

Building Your Financial House

Set the Foundation of Your Future



Case Study Ex-Offender Reentry



Table of Contents

Meet Barry	3
Meet Anna	4
Barry’s Assets	5
Anna’s Assets	6
Anna Sets a SMART Financial Goal	7
Anna’s Pay Statement	8
Should Anna Use Pre-Tax?	9
Anna Maximizes Income	11
Anna’s Choice	12
Anna’s Withholding	13
Anna’s Pay Statement	16
Anna’s Employee Benefits	17
Anna’s Money Map	19
Anna’s Cash “Flow”	23
Anna’s Taxes	25
Harry and Diana’s 1040 (2021)	31
Investing in Anna-Role Play Script	33
Anna’s Net Worth	34
Anna’s Risks	35
Anna’s Emergency Savings	36
Anna Shops for a Monthly Payment	37
Dissecting Barry’s Debt	38

Meet Barry

Barry is a 32-year-old navy veteran who is awaiting a parole hearing after serving three years in a SCI. Here is his story.

Barry was raised by a single mom and ran with a fast crowd. His momma came down hard on him about school and staying out of trouble. Barry did graduate from high school but scored a few hidden talents that funded his fun until his girlfriend, Anna, got pregnant. Barry knew he didn't want his kid living a fast life or being raised like he was without a dad. Barry enlisted in the Navy and Anna dropped out of school with the birth of their son, Cory. While deployed on his second tour, Anna gave birth to their daughter, Latricia.

Barry served his tours as a logistics specialist working with hazardous material. Barry struck his commanders as a steady, quick learner who took pride in his work and the commitment to his family; he reached rank of Petty Officer 2nd Class. Six months before his second tour was up, he was injured in a chemical spill and lost vision in his left eye. He received a general discharge with honorable conditions. Barry struggled with falling back in line with civilian life. Despite his injury, he missed the military routine, being respected, and his buddies. Barry needed the smoking and joking that got him through the dark days at sea.

Barry received VA disability income of \$660/month which wasn't enough to support the family; he got a job at a local garden center making \$12/hour. Barry found it hard to find purpose in lawns, flowers, and patios, and he and Anna were still not making ends meet. They were late on the rent, needed a new car, and were relying on credit cards to pay for living expenses. Barry and Anna constantly argued about money; he felt more and more like a failure in being unable to support of his family.

Then he ran into an old friend that hooked him up with a little fast money and much needed relief. Barry felt Anna didn't need to know anything more than he was 'working extra hours.' He told himself that it was just until they got back on track; Anna didn't question the extra cash or that Barry told her not to deposit any of it into the bank. The rent was current; bills were paid; and started a nice little stash to buy a new car. That all changed when Barry was arrested.

Barry has had no contact with Anna or the kids since his incarceration. He was admitted to the VSU during the second year in. Barry has taken advantage of the education offered at the SCI, completing horticulture and accounting (NOCTI) certificates; he is also part of the CWP, helping to maintain nearby church ground.

As his parole hearing nears, Barry is thinking about life on the outside and is scared. If parole is granted, he knows that he has to be on solid ground before any hope that Anna will give him another chance. He wants to make things right.

Meet Anna

Anna is a 31-year-old single mom with two kids, Cory (13) and Latricia (10). Anna dropped out of high school in her senior year due to the birth of her first child. The children's dad is ex-military, unemployed, and out of the picture; Anna receives no child support. Anna has a boyfriend that stays over sometimes but does not help pay any bills.

Anna work full-time as a custodian for a cleaning company, makes \$16/hour, and works the night shift. Anna is frustrated with working nights because of the kids; she worries about not spending enough time with them, especially during the school year. Her mom lives close-by and tries to keep an eye on the kids whenever she can.

Anna would like a better job-working in an office, making more money, and working first-shift. She doesn't think she would have a chance for any office job because she doesn't have a high school diploma. She's thought about getting her GED but feels she doesn't have the time with her kids, boyfriend, and job.

Anna can talk to anyone. She is very animated and makes people laugh with her stories. Her friends, neighbors and co-workers keep telling her to try amateur night at the comedy club. Anna can also whip up a wickedly good spaghetti sauce and makes her own noodles from scratch; she loves to post pictures of the various kinds of noodles she makes on Facebook.

Anna's ultimate goal is to own a home someday and knows that saving money is important. She's not saving right now and would like to start. Anna's not sure how much she can save every month but is guessing \$50 might be possible. Knowing it might take more than a year, if she could just build up a savings of at least one month's rent (\$1,000), it would help her feel more secure in her situation.

Barry's Assets

<p>EDUCATION</p> <p>Things Barry knows by formal or informal study, practice, and training:</p> <ul style="list-style-type: none"> High School Diploma Navy Hazardous Material Control Technician Certificate Horticulture Certificate Accounting Certificate 	<p>SKILLS & TALENTS</p> <p>Things Barry has interest in, likes to do, does well, and come naturally to him:</p> <ul style="list-style-type: none"> Disciplined Respected Driven
<p>PERSONALITY</p> <p>The way family, friends, and co-workers describe Barry:</p> <ul style="list-style-type: none"> Smoking and joking Wants to make things right Committed to family 	<p>CONNECTIONS</p> <p>People Barry knows, respects, can rely on, and/or have helped him:</p> <ul style="list-style-type: none"> Military buddies Old friend Anna and kids

What's Important to Barry?

Destination:		
Route	Cost(s)/Roadblock(s)	Detour(s)
Make things right with Anna	Trust	Be on solid ground
Be on solid ground	Fear; legitimate and sustainable employment	Pro-social activities; sever ties with old friends and fast money

Anna's Assets

<p>EDUCATION</p> <p>Things Anna knows by formal or informal study, practice, and training:</p>	<p>SKILLS & TALENTS</p> <p>Things Anna has interest in, likes to do, does well, and come naturally to her:</p> <p>Good cook Social media Photography</p>
<p>PERSONALITY</p> <p>The way family, friends, and co-workers describe Anna:</p> <p>Animated Outgoing</p>	<p>CONNECTIONS</p> <p>People Anna knows, respects, can rely on, and/or have helped her:</p> <p>Mom Latricia Cory Co-workers</p>

What's Important to Anna?

<p>Destination: To own a home</p>		
Route	Cost(s)/Roadblock(s)	Detour(s)
Save money	Income	Needs a better job
Better job	Education	Needs a GED
GED	Children/boyfriend/time	Free, online GED classes while the kids are in school

Anna Sets a SMART Financial Goal

Recall that Anna would like to own a home someday and knows that saving money is important. She feels she's can't really save for a home at this point but building up her savings to at least one month's rent (\$600) is possible. Anna thinks she can save \$50 per month, and here is a breakdown of her first SMART goal.

Goal	Amount Needed	Date Needed	Start Date	Months to Goal	Monthly Amount
Short-term (1 year or less)					
Mid-term (2-5 years)					
Anna wants to save (A) one month's rent (S) as soon as possible.	\$1,000 (M)	10/1/2023 (T)	2/1/22	20	\$50 (R)
Long-term (5+ years)					

Anna has to figure out where to put the money she saves. She no longer has a bank account because of outstanding fees from bouncing checks and has to use a check cashing service to cash her payroll checks. Anna doesn't think she can open a new savings account so she will have to stash her cash in an empty coffee can for now.

Source: Adapted from *Right on the Money: Talking Dollars and Sense with Parents and Kids* (Penn State Extension)

Anna's Pay Statement

Here is Anna's current pay statement from her employer, Corporate Cleaners, Inc. Before this, Anna was not completely sure as to what all of the sections and abbreviations meant, so she discussed it with her employer's payroll department.

Corporate Cleaners				EMPLOYEE	ID	SOCIAL SECURITY
				Anna R Client	4220-0	XXX-XX-XXXX
PAY PERIOD	GROSS	TAXABLE GROSS	TAXES	OTHER	NET PAY	
9/15-30/2021	\$1,396.72	\$1,317.38	\$281.59	\$106.92	\$1,008.21	
YTD	\$25,140.96	\$23,712.91	\$5,068.60	\$1,924.49	\$18,147.87	
PAY CLASS	RATE	HOURS	GROSS	DEDUCTIONS	CURRENT	YEAR-TO-DATE
Regular	\$16.00	86.67	\$1,386.72	ABC	\$69.34	\$1,248.05
Overtime				OASDI	\$81.68	\$1,470.20
Annual				Medicare	\$19.10	\$343.84
Sick				Federal	\$121.00	\$2,178.00
Holiday				State	\$40.71	\$732.73
Uniforms			\$10.00	Local	\$19.10	\$343.84
				Uniforms	\$15.00	\$270.00
				Opt Life	\$20.36	\$366.48
				LTD	\$2.22	\$39.96
TOTAL			\$1,396.72	TOTAL	\$388.51	\$6,993.09
Tax Code Federal: Single Check No: 213456			This area intentionally left blank.			

