

# Money Sense

REM 598E

A TEACHING RESOURCE FROM...



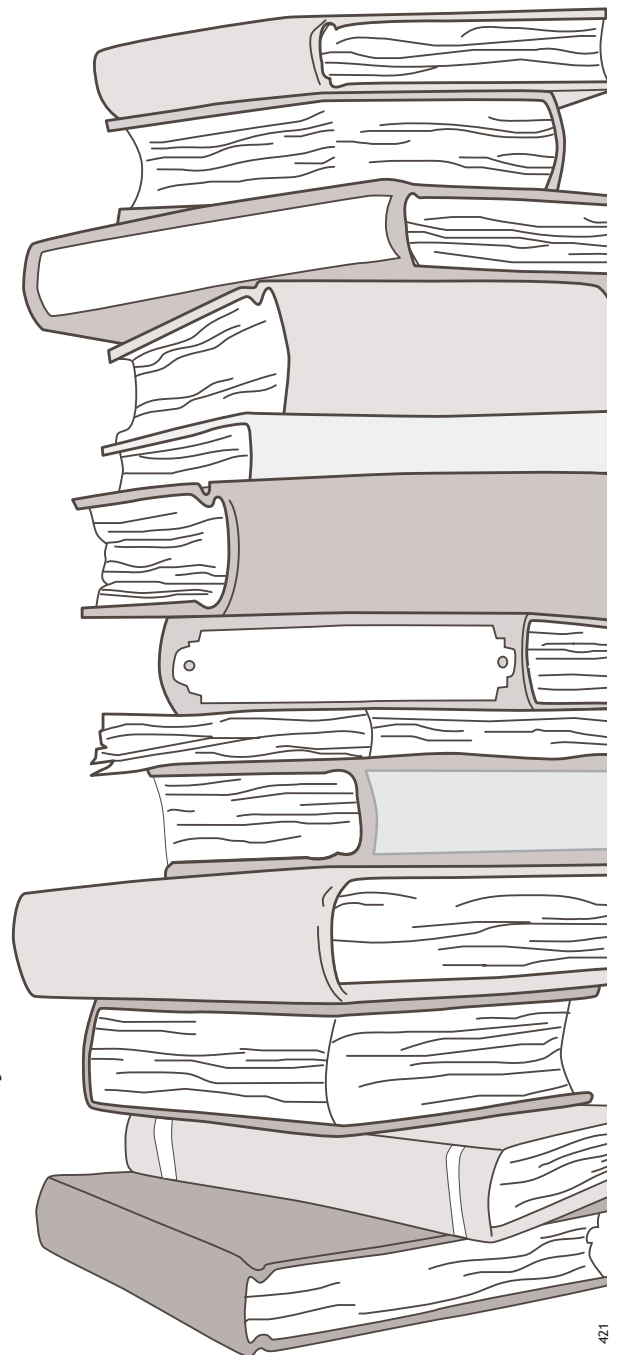
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## Introduction

The objective of *Money Sense* is to introduce students to the vital role that money handling plays in all areas of a person's life, while reinforcing basic math skills through a variety of problem-solving exercises. Comprehension, logical thinking, and sequential decisions are required to find answers to word problems relating to situations regarding money matters.

Students practice applying their math skills in addition, subtraction, multiplication, division, percents, fractions, decimals, and rounding. They also gain valuable, practical knowledge about the important survival skill of handling money.

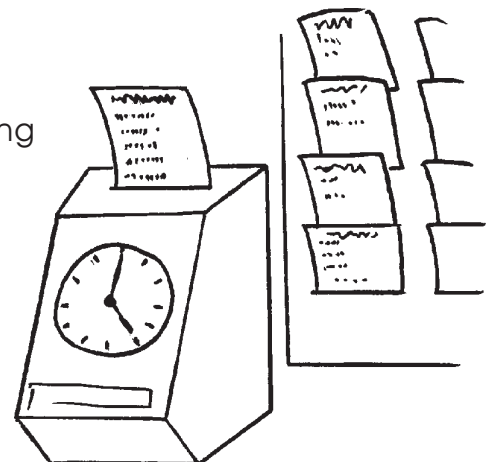
This book is designed for use in grades 4 – 12. Readability is on the 3rd – 4th grade level.

