

Lesson 1: Types of Income

A. Types of Income

Salary – An annual (yearly) income; may be based on education and/or years of experience

Examples: government, teachers, big companies

Wages – How much an employee is paid per hour.

Examples: cashier, restaurants, retail, CEAs

Commission – a percent of the business sales paid to the employee.

Examples: retail, car sales, realtor

- 1) Neil works on commission of 6.5% of gross sales. He sells \$9865 worth of merchandise. How much commission does he make?

① $6.5\% = \frac{6.5}{100} = 0.065$ ② $6.5\% \text{ OF } \$9865$
 $0.065 \cdot 9865 = \$641.23$

- 2) You make \$416.03 in commission from total sales of \$9245. What was the rate of commission?

$\frac{416.03}{9245} \times 100 = 4.5\%$

↑
2 dec. places for \$

- 3) You make \$17.50 an hour plus commission. You work 25 hours one week and make a total of \$837.50. What was the rate of commission on the \$7890 of merchandise he sold?

① $\$17.50/h \cdot 25h = \437.50 (WAGE) ③ $\frac{400}{7890} \times 100 = 5\%$
② $\$837.50 - 437.50 = \400
TOTAL AM - WAGE (COMMISSION)

Piecework – paid according to a set rate for an amount of produced.

Examples: paper route, fruit picking, artists, many trades - drywaller, mechanics, etc.

- 4) Greg works as a tree planter during the summer and he earns his income through piecework. He is paid \$2.50 for each seedling he plants. If he plants 45 seedlings in a day, how much will he earn?

$45 \cdot 2.50 = \$112.50$

Tips – a percentage paid on goods & services as an incentive.

Example(s): cabs, restaurants (waiter, bartender), delivery driver, esthetics (nails, hairdresser)

- 5) Kirsten earns a base salary of \$8.20/h plus tips. On a typical day, she bills her customers \$950.00, and her tips average 15%. What is Kirsten's average daily income with tips for an 8-hour day?

$$\begin{array}{rcl} 8h \cdot \$8.20/h & = & \$65.60 \quad (\text{WAGE}) \\ 0.15 \cdot \$950 & = & \$142.50 \quad (\text{TIPS}) \\ \hline & & \$208.10 \quad (\text{TOTAL PAY}) \end{array}$$

Bonus – extra income when certain conditions are met/exceeded

- 6) Marilyn works during the summer as a supervisor of a children's program at the local community centre. She has a good reputation with the children and her employer wants her to come back next year.

Marilyn earned \$3600.00 during the summer and her employer offers her a 15% signing bonus if she will sign up for the next year. If Marilyn signs up, how much will she get as a signing bonus?

$$0.15 \cdot \$3600 = \$540$$

B. Employment Classifications

Full-time – person is holding wages or salary jobs of at least 35 hours per week.

Part-time – person is working fewer than 35 hours per week.

Contract – person is hired for a specific period of time to complete a particular project for an employer.

Temporary – short-term assignments at various companies

7) George is figuring out what he should charge for repairing the steps on a client's house. The cost of materials will be \$785.96, and he will have to hire 2 workers 8 hours each at a rate of \$12.85/h. He wants to earn at least \$450.00 for himself. What should he charge the client in the contract?

$$8h \cdot \$12.85/h = 2 \text{ people} = \$205.60$$

$$\begin{array}{rcccc} \$785.96 & + & \$205.60 & + & \$450 & = & \$1441.56 \\ \text{(MATERIALS)} & & \text{(WAGES)} & & \text{(EARNINGS)} & & \end{array}$$

SO, REASONABLE TO CHARGE THE CLIENT \$1450
OR \$1500

C. How Employees are Paid

There are several different ways (or time schedules) that employees can be paid. They are:

- Biweekly (26 pay periods per year)
- Semi-monthly or bi-monthly (24 pay periods per year)
- Monthly
- Weekly
- Daily (piecework)

Today most employers use **direct deposit** to electronically deposit their employees pay into their bank account.

8) Isaac was hired to be the office clerk at an insurance company. His annual salary will be \$34,756.00. Would he earn more each pay period if he were paid semi-monthly or biweekly?

SEMI-MONTHLY: $\frac{\$34756}{24} = \1448.17 PER PAYCHECK

BIWEEKLY: $\frac{\$34756}{26} = \1336.77 PER PAYCHECK

→ MORE PER PAY PERIOD.

Lesson 2: Gross Income

Gross Income – The amount of money earned before deductions.

A. Calculating Earnings

The number of hours (regular and overtime) an employee works is very important to someone who gets hourly pay. Their pay can be calculated by multiplying the number of hours by the hourly rate.

For employees who receive a salary their pay usually does not change.

Minimum Wage – The minimum amount an employee is paid per hour. In BC: \$15.20.

Equal pay – Same pay for the same job. Goal is to eliminate gender-based wage discrimination.

Example 1: Mark works as an electrician and earns \$24.68/hr. If it takes him 15 hours for one job, how much will he earn?

$$\$24.68/h \cdot 15h = \$370.20$$

Example 2: Charlie works for a lawn care company. In one week, he worked 34 hours cutting lawns. His gross income was \$329.12. What was his hourly wage?

$$\frac{\$329.12}{34h} = \$9.68/h$$

B. Overtime Pay

Many jobs have a standard 40-hour work week. But others work odd shifts and sometimes over 40 hours a week. If you work more than a regular number of hours a week, it is classified as

OVERTIME. And you will earn extra money for those extra hours. Over time is often paid at TIME & A HALF or 1.5 times the regular wage. On statutory holidays some occupations get DOUBLE TIME or 2 times the regular wage.

