

NEFE HIGH SCHOOL
FINANCIAL
PLANNING
PROGRAM

WWW.HSFPP.ORG

*"... my career choice
has been affected by
this program."*

Student ~ 2009



This **NEFE** program will equip students in Grades 8-12 with fundamental personal finance skills to prepare them for financial independence and mindful money management decisions and behaviors.

IN PARTNERSHIP WITH:



United States
Department of
Agriculture

National Institute
of Food and
Agriculture



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NATIONAL ENDOWMENT FOR
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NEFE is a private, nonprofit foundation wholly dedicated to inspiring empowered financial decision making for individuals and families through every stage of life.

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MODULE
03

EARNING POWER:

More Than a Paycheck

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NEFE HIGH SCHOOL FINANCIAL PLANNING PROGRAM

About the NEFE High School Financial Planning Program Series

By picking up this booklet, you are on your way to making your dreams come true and headed down the path to financial independence. This program series includes six topic modules to introduce you to the fundamentals of mindful money management behaviors. Use what you learn in each module to develop sensible habits to confidently manage your money and adapt to unexpected events.

Program Modules

- 1. MONEY MANAGEMENT: Control Your Cash Flow:** goal setting – decision making – spending plan & budget – money management tips
- 2. BORROWING: Use—Don't Abuse:** application process – loans – credit cards – costs – credit score – debt – rights & responsibilities
- 3. EARNING POWER: More Than a Paycheck:** earning potential – career plan – life stages – employee benefits – take-home pay – lifestyle
- 4. INVESTING: Money Working for You:** savings – investing – goals – options – risks & rewards – time value of money – diversification – plan
- 5. FINANCIAL SERVICES: Care for Your Cash:** account types – fees – service options – transaction tracking – automation – identity protection
- 6. INSURANCE: Protect What You Have:** risk management – costs – claims – insurance types – coverage decisions – insurability factors

Find more money management tips and resources at www.hsfpp.org.

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MODULE 03

EARNING POWER:

More Than a Paycheck

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Use the tips and strategies in this guide to do the following:

- » Explore the payoffs of investing in yourself.
- » Evaluate career options and job offers.
- » Assess factors that impact your personal income tax liability and take-home pay.
- » Start down the path to achieving your financial goals and the lifestyle you want.
- » Prepare to deal with planned and unplanned life and work changes.

MEET KEVIN AND GINA

As a senior, Kevin works part-time in a restaurant and is thinking about college. He likes the idea of helping sick people, and science has always been his favorite subject. But he's not sure yet what kind of career in medicine he wants.

He is worried about paying for college, though. His parents have saved a small amount, but his sister will be ready for college the year after next.

Gina loves cars and works in her Uncle Frank's auto repair shop. Sometimes, she even gets to help her uncle on the pit crew for a local auto racer. Her mom recently asked her what she was thinking about in terms of college. Gina said maybe she'd go to college after working a few years in a full-time job for her uncle after graduating from high school.



She wouldn't say it to her mom, but Gina doesn't see how the family can afford for her to go to college. Money has been tight since her dad passed away two years ago. If she postpones college, she can move out on her own; then maybe her mom will be able to save enough money to send her brother to college in a few years.

With the help of Kevin and Gina, we'll explore how to maximize your future earning potential so you can achieve your dreams and live a life you enjoy. Working full time may seem eons away right now. But what you do today can greatly expand or limit the options you'll have for many years to come.

“ 80 percent of millionaires were not born wealthy—they built their fortune through their own hard work. ”

~ From The Millionaire Next Door, by T.J. Stanley and W.D. Danko



Activity 3.1: What Do YOU Think?

What type of life do you see yourself living the year after high school?

Now, jump ahead a few years to your life at age 25. How will your life be different?

Finally, what will your life be like when you're the same age as your parents are now?

THE MOST IMPORTANT PERSON IN YOUR FINANCIAL LIFE

Do you have a giant list of things you want to accomplish in your life? Things you'd love to buy? A few bills you need to pay? For most people, a job is the only way to afford the life they want.

The good news is that it doesn't matter who you are, how much money your family has, or where you live. Everyone has skills and talents they can make the most of in a career. And **your earning potential is 100 percent determined by YOU.**

Don't worry. No one expects you to have all the answers this very minute. Experts say it takes about 10 years for young adults to go from clueless to having a fulfilling job and career plan.¹ But if you start now, you can be all set and on track to your dream job by your late 20s!

“ Without knowledge and a workable plan, you are gambling, with little or no chance of success. ”

~ Businessman Robert G. Allen

CREATE YOUR GAME PLAN FOR SUCCESS

As with anything in life, the more you know about where you want to go, the easier it will be to get there. Creating a career plan will help you:

- » Make smarter decisions about future jobs and education.
- » Expand your career options instead of accidentally limiting them.
- » Rebound faster when life throws you a curveball.
- » Enjoy a long, happy, and successful career.

The perfect time to begin researching careers and making your plan is while you're still in school. The Bureau of Labor Statistics lists 1,000 job titles—and that's just a fraction of what's actually available in the working world. New occupations are being created all the time. The more potential careers you can explore, the more likely you'll be to find one that's a good fit for your goals and life.

¹ *What Color is Your Parachute*, Richard Bolles, 2012 (40th edition)



The first step is simple: **Start paying attention to what interests you** and exploring how you might turn that into a career.



Activity 3.2: My Interests

In the space below, write words or draw pictures for 10 things that you like to do in your free time, in school, or on the job.

Go to the American Job Center Network (jobcenter.usa.gov), a one-stop website where you can take an interest assessment, explore careers, research education opportunities, and plan a job search.

After taking his grandmother to a doctor's appointment one day, Kevin tells her he's surprised at how young her doctor is. She says that "Dr." Wages isn't her doctor—he's a physician assistant who started working with her doctor last year.

Back home, Kevin searches for information on physician assistants. He's excited to see that the average salary is \$88,660 a year and there is a growing demand for workers in this career. He decides it's definitely a career worth learning more about.

GET REAL

Imagine that you're interested in a summer job. You find out that your favorite yogurt shop is looking for part-time help. But when you go there to apply for the position, the manager tells you that you're too late; the store already has hired someone. You really wanted that job, so you're bummed.

But what if you had looked into at least one other interesting place that was advertising for summer help?

