

Building Your Financial House

Set the Foundation of Your Future



Module 2 Maximize Earnings Case Study Answer Key

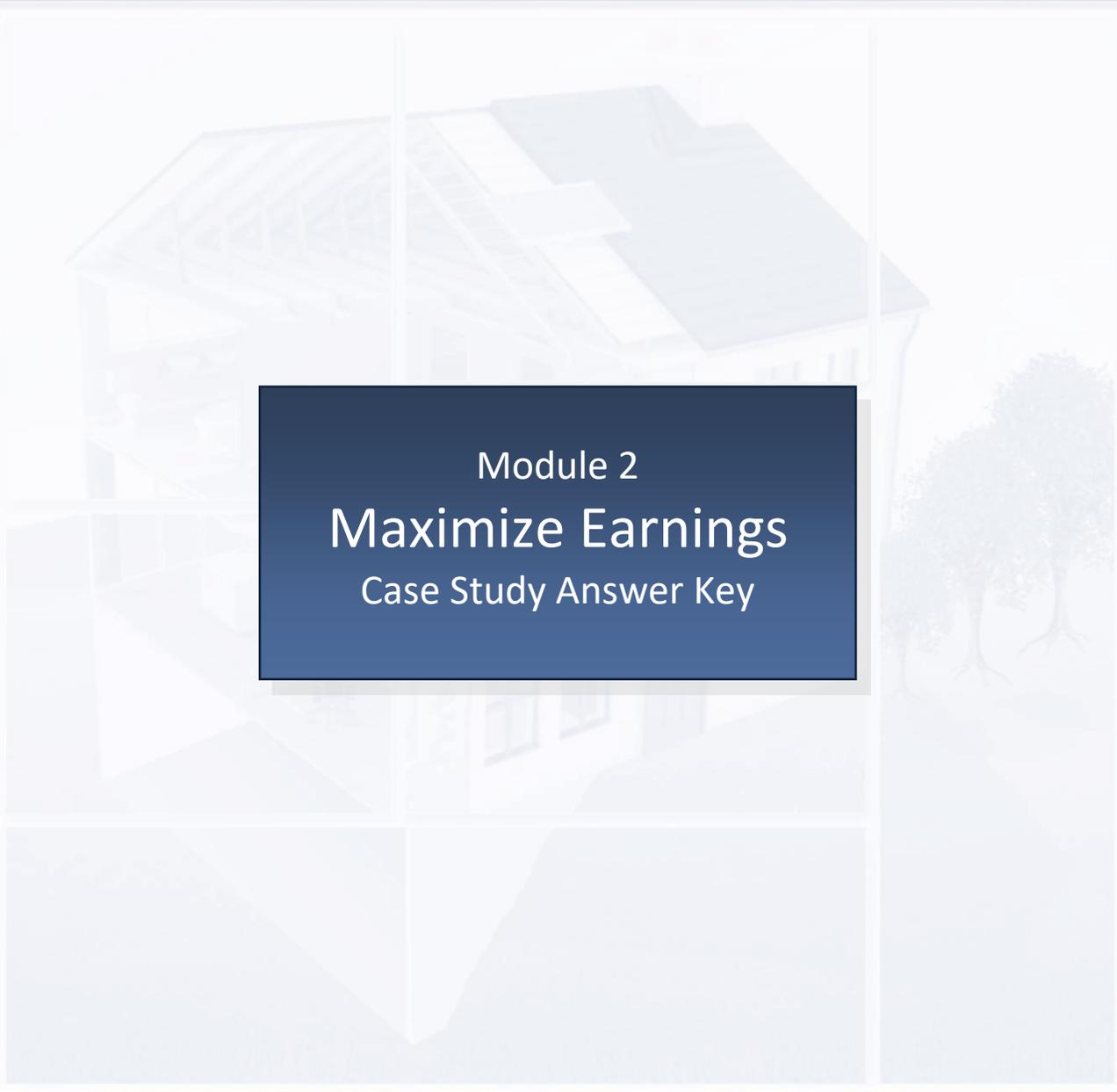


Table of Contents

Case Study: Answer Keys

Understanding *Your* Pay Statement 3
Job Benefits Checklist..... 4
Insurance Options5
Ten Questions to Ask About Retirement Benefits..... 6

