Calculating Net Income

Gross income is the amount you earn before taxes and other payroll deductions. Net income is your take-home pay after taxes and other payroll deductions. Your net income, the amount on your paycheck, is what’s used to make your budget.

Step #1:
To calculate your annual net income, you need to answer the following questions:

1) Are you paid weekly,
2) Bi-weekly,
3) Semi-monthly, (for example, on the 1st and the 15th) or
4) Monthly?

Step #2:
- If paid weekly, multiply your take home pay by 52
- If paid bi-weekly, multiply your take home pay by 26
- If paid semi-monthly, multiply your take home pay by 24
- If paid monthly, multiply your take home by 12

This will provide you with your NET ANNUAL INCOME.

Step #3:
To determine your NET MONTHLY INCOME divide your NET ANNUAL INCOME by 12. Use this amount on your budget form.

Example Calculations of Net Monthly Income

Case #1:
Thomas is paid on the 1st and the 15th of every month. Therefore, he is paid semi-monthly.

His take home (net) is $1,235. Therefore, multiply $1,235 by 24 (semi-monthly) = $29,640 (net annual income).

$29,640 divided by 12 = $2,470 (net monthly income).

Case #2:
Jeanne is paid weekly.

Her take home (net) is $519 per week. Therefore, multiply $519 by 52 (weekly) = $26,988 (net annual income).

$26,988 divided by 12 = $2,249 (net monthly income).