

Building Your Financial House

Set the Foundation of Your Future



Module 2 Maximize Earnings Facilitator Guide



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Objectives and Checklist

According to the framework, the walls represent earnings, built up from the foundation and maximized by utilizing all available resources, directing payroll deductions, and choosing the right employee benefits.

As a result of Module 2, participants will know how to:

- Identify cash and non-cash sources of income
- Recognize the difference between gross and net pay
- Be familiar with employer provided benefits
- Recognize the actual dollar value of using pre-tax benefits
- Identify factors which affect the net economic compensation of a job

What we encourage the participants to do with this information is:

- Review their pay statements
- Calculate gross and net monthly income
- Compare option, ask questions, and select the appropriate benefits that meet their needs
- Check current withholding allowances and make adjustments, if necessary
- Evaluate the net economic compensation before accepting a new job offer

To prepare for the session, refer to the following checklist.

Handouts	<input type="checkbox"/> Module 2 - Participant Guide <input type="checkbox"/> Module 2 - Presentation PowerPoint Slides <input type="checkbox"/> Participant Certificates of Participation <input type="checkbox"/> Current year IRS Form W-4 (www.irs.gov)
Supplies	<input type="checkbox"/> Computer/laptop, projector, and slide advancer (test prior to start) <input type="checkbox"/> Extension cord <input type="checkbox"/> Non-adhesive flip chart paper and easel or dry-erase board <input type="checkbox"/> Markers <input type="checkbox"/> Two small closet push lights (or see visuals) <input type="checkbox"/> Small prizes for games, i.e., 100Grand, PayDay, or 5 th Avenue candy bars <input type="checkbox"/> Visuals
Room Set-up	<input type="checkbox"/> Adequate tables and chairs, ideally arranged in a U-shape <input type="checkbox"/> Small table in center of U with closet light (or two alternative visuals) placed on each side

Visuals

Below are the visual aids that will be used during the presentation of Module 2: Maximize Earnings.

Income Four Square Group Notes:

1. Use plain paper
2. Make one visual for each small group of three participants

Income Four Square Report Back:

Use non-adhesive flip-chart paper or white board

Cash	Non-cash
Off the Top	Options

Cash	Non-cash
Off the Top	Options

New Employee Feud Score Card:

Copy chart below onto plain paper.

New Employee Feud Score Card		
Questions	Dollar\$	Cent\$
1. What form must new employees complete that proves they are eligible to work in the United States? (Answer = C)		
2. What are you exempt from if you are an “exempt” employee? (Answer = C)		
3. Which is <i>not</i> a tax withheld from pay? (Answer = A)		
4. What form tells employers how much federal tax to withhold from pay? (Answer = B)		
5. Which is <i>not</i> an employee benefit deduction? (Answer = D)		
6. What is the safest way to receive your wages? (Answer = D)		
Bonus Question: What is FICA? (Answer = B)		
Total Points		



New Employee Feud Push Light Alternative:
Make four copies of the photo below onto plain paper;
consider laminating for longevity.



Session Outline and Activities

Slides	Section	Time Allotted
ME.1-8	Welcome and Recap <ul style="list-style-type: none"> – Collect and copy page IY-3 for data tracking 	15 minutes
ME.9-12	Objectives and Self-Assessment <ul style="list-style-type: none"> – Pre-Session Assessment, page ME-3 	5 minutes
ME.13-14	Opening Activity: Income Four Square <ul style="list-style-type: none"> - Small group brainstorming activity 	15 minutes
ME.15-16	Pay Statements	10 minutes
ME.17	Job Benefits Game, page ME-8	5 minutes
ME.18-27	Employee Benefits <ul style="list-style-type: none"> - Paid time off - Flexible spending accounts - Insurance options - Retirement - Lower Taxes 	15 minutes
ME.28-32	Case Study: pages 7-13 <ul style="list-style-type: none"> - Anna Uses Pre-Tax? - Anna’s Choice - Anna’s Form W-4 	25 minutes
ME.32-49	New Employee Feud Game	10 minutes
ME.50	What Comes In: Add It Up	5 minutes
ME.51-56	Recap and Take Action	10 minutes
ME.57-58	Session Evaluation and Closing, page ME-25	5 minutes

Certificate of Participation

in recognition of your participation on this day,

in the

module of the

Building Your Financial House Financial Education Program



www.phfa.org

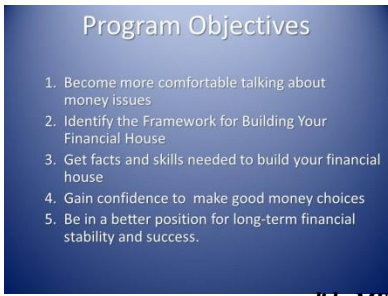


www.buildingyourfinancialhouse.org

Instructor

Location



Presentation Instruction Guide and Script *(italics)*

Welcome and Recap	Time: 15 minutes
<p>As participants arrive, hand out the Module 2 - Participant Guide and Participant Slides if they don't already have them in a binder.</p> <p>Discuss any housekeeping issues: silent cell phones, nearest exit, restrooms, parking, judgment free zone, etc.</p> <p>Next</p>	 <p style="text-align: right;"><i>slide ME.1</i></p>
<p>Explain:</p> <p><i>Remember the objectives of Building Your Financial House:</i></p> <p>Read the objectives.</p> <p>Next</p>	 <p style="text-align: right;"><i>slide ME.2</i></p>
<p>Explain:</p> <p><i>Remember the topic schedule for the entire program; this session, we'll be talking about maximizing our earnings.</i></p> <p>Next</p>	 <p style="text-align: right;"><i>slide ME.3</i></p>
<p>Explain:</p> <p><i>Let's recap what we talked about last session.</i></p> <p>Read the points.</p> <p>Next</p>	 <p style="text-align: right;"><i>slide ME.4</i></p>

Ask participants to turn to page IY-3, Self-Assessment and Track Your Progress, in the Module 1 participant guide and complete the page (goals, worksheets completed, actions taken) if they haven't done so already.

Explain:

The Self-Assessment and Track Your Progress sheet is an important way to record, and share with us, the progress you are making as a result of this program. Did you set a goal?

Next



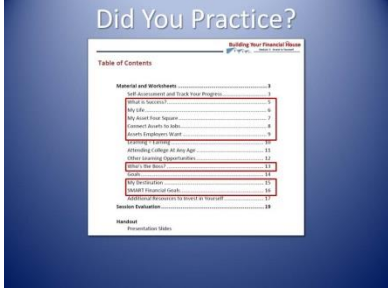
slide ME.5

Explain:

Did you practice?

Ask for any feedback on the homework.

Next



slide ME.6

Explain:

Did you learn more?

Ask for any feedback on the additional resources.

Next



slide ME.7

Explain:

Did you make progress?

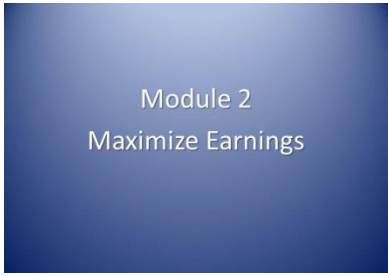
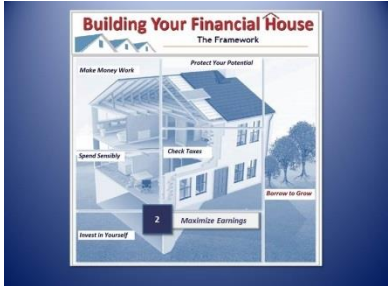
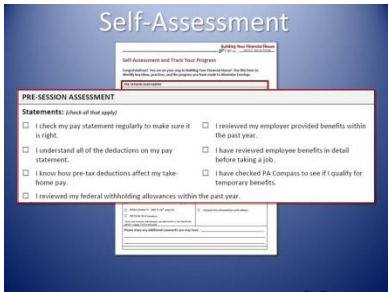
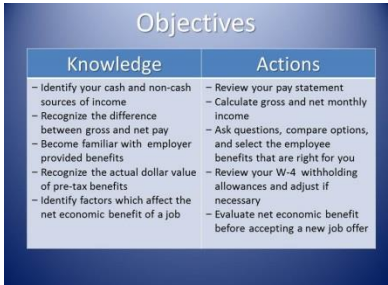
Ask for any feedback on the actions taken. Make sure participants write their name (or participant number if you are using an anonymous identifier) in the lower right hand box.

Collect, copy, and return the worksheets before the session is finished.

Next



slide ME.8

Module 2: Objectives and Self-Assessment	Time: 5 minutes
<p>Refer participants to the Module 2 - Participant Guide and Presentation Slides handouts (or appropriate binder section). Again, participants may prefer to follow the slides, but pages in the guide will be referenced during the presentation so both should be handy. The Case Study should also be handy.</p> <p>Next</p>	 <p style="text-align: right;"><i>slide ME.9</i></p>
<p>Remind audience where the module fits in the framework. Click and read the slide.</p> <p>Next</p>	 <p>The walls represent earnings, built up from the foundation, and maximized by utilizing all available resources, directing payroll deductions, and choosing the right employee benefits.</p> <p style="text-align: right;"><i>slide ME.10</i></p>
<p>Refer to page ME-3, Self-Assessment and Track Your Progress. Click and read the points of the self-assessment. Ask participants to complete.</p> <p>Next</p>	 <p style="text-align: right;"><i>slide ME.11</i></p>
<p>Explain:</p> <p><i>Remember that each of the modules in Building Your Financial House will have things that we should know about the topic, but also what we should do with this information, or the actions.</i></p> <p>Read the knowledge objectives.</p> <p>Click and read the action objectives.</p> <p>Next</p>	 <p style="text-align: right;"><i>slide ME.12</i></p>

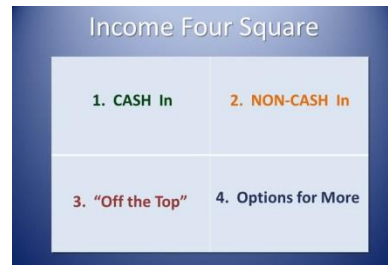
Opening Activity: Income Four Square

Time: 15 minutes

Separate class into small groups of three. Provide each group with an 'Income Four Square Group Notes' visual, and instruct the group to discuss and write down potential:

- Sources of cash coming into the household
- Sources of non-cash resources (i.e., TANF, WIC, SNAP)
- Off the top deductions (job or otherwise) before we see any cash
- Options to 'bring in more' to a household (better job, second job, education, applying for benefits, etc.)

Allow the groups five minutes to complete the activity. On the 'Income Four Square Report Back' visual, write down points as groups report back. Using page ME-5, My Resources, as a guide, discuss any items from the worksheet that were not mentioned.



slide ME.13



page ME-5

Next

Explain:

Let's take a look at some short-term resources that may be available to help us meet our needs during tough times. The PA Department of Human Services has a user friendly website that information about all sources of government benefits. You can use the COMPASS website to learn about benefits, see if you might qualify, and apply for benefits directly online.

Click

Also, don't forget community organizations and houses worship are another great short-term resource. Many have emergency assistance programs to help in times of crisis. Keep in mind that it may be hard for us to move out of our comfort zone and seek assistance. Keep in mind this is what these resources they were designed to do.

Click

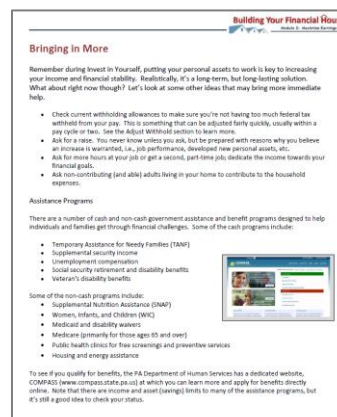
Lastly, if you have household members that are able but currently not contributing to expenses, consider asking!

Refer participants to page ME-6, Bringing in More, and point out that there is additional information that participants can review on their own regarding ideas to increase their income.