Anna didn't realize that she had elected for optional group *whole* life insurance that is costing her almost \$41 per month, for \$50,000 coverage. The payroll manager 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.

Source: Adapted from *Your Payroll Check Explained* (Montgomery County, Maryland)

Should Anna Use Pre-Tax?

Anna doesn't believe that using pre-tax benefits will make any difference with her limited earnings and because she doesn't normally owe any federal taxes. Let's see if that's really true. Anna pays 5% of wages for health insurance and has out-of-pocket medical expenses of \$600. Her employer matches \$1 for \$1 on the first 2% contributed to the 401(k) savings.

	No Pre-tax	Using Pre-tax	Pocket Change or "Feels Like"	Net "Real" Benefit	Explanation
1. Gross Wages:	\$33,280	\$33,280	-	-	Gross wages don't change if she redirects dollars or not.
2. Health Contributions					When Anna makes pre-tax contributions for health insurance and redirects out-of-pocket expenses into a flexible spending account, it actually feels no differently because she has to pay those expenses anyway.
Health Insurance:	\$0	(\$1,664)			
FSA:	\$0	(\$ 600)			
Total:	\$0	(\$2,264)			
3. FICA and State/Local Tax Calculations					
(a) FICA Wages					
Gross Wages:	\$33,280	\$33,280			Anna's FICA wages are calculated by subtracting the total health contributions (#2) from her gross wages (#1).
Health Contributions:	\$0	(\$2,264)			
(a) FICA wages:	\$33,280	\$31,016			
(b) Total FICA, State, & Local Taxes (FSLT)					
FICA Taxes (7.65%):	\$2,546	\$2,373			Multiplying FICA wages by the respective tax rate results in the FICA and State/Local taxes withheld from Anna's pay. You can see an immediate reduction in taxes and more dollars in her pocket.
State/Local Taxes (4.5%):	\$1,498	\$1,396			
(b) Total FSLT:	\$4,044	\$3,769	\$275	\$275	
4. Retirement Savings Contribution					
Gross Wages (1):	\$33,280	\$33,280			If Anna puts 2% of her gross wages into the 401(k) retirement plan, it feels like less in her pocket. However, remember that the money is still hers, but it's just redirected to savings instead of her pocket.
401(k) (2%):	\$0	(\$666)	(\$666)	\$666	

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5. Federal Tax Calculations				Subtracting Anna's 401(k) savings (#4) from her FICA wages (#3a) results in her federal taxable wages. She will report this amount on her 1040 form.
(a) Federal Wages:				
FICA Wages (3a):	\$33,280	\$31,016		
401(k) (4):	<u>\$0</u>	<u>(\$666)</u>		
(a) Federal Wages:	\$33,280	\$30,350		
(b) Federal Taxable Income:				Subtracting Anna's 2021 standard deduction from her federal wages (5a) results in her federal taxable income.
Standard Deduction (2021):	<u>(\$18,800)</u>	<u>(\$18,800)</u>		
(b) Federal Taxable Income:	\$14,480	\$11,550		
(c) Net Federal Tax				Anna's federal tax was taken from 2021 tax tables. She qualifies for the child tax credit which brings her net federal tax to zero. Anna owes no federal tax for the year 2021.
Tax on Income:	\$1,454	\$1,155		
Child Tax Credit:*	<u>(\$1,454)</u>	<u>(\$1,155)</u>		
Saver's Credit:*	<u>(\$ 0)</u>	<u>(\$ 300)</u>		
Net Federal Tax:	\$ 0	\$ 0		
(d) Earned Income Tax Credit:	\$3,083	\$3,694	\$611	\$611
6. Other - 401(k) Match:				But wait! Remember Anna's employer matches up to 2% for 401(k) contributions. That's free money in her retirement account.
	-	\$666	-	\$666
7. Conclusions:				
Using pre-tax contributions, Anna will actually have MORE money in her pocket every year!				\$220
The "real" economic benefit is far greater when you factor the tax reduction, additional EITC, and the retirement savings with the company match!				\$2,218

The Conclusion:

Using pre-tax contributions, Anna will actually have **\$220 MORE** money in her pocket every year! The "real" economic benefit of using pre-tax contributions is **\$2,218** when factoring lower taxes, additional EITC, and retirement savings with company match. Anna should use pre-tax!

Anna Maximizes Income

Anna took your suggestions and invested in herself! She enrolled and completed a GED program while her kids were in school! Anna filed for VA benefits for the children and found out she will receive \$210 per month; she and kids' dad were not married so she does not qualify for any spousal benefit. Anna receives a rent subsidy of \$410 per month, and free school meals for the kids valued at \$115 per month.

Anna also decided she wants to start selling her homemade pasta at local church craft fairs. She's calling around to see what she needs to do. She hasn't tried amateur night at the comedy club yet.

Now that Anna has her GED, she applied for several office jobs in the area. She was called for interviews at two locations, reviewed the *Interview Quick Tips* on the CareerLink website prior to the interviews, and afterwards received offers for both jobs!!! She now has to choose and has come to you for your opinion. Here are her choices:

Company	ABC Inc.	DEF Company
Position	Mail Clerk	Receptionist
Pay	\$22/hr	\$20/hr
Total Hours per Week	37.5	40
Hours	8:00am – 4:30pm	8:00am – 5:00pm
Lunch	1 hour	1 hour
Benefits		
Health Insurance Premiums	5% of wages	5% of wages
401(k)	2% match	No match
Paid Holidays	8	12
Flexible Spending Account	No	Yes
Tuition Reimbursement	No	Up to \$5,250/yr
Transportation Allowance	No	\$100/month
Other Considerations		
Pay Period	Two weeks	Bi-monthly
Commute (one-way)	1 hour	15 minutes
Transportation Cost	\$325/month	\$130/month
Dress Code	Jeans	Professional (\$75/mo)

Anna's Choice

Here is a side-by-side comparison of Anna's job options. As you can see, both positions have benefits and drawbacks, but it wasn't until seeing the net economic benefit that Anna could make an informed decision. Which do you think she chose?

Factors	ABC Inc	DEF Co
Add:		
Hourly wages	\$22	\$20
Work hours per week	37.5	40
Annual pay	\$42,900	\$41,600
Transportation allowance	\$ 0	\$ 1,200
Gross Compensation	\$42,900	\$42,800
Subtract Deductions:		
Federal income taxes (10%)	\$ 0	\$ 0
State/Local income taxes (4.5%)	\$ 1,931	\$ 1,872
FICA taxes (7.65%)	\$ 3,118	\$ 2,977
Health insurance premiums (5%)	\$ 2,145	\$ 2,080
FSA contributions (\$25 per pay)	\$ 0	\$ 600
401(k) contributions (2%)	\$ 858	\$ 832
Net Take Home	\$34,849	\$34,439
Subtract Comparable Costs:		
Transportation	\$ 3,900	\$ 1,560
Professional dress	\$ 0	\$ 900
Out-of-pocket medical	\$ 600	\$ 0
"Really Feels Like"	\$30,349	\$31,979
Add Employee Benefit Use:		
Tuition Reimbursement (annual maximum)	\$ 0	\$ 3,000
401(k) match (4%)	\$ 858	\$ 0
"Net" Economic Benefit	\$31,207	\$34,979
Other considerations:		
Total hours away from home/week	47.5	47.5
Paid holidays	8	12
Annual leave/vacation	Yes	Yes
Sick leave	Yes	No
Advancement potential	No	Yes

Anna's Withholding

When Anna started her new job, she needed a bank account for direct deposit of her pay. The Human Resources department suggested she talk to the credit union to which the DEF employees have access. The credit union wouldn't allow her to open a checking account until her outstanding banking fees were paid off but will provide a pre-loaded debit card to receive her pay until then.

Anna also had to complete a W-4 form which tells her employer how much federal tax to withhold from her pay. Anna had some questions about the form because it looked very different from the W-4 she completed for the cleaning company several years ago. The payroll clerk helped with her questions.

Q. Which filing status should I use? I used single in the past to have the maximum withheld, but I know that my status is head of household on my taxes.

(a) First name and middle initial Anna R Address 123 Whereshelives Street City or town, state, and ZIP code Hercity, PA 191xx	Last name Client	(b) Social security number XXX-XX-XXXX ► Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to www.ssa.gov .
(c) <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly or Qualifying widow(er) <input checked="" type="checkbox"/> Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)		

A. Your filing status on the W-4 should match how you file your 1040 form to avoid having too much or too little withheld from your pay. The withholding calculation attempts to match the amount withheld to your total taxes owed for the year.

Anna only has one job, so she didn't need to complete Step 2, so she moved on to Step 3: Claim Dependents.

