



LifeSmarts

Learn it. Live it.

LifeSmarts U Lesson: Personal Finance “Making Money” PowerPoint Discussion Notes

Slide 1

Slide Text: Making Money

Decide what you want, decide what you are willing to exchange for it.
Establish your priorities and go to work. — H.L. Hunt

Discussion Notes: People earn money and receive income in a variety of ways. What are the advantages of having several sources of income?
(More disposable income, security in case of job loss, reach financial goals more quickly, stability, etc.)

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Slide Text: LifeSmarts

Slide 3

Slide Text: Income

According to the Internal Revenue Service (IRS) you receive income as money, property or services.

Discussion Notes: Throughout your life you will have many opportunities to make money and increase your income. It may require you to look at finances in a different way.

An employer might use the term “compensation” when talking about wages and benefits.

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Slide text: Gross Income

Income *before* payroll taxes such as federal income tax and state income tax are taken out.

Discussion Notes: Do all states have an income tax? **(No)**

What are some other deductions taken from your paycheck?
FICA (which funds Social Security and Medicare), retirement contributions, and others

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Slide Text: Net Pay
Income *after* payroll taxes and voluntary deductions are removed, sometimes called take-home pay.

Discussion Notes: For many full-time employees, net income equals only 50-60% of their gross income. What are some of the reasons teenagers have lower deductions than adults?
(They generally don't work fulltime jobs, so they are in a lower tax bracket. They do not contribute to a retirement plan, or may not need to pay for health insurance.)

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Slide Text: Compensation Package
Wages or salary plus fringe benefits
The employer may provide employees with items that have cash value, but are not considered income.

Discussion Notes: Fringe benefits such as health insurance or paid vacation have cost to the employer, but are not considered taxable income. Do you think employees should pay taxes on these benefits?

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Slide Text: Hourly Wage

The most common type of income is the hourly wage, which is a fixed rate for every hour worked during a regular work week.

Discussion Notes: What is considered the regular work week?
(40 hours of work completed during a seven day period)

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Slide Text: Minimum Wage

The lowest hourly wage allowed by law. For non-exempt employees, the federal minimum wage is currently \$7.25. States also have minimum wage laws.

Discussion Notes: When a state has a higher minimum wage than the federal government, the employer must pay the higher wage.

Is anyone familiar with one type of job that does not require the employer to pay minimum wage?

(Workers who receive tips, workers who are learning on-the-job for the first 90 days of employment, and workers who receive a salary are also exempt.)

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Slide Text: Overtime Wage

FLSA requires overtime wages equal one and one-half the regular rate of pay.

Overtime is paid for hours worked over the 40 hour work week.

Discussion Notes: What is FLSA?
(Fair Labor Standards Act, defines the federal minimum wage and overtime regulations)

Overtime is not required for employees who work weekends or holidays.

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Slide Text: Types of Income

Most teenagers receive hourly wages, but there are many other forms of income...

Discussion Notes: How many other types of income can you name?

Let's look at a number of these.

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Slide Text: Benefits

These can be a form of income also. There are two basic types of benefits.

Discussion Notes: What categories of benefits can you name?

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Slide Text: Non-Taxable Benefits

- Health insurance
- Dental insurance
- Health savings accounts
- Worksite athletic facilities

Discussion Notes: Are just a few examples.

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Slide Text: Taxable Benefits

Employees must include these in the gross income they report to the IRS for tax purposes.
Personal use of the company car is one example.

Discussion Notes: Bonuses are another example of a taxable benefit.

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Slide Text: Salary

This form of compensation indicates that an employee has a contract or a specified set of duties. They are paid a fixed amount of money to accomplish their work.

Discussion Notes: Salaried employees do not receive overtime and are usually paid once or twice each month.

What types of workers receive a salary?
(Teachers, managers, executives, etc.)

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Slide Text: Business Profits

After the business owner deducts the operating expenses from gross profit, they hope to have a business profit.

Discussion Notes: Examples of business profit include the net income of a restaurant or a teenager's mowing and weeding business.