Next



slide ME.14



page ME-6

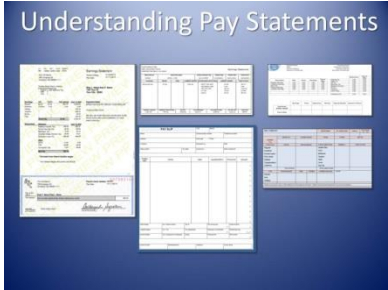
Pay Statements

Time: 10 minutes

Explain:

So we identified ways to 'bring in more' income. We know long-term options require an investment of our time. Not that it's bad when we're investing in ourselves or doing what we need to do in order to improve our financial situation. But, what about keeping more of what we bring in and maximize all of the resources we can? The rest of the session will focus on that.

Did you know that there are no standard forms of pay statements that employers must use? There are minimum reporting requirements but each company decides format, abbreviations, etc. You can see from these examples that it can be confusing. Let's take a look at an example to get a good idea about what we should all check on our own pay statements.



slide ME.15

Next

Explain:

Let's review Anna's current pay statement to see how she goes from gross income to net pay. (1) Notice that there are two lines reported: the amounts for the current pay period and year to date.

Click

(2) Anna's gross income comes from regular pay; she can also earn overtime, annual leave, sick time, and paid holidays. Anna's hourly rate and hours worked are reported. She receives an allowance towards uniform expenses which she must wear on the job.

Click

(3) Next is Anna's taxable gross income. Why is her taxable gross income less? She doesn't have to pay federal income taxes (social security taxes too!) on wages used for health care expenses; ABC is her health insurance premium. This deduction is known as a 'pre-tax' deduction. We will look at using pre-tax deductions in more detail shortly. The uniform allowance Anna receives is also not taxable income.

Click

(4) Now, we'll look at taxes withheld, including federal, state, and local income taxes, along with social security (FICA) and Medicare taxes. FICA and Medicare taxes are reported separately because of the limitations on how much earned income is taxed for each. In 2015, only \$118,500 of earned income from an individual is taxed at the FICA rate of 6.2%; whereas all earned income is taxed at the FICA Med rate of 1.45%. Sometimes OASDI is used as the social security abbreviation.

-continued-

Sample Pay Statement

Corporate Cleaners		SOCIAL SECURITY				
PAY PERIOD	END	3	4			
02/15/15	02/28/15	02/15/15	02/28/15			
1	2	3	4			
GROSS	TAXABLE GROSS	TAXES	OTHER			
\$15,780.00	\$14,000.17	\$1,000.00	\$1,779.83			
YEAR TO DATE	YEAR TO DATE	YEAR TO DATE	YEAR TO DATE			
\$15,780.00	\$14,000.17	\$1,000.00	\$1,779.83			
PAY CLASS	RATE	HOURS	GR-PT	DEDUCTIONS	CURRENT	YEAR TO DATE
Regular	\$15.00	8.00	120.00	\$120.00	\$975.00	\$975.00
Overtime				FICA	\$11.00	\$11.00
Annual				Medicare	\$11.00	\$11.00
Sick				Health	\$64.00	\$1,104.00
Holiday				State	\$26.40	\$480.42
Uniforms	\$10.00			Local	\$12.00	\$216.00
				Life	\$15.00	\$270.00
				Dis Life	\$20.00	\$360.00
				Med	\$2.00	\$36.00
				TOTAL	\$276.40	\$4,455.00
FICA Code Federal: 001		FICA Code State: 001		This area intentionally left blank.		
FICN: 001		FICN: 001				

slide ME.16

continued-

Click

So, how do employers know how much to withhold for federal, state, and local taxes? Notice in the lower-left box, Anna has told her employer to withhold taxes at the highest rate (single) by one allowance on her IRS Form W-4 Allowance for Employee Withholding Certificate. (We'll talk about federal withholding shortly.) Note that in PA, state withholding is fixed and local tax is set by the municipality in which you live.

Click

(5) Next, the other deductions, some of which we mentioned before, health insurance and uniform expenses. Anna also pays for long-term disability (LTD) and optional life insurances.

As a result of checking her pay statement, Anna questioned the amount that she is paying for the optional life insurance. She didn't realize that she had elected for optional group whole life insurance, which she remembered has a 'cash' savings component that cost almost \$41 per month for \$50,000 coverage. The payroll staff explained the pros and cons of whole life insurance and said that optional group term insurance for the same benefit would only cost her \$1.65 per paycheck. Anna decided to change her optional group life insurance to the term policy.*

Refer to page ME-8, Sample Pay Statement, and point out the review notes for Anna's pay statement. Then, refer to page ME-9, Understanding Your Pay Statement, and explain that the worksheet gives participants the opportunity to sort through all of the items on their own pay statements in a neat, column format. (If participants are unemployed, they may use the pay statement in the Case Study, page 11.)

*Surrendering any permanent life insurance policy should only be done as a result of careful consideration of the actual insurance need, the insured's health, and costs.

Next

slide ME.16

page ME-8

page ME-9

Job Benefits Game

Time: 5 minutes

Refer to page ME-10. Instruct participants to write down all of the employee benefits they can think of, one per square, in two minutes. Use a timer. The participant with the most benefits listed 'wins.' If possible, provide a small money theme prize. Ask the winner to read their answers. Invite others to share any benefits not mentioned by the winner.

slide ME.17

Next

Employee Benefits

Time: 15 minutes

Explain

So we can see there are many benefits to working than just a paycheck!

Read points and click to the first category. Read the items and highlight any that were not mentioned in the Job Benefits Game. Click to the reveal the remaining categories and again, highlight any items not previously mentioned.

Refer to page ME-11, More Than Just a Paycheck, and point out the additional information that the participants can review on their own regarding employee benefits.

Then, refer to page ME-12, Job Benefits Checklist, and explain that the worksheet gives participants the opportunity to review their own benefit's package and indicate whether they are using it or not. If not, challenge them to ask themselves why. Remind them that it's okay not to use EVERY benefit, but make sure they using all that could really help them become more financially stable.

(If participants are unemployed, they may use the employee benefits from the Case Study, pages 12 & 13 and indicate whether the benefit would be important to them once employed.)

Next

Read slide.

Next

More Than Just a Paycheck

Employee Benefits:

- Make people want to work for the company!
- Help workers learn more job skills!
- Keep workers healthy and secure their futures!

slide ME.18

More Than Just a Paycheck

One of the most important steps you can take to build a bright future is to land and keep a good job. The right job will allow you to challenge yourself, learn new skills, develop self-confidence and, of course, earn a good wage. Your paycheck gives you economic power—not just to buy "things," but to provide a strong financial foundation for you and your family. You can also use your economic power to contribute to your community and help others.

When you apply for a job, one of the first things you think about is how much the job pays. But it's not just about the paycheck; you also need to think about what employee benefits a offers. The purpose of employee benefits—also known as "kings" or "perks"—is to:

- Make people want to work for the company
- Help workers learn more job skills
- Keep workers healthy and hard working

Benefits may include a health insurance plan, life or disability insurance (or both), paid time off, retirement savings plans, and education benefits. The value of benefits offered is often 20% or more of your pay! For example, if your wages are \$40,000 per year, your benefits may cost your employer \$30,000. That may make us look differently at our employer or even future job offers.

Not all jobs offer benefits and others may only offer a few. You may have to work a certain length of time, such as three to six months or maybe one year, before you can start using these benefits. This "waiting period" is common with retirement plans, training, promotions, etc.

When seeking work, try to compare benefits as a way of comparing potential employers. For example, two jobs may pay the same wages but offer very different benefits. One employer may even pay more but offer fewer benefits. You may also be interested in specific benefits, such as flex time, if you have family obligations or an active schedule outside of work. It's a bit to consider when comparing employers.

page ME-11

Job Benefits Checklist

Did you know that an employer will spend an additional \$8 cents* on employee benefits for every dollar they pay in wages? Knowing what your employer offers is the first step to maximizing the resources already available to you. Look at your employer benefits manual or go to your human resources department which will be following your employer's offer. *You are unemployed, see information from the Case Study (pages 12&13) to determine the amount.

Benefit	Description	Does your company offer?		Are you using?	
		Yes	No	Yes	No
Health Insurance	Health Maintenance Organization (HMO)				
	Preferred Provider Organization (PPO)				
	Major Medical Insurance Plan				
	Prescription Drug Plan				
	Other				
Other Insurance	Life				
	Disability				
	Property (Auto/Home, etc)				
Paid Time Off	Annual/Vacation/Personal				
	Holiday				
	Other				
Retirement	Traditional Pension Plan				
	401(k), 403(b), or 457 Savings Plan				
	Matched Savings Investment				
	Profit-Sharing Plan (or ESOP)				
	Roth IRA				
Other	Flexible Spending Account (FSA)				
	Health Savings Account (HSA)				
	Tuition Reimbursement				
	Employee Training Programs				
	Employee Assistance Program (EAP)				
	Child Care				
	Adoption Assistance				
	Wellness Program				
	Legal Assistance				
	Housing Assistance				
Other					

page ME-12

More Than Just a Paycheck

Financial gain using of benefits:

- Free stuff
- Discounted stuff
- Lower taxes

slide ME.19

Explain:

Let's look at a couple of important employee benefits in more detail.

Read slide.

Next

More Than Just a Paycheck

Examples of benefits:

- Paid time off
- Insurance
- Flexible spending accounts
- Retirement plans

slide ME.20

Explain:

PTO...YEAH!! Who doesn't love it?

Click and read items as they appear. Ask participants what they do with theirs.

Next

Paid Time Off



Paid Time Off

- Saves on travel expenses, gas, tolls
- Saves child care expenses
- Allows for learning opportunities



slide ME.21

Refer to page ME-13, Insurance Benefits. Read the list of insurance benefits that may be available through employers. Participant should review their own benefits to complete the worksheet or if unemployed, they may use the Case Study, pages 12 & 13.

Click and explain:

It is really important to know the coverage and limitations before selecting any insurance products.

Click and explain:

Of course, you will want to know the amount that will be deducted per pay period.

Click and explain:

Note at the bottom are two related healthcare benefits, the HSA's (Health Savings Accounts) and FSA's (Flexible Spending Accounts/Arrangements). Both direct wages towards healthcare; contributions are not subject to federal, state, or FICA taxes. There are differences between the two.

-continued-

Insurance Options

Insurance Option	Coverage/Benefit/Limitations	My Cost Per Pay
Dental		
Disability		
Health (HMO, PPO, Major Medical, etc.)		
Life		
Long-Term Care		
Vision		
Other		
Related Benefits	Qualified Expenses/Limitations	My Contribution Per Pay
Flexible Spending Account (FSA)		
Health Savings Account (HSA)		

slide ME.22

Insurance Benefits

Use the following chart to record what insurance and related benefits are available from your employer and at what cost to you. Note: A more detailed health insurance checklist will be covered in the Project Your Financial Goals to help you choose the plan that best fits your needs. **For an unemployed, use information from the Case Study page 12 & 13 to complete the worksheet.**

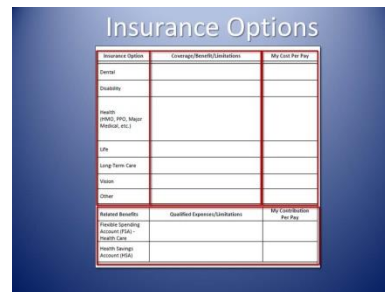
Insurance Option	Coverage/Benefit/Limitations	My Cost Per Pay
Dental		
Disability		
Health (HMO, PPO, Major Medical, etc.)		
Life		
Long-Term Care		
Vision		
Other		
Related Benefits	Qualified Expenses/Limitations	My Contribution Per Pay
Flexible Spending Account (FSA)		
Health Savings Account (HSA)		

page ME-13

-continued-

HSA's are used to pay for qualified medical expenses for employees with high-deductible health insurance plans. HSA's are actually dedicated savings accounts at banks/credit unions that the employee owns. Money not used can remain in the HSA from year to year; it can be taken out for non-healthcare purposes, but subject to income tax and a 20% penalty if you're under 65.

