q Form **W-4** (2024)

If you have two or more jobs, or you and your spouse both have jobs, you use one of the options in Step 2 to coordinate withholding. Then you complete Steps 3 or 4 if they apply.

If you have income from investments or other sources and want to increase your withholding, you add the amount of that income in Step 4(a). Or, if you plan to itemize your deductions and want to decrease your withholding, you can use the Deductions Worksheet to find the amount to enter in Step 4(b).

INDEPENDENT CONTRACTORS

If you are an independent contractor, you will be responsible for calculating and paying taxes yourself. In most cases, you're required to pay taxes quarterly, using Form 1040-ES. You can find information on self-employment tax filing requirements at irs.gov.

WHAT IS FICA?

Your employer will also withhold amounts for Social Security and Medicare. They're often grouped together under the acronym **FICA**, which stands for Federal Insurance Contributions Act. Your combined FICA taxes are 7.65% of your annual gross earnings up to a cap of $168,600 in 2024. If you earn more than that amount, the 1.45% Medicare tax is collected on your earnings above the cap. These figures may be adjusted for inflation annually, and tax rates are subject to change by Congress.

MAKING BENEFIT CHOICES

Taxes aren't the only reason that you might have amounts taken out of your salary. You may ask your employer to deduct certain amounts so that you can take advantage of benefits that come with your job, like health insurance or a retirement savings plan.

Most of the time, taking advantage of these benefits is the smartest move you can make for building a strong financial foundation. Keep in mind, you're not losing this money. Instead, you're putting it aside to help ensure your financial well-being now and in the future.

CHOOSING A HEALTH INSURANCE PLAN

One of the most sought-after workplace benefits is an employer-provided health-care plan, where you pay just a portion of the monthly cost of coverage and your employer pays the rest.

While you're young and healthy, you might not think about illness or injury. But things happen—there's no guarantee that you won't need medical care, even early on in your career.

A **deductible** is the amount you must pay out-of-pocket before the insurance company begins to pay its share of the coverage. A **copayment** is a fixed amount, such as $25 or $30, that you must pay for each doctor visit. **Co-insurance** is the percentage of the cost of a doctor visit that you must pay out-of-pocket.

Your choices in health insurance are generally managed care plans, which can be preferred provider organizations (PPOs) or health maintenance organizations (HMOs) or, less frequently, a point-of-service (POS) plan. Among the factors that you might consider are cost and flexibility in choosing your doctors. The HMO option usually costs less than the other options, but you will need to participate in the HMO

YOUR PARENT'S PLAN?

If you're younger than 26, you still qualify for coverage under your parent's health insurance. But once you turn 26, or if you file a joint tax return with a spouse, you'll need to get health insurance of your own.

COMPARING HEALTH INSURANCE PLANS

Plan Type	Key Features
PPO	• Annual deductible and co-payments for visits usually apply • Often more choices for doctors and hospitals • Premiums and deductibles may be higher than HMOs, but lower than other plans • If you go outside the network for care, you pay more
HMO	• No or low deductible applies • Copayments may or may not apply • Choice of doctors and hospitals may be limited • If you go outside the network, the care you receive will not be covered, except in emergencies

network of hospitals and doctors. Check the network listings for the HMOs and PPOs being offered to make sure the network choices work for you.

GETTING YOUR OWN INSURANCE

If your employer doesn't offer a health insurance plan, you can get coverage through the Affordable Care Act (ACA). Your cost depends on your income. You will pay a monthly premium, as well as a deductible when you see a doctor. The ACA offers four levels of coverage and access to HMO and PPO plans, among others.

HIGH DEDUCTIBLE HEALTH PLANS AND HEALTH SAVINGS PLANS

You may also be offered the alternative of a **high deductible health plan (HDHP)**, with the option of participating in a **health savings account (HSA)**. An HDHP has lower premiums than other health plans but often significantly higher deductibles that you will have to pay.

