

Name:

IN THIS LESSON, YOU WILL:

- Calculate averages
- Differentiate between salary and wage work
- Create and analyze a zero-based budget using a spreadsheet



INTRO

DISCUSSION PROMPT: Would you rather...?

Not all jobs have a consistently weekly or monthly paycheck. Many jobs operate on a commission basis. Others are on a contract basis and some jobs are seasonal.

1. **Would you prefer a job with a variable weekly income but the potential to earn a higher salary based on your performance OR would you prefer a consistently weekly paycheck but without as much earning potential? Explain your preference.**



LEARN IT

INFOGRAPHIC: [Salary vs. Hourly Pay: What Are the Differences?](#)

As noted in the intro, some jobs offer pay on a salary basis, while others pay their employers an hourly wage. Use the infographic to answer the following question.

1. **What are the differences between salary and hourly pay?**

2. **How could being an hourly employee affect your budget planning?**



MATH CONNECTION - BUDGETING AS AN HOURLY EMPLOYEE

ARTICLE: 8 Tips for Budgeting When You Earn an Hourly Paycheck

Read the article and answer the questions below.

- 1. What do you think is the most important tip from the article for setting a budget when you earn an hourly paycheck?**

You are setting your budget as an hourly employee making \$19 per hour. You look back at your last 6 months of work and record the following:

Month	Hours Worked
April	165
May	182
June	120
July	136
August	200
September	140

- 1. Calculate your average hours worked per month. Round down to the nearest whole hour.**
- 2. Use your average hours per month to calculate your average monthly gross income.**
- 3. You worked the fewest hours during June.**
 - a. How much LESS than your average monthly gross income did you earn?
 - b. How might this affect your spending in June?

4. What is your estimated monthly take-home pay after taxes? Enter your data into [Free Paycheck Calculator: Hourly & Salary](#).

- Select “Hourly” for Type
- Enter your hourly wage then average hours worked into “Hours (per pay period)”
- On the LEFT, change Location to your home location and Pay Frequency to “Monthly” (since we are entering a month of hours in step 2)
- Leave all other fields the same



EXPLORE IT

ACTIVITY: Building a Budget

In this exploration activity, you are going to construct a budget...with a catch. Three major categories of your budget will be selected at random: Salary, Housing, and Student Loan balance. Your main task will be to budget the remaining items and make any necessary compromises in order to have a net-zero budget.

Part I: Life Decisions

Directions	Budget Amounts
<p>Occupation and Income</p> <ol style="list-style-type: none"> 1. Use the Wheel of Occupations to select your occupation. 2. Estimate your income entering your job title and state on Indeed.com Salaries. Depending on your job, it may be an hourly rate or a yearly salary. <ul style="list-style-type: none"> ● Hourly: multiply by 160 to find your estimated monthly income ● Salary: divide by 12 months to get an estimated monthly salary. 	<p>Occupation: _____</p> <p>Monthly income: _____</p> <p>Annual salary: _____</p>
<p>Income tax</p> <ol style="list-style-type: none"> 3. Enter your annual salary in the Paycheck Calculator to find your total income tax, including FICA and state taxes. Record your taxes due and total take-home pay after taxes. 	<p>Total taxes: _____</p> <p>After-tax income: _____</p>
<p>Housing</p> <ol style="list-style-type: none"> 4. Use the Wheel of Housing Situations to select your housing 5. Find the average cost of rent or a mortgage in your area. <ol style="list-style-type: none"> a. If you are going to rent, find the cost of rent by entering your zip code in Fair Market Rent by ZIP Code. b. If you are going to own, find the average monthly mortgage for your state on What Is The Average Mortgage Payment? <ol style="list-style-type: none"> i. Use this value for a 2 BR house ii. Add an additional \$250 per month for a 3 BR house 	<p>Housing payment: _____</p>

