

Financial Literacy (“finlit”)
Winter Term 2023 - 2024
December 4, 2023

Making and Spending Money

Class 4: Income = Making Money



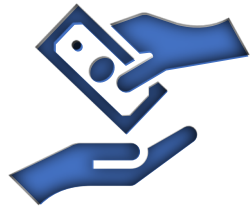
Monday Money Matter\$

Inflation is the increase in the cost of goods and services over time. Inflation can be measured in different ways. The U.S. Federal Reserve prefers the Personal Consumption Expenditures ("PCE") measure of inflation. PCE rose 0.2% in October 2023 and 3.5% from one year ago. PCE is different than the more widely known Consumer Price Index ("CPI"). PCE is based on surveys of what businesses are selling whereas CPI is based on surveys of what households are buying.

Reference Date: November 30, 2023

Source: <https://www.cnbc.com/2023/11/30/pce-inflation-report-october-2023-.html>

Important Financial Terms



Income

Making Money



Expenses

Spending Money



Profit (Loss)

= Income - Expenses



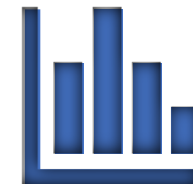
Assets

The Stuff You Own



Liabilities

The Stuff You Owe



Equity

= Assets - Liabilities

Three (3) Types of Income



Earned Income

Money made from your work. Often referred to as compensation, salary, self-employment income, or wages.



Passive Income

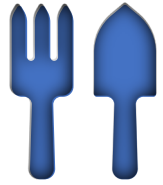
Money made from the stuff you own, which are assets.



Portfolio Income

Also known as Capital Gains. Money made from appreciation in value of the stuff people own, which are assets.

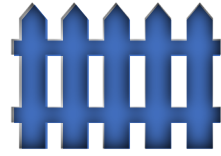
Examples of the 3 Types of Income



Earned Income

A teenager charges \$15 per hour for yard care services. The teenager worked 40 hours for various neighbors in the neighborhood. The teenager's earned income was \$15 per hour x 40 hours =

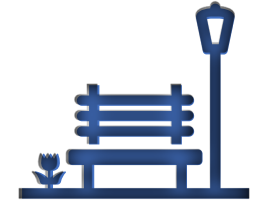
\$600



Passive Income

A teenager owns a yard care business. The business had income of \$2,000 and costs of \$1,800 for a profit of \$200. The business paid the profit to the owner. The teenager's passive income was \$2,000 - \$1800 =

\$200



Portfolio Income

A teenager started a yard care business with \$1,000. When the teenager finished college, the yard care business was sold for \$2,500. The teenager's portfolio income or capital gain was \$2,500 - \$1,000 =

\$1,500



Class Discussion

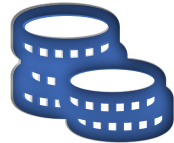
What are some other examples of passive income?

Passive Income Examples



Dividends

Income received from a business that distributes profits to its owners.



Interest

Income received for extending credit to others (ex. bank savings accounts, bonds, money market funds, etc.)



Rents

Income received from leasing or renting the stuff you own to others (ex. apartments, cars, homes, land, office space, etc.)



Royalties

Income received for the ongoing use of the stuff you own (ex. copyright works, franchises, etc.)



Class Discussion

What are some other examples of portfolio income or capital gains?



Class Discussion

*What happens if
money is lost
from a decrease
in the value of
the stuff you
own?*

Teenager Earned Income Ideas



BABYSITTER



CONTENT
CREATOR



DOG WALKER



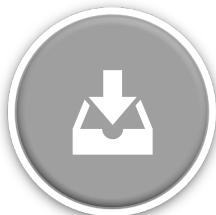
FAST FOOD
WORKER



GRAPHIC
DESIGNER



LIFEGUARD



OFFICE
WORKER



PET SITTER



YARD
WORKER



VIDEO
GAMER

Teenager Earned Income Ideas



Two Earned Income Examples



Babysitter

1 child: \$20 / hour; 2+ children: \$25 / hour

1 evening / week for 5 hours @ \$22 / hour =

\$5,720

gross income per year



Yard Worker

\$20 / hour; \$40 / mow

1 day / week for 6 hours @ \$20 / hour =

\$6,240

gross income per year



Class Discussion

*Can you think
of other jobs or
work that
teenagers could
do to earn
money?*

Practical Application

Review these two job offers. Write down your answers to the following questions: Which would you choose? Why?

