



Theme 1: Earn

Topic Connections: Connects with *Money Smart* curriculum in the classroom: Lesson 1 (Career Options), Lesson 6 (Managing Your Paycheck), Lesson 13 (Understanding the Economy), and Lessons 21 and 22 (Entrepreneurship).

Topic Overview:

Profit. Passion. Potential. These words are at the heart of finding meaningful work that offers financial stability and growth. But it's not always that easy. We're faced with tough choices in life all the time, whether it's weathering an economic storm, struggling to untangle taxes, or guiding a young adult in finding the right career path. It's knowing how to react and respond when called upon to make difficult decisions that empowers oneself and increases opportunities for earning potential.

From the classroom:

How do you know which career or job is right for you? Finding the right career path begins with knowing what activities you enjoy doing and are good at, deciding what your financial goals are, and then researching to discover what jobs meet your goals and passions. For a complete list of careers, visit the U.S. Bureau of Labor Statistics Occupational Outlook Handbook at <http://www.bls.gov/ooh/>.

What is an entrepreneur? An entrepreneur is someone who sees an opportunity and makes a plan to start and manage a business. Entrepreneurs invest their time and money to start a business. They take the risk of losing some or all of their invested resources, with the goal of realizing financial returns.

How much do you pay in taxes, and why? Your income tax rate is determined by the amount of money you earn. Other taxes include FICA (Federal Insurance Contributions Act), which are Social Security and Medicare taxes. Social Security is a federal government program that provides retirement, survivors, and disability benefits. Medicare is also a federal government program and it pays for certain health care expenses. The 2015 Social Security tax rate is 12.4%, with 6.2% contributed by the employer and 6.2% contributed by the employee (based on the first \$118,500 in earned wages). The 2015 Medicare tax rate is 2.9%, with 1.45% contributed by the employer and 1.45% contributed by the employee. If you are self-employed, you contribute the full percentage for Social Security and Medicare.

In what ways does the economy affect you? When the economy is strong and interest rates are low, credit is less expensive and more people and businesses are able to borrow money. However, despite low interest rates, businesses can be reluctant to invest. This is because businesses weigh the uncertainty of the economy when making decisions to invest and grow their companies. When businesses are hesitant to invest, it can result in a slower economic recovery. Conversely, high interest rates on credit make it challenging for people and businesses to borrow money, which lowers buying capabilities and slows down the economy. A slower economy can also mean less work is available, increasing unemployment rates.

Words To Know:

Career: The type of work a person pursues for the majority of their life that may involve formal education, special training, or be within a specific industry.

Entrepreneur: An individual who establishes and operates his or her own business.

Gross Income (Gross Pay): Earnings before deductions (as for taxes or expenses) are subtracted.

Income: Money that you receive from jobs, allowances, gifts, interest, dividends, and other sources.

Income Tax: Taxes on income, both earned (salaries, wages, tips, commissions) and unearned (interest, dividends). Income taxes can be levied on both individuals (personal income taxes) and businesses (business and corporate income taxes).

Inflation: A rise in the general level of prices of goods and services in an economy over a period of time; the opposite is deflation.

Job: A specific duty, task, or activity someone completes using his or her time, skills, and energy to earn money.

Medicare: A health insurance program for people who are 65 or older, certain younger people with disabilities, and people with permanent kidney failure requiring dialysis or a transplant. This program is financed by deductions from wages and managed by the federal Social Security Administration.

Monetary Policy: What the Federal Reserve, the nation's central bank, does to influence the amount of money and credit in the U.S. economy. What happens to money and credit affects interest rates (the cost of credit) and the performance of the U.S. economy.

Net Income (Take-Home Pay): The gross pay minus deductions (such as for taxes, health care premiums, and retirement savings).

Paycheck: A check that is used to pay an employee for his or her work.

Recession: A period of reduced economic activity.

Social Security: A federal government program that provides retirement, survivors, and disability benefits, funded by a tax on income.

Conversation Starters ... Ask Your Teen:

- What would be your "dream" job, and why?
- What education do you need to achieve your dream job?
- What type of activities do you enjoy doing? What jobs would allow you to do these?
- Where do you think our tax dollars go?

What if My Teen Wants To...:

What if my teen wants to get a job? Depending on your teen's age and the state you live in, he or she may have to begin with work such as babysitting or walking neighborhood dogs. Once your child turns 14, he or she may be able to look for other opportunities, such as working at the local ice cream shop or grocery store. Labor laws vary by state. Until your teen turns 18, check your state's labor laws by visiting the United States Department of Labor website at www.dol.gov/whd/state/state.htm. For more information, review the *Are You a Teen Worker?* guide by the Department of Health and Human Services and discuss the types of jobs your teen is interested in at www.cdc.gov/niosh/docs/2012-130/pdfs/2012-130.pdf.

What if my teen wants to start his or her own business? Ask your teen about his or her interests and passions. How could these be turned into a business idea? Encourage your teen to write out a plan for the business idea and help determine how much money it would take to set up and operate the business. Help your teen find a realistic way to test the business idea. For example: if your teen loves to craft and makes hand-sewn purses, a local craft fair is a great venue to test the market. Likewise, if your teen is interested in a service-based business such as web design, your teen could help a local business, family member, or friend with website needs. The goal is to find realistic ways for your teen to put his or her entrepreneurial aspirations into practice.

Family Activities:

Tax Preparation: Discuss with your teen how to file taxes or let your teen work alongside you when preparing your tax return. Whether visiting a tax preparer or doing it yourself, engage your teen in the process by showing the steps it takes to prepare and file a tax return.

Paychecks and Taxes: If your teen has a job, ask what taxes are deducted from his or her paycheck. Review the paycheck together and talk about the different deductions and how that money is used to benefit the greater public.

Job Shadowing: If you are able to, take your teen to work with you for a few hours or for one day. Show him or her what you do and the responsibilities you have. If a family member or friend holds a job that interests your teen, arrange for a similar career visit to show your teen firsthand how a real-world job works.

Career Exploration: Work together with your teen to make a list of different jobs held by family members, both past and present. For example: what jobs do grandparents, aunts, uncles, cousins, siblings, and other relatives hold? Talk about the similarities and differences between the jobs. Use the list as way to assess your teen's interest in different professions.

Resources:

Articles:

- *\$250 Million for a 14-Year-Old's Big Idea: Origami Owl* by Karsten Strauss, Forbes: Read about Isabella Weems, a young entrepreneur who was saving up for a used car when her jewelry business made it big.
www.forbes.com/sites/karstenstrauss/2013/10/22/250-million-for-a-14-year-olds-big-idea-origami-owl/

- *Careers with Options: Occupations with Jobs in Many Industries* by Elka Torpey and Audrey Watson, Occupational Outlook Quarterly: Learn about flexible careers with jobs in multiple industries.
www.bls.gov/careeroutlook/2014/spring/art02.pdf
- *Are You a Teen Worker?* by the Department of Health and Human Services: Discover your working rights, employer responsibilities, and what kinds of work you can do.
www.cdc.gov/niosh/docs/2012-130/pdfs/2012-130.pdf
- *Taxpayer Bill of Rights* by the Internal Revenue Service: Explore your fundamental rights as a taxpayer.
www.irs.gov/Taxpayer-Bill-of-Rights
- *United States Economy at a Glance* by the Bureau of Labor Statistics: Get a quick look at the U.S. economy, including current unemployment rates and average earnings.
www.bls.gov/eag/eag.us.htm

Online Tools:

- *Occupational Outlook Handbook* by the Bureau of Labor Statistics: A complete guide to everything you need to know about hundreds of careers, from military jobs to construction and health care.
www.bls.gov/ooh/
- *CareerOneStop* by the U.S. Department of Labor, Employment, and Training Administration: Learn all about careers, education and training, and tips on how to search for a job.
www.careeronestop.org/
- *Hands on Banking for Teen and Young Adults* by Wells Fargo: Find interactive information for both teens and young adults on earning, spending, and saving. **www.handsonbanking.org/en/**
- *Consumer Information: Jobs & Making Money* by the Federal Trade Commission: Helpful job tips, from how to spot a scam to what to do when facing job loss.
www.consumer.ftc.gov/topics/jobs-making-money
- *Business Cycles* by the Council for Economic Education: Understand economic cycles by watching peaks, downturns, and recovery in the economy.
www.econedlink.org/interactives/index.php?id=200&type=student
- *Checklists* by the US Department of Education: Student and parent checklists that help the student focus on succeeding academically and learning about financial aid and provide the parent with tips. **<https://studentaid.ed.gov/sa/prepare-for-college/checklists>**

Games/Apps:

- *Refund Rush* by Financial Entertainment: Help clients figure out what to do with their tax refunds in this interactive and fun game.
<http://financialentertainment.org/>
- *Fed Chairman Game: So You Want to Be in Charge of Monetary Policy?* by the Federal Reserve Bank of San Francisco: Practice your hand at controlling the economy by managing inflation and unemployment rates.
<http://sffed-education.org/chairman/>