THE ADULTING VAULT

Your First Real Paycheck

Where the Money Went, and the Decisions You Have About a Week to Make

Everything They Forgot to Tell You

The first shock is the gap between the salary you accepted and the number that lands in your account. The second is discovering that several decisions worth thousands of dollars were made in your first week, usually by not reading a form. This guide walks your pay stub line by line, explains the W-4 without the jargon, and covers the handful of choices — the match, the account types, the automatic split — that quietly determine how much of your working life you get to keep.

Please Read This First

This guide is general educational information, not financial, tax, or investment advice. It does not account for your individual circumstances. Nothing here is a recommendation to buy, sell, or hold anything. For decisions with real consequences, consult a qualified professional.

CURRENCY OF THIS GUIDE

This guide is general educational information, not financial or tax advice, and it does not account for your circumstances. Figures reflect 2026 federal rates published by the IRS and Social Security Administration. Rates, wage bases and contribution limits are adjusted almost every year — verify current numbers at irs.gov before acting on any of them. State and local rules vary. For anything complex, a qualified tax professional costs less than the mistake.

Why the Number Is Smaller

Roughly a quarter to a third of gross pay, before you have done anything wrong.

If you were offered $52,000, that is $2,000 per fortnight gross. What arrives is closer to $1,500. Nobody warned you and nothing went wrong — that gap is tax withholding, payroll taxes, and whatever you elected without realizing you were electing it.

The gap is not fixed and it is not entirely out of your control. Several lines on that stub are choices, and knowing which is the whole point of this guide.

Your stub, line by line

Line	What it means
Gross pay	What you earned this period before anything is removed. Never the number that arrives.
Federal income tax	Prepayment toward your annual income tax. Set entirely by your W-4. This one you control.
Social Security	6.2% of wages. Funds retirement and disability benefits. Not adjustable.
Medicare	1.45% of wages. Not adjustable, and unlike Social Security it has no ceiling.
State income tax	Same idea at state level. Zero in a handful of states, including Texas, Florida and Washington.
Local tax	Some cities and counties levy their own. Check whether yours does.
Pre-tax deductions	401(k), HSA, health premiums. Removed BEFORE tax is calculated, which lowers your taxable income.
Post-tax deductions	Roth 401(k), life insurance, garnishments. Removed after tax.
Net pay	What actually reaches your account.
Year-to-date columns	Running totals since January. Check these against your W-2 in February — they must match.

THE 2026 PAYROLL NUMBERS, AND WHEN THEY EXPIRE

Social Security: 6.2% on wages up to $184,500. Above that, Social Security withholding stops for the year and your take-home rises slightly.

Line	What it means
Medicare: 1.45% on everything, no cap. An additional 0.9% applies above $200,000 for single filers. Combined FICA: 7.65% for most people, most of the year. The rates rarely change. The wage base changes almost every year — it rose from $176,100 to $184,500 for 2026. Verify at irs.gov if the figure matters to you.	

The W-4

One form, filled in during onboarding, that decides your entire tax year.

The W-4 tells your employer how much federal income tax to withhold. It is not a tax return and it does not change what you owe — it changes the timing. Withhold too little and you write a check in April. Withhold too much and you have loaned the government money interest-free for a year.

The big refund is not a win

> **A $3,000 REFUND MEANS YOU OVERPAID BY $250 A MONTH**
>
> That was your money. You could have had it in your account, or in savings earning interest, or paying down a card charging you twenty percent.
>
> The ideal outcome is a small refund or a small bill. Not a large refund. People treat the refund as a windfall because it arrives in a lump, but it was always theirs.

Filling it in

1. Step 1 — Your details and filing status. Single, married filing jointly, or head of household. Straightforward.
2. Step 2 — Only if you have more than one job, or you are married and your spouse works. Skipping this when it applies is the single most common cause of a surprise bill, because each employer withholds as though its salary is your only income.
3. Step 3 — Dependents. Reduces withholding.
4. Step 4 — Optional adjustments. Other income, extra deductions, or an extra flat amount to withhold per period.
5. Step 5 — Sign. An unsigned W-4 is invalid and your employer will withhold at the highest rate.

USE THE IRS ESTIMATOR

The IRS publishes a withholding estimator that does the arithmetic for you. It takes about fifteen minutes with a recent pay stub in hand, and it is far more accurate than guessing. Run it once when you start, and again after any raise, marriage, birth, or second job.

> **WHEN TO REDO YOUR W-4**

A raise or bonus · a second job · marriage or divorce · a child · a spouse starting or stopping work · significant freelance income · or any year you were surprised by the outcome.

Your First Week Decisions

The expensive ones, ranked.

One: take the entire employer match

If your employer matches retirement contributions, that match is part of your compensation. Not contributing enough to receive all of it is declining money you have already earned.

A typical arrangement matches fifty percent of what you contribute up to six percent of salary. On $52,000, contributing six percent means $3,120 from you and $1,560 from them. Contributing three percent means you leave $780 on the table every year, permanently.

> **THIS IS THE HIGHEST-RETURN DECISION AVAILABLE TO YOU**
>
> A fifty percent match is an immediate fifty percent return, before the money is invested in anything. No investment available to you will beat that reliably.
>
> Find out your match formula in week one. Ask HR directly: "What is the match, and what do I need to contribute to receive all of it?"
>
> Also ask about the vesting schedule — how long you must stay before the employer contributions are permanently yours. It affects when leaving is expensive.