Job Offer #1

McDonald's Crew Member

Hourly Wage: \$16.69

Hours: Part-time, up to 20 hours per week

Benefits: Employee discounts on meals; flexible scheduling to accommodate school and extracurricular activities; opportunity for advancement to team leader or management roles; training and skill development programs.

Job Offer #2

Starbucks Barista

Hourly Wage: \$17.00

Hours: Part-time, up to 25 hours per week

Benefits: Free coffee or tea during shifts; discounted prices on Starbucks products; inclusive and diverse work environment; access to Starbucks College Achievement Plan (tuition coverage for online degree programs)

How Earned Income Can Vary



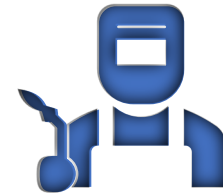
Location:

Where you live can have an impact on how much money you earn. Jobs in big cities like New York or Seattle often pay more than the same jobs in smaller towns. This is because living costs in big cities are usually higher.



Industry:

Different industries pay differently. For instance, jobs in technology or healthcare might pay more than jobs in retail or hospitality. This is because some industries generate more money and require specific skills or education.



Skill Level:

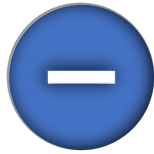
Your skill level and experience can also affect your income. Generally, the more skilled and experienced you are, the higher your income. Education and learning new skills can be important for your future earnings.

With a Job, You Don't Keep All You Earn



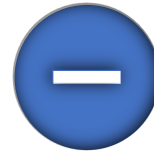
Gross Income

Your full earnings before any cuts. The total money you earn before anything is taken out for taxes or other items.



Withholdings

The portion of your earnings held back to pay for taxes. It is a way of paying some taxes as you earn instead of all at once at the end of the year.



Deductions

Amounts taken out for other things like health insurance, retirement savings, union dues, or other job-related expenses.



Net Income

This is what you get to keep to spend or save. This is what remains after subtracting withholdings and deductions from gross income.

Pay Stubs Provide Details of Earnings

EMPLOYER NAME
Address Line
City, State Zip Code

EMPLOYEE NAME
ADDRESS LINE
CITY, STATE ZIP CODE

NON-NEGOTIABLE

PERSONAL AND CHECK INFORMATION
Employee Name
Address Line
City, State Zip Code
Soc Sec #: xxx-xx-xxxx

Pay Period: 10/01/22 to 10/15/22
Check Date: 10/20/22

NET PAY ALLOCATIONS

DESCRIPTION	THIS PERIOD (\$)	YTD (\$)
Check Amount	0.00	0.00
Direct Deposit	1828.86	25449.28
NET PAY	1828.86	25449.28

EARNINGS	BASIS OF PAY	DESCRIPTION	HRS/UNITS	RATE THIS PERIOD (\$)	YTD HOURS	YTD (\$)
Salary	Salary		M86.67	2429.17	M1189.38	33787.54
	Holiday				M24.00	
	Total Hours		86.67		1213.38	
	Gross Earnings			2429.17		33787.54
	Total Hrs Worked		86.67			

OTHER	DESCRIPTION	THIS PERIOD (\$)	YTD (\$)
Do not increase Net Pay	401k Discretionary	36.44	508.84
	401k Safe Harbor Match	85.02	1182.55

WITHHOLDINGS	DESCRIPTION	FILING STATUS	THIS PERIOD (\$)	YTD (\$)
	Social Security		150.61	2094.83
	Medicare		35.23	489.92
	Fed Income Tax	H	153.14	2120.11
	WA PFL		7.48	104.04
	WA PML		3.19	44.37
	EE WA L&I		7.74	106.20
	TOTAL		357.39	4959.47