Next

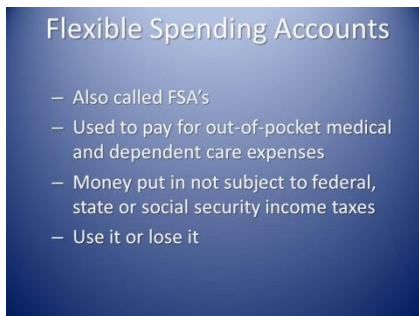


slide ME.22

Explain:

FSA's are used to pay out-of-pocket qualified health care expenses. (They can also be used to pay for dependent care expenses.) Employees don't own the FSA's and they have a 'use it or lose it' clause for annual contributions.

Next



slide ME.23

Refer to page ME-14, Flexible Spending Accounts – Health Care.

Explain:

So if an FSA is a use it or lose it benefit, how much should you put in? The key is keeping good records and knowing your predictable medical expenses.

Click

Step 1: Enter your annual deductible, which is what you have to pay out-of-pocket first before the insurance kicks in.

Click

Step 2: For each family member, enter the amount for doctor's visit and prescription co-pays, dental care, vision expenses, and any other predictable out-of-pocket expenses you/they may have.

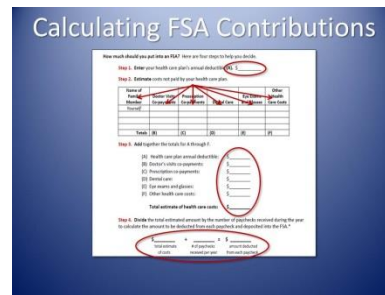
Click

Step 3: Add up each category to get the total out-of-pocket expenses you expect.

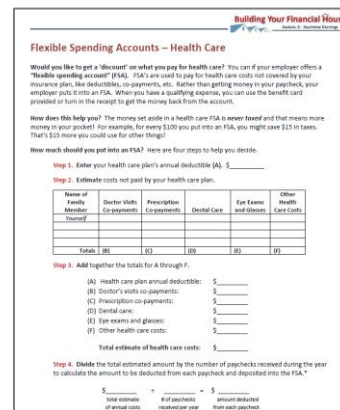
Click

Step 4: Take that amount and divide it by the number of pay periods in one year. That is the amount which will be deducted from each pay. If you are still worried about that use it or lose it clause, just put aside a smaller amount per pay. Even a small amount into an FSA can still save you money in taxes in the long run.

Next



slide ME.24



page ME-14

Explain:

We can't talk about employee benefits without retirement. It can be really hard to think about tomorrow if you're struggling today. Retirement benefits are an important source of financial gain for you and your family both today and in the future.

Click

The first type of benefit we'll talk about is called a defined benefit plan, or a traditional pension plan. Your employer defines your retirement benefit based on the number of years worked and your earnings. For example, a plan might pay you an annual retirement benefit of twice the number of years worked as a percentage of final income. So, if you work 25 years x 2 = 50% of your final wages! Employers usually pay the entire cost of this plan. Because they are expensive, , many companies no longer offer such generous benefits or are cutting back on the amount provided. So what are they offering in its place?

Click

Instead, companies are offering 'defined contribution' plans which are actually savings plans. You define your contribution from each paycheck into the plan, how this money is invested, and ultimately, how much money you will have when you retire. (You may be familiar with these plans as they are named after the section of the tax code where they were created: 401(k)'s for corporations, 403(b) for non-profit organizations and 457's for government agencies.) You may not think these plans are such a 'benefit' because if you don't save, you don't have a retirement benefit. However, there are many good reasons to participate in these plans which we'll look in a moment.

Click

Other retirement plans such as profit sharing and employee stock ownership plans (ESOP) are paid by the company. Contributions to a profit sharing plan on your behalf are based on how well the company performs. ESOP programs allow employees to receive stock in the company directly. Both programs act as a motivation to work harder so you can share in the company's financial success.

Click

Lastly, some benefits, such as health insurance, product discounts, and memberships may continue after you retire. These too are becoming less common as they can be very expensive for the employer.

Refer to page ME-15, What About Retirement Benefits, and page ME-16, Where Does an IRA Fit?; point out the additional information that the participants can review on their own.

Next

Retirement Benefits

Types:

- Pension (defined benefit plan)
- Defined contribution (savings) plans: 401(k)/403(b)/457
- Profit sharing
- Other lifetime benefits, such as health insurance, discounts, memberships

slide ME.25

What About Retirement Benefits?

All Retirement benefit plans are not created equally. There are pensions, savings plans, profit sharing, etc. So what's the difference, and how do you know if your employer offers a good one? Here are the most common types of employee retirement plans and how they can work for you.

Defined benefit plan: Better known as a pension plan. Your employer promises to pay you a set monthly amount when you retire and has to make sure they can meet that promise. The plan "defines the benefit you receive," but it's usually based on how many years you have worked at the company and your wages. Your employer may pay for the entire plan, but some require you to contribute part of your wages into the plan as well. These plans are not so common anymore. In fact, only 20% of employers offered pension plans as of 2010.

Defined contribution plan: This is a savings plan and does not promise to pay you a set monthly amount when you retire. The amount you get depends upon how much you put in and how much the money grows. In other words, your "contribution defines the benefits you receive." You usually have to elect to participate and, of course, how much to put into it. Federal law limits how much you can put in every year. You will not be taxed on it until you withdraw the money when you retire. There is a 10% penalty if you withdraw the money before 59 1/2 or after 70 1/2. Here are some common types of defined contribution plans:

401(k) and 403(b) plans: are probably the most recognized types of retirement savings plans. (The names simply come from the section of the income tax law that allows tax-deferral of the contributions.) These plans have pre-selected investment options ("usually a variety of mutual funds) so you can choose what's right for you. If your employer matches your contribution, you may have to wait up to six years to "vest" (have full access to that money). Some 401(k) and 403(b) plans now offer a Roth election. The major difference with a Roth election is that you will pay income taxes now on the money you put into the plan. However, when you take it out at retirement, it will be tax-free!

Simplified Employee Pension plan (SEP-IRA): is a plan used for small businesses or people who are self-employed. These accounts are completely self-directed, meaning the employee decides where to open the account and how to invest the money (vs pre-selected options!). The main difference with this plan is that only employers can contribute to the account.

Profit sharing plan: This is a plan where your employer shares the company profits with you. Your employer contributes money to a retirement account on your behalf. While a great benefit if your employer's profits are high, profit-sharing plans are not a reliable retirement savings because if company profits go down, so will the contribution. (The company also decides to give you an outright cash bonus or stock ownership in the company, commonly known as an ESOP-employee stock ownership plan.)

page ME-15

Where Does an IRA Fit?

An IRA or Individual Retirement Account is a retirement savings account not associated with an employer plan. (The SEP-IRA is the exception and has its own contribution rules.) An IRA is a self-directed account, meaning you choose where (financial institution) to open the account and choose the investments/trade of the account. This tax-deferred account can be opened by any person with earned wages or self-employment income. (A spouse without earned wages can open an IRA as well!)

An IRA can be opened at a bank, credit union, mutual fund company, or other financial services company. Federal law sets the contribution level which is significantly less than a 401(k) or 403(b). You can put money into a traditional IRA, Roth IRA, or a combination of the two.

- A traditional IRA may allow you to deduct your contribution or take a credit on your federal income taxes. You will not pay taxes on the earnings in the account until you take money out at retirement. There is a 10% penalty if you withdraw the money before 59 1/2 or after 70 1/2.
- A Roth IRA is different from a traditional IRA because you cannot take a deduction or credit for your contributions. However, the earnings on your account are completely tax-free and you may be able to withdraw the contributions you've made without paying a penalty. If you withdraw the earnings before 59 1/2, they will be subject to a 10% penalty. Also, you don't have to take the money out, so the 10% rule does not apply!

*Start as much as you can about each kind of investment option before investing. See the Money Money module for more about investing.

page ME-16

Explain:

As we mentioned before, traditional pension are being substituted with retirement savings plans, with the challenge to save enough in working years to provide income throughout retirement.

- *So, in choosing to participate in the retirement saving plan, you are taking control and directing your future.*
- *Your employer may match your contribution. For example, an employer may add \$1 into your account for every \$1 you put in. That's like earning an immediate 100% return on your money!*
- *It's automatic. Contributions are made directly from your paycheck. You don't have to think about it!*
- *You can also take advantage of compound interest. These accounts are designed to keep you invested (put more simply, not take the money out), so the money earned on your contributions can earn money too and so on and so forth. We'll discuss compound interest in more detail in the **Make Money Work** module.*
- *The last reason to participate in a retirement savings plan is that the money put in is 'pre-tax' money; in this case federal taxes are not paid on these wages...yet. When you take money out at retirement, you then pay federal income taxes on it. So, your federal taxes are "deferred" to a later date.*

Refer to page ME-17, Why Should I Save for Retirement?, and point out the additional information that the participants can review on their own.

Then, refer to **page ME-18, Ten Questions to Ask About Retirement Benefits**, and explain that the worksheet gives participants the opportunity to review their own retirement plans. **Remind** participants if they need clarification, they should contact their company's human resources department or the plan administrator for answers. Asking questions now can prevent disappointment or surprises later.

Next

Explain:

Let's really talk about how using employee benefits can lower your taxes.

Click and read the tax-free points. **Click and read** the tax-deferred points. **Click** to reveal pre-tax highlight.

Next

Why Should I Save?
Top Five Reasons:
- Choose your future
- Employer match
- Automatic
- Compound interest
- Lower taxes

slide ME.26

Why Should I Save for Retirement?
Saving money can be difficult when you are also trying to keep your family fed, clothed, and housed. However, there are some really good reasons to consider contributing to your employer's retirement savings plan, and we've summed it up for you. Here are five good reasons:
Tax-Deferred
You don't pay federal income tax on money put in your retirement savings plan until you take it out when you retire. Less tax now means more money in your pocket!
Employer Match
For example, for every \$2 you put into the retirement savings plan, your company may offer to put in \$1. That's free money you're looking out on if you don't participate! You may need to work a certain number of years to become "vested" (have legal right to the employer match and its earnings).
Automatic Deductions
Your contributions are deducted directly from your pay, just like income taxes. No need to worry about making a separate deposit after cashing your check; it's done for you automatically!
Compound Interest
In simple terms, the interest you earn, earns interest. When you contribute to a retirement savings plan and keep it there, your interest earns interest and can add up to a large stack of cash over time! You work hard to make the money to contribute to the plan, and from that point on, your money works hard to make money for you! See the Make Money Work modules for to learn more on compound interest.
Choose Your Future
By making contributions into your employer retirement savings plan, you are making an important commitment to your future. You are taking control of its direction and are choosing a promising path.

page ME-17

Ten Questions to Ask About Retirement Benefits
Here are ten questions to ask about your (or potential) employer's retirement plan. If you are unemployed, use information from the Case Study (pages 118-12) to complete the worksheet.
1.) Is it a defined benefit (pension) plan or a defined contribution (savings) plan?
2.) Am I automatically enrolled in the program or do I need to tell my employer that I want to participate?
3.) Is there a waiting period before I can enroll?
4.) Is the retirement plan mandatory? Do I have to participate?
5.) Is there a minimum contribution that has to be made from each paycheck?
6.) Does the employer add any money to my account or match my deposits?
7.) If the employer does make contributions, how long do I have to work to be vested and have a legal right to employer contributions and earnings?
8.) Can I access my money in the event of a financial hardship?
9.) What are the investment choices in the plan?
10.) Are there people I can talk to who can help me understand my choices?

page ME-18

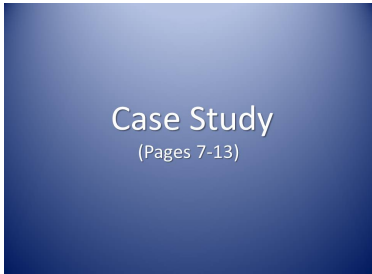
Side Bar: Lower Taxes
Tax-Free (FICA and Federal)
• Health Insurance
• Flexible Spending Accounts
Tax-Deferred (Federal)
• Retirement Savings
"Pre-tax Contributions"

slide ME.27

Case Study

Time: 25 minutes

Refer to the Case Study, pages 7-13.



slide ME.28

Next

Refer to page 7, **What Does Pre-Tax Really Mean?**, and ask for volunteers to read the paragraph aloud.