<p>Student Loans</p> <p>6. Use the Wheel of Student Loan Debts to find your student loan amount.</p> <p>7. Use the Student Loan Calculator to find your total monthly student loan payment. The only item you should change is your Loan Amount.</p>	<p>Student loan debt monthly payment:</p> <p>_____</p>
<p>Pay yourself</p> <p>The 50/30/20 rule allocated 20% of your after-tax income to debt reduction and savings.</p> <p>8. Calculate your total savings (20% of your after-tax income)</p> <p>9. Is your saving goal more than your student loan payment? Record any excess here, which will go towards your emergency fund.</p>	<p>Total savings:</p> <p>_____</p> <p>Portion towards emergency fund:</p> <p>_____</p>
<p>Health Insurance</p> <p>10. You need health insurance. The averages costs are as follows:</p> <ul style="list-style-type: none"> • Health insurance - \$440 per month • Dental insurance (optional) - \$30 per month • Vision insurance (optional) - \$18 per month 	<p>Total monthly health insurance costs:</p> <p>_____</p>
<p>Food</p> <p>11. Estimate your grocery bill using this Grocery Calculator.</p> <p>12. Estimate your budget for eating out, by multiplying the number of times you eat out by \$13 for each person in your household.</p> <p>13. Record your total food budget, including groceries and eating out.</p>	<p>Grocery budget:</p> <p>_____</p> <p>Eating out budget:</p> <p>_____</p> <p>Total food budget:</p> <p>_____</p>
<p>Transportation</p> <p>14. Choose a transportation option and record your total transportation costs.</p> <p><u>Option 1: Own a Car</u> Choose a car payment, then add insurance and gas costs. If you choose a used car, add maintenance as well.</p> <p>The average monthly payment for a car is as follows: (source)</p> <ul style="list-style-type: none"> • \$563 for a new car • \$397 for a used car • \$450 for a leased car <p>Additional costs of owning a car (source).</p> <ul style="list-style-type: none"> • Insurance costs \$100 per month • Gas costs \$154 per month • Maintenance and repairs cost \$113 for cars over 5 years. <p><u>Option 2: Public Transportation</u> Monthly public transportation costs can vary significantly based on your location. For simplicity, use the average for all cities of \$67 per month (source).</p>	<p>Transportation costs:</p> <p>_____</p>
<p>Utilities</p> <p>The average total utility bill is \$370 per month.</p> <p>15. Choose the utilities you need and add up their average costs, based on this infographic. Assume you must have electricity, water and natural gas.</p>	<p>Utilities:</p> <p>_____</p>

Part II: Let's Make a Budget

Now that you've made a lot of decisions about your life, let's put it all into a budget to see if your choices are affordable.

- 16. Make a copy of [FA-4.9 Monthly Budget Spreadsheet](#) and enter your monthly income and expenses from Part I. This is your budget! Paste a link to your spreadsheet below. Be sure your sharing permissions allow your teacher to view it.**

- 17. What is the value in the Difference box in cell C4?**

- 18. If you have a negative number in cell C4, you are spending more than you are earning. If you have a positive number in cell C4, you are earning more than your expenses. Your goal in a zero-based budget is to have cell C4 be exactly \$0.00. Describe what steps you would take to "zero" your budget.**
 - Start with the items that you chose: Food, optional insurance, transportation, optional utilities. Can you reduce those to bring your budget out of the negative?
 - You can reduce your housing and utility costs by taking on 1 or 2 roommates and splitting the costs, assuming you have an extra bedroom to accommodate them.
 - Still stuck? Consider adjusting your monthly emergency fund savings.
 - If you can't afford housing even with roommates, you have the option to move back home and pay \$300 to cover expenses. Change your housing cost to \$300 and your utilities to \$0.
 - You can allocate any "extra" money to saving, debt reduction, emergency fund or "wants"

Part III: Reflection

Answer the following questions about your budgeting experience.

- 19. Did you have difficulties creating a budget where the difference between salary and expenses was not negative? What kind of compromises did you have to make so that your budget worked out?**

- 20. You were assigned certain items like salary, housing and student loan balance. If you could choose these items instead of being assigned randomly, what kind of changes would have made your budget more favorable?**

- 21. You may have noticed that there is a second tab at the bottom of your budget spreadsheet labeled "Transactions." How might you be able to use this tab to help build your budget?**

22. What do you think was the biggest overall lesson that you learned from creating your own budget?



EXIT TICKET

Follow your teacher's instructions to complete the Exit Ticket.

Teachers, you can find exit ticket questions on the Lesson Guide.