DEDUCTION	DESCRIPTION	THIS PERIOD (\$)	YTD (\$)
	401K EE Pretax	242.92	3378.79
	TOTAL	242.92	3378.79

NET PAY	THIS PERIOD (\$)	YTD (\$)
	1828.86	25449.28

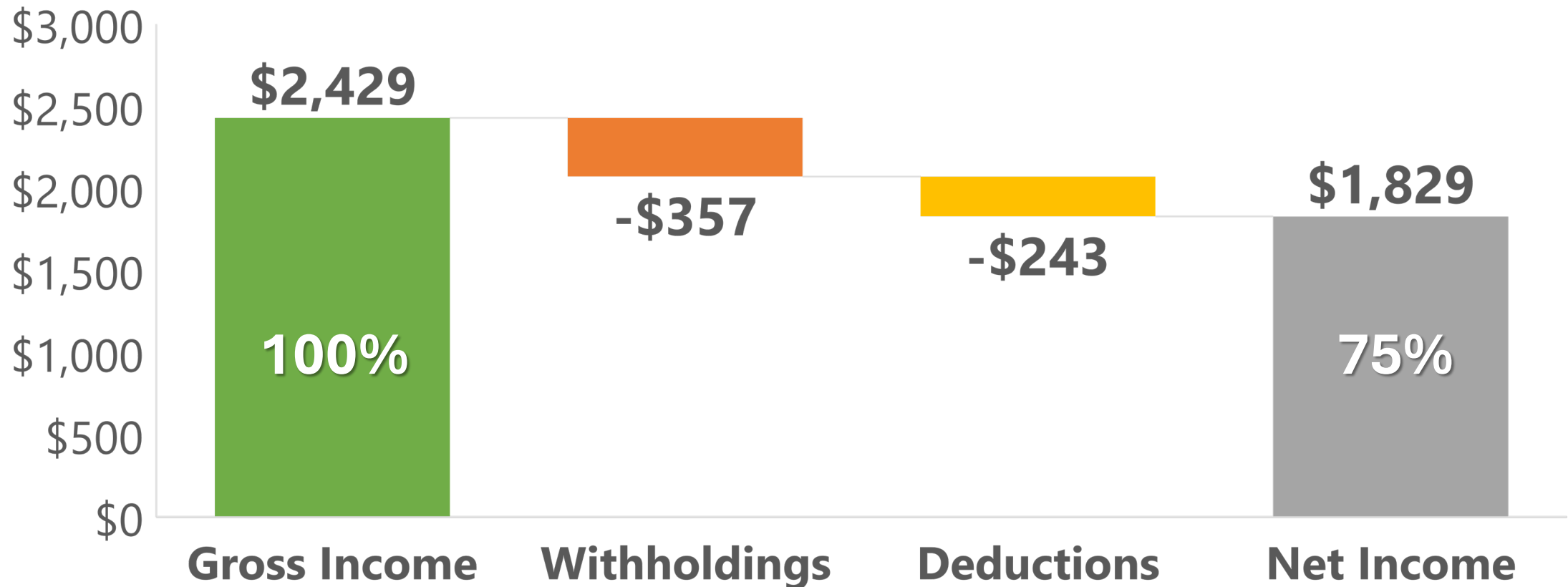
EARNINGS	BASIS OF PAY	DESCRIPTION	HRS/UNITS	RATE THIS PERIOD (\$)	YTD HOURS	YTD (\$)
Salary	Salary		M86.67	2429.17	M1189.38	33787.54
	Holiday				M24.00	
	Total Hours		86.67		1213.38	
	Gross Earnings			2429.17		33787.54
	Total Hrs Worked		86.67			

WITHHOLDINGS	DESCRIPTION	FILING STATUS	THIS PERIOD (\$)	YTD (\$)
	Social Security		150.61	2094.83
	Medicare		35.23	489.92
	Fed Income Tax	H	153.14	2120.11
	WA PFL		7.48	104.04
	WA PML		3.19	44.37
	EE WA L&I		7.74	106.20
	TOTAL		357.39	4959.47

DEDUCTION	DESCRIPTION	THIS PERIOD (\$)	YTD (\$)
	401K EE Pretax	242.92	3378.79
	TOTAL	242.92	3378.79

NET PAY	THIS PERIOD (\$)	YTD (\$)
	1828.86	25449.28

What was Earned vs. What was Kept



Money Mavericks

Objective: Reference the pay stub handout. Analyze the handout in your workgroups. What other important information do you see in the pay stub? Identify any questions about the terms used in the pay stub. Be ready to discuss your answers or share your questions with the class.



Understanding Income is Key to Planning



The Role of Income in Financial Planning:

Knowing your income is a first step in financial planning. Even though we will discuss budgeting in the future, your income sets the foundation for how you plan your spending and saving.



Balancing Earnings with Goals:

Imagine your income as a pie. How you slice this pie – for spending or savings – depends on your financial goals. Do you want to save for college? Buy a new game? Understanding your income helps.



Importance of Saving and Investing:

Regardless of how much money you make, saving and investing a bit a good habit. It is like planting a seed that grows over time. Even small amounts saved regularly can add up to a big sum in the future.



