

Lesson 3: Careers and Taxes

Career Central

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Target Audience: 9-12 grade students
60-90 minute lesson

Objectives

- EPF.15 The student will demonstrate knowledge of income earning and reporting by
- Examining how personal choices about education, training, skill development and careers impact earnings
 - Calculating net pay
 - Investigating employee benefits and incentives
 - Completing a standard W-4 form
- EPF.16 The student will demonstrate knowledge of taxes by
- Describing the types and purposes of local, state and federal (income) taxes
 - Explaining the content and purpose of a standard W-2 form

Materials

- Lesson plan (the green words are a basic script guideline for the teacher)
- PowerPoint presentation
- Salary handouts, check worksheet, W-4 form, W-2 form and explanation sheet,
- Laptops with internet access
- Hat or container for students to pick a career from
- Video: Air-Condition Cubicle: Career Video

Introduction

View Air-Condition Cubicle: Career Video

View and discuss the What Would You Do with One Million Dollars slide.

On the worksheet this is question number one. You can have them write it down then discuss it.

What would you do with \$1.2-1.6 million? The average person out of college makes around \$30,000-\$40,000. Over the course of a 40-year career you will make \$1.2-1.6 million. That is a lot of money. The career you choose will influence all aspects of your life. When you start working you are considered a human resource. A human resource is defined as the people and staff that operate an organization as opposed to a financial resource or material resource. Human resources keep our economy going. The time and energy you spend working can really add up, so it is important that you choose a career that you enjoy. You also need to pick a career that will provide the type of lifestyle that you would like for yourself.

Lesson

View the Draw for Your Career slide.

Choose a random career out of a "Career Hat." I used a red, white and blue box. Cut up the career strips in your packet for this activity. Have students pick a random career with salary.

Discuss with students the implications that job choice has on salaries.

Number Two on the worksheet is to write down the career and salary the student drew out of the hat.

View and discuss the What Is Your Career slide.

Each decision or choice that you make has a cost or benefit. This is especially true when it comes to deciding what type of career to choose. Your career will have a huge impact on many aspects of your life. You need to weigh all the opportunity costs and benefits of your career choice before you get a job. Here are some questions to think about: What is important to me? What do I enjoy doing? How long do I want to spend in school (college)? Do I have a special talent? Do I have experience in a certain area?

As we look at different careers I would like your input on why some careers make more money than others? Why does a doctor make more than a painter? How does education influence a person's salary?

I could not go out and apply to be a doctor. I do not have any education or experience. Also, if the demand for doctors is high and if the supply is low, they could be paid more or have negotiating power when getting a job. Painting does not necessarily require a college education but it might require specific skills. Do careers that require a higher education have a higher salary? Not always! Some careers do not necessarily need an education to maximize on the earning potential. Movie stars are good example of this! Someone that owns a business might not need an education, but would need to have training and would need to understand how to run a business.

Pass out the Occupations worksheet.

These figures were taken from the 2013 U.S. Bureau of Labor Statistics.

The first five jobs on this worksheet show occupations that employ some of the most people according to the report. They are:

Retail Sales Worker	8,500,690	\$11.39	\$23,690
Office Clerk	2,832,010	\$14.42	\$29,990
Registered Nurse	2,661,890	\$33.13	\$68,910
Truck Driver	1,585,300	\$19.68	\$40,940
Managers	1,973,700	\$55.81	\$116,090

The last five jobs listed employ less than one-tenth of one percent of total U.S. employees. These jobs are harder to find. They are:

Prosthodontist (Dentist that specializes in missing teeth)	290	\$61.69	\$128,310
Mathematical Technician	1,080	\$28.97	\$60,260
Astronomer	1,750	\$53.09	\$110,440
Model	5,470	\$12.79	\$26,600
Forest Fire Inspector	1,730	\$19.54	\$40,640

Please read and answer the questions on the worksheet.

Discuss students' answers.

Emphasize the vocabulary of human capital: skills and knowledge embodied in labor. Discuss what benefits might occur for a person if they invested in human capital. What opportunity costs might occur if a person invested in human capital? This is question four on the worksheet. One opportunity cost is the income that a person would earn if they chose to attend college vs. going into the work force. A person gives up a large sum of money initially when choosing this option, however the gain of money in the long term usually balances this opportunity cost (money lost while attending school) out.

Skills and knowledge help determine how valuable you are as an employee. Education and training that you can obtain (which is investing in human capital) will help to prove that you are a valuable asset when applying for a job. According to The Concise Encyclopedia of Economics, "The earnings of more-educated people are almost always well above average."

