FINANCIAL LITERACY

LESSON 10-24 ▲ LEARNING TO USE MONEY IN 10TH GRADE

**LEARNING GOALS/OUTCOMES**

* Learn about the cost of living, with particular emphasis on payroll deductions, living expenses, and the unique budget items for a first-year college student.
* Explain factors that affect the difference between total salary and take-home pay.
* Understand their total cost of living, including those expenses paid by family members.
* Create a budget for a first-year college student.

**MATERIALS NEEDED**

* **Student Handouts:**
* Pay Stub Examples
* College Budget Worksheet
* Journal Page
* **OPTIONAL: Information about average college costs for your community and around the country**

**CLASSROOM ACTIVITIES**

1. **Students brainstorm what it costs them to live.** Write this question on the board: “What are your living expenses?” Give students one minute to brainstorm all the things in their life that have a cost that somebody pays. Then ask them all to come up to the board at the same time and write as many different types of expenses as they can in a minute.
2. **Students discuss living expenses.** Have students return to their seats and discuss their lists, noting common themes. Focus first on typical, discretionary high school spending, such as clothing, movies, music, gas, etc. Then look to see if any students have listed expenses that they likely do not cover themselves, such as housing, utilities, or medical insurance. Ask students whether those expenses (that in most cases their families pay) are truly part of their cost of living. Why or why not? Explain that part of learning to become independent requires developing an understanding of all the costs they will need to cover, even those their families currently cover for them.
3. **Students explain factors that affect the difference between total salary and take-home pay.** Ask for a show of hands: how many students have a job in which they get paid through a regular paycheck? (This will not include students who mow lawns or babysit and get paid in cash or personal checks). From among the students who receive a regular paycheck, ask how many of them get to take home all the money they earn. Count how many students say yes. Explain that workers who get paid through a regular paycheck do not take home all their earnings. Instead, some money is deducted for taxes and other required expenses. Tell students this is the first cost of living they will examine today: payroll deductions.   
     
   Distribute the Pay Stub Examples and review the two examples with students. Ask them to answer the question at the bottom of the page to ensure they understand the concept of payroll deductions.
4. **Students demonstrate that they understand their total cost of living, including those expenses paid by family members.** Divide students into groups of three or four. Have one student in each group take out a sheet of paper. Based on your earlier brainstorming and discussion about students’ cost of living, ask each group to develop a list of living costs, both those they pay themselves and those their families pay for them. Ask the groups to attempt to estimate – roughly – what it would cost for a teenager in your community to live independently for a month. Obviously, the amount will vary widely depending on the teen’s lifestyle and level of expenses, but it will be helpful for students to get a general understanding of their cost of living. Ask for volunteers from each group to write their total monthly cost of living on the board. Ask a spokesperson for each group to explain their estimated cost of living. Discuss how students think they might manage these costs on their own when they are adults.
5. **Students create a budget for a first-year college student.** Explain that many students have an interim stage between having their families cover most of their living costs and covering all their expenses themselves. As college students, living in a dormitory or student apartment, they will cover their costs of living through a combination of working, borrowing money, financial aid, and getting help from their families. With students still in their small groups, distribute the College Budget Worksheet. Ask student groups to estimate the costs for one person to attend their first year of college, assuming they live away from home. Once they have agreed on a total cost, ask the groups to write their estimated costs on the board. Lead a discussion that clarifies discrepancies between college cost estimates for each category. If you wish, you might use Online or another web site to share typical college costs with students.   
     
   Ask students to return to their seats. Tell students that each of them and their family will figure out how to pay their college expenses in different ways. Ask each student to complete the bottom of the College Budget Worksheet, estimating their savings by the end of 12th grade, their earnings during the first year of college, their family’s contribution, the amount of scholarships/grants they hope to receive, and the amount they expect they might need to borrow in student loans. Tell students their total must equal the expense of first-year college.
6. **Students reflect on their level of financial independence.** Ask each student to use a Journal Page to answer these questions:

* What percentage of my living costs do I pay and what percentage does my family pay?
* How much could I save between now and the end of 12th grade to support my first year of post-secondary education? How would I raise that money?
* How do I contribute to my family’s well-being, beyond any financial contributions?