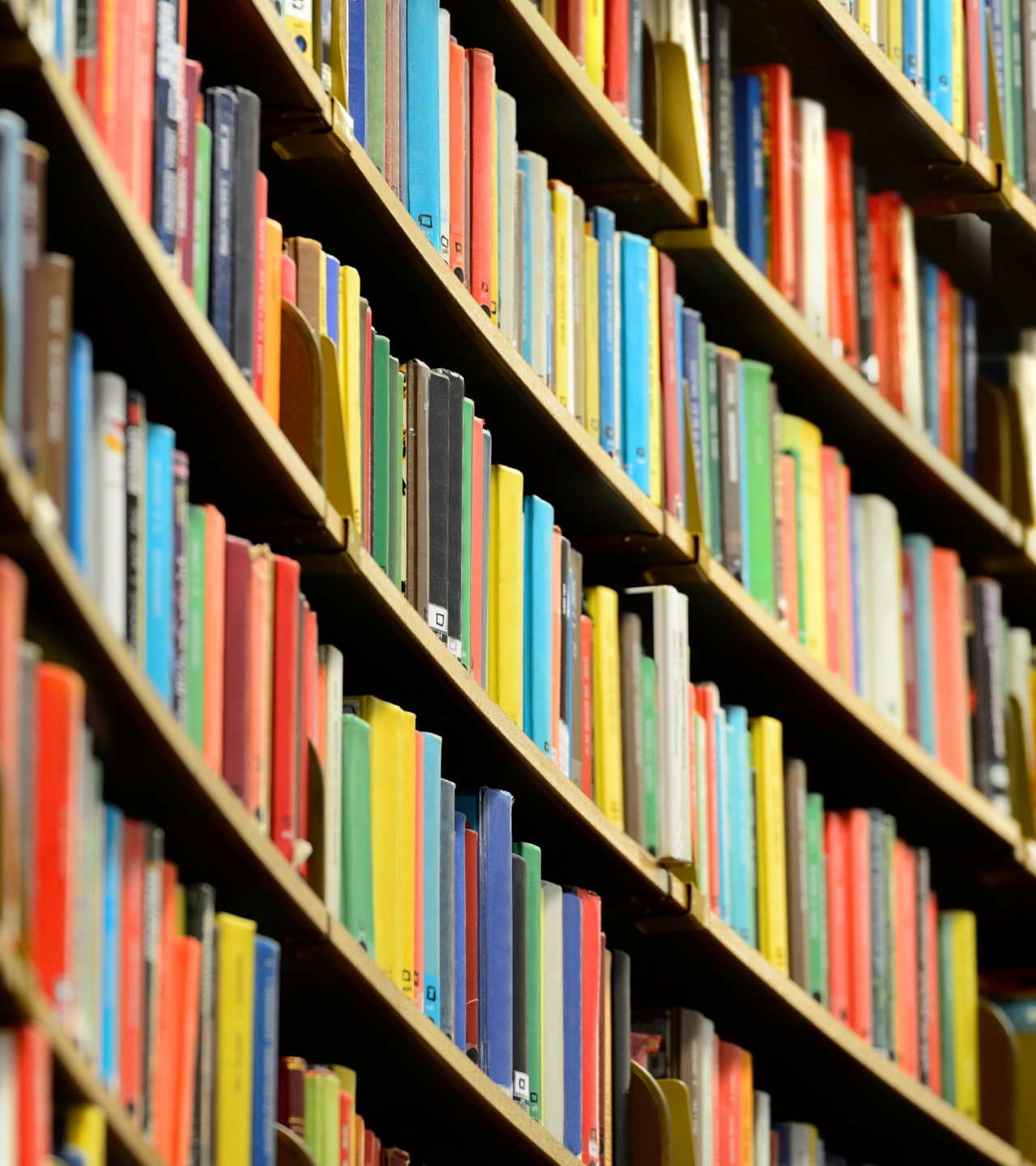
Preparing for the Unexpected:

Life is full of surprises – some good, some not. Having savings means you're better prepared for the unexpected. It is a way to make sure you are covered in case of emergencies.



Three Key Takeaways

1. There are 3 different types of income - earned, passive, and portfolio - each with its unique way of making money.
2. Pay stubs are important documents that detail earnings, withholdings, deductions, and net pay, helping to understand exactly how much money is earned and received.
3. Evaluating job offers requires looking beyond wages to consider factors like benefits, hours, and nature of the work.



Where to Learn More

- [5 Ways to Make Money \(for Kids\)](#) by WikiHow
- [Finance 101 for Kids: Money Lessons Children Cannot Afford to Miss](#) by Walter Andal
- [How to Money: Your Ultimate Visual Guide to the Basics of Finance](#) by Jean Chatzky, Kathryn Tuggle, and Nina Cosford