By having backup opportunities, you've also increased your chances of finding a job. There's nothing wrong with following your passion. If you dream of being a rock star, pro football player, or astronaut, go for it!

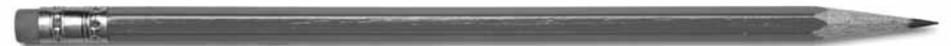
But it's silly not to have a Plan B. Priorities change, injuries happen, and sometimes Plan A just doesn't work out. By choosing a second career you'll enjoy, it will be much easier to handle any bumps in the road. **You'll also double the odds of having a career that you find satisfying.**



Activity 3.3: Worth Checking Out

Review your interests list from Activity 3.2 and the results of any career interest surveys you have completed. Identify two careers you are interested in learning more about. Choose one that represents your passion and one that might be a good fallback option, or Plan B.

Plan A: _____ Plan B: _____



5 WAYS YOUR CAREER POWERFULLY IMPACTS YOUR LIFE

Your career will be the longest adventure of your life. It'll also be your primary source of income. Choosing a rewarding career is important because your job affects every area of your life.

Here's how your life is impacted by your job:

- » A job with a bigger salary helps you **reach your financial goals faster and more easily**, while a smaller salary may force you to wait longer to achieve the lifestyle you want.
- » The experience and skills you develop at each job affect your **future jobs and pay**.
- » How much you like your job impacts your **health and happiness**. Unhappy workers are prone to a host of health problems, including twice the incidence of depression and a 30 percent higher risk of coronary heart disease, when compared with those who are happy with their work.²
- » Your job also affects aspects of your **lifestyle**, such as how much time you'll have for friends, family, and other interests.
- » In addition, your job can impact **how you manage your money**. A regular paycheck helps you stick to your spending plan. Unhappy workers are prone to overspending when compared with their happy counterparts.³



²"Your Job May Be Killing You," *Gallup Management Journal*, April 13, 2006, gmj.gallup.com/content/22375/Your-Job-May-Killing.aspx

³"Your Money or Your Life," *Gallup Management Journal*, May 27, 2010, gmj.gallup.com/content/127970/Money-Life.aspx#3

INVEST IN YOUR SUCCESS

Uncle Frank pulls Gina aside and tells her he'd like to see her go to college. He explains that his brother, Gina's dad, had always hoped to go to college himself but couldn't because he was needed to help run the shop after their own father got sick. Gina's uncle tells her that he'd hate to see her miss out on the opportunity to go to college.

"Invest in yourself. Your career is the engine of your wealth."

~ Financial expert Paul Clitheroe

Uncle Frank says that if she's truly interested in a career in auto repair, he'd like her to take the test to become a certified Automotive Service Consultant after she graduates from high school.

He goes on to say that after Gina gets certified, he'll help pay for her community college tuition while she continues working for him. Having someone with a business degree on board would definitely help when he expands the business. Besides, he adds, if Gina ever gets tired of auto repair, having a degree will give her more options to fall back on.

Your experience, education, skills, and abilities are unique. You can always enhance them, but no one can ever take them away from you. They determine how far you'll go in your career, how much money you'll make, and how many of your goals and dreams you actually achieve.



Investing in yourself is the most important investment you can make in your future wealth and happiness.

The most valuable asset you have is YOU.

As with any investment, you need essential details to make an informed decision. Doing your career-planning homework upfront can help save you from making bad choices. Here are a few examples of how you can prepare:

- » Research growth prospects for a potential career so you don't pursue one that no longer exists in a few years.
- » Learn the types of education and skills that hiring managers value in a specific job or industry so you can focus your efforts on the most important ones.
- » Test drive a potential career so you don't spend a fortune preparing for a career you quickly discover you hate.

On top of that, decisions and goals you take on today will impact your future career options and earning potential. This includes paying attention to the following actions:

- » Classes you choose to take
- » Grades you earn
- » Activities you are involved in, both in school and out of school
- » Your plan to pay for an education after high school



Activity 3.4: My Investment in Me

List three ways that you have already invested in building skills and planning for a job or career. How else can you invest in yourself over the next one to three years?

Already Invested	Next Investment Strategies

A LIFETIME OF EDUCATION DIVIDENDS

Continuing your education is your best chance for securing a good job and making a good life for yourself. As shown in the chart, the government predicts that **two-thirds of all jobs will require at least some college by 2018.**⁴

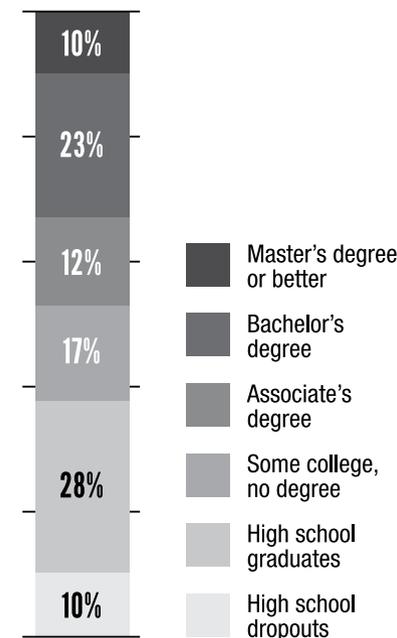
But that doesn't necessarily mean a four-year college. Depending on the direction you want to go, you may find other types of education to be a better fit. And any education beyond high school will help boost your job opportunities and earning potential.

Learning isn't a one-time event. Investing in training and education throughout your career often can pay dividends by improving your chances to earn promotions. Keeping your skills up to date will also help you bounce back if you become unemployed.

Luckily, there are education and training options to suit everyone.

Jobs by Required Education Level in 2018

By 2018, about two-thirds of all jobs will require some college or higher. "Some college" includes professional certifications.



BEYOND THE HALLOWED HALLS OF COLLEGE

Gina asks her Uncle Frank why he never went to college before his father got sick. He says his grades in high school were pretty lousy, but he'd always been good with cars. So, he decided to do an apprenticeship instead, which allowed him to earn money while learning the trade.

Gina thinks the idea of an apprenticeship is interesting. She decides to ask her school guidance counselor for help in finding information about any local automotive apprenticeship programs.