By setting up the HSA, you can deposit a portion of your pay, up to an annual limit, and use those funds to pay your deductibles and expenses. HSAs offer several advantages: you contribute pretax income, any earnings in the account accumulate tax-free, and withdrawals used to pay medical expenses aren't taxed. And, if you leave your job, an HSA is portable. That means you can move the balance to a new account. HSAs have annual contribution limits that are adjusted by the IRS each year.

If your medical bills are low, the HDHP-HSA option may save you money while building up your savings, which you can roll over from year to year if you don't need them for medical costs. But the risk is postponing necessary care that you have to pay for out-of-pocket, or having to use all of the funds. As just one example, ACL surgery and rehab can be expensive, and your entire HSA may be used up before the insurance kicks in.

FLEXIBLE SPENDING ACCOUNT

Another tax-reducing benefit your employer may offer is a **flexible spending account** (FSA). Like an HSA, you can choose to have pretax income deducted and deposited in the account, and money you withdraw to pay qualifying expenses isn't taxed. There are no earnings in the account, and it's not portable, but the list of expenses you can cover is long and varied. There is an annual cap, as there is with an HSA, but you usually must spend the full amount within the year, although there may be limited exceptions.

CHOOSING A PLAN TO FUND YOUR FUTURE

What is the most significant way to build wealth and ensure that you'll be financially independent throughout your life? Saving for retirement.

START SAVING EARLY

Starting Age	Annual Contribution	Average Annual Return*	Account Value at Age 65
25	$5,000	8%	$1,398,905
35	$5,000	8%	$611,729
45	$5,000	8%	$247,115

**This is a hypothetical example only and does not represent the return on an actual portfolio.*

RETIREMENT SAVINGS PLANS THROUGH YOUR EMPLOYER

A retirement savings plan, such as a 401(k), 403(b), 457, or thrift savings plan (TSP), is another major benefit many employers offer. The contributions you make are deducted from your gross pay, reducing what you take home. But employer-sponsored plans are among the most effective ways of building your long-term financial security and ensuring you have an adequate source of income after you stop working.

The reason to start contributing now, even though retirement is probably decades away, is the power of **compounding**. With compounding, any amounts you earn on the money you contribute are added to what's already in your account before the next round of earnings are calculated. That means you keep earning on a larger base.

The longer your money compounds, the larger it has the potential to grow. So making even small contributions early on can result in a greater account value than if you start later.

HOW AN EMPLOYER RETIREMENT PLAN WORKS

Your employer, working with a financial services company, selects a diversified menu of investments—typically a combination of stock and bond mutual funds.

If you qualify for the plan, usually by working full-time, you may choose to join. Or, as a new employee, you may be automatically enrolled in the plan with the right to opt out. Either way, you, along with every other participating employee, will have your own account in the plan.

If you enroll in the plan, you decide how much to contribute to your account each pay period as a percentage of your gross income. There may be a minimum contribution, perhaps as small as 1%, and a maximum amount you can contribute. The annual federal limit for people under 50 is $23,000 in 2024. The IRS adjusts the contribution limit for inflation each year. You can look up the annual contribution limit on the IRS website.

If you're automatically enrolled, your employer sets the contribution rate—perhaps 3% initially and increasing to 6% or more over time.

How much should you contribute? There's no fixed rule, but many people contribute as much as their financial situation allows. Whatever your initial decision, however, it isn't set in stone: You can increase—or decrease—your contribution rate at any time by contacting your plan administrator, usually somebody in the HR department.

If you choose to enroll, the next step is choosing the funds you want to invest in from the pre-selected menu the plan offers. You then decide what percentage of your contribution goes to each fund. For example, if you choose four funds, you could allocate 25% of your total contribution to each fund. Any combination of percentages works, as long as it equals 100%.

FUND CHOICES

The retirement plan will provide you with information about each of the funds to help you make your selections. For example, you might decide on an index fund if there is one, or an environmental, social, and governance (ESG) fund that invests in companies whose policies and investments are aligned with your concerns and investing goals.

