



CMTHS Senior Seminar

Personal Finance Unit

Name TEACHER ANSWER KEY

Program _____ AM PM

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Finance Vocabulary

- Per Diem** is Latin for FOR EACH DAY
- Under the Table pay is a bad idea because neither you nor the employer are paying taxes on the money, if you lose that job, can't collect unemployment, you never worked
- Gross Wages:** The amount of your paycheck BEFORE deductions are taken out.
- Net Wages:** The amount of pay you take home AFTER deductions are taken out.
- Overtime Wages:** If you are hourly and you work over 40 hours a week you may receive Overtime Wages. The standard rate for overtime is TIME AND A HALF per hour.
If you usually make \$12/hour, what is your overtime rate? \$18.00 (12+6).
- Deductions:** Money taken out of your paycheck every payday; deductions can be MANDATORY such as taxes, or VOLUNTARY such as money taken out for health insurance, retirement accounts, or union dues.



Reading Your Pay Statement

Acme LLC 555 Woolworth Drive San Gabriel, CA 91778 1(888) ACM-ELLC EIN: 722993						Earnings Statement
Employee Name	Social Sec. ID	Employee ID	Check No.	Pay Record	Pay Date	
Peter Sims	XXX-XX-7293	163	1281	05/22/2017 - 06/04/2017	06/07/2017	
Earnings	Rate	Hours	Current	Deductions	Current	Year to Date
Regular Earnings	25.00	80.00	2,000.00	Federal Tax	299.39	3,592.66
				California State Tax	62.59	751.10
				SDI	18.00	216.00
				Soc Sec / OASDI	124.00	1,488.00
				Health Insurance Tax	29.00	348.00
YTD Gross	YTD Deductions	YTD Net Pay	Current Total	Current Deductions	Net Pay	
24,000.00	6,395.76	\$17,604.24	2,000.00	532.98	\$1,467.02	

Getting Paid



There are several different ways to get paid for doing work and there are advantages and disadvantages of each. Some employers pay their employees with paper checks, but many are using _____ deposits. Some people get paid every week, but most get paid every _____ weeks.

	Example	Advantages	Disadvantages
<p>Hourly Employees are paid a set amount (wage) per hour of work. Minimum wage is <u>\$7.25</u> per hour in PA.</p>	<p>You are paid \$7.80 an hour and you work 15 hours. What will your gross pay be? \$117</p>	<p>-Potential for more overtime hours -Get paid for each hour no matter what</p>	<p>- If you don't work, (sick/vacation) you don't get paid</p>
<p>Commission (Sales) For their wages, employees receive a percent of the goods that they sell. Employees may have a lower hourly rate in addition to earning a commission.</p>	<p>You sell \$2500.00 worth of shoes and you make a 10% commission. How much will your weekly gross pay be? \$250</p>	<p>-If you are good at sales, you will make a lot of money -The harder you work, the more money you make</p>	<p>-Hard work -If you don't sell anything, you don't make money -Very unreliable – slow periods</p>
<p>Contract Salary Employees sign a contract for an agreed upon yearly salary (or hourly wage) for agreed upon terms that may include benefits like insurance and sick days.</p>	<p>You sign a contract to work for one year at a salary of \$52,000. How much will your bi-weekly gross pay be? \$2000</p>	<p>-Very reliable, you get the same amount each week. -You get benefits like sick and vacation days</p>	<p>-If you work overtime, you don't get extra money -Have to follow the rules of the contract</p>

Paying Taxes

1. **Income Tax:** An amount of money paid to the government, which is based on a percent of your income. All US citizens must pay their annual taxes to the **Internal Revenue Service** by _____ **APRIL 15th** _____ of the following year.
2. The **tax form** used by most people is the _____ **1040** _____. You can submit your taxes either by filling out the paper forms or doing them _____ **ELECTRONICALLY** _____.
3. **Your Tax Dollars:** At each level of government, taxes pay for:

_____ GOVERNMENT WORKERS _____	_____ MILITARY/LAW ENFORCE. _____	_____ ROADS/BRIDGES _____
_____ SCHOOLS/LIBRARIES _____	_____ PRISONS/FOOD STAMPS _____	_____ MANY OTHER... _____
4. What government agencies do the following stand for?
 - A. **DOT:** _____ **DEPARTMENT of TRANSPORTATION (PENNDOT)** _____
 - B. **USDA:** _____ **UNITED STATES DEPARTMENT of AGRICULTURE** _____
 - C. **OSHA:** _____ **OCCUPATIONAL SAFETY and HEALTH ADMINISTRATION** _____
 - D. **FBI:** _____ **FEDERAL BUREAU of INVESTIGATION** _____
 - E. **FDA:** _____ **FOOD and DRUG ADMINISTRATION** _____
5. Which of these agencies (or another) are most relevant to your trade?