⁴ Help Wanted: Projections of Jobs and Education Requirements Through 2018, The Georgetown University Center on Education and the Workforce, June 2010

For many people, earning a bachelor's degree in a general area of study makes sense for their career aspirations. But if you want to start your career right away, can't afford college, or aren't ready to meet the college entrance requirements, there are many other education and training options.

Any of the following options will give you the knowledge, skills, and credentials to advance your career and maximize your earning potential:

Four-Year Colleges: Colleges and universities across the country grant bachelor's degrees for four years of study in hundreds of subjects. Each school sets its own criteria for acceptance. Find out about a specific college by checking out the college's website or use the college search feature at www.collegeboard.org.



Two-Year Colleges: Community and junior colleges award associate degrees and certificates for specific careers. For the period 2010 through 2018, occupations requiring an associate degree are projected to increase by 19 percent, more than for any other degree.⁵ The American Association of Community Colleges (www.aacc.nche.edu) is one place to find out more about these programs.

Apprenticeships: Apprenticeship programs combine on-the-job training with classroom instruction in a two- to four-year program. Over 1,000 occupations offer apprenticeships across the country. Learn more about program requirements at www.doleta.gov/oa/apprentices.cfm and www.khake.com/page58.html.

The U.S. Military: Thousands of jobs need to be filled in the U.S. military—and 86 percent of them have a counterpart in the civilian world.⁶ While you are serving in the military, training for specific careers and skills is available at no cost.

⁵ *Occupational Outlook Handbook, 2010-2011 Edition*, Bureau of Labor Statistics

⁶ www.todaysmilitary.com



Of the four options listed, are any a good match for you? Mark your choices with a star.

THE DOLLARS AND CENTS OF EDUCATION

" Knowledge is power. The more knowledge, expertise, and connections you have, the easier it is for you to make a profit at the game of your choice."

~ Author Stuart Wilde

Kevin decides to research the cost of different college options for his undergraduate degree. He's found that there are four categories for four-year schools, each with a different price tag:

The Cost of College in 2011 ⁷ Average Annual College Costs for Full-Time Students				
Category	Public/State (Resident)	Public/State (Nonresident)	Private (Nonprofit)	Private (For Profit)
Tuition and Fees	\$8,244	\$20,770	\$28,500	\$14,487
Room and Board	\$8,887	\$8,887	\$10,089	(Insufficient Data)

⁷ Source: *Trends in College Pricing 2011*, College Board. Student populations in private for-profit schools consist mainly of commuters and distance learners.

These numbers include things like tuition, a dorm room, meal plan, fees, and books. Living expenses—like gas and pizza—are extra. Although there's a private university three hours away that Kevin would really like to attend, public in-state colleges are definitely looking more affordable at this point.

PUBLIC VS. PRIVATE: WHAT'S THE DIFFERENCE?

A college's funding won't impact the quality of your education—public and private colleges both rank among the country's best. But the portion of funding that is based on student fees will have a big impact on your finances.

Since public colleges are supported by the state, they charge much lower tuition to residents of that state. That's why going to a public college in your home state can be a less expensive option than attending an out-of-state public college or a privately funded institution.

Activity 3.5: What is the Cost?

You can find the anticipated annual college costs on college websites. Choose three colleges—a private nonprofit college, an in-state public college, and an out-of-state public college. Compare the most current annual costs to live on campus at each college.

College Type	Private	In-State	Out-of-State
College Name			
Annual Costs			

Although continuing your education after high school has big benefits, it also can come with a big price tag. In fact, **eight times as many students drop out of degree and certificate programs due to finances and debt than because of grades.**⁸ So, planning to have enough money to cover college costs and living expenses is critical to your success.

⁸ *With Their Whole Lives Ahead of Them, 2009*, Public Agenda, www.publicagenda.org/theirwholelivesaheadofthem/reality1. More than half of those who dropped out cited needing to work, another 31 percent said they couldn't afford tuition. Only 10 percent dropped out because they found the classes too difficult.

3 COSTLY COLLEGE TRAPS

Many students seem to be taking the scenic route through college, with more than half taking six years to graduate from a four-year college and only a quarter graduating from a two-year program within three years.⁹

More years means more tuition, fees, and other expenses. It also increases the odds that you won't finish. So, you still may end up with school loans to repay—but without getting the income bump you'd have seen after earning your degree.

There are several decisions that can lengthen your studies and drive up costs:

Catch-Up Classes. Students who fall behind academically in high school may require extra courses to get up to speed for college-level work. More than one-third of all entering students fall short of the college's requirements in core knowledge areas and must take remedial classes. These classes don't count toward their degrees, but students must pay for these extra credits.¹⁰

How to Avoid: Know the entrance requirements for the colleges on your wish list. If you are not college ready, then get the extra help you need while still in high school—when it won't cost you a dime.

Merry-Go-Round Major. Every time you change your major, you risk "losing" credits for classes you've taken but can't apply to your new major. Then you may have to take additional required classes.

How to Avoid: Attend a college with a variety of programs that interest you. While you are deciding on a major in the first few semesters, you can complete the core courses required of all students regardless of their majors.

⁹ *The Condition of Education 2011*, National Center for Education Statistics, nces.ed.gov/programs/coe/indicator_pgr.asp#info

¹⁰ *High School Teaching for the Twenty-First Century: Preparing Students for College*, Alliance for Excellent Education Issue Brief, September 2007, www.all4ed.org/files/hsteach21st.pdf

Campus-Hopping. Moving from campus to campus also means you may not be able to count all of the credits you've already earned toward your degree. Each college has its own specific requirements to earn a degree and might not accept credits from another institution. You may end up having to enroll in additional classes to finish at a different college.

How to Avoid: Do your research, prioritize what's most important, and spend time choosing the right college. Carefully weigh the pros and cons before transferring to another campus, including finding out which credits you can transfer to a different college.

Activity 3.6: Worth the Cost?

Look up the average annual salaries for the careers you listed in Activity 3.3. Use the college cost amounts from Activity 3.5 to compare the average salaries with four years of average college costs at private and public schools.

Based on your comparison, which school options seem financially reasonable for the careers you are considering?

6 WAYS TO EASE EDUCATION COSTS

Obviously, going to college isn't cheap—next to buying a house, it potentially could be one of the biggest purchases you will make. Luckily, there are many available financial options that can help. In fact, about 80 percent of full-time undergraduate students receive some type of financial aid, with 63 percent receiving federal financial aid.¹¹

By your junior year of high school, explore family financial planning strategies that may impact your financial aid. Also, pay attention to application deadlines for scholarships and grants.