Q. What does the \$4,000 for my dependents mean?

If your total income will be \$200,000 or less (\$400,000 or less if married filing jointly):	
Multiply the number of qualifying children under age 17 by \$2,000 ►	\$ 4000
Multiply the number of other dependents by \$500 ►	\$ 0
Add the amounts above and enter the total here	3 \$ 4000

A. The \$4,000 represents the child tax credit that you will claim when you file your taxes. A credit reduces the taxes owed for the year, and in your case up to \$4,000. This will reduce the amount of withholding during the year.

The payroll clerk asked Anna if she had any other taxable income that she may want to include in the withholding calculation, such as interest, dividends. She does not. Anna also uses the standard deduction when she files her taxes, so she has no additional deductions to consider. The payroll clerk entered her information into the withholding calculator.

Q. So how much will be withheld from pay?

(a) Other income (not from jobs). If you want tax withheld for other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income	4(a)	\$
(b) Deductions. If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here	4(b)	\$
(c) Extra withholding. Enter any additional tax you want withheld each pay period .	4(c)	\$

A. Good news! It looks like nothing will be withheld because based on your income and filing status, you may not owe any taxes this year. If something changes, like your filing status or additional income, you will need to revisit your withholding. Also, keep in mind that no withholding will decrease the amount of your refund.

Anna was really uncomfortable with having no federal taxes withheld from her pay, especially because she is now making more money. She also likes the big refund that she normally gets at tax time. She looked at an old paystub from the cleaning company in which \$121 was withheld for federal taxes. She made the decision to have an extra \$60 withheld from each pay period.

(c) Extra withholding. Enter any additional tax you want withheld each pay period .	4(c)	\$ 60
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The next page is Anna's completed W-4 form.

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<p>Form W-4 (Rev. December 2020) Department of the Treasury Internal Revenue Service</p>	<p>Employee's Withholding Certificate</p> <p>▶ Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. ▶ Give Form W-4 to your employer. ▶ Your withholding is subject to review by the IRS.</p>	<p>OMB No. 1545-0074</p> <p style="font-size: 2em; font-weight: bold;">2021</p>	
<p>Step 1: Enter Personal Information</p>	<p>(a) First name and middle initial <u>Anna R</u></p> <p>Last name <u>Client</u></p> <p>Address <u>123 Whereshelives Street</u></p> <p>City or town, state, and ZIP code <u>Hercity, PA 191xx</u></p> <p>(c) <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly or Qualifying widow(er) <input checked="" type="checkbox"/> Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)</p>	<p>(b) Social security number <u>XXX-XX-XXXX</u></p> <p>▶ Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to www.ssa.gov.</p>	
<p>Complete Steps 2–4 ONLY if they apply to you; otherwise, skip to Step 5. See page 2 for more information on each step, who can claim exemption from withholding, when to use the estimator at www.irs.gov/W4App, and privacy.</p>			
<p>Step 2: Multiple Jobs or Spouse Works</p>	<p>Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs.</p> <p>Do only one of the following.</p> <p>(a) Use the estimator at www.irs.gov/W4App for most accurate withholding for this step (and Steps 3–4); or</p> <p>(b) Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below for roughly accurate withholding; or</p> <p>(c) If there are only two jobs total, you may check this box. Do the same on Form W-4 for the other job. This option is accurate for jobs with similar pay; otherwise, more tax than necessary may be withheld ▶ <input type="checkbox"/></p> <p>TIP: To be accurate, submit a 2021 Form W-4 for all other jobs. If you (or your spouse) have self-employment income, including as an independent contractor, use the estimator.</p>		
<p>Complete Steps 3–4(b) on Form W-4 for only ONE of these jobs. Leave those steps blank for the other jobs. (Your withholding will be most accurate if you complete Steps 3–4(b) on the Form W-4 for the highest paying job.)</p>			
<p>Step 3: Claim Dependents</p>	<p>If your total income will be \$200,000 or less (\$400,000 or less if married filing jointly):</p> <p>Multiply the number of qualifying children under age 17 by \$2,000 ▶ \$ <u>4000</u></p> <p>Multiply the number of other dependents by \$500 ▶ \$ <u>0</u></p> <p>Add the amounts above and enter the total here 3 \$ <u>4000</u></p>		
<p>Step 4 (optional): Other Adjustments</p>	<p>(a) Other income (not from jobs). If you want tax withheld for other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income 4(a) \$ _____</p> <p>(b) Deductions. If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here 4(b) \$ _____</p> <p>(c) Extra withholding. Enter any additional tax you want withheld each pay period 4(c) \$ <u>60</u></p>		
<p>Step 5: Sign Here</p>	<p>Under penalties of perjury, I declare that this certificate, to the best of my knowledge and belief, is true, correct, and complete.</p> <p style="text-align: center;"><u>Anna R. Client</u></p> <p>▶ Employee's signature (This form is not valid unless you sign it.) ▶ Date <u>October 1, 2021</u></p>		
<p>Employers Only</p>	<p>Employer's name and address <u>DEF Company</u></p>	<p>First date of employment <u>10/01/2021</u></p>	<p>Employer identification number (EIN)</p>
<p>For Privacy Act and Paperwork Reduction Act Notice, see page 3.</p>			<p>Cat. No. 10220Q Form W-4 (2021)</p>

Anna's Pay Statement

Here is Anna's pay statement from the DEF Company at the end of her first month on the job.

DEF Company				EMPLOYEE	DEPARTMENT	SOCIAL SECURITY
				Anna R Client	Reception	XXX-XX-XXXX
PAY PERIOD	GROSS	TAXABLE GROSS	TAXES	OTHER	NET PAY	
10/16-31/2021	\$1,783.40	\$1,621.73	\$257.69	\$112.02	\$1,387.69	
YEAR-TO-DATE	\$3,566.80	\$3,243.46	\$515.38	\$224.04	\$2,775.38	
PAY CLASS	RATE	HOURS	GROSS	DEDUCTIONS	CURRENT	YEAR-TO-DATE
Regular	\$20.00	86.67	\$1,733.40	XYZ Health	\$86.67	\$173.34
Mass Trans			\$50.00	FSA	\$25.00	\$50.00
				OADS/MDCR	\$124.06	\$248.12
				Federal	\$60.00	\$120.00
				State	\$50.11	\$100.22
				Local	\$23.52	\$47.03
				Life – (Opt)	\$0.35	\$0.70
TOTAL			\$1,783.40	TOTAL	\$369.71	\$739.42
JOB CODE	R-174		This area intentionally left blank.			
FED W-4	HOH					
CHECK/DEPOSIT	XX-XXXX3303					

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Anna's Employee Benefits

DEF Company – Employee Benefits Summary

Employees of DEF Company receive a wide variety of financial and personal job benefits. The benefits package includes all financial rewards that are generally not paid directly to the employee. These benefits are a significant part of employee "total compensation".

Below is a brief summary of the highly competitive benefits which are available. The benefits listed apply to most permanent, full-time employees appointed to merit system classified jobs. If you receive an employment offer, you should request specific benefits information from the hiring agency.

Salary and Wages	Holidays	Training Opportunities
Medical/Life Insurance	Vacation	Flexible Work Schedules
Retirement	Sick Leave	Wellness Programs
	Credit Union	

Salary and Wages

Employees are paid on a bimonthly basis. Employees are required to participate in **direct deposit** of their paychecks into their banking account of choice. Base salary ranges are based on job classification.

Promotion Opportunities - There are many opportunities to compete for transfer or promotional appointment. Employees may apply for jobs within their own or any other company department.

Medical Insurance

The company offers a comprehensive indemnity health insurance plan which includes benefits for hospital, surgical, major medical, prescription drug, and other medical expenses. The company pays the major portion of the insurance premium. Employee paid premiums for health insurance currently equal **5% of base salary**. An optional group dental plan is also available.

Flexible Spending Accounts

The company provides Flexible Spending Accounts to pay for health care costs not covered by the medical insurance plan, like deductibles, co-payments, eyeglasses, etc.

Disability Insurance

The company provides **long-term disability** benefits of 65% of an employee's base wages at **no cost** to the employee. Benefits begin 180 days from date of disability to a maximum of three benefit years. Coordination of benefits apply and may reduce the monthly benefit.

Life Insurance

The company provides a **\$10,000** term life policy with accidental death and dismemberment benefits. Additional group rate insurance is available for **\$0.70** per paycheck per additional **\$10,000** coverage. Dependent life of a maximum benefit of **\$5,000** per dependent is available for **\$0.35** per dependent per paycheck.

401(k) Retirement Plan

The company provides a qualified IRS code 401(k) plan designed to provide retirement savings alternative for all employees. Employee contributions to the Plan are managed via convenient payroll deductions with a minimum contribution of **\$5 per pay**. There are a variety of quality investment options including a guaranteed value fund and 10 mutual funds representing various asset classes.