Understanding Your Pay Statement

Did you know also know that that there are no standard descriptions or abbreviations that have to be used? For example, social security taxes might be listed as FICA (Federal Insurance Contribution Act) or OASDI (Old-Age, Survivor, and Disability Insurance). It's important to understand all of the specific items on your paystatement. Use your pay statement to complete the worksheet. If you have questions about any of the items on your pay statement, contact your payroll or human resources departments to clarify. **If you are unemployed, use information from the Case Study (page 11) to complete the worksheet.**

| Earnings: | | Description or Abbreviation Used | Current Pay Period Amount | Year-to-Date (YTD) Amount |
|--------------------|-------------------|---------------------------------------|---------------------------|---------------------------|
| Wages | | | | |
| | Regular | Regular | \$1,213.38 | \$2,426.76 |
| | Overtime | | | |
| | Commission/tips | | | |
| | Bonus | | | |
| | Other | Mass Trans (transportation allowance) | \$ 60.00 | \$ 120.00 |
| Paid time off | | | | |
| Other | | | | |
| Total Gross Pay: | | | \$1,273.38 | \$2,546.76 |
| Deductions: | | | | |
| Taxes | | | | |
| | Federal | Federal | \$ 59.79 | \$ 119.58 |
| | State | State | \$ 34.73 | \$ 69.46 |
| | Local | Local | \$ 16.35 | \$ 32.70 |
| | Social Security | OASDI | \$ 86.27 | \$ 172.54 |
| | Medicare | | | |
| | Unemployment | | | |
| | Other | | | |
| Insurances | | | | |
| | Health insurance | XYZ Health Plan | \$ 60.67 | \$ 121.34 |
| | Flexible spending | FSA | \$ 25.00 | \$ 50.00 |
| | Health savings | | | |
| | Other | Life-Optional (group life insurance) | \$ 0.35 | \$ 0.70 |
| Retirement savings | | | | |
| Garnishments | | | | |
| Other | | | | |
| Total Deductions: | | | \$283.16 | \$566.32 |
| Net Pay | | | \$990.21 | \$1,980.44 |

Source: Adapted from *Managing Your Money* (Career Publishing Solutions)

Job Benefits Checklist

Did you know that an employer will spend an additional 38 cents* on employee benefits for every dollar they pay in wages? Knowing what your employer offers is the first step to maximizing the resources already available to you. Look at your employee benefits manual or ask your human resources department which of the following your employer offers. **If you are unemployed, use information from the Case Study (pages 12&13) to complete the worksheet.** [The (√)'s indicate Anna's use is undeterminable at this point.]

| Benefit | Description | Does your company offer? | | | Are you using? | |
|------------------|---------------------------------------|--------------------------|----|--------|----------------|----|
| | | Yes | No | Unsure | Yes | No |
| Health Insurance | Health Maintenance Organization (HMO) | | √ | | | |
| | Preferred Provider Organization (PPO) | | √ | | | |
| | Major Medical (Indemnity Plan) | √ | | | √ | |
| | Prescription Drug Plan | √ | | | √ | |
| | Dental | √ | | | | √ |
| | Vision | | √ | | | |
| Other Insurance | Life | √ | | | √ | |
| | Dependent Life | √ | | | | √ |
| | Disability | √ | | | √ | |
| | Long-term Care | | √ | | | |
| | Property (Auto/Home, etc) | | √ | | | |
| | Other: Dependent Life | √ | | | √ | |
| Paid Time Off | Annual/Vacation/Personal | √ | | | √ | |
| | Holidays | √ | | | √ | |
| | Sick Leave | √ | | | √ | |
| | Family Leave | √ | | | | √ |
| | Other: | | | | | |
| Retirement | Traditional Pension Plan | | √ | | | |
| | 401(k), 403(b), or 457 Savings Plan | √ | | | | √ |
| | Matched Savings Incentives | | √ | | | |
| | Profit-Sharing Plan (or ESOP) | | √ | | | |
| | Retiree Health Insurance | | | √ | | |
| | Other: | | | | | |
| Other | Flexible Spending Account (FSA) | √ | | | √ | |
| | Health Savings Account (HSA) | | √ | | | |
| | Tuition Reimbursement | √ | | | | √ |
| | In-house Training Programs | √ | | | | √ |
| | Employee Assistance Program (EAP) | | | √ | | |
| | Child Care | | | √ | | |
| | Adoption Assistance | | | √ | | |
| | Wellness Program | √ | | | | √ |
| | Legal Assistance | | √ | | | |
| | Housing Assistance | | √ | | | |
| | Other: Credit Union | √ | | | | √ |
| | Other: Flexible Work Hours | √ | | | | √ |