6. Citizens of Pennsylvania have to pay **3 INCOME** taxes each year: _
 - a. _____ **FEDERAL** _____ taxes are determined by a tax table.
 1. For 2018, if you make less than \$9525, what is your tax rate? _____ **10%** _____
 2. For 2018, if you make over \$9526, but below \$38,700, what is your tax rate? _____ **15%** _____
 - b. _____ **STATE (PENNSYLVANIA)** _____ taxes are a straight 3% for everyone.

c. LOCAL taxes vary by where you live.

1. Where do you live? _____

2. What is your LOCAL tax rate? _____

7. Another type of tax that people pay in Pennsylvania is SALES tax and the rate is 6%%. This is **not** an income tax.

8. **W-4 Form:** A form you fill out BEFORE you are hired; it tells the employer how much **withholding** tax they can deduct from your paycheck. The lower the number you provide; the more taxes will be taken out:

Claim "0" = Less money in your pocket now, MORE refund later.

OR

Claim "1" = More money in your pocket now, LESS refund later.



9. Some tax preparers will offer you an ADVANCE of your refund now, but be aware that these companies will take money out of your refund as a service fee to pay for the advance and there are many requirements you need to meet and follow.

10. **W-2 Form:** A form mailed TO you by your employer that shows how much money you made for the year and how much was taken out (**withheld**) for taxes and deductions. THREE copies of this form are sent to you in January by your employer and a copy should be included in each of your tax returns: Federal, State, Local, and you keep a copy for your records.

11. **OASDI:** This is the acronym for **Old Age, Survivors and Disability Insurance** program. It and **FICA** are also known as SOCIAL SECURITY. This tax is approximately 6.2% of your pay.

12. **HI** stands for **Health Insurance** on your pay statement and it refers to Medicare tax which is a tax of 1.45%. Medicare is health insurance for people age 65 or older, or under age 65 with certain disabilities.

Budgets, Banks, and Bills



1. Creating a budget is essential if you are going to move out on your own. You need to know how much money is coming IN and how much money is going OUT of your household each month.
2. Most bills are paid monthly and you will need a CHECKING account to pay them. For most of your bills you will get options to receive either a paper statement or an online statement each month.
3. If you do not pay your bills on time you will have to pay LATE FEE and may even have the service turned off.
4. Opening a savings or checking account is easy and free for most students. You can pay your bills ONLINE or you can go old-school and write checks.
5. When you have a checking account, you can benefit from DIRECT DEPOSIT where your employer deposits your paycheck directly in your bank account. Your bank will also cash your checks for free and may provide an APP that makes banking easier.
6. When you open your checking account, you will get a debit card. This card is attached to your bank account and allows you to use it at an **A**utomatic **T**eller **M**achine (ATM) to get CASH instantly. You can use most just like a credit card, but the money comes directly out of your bank account.
7. You should NEVER use your debit card for online purchases; if someone steals your card info, they will steal your CASH. If you don't have a credit card, use a Visa gift card. Also be careful when using a debit card to make reservations for a hotel or car.
8. If you pay your bills late, you will get a late fee. If you write a check for an amount that is over your account balance, this is known as an "overdraft" or "bouncing a check". You will be charged a fee and this will also hurt your CREDIT SCORE/RATING because it shows that you are irresponsible with money.