Employees must **wait 90 days** before participation in the plan is allowed; participation is optional. After 90 days, employees will receive an enrollment form from the human resources department; forms must be completed and returned within 30 days of receipt. Employees can also roll over funds into the company plan from a former pension or 401(k) plan. Hardship loans are not available at this time.

Holidays

The company offers **12 paid holidays** in each year. The number of paid holidays is above the national average for both public and private sector employees.

Vacation

Employees of the company receive a generous amount of annual or vacation leave based on length of service. The amount of leave an employee may carry forward to the next year also varies by years of service.

Service Category	Accrual Rate	Carry-forward Maximum
Less than 5 years	0.83 days/mo = 10 days/year	30 days
5 years, less than 10	1.25 days/mo = 15 days/year	30 days
10 years, less than 15	1.67 days/mo = 20 days/year	35 days
15 years or more	2.08 days/mo = 25 days/year	40 days

Paid Sick Leave

The company offers an outstanding paid leave benefit in the event of employee illness or injury. All full-time employees earn paid sick leave at a rate of hours equal to **0.33 days** each month. This is equivalent to **4 paid days** per year. There is no limit to the amount of sick leave an employee can accumulate year to year. Sick leave may also be used for death in the immediate family or for family illnesses/injuries and medical appointments. Also, unused annual and sick leave may be used to increase employee retirement benefits or to extend employer paid medical/health insurance.

Family Medical Leave - The federal Family and Medical Leave Act and the WV Parental Leave Act provide for up to **12 weeks of unpaid** time off work during specific family/medical-related situations.

Training, and Developmental Opportunities

As a large and diverse organization, the company offers employees many opportunities for advanced training and education. Formal in-house training classes include basic job skills, communications skills, supervision/leadership, computers, and information technology. The company also offers tuition reimbursement for job-related training and education provided by approved technical schools and colleges, to a maximum of **\$3,000** per calendar year.

Credit Union

DEF Company is a member of the Best Employee Credit Union. A wide range of financial services are offered, including checking accounts, ATM cards, drive-through service, holiday/vacation clubs, direct deposit, 24-hour banking, traveler's checks, and loans. All deposits in the credit union are insured up to \$250,000 by the National Credit Union Administration.

Flexible Working Hours and Alternate Work Schedules

Most employees have the opportunity to adjust their hours or work schedule. At the discretion of the department manager and within certain guidelines, employees may be permitted a flexible starting and quitting time. In addition, some departments may offer opportunities for compressed workweek, part-time work, or telecommuting.

Wellness Programs

The company provides special wellness and health related services to employees. Examples include: free health screening, special seminars and presentations, organized health related activities, health contact information, wellness promotion events, and healthy lifestyle information.

Anna's Money Map

Even though Anna is happy with her new job and grateful for added assistance, she still feels like she's not getting ahead. Anna is behind on her cell phone and cable bills and is paying an extra \$20 on each to get caught up. She owes \$400 for an old medical bill on which she pays \$25 per month, \$165 in bank overdraft fees, and \$1,100 in credit card debt that she just makes the minimum monthly payment of \$55. Anna is dreading the holidays and all of the expectations the kids have for gifts; she usually spends \$500 on gifts. Anna pays her car insurance twice per year, in February and August (\$870 each) and Anna usually spends \$400 for back-to-school clothes for the kids. Lastly, feels bad that she spent \$230 on clothes for her new job this month.

Anna created a Money Map with her income and expenses she tracked for the month.

Anna's Income		
	Current	Plan
Cash Coming In		
Wages/Salary (before deductions)	\$3,567	\$3,567
Transportation Allowance	\$ 100	\$ 100
Veteran's Apportionment	\$ 210	\$ 210
Total Cash In:	\$3,877	\$3,877
Non-Cash Assistance		
Housing Assistance (<i>negotiated benefit</i>)	\$ 410	\$ 410
School Lunch	\$ 115	\$ 115
Total Non-Cash In:	\$ 525	\$ 525
What Comes In: Cash In + Non-Cash In (Also called <i>gross monthly income</i> *)	\$4,402	\$4,402
Off the Top Deductions		
Federal Taxes	\$ 120	\$ 0
State/Local Taxes	\$ 147	\$ 147
FICA Taxes	\$ 248	\$ 248
Health Insurance	\$ 173	\$ 173
FSA Contributions	\$ 50	\$ 50
Life Insurance	\$ 1	\$ 1
Total Off the Top:	\$ 739	\$ 619
What Comes In – Off the Top = Take Home Pay (Also called <i>net monthly income</i>)	\$3,663	\$3,783

Anna's Periodic Expenses

Some expenditures occur only once or twice a year, such as car insurance premiums, property taxes, holiday gifts, special events, vacations and seasonal activities. Here are Anna's periodic expenses.

January			February			March		
1.	\$		1. Car Insurance	\$870		1.	\$	
2.	\$		2.			2.	\$	
3.	\$		3.			3.	\$	
Total			Total			Total		
\$			\$870			\$		
April			May			June		
1.	\$		1.	\$		1.	\$	
2.	\$		2.	\$		2.	\$	
3.	\$		3.	\$		3.	\$	
Total			Total			Total		
\$			\$			\$		
July			August			September		
1.	\$		1. Car Insurance	\$870		1. Back-to-School	\$400	
2.	\$		2.			2.		
3.	\$		3.			3.		
Total			Total			Total		
\$			\$870			\$400		
October			November			December		
1.	\$		1.	\$		1. Gifts	\$500	
2.	\$		2.	\$		2.		
3.	\$		3.	\$		3.		
Total			Total			Total		
\$			\$			\$500		

$$\text{Total Periodic Expenses } \underline{\$2,640} \div \text{Divided by 12 months } 12 = \text{Monthly Set-aside } \underline{\$220}$$

Source: Adapted from *Take Charge of Your Money* (University of Utah Cooperative Extension)

Anna's Money Map - Expenses

	Current	Plan		Current	Plan
Set-Aside Funds			Children		
Emergency Savings (V)	\$ 0	\$ 50	Allowance (V)	\$ 80	\$ 80
Periodic Expenses (V)	\$ 0	\$ 220	Total Children:	\$ 80	\$ 80
Total Set Aside Funds:	\$ 0	\$ 270			
Housing			Other Obligations		
Rent (F)	\$1,480	\$1,480	Overdue Bills (V)	\$ 40	\$ 40
Electric/Heat (fuel) (V)	(rent)	(rent)	Credit Card(s) (V)	\$ 55	\$ 75
Water/Sewer/Trash(V)	(rent)	(rent)	Donations/Gifts (V)	\$ 278	\$ 278
Phone(s) (land/cell) (V)	\$ 240	\$ 140	Money Order Fees (V)	\$ 108	\$ 108
Cable/Internet (V)	\$ 230	\$ 100	Bank Overdraft Fees (V)	\$ 0	\$ 50
Total Housing:	\$1,950	\$1,720	Total Other Obligations:	\$ 481	\$ 551
Transportation			Personal Care		
Car: Fuel	\$ 60	\$ 60	Clothing/Laundry (V)	\$ 230	\$ 75
Car Insurance	\$ 0	(set aside)	Hair Care (V)	\$ 80	\$ 80
Public Transportation (F)	\$ 130	\$ 130	Total Personal Care:	\$ 310	\$ 155
Total Transportation:	\$ 190	\$ 190			
Food			Recreation/Entertainment		
Groceries (V)	\$ 600	\$ 500	Movies (V)	\$ 90	\$ 45
Eating Out (V)	\$ 100	\$ 50	Alcohol/Tobacco (V)	\$ 100	\$ 50
School Meals (F)	\$ 115	\$ 115	Lottery (V)	\$ 43	\$ 26
Total Food:	\$ 815	\$ 665	Total Recreation:	\$ 233	\$ 121
Health					
Medical Bill (V)	\$ 25	\$ 25			
Total Health:	\$ 25	\$ 25			

Anna's Money Map-Summary

	Current	Plan
Income		
Total Gross Monthly Income	\$ 4,402	\$ 4,402
Total Off The Top Deductions	\$ 739	\$ 619
(1) Net Take Home Pay:	\$ 3,663	\$ 3,783
Expenses		
Set Aside Funds	\$ 0	\$ 270
Housing	\$ 1,950	\$ 1,720
Transportation	\$ 190	\$ 190
Food	\$ 815	\$ 665
Health	\$ 25	\$ 25
Children	\$ 80	\$ 80
Other Obligations	\$ 481	\$ 551
Personal Care	\$ 310	\$ 155
Recreation/Entertainment	\$ 233	\$ 121
(2) Total Expenses:	\$4,084	\$3,777
COMPARE		
(1) Net Take Home Pay	\$ 3,663	\$ 3,783
Less:		
(2) Total Expenses	\$4,084	\$3,777
CASH FLOW	(\$ 421)	\$ 6

Here is a summary of some key changes Anna made for her plan.

