



## Jump\$Tart Washington Unit Two Chapter Five: Understanding Your Paycheck

### Chapter Learning Objectives

1. Identify paycheck deductions.
2. Learn the purpose of taxes.
3. Understand the difference between an employee and a contractor.
4. Take responsibility for personal financial decisions.
5. Learn financial terms.

### Episode 125 Synopsis

This episode helps you understand how to read your paycheck. You'll be able to explain the difference between gross pay and net pay. Identify deductions such as taxes, social security, and more. There is a difference between being a regular employee and being an independent contractor. Knowledge is power, so be in charge of your finances!

### Jump\$Tart Standards Correlations

#### Financial Responsibility and Decision-Making

- Take responsibility for personal financial decisions.
- Make financial decisions by systematically considering alternatives and consequences.

#### Income and Careers

- Explore career options.

### Washington State Standards Correlations

#### SOCIAL STUDIES

2. ECONOMICS - The student applies understanding of economic concepts and systems to analyze decision-making and the interactions between individuals, households, businesses, governments, and societies.
  - 2.3 Understands the government's role in the economy. (Grades 4 and 6-12)

## Lesson Prep and Supplies

### Getting Started

1. Familiarize yourself with this **BizKid\$** episode by watching it ahead of time. The episode will serve as a springboard to student learning, discussions, vocabulary exploration, and related hands-on activities.
2. Determine what equipment is required to show the episode in the classroom and request it if needed.
3. Choose an activity and gather supplies for “Understanding Your Paycheck.”

### Equipment & Supplies for Preview and Screening

Time Needed: 45-60 minutes

#### *Items Needed For Class:*

TV/DVD Player  
DVD of Episode 301  
Projection System

#### *Items Needed for Each Student:*

Pencil or Pen  
Paper for taking notes  
Copy of BizTerms sheet for each student

## Activity One: Preview and Screening

### Introduction

Briefly explain that **BizKid\$** 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.

### Episode Preview Activity

Before you show **BizKid\$** episode 125, “Understanding Your Paycheck,” lead your students in a brief activity.

- Distribute paper and pen or pencil to each student. Let students know to list any questions they have for later discussion.
- Ask students if they have ever done work and received a paycheck. Then ask those students who said yes if they understood the information on it. Were they aware of (and prepared for) deductions?
- Are there any students in the class who know about the IRS, and what do they know about it?
- Finally, ask students if they know what Social Security is, and what they know about it.

After the students discuss these questions as a group, tell them what they will see in episode 125 “Understanding Your Paycheck” as described below.

### About the Episode

This episode helps you understand how to read your paycheck. You’ll be able to explain the difference between gross pay and net pay. Identify deductions such as taxes, social security, and more. There is a difference between being a regular employee and being an independent contractor. Knowledge is power, so be in charge of your finances!

### Next Steps

Show the BizKid\$ episode. After the episode, ask students if they found answers to any of the questions they wrote on their sheets. Allow them to share and ask any questions that remain. Did they learn anything from the episode that will influence their behavior?

Distribute the list of BizTerms vocabulary to each student. Have them look up definitions. Papers are due in about 30 minutes. After 30 minutes have passed, give the students a copy of the definition sheet and they can check their own answers against the sheet.

## Activity Two: BizTerms Vocabulary and Definitions

### BizTerms Vocabulary

1. Benefits
2. Earnings statement
3. Federal income tax
4. Gross pay
5. Insurance
6. Net pay
7. Payroll deductions
8. Retirement savings
9. Social Security tax
10. State income tax

## **BizTerms Definitions**

1. Benefits are services or privileges that an employer provides in addition to the employee's salary or wages. Some of the more common benefits that are provided include a health insurance plan, a retirement plan, and various types of insurance such as life insurance.
2. An Earnings statement is the document that is given to an employee by an employer which shows wages earned and payroll deductions.
3. Federal income tax is a pay deduction required by law that supports the federal government.
4. Gross pay is the total amount of money you have earned during a pay period, before any deductions.
5. Insurance is an agreement to protect a person or business from specific risks in exchange for regular payments. For example, life insurance is purchased to protect a person's family from the expenses that will occur after they die.
6. Net pay is the amount of income that you actually 'take home' after pay deductions.
7. Payroll deductions are amounts of money withheld from an employee's gross pay.
8. Retirement savings is money that employees set aside or invest for future income.
9. Social Security tax is a federal tax that supports elderly, disabled, or orphaned citizens.
10. State income tax is a pay deduction required by law that supports the state government.

