2.13.1

PLANET PAYCHECK
GRADE LEVEL 7-9

“GET READY TO TAKE CHARGE OF YOUR FINANCES”

Time to complete: 60 minutes

NATIONAL CONTENT STANDARDS
Family and Consumer Science Standards: 1.1.6, 1.2.2, 2.5.2, 2.6.1, 2.6.4
National Council on Economic Education Teaching Standards: 11
National Standards for Business Education
- Economics: III 3-4, VII.1, VII.2
- Personal Finance: II.2

OBJECTIVES
Upon completion of this lesson, students will be able to:
- Recognize what tax forms must be completed for employment.
- Demonstrate knowledge of the terms associated with a paycheck.
- Recall what payroll withholdings are and what is deducted from paychecks.
- Differentiate between gross and net income.

INTRODUCTION
When a person receives his/her paycheck it is both exciting and rewarding. However, paychecks can be confusing if an individual does not know how earnings are calculated or why take home pay (net income) is different from what it was thought to be.

Taxes:
Taxes are required citizen charges by local, state, and federal governments and are automatically taken out of all employees paychecks. Approximately 30% of every paycheck goes to taxes. The money is used to provide public goods and services such as police, fire and emergency services, schools, and roads.

When starting a new job an employee must complete the following forms:

Form W-4:
The Form W-4 is also called an Employee’s Withholding Allowance Certificate. The information provided on this form determines the percentage of gross income to be withheld for taxes. Regardless of the job, every new employee will be asked to complete a Form W-4 when they begin a new job. The Form W-4 may be downloaded from the Internal Revenue Service’s Web site at www.irs.gov/formspubs.

Form I-9:
The Form I-9 is the Employment Eligibility Verification form. The information gathered on this form is for employers to verify the eligibility of individuals for employment to avoid hiring non United States citizens or others who are not eligible to work in the United States. All employees must complete a Form I-9 at the time of hire. To complete this form properly, a prospective employee must provide documentation which establishes identity and employment eligibility. Examples of documentation include a passport, driver’s license, U.S. Military card, social

**Form W-2:**
The Form W-2 is also known as a Wage and Tax Statement. It states the amount of money earned and taxes paid throughout the previous year. The Form W-2 is used to file taxes by April 15th. By January 31, a person should receive a Form W-2 from each employer from the previous year. The Form W-2 may be downloaded from the Internal Revenue Service’s Web site at www.irs.gov/formspubs. If an individual is a dependent, he or she may be exempt from filing federal withholdings depending on the amount of income earned.

**Methods for Paying Employees:**
- The first method is a paycheck; money given to an employee for work completed. Most paychecks have a paycheck stub attached, so the employee can see the payroll withholdings. This is the least secure form of payment for the employee. The employee is responsible for taking the check to the bank and depositing it into his/her personal account.
- The second method is direct deposit. Using this method, an employer deposits the employee’s paycheck directly into the authorized employee’s bank account. On payday, the employee receives a written statement detailing the paycheck deductions. This method is more secure because there is no direct handling of the check and the employee knows exactly which day his/her paycheck will be deposited and available for use.
- The third, and newest way, is by using a payroll card. A payroll card is issued to the employee through the employer and it electronically carries the balance of the employee’s net income. The card is plastic and looks like a debit card. At the end of each pay period, the net wages are added to the balance carried on the card. The company issuing the payroll card sends a periodic statement which reflects the card’s activity for the prior pay period including deposits and transactions. Each pay period, the employee receives a detailed pay statement including payroll withholdings from the employer.

**Reading a Paycheck Stub:**
A typical paycheck has two parts: the actual check and a paycheck stub. A paycheck stub lists the paycheck deductions as well as other important information including:
- **Personal Information** — The employee’s full name, address, and social security number or Employee Identification Number.
- **Pay Period** — The length of time an employee’s wages are calculated. Most are weekly, bi-weekly or monthly.
- **Gross Income** — The total amount of money earned during the pay period before payroll deductions. If a person earns an hourly wage, gross income is calculated by multiplying the number of hours worked by the wage.
- **Payroll Withholdings** — The amount of money subtracted or deducted from the gross income for taxes. Required withholdings include: Federal and State withholding tax and FICA.
- **Withholding Tax** — The amount required by law for employers to withhold from earned wages to pay taxes. The percentage deducted from an individual’s paycheck to assist in funding government agencies. On a paycheck stub these are separated into two different withholding categories including federal and state. The amount withheld depends on two things; the amount of money earned and/or the information provided on the Form W-4.
- **FICA** (Federal Insurance Contribution Act) — This tax includes two separate taxes:
Fed OASDI/EE (Federal Old Age Survivors Disability Insurance Employee Employment Tax) or Social Security Tax – The nation’s retirement program. This tax helps provide retirement income for the elderly and pays disability benefits.

