

Keys to Your Financial Future



Key Four
Understanding Your Income

What Is Income?

- ▶ Odd jobs
- ▶ Part time employment
- ▶ Full time employment
- ▶ Self employment
- ▶ Contract employment (Temp job)
- ▶ Public benefits
- ▶ Child support
- ▶ Gifts
- ▶ Tax refunds

How You Are Paid

- ▶ Salary
- ▶ Hourly
- ▶ Commission
- ▶ Contract
- ▶ Tips
- ▶ Under the table
- ▶ Bonus
- ▶ Business profit

Your Income Is Irregular If.....

- ▶ Your hours change
- ▶ Your pay day is unpredictable
- ▶ You work seasonal or odd jobs
- ▶ You are self employed

Ways to Receive Your Pay

- ▶ Paper paycheck
- ▶ Direct Deposit
- ▶ Payroll Card

Understanding the Paycheck and Pay Stub

- ▶ Gross Pay- Your total earnings before taxes are taken out.
- ▶ Net Pay- The amount you take home after taxes have been taken out.
- ▶ Deductions- Items your employer takes out of your paycheck. Example: Taxes, federal, state, and local.
- ▶ **Understanding your paycheck is a key to managing your income!**

Exemptions

- ▶ The more **Exemptions** you claim the less federal income tax will be withheld.

You can claim the following exemptions if they apply to you:

- ▶ One for yourself
- ▶ One if you are single and have only one job, married and spouse does not work or total wages from a second job are \$1,500 or less.
- ▶ One for your spouse
- ▶ One for each dependent (Someone who relies on you for financial support)
- ▶ One if you are filing as head of house hold
- ▶ One if you are at least \$2,000 of child or dependent care expenses you plan to claim as a credit.

Income Taxes

- ▶ If you earn an income you must pay income taxes!
- ▶ You do this a little from each paycheck, if you fail to do this then you owe a lot of money on April 15th.
- ▶ April 15th is the date tax returns and payments are due to federal, state, and local governments.
- ▶ You pay income taxes on earnings from the previous year.

Tax Deductions

- ▶ Tax Deductions- Reduces the amount of taxable income.
- ▶ The higher your deductions, the lower the amount of income that will be taxed. This will means you will pay less taxes.
- ▶ Standard deduction- A set amount.
- ▶ Itemized deductions- A list of specific deductions.
- ▶ Tax Credits- Reduce the amount of the tax you owe.
- ▶ Earned Income Tax Credit- Gives working individuals and families extra income. It is a refundable tax credit. This means that you can get the money in a refund even if the tax you owe is zero.

Training and Education Cost

- ▶ The average annual cost to attend a two year college while living independently off campus is estimated at \$17,400 per year.
- ▶ The average annual cost to attend a four year public college or university while living on or off campus independently is estimated at \$24,000 a year.
- ▶ This rises to \$49,000 per year for a four year private, nonprofit college or university.
- ▶ There is Financial Aid (FASFA) and scholarships available to you.
- ▶ Even though there are costs associated with education and training they are investments in your future.

Planning Your Career Path

- ▶ Volunteer for organizations that interest you.
- ▶ Work.
- ▶ Get an internship.
- ▶ Set up informational interviews.
- ▶ Take classes.
- ▶ Take interest surveys.
- ▶ Key resources for this can be your guidance counselors and academic advisors!

What's Your Career Path?

- ▶ On the Job training
- ▶ Apprenticeship
- ▶ Public or Private Vocational or Career/ Technical School
- ▶ Community College
- ▶ Four Year College
- ▶ Military

Career Research

- ▶ With the likely starting wage will this career be able to pay for your basic living expenses?

Things Like:

- ▶ Housing
- ▶ Utilities
- ▶ Food
- ▶ Transportation
- ▶ Health care
- ▶ Emergency savings
- ▶ Student loan payment
- ▶ Other debt
- ▶ Other expenses like child care