FINANCIAL LITERACY

LESSON 6-27 ▲ EARNING A LIVING

**LEARNING GOALS/OUTCOMES**

* Define the various ways people get paid for work, including salary, overtime, commission, bonus pay, and profit sharing
* Define common deductions from a paycheck, including federal tax, state tax, Medicare, social security, and retirement considerations
* Identify common expenses that support the cost of living independently

**MATERIALS NEEDED**

* **Student Handouts:**
* Who Ate My Paycheck?
* Where Does the Money Go?
* Journal Page
* **Several copies of local newspaper**

**CLASSROOM ACTIVITIES**

1. **Students examine why people get different amounts of pay for work.** Put students into groups of four. Tell students that today’s lesson will focus on how people get paid at work. People’s salaries differ from job to job. Ask students to list as many reasons as they can think of to explain why one salary would be higher than another. They may come up with reasons relating to skills, experience, training, certification, union/non-union, level of responsibility, danger of work, remote workers, amount of money available in the job field, public/private sector, etc.

Review student perspectives and add in any that they have missed. Encourage students to understand that one of the key determining factors for salary is ‘supply and demand.’ If there is a high demand for a certain skill, level of experience, or credential, and there is not many people with those needed assets (low supply), then employers must pay more to get those workers. Tell students that people seeking higher salaries are wise to develop skills, credentials, and/or experiences that are in high demand and low supply.
2. **Students learn different ways people receive an income from work.** Tell students that people receive regular income from two different sources. The most common type of income is payment for work. This is what you will review with students today. Tell students that people also receive income from investments. If a person is wise enough to have saved money, they will be receiving interest on that money while it is in the bank. That is one form of income from investments.

Tell students that today’s focus is on income from work. There are six common types of payment from an employer. Review each of the following with your students.
* **Salary** – this is money paid to you for work that you provide. This can be paid hourly, monthly, or annually.
* **Overtime** – this is salary paid at a higher rate, usually for hourly workers who work more than 40 hours a week. A common way to pay overtime is “time and a half” – 150% of the usual hourly rate.
* **Commission** – this is money paid as a share of what a person sells. For example, if you sold a $20,000 item, and were paid a 5% commission, you would be paid $1,000.
* **Bonus Pay** – some employers offer bonus pay for people who achieve high levels of success in their designated role. Bonuses are often paid once or twice a year.
* **Profit Sharing** – some employers offer ‘profit sharing’ to their employees, providing a percentage of company profit to workers. When the business does well, the employees receive a part of that success. This is usually paid once a year.
* **Benefits** – some employers offer ‘benefits’ to their employees, like health care, dental care, vacation time, and matching 401K contributions. This encourages employees to remain as workers at the company.

Tell students that a person’s compensation for work could include one, some or all of these forms of work-based income.

1. **Students learn about standard paycheck deductions**. Distribute a copy of *Who Ate My Paycheck?* to each student. Pair students together and ask them to analyze the paycheck of Burt Toast. Ask them to work together to answer the following four questions.
* What types of pay does Burt receive, and at what rates does he receive them?
* What ‘benefits’ does Burt get for working with this employer?
* What types of deductions from his earnings does Burt pay and at what rate are they deducted?
* Why would an employer not offer every form of compensation to their employees?

After students answer the four questions, have them pair with a different student and compare answers. After the second review, ask if there are any questions. Lead a class-wide discussion of their answers to question (D). Encourage students to understand that most employers cannot afford to provide all types of pay to all employees. Tell students that highly desired workers tend to get more of these types of pay because their assets are in low supply and high demand.

1. **Students review local newspapers to learn the basic cost of living.** Distribute local newspapers, providing one paper to each student. Tell students that they are a member of Burt Toast’s family. He is a single father with two children – both in 6th grade! Their task is to calculate how much of his income he has left over, after paying rent, food, clothes, utilities (water, electricity, gas, phones, cable, internet), and the costs of a car. Distribute *Where Does the Money Go?* Ask students to use the newspapers to select a place to rent or buy and to select a car to purchase. Have them summarize the costs of those items on *Where Does the Money Go?* Handout.

Review the results with students. Emphasize to students the costs of basic living, encouraging them to develop high demand/low supply assets that enable them to have the choices of Burt and Lotta, and avoid the tough decisions that Ned has to make.
2. **Students reflect on what high demand and/or low supply assets they want to develop.** Ask students to write answers to the following questions on their *Journal Page*.
* Of all your key skills, which one do you think is most likely to be in high demand in the next ten years? Why will that skill be in high demand?
* Name one certificate, diploma, or degree that you could pursue that you believe will be in high demand in the next ten years. Why will that credential be in high demand?
* What field of work that you are considering do you believe will be in high demand in the next ten years? Why will that type of work be in high demand?