- Changed W-4 to eliminate extra \$60 being withheld from each pay
- Started an emergency savings and set-asides for future periodic expenses
- Adjusted phone plans and opted for streaming service to eliminate cable
- Committed to being better with grocery sales/coupons and less eating out
- Increased monthly payment for credit cards and started payment for banking fees
- Decreased, but did not eliminate recreation

Anna's Cash "Flow"

Even as Anna puts a monthly money map in place, her monthly cash flow may not 'flow' as neatly. What does that mean? It simply means that the timing of her (cash and non-cash) income may not match the timing of her expenses from week to week. There are some weeks where Anna is flush with cash and others where she comes up short. Let's look at how Anna's cash "flowed" during the first month using her money map. This month had 31 days, which meant a (partial) fifth week to track. Remember she gets paid on the first and 15th day of each month and some expenses are incurred weekly, i.e. groceries/school lunches, transportation, and the kids' allowance.

Income	Week 1	Week 2	Week 3	Week 4	Week 5	Totals
Wages (net)	\$1,388		\$1,388		\$1,388	\$4,164
Veteran's Benefits		\$ 210				\$ 210
School Lunch	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 125
Housing Assistance	Direct				Direct	\$ 820
Weekly Income Totals	\$1,413	\$ 235	\$1,413	\$ 25	\$1,413	\$5,319

Now let's look at how her cash typically "flows out" during the month.

Expenses	Week 1	Week 2	Week 3	Week 4	Week 5	Totals
Set-asides	\$ 135		\$ 135		\$ 135	\$ 405
Rent	\$1,070				\$1,070	\$2,140
Phone/cable		\$ 140	\$ 100			\$ 240
Transportation	\$ 40	\$ 30	\$ 40	\$ 40	\$ 30	\$ 180
Groceries/School meals	\$ 110	\$ 115	\$ 135	\$ 130	\$ 95	\$ 585
Eating out		\$ 48				\$ 48
Overdue bills	\$ 25		\$ 25	\$ 25		\$ 65
Banking/check cashing fees	\$ 54	\$ 50	\$ 54		\$ 54	\$ 212
Credit card				\$ 75		\$ 75
Donations	\$ 138		\$ 138		\$ 138	\$ 414
Clothing			\$ 55	\$ 40		\$ 95
Kids' allowance		\$ 40		\$ 40		\$ 80
Haircut				\$ 60		\$ 60
Cigarettes	\$ 15	\$ 15	\$ 15	\$ 25	\$ 15	\$ 85
Movies				\$ 30		\$ 30
Lottery	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 30
Weekly Expense Totals	\$1,593	\$ 444	\$ 698	\$ 466	\$1,543	\$4,744

Here is a summary of how Anna’s cash flowed for the month. Remember that Anna works with cash and uses money orders because of her outstanding banking fees.

Cash on Hand	Week 1	Week 2	Week 3	Week 4	Week 5
Beginning Balance	\$ 0	\$ 0	\$ 0	\$ 715	\$ 274
Income	\$1,413	\$ 235	\$1,413	\$ 25	\$1,413
Expenses	(\$1,593)	(\$ 444)	(\$ 698)	(\$ 466)	(\$1,543)
Carry Over (next week)	(\$ 180)	(\$ 209)	\$ 715	\$ 274	\$ 144
Credit Card	\$ 180	\$ 209	-	-	-

Anna ran was short on cash during the first and forth weeks of the month. She used her credit card to pay for the expenses in red on the previous page because she ran out of cash. She has now accrued an additional debt of \$389 on her credit card. Anna may need to tap into her set-asides to avoid using her credit card moving forward. It may take her several months of working with her money map to keep her cash flow positive.

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Anna's Taxes

Anna made adjustments to withholding allowances on the W-4 form which has helped her cash flow, but she is concerned about what her taxes will look like when she files. Below are Anna's federal income tax forms and documents from 2021. Complete the 1040 review worksheet to see Anna's true tax position.

Anna's W-2's:

		a Employee's social security number XXX-XX-XXXX	OMB No. 1545-0008 This information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.			
b Employer's identification number (EIN) 23-1234567		1 Wages, tips, other compensation 23,712.91		2 Federal income tax withheld 2,178.00		
c Employer's name, address, and ZIP code ABC INDUSTRIAL CLEANING, INC. 123 BUSINESS ROAD HERCITY, PA 180XX		3 Social security wages 23,712.91		4 Social security tax withheld 1,470.20		
		5 Medicare wages and tips 23,712.91		6 Medicare tax withheld 343.84		
		7 Social security tips		8 Allocated tips		
d Control number 123456789		9 Verification Code		10 Dependent care benefits		
e Employee's first name and initial Last Name Suff. ANNA R CLIENT 123 WHERESHELIVES ST HERCITY, PA 180XX		13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12		
		14 Other HEALTH 1,248.05 CAF 180.00		12b 12c 12d		
f Employee's address and ZIP code.						
15 State PA	Employer's state ID number 23-XXXXXXX	16 State wages, tips, etc. 23,712.91	17 State income tax 732.73	18 Local wages, tips, etc. 23,712.91	19 Local income tax 343.84	6 Locality name HCTY

		a Employee's social security number XXX-XX-XXXX	OMB No. 1545-0008 This information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.			
b Employer's identification number (EIN) 23-7654321		1 Wages, tips, other compensation 10,400.40		2 Federal income tax withheld 240.00		
c Employer's name, address, and ZIP code DEF COMPANY 321 BUSINESS ROAD HERCITY, PA 180XX		3 Social security wages 10,400.40		4 Social security tax withheld 603.28		
		5 Medicare wages and tips 10,400.40		6 Medicare tax withheld 141.09		
		7 Social security tips		8 Allocated tips		
d Control number 123456789		9 Verification Code		10 Dependent care benefits		
e Employee's first name and initial Last Name Suff. ANNA R CLIENT 123 WHERESHELIVES ST HERCITY, PA 180XX		13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12		
		14 Other HEALTH 520.00 CAF 300.00 FSA 150.00		12b 12c 12d		
f Employee's address and ZIP code.						
15 State PA	Employer's state ID number 23-XXXXXXX	16 State wages, tips, etc. 10,400.40	17 State income tax 300.67	18 Local wages, tips, etc. 10,400.40	19 Local income tax 141.09	6 Locality name HCTY

Anna's 1040 (2021)

Form 1040	Department of the Treasury—Internal Revenue Service (99)	2021	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.
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Filing Status Single Married filing jointly Married filing separately (MFS) Head of household (HOH) Qualifying widow(er) (QW)
 Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial Anna R	Last name Client	Your social security number X X X X X X X X X
If joint return, spouse's first name and middle initial	Last name	Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. Apt. no.
123 Whereshelives Street

City, town, or post office. If you have a foreign address, also complete spaces below. State ZIP code
Hercity PA 191XX

Foreign country name Foreign province/state/country Foreign postal code
 Presidential Election Campaign
 Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.
 You Spouse

At any time during 2021, did you receive, sell, exchange, or otherwise dispose of any financial interest in any virtual currency? Yes No

Standard Deduction Someone can claim: You as a dependent Your spouse as a dependent
 Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness You: Were born before January 2, 1957 Are blind Spouse: Was born before January 2, 1957 Is blind

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) Child tax credit	Credit for other dependents
Cory	Client	X X X X X X X X X	Son	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Latricia	Client	X X X X X X X X X	Daughter	<input type="checkbox"/>	<input type="checkbox"/>

	1	Wages, salaries, tips, etc. Attach Form(s) W-2		33,443
Attach Sch. B if required.	2a	Tax-exempt interest	2a	
	3a	Qualified dividends	3a	
	4a	IRA distributions	4a	
	5a	Pensions and annuities	5a	
	6a	Social security benefits	6a	
	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ <input type="checkbox"/>	7	
	8	Other income from Schedule 1, line 10	8	
	9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income ▶	9	33,443
	10	Adjustments to income from Schedule 1, line 26	10	
	11	Subtract line 10 from line 9. This is your adjusted gross income ▶	11	33,443
Standard Deduction for— • Single or Married filing separately, \$12,550 • Married filing jointly or Qualifying widow(er), \$25,100 • Head of household, \$18,800 • If you checked any box under Standard Deduction, see instructions.	12a	Standard deduction or itemized deductions (from Schedule A)	12a	18,800
	b	Charitable contributions if you take the standard deduction (see instructions)	12b	300
	c	Add lines 12a and 12b	12c	19,100
	13	Qualified business income deduction from Form 8995 or Form 8995-A	13	
	14	Add lines 12c and 13	14	19,100
	15	Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-	15	14,343

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B **Form 1040** (2021)