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Workers can be paid in different ways. Some are paid by the hour. That means they get money for each hour worked. Some workers are paid by the week. No matter how many hours they work, they get the same amount each week. Others get a certain amount per year that is paid out in regular paychecks.

1. Paul works at a gas station. He earns \$9.00 per hour. If he works eight hours a day, how much does he earn in a day? \_\_\_\_\_ He works six days a week. What is his weekly pay? \_\_\_\_\_
2. Jessica does child-care work in her home. She charges \$85.00 per week for each child. If she takes care of five children, how much does she collect each week? \_\_\_\_\_ How much would she receive in a year? \_\_\_\_\_
3. Trent earned \$780.00 for 40 hours of work. How much did he earn per hour?  
\_\_\_\_\_
4. Carmen was hired as a computer programmer for \$72,000 per year. How much would that be per month? \_\_\_\_\_ How much per week?  
\_\_\_\_\_
5. Kelly earns \$16.00 per hour. If she works more than 40 hours a week, she receives "overtime" pay. She gets  $1\frac{1}{2}$  times her hourly rate for each hour over 40. One week, Kelly worked 46 hours. What was her pay that week?  
\_\_\_\_\_
6. Maria had to leave her job early one day after working  $6\frac{1}{2}$  hours. She earns \$8.50 an hour. How much did she get for the day she left early?  
\_\_\_\_\_



Everyone who works pays income taxes. Income is the money earned by a worker. The tax money is used to pay people to run the government. It also pays for highways, schools, the armed forces, aid for poor people, etc.

Employers withhold from a worker's paycheck the amount that worker owes for taxes. The employer then gives the money to the state or U. S. (federal) government.

With a paycheck, there is a pay stub that shows the gross pay (total amount earned), the withholdings, and net pay (gross amount minus deductions).

**Example:**

| <b>Gross Pay</b> | <b>F.I.C.A.</b> | <b>Fed. Tax</b> | <b>State Tax</b> | <b>Net Pay</b> |
|------------------|-----------------|-----------------|------------------|----------------|
| \$563.00         | \$33.78         | \$84.75         | \$11.26          | \$433.21       |

F.I.C.A. stands for Federal Insurance Contributions Act. It is for the social security fund, from which employees receive checks after retirement from work.

In the above example, how much altogether was withheld from the worker's paycheck? \_\_\_\_\_

**Read the information and fill in the check stubs.**

To figure the amounts of the withholding, change the percent to a decimal fraction and multiply times the gross pay.

**Example:**

Gross pay is \$400.00 F.I.C.A. is 6%

$$\begin{array}{r}
 6\% = .06 \quad \$400.00 \quad \text{F.I.C.A. is} \\
 \quad \quad \quad \times \quad .06 \quad \quad \quad \$24.00 \\
 \hline
 \quad \quad \quad \$24.00
 \end{array}$$

- Employee worked 40 hours at \$12.00 per hour. F.I.C.A. is 6%. Federal tax is 16%. State tax is 2%.

| <b>Gross Pay</b> | <b>F.I.C.A.</b> | <b>Fed. Tax</b> | <b>State Tax</b> | <b>Net Pay</b> |
|------------------|-----------------|-----------------|------------------|----------------|
|                  |                 |                 |                  |                |

- Worker earned \$1,263.80. F.I.C.A. is 6%. Federal tax is 28%. State tax is 4%.

| <b>Gross Pay</b> | <b>F.I.C.A.</b> | <b>Fed. Tax</b> | <b>State Tax</b> | <b>Net Pay</b> |
|------------------|-----------------|-----------------|------------------|----------------|
|                  |                 |                 |                  |                |

Name \_\_\_\_\_

**GROSS PAY/NET PAY**

1. Tom has a summer job while he is on vacation from school. He is working at a riding stable taking care of the horses. He earns \$8.00 an hour and works six hours a day six days a week. How much does he earn in a week? \_\_\_\_\_
2. When Tom received his paycheck, it was less than he expected. The amount deducted from the gross amount for F.I.C.A. was 6%. How much is that? \_\_\_\_\_
3. Even though Tom's employer knows Tom will be working only 3 months, he has to withhold the same amount that would be withheld if Tom were a full-time employee. The deduction for federal tax is 16%. How much of Tom's gross pay was taken for this tax? \_\_\_\_\_
4. The amount of state tax withheld is 5%. What amount was deducted from Tom's check? \_\_\_\_\_
5. What was the net amount of Tom's check? \_\_\_\_\_ Fill in the amounts on Tom's check stub.