**STUDENT PRODUCTS**

* **Completed *College Budget Worksheet***
* **Completed *Journal Page***

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LESSON 10-24 STUDENT HANDOUT

PAY STUB EXAMPLES

When you earn money from a job, you do not take home all the money you earn. Instead, some money is deducted from your pay to cover your share of taxes, medical insurance, and sometimes even retirement savings. Here are two examples of pay stubs, showing examples of payroll deductions. For each one, calculate the percentage of each deduction.

**STUDENT’S PART-TIME JOB PAY STUB**

This is a pay stub for a teenager who works part-time after-school. The teenager earns $9.55/hour and does not make enough money to pay federal income taxes.

|  |  |  |
| --- | --- | --- |
| Total Hours Worked | 16.00 | |
| Pay Rate | $9.55 | |
| **TOTAL EARNINGS** | **$152.80** | **100%** |
| Social Security Deduction | $9.47 | \_\_\_\_\_\_\_\_\_% |
| Medicare Deduction | $2.22 | \_\_\_\_\_\_\_\_\_% |
| Labor & Industries Insurance | $1.47 | \_\_\_\_\_\_\_\_\_% |
| **NET PAY (Take-Home)** | **$139.64** | **\_\_\_\_\_\_\_\_\_%** |

**ADULT’S FULL-TIME JOB PAY STUB**

This is a pay stub for an adult who works full-time. The adult earns $45.98/hour and, in addition to taxes, has money taken out for retirement savings, a charitable contribution, and medical insurance.

|  |  |  |
| --- | --- | --- |
| Total Hours Worked | 79.00 | |
| Pay Rate | $45.98 | |
| **TOTAL EARNINGS** | **$3,632.46** | **100%** |
| Social Security Deduction | $193.98 | \_\_\_\_\_\_\_\_\_% |
| Medicare Deduction | $45.36 | \_\_\_\_\_\_\_\_\_% |
| Federal Withholding (taxes) | $296.00 | \_\_\_\_\_\_\_\_\_% |
| Retirement Savings | $500.00 | \_\_\_\_\_\_\_\_\_% |
| Medical Insurance | $503.82 | \_\_\_\_\_\_\_\_\_% |
| United Way Donation | $10.00 | \_\_\_\_\_\_\_\_\_% |
| **NET PAY (Take-Home)** | **$2,093.30** | **\_\_\_\_\_\_\_\_\_%** |

If you have a job in which you receive a regular paycheck, look at your next pay stub to learn how many deductions are taken from your total earnings.

Why are there deductions on a paycheck?

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COLLEGE BUDGET WORKSHEET

What do you think it will cost to fund your first year of college? Obviously, the cost will be different depending on where you go to college and whether you live at home or not. You will not know the details for several years, but it is a good idea to get a sense of the types of income you will need and the types of expenses you will have. Work with a group to fill in these categories. For this exercise, assume you are living away from home and your tuition and fees are $6,585.

**ANNUAL EXPENSES**

Tuition and fees: $

Housing (dorm, apartment rent): $

Food (meal plan or groceries): $

Books: $

Transportation (airfare, gas, etc.): $

Clothing, Entertainment: $

Cell Phone: $

Medical insurance: $

**TOTAL ANNUAL EXPENSES: $**

**ANNUAL INCOME**

Your savings: $

Your earnings (job, work-study): $

Your family’s contribution: $

Scholarships or grants: $

Student loans: $

**TOTAL ANNUAL INCOME: $**

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JOURNAL PAGE

**DATE:**

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***Q1:*** What percentage of my living costs do I pay and what percentage does my family pay?

***Q2:*** How much could I save between now and the end of 12th grade to support my first year of post-secondary education? How would I raise that money?

**Q3:** How do I contribute to my family’s well-being, beyond any financial contributions?

***Answers:***