Monthly Budget



Expense:	Average Cost	Your Cost	Roommate
Housing: Rent (mortgage)	\$800-1000		
Apartment Insurance		\$ 15.00	
Electric/Gas (water/sewer/trash)	\$75		
Phone/Cell Phone	\$75		
Internet & Television Services	\$75		
Transportation: Public Transportation or Own Vehicle			
Monthly Public Transportation Fares	\$100		
Vehicle Payment	\$200-\$400		
Gas/Maint/Tires/Inspections (40-60) /Registration (37)	\$200		
Vehicle Insurance	\$150		
Food (Grocery) Supermarket only, not dining out	\$200 - \$250		
Household Supplies toilet paper, cleaning supplies, trash bags	\$40		
Toiletries & Personal Care haircuts, manicures, product, etc.	\$20 +		
Food (Dining Out) \$6 visit fast food, \$25 dining out w/ tip	VARIES		
Clothing work clothes, uniforms, shoes, coats, gloves, etc.	\$50-\$100		
Entertainment Movie: \$15.00 each, Netflix \$14, Hulu, Amazon,	VARIES		
Child Care \$650 for a month toddler in daycare	VARIES		
Pet Food/Vet Dog: \$90 Cat: \$60	VARIES		
Family: Obligations/Child Support/Gifts Birthdays/Holidays/Gifts	VARIES		
Health Insurance/Dental Insurance/Vision	\$300 - \$450		
Doctor Visits and Prescriptions \$20/visit, \$20 script	VARIES		
Savings Account \$10 a week at the least	VARIES		
Other: Gym, Student/Tool Loan, Memberships, Credit Cards	VARIES		
Other:	VARIES		
Other:	VARIES		
Total Bills/Payments/Month			

Translating an hourly wage to a yearly amount:

Hourly Rate (pay per hour)	\$ 7.25	\$10.00	\$15.00	\$20.00
Hours worked per week:	x 40	x 40	x 40	x 40
Gross Pay for one week's work:	290	400	600	800
Number of weeks in a year:	x 52	x 52	x 52	x 52
Gross yearly income:	15080	20800	31200	42600
Taxes @ 17%:	x .83	x .83	x .83	x .83
Yearly (Annual) Net Income:	12516	17264	25896	34528
Divide by 12 months:	÷ 12	÷ 12	÷ 12	÷ 12
Monthly Net Income:	1043	1438	2158	2877

1. At \$7.25 an hour, what that as a yearly GROSS income? \$15,080.00
2. NET income? \$1043.00
3. If you make minimum wage, will you be able to live by the budget you created? NO
4. How much higher is your budget than minimum wage per month? _____
5. How much do you need to make per hour to live according to your budget? _____

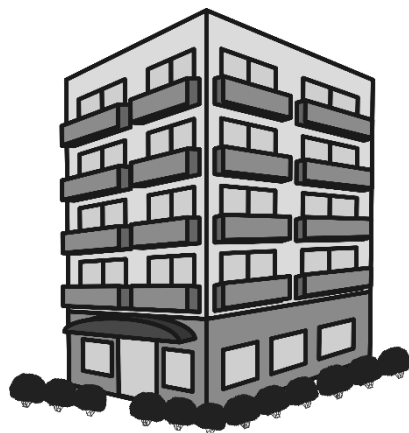
Moving Out on Your Own



1. *Generally*, apartments in multi-unit complexes are more expensive than private rentals. This is because many complexes have AMENITIES. These can be as basic as laundry facilities or off-street parking, or more extravagant like pools and weight rooms.
2. Most landlords will require that you fill out an application much like a job application. Many will also do a BACKGROUND and/or CREDIT check on you and you will have to pay for it. You may also have to provide references (like the references you give on a job application.)
3. You as the renter will be known as the "TENANT/LESSEE" and will be asked to sign a **lease**. This is an agreement between you and the landlord. Read your lease carefully so you do not violate any terms of the agreement, if you don't follow the lease, you can be EVICTED.
4. The landlord wants to ensure that people do not damage their property and so they request a SECURITY DEPOSIT. If you do not do any damage to the apartment you will get your security deposit back when you move out. Most landlords will ask for 2x to 3x the rent just to move in! This includes first month's rent, a security deposit equal to a month's rent, and possible "last month's rent".
5. Walk through the apartment with your landlord before moving in and take PHOTOS to make sure you don't get stuck paying for damage that previous tenants caused.
6. You may need money for startup fees for UTILITIES. Some landlords do not charge their tenants for utilities such as water, trash or sewer, but most tenants will have to pay for their own cable, phone, internet, gas, and electricity.
7. You will have to furnish your apartment and buy things like kitchen tools and cleaning supplies like a vacuum cleaner. One way to save money is to shop at thrift stores for furniture and the DOLLAR STORE for things like cleaning supplies and kitchen tools.
8. You may have to pay deposits for dogs and cats. Some landlords charge MONTHLY fees for each animal. Pet rent typically runs about \$25 per month, but can be higher depending on where you rent. Sometimes there may be a breed restriction on the dog.