| <b>Gross Pay</b> | <b>F.I.C.A.</b> | <b>Fed. Tax</b> | <b>State Tax</b> | <b>Net Pay</b> |
|------------------|-----------------|-----------------|------------------|----------------|
|                  |                 |                 |                  |                |

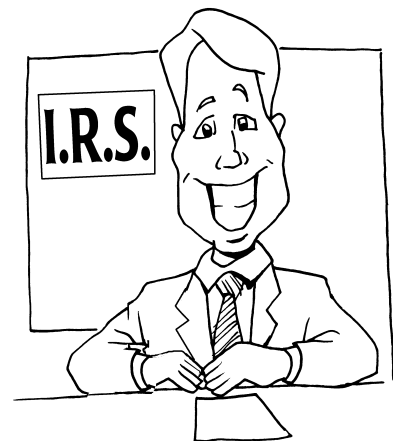
6. Tom worked at the stable for 12 weeks. How much gross pay did Tom earn at his summer job? \_\_\_\_\_
7. What was his total "take-home" pay (total gross minus total deductions) for the summer?  
\_\_\_\_\_

Each year, no later than April 15, all workers must fill out a form called an Income Tax Return. One form goes to the federal government (Internal Revenue Service) and one goes to the state government. It shows how much the person earned during the previous year. It also shows how much income tax had been withheld from the worker's earnings by his or her employer.

State and federal governments publish charts showing how much a worker owes them for income taxes. The amounts differ according to how much a person earns. Sometimes a worker owes more than the amount the employer has withheld. Sometimes the worker gets a refund (difference between the amount withheld and amount owed).

1. When Tom filled out his federal Income Tax Return, he showed how much in total earnings? (see page 3) \_\_\_\_\_ He showed that his employer withheld how much for federal income tax? \_\_\_\_\_

The federal income tax chart showed that Tom owed just \$28.00 on the total amount he earned. He received a refund check for how much? \_\_\_\_\_



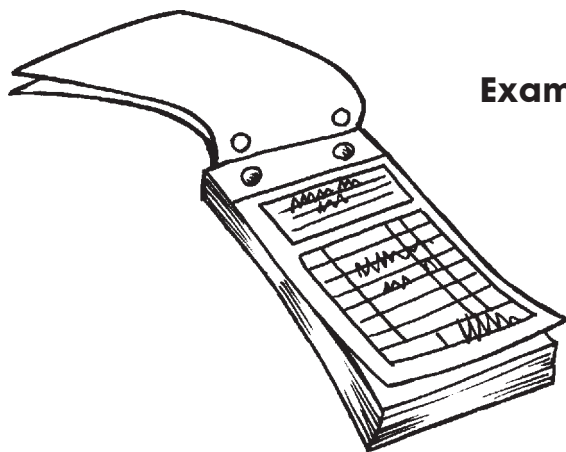
2. The state income tax chart showed that Tom did not have to pay any tax on the amount he earned. His refund check from the state was how much? \_\_\_\_\_

3. The F.I.C.A. amount is never refunded. It is held in the social security fund and will be used to pay Tom benefit checks when he reaches retirement age. How much has Tom contributed to the fund from his total earnings at the riding stable? \_\_\_\_\_

4. Tom's father reported that he earned \$87,293.70 during the previous year and that \$20,442.94 had been withheld for the federal income tax. The income tax chart showed he owed \$24,440.00 on the total amount he earned. How much more did Tom's dad have to pay the U.S. government for his income tax? \_\_\_\_\_

Many states collect money to run their governments by adding a tax to the amount you spend when you buy something. This is called **sales tax**. Stores collect the sales tax from customers and then turn it over to the state treasurer. Each state decides how much sales tax it will charge. It might be 4%, 6%, 8%, or some other amount.

To find out how much tax to add, change the percent to a decimal fraction and multiply it times the amount of the purchase.