Click and explain:

- So we're going to compare four things in this example:
 - Anna does not use pre-tax money
 - Anna redirects money to pre-tax expenses and savings
 - What using pre-tax money 'feels like'
 - Anna's real economic gain from using pre-tax benefits

Click

(1) Let's start at the top with wages. They don't change whether Anna uses pre-tax dollars or not, and it doesn't feel any different to her pocket.

	No Pre-Tax	Using Pre-Tax	Pocket Change or "Feels Like"	"Real" Economic Benefit
1. Gross Wages	\$10,000	\$10,000		
2. Health Contributions				
Health Insurance		(\$1,000)		
FSA		(\$1,000)		
Total Health Contributions		(\$2,000)		
3. FICA and State/Local Tax Calculations				
FICA wages	\$10,000	\$10,000		
FICA Taxes (7.65%)	(\$765)	(\$765)		
State/Local Taxes (4.5%)	(\$450)	(\$450)		
Total FICA, State, and Local Taxes	(\$1,215)	(\$1,215)	\$199 more	\$199 more
4. Retirement Savings Contribution				
401(k) (\$25/week)		(\$1,000)	\$800 less	\$600
5. Federal Tax Calculations				
Federal Wages	\$10,000	\$10,000		
Standard Deduction	(\$2,000)	(\$2,000)		
Exemptions	(\$1,000)	(\$1,000)		
Taxable Income	\$0	\$0		
Tax on Income	\$0	\$0		
Child Tax Credit**	(\$2,000)	(\$2,000)		
Newborn Credit**	(\$200)	(\$200)		
Net Total Tax	\$0	\$0		

slide ME.29

Click

(2) Anna redirects pre-tax health insurance premiums and money used for out-of-pocket expenses to an FSA. It doesn't feel any different because she has to pay those expenses anyway. However, when she puts \$25 per pay into the 401(k) savings plan, it feels like \$600 less in her pocket. Remember though, that the money is still hers, it's just redirected to savings instead of her pocket.

Click

(3) Now let's look at taxes. Money redirected for health care costs is NOT subject to state, local, and FICA taxes! (We'll address federal in a moment). Her wages use to calculate the 7.65% FICA tax and the 4.5% state and local taxes are less. This means an extra \$199 in her pocket for the year.

Click

(4) Now subtract her 401(k) contribution to get her 'federal wages' which are used to calculate federal taxes.

Click

We will hold off on tax calculation details until the **Check Taxes** module, but with her deductions and exemptions, she has no federal taxable income, regardless of using pre-tax benefits. (No taxable income = no tax)

-continued-

-continued-

In addition, she now qualifies for a special saver's credit because of her 401(k) contribution, but can't use it because she has no federal tax. However, because her federal taxable wages are lower, she actually increases her earned income tax credit by \$485!

Click

(5) But wait remember her company matches up to 2% of 401(k) contributions. That's an additional \$416 in her account!

Click

(6) So in summary, adding up her tax savings, Anna actually has \$84 more in her pocket at the end of the year! However, her real economic benefit of tax reduction, credits, and saving for retirement with company match, puts her ahead by \$1,700! Pre-tax just makes good cents....or dollars in this case!

Then, refer to page ME-19, What Does Pre-Tax Really Mean, and explain that the worksheet gives participants the opportunity to calculate the true effects of using pre-tax dollars.

Next

Ask for volunteers to read paragraphs aloud on page 8, Anna Maximizes Income. Read list of items for each company. Ask participants which one Anna should choose and why.

Click and explain:

Let's look at a side by side comparison of the jobs and see, by the numbers, which one is better for Anna. The first thing we'll compare is Anna's available compensation. At ABC Inc., gross pay totals \$31,200. At the DEF Company, her gross pay would be \$30,560 including the transportation allowance.

Click

After taxes, (note: she will have no federal tax liability based on her situation), health insurance, and retirement savings, her net take home would be \$24,482 at ABC and \$23,960 at DEF.

Click

Then, considering the transportation expenses, 401(k) match, and education opportunities, her net economic benefit with DEF would be \$25,965, which is actually \$3,245 more than ABC (\$22,720). Even if Anna did not use tuition reimbursement, she would still be ahead with the DEF Company. Anna accepted the position at DEF.

Then, refer to page ME-20, Before You Jump Ship, and explain that the worksheet gives participants the opportunity to review net economic benefits as they contemplate a new position.

Next

	No Pre-Tax	Using Pre-Tax	Pocket Change or "Feels Like"	"Real" Economic Benefit
1. Gross Wages	\$10,800	\$10,800		
2. Health Contributions		(\$1,040)		
Health Insurance		(\$1,000)		
FSA		(\$400)		
Total Health Contributions		(\$1,440)		
3. FICA and Branch-Level Tax Calculations				
FICA wages	\$10,800	\$10,800		
FICA Taxes (incl.)	(\$1,593)	(\$1,498)		
Standard Taxes (incl.)	(\$1,388)	(\$1,388)		
Total FICA, State, and Local Taxes	(\$3,371)	(\$2,886)	\$485 more	\$139 more
4. Retirement Savings Contribution				
401(k) (2% of wages)		(\$408)	\$408 more	\$408
5. Federal Tax Calculations				
Federal Wages	\$10,800	\$10,800		
Federal Income Tax Credit		(\$476)	\$476 more	\$476 more
6. Other - 401(k) Match				
			\$84	\$1,700

slide ME.29

What Does Pre-Tax Really Mean?

Pre-tax is used to describe wages earned but not taxed. The IRS has special rules for pre-tax savings. The IRS allows taxes to be deferred, or put off until a later time, on some of your wages and tax free on others, depending on how you use that money. For example, if you use pre-tax money to pay for health insurance or for a health flexible spending account (FSA), those wages are not taxed at all, including FICA. If you contribute to an employer retirement plan, those wages won't be taxed (federally) until you withdraw the money when you retire. (The exception is a Roth 401(k) plan.)

Want to see what pre-tax will mean to you? Here is a quick calculation to help you see how you can benefit from using pre-tax dollars.

- Enter your gross wages:
- Enter the annual amount of the following contributions:
 - Health insurance premiums:
 - Health Savings Account (HSA): (Maximum \$3,600 for individuals or \$7,200 for family plans) Flexible Spending Account - Healthcare (Maximum \$2,500) Flexible Spending Account - Dependent Care (Maximum \$2,500 per individual, \$5,000 if married, filing jointly) Flexible Spending Account - Transportation (Maximum \$3,000)
- Calculate FICA taxes saved: Multiply FICA wages (W) x 0.0765 =
- Calculate FICA taxes saved: Multiply FICA wages (W) x 0.007 =
- Calculate local income taxes saved:
 - Local income tax rate: _____
 - Multiply FICA wages (W) x 100 x (local rate) = _____
- Enter the annual amount of retirement plan contributions:
- Calculate Federal taxes saved:
 - Subtract retirement plan contributions (R) from FICA wages (W) = _____
 - Calculate Federal income taxes saved:
 - Federal income tax rate ** _____
 - Multiply Federal wages (W) x 100 x (federal rate) = _____
- Total Taxes Saved: Add (L), (M), and (N) = _____

**How this calculation is for illustrative purposes only, see your tax preparer for confirmation of actual rates saved. Maximum savings amount per 10/10/2012.
***Use your current Federal tax bracket. See www.irs.gov

page ME-19

ABC Inc.	Comparison	DEF Company
\$31,200	Annual Pay	\$29,120
\$ 0	Transportation Allowance	\$ 1,440
\$31,200	Gross Compensation	\$30,560
(\$ 1,405)	State/Local Income Taxes	(\$ 1,310)
(\$ 2,270)	FICA Taxes	(\$ 2,070)
(\$ 1,560)	Health Insurance (5%)	(\$ 1,455)
\$ 0	FSA Contribution	(\$ 600)
(\$ 1,250)	401(k) Contribution	(\$ 1,165)
\$24,482	Net Take Home	\$23,960
(\$ 3,900)	Transportation Cost	(\$ 1,560)
\$ 0	Professional Dress	(\$ 600)
\$ 1,250	401(k) Match	\$ 0
\$ 0	Tuition	\$ 3,000
\$22,720	Net Economic Comparison	\$25,965

slide ME.30

Building Your Financial House
Module 2: Before You Jump Ship

Before You Jump Ship

A job making higher wages is always better, right? You know that a job is more than just a paycheck. Use this worksheet to compare some basic economic factors before you decide on a new job or company. A higher wage job may not be the best option in the long run.

Factors	Job/Company 1	Job/Company 2
Hours worked		
Work hours per week		
Annual pay		
Less: Other annual cash income		
Annual Gross Compensation		
Pre-Tax Deductions (annual)		
Health Insurance/FSA contributions		
Retirement savings contributions		
Other pre-tax deductions		
Tax Deductions (annual)		
FICA Taxes (2.09%)		
Federal income taxes (____% effective rate)		
State/local income taxes (____% effective rate)		
Net Take Home		
Subtract Comparable Costs (annual)		
Transportation/parking		
Uniform/clothing		
Other expenses		
Health/Flex/Star		
Add Employee Benefit Use (annual)		
Retirement contributions		
Tuition Reimbursement		
Retirement savings/employer match		
Other benefits		
"Net" Economic Benefit		
Other considerations		
Commute time/distance away from home		
Paid holidays		
Annual leave/vacation		
Sick leave		
Advancement potential		
Other		

page ME-20

Explain:

Now that Anna has accepted a new position, she has to complete the IRS Form W-4, which tells her employer how much federal tax to withhold, by the number of allowances she claims. Here is a sample W-4. As you can see, it's not the easiest form to understand!

Refer to page ME-21, **Completing the IRS Form W-4** and the (current year) blank **Form W-4** handout.

Click and explain:

It's important to note that withholding allowances are not the same as the exemptions or dependents that Anna will claim on her actual 1040. Allowances determine how much of Anna's income **will not be used for the withholding calculation**. It's complicated but what you need to know is that the **greater the number of allowances, the less federal tax withheld**.

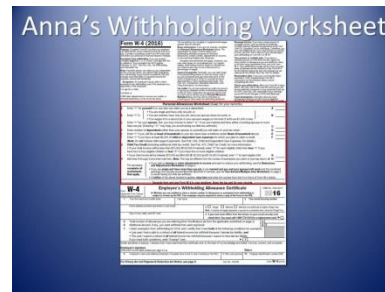
Many people want the most withheld from their pay, i.e., claiming zero or one allowance, because they are concerned about owing federal taxes at the end of the year. They get a refund, sometimes very large, due to this decision. However, it's actually their own money being withheld. Let's see how Anna completed hers.

Click, and read each line and the corresponding number for Anna's situation. (Click to advance to next line.)

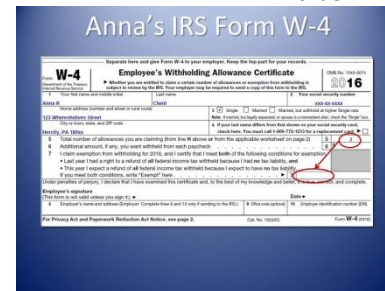
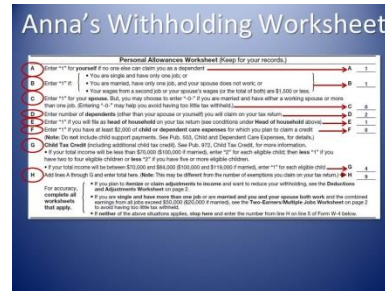
Anna was shocked that she could claim so many allowances (9). This would mean no federal income taxes withheld. She was nervous about that, so asked the human resource manager how much would be withheld by claiming three allowances, just to be safe. The difference was about \$60 per pay period. She was okay with that and completed her W-4 with three allowances. She will still get a refund at the end of the year but it will be less since she's claiming three vs. one allowance as she did at her other job.

