

▶ **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 = \$2470 (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).