

Name _____

Date _____

How Can I be Out of Money?!

(I still have checks!!)

Let's look into the future. You're out of school. You're working and making money. You are now financially independent. You're FREE! Free to move out of your parents' house and live where you want, free to buy a car and go where you want, eat where and what you want, etc., etc. And you're free to pay for it all yourself.

So like everyone else who pays bills, you need to establish priorities. In other words, you will decide what to spend money on, and what not to spend money on. And you will begin to pay your important bills as soon as you get paid.

In the following pages you will do some research and make some decisions about how to use your money. Here are just a few of them:

1. How big a house or apartment can you afford?
2. You will need a car. How nice a car? Buy a new car? Lease one? Or buy used?
3. Of course you need a phone. Is it the new iPhone, or just a phone?

All these decisions will depend on how much they cost, and how much money you have.

Here's what you start with:

1. Furniture and appliances

To help you get started, generous family members have given you some basic necessities: a refrigerator, stove, and microwave. Also some basic furniture: table and chairs, a couch, bed, and dresser, and basic kitchen needs. And luckily for you, you have a decent desktop computer.

2. Income

Your teacher will give you a “checkbook” == a register in which you’ll record all your income and expenses. You’ll start by entering the deposit for your first monthly paycheck. Then you will write checks (and record them in the register) to pay your expenses.

3. Here’s what you DON’T have

Unfortunately, you don’t have a TV, a tablet or iPod, a phone, or any gaming or entertainment devices. You’ll need to buy those after you’ve paid your important bills – if you can afford them.

Here are the steps you’ll take each month:

1. You will deposit your salary by filling out a deposit slip and entering the amount in your checkbook register. You will record all your income and expenses in your checkbook. You’ll deposit all your money in your checking account and pay all your expenses with. **You do not have a credit card.** This means you cannot spend more money than you have in your account.
2. You need to calculate the balance in your checkbook after every deposit or check.
3. You will deposit some money into a savings account every month. You can’t spend this money.
4. Every so often you’ll receive a Wild Expense or a Surprise Income card. This will be something you didn’t expect – a car repair bill, or a surprise birthday gift.
5. How do you know what your income and expenses are? Your teacher may simply give you the numbers. Or you’ll spend some time researching and calculating them.

We will all follow these two basic rules:

Rule 1: You must pay ALL your regular bills immediately after receiving your salary at the beginning of each month.

Rule 2: If you overdraw your account, you will be charged \$25 per check. No Exceptions!

Income and Deductions

You earn an annual salary of \$26,000. Where does all that money go?

Here are some finance words and terms you need to be familiar with.

| | |
|---------------------|---|
| Income | Money that you receive |
| Expense | Money that you pay |
| Salary | The money you receive for working. This is a flat amount per week, per month, or per year. |
| Deduct | To take out of, or subtract. Taxes are subtracted from your salary. |
| Deduction | Money that is taken out of your salary before you receive your paycheck. Examples of deductions are income tax and medical insurance. |
| Gross income | Your salary – the amount you're paid before taxes and other deductions are taken out. |
| Net income | Income after deductions are taken out. Net income is less than gross. |
| Annual | Yearly – once a year |
| Monthly | Once a month. How many times a year is this? _____ |

You are paid on the first day of each month. Money is deducted (taken out) of your salary before you get paid. There are 5 deductions listed on the back of this page. The other deductions are taxes. You need to calculate their amounts both for the year and for each month.

First, write down how you will do these calculations.

How do you convert an annual amount into a monthly amount? _____

How do you find a percentage of an amount? _____

How do you calculate your monthly salary after you know how much is deducted? _____

Your Deductions

Medical Insurance

Your medical insurance costs you only **\$200 per month** (that's cheap). It covers all big medical problems that are likely to happen, including dental and vision. But remember that every time you walk into a doctor's office or clinic, you will need to write a check for your "co-pay" -- your share of the bill. Usually that is \$25.

Taxes

Your other deductions are taxes. The tax you pay is calculated as a percent of your income.

Use this table to calculate how much money is deducted from your salary both annually and monthly. The tax rates are simplified to make the calculations easier.