Refer back to page ME-21, **Completing the IRS Form W-4**, and point out that the IRS has an online calculator to help. The page provides the participants with instructions on how to use it.

Next



slide ME.31



slide ME.32

Completing the IRS Form W-4

When you start a new job, your employer will ask you to complete a **IRS Form W-4 Employer's Withholding Allowance Certificate**. The Form W-4 tells your employer how much of your federal income taxes to withhold for you.

It's important to note that withholding allowances are not the same as exemptions or dependents you actually claim on your federal income tax return. Allowances determine how much of your income will not be used for the withholding calculation. It's complicated but the important thing to know is the **greater the number of allowances claimed, the less federal tax withholding**. Many people automatically want the most withheld from their pay, i.e., claiming zero or one allowance, so they will not owe any federal tax when they actually file their return. They get a tax refund, sometimes very large, due to this decision. However, it's their own money that is being returned.*

So how can you navigate the complex Form W-4? You can use the worksheet included on the form; this worksheet asks about your family status, income, and tax credits and deductions in order to determine the number of allowances to claim. Or, the IRS has an online withholding calculator that you can use to find out the right number of allowances to claim. The goal of the calculator is to determine the right number of allowances claimed which results in a very little refund or very little owed at the end of the year.

To Use the Calculator:


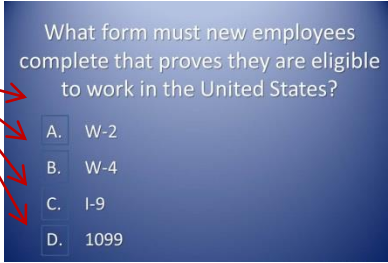
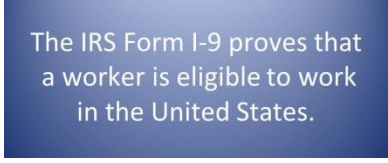
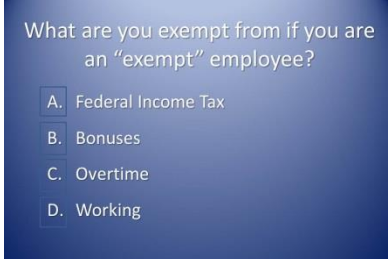
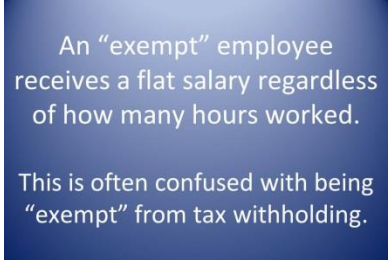
- Have your most recent pay stubs handy.
- Have your most recent income tax return handy.
- Estimate values, if necessary, but the results can only be as accurate as the input you provide.

To Change Your Withholding:

1. Use your results from the calculator to help you complete a new Form W-4.
2. Submit the completed form to your employer.

www.irs.gov/individuals/irs-withholding-calculator

page ME-21

New Employee Feud Game	Time: 10 minutes
<p>Set up two push-lights (or visuals) on a table in the front of the room. Ask for four volunteers, and instruct them to pair up. Ask them to stand by one of the lights; name the teams, Dollar\$ and Cent\$. Ask for a volunteer to keep score on the score card visual.</p> <p>Explain:</p> <p><i>Here are the rules of the game. I will read the question and the answers. Do not push the light (hold up visuals) until all answers are read. If your team answers correctly, you earn 10 points. If incorrect, the other team can “steal” and earn 5 points with a correct answer. If neither team answers correctly, no points are given. The audience must watch to see which team pushes the button first in case of tie.</i></p> <p>Next</p>	 <p style="text-align: right;"><i>slide ME.33</i></p>
<p>Read the question and the answers. Allow the first team that pushes the light to answer and click on the (faint) A B C or D box. If the answer is correct, you will hear applause and the answer slide will automatically appear. If the answer is incorrect, you will hear a buzzing sound and offer the other team to steal.</p> <p>Read the answer slide and make sure the score keeper writes down points earned.</p> <p>Next</p>	 <p style="text-align: right;"><i>slide ME.34</i></p>  <p style="text-align: right;"><i>slide ME.35</i></p>
<p>Follow the instructions above.</p> <p>Next</p>	 <p style="text-align: right;"><i>slide ME.36</i></p>  <p style="text-align: right;"><i>slide ME.37</i></p>



Follow the instructions above.

Which is *not* a tax withheld from pay?

- A. Sales Tax
- B. Federal Income Tax
- C. State Income Tax
- D. FICA

slide ME.38

Sales tax is not a tax withheld from pay but charged when making a purchase of certain items.

slide ME.39

Next

Follow the instructions above.

What form tells employers how much federal tax to withhold from pay?

- A. W-2
- B. W-4
- C. I-9
- D. 1099

slide ME.40

Employees must fill out an IRS Form W-4 to provide payroll deduction instruction for federal tax withholding.

slide ME.41

Next

Follow the instructions above.

Which is *not* an employee benefit deduction?

- A. 401(k)/403(b)
- B. Flexible Spending Account (FSA)
- C. Health Insurance
- D. FICA

slide ME.42

FICA is a tax withheld, not an employee benefit deduction.

slide ME.43

Next

Follow the instructions above.

What is the safest way to receive your wages?

- A. Cash
- B. Payroll card
- C. Paycheck
- D. Direct deposit

slide ME.44

Direct Deposit it the safest way to receive your wages.

Cash is the least safest way, as it can be easily stolen and not accounted for properly.

slide ME.45

Next

Explain:

Ok, we're at the Bonus Round! The correct answer is worth 20 points or 10 points if you answer it correctly on the steal.

Ready?



slide ME.46

Next

Follow the instructions above.

What is FICA?

- A. Federal Income Credit Account
- B. Federal Insurance Contribution Act
- C. Federal Income Credit Act
- D. Federal Income Calculation Account

slide ME.47

FICA stands for the Federal Insurance Contribution Act, which is a payroll tax paid by both employee and employer for old age, survivor, and disability insurance.

slide ME.48

Next

Congratulate both teams for playing and **give** winning team their prize.



slide ME.49

Next

What Comes In: Add It Up

Time: 5 minutes

Refer to page ME 22, **What Comes In: Add It Up**, and **explain**:

So as we talked earning concepts, now let's look at actual numbers. On the worksheet, we start with the amount of cash coming in.

Read the list of income sources and **point** to the total cash in line.

Then look at all of the non-cash resources you may have. Keep in mind that the reason we quantify the non-cash resources is that as you invest in yourself, your income increases, and benefits go away.

Now, this doesn't FEEL good, but know that what you give up in benefits, you GAIN in CONTROL of your situation!!!

Click

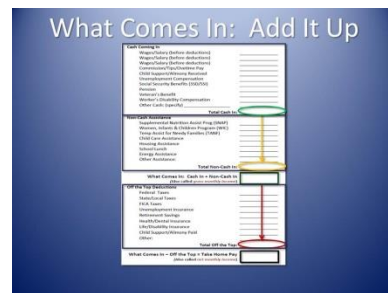
Add them together to come up with your gross monthly income.

Click

Then look at your off the top deductions and subtract them from your gross monthly income to get your monthly take home pay.

(If participants are unemployed and would like to practice, they should carefully **re-read** the **Case Study, pages 11- 13** and use Anna's information to complete **page ME-22, What Comes In: Add It Up.**)

Next



slide ME.50

Building Your Financial House
 What Comes In: Add It Up

Cash Coming In	
Wages/Salary (before deductions)	_____
Wages/Salary (after deductions)	_____
Commission/Tips/Overtime Pay	_____
Temp Assistance for Handy Families (TAMF)	_____
Child Support/Alimony Received	_____
Unemployment Compensation	_____
Social Security Benefits	_____
Pensions	_____
Veteran's Benefits	_____
Worker's Disability Compensation	_____
Other Cash (specify)	_____
Total Cash In:	_____
Non-Cash Assistance	
Supplemental Nutrition Assistance (SNAP)	_____
Women, Infants & Children Program (WIC)	_____
Child Care Assistance	_____
Housing Assistance	_____
School Lunch	_____
Energy Assistance	_____
Other Non-Cash	_____
Total Non-Cash In:	_____
What Comes In: Cash In + Non-Cash In	_____
<small>(also called gross monthly income)</small>	
Off the Top Deductions	
Federal Taxes	_____
State/Local Taxes	_____
FICA Taxes	_____
Unemployment Insurance	_____
Retirement Savings	_____
Health/Dental Insurance	_____
Life/Disability Insurance	_____
Child Support (Payments)	_____
Other	_____
Total Off the Top:	_____
What Comes In - Off the Top = Take Home Pay	_____
<small>(also called net monthly income)</small>	

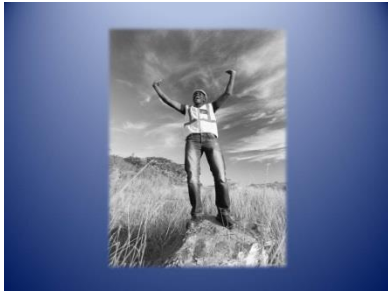
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Recap and Take Action

Time: 10 minutes

Explain:

You made it through the second module! Whew!



slide ME.51

Next

Explain:

Let's recap.

Read points.

Maximize Earnings

We've covered:

- Earnings and other resources
- Pay statements and deductions
- Employee benefits
- The actual dollar value of pre-tax benefits
- Completing the Form W-4
- Net economic benefits of a job

Next Time: Spend Sensibly

slide ME.52

Next

Refer back to **page ME-3; Self-Assessment and Track Your Progress.**

Click and read the goal section. Clarify any questions on setting a goal.

Take Action - Set a Goal

Self-Assessment and Track Your Progress

POST-SESSION PROGRESS

My goal to maximize my earnings:

I want to (select) _____ My priorities are (of most) _____

because (explain) _____

I want to (show) _____ which I can overcome by (show) _____

by (show) _____

slide ME.53

Next

Highlight the list of worksheets that are in the module.

Click and read the worksheet titles and page numbers on **page ME-2, Table of Contents.**

Again, if participants are unemployed, they can refer to the **Case Study, pages 11-13** to complete the following worksheets:

- Understanding Your Paycheck
- Job Benefits Checklist
- Insurance Options
- Ten Question to Ask about Retirement Benefits
- What Comes In: Add It Up

Take Action - Worksheets

Self-Assessment and Track Your Progress

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slide ME.54

Next

Refer to page ME-23, Additional Resources to *Maximize Earnings*, which contain online resources for those participants who would like to learn more on their own.

Next



Refer back to page ME-3. Click and point out the list of target actions to be taken as a result of the module. Stress the importance of keeping a record of the progress the participants are making.

Next



Session Evaluation and Closing **Time: 5 minutes**

Refer to page ME-25 and instruct participants complete the session evaluation.

Return Self-Assessment and Track Your Progress sheets for Invest In Yourself back to participants.