If you're automatically enrolled, your employer determines how your contributions are invested, typically in a target-date fund, a balanced fund, or a managed account. These funds all emphasize diversification, meaning they choose investments that put your money to work in different ways. You can stick with your employer's choice or choose other funds from the plan's menu.

MATCHING CONTRIBUTIONS

If your employer matches your contribution, be sure to contribute at least enough to take full advantage of this benefit.

In a typical situation, an employer adds 50% of your contribution, up to 6% of your earnings. If you contribute 6%, or $3,000 of a $50,000 salary, over the year, your employer adds $1,500. In contrast, if you contributed only 3%, or $1,500, you'd qualify for a match of $750.

Matching gives your account a significant boost, so you don't want to miss out by contributing less than the full percentage that qualifies. Remember, though, even if you contribute more—say 7% or 8%—your match will still be based on the 6% limit.

CONTRIBUTING TO YOUR ACCOUNT

% You Contribute of $50,000 Salary	Amount You Contribute	Employer Match
3%	$1,500	50% of $1,500 = $750
6%	$3,000	50% of $3,000 = $1,500
8%	$4,000	50% of $3,000 = $1,500

The money that is withdrawn from your paycheck for the retirement account is yours when you leave the company, but this might not be the case for the employer's matching funds. Be sure to find out how long you need to stay with the employer to qualify to keep the matching contributions. That's known as the vesting period.

TRADITIONAL AND ROTH

Some employers may offer two retirement savings plan choices: traditional or Roth. For example, you may be able to choose between a traditional and a Roth 401(k) plan.

All employers who offer a plan offer traditional tax-deferred accounts. That means your contributions to your account are pretax and reduce your gross income before the taxable amount is reported to the IRS.

All earnings in the account accumulate tax deferred which means you're saving on federal income taxes (and state taxes if they apply) while also saving for retirement. Down the road, you will owe taxes on both the contributions and the earnings when you start withdrawing, which is required once you turn 73.

Some employers also offer an alternative, called a Roth account. It's identical to a traditional account in all ways but one: With a Roth account, you contribute after-tax money, so there's no immediate tax benefit. However, unlike withdrawals from a tax-deferred account, on which you'll owe taxes, the withdrawals from a Roth account are tax-free, provided you're older than 59½ and your account has been open at least five years.

Since it's reasonable to expect that your income, and so your tax bill, will be higher when you retire than it is now, opting for future tax savings with a Roth is something to consider.

NO EMPLOYER PLAN? THE IRA OPTION

If your employer doesn't offer a retirement plan, you can still save for retirement in a tax-advantaged account.

You can open an **individual retirement account (IRA)**—either a traditional tax-deferred account or a Roth—with a bank, credit union, brokerage firm, mutual fund, or other financial institution as plan custodian. You can put your contribution into any investments the custodian offers, and any earnings are tax deferred. The annual contribution limit for people younger than 50 is $7,000 in 2024. Just like a 401(k) plan, the IRS adjusts these figures for inflation annually, and you can find information about those inflation adjustments on the IRS website.

SAVING AND SPENDING

With a paycheck comes **discretionary income**. This is money that you can decide how to spend—or save. Often, it pays to create a plan that takes into account things you need or want to pay for now, as well as putting some money aside for future use and paying down debt.

EMERGENCY FUND FIRST

As you start saving, the first thing you'll want to do is set up an emergency fund in case things go wrong and you need cash.