*Source: The Pew Charitable Trusts (7/21/2016)

Insurance Benefits

Use the following chart to record what insurance and related benefits are available from your employer *and* at what cost to you. Note: A more detailed health insurance checklist will be covered in the Protect Your Potential module to help you choose the plan that best fits your needs. **If you are unemployed, use information from the Case Study (pages 11-13) to complete the worksheet.**

| Insurance Option | Coverage/Benefit/Limitations | My Cost Per Pay |
|---|--|---|
| Dental | <i>Optional coverage</i> | <i>Unsure, must ask HR department</i> |
| Disability | <i>65% of employee pay (\$1,655/month) beginning 180 days from date of disability to maximum of three benefit years.</i> | <i>Company pays premiums</i> |
| Health (HMO, PPO, Major Medical, etc.) | <i>Major medical including prescription drugs</i> | <i>5% of base pay = \$60.67</i> |
| Life | <i>\$10,000 term life with accidental death and dismemberment benefits</i> | <i>Company pays premiums</i> |
| Long-Term Care | <i>N/A</i> | |
| Vision | <i>N/A</i> | |
| Other | <i>Optional life insurance at \$1.40 per month for additional \$10,000 coverage; dependent life \$0.70 per month for maximum of \$5,000 per dependent.</i> | \$0.35 <i>(Note: Anna has two children; perhaps she needs to revisit to cover both children?)</i> |
| Related Benefits | Qualified Expenses/Limitations | My Contribution Per Pay |
| Flexible Spending Account (FSA) - Health Care | <i>Out of pocket medical expenses</i> | \$25 |
| Health Savings Account (HSA) | <i>N/A</i> | |

Source: Adapted from *DollarWorks 2* (University of Minnesota)

Ten Questions to Ask About Retirement Benefits

Here are ten questions to ask about your (or potential) employer's retirement plan. If you are unemployed, use information from the Case Study (pages 12&13) to complete the worksheet.

- 1.) Is it a defined benefit (pension) plan or a define contribution (savings) plan? *The plan is a defined contribution – 401(k) savings plan.*
- 2.) Am I automatically enrolled in the program or do I need to tell my employer that I want to participate? *An enrollment is provided by the HR department and must be completed in order to enroll.*
- 3.) Is there a waiting period before I can enroll? *There is a 90 day wait period*
- 4.) Is the retirement plan mandatory? Do I have to participate? *Enrollment is optional.*
- 5.) Is there a minimum contribution that has to be made from each paycheck? *\$5*
- 6.) Does the employer add any money to my account or match my deposits? *There is no employer match.*
- 7.) If the employer does make contributions, how long do I have to work to be vested and have a legal right to employer contributions and earnings? *N/A*
- 8.) Can I access my money in the event of a financial hardship? *There are no hardship loans available.*
- 9.) What are the investment choices in the plan? *The plan includes a guaranteed value fund and ten other mutual fund options.*
- 10.) Are there people I can talk to who can help me understand my choices? *Anna needs to ask her HR department about educational or counseling opportunities available through the plan.*

Source: Adapted from *DollarWorks 2* (University of Minnesota)