Fed MED/EE (Federal Medicare Employee Employment Tax) or Medicare – The nation’s health care program for the elderly and the disabled. This tax provides hospital and medical insurance to those who qualify.

- **Net Income** (take home pay) – The amount of money left after all payroll withholdings have been taken from the gross income earned in a pay period.
- **Year-to-Date** - Totals all of the deductions which have been withheld from an individual’s paycheck from January 1 to the last day of the pay period indicated on the paycheck stub.

In this lesson the world of paychecks will be explored. Payment methods and paycheck terminology, what payroll withholdings are and why they are taken out as well as what taxes are paid will be discussed. It is also important to know what paperwork is required to complete when starting a new job.

**BODY**

*Note to educator: Print and cut apart Planet Paycheck Chips 2.13.1.H1 so there are enough for each student to have one and an equal number of chips for each category.*

1. Have students read Planet Paycheck information sheet 2.13.1.F1 for homework the night before.
2. As students walk into the classroom, each will draw a Planet Paycheck Chip 2.13.1.H1 from a plastic bag.
   a. Groups will be determined by the picture on the Planet Paycheck Chip.
   b. To keep the students actively engaged throughout the lesson, call on the students by using their group title (i.e. star, earth, spaceship, astronaut and planet groups).
3. Open the Planet Paycheck PowerPoint presentation 2.13.1.G1 to the Double the Salary activity on slides 1-3. Be sure to cover up the solution portion until students have time to calculate the best payment option.
4. Read the scenario and give the students 3 - 5 minutes to determine the solution.
   a. Have the Planet Paycheck groups report which payment option they chose and why.
   b. Option 2 works by doubling the amount earned each day beginning with 1 cent. The amount of the paycheck starts very small in the beginning but the total amount paid becomes significantly more in the end.
   c. Lead a brief discussion about the correct solution, payment option 2.
      a. Was the correct answer surprising?
      b. Would a person be willing to make such a small amount in the beginning to make more in the long run?
      c. This is one example of how an employee could receive payment for work. Today we will discuss more common options.
5. Hand out the Earthlings Guide to Understanding Paychecks note taking guide 2.13.1.L1 to be completed throughout the PowerPoint presentation.
   a. Slide 4: Title Slide
   b. Slide 5: Planet Paycheck Navigation
   c. Slide 6: First Job!
   d. Slide 7 – 9: Starting a New Job
      a. The Form W-4, I-9 and W-2 can be downloaded from the IRS and U.S. Citizenship and Immigration Services websites to pass out for students to see. The downloading instructions are in the Resources section of this lesson plan.
   e. Slide 10: Methods for Paying Employees
7. On the board write Paycheck, Direct Deposit and Payroll Card in three different columns
a. Working in groups, have students identify one possible pro and con to using each payment method.
b. Ask one student from each group to write their group ideas under the appropriate column.

8. Return to Power Point presentation.
   a. Slide 11: Payment Method Pros and Cons
      a. Lead a brief discussion on the pros and cons of the different payment methods.
         1. Which method would be best?
         2. Which would be easiest to manage?
         3. Which would be the most difficult?
   b. Slide 12 – 13: Reading a Paycheck Stub
   c. Slide 14: What is the Gross Income?
      a. Allow time for students to calculate Miss Patty Paycheck’s gross income for a one-week pay
         period and a two-week pay period and record on the note taking guide.
   d. Slide 15 – 16: Reading a Paycheck Stub
   e. Slide 17: Miss Patty Paycheck’s Paycheck Stub
      a. Allow students time to calculate the net income and record on the note taking guide.
   f. Slide 18: Reading a Paycheck Stub
   g. Slide 19: Sample Paycheck Stub
      a. Point out each section of the paycheck stub as a quick review of the content learned in this
         lesson.
   h. Slide 20 – Remember to Review
   i. Slide 21 – Thanks for Visiting

CONCLUSION

Set up and play Money World Squares 2.13.1.J1. Refer to the activity instructions for additional details.