**STUDENT PRODUCTS**

* **Completed *Journal Page*** on personal assets that may be in high demand

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LESSON 6-27 STUDENT HANDOUT

 WHO ATE MY PAYCHECK?

Burt Toast works as a salesman for MediaCorps, selling marketing services to mid-sized companies. He is paid a salary of $20 an hour, plus a commission of 10% of anything he sells. For Burt, this results in a total income of around $80,000 per year. He also gets 14 paid vacation days per year. His company provides health insurance, dental insurance, and matches his contributions to his own 401K – a retirement savings plan.

Burt’s earnings for the last two weeks are $2,510, a combination of his hourly wage, some overtime, and his commission from $7,000 in new sales in the past two weeks. His year-to-date earnings are $36,200. However, you’ll notice in the bottom left-hand side of his paycheck below, Burt only received $1,726.89 of his earnings for the past two weeks, and only $24,900.91 of his $36,200 in earnings so far this year. Who ate Burt’s paycheck?

|  |  |
| --- | --- |
| **Employee No.** 01264**Department:** Sales**Name:** Burt Toast**SS#:** 123-45-6789 | **PAY PERIOD:** 05/21/16 – 06/01/16**YEAR TO DATE:** 01/01/16 – 06/01/16 |
| **EARNINGS** | **HRS/UNITS** | **CURRENT AMOUNT** | **YEAR TO DATE** | **DEDUCTIONS** | **CURRENT AMOUNT** | **YEAR TO DATE** |
| Regular Pay | 80 hours | $1,600 | $17,600 | FED INCOME TAX | $340.51 | $4,910.89 |
| Overtime Pay | 7 hours | $210 | $10,200 | FED MEDICARE | $35.32 | $509.32 |
| Commission |  | $700 | $8,400 | FED SOC. SEC. | $150.75 | $2,179.24 |
|  |  |  |  | STATE TAX | $72.04 | $1,038.94 |
|  |  |  |  | 401K% | $149.35 | $2,153.90 |
|  |  |  |  | Health Ins. | $31.28 | $451.05 |
|  |  |  |  | Dental Ins. | $3.86 | $55.75 |
|  |  |  |  |  |  |  |
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|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Pay Rate: $20/hour |  |  |  |  |  |  |
| Overtime: $30/hour |  |  |  |  |  |  |
| Commission: 10% |  |  |  |  |  |  |
| VACATION BAL: 9 Days |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **TOTAL** | 87 hours | $2,510 | $36,200 |  | $783.11 | $11,299.09 |
|  |  |  |  |  |  |  |
| **NET PAY** | **$1,726.89** |  |  |  |  |  |
| **Y.T.D. NET PAY** | **$24,900.91** |  |  |  |  |  |

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LESSON 6-27 STUDENT HANDOUT

 WHERE DOES THE MONEY GO?

Use the newspapers to figure out how much Burt has left over, after his basic costs of living. Select a place you want to live and write in the cost of rent under Burt’s name in the grid below. If you choose to buy a place, assume 5% of the total cost spent per year to pay your mortgage. Also select a car to buy, assume 20% of total cost/year to make payments, and write that amount under Burt’s name.

Once you have chosen your home and car, add up Burt’s total to see how much he has left over for things like fun and entertainment. Assume Ned Muni (who makes much less than Burt) had the same house and car – how much would he have left? Assume Lotta Doe (she makes much more than Burt) had the same house and car – how much would she have left

|  |  |  |  |
| --- | --- | --- | --- |
|  | Ned Muni($40,000/year) | Burt Toast($80,000/year) | Lotta Doe($120,000/year) |
| **NET ANNUAL PAY** | $28,000 | $56,000 | $84,000 |
| **Annual Expenses:** |
| Rent/Mortgage |  |  |  |
| Food for three people | $7,200 | $7,200 | $7,200 |
| Clothing | $1,200 | $1,200 | $1,200 |
|  Utilities | $4,800 | $4,800 | $4,800 |
| Car Payments |  |  |  |
| Gas for Car | $1,200 | $1,200 | $1,200 |
| **TOTAL BASIC COSTS** |  |  |  |
|  |  |  |  |
| How much money does this leave for anything else, like entertainment/fun? |  |  |  |

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LESSON 6-27 STUDENT HANDOUT

 JOURNAL PAGE

**DATE:**

**Lesson 6-27 | *EARNING A LIVING***

***Q1:*** Of all your key skills, which one do you think is most likely to be in high demand in the next ten years? Why will that skill be in high demand?

***Q2:*** Name one certificate, diploma, or degree that you could pursue that you believe will be in high demand in the next ten years. Why will that credential be in high demand?

***Q3:*** What field of work that you are considering do you believe will be in high demand in the next ten years? Why will that type of work be in high demand?

***Answers:***