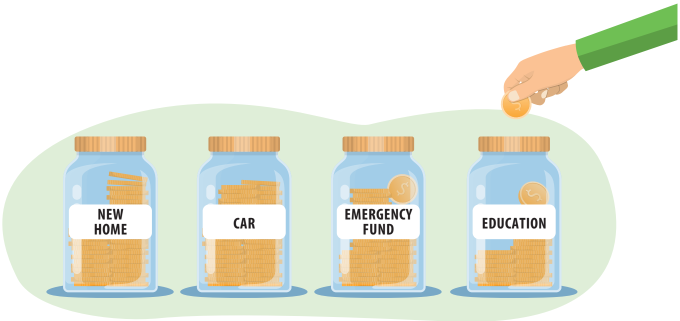
Try to take 5% to 10% of your paycheck each month, and put it in an account with little or no chance of losing value. Opening a savings account with an institution that is insured by FDIC or NCUA can be a good choice. Research competitive interest rates for accounts offered by reputable institutions that offer liquid access and FDIC or NCUA protection for your emergency funds.

Then if an unexpected expense occurs—for example, if you have uninsured medical expenses, need to repair a car or appliance, have travel for unanticipated events, or even possibly lose your job—you'll have money to carry you through the bad patch. Ideally, your fund should be equal to about six months of salary. But just start with putting aside whatever you can manage.

SAVING FOR GOALS

Once you're earning a regular income, and are participating in a retirement plan, consider your financial goals. Maybe you're thinking about graduate school, buying a car or a home, or traveling. The way to pay for them is to start saving now.

If you're not sure how to get started, you might think of saving as one of your monthly expenses. Remember, the earlier you start, and take advantage of compounding, the better the chance of increasing your account value.



GUARANTORS

If you're renting on your own or sharing a place with roommates, you may find the landlord requires a **guarantor**, or co-signer, even if you have a good income and always pay your bills on time. The guarantor, who may be a family member, but could also be a friend or colleague who meets the qualifications, agrees to pay your rent if you default. Be sure to check the local laws since rules for guarantors vary from state to state.

HOUSING CHOICES AND EXPENSES

Even if you're working long hours at your new job, you still need a place to sleep. Unless staying with your family is an option, renting a room or sharing an apartment with friends is a likely solution.

The first question you should ask isn't "Where do I want to live?" but "What can I afford?" The rule of thumb is that your housing costs should be no more than 30% of your take-home income. If you spend more on housing, you may need to cut back on other spending.

BUY OR RENT?

Since chances are you'll move regularly while you're establishing your career, renting may make more sense than buying a home. Remember, owning a home will involve paying taxes, insurance, maintenance, and other expenses.

READING A RENTAL LEASE

A lease is a legally binding agreement between you and your landlord. Read the details, including rent amount and due dates, length of the lease, penalty for late payment, which utilities you will pay separately, rules for renewing or breaking the lease, repair responsibilities, and subletting and pet restrictions. If you have a roommate who stops paying or moves out, be sure to understand that you may be responsible for the full amount of the lease payment.

REPAYING AND MANAGING DEBT

It's important to use some of your earnings to repay loans to keep from getting into serious debt. Just as compounding can work for you in a savings account, it can work against you when you fall behind in your payments and find yourself paying large amounts just to cover interest and fees.

REPAYING STUDENT LOANS

If you took federal Direct student loans, you typically start paying them back six months after graduation—probably sometime in November or December. But before that deadline, find out if your employer offers a student loan repayment plan.

Also, be sure to follow any developments that affect the student loan forgiveness program or other repayment alternatives that the government may offer.

REPAYMENT PLAN OPTIONS

There can be serious consequences if you fail to pay what you owe on time.

You will have automatically been enrolled in the Standard repayment plan. If you pay what's due every month on time and in full, your loan will be paid off in ten years. But, if you aren't able to afford these payments, you should quickly apply to your loan servicer to transfer to another repayment plan, such as the Graduated plan, or perhaps a plan where payments are linked to your income.

If you're working in a public service job and hope to qualify for **Public Service Loan Forgiveness (PSLF),** you should be sure to choose a qualifying income driven repayment (IDR) plan, such as SAVE, IBR, PAYE, or ICR. Research which IDR plan best suits your personal circumstances.

CONSOLIDATING REPAYMENTS

If you have multiple Direct loans with different servicers, all of which you pay separately, things can be more complicated. One solution is to consolidate these loans through a federal program that lets you make a single payment every month. There are tradeoffs, though, so you should review the plan terms on the studentaid.gov website and perhaps ask your school's student aid office for advice.

