



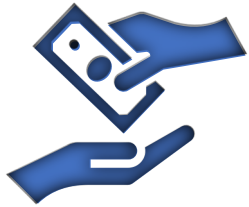
Financial Literacy with Mr. 401(k)
Winter Term 2024 - 2025
December 11, 2024

Making & Spending
Money

Class 5: Making
Money II:
Understanding
Earned Income



Important Financial Terms



Income

Making Money



Expenses

Spending Money



Profit (Loss)

= Income - Expenses



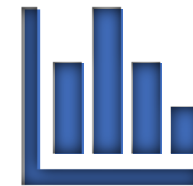
Assets

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, 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.

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



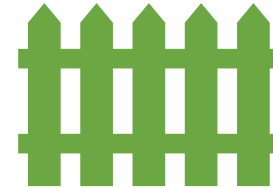
Babysitter

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

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

\$5,720

per year



Yard Worker

\$20 / hour; \$40 / mow

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

\$6,240

per year

Practical Application

Review these two job offers. In your Money Journals, write down which job you would choose and 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

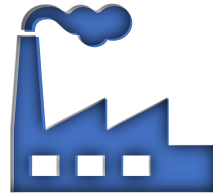
Benefits: Free coffee or tea during shifts; discounted prices on Starbucks products; inclusive and diverse work environment; access to Starbucks College Achievement Plan (tuition coverage for online degree programs)

How Earned Income Can Vary



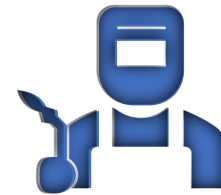
Location:

Where you live can have an impact on how much money you earn. Jobs in big cities like Seattle or New York 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:

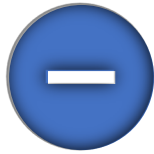
Your skill level and experience can also affect your income. Generally, the more skilled and experienced you are, the higher your income. Education and learning new skills can be important for your future earnings.

With Jobs, You Don't Keep All You Earn



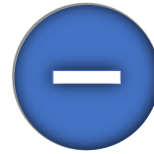
Gross Income

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.

Practical Application

A background graphic featuring a dark blue silhouette of a human head in profile, facing right. Inside the head, there are several interlocking puzzle pieces in a lighter blue and grey color. The overall background is a solid dark blue.

Review the pay stub handout that has been distributed. It's o.k. if you don't recognize what everything means – we will go through it together.

Pay stubs provide details about an employee's earned income.

Pay stubs show how much money was earned, how much money was subtracted, and how much money the employee kept.

Pay Stubs Provide Earning Details



EMPLOYER NAME
Address Line
City, State Postal Code

EMPLOYEE NAME
ADDRESS LINE
CITY, STATE POSTAL CODE

NON-NEGOTIABLE

NON-NEGOTIABLE

PERSONAL AND CHECK INFORMATION
Employee Name
Address Line
City, State Postal Code

Pay Period: 11/18/24 to 11/30/24
Check Date: 11/30/24

NET PAY ALLOCATIONS

DESCRIPTION	THIS PERIOD (\$)	YTD (\$)
Check Amount	0.00	0.00
Direct Deposit	2103.17	50892.88
NET PAY	2103.17	50892.88

EARNINGS

BASIS OF DESCRIPTION	HRS/UNITS	RATE	CURRENT (\$)	YTD HRS/UNITS	YTD (\$)
Salary	M86.6700		3791.67	M1993.4100	86846.72
Bonus					850.00
Total Hours	86.6700			1993.4100	
Total Hrs Worked	86.6700				
Gross Earnings			3791.67		87696.72

OTHER ITEMS
Do not increase Net Pay

DESCRIPTION	HRS/UNITS	RATE	CURRENT (\$)	YTD HRS/UNITS	YTD (\$)
401k Disc Match			56.88		1311.78
QACA SH Match			132.71		3060.66

WITHHOLDINGS

DESCRIPTION	FILING STATUS	CURRENT (\$)	YTD (\$)
Social Security		198.35	4592.35
Medicare		46.39	1074.02
Fed Income Tax	J	218.57	5085.71
AZ Income Tax	2%	63.98	1481.33
TOTAL		527.29	12233.41

DEDUCTION

DESCRIPTION	CURRENT (\$)	YTD (\$)
401K EE Roth	568.75	10943.85
PEO DEN EE PR	33.78	776.94
PEO MED EE PR	556.64	12802.72
PEO VIS EE PRE	2.04	46.92
TOTAL	1161.21	24570.43

