



Lesson 6: Bread-and-Butter PAYCHECK PROS

Name: _____

PART 1: GROSS VERSUS NET INCOME

Gross income is your total income before deductions.

Net income is your total income after deductions (for example: federal and state income taxes, Social Security taxes, retirement savings contributions, and premiums for medical insurance).

$$\text{Gross income} - \text{deductions} = \text{Net income}$$

MEET ISAAC

Isaac earns \$10 an hour. During his last pay period, he worked a total of 16 hours. Below is the list of his deductions. Help Isaac calculate his net pay.

Gross pay: \$160.00

Deductions:

Federal Income Tax: \$20.00

State Income Tax: \$7.50

Social Security: \$9.00

Medicare: \$2.40

Show your math

What is Isaac's net pay?

PART 2: YOU HAVE A PAYCHECK...NOW WHAT?

What are your choices once you receive a paycheck? Read each scenario and answer the questions to compare costs and determine who saves more money once they receive his or her paycheck.

Scenario 1: Tony

Tony does not have a bank account so he pays a fee to cash his weekly paycheck. The place he cashes his check charges Tony \$5 to cash every check.

How much does Tony pay each month to cash his paychecks?

How much does Tony pay each year?



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PAYCHECK PROS *(continued)*

Name: _____

Scenario 2: Lamar

Stored-value cards, or prepaid cards, generally allow you to spend only the money deposited on the card. Payroll cards are one of four main types of stored-value card. They are used by an employer to pay wages instead of giving you a paper paycheck. Payroll cards are different from other types of stored-value cards because you do not need to purchase them or pay activation fees, since your employer provides the card.

Lamar opts to have his paycheck deposited onto a stored-value card that he purchased for \$5 because his employer does not offer payroll cards. Money can be “loaded” onto the card via direct deposit or by going to certain stores. It has a major credit card issuer logo on it, so he can use it anywhere, just as with a credit or debit card. Lamar can use his stored-value card at an ATM, but the card issuer charges \$2 for every ATM transaction. Lamar mostly uses his card at stores, where he slides his card through the point-of-sale (POS) terminal, but this month he used the ATM four times.

1. How much did Lamar pay this month in fees when using his stored-value card at an ATM?
2. How much would Lamar pay each year in fees if he used his stored-value card at an ATM an average of four times each month?

Scenario 3: Sylvia

Sylvia has a checking account. The bank charges a monthly fee of \$6 unless she uses direct deposit or her debit card more than five times per month.

1. If Sylvia uses direct deposit or her debit card frequently and she uses no more than one box of checks every year, which cost her \$18, how much does she pay to maintain her checking account? (Show your math.)

Comparing Scenarios:

1. How much can Tony save each year if he opens a checking account and pays what Sylvia does?
2. Even if Tony pays a \$6 monthly fee for a total of \$72 a year, plus the cost of the checks (\$18), how much could he save each year?
3. How much can Lamar save each year if he opens a checking account and pays what Sylvia does?



Lesson 6: Bread-and-Butter PAYCHECK PUZZLE

Name: _____

Hi! I'm Sakina. I'm 21 years old and I just graduated from cosmetology school. I recently started my first job and it's so exciting to be earning a paycheck! I work in a salon about 15 hours a week answering phones and cleaning up. Sometimes I get to help shampoo customers, and I love that! My goal is to have my own stylist chair someday, so I love it when I can help with customers every day. I make \$12.50 an hour, but it seems like my paycheck doesn't go very far. I'm just not sure where all my money goes and why I don't get to keep the full \$12.50 an hour.

Can you help?

Review Sakina's paycheck and paystub below and help answer her questions.

- I thought I was earning \$12.50 an hour, but my paycheck is less than that.
Why is my net pay different from my gross pay?
- I'm not sure how my net pay is determined.
Can you explain to me how my net pay is calculated?
- What do each of the different deductions on my paycheck mean?
Can you explain them to me?
- Do I have any control over the amount of deductions on my paycheck?

Employee No.		Employee Name		Social Security No.		Period Beg.		Period End		Check Date	
543210		Sakina Bhat		xxx-xx-4321		09/01/2019		09/07/2019		09/07/2019	
Earnings		Hours	Rate	Current Amount	Withholdings/Deductions			Current Amount	Year to Date		
Regular pay		15.00	12.50	187.50	Federal Income Tax: State			\$14.42	\$14.42		
					Income Tax: Medicare			\$5.00	\$5.00		
					Tax: Social Security Tax:			\$2.72	\$2.72		
					Savings:			\$11.63	\$11.63		
								\$0.00	\$0.00		
Gross Pay	Current Deductions			Net Pay	YTD Earnings	YTD Deductions	YTD Net Pay	Check No.			
187.50	33.77			153.73	187.50	33.70	153.73	2756			