Two: traditional or Roth

	Traditional	Roth
When you pay tax	In retirement, when you withdraw	Now, on the way in
Effect on today's paycheck	Larger, because it lowers taxable income	Smaller
Growth	Untaxed until withdrawal	Untaxed, permanently
Best if	You expect a LOWER tax bracket in retirement	You expect a HIGHER one

At the start of a career you are typically in the lowest tax bracket you will ever occupy, which is the standard argument for Roth early on. It is not a rule, and nobody knows future tax rates. Many people split the difference and use both.

Three: HSA, if you are eligible

A Health Savings Account is available only with a qualifying high-deductible health plan, and it is the most tax-advantaged account in the system: contributions are pre-tax, growth is untaxed, and withdrawals for medical costs are untaxed. Three separate breaks, which no other account offers.

- The money rolls over year to year. It is not use-it-or-lose-it.
- It stays yours when you change jobs.
- Many providers let you invest the balance rather than leaving it in cash.
- An FSA is a different thing — also pre-tax, but generally use-it-or-lose-it within the plan year and forfeited when you leave. Read which one you are being offered.

Four: the insurance elections

- [ ] Health plan — compare total annual cost, not premium. Premium × 12, plus deductible, plus expected care. See the Navigating Health Insurance guide.
- [ ] Dental and vision — usually inexpensive and usually worth it
- [ ] Life insurance — often free up to a multiple of salary. Take the free tier
- [ ] Disability — frequently the most overlooked benefit and statistically more likely to matter in your working life than life insurance

The Split

The single highest-leverage habit, and it takes ten minutes once.

Most direct deposit systems let you send your pay to more than one account. Use it. Money that never appears in your spending account is money you do not decide about each month.

A workable structure

Account	What it receives	Purpose
Everyday checking	The remainder	Rent, bills, groceries, spending
Savings — emergency	A fixed amount every payday	One ordinary disaster without borrowing
Savings — irregular costs	A fixed amount every payday	Car repairs, insurance, gifts. See the Budgeting Guide

AUTOMATE ON PAYDAY, NOT AT MONTH END

Saving whatever is left at the end of the month means saving nothing, because there is never anything left. That is not a discipline failure — it is arithmetic.

Move it the day it arrives and spend what remains. It is the same money and it works completely differently.

Work out your split

Net pay per period	To emergency fund	To irregular fund	Left for everything else

Your First Month

Before you commit to anything recurring.

Do not sign a lease, finance a car, or take on a subscription in month one. You do not yet know what your actual take-home is, and every one of those decisions is easier to make and harder to undo.

WEEK ONE

- ☐ Confirm your match formula and vesting schedule with HR
- ☐ Set your contribution to at least the full match
- ☐ Complete the W-4 deliberately, using the IRS estimator
- ☐ Choose Traditional or Roth, or split
- ☐ Elect health, dental, vision, life and disability
- ☐ Set up direct deposit with a split

FIRST PAY DAY

- ☐ Read the stub line by line against Part One of this guide
- ☐ Check every deduction is one you actually chose
- ☐ Confirm net pay matches roughly what you expected
- ☐ If something looks wrong, raise it immediately — payroll errors are easier to fix in the same period

END OF MONTH ONE

- ☐ Total what you actually spent, by category
- ☐ Compare against actual take-home, not against your salary
- ☐ Now decide what you can afford in rent, transport and commitments

FIRST-MONTH RECORD

Category	What I expected	What I actually spent	Difference

Category	What I expected	What I actually spent	Difference

Tax Time, Starting Now

Ten minutes across the year saves a day in April.

Keep a folder from day one

- Every W-2 and 1099 as it arrives, usually late January
- Your final pay stub of the year — the year-to-date figures should match your W-2 exactly
- Records of student loan interest, tuition, and charitable donations
- Anything relating to a move for work, a side income, or investment sales

What to know

- The standard deduction is a fixed amount everyone can subtract before tax is calculated. For 2026 it is $16,100 for single filers and $32,200 for married filing jointly. Most people take it rather than itemizing.
- Tax rates are marginal. Being "in the 22% bracket" does not mean you pay 22% of everything — only of the portion that falls in that band. Your effective rate is always lower than your bracket.
- Bonuses are usually withheld at a flat 22%, which is often more than you actually owe. The excess comes back at filing.
- Free filing options exist for straightforward returns. Paying for software you do not need is a common first-year mistake.

WHEN TO USE A PROFESSIONAL INSTEAD

Self-employment or significant freelance income · rental property · investment sales · multiple states · your first year married · equity compensation.

For a single filer with one W-2, software is fine and costs almost nothing.

Closing

Almost everything expensive about a first job happens quietly in the first week — a match not taken, a W-4 filled in at random, a savings split never set up. None of it feels urgent and all of it compounds.

The good news is that it is a short list, it takes about an hour, and it is the same hour whether your salary is thirty thousand or a hundred and thirty.

THE FIVE THAT MATTER MOST

Contribute at least enough to take the entire employer match. It is compensation you have already earned.

Fill in the W-4 deliberately, using the IRS estimator. Step 2 matters if you have more than one job.

Split your direct deposit on payday. Never save what is left at month end.

Read your first pay stub line by line and check every deduction is one you chose.

Verify the current year figures at irs.gov. The rates hold; the limits move almost annually.