



Understanding Your Paycheck

EPISODE #125

LESSON LEVEL

Grades 4-6

KEY TOPICS

- Entrepreneurship
- Taxes
- Deductions

LEARNING OBJECTIVES

1. Identify paycheck deductions.
2. Learn the purpose of taxes.
3. Understand the difference between an employee and a contractor.
4. Learn financial terms.

EPISODE SYNOPSIS

What's on your pay stub? The Biz Kid\$ learn about taxes and other deductions that are taken out of your paycheck. Meet some entrepreneurs who are independent contractors, and find out how they're different than regular employees.

NATIONAL STANDARDS CORRELATIONS

Aligned to *National Financial Literacy Standards* from the **JumpStart Coalition for Personal Financial Literacy**.

Financial Responsibility and Decision Making

Standard 1: Take responsibility for personal financial decisions.

Standard 4: Make financial decisions by systematically considering alternatives and consequences.

Income and Careers

Standard 1: Explore career options.

Aligned to *Voluntary National Content Standards in Economics* from the **Council for Economic Education**.

Standard 2: Decision Making

Standard 14: Entrepreneurship

Aligned to **Common Core State Standards Initiative's** standards for *Literacy in History/Social Studies, Science and Technical Subjects*.

Standard 1: Read closely to determine what the text says explicitly and to make logical inferences from it; cite specific textual evidence when writing or speaking to support conclusions drawn from the text.

Standard 4: Interpret words and phrases as they are used in a text, including determining technical, connotative, and figurative meanings, and analyze how specific word choices shape meaning or tone.

Standard 7: Integrate and evaluate content presented in diverse formats and media, including visually and quantitatively, as well as in words.

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LESSON PREP & SCREENING

Getting Started

Familiarize yourself with the episode ahead of time. It will serve as a springboard for student learning, discussions, vocabulary exploration, and hands-on activities. Determine what equipment is required to show the episode in your classroom and request it if needed. Choose an activity (each one takes between 45-60 minutes), and gather supplies. Students will need a pen or pencil and copies of the activity worksheets. Have fun!

Screening

Introduce the series and the episode. Explain that Biz Kid\$ is a public television series that teaches kids about money and business. Mention that the bizkids.com website has lots of video clips, games, a blog, and other resources to help kids start businesses and learn about money. Prior to playing the episode, lead your students in a discussion with the preview questions on this page.

About the Episode

What's on your pay stub? The Biz Kid\$ learn about taxes and other deductions that are taken out of your paycheck. Meet some entrepreneurs who are independent contractors, and find out how they're different than regular employees.

Episode Preview Questions

Before you show this Biz Kid\$ episode, lead your students in a brief discussion of the following questions:

- Have you ever done work to earn money?
- If you received a paycheck for your work, were you prepared for payroll deductions?
- Have you heard of the Internal Revenue Service (the IRS)?

Next Steps

Show this episode. After the episode, read the Summary and Conclusion to the class.

Summary and Conclusion

Know how to read your pay stub, and understand the difference between gross pay and net pay. Be able to identify deductions such as taxes, social security, union dues, and more.

Family Connection

Distribute a copy of the Family Activity Sheet to each student to share what they've learned with their families.



FAMILY ACTIVITY SHEET

Episode Synopsis

What's on your pay stub? The Biz Kid\$ learn about taxes and other deductions that are taken out of your paycheck. Meet some entrepreneurs who are independent contractors, and find out how they're different than regular employees.

Activity Suggestions

Share your pay stub with your child. Discuss deductions for benefits and taxes. Explain the difference between gross pay and net pay. Talk about your personal strategy for income taxes - do you withhold the maximum amount and get a refund each year, withhold the minimum amount and pay the rest each year, or something in between? How does that affect your family budget?

What has your personal experience been with the Internal Revenue Service (IRS)? Talk with your child about how the IRS is the enforcement agency for tax laws that are made by Congress. Using the internet or a local library, research some of the benefits and services that our federal taxes pay for.



Activity #1:

BIZ TERM\$

WORKSHEET FOR STUDENTS

Biz Term\$

- Benefits
- Earnings statement
- Federal income tax
- Gross pay
- Insurance
- Net pay
- Payroll deductions
- Retirement savings
- Social Security tax
- State income tax

Directions

With students, read aloud the Biz Term\$ and each question. Call on volunteers for answers, and have them explain why they chose the term they believe to be correct.