Example 3:

Marc works for a construction company and earns \$15.82/h for a 37½ hour work week. He is paid time and a half for any time that he works in excess of 37½ hours. If he works 42½ hours during one week, how much will he earn?

Calculate regular hours: $37.5 \text{ h} \cdot \$15.82/\text{h} = \593.25 (+)

Calculate overtime hours: $(42.25 - 37.5) \cdot \$15.82/\text{h} \cdot 1.5 = \112.72
OVERTIME HOURS

Total Earnings: $\$705.97$

Example 4:

Laura's regular rate at her job in a warehouse is \$9.86 an hour. She works 8 hours a day. She has to work an extra shift on a holiday, and her overtime rate is time and a half.

a) What is her hourly rate on the holiday?

$$\$9.86 \cdot 1.5 = \$14.79/\text{h}$$

b) What are Laura's gross earnings for the holiday?

$$8 \text{ h} \cdot \$14.79/\text{h} = \$118.32$$

Shift Premium – Extra payment for non-standard working conditions or hours.

Examples: Isolation pay, northern allowance, dangerous conditions, night shift

Example 5:

Norman is an electrician who is paid a normal rate of \$17.40 per hour. When Norman works at heights he is paid an additional \$1.35 per hour. Calculate Norman's wage in a week where he works 36 hours, 13 of which are at heights.

$$36 - 13 = 23 \text{ REGULAR HOURS}$$

$$\text{REG. PAY: } 23 \text{ h} \cdot \$17.40/\text{h} = \$400.20$$

$$\text{HTS. PAY: } \$17.40/\text{h} + \$1.35/\text{h} = \$18.75/\text{h}$$

$$13 \text{ h} \cdot \$18.75/\text{h} = \$243.75$$

$$\text{TOTAL PAY: } \$400.20 + \$243.75 = \$643.95$$

Lesson 3: Income Tax & Deductions

Deductions – Money deducted (taken off) your gross income.

By law employers must take deductions from employee pay cheques. These include:

- Canadian Pension Plan (CPP)
- Employment Insurance (EI)
- Income Tax (Federal & Provincial)

Taxes – Required contributions to FEDERAL and PROVINCIAL revenue, levied by the government on personal income and business profits or added to the cost of some goods, services, and transactions (GST & PST).

Taxes are used for: Education, healthcare, infrastructure (roads, bridges), social services

Benefits – Range of programs that benefit the employee and are deducted from gross income.

Other deductions may include:

- Union dues
- Pension (or retirement savings)
- Extended Health/Vision insurance
- Extended Dental insurance
- Life Insurance

Taxable Income – Income after non-taxable deductions have been applied. Used for taxable deduction calculations.

<u>Taxable</u>	<u>Non-Taxable</u>
Canada Pension Plan (CPP) ~ 3%	Union Dues
Employment Insurance (EI) ~2%	Pension
Income Tax – 18% if you earn less than 32,000 annually	Short/long term disability
Federal Tax	
Provincial Tax	
Life Insurance	
Extended Health / Dental ~ 5%	

Example 1:

$$\frac{1.5}{100} = 0.015$$

John's group life insurance is 1.5% of his salary of \$450.00 every two weeks. How much does he pay for group life insurance?

$$0.015 \cdot 450 = \$6.75$$

Example 2:

Hank paid \$37.51 Employment Insurance (EI) on his taxable monthly income of \$2168.21. What is the EI rate?

$$\frac{37.51}{2168.21} \cdot 100 = 1.7\%$$

Net Income ("take home pay") – Income after ALL deductions have been applied.

$$\text{Net Income} = \text{Gross Income} - \text{Deductions}$$

Example 3:

Kara earns \$400 a week, working for a telemarketing firm. The deductions from her weekly pay are:

EI	\$8.55
CPP	\$13.45
Income Tax	\$44.15
Company Pension Plan	\$9.50
Health Plan	\$10.40

(+)

\$86.05

Calculate her: (PER WEEK)

a) Gross Income

(-) \$400

b) Deductions

\$86.05

c) Net Income

\$313.95

Example 4:

Kylie receives an annual salary of \$53 750.

→ AKA - semi-monthly (24 times A YEAR)

a) Calculate Kylie's bimonthly pay.

$$\frac{\$ 53750}{24} = \$ 2239.58$$

b) Kylie's before tax deductions include union dues of 3.5% and pension amount of 4.5%. If she pays federal tax of 19%, provincial tax of 6.8%, CPP at 4.95% and EI at 2% what is her net income?

NON-TAXABLE : $3.5 + 4.5 = 8\%$

TAXABLE INCOME : $0.08 \cdot 2239.58 = \$ 179.17$

$$2239.58 - 179.17 = \$ 2060.41$$

NET INCOME : $19 + 6.8 + 4.95 + 2 = 32.75\%$

Lesson 3 Worksheet

$$0.3275 \cdot 2060.41 = \$ 674.78$$

$$2060.41 - 674.78 = \boxed{\$ 1385.63}$$

NET