You don't need to fill in the cells that are gray.

| Name of Deduction | Tax Rate | Annual Amount | Monthly Amount |
|--------------------------------------|---------------------------|---------------|----------------|
| Federal withholding tax (income tax) | 15% of gross income | | |
| Social Security/Medicare tax | 7% of gross income | | |
| State income tax | 20% of federal income tax | | |
| Medical insurance | | | \$200 |
| Total monthly deductions | | | |

Your Income

Now you can calculate your net monthly income - in other words, how much you get paid each month.

Your gross annual income (listed at the top of the other side) _____

Your gross monthly income: _____

Total monthly deductions: _____

Net monthly income: _____

This is the amount you deposit in your checking account on the first of each month.

Your Basic Monthly Expenses

Your take-home salary is _____ per month. This is the amount of your paycheck after taxes and medical insurance have been deducted.

There is a list of your essential bills on the back. These are the first expenses that you pay each month, right after depositing your salary. The amounts for your living expenses are based on your sharing a house or apartment with 2 or 3 other people. These expenses include rent, electricity, heat, water, garbage, sewage, landline phone, TV, Internet, and household expenses.

You may not need to pay each of these – if you decide not to get cable TV, Internet, and a landline phone, for instance.

To fill out the deposit slip:

1. Write your name and the date on the correct lines (Your name would be printed on real slips.)
2. Enter the amount you're depositing (the full amount of your paycheck) on the **Check 1** line.
3. Enter the same amount on the **Subtotal** line.
4. If you want a few dollars in cash, enter that amount on the Less Cash line and subtract that amount from the Subtotal. Sign for it on the signature line.
5. Enter the difference on the **Total** line.

Paying your bills:

You need to supply the names of the people, businesses, or groups that you make the checks payable to. These are the **Payees**. Find out the name of the electric company, the bank which gave you your car loan, etc. You can always make up a name if you need to.

If you've never written a check:

Not many people write checks these days. In case you've never learned what to do, or need reminding, here are the steps:

1. Use a non-erasable pen!
2. Write your name in the upper left.
3. Write the check number in the upper right. The first check you write will be **101**.
Your name and the check numbers are already printed on real checks.
4. Write the name of the Payee on the "Pay to the Order of" line.
5. Write the amount of the check in the small box. Be sure you include the decimal point and the number of cents.
6. On the full line, write the amount in words. Write the number of cents as a fraction with 100 as the denominator. **Example:** \$112.35 = one hundred twelve and 35/100
7. On the "For" line, write a note explaining what the check is for.
8. Sign the check.

Complete the table on the back. In the bottom rows, add up the total of these expenses, and calculate how much of your monthly salary is left after paying them.

Basic Monthly Bills

| | | Write the amount of your deposit at right. Total Deposit | |
|--------------------|--|---|--|
| Expense | Name of Check Payee | Amount per month | |
| Rent | | | |
| Electricity | | | |
| Heat | | | |
| Car payment | | | |
| Car insurance | | \$100 | |
| Fuel | | | |
| Car maintenance | | \$10 | |
| Cell phone | | | |
| Landline phone | | | |
| TV | | | |
| Internet | | | |
| Garbage | | | |
| Sewage | | | |
| Water | | | |
| Food (stores only) | | \$100 | |
| Household supplies | | | |
| Donations | | \$50 | |
| Savings | | \$100 | |
| | Total monthly bills (Write it again at the far right) | | |
| | | How much is left? Subtract total of bills from the amount of your deposit | |

Basic Monthly Bills

| | | Write the amount of your deposit at right Total Deposit | |
|--------------------|--|---|--|
| Expense | Name of Check Payee | Amount per month | |
| Rent | | \$300 | |
| Electricity | | \$40 | |
| Heat | | \$35 | |
| Car payment | | \$350 | |
| Car insurance | | \$100 | |
| Fuel | | \$110 | |
| Car maintenance | | \$10 | |
| Cell phone | | \$30 | |
| Landline phone | | Phone, TV, Internet | |
| TV | | are bundled for | |
| Internet | | \$40 total per month | |
| Garbage | | \$8 | |
| Sewage | | \$8 | |
| Water | | \$8 | |
| Food (stores only) | | \$100 | |
| Household supplies | | \$10 | |
| Donations | | \$50 | |
| Savings | | \$100 | |
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| Garbage | | | |
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