It is important to learn and understand how much impact your future career choice will have on your life. If you decide at a young age what you desire to do in life, it is very helpful to know approximately what type of lifestyle you will be able to afford. Today we are going to look at all of these questions. We will also learn what income taxes are and how much tax might be taken out of your paycheck. Now you get to choose any career that you want.

The teacher should first model what to do.

- Open your laptops and go to www.salary.com.
- Type in a career choice and the school's area code in the first box
- Click Search
- A line graph should appear to show the average median salary of that profession

Number Three on the worksheet is to write down the career and average salary that the student researched.

View the Write a Check for Your Biweekly Salary slide.

Have students print out their graph or write down their job choice and low, median and high salary range.

If you click on paycheck, a model paycheck will appear. You could also have students write down the gross and net pay found on the model paycheck tab.

View and discuss the Writing a Check slide.

It is important to know how much money is in your account before you write a check. You need to have money in your account to cover the amount of the check. This applies even if the check is post-dated. Post-dating checks is not legally binding and financial institutions may not have to honor it.

Emphasize the importance of always using pen, keeping checks in a safe place and using a consistent signature. This will help avoid fraud and identity theft.

Number Four on the worksheet is to write a check for the gross amount of your salary divided by twenty-four.

Students will write out a check for the gross amount of income their career would earn during a year. Use the model paycheck off the website for the dollar amount. This is an excellent chance to teach students how to right a check. Use the overhead projection paper to model how to write a check. Discuss the different parts of the check: routing number, account number, where to put the date, sign and the amount of money. There is an example of this in the handout section.

“The time has come for me, Uncle Sam, otherwise known as the government, to collect taxes on your income!”

The teacher may ask the following questions:

- What type of taxes does the government withhold from a paycheck?
- Where does the tax money go?
- How does the government know how much money to withhold?
- These are all questions that will be answered!

View and discuss the Gross Pay vs. Net Pay slide.

Gross pay is the amount you receive in a paycheck before taxes and other fees such as health insurance or retirement are taken out. Your Net pay is the amount you are paid after all other deductions are taken out. This is the money you actually get.

You can refer them back to the sample paycheck on the salary.com website to show them the difference between gross and net pay.

View and discuss the Payroll, Federal and State Taxes slide.

How do employers decide how much tax is withheld from a paycheck? First of all, it is based on how much money you make every year. The more money you make, the higher percentage of your check will go toward taxes. It is also based on the W-4 form you fill out when you are first hired.

View and discuss the W-4 forms.

Have students look at the sample W-4. This was taken from the IRS website as a sample. No private information is given out.

Go through the form. Highlight the importance of knowing your social security number and not sharing it unless there is a valid reason for it.

When you fill out a W-4 form, you may be able to claim some exemptions. Be careful and consult someone you trust like a tax advisor to fully understand what to claim. The more exemptions you claim, the more money the government could allow you to keep each month in your paycheck. However, if you claim too many exemptions, you could end up owing the government tax money each year.

View and discuss the W-2 Form. See the W-2 form explanation sheet.

Form W-2 is used to report your wages for the year and the taxes withheld from your income. Your employer is required to send you a copy by February 1 of each year. A copy of your w-2 is sent to you, the Social Security Administration, the IRS and any state or local government for which taxes are withheld. In addition, a copy of your w-2 must be retained by your employer. Some of the items listed on your W-2 are used to complete your tax return and some are for informational purposes only.

Go over the form with the students. Make copies of the W-2 for each student.

There are four types of income tax.

View and discuss Social Security, Medicare, Federal Income, and State Income Tax slides. These slides are self-explanatory.

For the 90-minute lesson, go back to salary.com and see how these taxes are taken out of each paycheck underneath the paycheck stub. Allow students to enter in jobs from around the country. For example, a doctor in California might make more than a doctor in Virginia.

View the Gross Pay vs. Net Pay slide.

Go to <http://www.payroll-taxes.com/calculators.htm>

Have students put in their salary however you deem fit and figure out what their net pay would be. Have them write another check for the net pay. This is Number Five on the worksheet.

Conclusion

View and discuss the Taxes slide.

Discuss with students that not only will taxes be taken out but it is very likely that other things could be deducted from the gross pay. Expenses might include but are not limited to:

- Health insurance premiums
- Retirement plan contributions

View and discuss The More Money You Make the Higher Your Tax Bracket slide.

View the Remember slide.

As you can see, there is a lot of money taken out of a paycheck. You need to keep that in mind when choosing a career. Not all of the money you earn will be accessible right away.

Regardless of the amount of money you receive in a paycheck you also need to pick a career that you will truly enjoy. If you make good choices now, you will have a lot more options for your future.

Assessment

Collect the student's check worksheets for a grade.