Income, Savings, and Investing

What kind of life could I build on this paycheck?

ALEX

Jo, can I ask what you made when you started driving? I'm trying to picture the apartment I could afford.

JO

I brought two pay stubs. This creased one is from my first year. The other one came Friday. Which number would you use for rent?



ALEX

Two thousand dollars on the old one. Is that what went into your bank?

JO

Look one line lower. That was my gross pay. I took home $1,600. I got paid twice a month, so I had $3,200 a month to plan with.



Jo's first paycheck

First-year pay stub	One check	One month
Gross pay	$2,000	$4,000
Withholding and benefits	−$400	−$800
Deposited in the bank	$1,600	$3,200

Jo was a company driver in New Jersey. The freight bill belonged to her employer, which paid the truck's operating costs. Both pay stubs in this story are fictional.

What changed on Friday's stub?

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ALEX

On this one you earned $2,600. How did you get from the first rate to this one?

JO

After a few years I took a regular overnight run that paid more. It meant missing some evenings at home. That was part of the decision, too.



ALEX

You earned $600 more per check, but the deposit went up by $400. Now I see why you handed me the stubs.

JO

Right. If you're imagining your first apartment, try the earlier deposit. You shouldn't have to count on my later paycheck to make the rent.



Two checks, years apart

One twice-monthly paycheck	First year	Later route
Gross pay	$2,000	$2,600
Withholding and benefits	−$400	−$600
Take-home pay	$1,600	$2,000

These amounts assume two equal checks each month. Deductions combine illustrative tax withholding and benefits. Real payroll deductions vary. For context, the 2025 New Jersey median hourly wage for heavy and tractor-trailer truck drivers was $30.56.

O*NET · New Jersey truck driver wages (BLS, 2025)

Give the next $300 a job

Income, Savings, and Investing

ALEX

I tried my own numbers on your starting pay. After my share of rent, food and everything else, I'd have $300 left. What do I do with that?

JO

What might you need soon? And what could you leave untouched for years?



ALEX

My car gets me to work. I'd put $200 in a savings account I can reach, and $100 in a broad stock index fund for later.

JO

Then if your tires go, you have money handy. The fund can fall just when you need cash. Give those dollars time.



Alex's practice month

Monthly take-home	Costs	Left over
$3,200	−$2,900	$300
Alex divides the $300	**Cash savings**	**Investment**
This month's contributions	$200	$100

Her $2,900 spending plan includes $1,350 for shared housing and utilities, $500 for food, $450 for transportation, $350 for phone, health and personal costs, and $250 for predictable irregular bills. These are her example amounts.

CFPB · Building an emergency fund

Investor.gov · Saving and investing

The month the car needs work

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ALEX

Suppose the mechanic finds a $250 repair on top of everything I planned. My $300 just became $50. I'd save the fifty and skip buying fund shares this month.

JO

That works. You've covered the repair and you can start investing again next payday. What would that one change mean over a year?



ALEX

Eleven ordinary months plus this one? I'd add $2,250 to cash savings and put $1,100 into the fund. I can see both goals on the page.

JO

Keep that page. When you get your own paycheck, cross out my deposit and write in yours. That's the number that matters here.



A year of contributions

One year	Cash saved	Invested
12 ordinary months	$2,400	$1,200
11 ordinary + 1 repair month	$2,250	$1,100

The investment column counts dollars Alex put in. Her fund balance will also reflect investment gains or losses. Cash figures exclude interest. Try changing one number: if a monthly bus pass saves Alex $40, what would she do with it?

How much of my pay is taxable?

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ALEX

Wait, Jo. My worksheet starts with take-home pay. If I earn $48,000 in a year, how does the IRS decide how much of it to tax?

JO

Let’s put your whole year on this placemat. Suppose wages are your only income. You qualify for the 2026 single filer’s standard deduction of $16,100.



ALEX

That leaves $31,900. Do I have to buy something or save receipts to take that deduction?

JO

No purchase required. You can use the standard deduction when you file. The tax withheld from your checks during the year counts toward the bill.



Alex’s 2026 federal return · simplified example

2026 federal calculation	Amount
Annual gross wages	$48,000
Standard deduction	−$16,100
Taxable income	$31,900

Assume Alex is single, under 65, eligible for the full standard deduction, and has no other adjustments or credits. Eligible filers generally choose the standard deduction or itemized deductions. Here the first $12,400 of taxable income is taxed at 10%, and the remaining $19,500 at 12%. Her federal income tax before credits is $3,580. A refund depends on how much was withheld.

IRS · 2026 standard deduction and tax brackets

What does a $100 investment cost me today?

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ALEX

On my first worksheet I bought the fund after payday. Would buying it in my regular brokerage account give me another tax deduction?

JO

Buying fund shares there gives you no federal income-tax deduction. But your bakery offers a traditional 401(k). Try putting the same $100 a month into that account through payroll.



ALEX

That puts $1,200 into retirement this year. At my 12% rate, my federal income tax falls $144. So I give up about $88 of spending money per month to invest $100?

JO

Yes, on average in this example. If withholding tracks the tax change, that leaves about $212 for cash savings after the same $2,900 of monthly expenses.



Follow the same $100 · two ways to invest

One illustrative year	Brokerage	Traditional 401(k)
Amount invested	$1,200	$1,200
Federal taxable income	$31,900	$30,700
Federal income tax before credits	$3,580	$3,436

Assume 12 ordinary months, no employer match and unchanged benefits. With traditional contributions, W-2 federal wages already exclude the $1,200; claim it only once. Social Security and Medicare taxes still apply, and traditional withdrawals are generally taxable. A Roth 401(k) contribution uses after-tax dollars. State taxes and actual paycheck withholding can differ.

IRS · How traditional and Roth 401(k) contributions are taxed