



Money Management:

ProjectFAME

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Welcome Back!!!

- Let's start with daily activities
 - Logon
 - Open Worklog (Word)
 - Set up and write any opening thoughts
 - Discuss a few questions from last week
 - Do you have to have a bank account?
 - Are credit cards that important to have?
Should I get one right away?


What we're going to do

- What's up for today:
 - Withholding taxes
 - Preparation of Form 1040 and W-4
 - Budget Project



Take-Home Pay

Taxes and other items are often deducted from individual's pay by her employer.



Deductions From My Pay

- Federal income tax
- State income tax
- Retirement plan
- Social security tax
- Medicare tax
- Health insurance premium (optional)
- Parking Fee (optional)
- Donation to United Way (optional)
- Union Dues
- Auto Insurance (optional)
- Administrative fee

Take-Home Pay

My take-home pay is 53% of my actual salary.

If we don't count optional items, my take-home pay is 56% of my salary.

Withholding Taxes

- Federal income taxes
- State income taxes
- Payroll taxes
 - Social security tax (6.2% of the first \$102,800 in wages)
 - Medicare tax (1.45% of wages)
 - Employer's must pay an equal amount of social security and medicare tax

Income Tax Withholding

Employer's calculate the amount of tax to withhold based on information provided by the employee on Form W-4.

<http://www.irs.gov/pub/irs-pdf/fw4.pdf?portlet=3>



Withholding Taxes

Practice example:

Independent Practice Handout – Questions 4 and 5



Withholding Taxes

Solutions to Practice Example:

- $\$39,000 / 26 = \$1,500$ biweekly salary

Withholding Taxes

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- $\$209 + \$68 + \$37 + (\$1500 \times 6.2\%) + (\$1500 \times 1.45\%) = \428.75 total deductions from paycheck

Withholding Taxes

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- $\$1,500 - \$428.75 = \$1,071.25$ take-home pay

Withholding Taxes

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- $\$209 \times 26 = \$5,434$ federal income tax withheld

Withholding Taxes

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- $\$209 \times 26 = \$5,434$ federal income tax withheld
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- $\$5,434 + \$6,162 = \$11,596$ total tax withheld

Withholding Taxes

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- $\$11,596 - \$7,827.50 = \$3,768.50$ overpaid (refund)

Withholding Taxes

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- $\$11,596 - \$7,827.50 = \$3,768.50$ overpaid (refund)
- $3 \times \$1,000 = \$3,000$ total child tax credit

Withholding Taxes

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- $3 \times \$1,000 = \$3,000$ total child tax credit
- $\$3,000 + \$3,768.50 = \$6,768.50$ total tax refund



Withholding Taxes

Independent Practice Handout

- Prepare Form 1040
 - Complete Part 2 of Handout
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Withholding Taxes

Independent Practice Handout

- Prepare Form 1040
- Solutions to Part 2 of Handout:
 - $\$7,827.50 - \$3,000 \text{ child tax credit} = \$4,827.50 \text{ federal income tax owed}$
 - $\$4,827.50 / \$90,000 = 5.36\% \text{ effective tax rate}$

FAME Budget Project

Tuesday, July 13

- Understand Objective
- Presentations will be made (5 min. each)
- Select occupation
 - What training/education will you need?
 - How will you prepare yourself for this training?
 - How will you finance your education/training?

Finding a Career

The U.S. Government publishes an Occupational Outlook Handbook that tells you the following information about hundreds of jobs:

- the training and education needed
- earnings
- expected job prospects
- what workers do on the job
- working conditions

Access the handbook at <http://www.bls.gov/oco/>

Finding a Career

Other Useful Websites:

- <http://www.bls.gov/news.release/ecopro.t06.htm>
- <http://www.bls.gov/oco/oco2003.htm>

Finding a Career

- Find a career that you are interested in and that will give you the necessary income to afford the lifestyle you want.
- Determine the amount of education needed for your career.
- Estimate the starting salary **and take-home pay** you will receive.


How Will You Prepare?

- What training or education do you need?
- Will you meet the requirements to begin receiving the education or training upon graduation from High School?
- If not, how can you remedy this?



How Will You Prepare?

Complete last page of
FAME Budget Project



But there's more!

- Let's do the evaluation form
- Put the final touches on the entry for today in your worklog
- Have a great evening!
- **PS Don't forget your flash drive!**