**Example:** A book costs \$12.00 7% sales tax = .07

|         |           |
|---------|-----------|
| \$12.00 | Sales tax |
| x .07   | is \$.84  |
| .8400   |           |

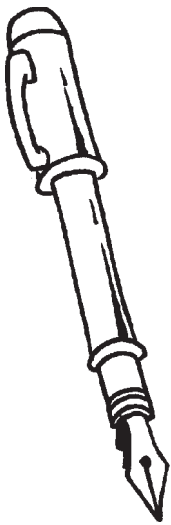
1. Sandy lives in a state that has a 5% sales tax. She buys a coat that costs \$49.00. What is the total amount she will have to pay? \_\_\_\_\_
2. Eric has a \$10.00 bill. The price of the belt he buys is \$9.00. The sales tax is 6%. How much change does Eric receive? \_\_\_\_\_
3. If the tax rate is 7%, how much sales tax on a radio that costs \$87.99? (Round off amount of tax to the nearest 10<sup>th</sup>.) \_\_\_\_\_
4. The sales tax rate in Emily's state is 8%. She picks out a toaster that costs \$29.50, an iron that costs \$37.98, and a microwave oven, which is \$195.75. What is the total cost of the three items? \_\_\_\_\_ How much sales tax? \_\_\_\_\_ What will Emily pay for these items? \_\_\_\_\_
5. The price of a car is \$18,000. The sales tax is 6½%. What would be the total cost of the car? \_\_\_\_\_

To make sure your **income** (amount you earn) equals your **outgo** (the amount you spend), it is a good idea to have a budget. A budget is a plan for spending and saving money.

There are two kinds of costs you may have when making a budget. **Fixed costs** are payments that stay about the same every month. **Flexible costs** are payments that may be different amounts each month, such as for clothing, food, and fun.

Matt has decided he needs a budget because he isn't saving any money and is not prepared for unexpected expenses. He keeps track of what he spends in one month. Decide which costs are fixed and which are flexible and list them on Matt's record.

The rent on Matt's apartment is \$700 a month. He purchased some new clothes that came to a total of \$178. He bought a new car and agreed to make monthly payments of \$255. During the month, he spent \$97 on groceries. Altogether, his bills for utilities were \$140. A weekend trip out of town came to \$175. Matt eats out a lot and spent \$200 on restaurant food. Other recreation activities cost \$90. It costs \$26 a month to have a phone, but Matt spent \$69 more on long-distance calls. Every month, Matt has miscellaneous expenses that average \$55. These expenses are for such things as gasoline, a haircut, grooming supplies, etc.



| <b>Description</b> | <b>Fixed Costs</b> | <b>Flexible Costs</b> |
|--------------------|--------------------|-----------------------|
| Rent               |                    |                       |
| Savings            |                    |                       |
| Car payment        |                    |                       |
| Utilities          |                    |                       |
| Phone              |                    |                       |
| Food               |                    |                       |
| Fun                |                    |                       |
| Clothes            |                    |                       |
| Miscellaneous      |                    |                       |

Total spent in one month: \_\_\_\_\_



When making a budget remember that the fixed costs change very little, but flexible costs sometimes change a great deal.

1. Matt's spending record showed that he spent \$1,985 one month. His monthly income is \$2,000. How much money did Matt have left at the end of the month?

\_\_\_\_\_

2. Matt ate dinner at a restaurant three times a week. The meals averaged \$10 each. How much did he spend on dinners during the month? \_\_\_\_\_ He could have made home-cooked meals for \$3 each.



The total cost of the home-cooked dinners would be how much? \_\_\_\_\_ How much would Matt save by eating dinner at home? \_\_\_\_\_

3. Matt bought designer jeans that cost \$65 and a knit shirt for \$32. He could have purchased similar jeans and a shirt at a discount store for a total of \$44. How much less would that be? \_\_\_\_\_
4. On the weekend trip, Matt spent two nights in a hotel room with a rate of \$62 per night. He could have stayed at a motel for \$39 per night. How much would he have saved?

\_\_\_\_\_

5. Instead of making \$69 worth of long-distance phone calls to six friends, Matt could have written them letters. Paper and stamps for the letters cost 50¢ each. The difference in costs is how much? \_\_\_\_\_
6. If Matt had changed his spending decisions in the four ways described above, how much money would he have left at the end of the month? \_\_\_\_\_