Early in your senior year, apply to your preferred colleges to improve your financial aid options.

¹¹ *Digest of Education Statistics 2010*, U.S. Department of Education, National Center for Education Statistics



The early bird gets the money worm! No matter what type of education or training you're considering, it pays to start your search for financial aid early.

Here are a few quick ideas to investigate:

- » **Get a job.** Apprenticeships, on-the-job training, campus work-study programs, and tuition assistance from employers are options for you to earn while you learn.
- » **Join the military.** The military provides money for college in a variety of ways.
- » **Research free money.** Scholarships and grants don't have to be repaid. Keep in mind that eligibility may be based on need, merit, or area of study.
- » **Take advantage of employer training.** Some companies offer their own job-related training and college courses.
- » **Save smart.** Coverdell Education Savings Accounts and other 529 college savings plans help you accumulate tax-free savings for college. Visit www.collegesavings.org for more information.
- » **Test out of college credits.** Advanced Placement (AP) or College-Level Examination Placement® (CLEP) exams can help you skip entry-level courses. By acquiring college credits for knowledge you already have, you can reduce your time in college. Before signing up for testing, check to see what exam results your chosen college accepts.

WARNING!

Avoid companies and websites that promise to deliver scholarship information in exchange for hefty fees. Plenty of legitimate, free sites, such as www.fastweb.com and www.collegescholarships.org, will help you find scholarships for college.



SAVING MONEY ON STUDENT LOANS



Loans should always be your last resort for financing a college education. Why? Because the more debt you incur, the more your education will cost in the end, and the harder it will be to manage your expenses—especially after graduation.

If you must borrow for college, you should know about important distinctions in the types of loans available.

Federal Student Loans. The federal government offers several student loan programs to help you get the education you need. Important points to keep in mind:

- » **Loan deferment** allows you to put off making payments while you're in school, but the interest still accumulates and compounds, increasing the overall amount you owe.
- » You must be enrolled at least half time in a degree-granting program to qualify. That means that some part-time students are not eligible.
- » **Defaulting** on (failing to repay) a federal student loan is serious business—hurting your chances for using credit in the future. (You can learn more about this in *Module 2: Borrowing*.)

Private Student Loans. These are nonfederal loans issued by banks and credit unions. Compared with federal student loans, they tend to have higher, variable interest rates and offer fewer repayment options. Therefore, if you must go the student loan route, it's best to first use your federal student loan options before considering a private loan.

Learn more about federal student aid options and tips to manage student loans at <https://StudentLoans.gov>, a resource provided by the U.S. Department of Education.

TWO MORE SMART SAVINGS STRATEGIES

Kevin's been planning to work while in college anyway, so he wonders if he could somehow knock off two birds with one stone. An ad for an emergency medical technician (EMT) catches Kevin's attention. He'd only need a semester's worth of training to get certified and licensed. And because EMT hours aren't strictly 9 a.m. to 5 p.m., it might be easy to arrange his work schedule around his college classes.

He does a little digging online and learns that an average wage for EMTs is more than \$14 an hour. That's a lot more than he'd earn working in a retail store or restaurant. And, hopefully, it would be enough so that he could avoid taking out any student loans until medical school.

CLIMBING THE EDUCATION LADDER

While you can take any job to put yourself through college, you'll maximize the benefits by taking a more strategic **education ladder** approach, like the one Kevin is planning.

Start by finding the shortest training that qualifies you for entry-level jobs that pay well in a field that interests you. Complete the training and then use that job to help you pay your way through a two-year or four-year degree.

Use your new degree to move into a higher-paying job in your field. In some cases, your employer might help pay for your coursework or training.

THE MID-STREAM COLLEGE UPGRADE

If your heart is set on getting a degree from your dream college, one savings strategy is to start your college career at a community or public four-year college close to home. Your first two years are usually spent completing core courses anyway, which tend to be similar from campus to campus. You'll still be able to complete your major at your first-choice college once you transfer.

It can't be stressed enough, though—you **MUST** make sure the four-year college will accept the credits you earn elsewhere. Finding out later that most of your credits won't transfer will wipe out any savings.

THE EDUCATION PAYOFF

The more education you have, the more you tend to earn over the course of your life.

In fact, someone with a bachelor's degree ends up earning \$21,900 more than a high school grad **each year** of full employment—about the cost of a new car. Earning an associate degree is worth an extra \$8,200 a year—about the cost of a year's rent in many places.¹²

Furthermore, that **extra income multiplies throughout your career!** Bachelor's degree holders end up earning about \$1.6 million more than high school graduates during their work careers, while associate degree holders earn nearly \$490,000 more.¹³

Employees with a degree also are more likely to **enjoy their jobs** and receive **health insurance** and **retirement plan benefits**. Even more important, they're half as likely to be unemployed—a trend that has held true since 2000.¹⁴

In other words, getting some type of education beyond high school tends to open up more job opportunities and increase your worth in the workplace. The likely result: You'll bring home bigger paychecks and get more of what you want out of life.

Challenge 3-A: DECIDE My Education Options

Follow the DECIDE steps at the back of this booklet to select the best type of education or training program for you as you prepare for a career that interests you now.

¹² *Education Pays 2010*, College Board; U.S. Census Bureau, 2009. Median annual earnings by education level for full-time, year-round workers age 25 or older.

¹³ *Help Wanted: Projections of Jobs and Education Requirements Through 2018*, The Georgetown University Center on Education and the Workforce, June 2010

¹⁴ *Education Pays 2010*, College Board. Through the 1990s the gap was even larger.

SALARY AND BEYOND

If your job pays \$8 an hour and you work 20 hours, your paycheck will be \$160, right?

Wrong!

Earning money makes you responsible for paying taxes on that income. Luckily, employers make that easy to do by withholding money from your paycheck and sending it to the government for you throughout the year. Otherwise, you'd face paying a large lump sum every April when your income taxes are due.

