

UNDERSTANDING YOUR PAY STUB

KEY ECONOMIC CONCEPTS

- Personal Income
- Personal Taxes



LESSON DESCRIPTION

This lesson will help students understand all the items on the paycheck and where the money goes before they receive their check. This lesson can be easily extended to examine where the money goes once they receive their checks.

TIME RECOMMENDATION

1 class period

RESOURCES NEEDED

Mock pay stub, calculator, pencil, paper, newspaper, a “benefit statement” which shows percentage amount of each deduction to be subtracted from their gross pay

PROCEDURE

1. Talk with students about the difference between gross and net wages.
2. Put students into groups of two to four and give copies of newspapers to each group. A Sunday newspaper with long lists of employment opportunities would be best. Have students identify a job in the paper they would like to have and determine the amount of wages it pays. Limit the job search to those that list wages in the advertisement.
3. Hand out pay stubs and other supplies. Remind students that is important to look at their pay stubs to make sure everything is correct on it -- including hours worked, wage, days off totals, taxes withheld, retirement payment, insurance deductions, and any other deductions.
4. Explain FICA and other payroll taxes (or other items listed on their “benefit statement” to the students.
5. Have students compute their net income, subtracting out all of the deductions.

EXTENSION/ENRICHMENT

- Have students go through the newspaper to identify desired purchases with their net income. Be sure they can identify the differences between wants and needs.
- Have students write a short report on what they discovered on their paychecks and how it feels to see the difference between gross and net.
- Ask students to compare and contrast between a good paying job and a poor paying job by discussing questions such as: Do you want a different job? Do you need more education for a better paying job? What are your wants? Your needs? Do you have the money to buy these needs?
- Have students research where their tax dollars go.

SUGGESTIONS FOR EVALUATION

Students can be evaluated based on their group work, completion of the assignment and class discussion.

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