NET PAY

DESCRIPTION	THIS PERIOD (\$)	YTD (\$)
NET PAY	2103.17	50892.88

EARNINGS	BASIS OF DESCRIPTION	HRS/UNITS	RATE	CURRENT (\$)	YTD HRS/UNITS	YTD (\$)
	PAY					
	Salary	M86.6700		3791.67	M1993.4100	86846.72
	Bonus					850.00
	Total Hours	86.6700			1993.4100	
	Total Hrs Worked	86.6700				
	Gross Earnings			3791.67		87696.72

WITHHOLDINGS	DESCRIPTION	FILING STATUS	CURRENT (\$)	YTD (\$)
	Social Security		198.35	4592.35
	Medicare		46.39	1074.02
	Fed Income Tax	J	218.57	5085.71
	AZ Income Tax	2%	63.98	1481.33
	TOTAL		527.29	12233.41

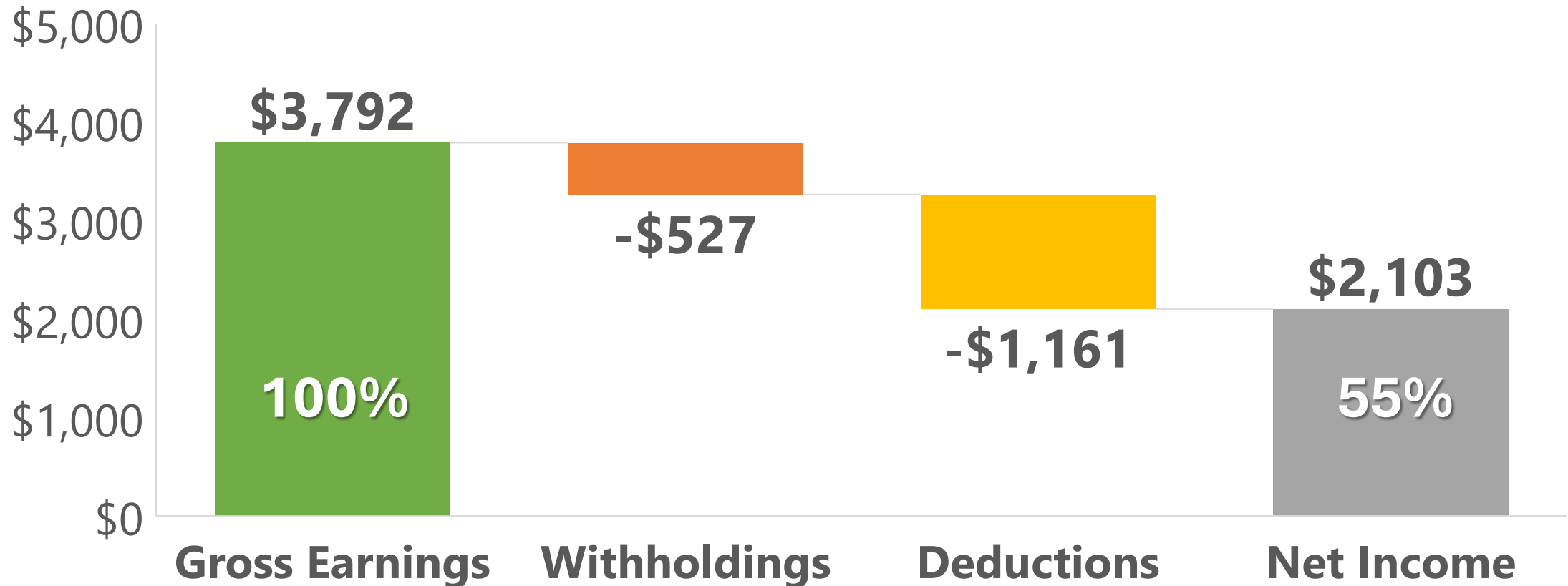
DEDUCTION	DESCRIPTION	CURRENT (\$)	YTD (\$)
	401K EE Roth	568.75	10943.85
	PEO DEN EE PR	33.78	776.94
	PEO MED EE PR	556.64	12802.72
	PEO VIS EE PRE	2.04	46.92
	TOTAL	1161.21	24570.43

NET PAY	THIS PERIOD (\$)	YTD (\$)
	2103.17	50892.88

What You Earn vs. What You Keep

Gross Earnings or Gross Income = What You Earn

Net Income = What You Actually Keep



Money Mavericks

Objective: Reference the pay stub handout. 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 types of income - earned, passive, and portfolio - each with a 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