Your pay stub shows all the deductions your employer makes from your income, including the taxes in the chart below:

Deduction	What It Is	How Much It Is
Federal Income Tax	An amount paid to the U.S. Treasury to support U.S. government programs and services.	Currently, the tax rates range from 10 percent to 35 percent of your taxable income—in general, the more you earn, the higher the percentage you pay.
State Income Tax	An amount paid to your state government for state-funded programs and services.	Currently, 43 states collect a tax, ranging from 3 percent to 11 percent of your taxable income.
Federal Insurance Contributions Act (FICA)	An amount paid to the Social Security Trust Fund for the Social Security and Medicare programs.	Wherever you work, at least 6.2 percent of your earned income is withheld for Social Security and 1.45 percent for Medicare . Your employer pays an additional matching amount to the fund on your behalf.
Local Income Tax	An income or "occupational" tax paid to your city or county for the privilege of working there.	The rate is a percentage of your taxable income and varies depending on the locality. Currently, local taxes are collected in 14 states.

"The man who does not work for the love of work but only for money is not likely to make money nor find much fun in life."

*~ Investment brokerage founder
Charles Schwab*

Overall, the total amount of federal and state taxes you'll pay each year depends on these conditions:

- » The current income tax rates
- » Your gross income
- » Your filing status (such as single or married)
- » The number of dependents (children, for example) you have
- » Employee benefit programs you participate in that reduce or defer taxes
- » Specific deductions you record on your IRS Form 1040 tax return

The dollar amount the employer withholds from your pay depends on your income, current tax rates, and what you enter on **IRS Form W-4 Employee's Withholding Allowance Certificate** when you start your job.

You will need to complete a new Form W-4 when you get married or divorced, add or drop a second job, have a child, or experience a big change in earnings.

Ideally, the total amount your employer withholds during the year will equal what you owe on your annual tax return.

If not enough money is withheld, you'll have to pay the difference to the IRS at tax time. If too much is withheld, you'll receive a refund at tax time—but when that happens it means you've basically loaned the government your overpayment interest-free over the course of a year.

TAX TIPS FOR TEENS

- » You must pay taxes on all income earned over a certain threshold, even if you're a full-time student.
- » The threshold depends on your age and whether a parent or guardian claims you as a dependent on his or her tax return.
- » All tips earned must be reported as taxable income.
- » Even if you're not required to file a tax return, you should do so if you qualify for a tax refund.

Activity 3.7: Get the W-4 Right

Download a copy of IRS Form W-4 from www.irs.gov. Follow the directions to fill out the withholding allowance information for your current situation. Use 000-00-0000 for a Social Security number to keep your own number a secret.

ALL ABOUT INCOME

Now that you understand more about taxes, let's look at how they affect your paycheck.

When an employer says a job will pay an hourly wage of \$8 or an annual salary of \$25,000, he's talking about **gross pay**—the total amount of income you earn in a pay period. If this job is your only income source, your gross pay equals your gross income.

But your employer deducts payroll taxes and may deduct other items from your pay, such as health insurance premiums and union dues. As a strategy to manage your money, you may have the option to request automatic payroll deductions for regular payments such as:

- » Depositing 10 percent of each paycheck into your savings account
- » Donating \$20 per paycheck to the United Way
- » Contributing to your retirement fund

After subtracting the deductions, the amount left is your **net pay**. The cost of your deductions will lower your net pay, but handling these payments as you are paid can help you stick to a regular saving and spending plan.



Activity 3.8: Check It Out!

Kevin earns \$6.50 an hour and worked 60 hours last month. During the month he received \$148 in tips. He also used his employee food discount and chose to have the cost of his meals deducted from his paycheck.

If he had \$21 deducted last month for meals, what was his net pay?

Calculating Your Income		Kevin's Monthly Pay
	Regular Pay	
+	Tips	
=	Gross Pay	
-	Payroll Taxes	\$ 77
-	Other Deductions	
=	Net Pay	

- » **Tips.** Many who work in the hospitality and service industries receive tips that increase their earnings. Be aware that employers can pay less than the regular minimum wage to workers who typically receive tips on the job, as Kevin does at the restaurant.
- » **Bonuses.** Many sales and non-sales jobs pay bonuses when you or the company as a whole performs exceptionally well.
- » **Performance reviews.** Your supervisor should rate your performance—giving you the chance to earn a raise—at least once per year. Some firms will schedule your first review after your first three to six months on the job.
- » **Opportunities for promotion.** High-performing workers can move up the ladder quickly, with good pay hikes along the way.

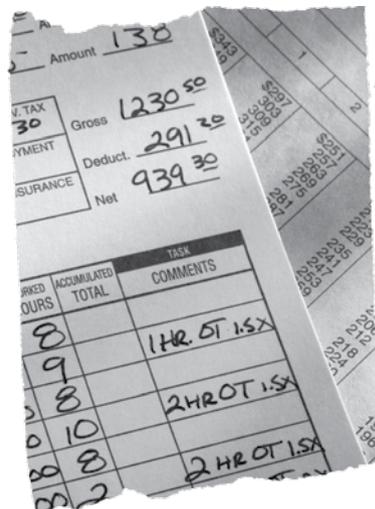


Have you already benefited from any of these income influencers?

EVALUATING SALARY

When you're comparing job offers, you'll mainly be focusing on the gross pay. But you can get a clearer picture of a job's pay potential by finding out about five income influencers:

- » **Overtime pay.** In a job that qualifies for overtime pay, you're entitled to make 150 percent of your normal hourly rate for each hour worked beyond 40 in a work week. If you regularly earn \$8 an hour, your hourly overtime rate is \$12.
- » **Commission.** Sales jobs often include commission compensation, which means you're paid based on a percentage of the cost of the products you sell. So, someone earning a 10 percent commission would get \$50 on a \$500 sale.



DID YOU KNOW?

If you're under 18 years old, federal and state laws restrict when you can work and the types of work activities you can do. These laws are meant to ensure that your work experience remains a safe and rewarding one. Check out the Department of Labor work restrictions for youth at www.youthrules.dol.gov.

DOUBLE YOUR MONEY WITH BENEFITS

Once you have a grip on the salary for a specific position, look into the employee benefits offered by the employer. Employee benefits are key to understanding your total potential compensation from a job. They can increase the value of a full-time salary by 20 percent to 50 percent, while saving you a ton of money.