## **Activity Three: Woes Be Gone - Financial Problems and Solutions**

### **Activity Learning Objectives**

- Identify paycheck deductions.

### **Supplies Needed**

- Pen or pencil
- Student copies of “Deductions” worksheet

### **Directions**

- Distribute a “Deductions” worksheet and a pen or pencil to each student.
- Allow 15 to 30 minutes for students to read the problems and write down possible solutions.
- Then have a class discussion to determine if students chose the same or different solutions to each particular problem. There can be more than one way to solve a problem. Have students support their choices by explaining their thinking.

## Deductions Worksheet

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 \$12 per hour and worked 10 hours this week? \$\_\_\_\_\_

Deduction	Government or Elective	Rate	Amount deducted
2. Federal income tax	Government	10%	\$12.00
3. Pet insurance		\$2 per week	\$
4. State income tax		3%	\$
5. FICA/Social Security		6.2%	\$
6. Dental insurance		\$7 per week	\$
7. Life insurance		\$5 per week	\$
8. 401(k)		5%	\$
9. What is the dollar amount of your paycheck?			\$

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

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

## Activity Four: Be the I.R.S.

### Activity Learning Objectives

- Learn the purpose of taxes.
- Understand the difference between an employee and a contractor.

### Supplies Needed

- Pencil with eraser
- Student copies of “Be the I.R.S.” worksheet

### Directions

- Distribute a “Be the I.R.S.” worksheet and a pen or pencil to each student.
- Allow 15 to 30 minutes for students to read the problems and write down possible solutions.
- Then have a class discussion to determine if students chose the same or different solutions to each particular problem. There can be more than one way to solve a problem. Have students support their choices by explaining their thinking.

## Be the I.R.S. Worksheet

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, \$25 Allow or not? \_\_\_\_\_

Why or why not? \_\_\_\_\_

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2. Haircuts and hair color, \$900 Allow or not? \_\_\_\_\_

Why or why not? \_\_\_\_\_

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3. Cat food, \$120 Allow or not? \_\_\_\_\_

Why or why not? \_\_\_\_\_

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4. Private jet service, \$5,000 Allow or not? \_\_\_\_\_

Why or why not? \_\_\_\_\_

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5. Work clothing, \$1,500 Allow or not? \_\_\_\_\_

Why or why not? \_\_\_\_\_

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

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7. Would it change any of your answers above, if they work at the zoo? Why or why not?

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

## Resources

BusinessDictionary.com	A reliable source for the definition and explanation of financial terms.
MyMoney.gov	The U.S. government website dedicated to teaching Americans the basics of financial education.
National Financial Educators Council (NFEC)	NFEC and the NFEC EduNation Campaign provides complementary personal finance materials for parents, educators and concerned citizens interested in teaching children about money. <a href="http://www.financialeducatorsCouncil.org">http://www.financialeducatorsCouncil.org</a>
360 Degrees of Financial Literacy	This is a free program to help Americans understand their personal finances through every stage of life. It is sponsored by the American Institute of Certified Public Accountants. <a href="http://www.360financialliteracy.org">http://www.360financialliteracy.org</a>
Banking and Financial Systems	This is a textbook published by Goodheart-Wilcox. The ISBN number is 978-1-60525-778-5. <a href="http://www.g-w.com">http://www.g-w.com</a>
Voluntary National Content Standards in Economic Education	This book is the 2 <sup>nd</sup> edition from the Council for Economic Education. The ISBN number is 978-1-56183-733-5. <a href="http://www.councilforeconed.org">http://www.councilforeconed.org</a>
Improving Financial Literacy: What Schools and Parents Can and Cannot Do	This book is published by Jump\$tart Coalition for Personal Financial Literacy. The ISBN number is 0-9666010-1-7. <a href="http://www.jumpstart.org">http://www.jumpstart.org</a>