ASSESSMENT

Planet Paycheck worksheet 2.13.1.A1
Navigating a Paycheck Stub worksheet 2.3.1.A2

MATERIALS

Planet Paycheck worksheet – 2.13.1.A1
Navigating a Paycheck Stub worksheet – 2.13.1.A2
Double the Salary overhead – 2.13.1.D1
Planet Paycheck information sheet – 2.13.1.F1
Planet Paycheck PowerPoint presentation – 2.13.1.G1
Planet Paycheck Chips – 2.13.1.H1
Money World Squares instructions – 2.13.1.J1
Planet Paycheck note taking guide – 2.13.1.L1
Money World Squares, Planet Paycheck Questions/Answers – 2.13.1.K1
Three chairs
At least 11 participants (9 for the board and 2 contestants)
Optional: forms to download from the internet for examples Form W-4, Form I-9, Form W-2

RESOURCES

Understanding Your Paycheck and Tax Forms Lesson Plan 1.13.1

Internal Revenue Service (IRS)
www.irs.gov/formspubs
- Government tax forms may be downloaded here including the Form W-4 and Form W-2.

Social Security Forms
www.ssa.gov/online/ss-5.html
- The application for a Social Security card (Form SS-5) may be downloaded here.
- If an employee’s last name is different from the name appearing on his/her Social Security card, he/she must call the social security administration and apply for a new card at 1-800-772-1213. If the employee does not have a social security card, it will be necessary to apply for one. If there is a Social Security office in the area, he/she may go to the office and ask for the forms or the forms may be downloaded from the internet. The process is free, but instructions must be followed carefully.

U.S. Citizenship and Immigration Services
http://www.uscis.gov
- Immigration forms may be downloaded here including the Form I-9.

W-4 Simulation
http://www.irs.gov/app/understandingTaxes/jsp/hows/module01/sm_m01_01.jsp
- This is a simulation teaching students how to complete a W-4 Form sponsored by the IRS.
# Earthlings Guide to Understanding Paychecks

## Directions:
Use the following note taking guide to record information during the PowerPoint presentation. Each blank is worth 1 point.

### Starting a new job:

**Taxes:**

**Form W-4:**

**I-9:**

**Form W-2:**

### Methods for paying employees:

<table>
<thead>
<tr>
<th>Method</th>
<th>Description</th>
<th>Pro</th>
<th>Con</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Paycheck</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Direct Deposit</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Payroll Card</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Total Points Earned | Name ________________________  |
| 25                  | Date ________________________  |
| Total Points Possible | Class ________________________  |
| Percentage          |                                  |


Funded by a grant from Take Charge America, Inc. to the Norton School of Family and Consumer Sciences Take Charge America Institute at The University of Arizona
### Reading a paycheck stub

| Personal Information: ________________________________ |
| Pay Period: ________________________________ |
| Year-to-Date: ________________________________ |

#### Gross Income:

Miss Patty Paycheck worked at Terrific Tacos for $6.00/hour for 15 hours a week. What is her gross income?

#### Payroll Withholdings:

If Miss Patty Paycheck’s gross income was $350 and her total payroll withholdings were $85, what would her net income be?

#### Withholding Tax:

#### FICA:
- Social Security:
- Medicare:

#### Net Income:
Directions: For each section below, match the appropriate lettered answer in the right hand column to the numbered questions. (2 points each)

**Part A: Starting a new job**
1. _____ What two forms must an employee complete when beginning a new job?  
   A. How much money was earned and paid in taxes throughout the previous year.

2. _____ What documentation must be provided to complete a Form I-9?  
   B. Form W-4 and Form I-9

3. _____ What does the Form W-4 determine?  
   C. Amount of gross income which will be withheld for taxes

4. _____ What information is provided on the Form W-2?  
   D. Drivers license, Social security card, Military ID card, birth certificate

**Part B: Methods for paying employee’s**
5. _____ Employers directly deposit an employee’s paycheck into his/her bank account and send the employee the pay stub.  
   A. Payroll Card

6. _____ Electronically carries the balance of the employee’s net income.  
   B. Paycheck, direct deposit, payroll card

7. _____ What are the three methods discussed that an employer may use to pay his/her employees?  
   C. Pay period

8. _____ The length of time for which an employee’s wages are calculated.  
   D. Direct Deposit
Directions: Describe one pro and one con for each payment method. (2 points each)

9. Paycheck
   Pro – Con –

10. Direct Deposit
    Pro – Con –

11. Payroll Card
    Pro – Con –

Part C: Reading a paycheck stub

12. _____ Totals the payroll withholdings that have been deducted from the paycheck from January 1 to the last day of the pay period. A. Net Income

13. _____ Calculated by multiplying the number of hours worked by the hourly wage. B. Year to date

14. _____ Amount of money left after all deductions have been taken from the gross income earned in the pay period. C. Payroll withholdings

15. _____ The amount of money subtracted or deducted from the gross income for taxes. D. Gross Income

Part D: Taxes

16. _____ What two tax forms are represented within FICA? A. Social Security and Medicare

17. _____ Services our tax dollars are used for? B. Nation’s retirement program

18. _____ Required charges of citizens by local, state and federal governments. C. Police, schools, roads, emergency services, government agencies, etc.