Employers provide some benefits at no cost to you. Others may require you to pay all or part of the cost—but it’s still cheaper than buying benefits on your own. The most common employee benefits are listed in the following chart:

Type of Benefit	What It Is	What You Pay
Paid Leave	Paid time off for holidays, vacation, and illness. Full-time workers typically get 10 vacation days after the first year on the job—15 vacation days after five years. ¹⁵	Nothing
Health Insurance	Group health insurance dramatically lowers what you pay to see doctors, get prescriptions, and go to the hospital. Dental and vision insurance may be offered, too.	Usually, a portion of the cost, which the employer deducts from your paycheck and applies on your behalf.
Retirement Savings Plans	You can contribute to a workplace retirement plan and even receive additional money, if your employer matches a certain percentage of your contributions.	Your choice—typically up to 10 percent of your income, automatically deducted from each paycheck and paid into the plan. Employer-match contributions cost you nothing.
Life and Disability Insurance	Insurance that pays if you die or become unable to work due to an illness, injury, or other impairment.	Usually, basic policies are employer-paid and you’re given the option to buy additional coverage.
Tuition Assistance	Your employer pays all or part of tuition expenses toward a degree or certification.	From zero to a portion of tuition, although you may have to pay the school first and submit the bill to your employer for reimbursement.
Training and Professional Development	Your employer might offer or pay for classes, workshops, or conferences for the purpose of enhancing your skills or attaining a required license.	Usually nothing, although you may have to pay first and get reimbursed from your employer.

Wait—there’s more. Although every company is different in what they provide, many offer a variety of other benefits (aka perks). These can include:

- » Employee discounts
- » On-site child care or child-care assistance
- » Flexible work schedule
- » Free or discounted parking and bus passes
- » On-site gym facilities or membership to a local gym
- » Free or discounted on-site meals
- » Uniforms or a clothing allowance
- » Smartphone, tablet, or laptop
- » Telecommuting options
- » Company vehicle
- » Wellness programs





What perks have you received from your employer(s)?

If you add up the cost of the benefits and discounts, you’ll see just how valuable employee benefits can be. So, be sure to look at the total **compensation package**, the sum of the pay and benefits, when evaluating a job offer.



Activity 3.9: Compare Employee Benefits

Gina’s cousin Jordan has just finished college and is trying to decide between two job offers. The salaries are the same, but the benefits are very different. Go online to www.hsfpp.org to view Jordan’s offers and compare the employee compensation packages.

¹⁵ National Compensation Survey: Employee Benefits in the United States, U.S. Department of Labor, March 2011

THE COSTS OF WORKING

Working can make money for you, but it can cost you money, too! Here are some typical extra expenses that go along with working:

- » Transportation—bus fare or gas, parking, and a car to get to and from work
- » Clothing—uniforms or business attire, plus any dry cleaning
- » Memberships—such as union dues or fees to professional associations
- » Supplies—tools or equipment you're required to buy for your job
- » Child care—day care or kids' after-school programs for when you're not home

Note that some of the costs—such as transportation—are ones you'll have for pretty much any job. And some will vary by the job. For example, if the new company you're considering working for is located an additional 45 minutes away, increased transportation and child-care costs could eat up the advantage of earning slightly higher pay.

You'll spend many of your waking hours working. So, it's well worth your time to carefully weigh all the pros and cons before saying yes to a particular job offer.

Activity 3.10: The Costs of Working

If you have a job now, what extra expenses do you have that you wouldn't have if you weren't working? If you don't have a job, ask family members and those you know who work full time about their work-related expenses.

Of course, jobs involve **opportunity costs**, the cost of what you give up when you choose an action. Right now, working might mean giving up after-school activities or not hanging out with your friends on Friday nights. Later, it may mean spending less time with your spouse or kids, postponing a return to school, or putting the career you want on hold to take a job that pays your immediate bills. It can also mean spending more money on transportation or required equipment because of your job.

One of the new guys at Uncle Frank's shop was complaining about all the expenses he had on his previous job. He had to pay for his own steel-toed boots and the classes he took before getting certified. Although he was paid extra for working weekend hours, he wished that he hadn't missed his son's weekend soccer tournaments.



Gina has never really thought about costs. But now she realizes that jobs come with expenses, and sometimes the work schedule isn't the most ideal.

LIVING YOUR DREAM

Surprise! Money can't make you happy—once you're earning \$75,000 a year. Princeton University researchers found that above that salary, income increases have zero effect on your daily happiness and emotional well-being, although they can improve your overall satisfaction with life.¹⁶

Even something as potentially life changing as winning the lottery doesn't make you any happier. Within a year of hitting the jackpot, winners return to being just as happy (or unhappy) as they were before their win.¹⁷

But if money doesn't make you a happy camper, what does? The answer: having a job that reflects your values and feels meaningful.

VALUES ON THE JOB

Values will play a role in what you choose to do and who you choose to work for. Some people will do whatever it takes to be rich—even if that means 90-hour workweeks and relocating to Singapore at the drop of a hat. To others, being able to leave the office by 5 p.m. to have dinner with their kids is more important than a high-paying job that keeps them chained to the office.

At some point, you may be drawn to or repelled by a company because of your values. You'll find that companies vary widely in how they treat their employees, their customers, and the environment. These are choices you'll have to make as you go along.

“Have the courage to follow your heart and intuition. They somehow already know what you truly want to become. Everything else is secondary.”

~ Apple founder Steve Jobs

Overall, the **more closely your values match your career, the more satisfying your work** will be—and the easier it will be to succeed.

Some savvy employers have figured this out. When recruiting potential employees, they have moved evaluating how well job candidates' values mesh with the company's values to the top of the priority list.

After all, employers can train someone who's lacking in skills. But they can't "fix" an employee who's a bad fit for the company culture. In fact, one study that tracked 20,000 new hires found that 46 percent of them failed within 18 months. Of those, 89 percent failed for reasons related to their attitudes. Only 11 percent failed from a lack of skill.¹⁸



Activity 3.11: My Values at Work

What is most important to you when deciding where to work? List two or three criteria you will consider when deciding on a job or career. (If you completed Activity 1.5 in *Module 1: Money Management*, review your values list for this activity.)

Criteria I Value in the Workplace	Why It's Important

¹⁶ "Happiness is Love—and \$75,000," *Gallup Management Journal*, Nov. 17, 2011, gmj.gallup.com/content/150671/happiness-is-love-and-75k.aspx

¹⁷ "Lottery Winners and Accident Victims: Is Happiness Relative?" *Journal of Personality and Social Psychology*, Aug. 1978

¹⁸ *Hiring for Attitude*, as cited in "Cultural Fit Trumps Skills," Society for Human Resource Management, We Know Next blog, April 24, 2012, www.weknownext.com/blog/cultural-fit-trumps-skills

FINDING MEANING

Values definitely play a part in personal satisfaction. But research shows that a few other items play an important role, too. Employees have higher levels of personal satisfaction when they:

- » Can use their strengths every day.
- » Feel valued by their boss and company.
- » Believe that what they do is important to their employer.
- » Create a plan and regularly make progress toward their goals.
- » Have at least one good friend at work.¹⁹

Regardless of the job, if you see how your work fits into the big picture of what the company does and how others benefit from your efforts, then you'll feel pride and accomplishment in doing your job as well as it can be done.

Challenge 3-B: Thumbs Up or Thumbs Down?

Use the DECIDE steps to identify potential job or career options that match your criteria for financial goals and desired lifestyle.

JUMP-START THE JOURNEY

It's never too early to start sharpening your skills and exploring possible careers. Researching a career online is useful, but the best insights will come from talking to people who have that job and testing the waters yourself. You may build some resume-worthy skills in addition to building a network of contacts in your chosen field.

¹⁹ *The State of the Global Workplace: A Worldwide Study of Employee Engagement and Wellbeing*, Gallup Consulting, 2010

“ People with jobs that tap their strengths are six times more likely to enjoy their jobs and three times happier with their life than people who do not get to focus on what they do best at work. ”

~ StrengthsFinder 2.0 (Gallup Press, 2007)

Here are some ways to do that:

- » Find part-time jobs that let you build skills and get a foot in the door of the career you want.
- » Invest in volunteer work for a behind-the-scenes look at a career or industry.
- » Enroll in a work-based learning experience while you are in school, such as a cooperative education, apprenticeship, internship, or teacher cadet program.
- » Attend training camps and courses to test your talents and see if you truly like using them.
- » Take skill and career assessments to pinpoint strengths and possibilities.
- » Interview or job shadow people who have your dream job.
- » Join career-related clubs that allow you to explore different options.
- » Put your abilities on display by starting your own business.
- » Apply to work for a temporary employment agency to get experience working in a variety of industries and for different types of employers.

If you don't figure out the perfect career before you graduate or start looking for full-time work, that's OK. Keep an open mind and consider a variety of opportunities. Look for positions that allow you to use your strengths and seek out employers who sound good to work for.



Activity 3.12: Advice for Kevin

Imagine that Kevin lives and attends school in your community. Recommend three strategies he can use to learn more about careers in the health care industry.

THE POTENTIAL EARNING POWER OF WORKING FOR NOTHING

Although internships and volunteer positions may not deliver an immediate paycheck, they can help you land terrific jobs in the future. That's because they can provide the following advantages:

- » Demonstrated skills and on-the-job accomplishments for your resume.
- » Relevant work experience—41 percent of hiring professionals consider volunteer work as valuable as paid work experience, and 20 percent have hired someone based on their volunteer experience.²⁰
- » Impressive references for college applications and future employers.
- » Valuable connections for whatever career you decide to pursue.
- » College credit, if you arrange the internship through your college.
- » Perks such as being able to attend special events.
- » Getting the chance to get your foot in the door in a highly competitive field or company.
- » A full-time job—61 percent of employers made full-time offers to their interns in 2011.²¹

READY, SET, PROMOTION!

You may have to start out with a job that doesn't meet your definition of perfect. That's normal and the best thing you can do is make the most of it. Ask your immediate supervisor what it takes to move up to the position you want. Then, go for it.



Imagine that you're a boss: What would you want to see in an employee?

²⁰ "LinkedIn Adds 'Volunteer Experience and Causes' Field to Profile," LinkedIn, Sept. 7, 2011, press.linkedin.com/node/870

²¹ 2012 *Internship & Co-op Survey, Executive Summary*, National Association of Colleges and Employers (NACE), April 2012

To speed up your trip to the top, you need to focus on what your supervisor wants instead of what you want. Raises and promotions aren't a right—you have to earn them.

Here are some ideas to put you on the fast track:

- » Do your job, do it well, and meet your deadlines.
- » Ask "How else can I help?" and take initiative to fix problems you see.
- » Sport a good attitude; no one likes to work with a whiner or a grouch.
- » Get along with your boss and co-workers so they want to work with you.
- » Go to your boss with solutions instead of only sharing problems.
- » Keep an updated list of your accomplishments, skills, training, and certifications.
- » Find a **mentor**, someone with more experience than you who can give you advice and guidance.
- » Join a professional association for your industry.
- » Raise your visibility by volunteering for companywide projects.
- » Look for ways to add job responsibilities.

And of course, never stop learning. You'll have to compete with people who are more experienced or willing to work for less money. Whether you learn on the job or in the classroom, you'll gain back the investment many times over during your career.

Challenge 3-C: My Accomplishments

Create or update a list of your accomplishments, skills, training, and certifications, including any details such as dates, places, and titles. Add the updates to your resume. (Look for resume-writing tips at www.hsfpp.org.)

PLOT THE NEXT STEP

After you land a job, it's time to start thinking about how to impress even more employers the next time you're ready for a job change. Because there will be a next time—guaranteed.

If you retire at the typical age of 65, that means you have more than four decades of working ahead of you. No one wants to do the same job for 40 years! In fact, studies show that the **average American will have 11 full-time jobs before age 44**—about one job every two years.²²

A higher salary is one popular reason to change jobs. But it's far from the only one. Here are other conditions that can motivate you to leave one job for another:

- » Lack of new challenges or promotion opportunities
- » Work that doesn't feel meaningful
- » Lack of sufficient benefits
- » Fear or uncertainty of being laid off if you stay
- » Moving to a new city
- » Need for a different work schedule
- » Desire for a shorter commute
- » Difficulties with your boss

Regardless of why it's time to make the move, the process of changing jobs can be disruptive. It can have a dramatic effect on your income—hopefully for the better. But that's not always the case—especially if you switch to a new career in which you have to start out lower than where you were previously.

There's nothing wrong with agreeing to take a drop in income for a move that will make you happier. You'll just need to plan how to manage your expenses with less money until your financial situation improves.