Form 1040 (2021)		Page 2
16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16 1,435
17	Amount from Schedule 2, line 3	17
18	Add lines 16 and 17	18 1,435
19	Nonrefundable child tax credit or credit for other dependents from Schedule 8812	19 1,435
20	Amount from Schedule 3, line 8	20
21	Add lines 19 and 20	21 1,435
22	Subtract line 21 from line 18. If zero or less, enter -0-	22 0
23	Other taxes, including self-employment tax, from Schedule 2, line 21	23
24	Add lines 22 and 23. This is your total tax	24 0
25	Federal income tax withheld from:	
a	Form(s) W-2	25a 2,418
b	Form(s) 1099	25b
c	Other forms (see instructions)	25c
d	Add lines 25a through 25c	25d 2,418
26	2021 estimated tax payments and amount applied from 2020 return	26
27a	Earned income credit (EIC) Check here if you were born after January 1, 1998, and before January 2, 2004, and you satisfy all the other requirements for taxpayers who are at least age 18, to claim the EIC. See instructions <input type="checkbox"/>	27a 3,052
b	Nontaxable combat pay election	27b
c	Prior year (2019) earned income	27c
28	Refundable child tax credit or additional child tax credit from Schedule 8812	28 2,565
29	American opportunity credit from Form 8863, line 8	29
30	Recovery rebate credit. See instructions	30
31	Amount from Schedule 3, line 15	31
32	Add lines 27a and 28 through 31. These are your total other payments and refundable credits	32 5,617
33	Add lines 25d, 26, and 32. These are your total payments	33 8,035
Refund	34 If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid	34 8,035
35a	Amount of line 34 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>	35a 8,035
b	Routing number	c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings
d	Account number	
36	Amount of line 34 you want applied to your 2022 estimated tax	36
Amount You Owe	37 Amount you owe . Subtract line 33 from line 24. For details on how to pay, see instructions	37
38	Estimated tax penalty (see instructions)	38
Third Party Designee	Do you want to allow another person to discuss this return with the IRS? See instructions <input type="checkbox"/> Yes. Complete below. <input type="checkbox"/> No	
	Designee's name	Phone no.
		Personal identification number (PIN)
Sign Here	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.	
Your signature	Date	Your occupation
<i>Anna R. Client</i>	2/1/22	Receptionist
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation
Phone no.	Email address	
Preparer's name	Preparer's signature	Date
Firm's name	PTIN	Check if: <input type="checkbox"/> Self-employed
Firm's address	Phone no.	Firm's EIN

Go to www.irs.gov/Form1040 for instructions and the latest information.

Form **1040** (2021)

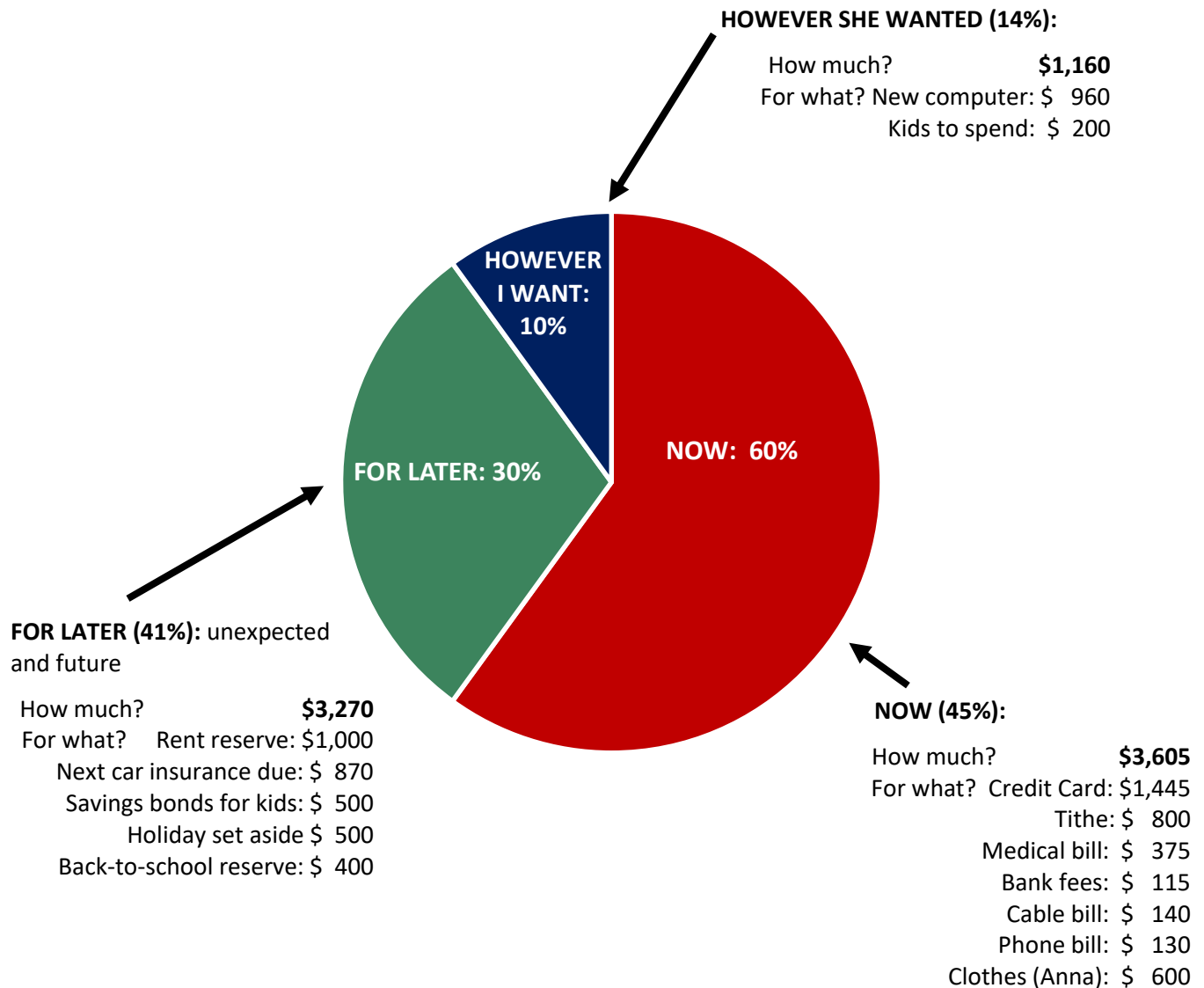
Anna's 1040 Review Worksheet (2021)

Key Item	Where	Anna's Numbers
Filing Status It's more like "family status" that affects deductions/credits, tax table, etc.	2021 - Top line	HOH
Dependents The people in your household that are supported with your income (other than you and your spouse).	2021 - Listed below standard deduction question	2
Total Income Everyone is subject to tax on income.	2021 - Line 9	\$33,443
Adjustments Some expenses are <i>encouraged</i> and allowed to reduce income from Schedule 1	2021 - Line 10	\$0
Adjusted Gross Income (AGI) AGI is used for certain tax calculations.	2021 - Line 11	\$33,443
Deductions Some other expenses reduce income. You are entitled the greater of a standard deduction or itemized list from Schedule A.	2021 - Line 12c	\$19,100
Taxable Income This is the amount upon which the initial tax calculation is based.	2021 - Line 15	\$14,343
Compare Anna's Total Income to Taxable Income		
$\frac{\$33,443}{\text{Total Income}} \div \frac{\$14,343}{\text{Taxable Income}} \times 100 = \underline{43} \%$ <p style="text-align: right;">Percentage of Anna's income that <i>is actually</i> subject to federal income tax.</p>		

Key Item	Where	Anna's Numbers
Tax This is your initial tax calculation from tax table and Schedule 2.	2021 – Page 2, line 18	\$1,435
Credits There are certain expenses paid and savings that qualify to reduce the taxes owed from Schedule 3.	2021 - Line 21	\$1,435
Other Taxes The additional taxes on special items, from Schedule 2.	2021 - Line 23	\$0
Total Tax The net total tax you owe for the year.	2021 - Line 24	\$0
Payments This is the amount that you have already paid towards your total tax during the year.	2020 - Line 25d - Line 26	\$2,418
Refundable Credits Some credits are returned even if you have zero total tax from lines 27-30 and Schedule 3.	2021 - Line 32	\$5,617
Total Payments	2021 - Line 33	\$8,035
Refund or Payment Due The final result.	2021 - Line 34 or 37	\$8,035
Compare Anna's Total Tax to Your Withholding		
$ \left(\$ \underline{2,418} \text{ (Withholding)} - \$ \underline{0} \text{ (Total Tax)} \right) \div \underline{24} \text{ (Pay periods per year)} = \$ \underline{101} \text{ (Amount over or under) withheld per pay} $		

What Anna Did With Her Refund

Anna reviewed your suggestions for allocating her tax refund to 'now, later, and however.' This is what she decided to do with her \$8,035 refund:



Source: Adapted from *Spend Some, Save Some: Making the Most of Your Tax Refund*. (CFED)

Harry and Diana's 1040 (2021)

Form 1040	Department of the Treasury—Internal Revenue Service (99)	2021	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.		
Filing Status <input type="checkbox"/> Single <input checked="" type="checkbox"/> Married filing jointly <input type="checkbox"/> Married filing separately (MFS) <input type="checkbox"/> Head of household (HOH) <input type="checkbox"/> Qualifying widow(er) (QW)						
Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶						
Your first name and middle initial Harry R		Last name Client		Your social security number X X X X X X X X X		
If joint return, spouse's first name and middle initial Diana		Last name Client		Spouse's social security number X X X X X X X X X		
Home address (number and street). If you have a P.O. box, see instructions. 321 Wheretheylive Street			Apt. no.	Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse		
City, town, or post office. If you have a foreign address, also complete spaces below. Theircity		State PA	ZIP code 191xx			
Foreign country name		Foreign province/state/county	Foreign postal code			
At any time during 2021, did you receive, sell, exchange, or otherwise dispose of any financial interest in any virtual currency? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No						
Standard Deduction Someone can claim: <input type="checkbox"/> You as a dependent <input type="checkbox"/> Your spouse as a dependent <input type="checkbox"/> Spouse itemizes on a separate return or you were a dual-status alien						
Age/Blindness You: <input type="checkbox"/> Were born before January 2, 1957 <input type="checkbox"/> Are blind Spouse: <input type="checkbox"/> Was born before January 2, 1957 <input type="checkbox"/> Is blind						
Dependents (see instructions):						
	(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> If qualifies for Child tax credit	Credit for other dependents
If more than four dependents, see instructions and check here ▶ <input type="checkbox"/>	Lori Client		X X X X X X X X X	Daughter	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Patricia		X X X X X X X X X	Daughter	<input checked="" type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>
	1 Wages, salaries, tips, etc. Attach Form(s) W-2			1	43,485	
Attach Sch. B if required.	2a Tax-exempt interest	2a		b Taxable interest	2b	
	3a Qualified dividends	3a		b Ordinary dividends	3b	
	4a IRA distributions	4a		b Taxable amount	4b	
	5a Pensions and annuities	5a		b Taxable amount	5b	
	6a Social security benefits	6a		b Taxable amount	6b	
	7 Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ <input type="checkbox"/>			7		
	8 Other income from Schedule 1, line 10			8	4,308	
	9 Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income			9	47,793	
	10 Adjustments to income from Schedule 1, line 26			10		
	11 Subtract line 10 from line 9. This is your adjusted gross income			11	47,793	
	12a Standard deduction or itemized deductions (from Schedule A)			12a	25,100	
	b Charitable contributions if you take the standard deduction (see instructions)			12b	300	
	c Add lines 12a and 12b			12c	25,400	
	13 Qualified business income deduction from Form 8995 or Form 8995-A			13		
	14 Add lines 12c and 13			14	25,400	
	15 Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-			15	22,393	
Standard Deduction for—						
	• Single or Married filing separately, \$12,550					
	• Married filing jointly or Qualifying widow(er), \$25,100					
	• Head of household, \$18,800					
	• If you checked any box under Standard Deduction, see instructions.					
For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.						
			Cat. No. 11320B	Form 1040 (2021)		

Form 1040 (2021)		Page 2
16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	2,287
17	Amount from Schedule 2, line 3	
18	Add lines 16 and 17	2,287
19	Nonrefundable child tax credit or credit for other dependents from Schedule 8812	2,287
20	Amount from Schedule 3, line 8	
21	Add lines 19 and 20	2,287
22	Subtract line 21 from line 18. If zero or less, enter -0-	
23	Other taxes, including self-employment tax, from Schedule 2, line 21	
24	Add lines 22 and 23. This is your total tax	0
25	Federal income tax withheld from:	
a	Form(s) W-2	1,528
b	Form(s) 1099	
c	Other forms (see instructions)	
d	Add lines 25a through 25c	1,528
26	2021 estimated tax payments and amount applied from 2020 return	
27a	Earned income credit (EIC)	1,283
	Check here if you were born after January 1, 1998, and before January 2, 2004, and you satisfy all the other requirements for taxpayers who are at least age 18, to claim the EIC. See instructions <input type="checkbox"/>	
b	Nontaxable combat pay election	
c	Prior year (2019) earned income	
28	Refundable child tax credit or additional child tax credit from Schedule 8812	1,713
29	American opportunity credit from Form 8863, line 8	
30	Recovery rebate credit. See instructions	
31	Amount from Schedule 3, line 15	
32	Add lines 27a and 28 through 31. These are your total other payments and refundable credits	1,713
33	Add lines 25d, 26, and 32. These are your total payments	4,524
34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid	4,524
35a	Amount of line 34 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>	
b	Routing number	
c	Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
d	Account number	
36	Amount of line 34 you want applied to your 2022 estimated tax	
37	Amount you owe. Subtract line 33 from line 24. For details on how to pay, see instructions	
38	Estimated tax penalty (see instructions)	
Third Party Designee	Do you want to allow another person to discuss this return with the IRS? See instructions <input type="checkbox"/> Yes. Complete below. <input type="checkbox"/> No	
	Designee's name	Phone no.
		Personal identification number (PIN)
Sign Here	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.	
Your signature	Date	Your occupation
<i>Harry R. Client</i>	2/1/22	Laborer
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation
<i>Diana Client</i>	2/1/22	Cashier
Phone no.	Email address	
Paid Preparer Use Only	Preparer's name	Preparer's signature
	Firm's name	Date
	Firm's address	PTIN
		Check if: <input type="checkbox"/> Self-employed
		Phone no.
		Firm's EIN

If you have a qualifying child, attach Sch. EIC.

Direct deposit? See instructions.

Joint return? See instructions. Keep a copy for your records.

Paid Preparer Use Only

Go to www.irs.gov/Form1040 for instructions and the latest information.

Form **1040** (2021)

Investing in Anna-Role Play Script

Anna is serious about selling her homemade noodles and has decided to create 'Anna's Notion of Noodles'. She is willing to use \$250 of her saved money to start but knows she'll need more in order to make a real go of it. Anna was talking with her mom and this is what happened.

(1) Anna: **"I need money to make my noodles. Mom, would you be willing to invest in Notion of Noodles?"**

Action: Hold up pictures of making noodles (Visual 1).



(2) Mom: **"I have money and need to MAKE IT WORK! I will invest in Notion of Noodles!"**

Action: Hold up large dollar sign (Visual 2).



(3) Narrator: **"Mom gives Anna money. Anna gives mom a stock certificate. Mom is now an INVESTOR in Anna's Notion of Noodles!"**

Action: Mom and Anna exchange the large dollar (Visual 2) and the stock certificate (Visual 3).



(4) Narrator: **"Anna uses the money to buy ingredients, makes the noodles, and puts them out for sale."**

Action: Anna displays small noodle products (Visual 4).



(5) Consumers: **"We want noodles!"**

Action: Consumers 'buy' noodles small noodles (Visual 4) with the small dollars (Visual 5).



(6) Consumer 1: **"I like Anna's noodles!"**

Action: Consumer 1 holds thumbs up (Visual 6).



(7) Narrator: **"Notion of Noodles makes a profit! Anna shares some of the profit with Mom by paying her a dividend."**

Action: Anna gives Mom one small dollar (Visual 5).

Consumers like noodles!



(8) Narrator: **"Anna is happy. Mom is happy. Now, some of Anna's friends want to invest in Notion of Noodles so they can share in the profits too. Mom can sell her stock for a higher price and make a profit!"**

Action: Mom holds up stock certificate (Visual 3) and the up arrow (Visual 7)



(9) Narrator: **"HOWEVER..."**



(10) Consumer 2: **"I DON'T like Anna's noodles!"**

Action: Consumer 2 holds thumbs down (Visual 8) then returns small noodles (Visual 4) and gets money back (Visual 5).

Consumers don't like noodles!



(11) Narrator: **"Notion of Noodles has a loss. There is nothing to share with Mom! Anna is unhappy! Mom is unhappy! Her friends change their minds and don't want to invest in Anna. Stock price goes down!"**

Action: Mom holds up stock certificate (Visual 3) and the down arrow (Visual 8)

(12) Narrator: **"And that is how investing in Anna and stocks work!"**

What should Anna do in order to make a profit again?"