# Navigating Paycheck Stubs

<table>
<thead>
<tr>
<th>Total Points Earned</th>
<th>Name _____________________________</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>Date _____________________________</td>
</tr>
<tr>
<td>Percentage</td>
<td>Class _____________________________</td>
</tr>
</tbody>
</table>

**Directions:** Write the information or dollar amount shown on the paycheck stub on the appropriate lines below, (2 points each)

<table>
<thead>
<tr>
<th><strong>Terrific Tacos</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee</strong></td>
</tr>
<tr>
<td>Smith, Sam</td>
</tr>
<tr>
<td><strong>Employee Address</strong></td>
</tr>
<tr>
<td>293 Michael Grove</td>
</tr>
<tr>
<td>Billings, MT  59102</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Pay Type</strong></th>
<th><strong>Deductions</strong></th>
<th><strong>Current</strong></th>
<th><strong>Year-to-date</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Income</td>
<td>Federal Withholding</td>
<td>$14.10</td>
<td>$503.46</td>
</tr>
<tr>
<td></td>
<td>State Withholding</td>
<td>$5.45</td>
<td>$117.72</td>
</tr>
<tr>
<td></td>
<td>FICA</td>
<td>$13.77</td>
<td>$636.00</td>
</tr>
<tr>
<td></td>
<td><strong>Totals</strong></td>
<td><strong>$33.32</strong></td>
<td><strong>$1,502.10</strong></td>
</tr>
</tbody>
</table>


1. Personal Information ___________________________________________________________
2. Year-to-Date _________________________________________________________________
3. State Withholding Tax __________________________________________________________
4. Gross Income _________________________________________________________________
5. Total Deductions _____________________________________________________________
6. Net Income _________________________________________________________________
7. Federal Withholding Tax _______________________________________________________
8. Pay Period _________________________________________________________________
9. FICA _________________________________________________________________
## Planet Paycheck Chips

<table>
<thead>
<tr>
<th>Stars</th>
<th>Earth</th>
<th>Spaceships</th>
<th>Astronauts</th>
<th>Planets</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1.png" alt="Star" /></td>
<td><img src="image2.png" alt="Earth" /></td>
<td><img src="image3.png" alt="Spaceship" /></td>
<td><img src="image4.png" alt="Astronaut" /></td>
<td><img src="image5.png" alt="Planet" /></td>
</tr>
<tr>
<td><img src="image6.png" alt="Star" /></td>
<td><img src="image7.png" alt="Earth" /></td>
<td><img src="image8.png" alt="Spaceship" /></td>
<td><img src="image9.png" alt="Astronaut" /></td>
<td><img src="image10.png" alt="Planet" /></td>
</tr>
<tr>
<td><img src="image11.png" alt="Star" /></td>
<td><img src="image12.png" alt="Earth" /></td>
<td><img src="image13.png" alt="Spaceship" /></td>
<td><img src="image14.png" alt="Astronaut" /></td>
<td><img src="image15.png" alt="Planet" /></td>
</tr>
<tr>
<td><img src="image16.png" alt="Star" /></td>
<td><img src="image17.png" alt="Earth" /></td>
<td><img src="image18.png" alt="Spaceship" /></td>
<td><img src="image19.png" alt="Astronaut" /></td>
<td><img src="image20.png" alt="Planet" /></td>
</tr>
<tr>
<td><img src="image21.png" alt="Star" /></td>
<td><img src="image22.png" alt="Earth" /></td>
<td><img src="image23.png" alt="Spaceship" /></td>
<td><img src="image24.png" alt="Astronaut" /></td>
<td><img src="image25.png" alt="Planet" /></td>
</tr>
</tbody>
</table>
MONEY WORLD SQUARES

1. Prepare the activity cards
   a. Nine X and O cards will be needed
   b. Each card will have an X on one side and an O on the other
   c. Using a copy machine, copy the provided template 3 times, and then cut out Xs and Os and glue on construction paper, or cardstock for more durability, an X on one side and an O on the other