If you have commercial student loans as well as Direct loans, those will be due at about the same start time. You should work with your lender or lenders on a repayment plan that will usually involve a long-term schedule of monthly payments. There are likely to be fewer options that take your income into account than there are with federal plans, and the interest you pay may be higher.

CREDIT CARD DEBT

Credit card debt can build quickly if you spend more than you can afford to pay back.

Before opening a credit card account, read the terms of the agreement, especially the chart that shows the annual percentage rate, the fees for late payments, ATM and foreign transaction costs, and the annual fee, if there is one. Credit card companies offer the opportunity to make only the minimum payment due each billing cycle. But that means you'll be paying interest on the outstanding balance, and your debt can grow surprisingly rapidly.

If you do have credit card debt, you need a plan to pay it down. The first step is to stop using your credit cards. You can't pay off debt if you keep adding to it.

CREDIT SCORES

You earn and maintain a strong credit score by using credit responsibly. That means you pay your credit card bills and other lines of credit on time and use only a limited percentage—ideally less than 30%—of your available credit in any billing period. It also means repaying your student and other loans on schedule. Your credit score can affect every aspect of your financial life, from whether you qualify for new credit, to what you'll pay for insurance, and even if you can rent an apartment.

What may seem strange is that not using a credit card or taking a loan can actually work against you. That's because the way you demonstrate your creditworthiness is by actively using various types of credit. But since you never want to pay late or skip payments, a good approach is to use credit regularly but charge less.

SMART INVESTING

Another option for using your discretionary income is to invest.

GETTING STARTED

Typically, you open an account with a brokerage firm, deposit money into the account, and buy stocks, mutual funds, bonds, or other products that the firm offers. Be sure to compare the services and costs. For example, does the firm use AI trading technology? Can you speak to a representative if you need help? How easy is it to access your account information? Also take a careful look at fees. Even if trades are technically free, there may be other costs involved.

Relying on unbiased information is essential to investing. Know what to look for by using objective sources, like sec.gov or nasaa.org—not social media, influencers, or celebrities. Otherwise, it can be too easy to choose risky or outright fraudulent investments.

PROTECTING YOURSELF

Before making any investment, make sure that the company and salesperson you are dealing with are properly registered. At **BrokerCheck**, you can get a free online report of a financial professional's registration information and disciplinary history.

If you are concerned that you have been defrauded, or can't resolve a problem with your brokerage firm, contact your state securities regulator for assistance.

TAXES ON INVESTMENT EARNINGS

If you have investment earnings, or gains, you owe tax on your profit unless you own the investment in a tax-advantaged account. That's true of all investments, including crypto. For example, if you trade one cryptocurrency for another, you owe tax if you had a profit on the first currency even if you used the entire amount to buy the second currency. It is true that investment losses can offset investment gains, but you should always be prepared to pay the tax.

OTHER INVESTING GUIDELINES

- Don't invest what you cannot afford to lose
- The fear of missing out shouldn't influence you to put money into risky investments or products you don't understand, including cryptocurrencies, like Bitcoin
- Be wary of margin accounts that essentially let you trade with borrowed money
- Investments that don't trade on a public market may be illiquid, meaning you won't be able to sell the investments or withdraw your money for an extended period

Mutual funds and Exchange Traded Funds (ETFs) can be smart initial investments, as most are automatically diversified, helping to manage risk. These funds also take the burden off of you to research, select, and monitor individual investments.

YOUR NEW JOB: STARTING YOUR FINANCIAL FUTURE

When you start a new job, taking the time to understand your options and making informed decisions can have a long-term impact on your financial well being.

This booklet is a good place to start. It covers the following key topics:

- Completing Forms
- Employer Savings Plans
- Health Insurance Choices
- Spending and Saving Income
- Repaying and Managing Debt
- Investing

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