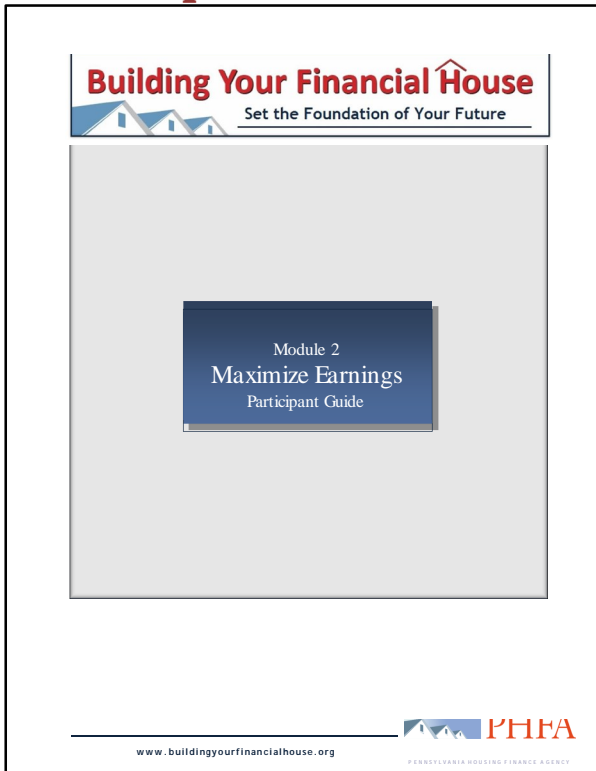
Next



Collect session evaluation and **remind** participants of the next session’s date and time, as well as, any additional housekeeping details before dismissing.



Participant Guide



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Self-Assessment and Track Your Progress

Congratulations! You are on your way to Building Your Financial House! Use this form to identify key ideas, practices, and the progress you have made to Maximize Earnings.

PRE-SESSION ASSESSMENT

Statements: (check all that apply)

I check my pay statement regularly to make sure it is right.

I review my employer provided benefits within the past year.

I understand all of the deductions on my pay statement.

I have reviewed employee benefits in detail before taking a job.

I know how pre-tax deductions affect my take-home pay.

I have checked PA Compass to see if I qualify for temporary benefits.

I reviewed my federal withholding allowances within the past year.

POST-SESSION PROGRESS

My goal to maximize my earnings:

I want to: (what) _____ My roadblocks are: (if any) _____

because: (impact) _____

I need to: (how) _____ which I can overcome by: (how) _____

by: (when) _____

<p>Worksheets (check if completed)</p> <p><input type="checkbox"/> My Resources (page 5)</p> <p><input type="checkbox"/> Understanding Your Pay Statement* (page 9)</p> <p><input type="checkbox"/> Job Benefits Checklist* (page 12)</p> <p><input type="checkbox"/> Insurance Benefits* (page 13)</p> <p><input type="checkbox"/> Ten Questions to Ask About Retirement* (page 18)</p> <p><input type="checkbox"/> What Comes In: Add It Up* (page 22)</p> <p><input type="checkbox"/> IRS Form W-4 (handout)</p> <p><small>*If you are currently unemployed, use information in the Case Study section - pages 7-12 to complete.</small></p>	<p>Actions Taken (check all that apply)</p> <p><input type="checkbox"/> I checked/ applied for cash/non-cash assistance.</p> <p><input type="checkbox"/> I reviewed my employee benefits and know which are important to my situation.</p> <p><input type="checkbox"/> I am using a new employee benefit.</p> <p><input type="checkbox"/> I changed my tax withholding allowance.</p> <p><input type="checkbox"/> I learned more from the additional resources.</p> <p><input type="checkbox"/> I shared this information with others.</p>
--	---

Please share any additional comments you may have: _____

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My Resources

The first step in maximizing earnings is to take a closer look at the resources currently coming into your household and who is taking their cut before it gets to you. Complete boxes one thru three, checking all items that pertain to your situation. Then brainstorm potential options to bring in more and complete question four.

1. Check all the sources of cash coming into your household.

<input type="checkbox"/> Wages/Salary	<input type="checkbox"/> Student Loans	<input type="checkbox"/> Workers Compensation	<input type="checkbox"/> Social Security Benefits
<input type="checkbox"/> Overtime	<input type="checkbox"/> Unemployment	<input type="checkbox"/> Veterans Disability Benefits	<input type="checkbox"/> Retirement
<input type="checkbox"/> Tips	<input type="checkbox"/> Cash Assistance (TANF)	<input type="checkbox"/> Private Disability Insurance	<input type="checkbox"/> Survivor
<input type="checkbox"/> Commissions	<input type="checkbox"/> Child Support	<input type="checkbox"/> Interest/Dividends	<input type="checkbox"/> Disability (SSD)
<input type="checkbox"/> Business	<input type="checkbox"/> Alimony	<input type="checkbox"/> Gifts/family	<input type="checkbox"/> Supplemental (SSI)
<input type="checkbox"/> Hobbies	<input type="checkbox"/> Retirement (IRA/401k/Pension)	<input type="checkbox"/> Other cash: (list) _____	

2. Check all of the non-cash resources from which you benefit:

<input type="checkbox"/> Supplemental Nutrition (SNAP/WIC)	<input type="checkbox"/> Child Care Assistance	<input type="checkbox"/> Kids Camp/Sports Scholarships
<input type="checkbox"/> School Meals	<input type="checkbox"/> Housing Assistance	<input type="checkbox"/> Education Grants/Scholarships
<input type="checkbox"/> Food Bank	<input type="checkbox"/> Utility Assistance (HEAP, etc.)	<input type="checkbox"/> Holiday Gift Program
<input type="checkbox"/> Health Benefit (Medicaid/CHIP)	<input type="checkbox"/> Transportation Allowance	<input type="checkbox"/> Health Club Membership
<input type="checkbox"/> Other non-cash: (list) _____		

3. Check all of the deductions that are 'taken off the top,' before you get the cash or benefit.

Taxes:	<input type="checkbox"/> Insurance Premiums	<input type="checkbox"/> Retirement Savings
<input type="checkbox"/> Federal	<input type="checkbox"/> Health/Dental/Vision	<input type="checkbox"/> Retirement Loan Repayment
<input type="checkbox"/> State	<input type="checkbox"/> Life State Unemployment	<input type="checkbox"/> Unemployment Insurance
<input type="checkbox"/> Local	<input type="checkbox"/> Short-term Disability	<input type="checkbox"/> Garnishments
<input type="checkbox"/> FICA (OASDI)	<input type="checkbox"/> Long-term Disability	<input type="checkbox"/> Child Support
<input type="checkbox"/> Other deductions: (list) _____	<input type="checkbox"/> Student Loan	

4. What options do you have to bring more into your household?

page ME-5

Bringing in More

Remember during Invest in Yourself, putting your personal assets to work is key to increasing your income and financial stability. Realistically, it's a long-term, but long-lasting solution. What about right now though? Let's look at some other ideas that may bring more immediate help.

Check current withholding allowances to make sure you're not having too much federal tax withheld from your pay. This is something that can be adjusted fairly quickly, usually within a pay cycle or two. See the Adjust Withhold section to learn more. Ask for a raise. You never know unless you ask, but be prepared with reasons why you believe an increase is warranted, i.e., job performance, developed new personal assets, etc. Ask for more hours at your job or get a second, part-time job; dedicate the income towards your financial goals. Ask non-contributing (and able) adults living in your home to contribute to the household expenses.

Assistance Programs

There are a number of cash and non-cash government assistance and benefit programs designed to help individuals and families get through financial challenges. Some of the cash programs include:

- Temporary Assistance for Needy Families (TANF)
- Supplemental security income
- Unemployment compensation
- Social security retirement and disability benefits
- Veteran's disability benefits



- Some of the non-cash programs include:
- Supplemental Nutrition Assistance (SNAP)
 - Women, Infants, and Children (WIC)
 - Medicaid and disability waivers
 - Medicare (primarily for those ages 65 and over)
 - Public health clinics for free screenings and preventive services
 - Housing and energy assistance

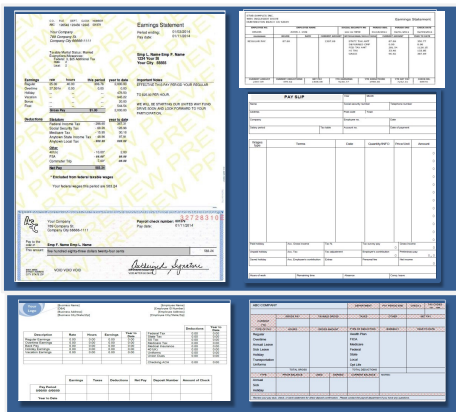
To see if you qualify for benefits, the PA Department of Human Services has a dedicated website, COMPASS (www.compass.state.pa.us) at which you can learn more and apply for benefits directly online. Note that there are income and asset (savings) limits to many of the assistance programs, but it's still a good idea to check your status.

page ME-6

page ME-7

Pay Statements

Did you know that there is no standard format that has to be used? In Pennsylvania, employers are required to give employees a pay statement each pay period. The statement must contain the number of hours actually worked, rate of pay, gross wages, deductions for taxes and others you have authorized, and the beginning and end dates of the pay period. Here are some examples of various formats of pay statements.



As you can see, understanding a pay statement can be confusing. The example on the next page highlights and describes the important information which we should all check on a regular basis.

Source: Sample pay statements from www.sampletemplates.com

Sample Pay Statement

Corporate Cleaners								
		EMPLOYEE		ID		SOCIAL SECURITY		
		Anna R. Client		02200		XXX-XX-XXXX		
PAY PERIOD ENDING	GROSS	TAXABLE GROSS	TAXES	OTHER	NET PAY			
9/30/2015	\$876.67	\$873.34	\$167.14	\$80.91	\$628.62			
YEAR TO DATE		\$15,299.99	\$14,820.00	\$1,008.52	\$1,455.38	\$11,315.16		
PAY CLASS	RATE	HOURS	GROSS	DEDUCTIONS	CURRENT	YEAR-TO-DATE		
Regular	\$10.00	86.67	\$866.67	ABC	\$43.33	\$780.00		
Overtime				RCA	\$51.05	\$918.84		
Annual				Medicare	\$11.94	\$214.89		
Sick				Federal	\$64.90	\$1,168.20		
Holiday				State	\$24.70	\$444.60		
Uniform			\$10.00	Local	\$11.94	\$214.89		
				Uniforms	\$15.00	\$270.00		
				Opt Life	\$20.36	\$366.48		
				LTD	\$2.22	\$39.96		
TOTAL			\$876.67	TOTAL	\$245.44	\$4,417.87		
Tax Code Federal: 501								
Tax Code State: 501								
Check No: 213456							This area intentionally left blank.	

- A** Employee information - This section includes name, employee ID number, and social security number; your statement may also contain other information such as employee address, department, location, etc.
- B** Pay Period Ending - This is the date upon which the current payroll period ends. This statement reflects all compensation earned during the **bi-monthly** period ending on this date.
- C** Gross - This is the total of all earnings types paid which are broken down in **D**.
- D** Pay details - This section shows the type of pay and the hourly rate, number of hours, and gross amount of compensation for each earnings type; examples of types of earnings include regular pay, overtime, vacation/annual leave, sick time, etc.
- E** Taxable Gross - This is the total amount of gross pay that is taxable for federal income tax purposes. Generally, this amount is equal to your gross pay less deductions for health insurance, contributions to a medical or dependent care spending account and contributions made to a retirement plan.
- F** Taxes and Other - These boxes show total taxes and other deductions which are detailed in **G**.
- G** Deduction details - This section lists each deduction that has been withheld from pay, including Social Security/Medicare (FICA), Medicare (federal, state, and local income taxes, health and other insurance deductions, retirement plan contributions, union dues, wage garnishments, etc.
- H** Net Pay - This is the net amount of pay that you receive after all tax and deduction amounts are subtracted from your total gross pay.
- I** Other notes - This statement shows the federal and state withholding status as submitted on your (W-4 Form) which determines the amount of federal and state income taxes withheld, as well as, check number a notes section. Many formats separate tax status and the check number or direct deposit information.