What is the difference between net and gross?
(Net is after deductions and gross is before.)

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Slide Text: Piece Rate

Some workers earn money by producing a unit or item for a set amount.

Manufacturing workers earn an amount for every item they produce and the paper delivery person is paid by the number of papers in the route.

Discussion Notes: Workers may receive piece rate on top of an hourly wage.

Who can give additional examples of piece rate?
(Garment workers who are paid per item they sew or telemarketers who earn on a per call basis; a teenager paid to wash cars at a local automobile dealership)

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Slide Text: Commission

Income a salesperson receives, often a percentage of the sales price of goods or services they are offering you.

Discussion Notes: What workers receive income from commission?
(Real estate, car sales, insurance agents, personal trainers)

Caution: There is an incentive to sell when a person makes a profit or commission from what the customer buys. What does this mean to the consumer?
(Be cautious and informed when you purchase from a salesperson who receives commissions. Protect your own interests; they could be more interested in their own income than your needs.)

Slide 18

Slide Text: Fee

A pre-established or fixed amount of money that is paid for a service.

Discussion Notes: What type of workers charge a fee?
(Doctors receive a fee for an office call; you pay a fee to have the oil in your car changed.)

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Slide Text: Dividend

A portion of a company's earnings paid back to shareholders.

Discussion Notes: When a person owns stock they have a potential to have dividend income. This income is taxable.

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Slide Text: Capital Gain

Money made from selling an asset for more than the purchase price.

Discussion Notes: When a person owns stock or property, capital gains are a potential source of income when those assets are sold. Capital gains must be reported as income.

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Slide Text: Rent Income

People receive money in exchange for the use of their property.

Discussion Notes: There are many forms of rent income including dwellings, business property, and land.

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Slide Text: Tip or Gratuity

Service employees receive this type of income from customers for good service.

Discussion Notes: Can you think of employees, other than food service workers, who receive tips?
(Hotel maids, bellmen, parking valets, hair stylists)

Sometimes service employees are paid less than minimum wage because the employer knows that they will receive tips from the customers. Tips are taxable and must be declared when you file an income tax return.

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Slide Text: Bonus

A reward that is cash or has cash value, given by an employer to employees.

It is often linked to job performance.

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Slide Text: Perk

Short for perquisite, perks are non-wage forms of compensation. They might make work more rewarding or be used for team building.

Generally perks are given to salaried employees.

Discussion Notes: Examples include staff retreats, spa days, concert tickets, parking space or a golf club membership.

Slide 25

Slide Text: Interest

Money paid for allowing someone to use your money.

Discussion Notes: You receive interest on your savings and sometimes on your checking account. The interest you receive is stated in terms of annual percentage yield (APY). What does this mean?
(APY is the rate of return on an investment which adds compounded interest to the APR or annual percentage rate.)

Slide 26

Slide Text: Bartering

Exchanging goods or services without using money.

Discussion Notes: Can you give some examples?
(“I’ll bring the snacks, you drive.” or “I’ll trade you, I will do your mowing job and you give me that CD.”)

Slide 27

Slide Text: Royalty

Income paid for the use of an original work such as art, music, a logo, film or book.

Discussion Notes: Royalty laws are complex, but when you create or invent something that others want to use, you are able to earn income by licensing or selling the rights to use that work.

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Slide Text: Transfer Payment

Money paid by the government to a citizen without goods or services being exchanged.

Discussion Notes: What types of transfer payments do citizens receive?
(Social Security benefits, disability, scholarships, veteran’s benefits)

Slide 29

Slide Text: Pension

Income received after retirement. It is usually a combination of money the employee has saved in a retirement account and pension contributions from the employer.

Discussion Notes: An employee must be of retirement age to collect a pension.

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Slide Text:

Sources of Income

If you would be wealthy, think of saving as well as getting.
— Benjamin Franklin

Discussion Notes:

We began this presentation by talking about having more than one source of income as a financial strategy. Why do you think that is an important concept?

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Slide Text:

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