2. Room set up (see the diagram below for a visual representation)
   a. A minimum of 11 participants will be needed, 9 for the activity board and 2 contestants
   b. Choose 9 participants to be the activity board
      i. Have three stand, three sit on a chair in front of those standing, and three sit on the floor in front of those sitting
      ii. These people will be known as the “squares”

   Diagram

<table>
<thead>
<tr>
<th>Stand</th>
<th>Stand</th>
<th>Stand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sit on Chair</td>
<td>Sit on Chair</td>
<td>Sit on Chair</td>
</tr>
<tr>
<td>Sit on Floor</td>
<td>Sit on Floor</td>
<td>Sit on Floor</td>
</tr>
</tbody>
</table>

   c. Divide the rest of the participants into two teams: Team X and Team O

3. Play the activity
   a. The first team selects a square
   b. Facilitator reads a question to the person in a square
      i. The square answers the question, not the team
      ii. After the square answers, the team chooses to agree or disagree with the square’s response
      iii. If the square answer’s correctly and the team agrees with the answer or if the square answer’s incorrectly and the team disagrees with the answer, the team gets that square
          1. The square then holds the letter, X or O, that corresponds with the team in front of them and the play moves to the next team
      iv. If the square answer’s correctly and the team disagrees with the answer or if the square answer’s incorrectly and the team agrees with the answer, the team does not get that square, and the play moves to the next team
          1. If a team does not get a square, the square is not automatically won by the other team
   c. The first team with three in a row across, down, or diagonally wins.

4. You can play as many rounds as you have questions and/or time for; however, be sure to switch your 9 square participants so as to give everyone the opportunity to be “on stage”.

Variation for less than 11 participants:
1. Prepare Money World Squares questions in same manner as above
2. Prepare question cards
2.13.1.J1
Activity Instructions

1. Cut card stock into approximately 2 x 4 inch rectangle cards, cut enough cards so there is one for each question
2. Print the *MoneyWorld Squares* questions 2.13.1.K1 and cut out
3. Glue each question on one of the cardstock cards - be sure to NOT include the answer
4. Place all question cards into a non-transparent bag or container

3. Create activity board
   a. Draw a Tic-Tac-Toe activity board on the front board

4. Prepare participants
   a. Divide the participants into two teams: Team X and Team O

5. Play activity
   a. The first team draws a question card from container and attempts to answer the question
      i. If they are correct
         1. The team chooses where on the Tic-Tac-Toe activity board they want to place their X or O and play moves to next team
      ii. If they are incorrect
         1. Team receives no spot on the activity board and play moves to next team
   b. The first team with three in a row across, down, or diagonally wins.
Money World Squares:
Planet Paycheck Questions/Answers

1. What is a pay period?
   - A length of time for which an employee's wages are calculated. May be weekly, bi-weekly, or monthly.

2. Which is the higher amount – gross income or net income?
   - Gross income

3. Define net income.
   - The amount paid after all the deductions are subtracted from the gross income amount.

4. What two deductions are withheld under the FICA heading?
   - Social Security and Medicare

5. What two forms does every person complete when they begin a new job?
   - Form W-4 and Form I-9

6. What determines the amount of taxes withheld from an employee's paycheck?
   - The information supplied by the employee on the Form W-4 and the amount of earnings.

7. What is Medicare?
   - Medicare is hospital and medical insurance for the elderly and disabled.

8. Why would a person complete a Form I-9?
   - To determine if they are eligible to be hired in the United States.

9. Give two examples of documentation and identification required to complete the Form I-9.
   - Birth certificate, driver's license, passport, and Social Security card.

10. Name three ways an employee may be paid.
    - A paycheck, direct deposit of paycheck, payroll card

11. What is Withholding Tax?
    - The amount of tax required by law to be withheld from wages earned.

12. What is a paycheck stub?
    - A paycheck stub is the second part of a paycheck with the written record of the withheld deductions.

    - The total amount of money earned in a pay period.

    - Money is subtracted or deducted from gross income earned.

15. What is the least secure way to pay employees?
    - Paycheck and pay-stub

16. How is the Form W-2 used?
    - The form states how much money was earned and paid in taxes during the previous year. It is used to file income taxes.

17. What is the pay a person actually takes home: gross or net?
    - Net income

18. What are three things tax dollars pay for?
    - Roads
    - Police
    - Fire/Emergency services
    - Government agencies
    - Schools

19. How is gross income calculated if earning an hourly wage?
    - By multiplying the number of hours worked in a pay period by the hourly wage.