Your pay statement may also include leave balances and activity, the total amount of the employer's contributions **our Payroll Check Explained** (Montgomery County/Maryland)

Understanding Your Pay Statement

Did you know also know that there are no standard descriptions or abbreviations that have to be used? For example, social security taxes might be listed as FICA (Federal Insurance Contribution Act) or OASDI (Old-Age, Survivor, and Disability Insurance). It's important to understand all of the specific items on your pay statement. Use your pay statement to complete the worksheet. If you have questions about any of the items on your pay statement, contact your payroll or human resources departments to clarify. **If you are unemployed, use information from the Case Study (page 10) to complete the worksheet.**

Earnings:	Description or Abbreviation Used	Current Pay Period Amount	Year-to-Date (YTD) Amount
Wages:			
	Regular		
	Overtime		
	Commission/tips		
	Bonus		
	Other		
Paid time off:			
	Other		
		Total Gross Pay:	
Deductions:			
Taxes:			
	Federal		
	State		
	Local		
	Social Security		
	Medicare		
	Unemployment		
	Other		
Insurances:			
	Health insurance		
	Flexible spending		
	Health savings		
	Other		
Retirement savings:			
	Garnishments		
	Other		
		Total Deductions:	
		Net Pay	

Source: Adapted from *Managing Your Money* (Career Publishing Solutions)

page ME-9

Job Benefits Game

Think of all of the reasons you would want to work for a company, other than the paycheck. What kind of 'perks' or benefits might a company offer to attract you as a new employee. See how many you can write down in two minutes!

Job Benefits – More Than Just a Paycheck!			
1	2	3	4
5	6	7	8
9	10	11	12
13	14	15	16
17	18	19	20
21	22	23	24

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page ME-11

More Than Just a Paycheck

One of the most important steps you can take to build a bright future is to land and keep a good job. The right job will allow you to challenge yourself, learn new skills, develop self-confidence and, of course, earn a good wage. Your paycheck gives you economic power—not just to buy "things," but to provide a strong financial foundation for you and your family. You can also use your economic power to contribute to your community and help others.

When you apply for a job, one of the first things you think about is how much the job pays. But it's not just about the paycheck; you also need to think about what employee benefits it offers. The purpose of employee benefits—also known as 'fringes' or 'perks'—is to:

- Make people want to work for the company
- Help workers learn more job skills
- Keep workers healthy and hard working



Benefits may include a health insurance plan, life or disability insurance (or both), paid time off, retirement savings plans, and education benefits. The value of benefits offered is often 25% or more of your pay! For example, if your wages are \$40,000 per year, your benefits may cost your employer \$10,000. That may make us look differently at our employer or even future job offers.

Not all jobs offer benefits and others may only offer a few. You may have to work a certain length of time, such as three to six months or maybe one year, before you can start using these benefits. This 'waiting period' is common with retirement plans, training, promotions, etc.

When seeking work, try to compare benefits as a way of comparing potential employers. For example, two jobs may pay the same wages but offer very different benefits. One employer may even pay more but offer fewer benefits. You may also be interested in specific benefits, such as flextime, if you have family obligations or an active schedule outside of work. It's a lot to consider when comparing employers.

Source: Adapted from *Making the Most of Job Benefits* (National Urban League)

Job Benefits Checklist

Did you know that an employer will spend an additional 38 cents* on employee benefits for every dollar they pay in wages? Knowing what your employer offers is the first step to maximizing the resources already available to you. Look at your employer benefits manual or ask your human resources department which of the following your employer offers. **If you are unemployed, use information from the Case Study (pages 11&12) to complete the worksheet.**

Benefit	Description	Does your company offer?			Are you using?	
		Yes	No	Unsure	Yes	No
Health Insurance	Health Maintenance Organization (HMO)					
	Preferred Provider Organization (PPO)					
	Major Medical (Indemnity Plan)					
	Prescription Drug Plan					
	Dental					
Other Insurance	Life					
	Dependent Life					
	Disability					
	Long-term Care					
Paid Time Off	Property/Auto/Home, etc)					
	Other					
	Annual Vacation/Personal					
	Holidays					
	Sick Leave					
Retirement	Family Leave					
	Other:					
	Traditional Pension Plan					
	401(k), 403(b), or 457 Savings Plan					
	Matched Savings Incentives					
Other	Profit-Sharing Plan (or ESOP)					
	Retiree Health Insurance					
	Other:					
	Flexible Spending Account (FSA)					
	Health Savings Account (HSA)					
	Tuition Reimbursement					
	In-house Training Programs					
	Employee Assistance Program (EAP)					
	Child Care					
	Adoption Assistance					
Wellness Program						
Legal Assistance						
Housing Assistance						
Other:						

*Source: The Pew Charitable Trusts (7/21/2016)

page ME-12

Insurance Benefits

Use the following chart to record what insurance and related benefits are available from your employer and at what cost to you. Note: A more detailed health insurance checklist will be covered in the Protect Your Potential module to help you choose the plan that best fits your needs. If you are self-employed, use information from the Case Study (pages 11&12) to complete the worksheet.

Insurance Option	Coverage/Benefit/Limitations	My Cost Per Pay
Dental		
Disability		
Health (HMO, PPO, Major Medical, etc.)		
Life		
Long-Term Care		
Vision		
Other		
Related Benefits	Qualified Expenses/ Limitations	My Contribution Per Pay
Flexible Spending Account (FSA) - Health Care		
Health Savings Account (HSA)		

Source: Adapted from DollarWorks2 (University of Minnesota)

page ME-13

page ME-15

Flexible Spending Accounts – Health Care

Would you like to get a 'discount' on what you pay for health care? You can if your employer offers a "flexible spending account" (FSA). FSAs are used to pay for health care costs not covered by your insurance plan, like deductibles, co-payments, etc. Rather than getting money in your paycheck, your employer puts it into an FSA. When you have a qualifying expense, you can use the benefit card provided or turn in the receipt to get the money back from the account.

How does this help you? The money set aside in a health care FSA is **never taxed** and that means more money in your pocket! For example, for every \$100 you put into an FSA, you might save \$15 in taxes. That's \$15 more you could use for other things!

How much should you put into an FSA? Here are four steps to help you decide.

- Step 1. Enter your health care plan's annual deductible (A). \$ _____
- Step 2. Estimate costs not paid by your health care plan.

Name of Family Member	Doctor Visits Co-payments	Prescription Co-payments	Dental Care	Eye Exams and Glasses	Other Health Care Costs
Yourself					
Totals	(B)	(C)	(D)	(E)	(F)

- Step 3. Add together the totals for A through F.
 - (A) Health care plan annual deductible: \$ _____
 - (B) Doctor's visits co-payments: \$ _____
 - (C) Prescription co-payments: \$ _____
 - (D) Dental care: \$ _____
 - (E) Eye exams and glasses: \$ _____
 - (F) Other health care costs: \$ _____
 Total estimate of health care costs: \$ _____

Step 4. Divide the total estimated amount by the number of paychecks received during the year to calculate the amount to be deducted from each paycheck and deposited into the FSA.*

$$\frac{\$ \text{total estimate of annual costs}}{\# \text{ of paychecks received per year}} = \$ \text{ amount deducted from each paycheck}$$

*An FSA is a helpful benefit but keep in mind not to overestimate your out-of-pocket expenses. Unclaimed or unused money will not be returned. Health Savings Accounts (HSAs) are different. Money not used may be carried over into the next year. (You may also have access to a separate FSA for child or dependent care expenses.)

Source: Adapted from DollarWorks2 (University of Minnesota)

page ME-14

page ME-16

What About Retirement Benefits?

All Retirement benefit plans are not created equally. There are pensions, savings plans, profit sharing, etc. So what's the difference, and how do you know if your employer's plan is a good one? Here are the most common types of employee retirement plans and how they can work for you.

Defined benefit plan: Better known as a pension plan. Your employer promises to pay you a set monthly amount when you retire and has to make sure they can meet that promise. The plan defines the benefit you receive, but it's usually based on how many years you have worked at the company and your wages. Your employer may pay for the entire plan, but some require you to contribute part of your wages into the plan as well. These plans are not so common anymore. In fact, only 20% of employers offered pension plans as of 2010.

Defined contribution plan: This is a savings plan and does not promise to pay you a set monthly amount when you retire. The amount you get depends upon how much you put in and how much the money grows. In other words, your contribution defines the benefit you receive. You usually have to elect to participate and, of course, how much to put into it. Federal law limits how much you can put in every year. You will not be taxed on it until you withdraw the money when you retire. There is a 10% penalty if you withdraw the money before 59 1/2 or after 70 1/2. Here are some common types of defined contribution plans:

401(k) and 403(b) plans: are probably the most recognized types of retirement savings plans. (The names simply come from the section of the income tax law that allows tax-deferral of the contributions.) These plans have pre-selected investment options (usually a variety of mutual funds) so you can choose what's right for you. If your employer matches your contribution, you may have to wait up to six years to 'vest' (have legal access to that money). [Some 401(k) and 403(b) plans now offer a Roth election. The major difference with a Roth election is that you will pay income taxes **now** on the money you put into the plan. However, when you take it out at retirement, it will be tax-free!]

Simplified Employee Pension plan (SEP-IRA): is a plan used for small businesses or people who are self-employed. These accounts are completely self-directed, meaning the employee decides where to open the account and how to invest the money (no pre-selected options*). The main difference with this plan is that only employers can contribute to the account.

Profit-sharing plan: This is a plan where your employer shares the company profits with you! Your employer contributes money to a retirement account on your behalf. While a great benefit and work incentive, profit-sharing plans are not a reliable retirement savings because if company profits go down, so will the contribution. [The company can also decide to give you an outright cash bonus or stock ownership in the company, commonly known as an ESOP-employee stock ownership plan.]

*Learn as much as you can about each kind of investment option before choosing. See the Make Money Work module to learn more about investing.

Source: Adapted from Building Native Communities: Investing for Your Future (First Nations Development Institute) and Making the Most of Job Benefits (National Urban League)

Where Does an IRA Fit?

An IRA or Individual Retirement Account is a retirement savings account not associated with an employer plan. (The SEP-IRA is the exception and has its own contribution rules.) An IRA is a self-directed account, meaning you choose where (financial institution) to open the account and choose the investments inside of the account.* This tax-deferred account can be opened by any person with earned wages or self-employment income. (A spouse without earned wages can open an IRA as well!)

An IRA can be opened at a bank, credit union, mutual fund company, or other financial services company. Federal law sets the contribution limit which is significantly less than a 401(k) or 403(b). You can put money into a traditional IRA, Roth IRA, or a combination of the two.

A traditional IRA may allow you to deduct your contribution or take a credit on your federal income taxes. You will not pay taxes on the earnings in the account until you take money out at retirement. There is a 10% penalty if you withdraw the money before 59 1/2 or after 70 1/2.

A Roth IRA is different from a traditional IRA because you cannot take a deduction or credit for your contributions. However, the earnings on your account are completely tax free and you may be able to withdraw the **contributions** you've made without paying a penalty. If you withdraw the **earnings** before 59 1/2, they will be subject to a 10% penalty. Also, you don't have to take the money out, so the 70 1/2 rule does not apply!

*Learn as much as you can about each kind of investment option before choosing. See the Make Money Work module to learn more about investing.

Source: Adapted from Building Native Communities: Investing for Your Future (First Nations Development Institute) and Making the Most of Job Benefits (National Urban League)

Why Should I Save for Retirement?

Saving money can be difficult when you are also trying to keep your family fed, clothed, and housed. However, there are some really good reasons to consider contributing to your employer's retirement savings plan, and **no amount is too small**. Here are five good reasons:



Tax-Deferred

You don't pay federal income tax on money put in your retirement savings plan until you take it out when you retire. Less tax now means **more money in your pocket!**



Employer Match

For example, for every \$2 you put into the retirement savings plan, your company may offer to put in \$1. That's **free money** you're losing out on if you don't participate! You may need to work a certain number of years to become "vested" (have legal right to the employer match and its earnings).



Automatic Deductions

Your contributions are deducted directly from your pay, just like income taxes. **No need** to worry about **making a separate deposit** after cashing your check; it's done for you automatically!



Compound Interest

In simple terms, the interest you earn, earns interest. When you contribute to a retirement savings plan and keep it there, your interest earns interest and can add up to a large stash of cash over time! **You work hard** to make the money to contribute to the plan, and from that point on, **your money works hard** to make money for you! See the Make Money Work modules for to learn more on compound interest.