Anna's Net Worth

Net Worth Worksheet			
What She Own (Assets)		What She Owe (Debts)	
Cash and like Cash:		Secured:	
Cash on hand (wallet, home safe)	\$ 75	Home Loans (mortgages)	
Checking/savings accounts,	\$ 2,770	Automobile Loans	
Money market deposit accounts, CD's, savings bonds		Loans on Life Insurance, 401(k)'s, etc.	
Financial Assets:		Other:	
Stocks/Bonds/Mutual Funds		Unsecured:	
Retirement Accounts		Alimony	
Employer plans: 401(k), 403(b), etc		Past Due Bills	
IRA's/annuities		Personal Loans	
Cash Value in Life Insurance		Credit Card Accounts	
Other:		Pledges, i.e., tithing	
Real Property: (house, land)		Other:	
Small Business :	\$ 250	Garnishments:	
Personal Assets:		Child/Spousal Support	
Home furnishings/clothing	\$ 1,000	Student Loans	
Appliances/electronics	\$ 1,500	Taxes	
Automobile(s)	\$ 2,000	Other:	
Sports and hobby equipments			
Other			
Jewelry, antiques, collectibles			
Total Assets:	\$ 7,595	Total Debts:	\$0

Net Worth Summary	
Total Assets:	\$ 7,595
Less: Total Debts	\$ 0
Net Worth:	\$ 7,595

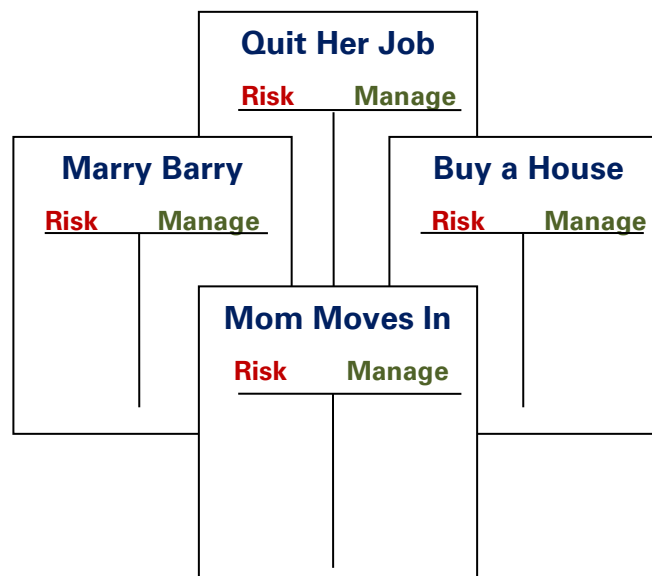
Anna's Risks

Good news! Barry was notified that his parole has been granted and will be released shortly. He has applied for reinstatement of his VA disability benefits and arranged for temporary housing. Barry has contacted the garden center where he used to work and asked them to consider hiring him back, but hasn't received a response from them. Barry also sent Anna a letter, asking not only for a second chance but marriage proposal.

Meanwhile, Anna had been saving on a regular basis now due to paying off her debts with her tax refund. She also now has a savings and checking account at the credit union because she paid off her outstanding banking fees. Anna took your suggestions for the business and is making a small profit again on her noodles. She is thrilled to have almost over \$2,000 in her savings account. Anna is still working full-time for the DEF Company but would like to devote all of her efforts to her business. She loves the idea of being a full-time business owner and is thinking about quitting her job. Anna thinks it might be okay if she had Barry to help.

Anna is also still thinking about buying a house. It would make her very happy to move the kids into a home, especially if she and Barry were married. Anna also would like her mom to live with them in the house because she has never lived in a single-family home.

Help Anna sort through the risks of the changes she may make and ways she might manage them.



Anna's Emergency Savings

Now that Anna has a savings account, she knows that it's important to have a healthy emergency savings, beyond just a month's rent. Anna used the worksheet below to calculate what she should have in emergency savings.



Anna's Emergency Savings Worksheet			
Rent for 1 month	\$ 1,480	x 3 months =	\$4,440
Groceries for 1 month	\$ 500	x 3 months =	\$1,500
Car insurance and fuel for 1 month	\$ 205	x 3 months =	\$ 615
Totals	\$ 2,185	x 3 months =	\$6,555

Total amount needed for emergency savings: \$6,555

Anna knows that three months of expenses is a lofty goal and has decided to work towards one month first. Since she already has \$2,270 in her savings account, she will need to save \$3,785 to reach her goal, and since she no longer has credit card debt, overdue bills, or banking fees, she can commit \$145 per month to savings.

Goal	Amount Needed	Date Needed	Start Date	Months to Goal	Monthly Amount
Anna wants to save (A) three months expenses for emergency savings (S) .	\$3,785 (M)	6/1/2023 (T)	4/1/22	14	\$275 (R)

Anna Shops for a Monthly Payment

Anna’s 12-year-old car is in need of repairs that will cost \$600. She is not sure if it’s worth making the repair or if she should just buy a newer car now that all of her debt is paid off. Anna reviews her money map again, and with extra money coming in from Notion of Noodles, she decides to look for a new car.

Anna goes to a nearby used car lot and sees a five-year-old car she likes for \$10,000. The salesperson approaches her, tells her how the car is just perfect for her and asks, **“What kind of monthly payment are you looking for?”** Anna tells him she can afford \$200 per month and the fun begins. Not fun for Anna, as the salesperson goes back and forth to his manager, working the numbers! Anna wrote down the numbers as they changed.

	Loan Amount	Interest Rate	Term (months)	Loan Fees	Monthly Payment*	Total Payments	Cost of Credit
Displayed on windshield	\$10,000	7%	48	\$0	\$239	\$11,472 (\$239 x 48)	\$1,472 (\$11,472 - \$10,000)
Factor Change:							
Down Payment (\$2,000)	\$8,000	7%	48	\$0	\$192	\$9,216 (\$192 x 48)	\$1,216 (\$9,216 - \$8,000)
Term (60 months)	\$10,000	7%	60	\$0	\$198	\$11,880 (\$198 x 60)	\$1,880 (\$11,880 - \$10,000)
Interest Rate (8.5%)	\$10,000	8.5%	48	\$0	\$246	\$11,808 (\$246 x 48)	\$1,808 (\$11,952 - \$10,000)
Loan Fees (\$340)	\$10,000	7%	48	\$340	\$239	\$11,812 (\$239 x 48 + \$340)	\$1,812 (\$11,812 - \$10,000)

Anna was uneasy about the way the numbers were being changed to fit her target monthly payment. She didn’t realize that having a down payment made such a difference to the total cost or how cost is affected by the length of the loan, interest rate, and fees. Anna decided not to buy at this time, paid for the car repair from her emergency savings, and revised her goals to save \$2,000 for a down payment before shopping for another car.

Goal	Amount Needed	Date Needed	Start Date	Months to Goal	Monthly Amount
Anna wants to save (A) three months expenses for emergency savings (S) .	\$3,510 (M)	4/1/2025 (T)	5/1/22	35	\$100 (R)
Save (A) for down payment on new car (S) .	\$2,000 (M)	5/1/2023 (T)	5/1/22	12	\$175 (R)

Dissecting Barry's Debt

Anna has shared some good news with you. She and Barry have decided to get married! Anna is very happy because Barry now has a job, moved in, and is contributing to the household expenses. They haven't set a date yet as Anna told Barry that they first need to be on a solid financial foundation. Although he was reluctant at first, he now knows waiting is the right thing to do. Barry has to show good faith and intentions because of his incarceration. They both hope that marriage will be possible within the next two years.

Anna has shared the information from Building Your Financial House with Barry, and both have reviewed their free credit reports. Anna is in good shape now that she has taken care of her delinquent accounts, but she has to continue making bill payments on time if she hopes to get a good rate on an auto loan in the future. Barry, on the other hand, has some credit issues. He has restitution and court fees to pay and was only able to make the minimum payment on his credit card during his incarceration. Below is a snapshot of his debt picture. Help Barry create a debt repayment plan that fits best with their goals. They agree to direct \$500 per month of Barry's income towards his debt.

Barry's Debt						
Account	APR	Remaining Balance	Monthly Payment	# of Payments Behind	\$ Amount Behind	Collection Account
Court Costs/Restitution	-	\$ 2,915	\$ 35	0	\$0	
ABC Bank (credit card)	25%	\$ 1,572	\$ 20	0	\$0	
Electronics Store	-	\$ 462	-	-	-	√
Utilities Central	-	\$ 357	-	-	-	√
Totals:		\$ 5,306	\$ 55	0	\$45	2

Barry's Repayment Plan				
Priority	Account	Monthly Payment	# of Months	Why?
1	Court Costs/Restitution	\$ 35	TBD	Not paying will be a technical parole violation and may result in reincarceration. Amount of payment will increase after collection accounts are paid in full.
2	Utilities Central	\$180	2	Paying of collection accounts will help improve credit score.
3	Electronics Store	\$180	3	
4	ABC Bank (credit card)	\$ 65	TBD	Amount of payment will increase after collection accounts are paid in full.
	Total:	\$500		

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