Biz Term\$ Episode Review

1. The actual amount of money you “take home” is _____.
2. State government services are paid for by _____.
3. A document showing an employee’s wages and deductions is an _____.
4. _____ are part of an employee’s compensation.
5. People purchase _____ to protect against various risks.
6. _____ goes into a federal program that provides financial support for people who are retired.
7. Federal government programs and services are supported through _____.



CURRICULUM CONNECTIONS

Language Arts

- Have students construct sentences, write a paragraph, or create a story, skit, or dialog using Biz Term\$.
- Have students create a class Dictionary of Financial Terms using Biz Term\$.
- Have students start their own Journal of Personal Financial Education and continue to add to it.

History/Social Studies

- Using the internet or a local library, research the history of the Social Security Administration. When was it formed? What is it's purpose?

Mathematics

- You work in a fast-food restaurant where you earn \$8 an hour. If you worked 20 hours in a week, how much will your gross pay be? What deductions will you have to pay? How much will your net pay be?

Economics

- In the United States, tax laws are passed by Congress, and enforced by the Internal Revenue Service. When was the first federal income tax collected in the United States and what was it's purpose?

Optional Vocabulary Extensions

Make Art!

Ask students to create personal illustrated glossaries using sketches or cartoons to visually represent the meaning of each Biz Term.

Make It Personal!

Provide students with dictionaries and ask students to re-write formal definitions for each Biz Term in their own words to demonstrate comprehension.



Activity #2:

DEDUCTIONS

WORKSHEET FOR STUDENTS

Directions

In this episode of Biz Kid\$, there were all sorts of deductions taken out of people’s paychecks. Some were for the government, and others were ‘elective’ deductions - benefits that you could choose to pay for if you wanted them. For the items below, identify if they are government or elective deductions, and calculate the deduction.

1. What is your gross pay if you make \$10 per hour and worked 10 hours this week? \$ _____

Deduction	Government or Elective	Rate	Amount deducted
2. Federal Income tax	Government	10%	\$10.00
3. Pet insurance		\$1 per week	\$
4. State Income tax		1%	\$
5. FICA/Social Security		6.2%	\$
6. Dental insurance		\$5 per week	\$
7. Life insurance		\$3 per week	\$
8. 401(k)		1%	\$
9. What is the dollar amount of your net paycheck?			\$

10. What are some things you can do to increase the amount of your net paycheck?

Have students discuss these ideas and share their answers with the class.



Activity #3:

BE THE I.R.S.

WORKSHEET FOR STUDENTS

Directions

You are working for the Internal Revenue Service (IRS). An independent contractor, like one of the entrepreneurs in this episode, has filled out their business expense form for this year and turned it in with their taxes.

You need to review the business expense form and decide if each of these expenses is really related to their business, or is something that should not be allowed as a tax deduction.

1. Business cards, \$15 Allow or not? _____ Why or why not? _____

2. Weekly Manicures, \$780 Allow or not? _____ Why or why not? _____

3. Dog biscuits, \$260 Allow or not? _____ Why or why not? _____

4. Limousine service, \$500 Allow or not? _____ Why or why not? _____

5. Work Clothing, \$1,150 Allow or not? _____ Why or why not? _____

6. Would it change any of your answers above, if the independent contractor is an actress? Why or why not?

7. Would it change any of your answers above, if they work as an animal trainer? Why or why not?

Have students discuss these ideas and share their answers with the class.



BIZ TERMS DEFINITIONS

- *Benefits:* Services or privileges that an employer provides in addition to the employee's salary or wages.
- *Earnings statement:* The document given to an employee by an employer showing wages and payroll deductions.
- *Federal income tax:* A pay deduction required by law that supports the federal government.
- *Gross pay:* The total amount of money you have earned during a pay period, before any deductions.
- *Insurance:* An agreement to protect a person or business from specific risks in exchange for regular payments.
- *Net pay:* The amount of income that you actually 'take home' after pay deductions.
- *Payroll deductions:* Amounts of money withheld from an employee's gross pay.
- *Retirement savings:* Money employees set aside or invest for future income.
- *Social Security tax:* A federal tax that supports elderly, disabled, or orphaned citizens.
- *State income tax:* A pay deduction required by law that supports the state government.



Produced by: *Biz Kid\$* LLP

Funded by:



Co-Produced by:



Distributed by:

