

Student Guide

Class #7 – Income and Expenses

Exercise: Find important information in the pay stub. What were the pay period dates? What was the gross pay for this pay period? How much in total deductions and withholdings were subtracted from the gross pay during the pay period? What was the net pay for this pay period?

EMPLOYER NAME
Address Line
City, State Zip Code

EMPLOYEE NAME
ADDRESS LINE
CITY, STATE ZIP CODE

NON-NEGOTIABLE

NON-NEGOTIABLE

PERSONAL AND CHECK INFORMATION			EARNINGS							
Employee Name			BASIS OF DESCRIPTION		HRS/UNITS	RATE THIS PERIOD (\$)	YTD HOURS	YTD (\$)		
Address Line			PAY							
City, State Zip Code			Salary	Salary	M86.67	2429.17	M1189.38	33787.54		
Soc Sec #: xxx-xx-xxxx				Holiday			M24.00			
Pay Period: 10/01/22 to 10/15/22				Total Hours	<u>86.67</u>		<u>1213.38</u>			
Check Date: 10/20/22				Gross Earnings		2429.17		33787.54		
NET PAY ALLOCATIONS				Total Hrs Worked	86.67					
DESCRIPTION	THIS PERIOD (\$)	YTD (\$)	OTHER							
Check Amount	0.00	0.00	Do not increase Net Pay							
Direct Deposit	1828.86	25449.28	DESCRIPTION			THIS PERIOD (\$)	YTD (\$)			
NET PAY	1828.86	25449.28	401k Discretionary			36.44	506.84			
			401k Safe Harbor Match			85.02	1182.55			
			WITHHOLDINGS		DESCRIPTION	FILING STATUS	THIS PERIOD (\$)	YTD (\$)		
			Social Security				150.61	2094.63		
			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				<u>357.39</u>	<u>4959.47</u>		
			DEDUCTION							
			DESCRIPTION			THIS PERIOD (\$)	YTD (\$)			
			401K EE Pretax				242.92	3378.79		
			TOTAL				<u>242.92</u>	<u>3378.79</u>		
NET PAY							THIS PERIOD (\$)	YTD (\$)		
							1828.86	25449.28		

Exercise: When thinking about a job or work, what are some of the things most important to you?

Exercise: Compare job offers. Which job would you choose?

Job 1: \$750 weekly salary. Employer pays \$100 per week for health insurance. Employee may purchase additional health coverage through payroll on a voluntary basis. Employer offers voluntary retirement benefits.

Job 2: \$16 per hour, plus overtime pay of \$24 per hour for >40 hours worked per week. Employer pays 100% of health insurance costs. Employer offers voluntary retirement benefits.

Key Income/Expense Financial Terms

- Income: making money
- Expenses: spending money
- Profit (Loss) = Income – Expenses

Making Money - 3 types of income:

- Earned income – money made from a person's labor.
 - Example: A person charges \$15 per hour to mow the neighbors' lawns. The person worked 40 hours mowing the neighbors' lawns. The person's earned income was $\$15 \text{ per hour} \times 40 \text{ hours} = \600 .
- Passive income – money made from a person's assets. Assets are things people own. Assets will be covered more deeply later in this course.
 - Example: A person owns and operates a lawncare business. The lawncare business is one of the person's assets. The lawncare business had income of \$2,000 and expenses of \$1,800 for a profit of \$200. The business distributed all the profits to the owner. The person's passive income was \$200.
- Portfolio income, also known as capital gains – money made from the appreciation of a person's investments.
 - Example: A person started a lawncare business with an investment of \$1,000. The person sold the lawncare business for \$2,500. The person's portfolio income or capital gain was \$1,500.

Jobs and payroll

Making money from a job is a form of earned income. When you earn money from a job, an employer pays you through payroll. Payroll follows a routine cycle -- weekly, bi-weekly, semi-monthly, or monthly are the most common payroll cycles.

The total amount you earn is known as your gross pay or gross income. However, your gross pay is reduced because of deductions or withholdings. Deductions or withholdings are certain amounts subtracted from your gross pay. Some deductions, like income taxes, are required. Other deductions, like certain employer benefit plans, might be voluntary. The amount you actually receive from payroll is known as your net pay or net income.

Employers provide you with a pay stub each pay period. A pay stub itemizes all earnings, deductions, and withdrawals from your pay. A sample pay stub is included for illustrative purposes.

Key Takeaways

People can make money from their labor and/or from what they own.