30 Important Questions to Ask When Renting an Apartment

1. Is there an application fee? How much? Is it refundable?
2. Is there a credit check? How much? Is it refundable?
3. Is there a background check? How much? Is it refundable?
4. How much is the security deposit?
5. How long is the lease?
6. How much notice is required before moving out?
7. When will the apartment be vacant? (ready to move in)
8. Is apartment/renter's insurance required?
9. When is the rent due?
10. What forms of payment are acceptable for rent?
11. Is there a late fee? If so, when does it start, and how much is it?
12. Who pays for electric/gas?
13. Who pays for heat?
14. Are there any other utilities that the tenant pays? (water/trash/sewer/etc.)
15. Where is parking? (off-street or parking lot) Is a permit required for parking?
16. Is the apartment 'cable ready' or 'internet ready'?
17. What have previous tenants paid for their monthly electric bill?
18. Who is responsible for lawn care/snow removal?
19. What type of security is provided for residents (locked doors, cameras, patrols)?
20. Where is the mailbox? Is there a key?
21. Where is the outside trash located? What day is trash pickup?
22. What are the procedures for an emergency repair or for requesting maintenance?
23. Are pets allowed? Is there a monthly fee for them? Extra security deposit?
24. Are you offering any discounts or special offers?
25. What is the guest policy?
26. How many people can live in the apartment?
27. Does each person need to be on the lease?
28. What is the policy on sub-letting?
29. What are the hours of the leasing office?
30. What are the hours for the gym/fitness room/pool?



Credit Cards

1. Credit cards allow you to borrow money and pay it back over time, you will need a credit card:

A. To make a RESERVATION at a hotel/motel, rental cars, or airplane flights.

B. For EMERGENCIES when something unexpected comes up & you don't have cash.

C. It makes paying for things more CONVIENENT than carrying cash all the time.

2. Credit cards are NOT free money; the price to borrow money is called INTEREST. That means for each month you don't pay off the balance, you are charged a percent of the balance as interest which is added to your balance. Interest rates can VARY and range from 0% to 30%!

3. **Credit History/Credit Score/Credit Rating:** This is your "MONEY REPUTATION" that lenders look at to decide if they should give you a loan or a credit card. The three biggest factors that determine your credit score are:

A. PAYMENT HISTORY: Paying your bills on time and not paying any bills late.

B. AMOUNTS OWED: How much combined debt you have.

C. LENGTH OF CREDIT HISTORY: How long you have had credit cards.

4. Good credit scores are rewarded; if you have a good credit score, you will get LOW interest rates and better terms. If you have a poor credit score, you will be charged HIGH interest rates. Having a poor credit score may prevent you from renting an apartment, getting a mortgage, or getting a loan.

5. Building credit takes TIME. Apply for a credit card at a store like Target, Old Navy, or Pep Boys. Buy one item on the card each month and when the bill comes, pay it off entirely so you do not carry a BALANCE. Do this for a few months.

6. If you do not carry a balance then you do not have to pay any INTEREST.

7. Another way to build credit is to get a SECURED Credit Card. You would make a deposit to the company (for example, \$250) and this becomes your credit limit. The credit card is just like any other credit card and will apply interest if the balance isn't paid off, but it helps you to build your credit rating.
8. Credit Card Limit: Your lender will tell you how much credit you have to spend. If you go over this amount, you will be charged "OVER THE LIMIT" fees and it will hurt your credit rating.
9. Each month the credit card company will send you a STATEMENT that shows how much you charged that month and how much is due. Be sure to check it each month to make sure you are not being mischarged for things.
10. You will notice on your first credit card statement that you do not have to pay all the money at once and the lender will suggest a MINIMUM payment. Whenever possible you should always the full amount, but at least pay MORE than this amount. See the chart on the next page.
11. Beware of FEES, these can include "annual membership fees" and "late fees". It is your responsibility to read over the credit agreement with the lender and make sure you follow it.
12. Use your credit card for "NEEDS" and NOT "WANTS". If you cannot afford to pay for a vacation or major purchase with cash, you should not be charging it.

CHASEFREEDOM®



Manage your account online:
www.chase.com/creditcards

Additional contact information
conveniently located on reverse side

ACCOUNT SUMMARY	
Previous Balance	\$360.75
Payment, Credits	-\$360.75
Purchases	+\$507.35
New Balance	\$507.35
Opening/Closing Date	
Total Credit Line	\$11,000
Available Credit	\$10,492
Cash Access Line	\$2,200
Available for Cash	\$2,200

PAYMENT INFORMATION	
New Balance	\$507.35
Payment Due Date	07/24/10
Minimum Payment Due	\$10.00

Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay up to a \$39.00 late fee and your APRs will be subject to increase to a maximum Penalty APR of 29.99%.

Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:

If you make no additional charges using this card and each month you pay...	You will pay off the balance shown on this statement in about...	And you will end up paying an estimated total of...
Only the minimum payment	7 years	\$849
\$18	3 years	\$645 (Savings=\$204)

If you would like information about credit counseling services, call 1-866-797-2885.

Visualizing Credit Cards:

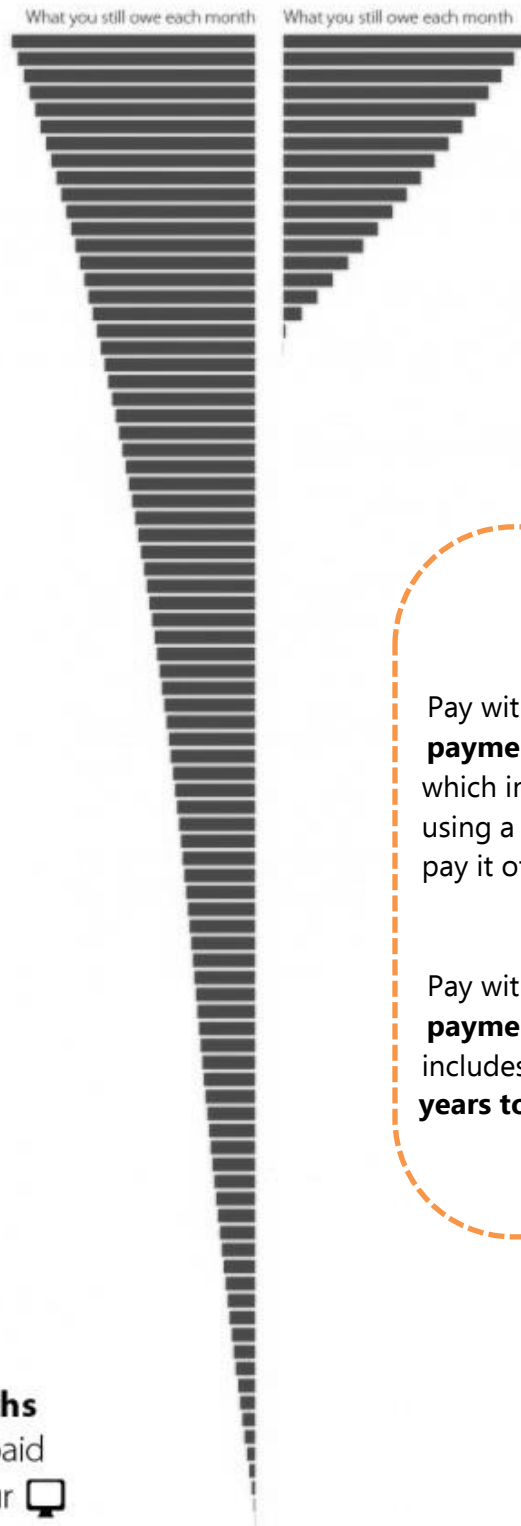
Buy a \$1,500 using your

18% interest

Option 1

Every month make the **minimum monthly payment**


4% of the amount owed



Option 2

Every month make a **\$100 payment**



After **18 months** you will have paid **\$1,712** for your 

Pay **cash**: \$1500

Pay with a **credit card** and make **\$100 monthly payments** and it will cost you a **total of \$1712**, which includes **\$212 in interest** for the privilege of using a credit card and it will take you 1 ½ years to pay it off.

Pay with a **credit card** and make the **minimum payment** and you will pay a **total of \$2274** which includes **\$774 in interest** and it will take you **7 ¼ years to pay it off!**

(That is half the price of another tv!)

After **87 months** you will have paid **\$2,274** for your 

Personal Finance Reflection:

1. How has this unit on personal finances changed the way you think about money?

2. What surprised you – or what hadn't you known - about the budget unit? _____

3. Identify two things you learned that you found to be very valuable which you will use in your daily life in the next year?

1. _____

2. _____

4. Are there any money tips that you have learned that were not covered in this unit? What are they?

5. If we had more time in class, what financial topic would you have liked to learn more about?
