

WHERE DID THE MONEY GO?

Amy and Jason made some hard decisions to reduce their spending. Jason cut out snacks (\$14) and video games (\$10) to increase his monthly savings to \$24. Amy reduced her spending on art supplies from \$44 to \$34 to increase her monthly savings from \$11 to \$21.

Realizing they each needed to increase income, they decided to ask their neighbor Meredith for suggestions. She had an idea: "If you have a strong wrist and can stand the wacky flavors, I know they need part-time workers at Cuckoo Cones. They pay \$8 an hour." After getting a work permit at school, Amy and Jason were hired for the seven-hour Saturday shift. "Wow!" exclaimed Jason. "That's \$56 each week, more than enough to save for the car *and* buy snacks again *and* save a little more."

After a week of dishing out an untold number of ham ripple, strawberry-spinach surprise, and caramel-rhubarb cones, the twins received their first paychecks. After excitedly opening their pay envelopes, their jaws dropped. "We've been robbed!" cried Jason.

Meredith explained where their money went: "You are required to pay the taxes and you chose to donate \$1 to charity every week and put \$35 directly into the bank so you would have enough to buy the car in two years. After all that, you still have over \$11 each week to save or spend as you please."



DEFINITIONS:

- **Gross Pay:** An employee's pay before being reduced by taxes and other deductions.
- **Net Pay:** Gross pay minus taxes and other deductions (voluntary and involuntary).

CUCKOO CONES				Earnings Statement				
EMPLOYEE NO.	EMPLOYEE NAME		SOCIAL SECURITY NO	PERIOD BEG.	PERIOD END	CHECK DATE		
02147	JASON HUNTER		XXX-XX-9865	10/15/2012	10/22/2012	10/25/2012		
EARNINGS		HOURS	RATE	CURRENT AMOUNT	WITHHOLDINGS/DEDUCTIONS		CURRENT AMOUNT	YEAR TO DATE
GROSS PAY		7.00	8.00/HR.	56.00	STATE TAX WITHHOLDING		1.60	1.60
					SOCIAL SECURITY TAX		2.35	2.35
					FEDERAL TAX WITHHOLDING		3.68	3.68
					MEDICARE TAX		.81	.81
					SAVINGS DEPOSIT		35.00	35.00
					CHARITY DONATION		1.00	1.00
CURRENT AMOUNT	CURRENT DEDUCTIONS	NET PAY	YTD EARNINGS	YTD DEDUCTIONS	YTD NET PAY	CHECK NO.		
56.00	44.44	11.56	56.00	44.44	11.56	69854		

QUESTIONS

Show your work on separate paper.

1. What percentage of Jason's gross pay goes for taxes?
2. What percentage of his gross pay is used for voluntary deductions (deductions he chooses to make)?
3. What is the Medicare tax rate percentage?

NOW TRY THIS!

1. The way a person allocates the funds from his or her paycheck has been described by some as "saving, giving, and living." How do you think this expression applies to Jason and how he assigns available funds?
2. If you received income from a part-time job, why do you think it would be important to "save, give, and live"?