

## OVERVIEW

If your job pays \$8 an hour and you work 20 hours, your paycheck will be \$160, right? The reality is, what you earn is not the same as what you actually receive to spend as you wish. After taxes and other items are deducted from your paycheck, you will have less money in hand to save, spend, or invest.

In this lesson you will investigate factors that impact your take-home pay and learn about choices you have to make the most of your hard-earned money.

## LEARNING OUTCOMES

In this lesson you will examine factors that impact personal tax liability and take-home pay. Along the way you will:

- ☒ Calculate net pay.
- ☒ List factors that impact personal income tax liability.
- ☒ List factors that impact your net pay.

Use what you learn to maximize your pay options.

## LEARNING TASKS

These tasks match pages 21-25 in Student Guide 3.

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| ___ 1. | If Kevin earns \$6.50 an hour and worked 60 hours last month, how much did he earn for the entire month? Complete <b>Activity 3.8: Check it Out!</b> to see how much money he actually took home. |
| ___ 2. | What do you know about taxes? Participate in a discussion on how taxes are paid. Then brainstorm reasons why we need to pay taxes.  |
| ___ 3. | Find out the financial decisions you need to address when starting a new job. Make one of your first adult financial decisions when you fill out an IRS Form W-4.                                 |
| ___ 4. | Congratulations! You are now earning \$30,000 a year. Calculate your net, or take-home, pay.  |
| ___ 5. | Complete <b>Challenge 3-B: Thumbs Up or Thumbs Down?</b> to identify potential job options and payroll options that match your preferences.   |



## TAKING IT HOME

Take a close look at one of your recent paystubs to see how payroll information is recorded. Keep your paystubs to match up data on the W-2 Wage and Tax Statement you receive from your employer at the end of the year. This information is needed when filing your income taxes, and your total wages are also tracked for future Social Security benefits.



## REFLECTION

Think about the number of W-4 allowances you think best reflects your needs right now. Now, imagine into the future and indicate how you will change your number of allowances for each of the following scenarios and why.

- You accept your first full-time job.
- You just got married and your spouse also works full-time.
- Your first child is just born.



## FURTHER STUDY

Practice filing out an income tax form. You can find simulations for several situations on the IRS.gov Understanding Taxes Student Site, [www.irs.gov/app/understandingtaxes/index.jsp](http://www.irs.gov/app/understandingtaxes/index.jsp).