IN CASE OF DISASTER ...

“ My philosophy is that not only are you responsible for your life, but doing the best at this moment puts you in the best place for the next moment. ”

~ Entertainer and philanthropist Oprah Winfrey

Kevin's older brother Tom was laid off from his job as a marketing manager three months ago. Tom and his wife already have tapped out their small savings account. Kevin was shocked to learn that Tom gets only a couple hundred dollars a week from unemployment insurance.

Even worse, Tom's wife is pregnant with their second child. So, he's eager to quickly find a permanent job with benefits. He thought for sure he landed a job at the best company in town after having a final interview last week. But he just found out that someone else got the job.

3 PREEMPTIVE STRIKES FOR DOWN TIMES

A little preparation will go a long way when your income takes a dive. Of course, it's easier to prepare if you know in advance that change is coming, such as when you decide to take time off to raise kids or you move with your family to a new state. Still, there's a lot you can start doing to ease the stress of a layoff, serious illness, or other unexpected work interruption.

The best defense is a good offense. At the first hint that you might leave your job or have a drop in income, you need to jump into action. Do everything listed under “Ready, Set, Promotion!” to make yourself more attractive to employers.

You also should:

- » **Keep doing a good job.** Your boss or co-workers may one day be in a position to give you a job referral. Leave them with a good impression of you.
- » **Tune up your finances.** Downsize your monthly payments. Slash unnecessary expenses, pay down your debt, and start saving every possible penny.
- » **Update your resume.** Pull together contact information for potential job references, too.
- » **Enlist support.** Tell everyone what kind of job you're looking for and how to reach you. Most jobs are never advertised to the public, so word of mouth is an effective tool. Who knows? Your grandmother's hairdresser's son's company may have the perfect job for you.

Check online at www.hsfpp.org under *Module 3: Earning Power* for more offense tips.

²² U.S. Department of Labor, Bureau of Labor Statistics, 2010



Activity 3.13: Downsizing My Financial Plan

If you studied money management skills in *Module 1: Money Management*, take a look at the spending plan you created for Challenge 1-C. Change your spending plan to show the adjustments you will make if you happen to have a drop in income for reasons such as leaving a job or working fewer hours.

MIND THE GAP

You may think of the clothing store when you see the word “gap,” but employers see a red flag. Once you start working full time, a long break between recent jobs or since your last job makes potential employers wonder if you’re unreliable, or if your skills and knowledge are out of date.

People have employment gaps for many reasons—some reasons are common, such as ending a summer seasonal job to return to school, or being laid off from a job due to lack of work. On the other hand, it can be uncomfortable to explain a gap if you stopped working because you impulsively quit a job for a petty reason or were fired.

How long is too long? If the gap between jobs was within the past few years and lasted more than four months, give a short, truthful explanation. Add anything you did during that time that would be relevant to the position you are applying for. Smart job hunters will keep three things in mind to explain the gap:

Never lie. The skeletons in your past are just an Internet search or background check away. It’s far better to ‘fess up to your mistakes and explain what you’ve learned from them than to make up a story that you think sounds better.

Never blame someone else. Even if your boss was Cruella De Vil, your co-worker was harassing you, or you were unfairly passed over for promotion, skip the tale of woe—because no one wants to hire a whiner. Instead, focus on the positive: your skills, experience, accomplishments, and can-do attitude.

Keep learning and growing. During an employment gap, find a way to use your skills or develop new skills. Take on a leadership position with a nonprofit group. Enroll in classes to learn something new. Start your own business. Perform volunteer work in your community. All these activities show initiative and help you stand out to employers. List them just as you would any other job or education on your resume.

ADDING IT UP

Your career is what makes your spending plan, goals, and comfortable life possible. That’s because without income, you can’t afford to do much of anything else!

Just as Gina and Kevin learned from their families, finding a career you love is much more than liking the numbers on the paycheck. You may not find it right away. But the experience, skills, and education you build along the way will help you succeed no matter what line of work you’re in.

Your career will have many highs and lows. It’s true for everyone. But by creating a plan and continually investing in yourself, you’ll get through the low times faster. Best of all, you’ll end up going further and higher than you’ve ever dreamed.

Challenge 3-D: Planning for My Career

Now that you have explored how earning power impacts your lifestyle and ability to meet your financial goals, use what you have learned to start preparing for life on your own after high school.

Use the SMART guidelines to write goals that will lead you on the path to achieving the career and lifestyle you want. Your goals should specify what you need to do, starting now, to proactively boost your earning power.

APPENDIX – MONEY MANAGEMENT AIDS

SMART Goal Guide

Goal Setting

- S** Specific
- M** Measurable
- A** Attainable
- R** Relevant
- T** Time-Bound

Stop, Drop, and Think Before You Buy Test

- » Do I need this or do I want it?
- » If I don't need it, why do I want it?
- » Exactly when will I use (or wear) it?
- » Can I find it for less somewhere else?
- » What will I have to give up or put off by buying this now?

Financial Planning Process

Analyze your values, money management habits, and your financial situation.

Set SMART financial goals.

Plan what needs to be done with checkpoints and plan strategies to cope with unexpected events.

Carry out your plan and track your progress using systems that work for you.

Monitor and reflect on your progress; adjust your plan as your situation changes.

DECIDE Steps

- 1 Define what you want to achieve.
- 2 Establish your must-have and nice-to-have criteria.
- 3 Choose a few options that match your criteria.
- 4 Identify and compare the pros and cons of each option.
- 5 Decide the most logical option for your situation.
- 6 Evaluate the results and make adjustments for next time.

Additional NEFE Resources for Teens and Young Adults

Prep for College or Workplace

www.cashcourse.org/prep

CashCourse Prep is a website that can help you prepare financially for college or the workforce. It includes worksheets, calculators, and an easy-to-use Budget Wizard to help you manage your money.

Spending Habits

www.spendster.org

Spendster is a YouTube™-like website that showcases people's stories of impulse buying, overspending, or just plain wasting money on stuff they don't need. Watch their video confessions then submit your own spending story.

Money Management Tips

www.smartaboutmoney.org/40moneytips

What are the *40 Money Management Tips Every College Student Should Know*? Find out by downloading this booklet and learning how to stretch your financial resources, whether you're just starting out on your own or heading off to college.