Choose Your Future

By making contributions into your employer retirement savings plan, you are making an important commitment to your future. You are taking control of its direction and are choosing a promising path.

Source: Adapted from *Building Native Communities: Investing for Your Future* (First Nations Development Institute)

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Ten Questions to Ask About Retirement Benefits

Here are ten questions to ask about your (or potential employer's) retirement plan. If you are unemployed, use information from the Case Study (pages 11&12) to complete the worksheet.

1. Is it a defined benefit (pension) plan or a defined contribution (savings) plan?
2. Am I automatically enrolled in the program or do I need to tell my employer that I want to participate?
3. Is there a waiting period before I can enroll?
4. Is the retirement plan mandatory? Do I have to participate?
5. Is there a minimum contribution that has to be made from each paycheck?
6. Does the employer add any money to my account or match my deposits?
7. If the employer does make contributions, how long do I have to work to be vested and have a legal right to employer contributions and earnings?
8. Can I access my money in the event of a financial hardship?
9. What are the investment choices in the plan?
10. Are there people I can talk to who can help me understand my choices?

Source: Adapted from *DollarWorks 2* (University of Minnesota)

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What Does Pre-Tax Really Mean?

"Pre-tax" is used to describe wages earned but not taxed. The IRS has special rules for pre-tax earnings. The IRS allows taxes to be deferred, or put off until a later time, on some of your wages and tax free on others, depending on how you use that money. For example, if you use "pre-tax" money to pay for health insurance or for a healthcare flexible spending account (FSA), those wages are not taxed at all, including FICA. If you contribute to an employer retirement plan, those wages won't be taxed (federal) until you withdraw the money when you retire. [The exception is a Roth 401(k) plan.]

Want to see what pre-tax will mean to you? Here is a quick calculation to help you see how you can benefit from using pre-tax dollars.*

1. Enter your gross wages: _____
2. Enter the annual amount of the following contributions:
 - Health insurance premiums: _____
 - Health Savings Account (HSA): _____
(maximum \$3,400 for individuals or \$6,750 for family plans)
 - Flexible Spending Account - Healthcare: _____
(maximum \$2,600)
 - Flexible Spending Account - Dependent Care: _____
(maximum \$2,500 for individuals, \$5,000 if married, filing jointly)
 - Flexible Spending Account - Transportation (maximum 3,000): _____
3. Calculate FICA wages: _____
Subtract Total Contributions (#2) from gross wages (#1)=
4. Calculate FICA taxes saved: Multiply FICA wages (#3) x .0765 =
5. Calculate PA income taxes saved: Multiply FICA wages (#3) x .0307 =
6. Calculate local income taxes saved: _____
Local income tax rate: _____
Multiply FICA wages (#3) x tax rate/100 =
7. Enter the annual amount of retirement plan contributions: _____
8. Calculate Federal wages: _____
Subtract retirement plan contributions (#7) from FICA wages (#3) =
9. Calculate Federal income taxes saved: _____
Federal income tax rate:** _____
Multiply Federal wages (#8) x tax rate/100 =
10. Total Taxes Saved: Add #4, #5, #6, and #9 =

*Note this calculation is for illustrative purposes only; see you tax preparer for confirmation of actual dollars saved. Maximum dollar amounts are valid for 2017.
**Use your current federal tax bracket. See www.irs.gov.

Before You Jump Ship

A job making higher wages is always better, right? You know that a job is more than just a paycheck. Use this worksheet to compare some basic economic factors before you decide on a new job or company. A higher wage job may not be the best option in the long run.

Factors	Job/Company 1	Job/Company 2
Hourly wages		
Work hours per week		
Annual pay		
Less: Other annual cash income		
Annual Gross Compensation		
Pre-Tax Deductions: (annual)		
Health insurance / FSA contributions		
Retirement savings contributions		
Other pre-tax deductions		
Tax Deductions: (annual)		
*FICA taxes (7.65%)		
**Federal income taxes (% effective rate)		
*State/Local income taxes (% rate)		
Net Take Home		
Subtract Comparable Costs: (annual)		
Transportation/parking/Uniform/clothing		
Other expenses		
"Really Feels Like"		
Add Employee Benefit Use: (annual)		
Retirement contributions		
Tuition/Reimbursement		
Retirement savings/employer match		
Other benefits		
"Net" Economic Benefit		
Other considerations:		
Commuter time/total hours away from home		
Paid holidays		
Annual leave/vacation		
Sick leave		
Advancement potential		
Other		

*FICA and State/Local wages = Gross Compensation - Health insurance/FSA contributions.
** Federal wages = Gross Compensation - (total) Pre-tax Deductions.

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Completing the IRS Form W-4

When you start a new job, your employer will ask you to complete a IRS Form W-4 Employee's Withholding Allowance Certificate. The Form W-4 tells your employer how much of federal income taxes to withhold for you.

It's important to note that withholding allowances are not the same as exemptions or dependents you actually claim on your federal income tax return. Allowances determines how much of your income will **not** be used for the **withholding calculation**. It's complicated but the important thing to know is the greater the number of allowances claimed, the less federal tax withholding. Many people automatically want the most withheld from their pay, i.e. claiming zero or one allowance, so they will not owe any federal tax when they actually file their return. They get a tax refund, sometimes very large, due to this decision. However, it's their own money that is being returned.*

So how can you navigate the complex Form W-4? You can use the worksheet included on the form; this worksheet asks about your family status, income, and tax credits and deductions in order to determine the number of allowances to claim. Or, the IRS has an online withholding calculator that you can use to find out the right number of allowances to claim. The goal of the calculator is to determine the right number of allowances claimed which results in a very little refund or very little owed at the end of the year.

- To Use the Calculator: Have your most recent pay stub handy. Have your most recent income tax return handy. Estimate values, if necessary, but the results can only be as accurate as the input you provide.



- To Change Your Withholding:
 - Use your results from the calculator to help you complete a new Form W-4
 - Submit the completed form to your employer.

*Not including any refundable credits. This will be covered in more detail in the Check Taxes module.

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What Comes In: Add It Up

Cash Coming In	_____
Wages/ Salary (before deductions) / Wages/ Salary (before deductions) / Commission/ Tips/ Overtime Pay	_____
Temp Assistance for Needy Families (TANF)	_____
Child Support/ Alimony Received	_____
Unemployment Compensation	_____
Social Security Benefits	_____
Pension	_____
Veteran's Benefit	_____
Worker's Disability Compensation	_____
Other Cash: (specify) _____	_____
Total Cash In:	_____
Non-Cash Assistance	_____
Supplemental Nutrition Assistance (SNAP)	_____
Women, Infants & Children Program (WIC)	_____
Child Care Assistance	_____
Housing Assistance	_____
School Lunch	_____
Energy Assistance	_____
Other Non-Cash: _____	_____
Total Non-Cash In:	_____
What Comes In: Cash In + Non-Cash In (Also called gross monthly income)	<input type="text"/>
Off the Top Deductions	_____
Federal Taxes	_____
State/ Local Taxes	_____
FICA Taxes	_____
Unemployment Insurance	_____
Retirement Savings	_____
Health/ Dental Insurance	_____
Life/ Disability Insurance	_____
Child Support/ Garnishments	_____
Other: _____	_____
Total Off the Top:	_____
What Comes In – Off the Top = Take Home Pay (Also called net monthly income)	<input type="text"/>

Source: Adapted from *DollarWorks?* (University of Minnesota)

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Additional Resources to: **Maximize Earnings**

- Action Without Borders: www.Edsallist.org
Benefits Glossary
This link provides easy to understand definitions of common employee benefits.
- Department Of Homeland Security: www.dhs.gov
Form I-9, Employment Eligibility Verification
This form verifies that you are eligible to work in the United States.
- Family Economics & Financial Education: www.takecharge.today.arizona.edu
Understanding Your Paycheck
This article provides everything you need to know about your paycheck.
- Internal Revenue Service: www.irs.gov
Withholding Calculator
This online calculator can help you determine whether you need to give your employer a new **Form W-4, Employee's Withholding Allowance Certificate** to avoid having too much or too little Federal income tax withheld from your pay. You can use your results from the calculator to help fill out the form.
- Montgomery County Maryland: www.montgomerycountymd.gov
Your Payroll Check Explained
This passage gives a detailed description along with a picture of a check to help you understand things you should know about your check.
- National Endowment for Financial Education: www.nefe.org
Making The Most of Job Benefits
This book describes all the different types of benefits. The book tells you how to get these benefits, and what to do if your job doesn't provide employee benefits.
- PA Department of Human Services: www.dhs.state.pa.us
Compass: Check-Appeal-Benefits
COMPASS provides complete information on the specific health and human service programs or benefits available in Pennsylvania. You can also apply for new benefits, finish your application or check your status right from this site.
- PA Housing Finance Agency (PHFA): www.buildingyourfinancialhouse.org
Building Your Financial House is a commercial free financial resource for Pennsylvanians. Mirroring PHFA's flagship financial education program, the site provides comprehensive information on general financial topics and major milestones in life. The site also has over 40 worksheets, including those found in this module, to help build your own financial house.
- Work Place Basics: www.learnfree.org
Understanding Your Pay, Benefits and Paycheck
This article helps you differentiate between gross income and net income, recognize commonly-offered employee benefits, and it helps you understand your paycheck.

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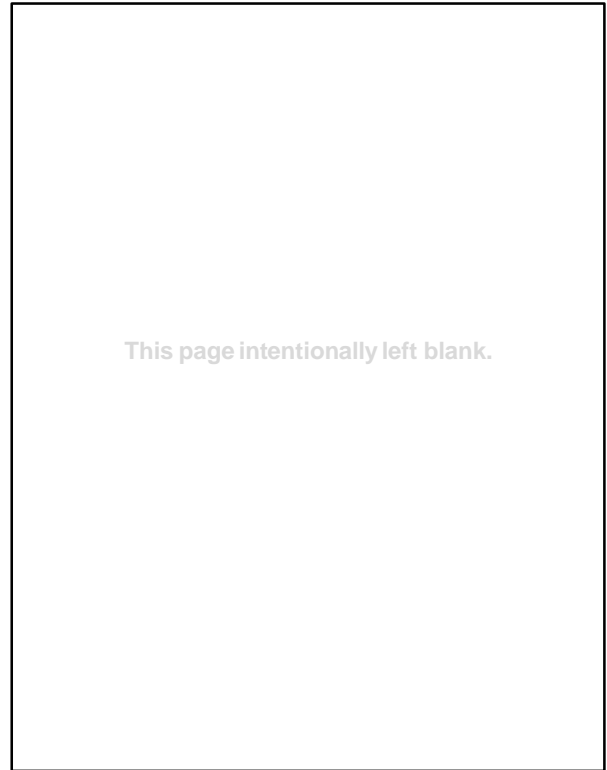
Agency: _____
 Date: _____

Session Evaluation

We hope you found today's session engaging and of value to your situation. Please share your opinions and comments so we may continue to improve the program. Thank you!

	Excellent	Very Good	Good	Fair	Poor
Overall, I feel the session was:					
The location of the session was:					
The meeting room and facilities were:					
Before the session:					
My knowledge and skills about the topic were:					
After the session:					
My knowledge and skills about the topic are:					
My confidence to apply what I have learned today is:					
During the Session:	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
The instructions were clear and easy to follow.					
The time allocated was right for the topic.					
There was ample opportunity to share experiences/ideas.					
The overhead slides were clear and helped my learning.					
The activities and examples helped my learning.					
The activities and examples were relevant to my situation.					
The instructor:					
Was knowledgeable about the topic.					
Delivered lessons in a clear and understandable manner.					
Was engaging and encouraged interaction.					
Was well-prepared.					
Was approachable and open to questions.					
The session:					
Met my expectations.					
Was of value to me.					
Has motivated me to take action.					
Final Questions					
The most valuable thing I learned today was:	What was the least valuable part of the session and how could it be improved?				
Additional comments:					

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