

Building Your Financial House



Set the Foundation of Your Future

Module 2

Maximize Earnings

Case Study Answer Key (EOR)

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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 information from the Case Study (page 13) to complete the worksheet.**

		Description or Abbreviation Used	Current Pay Period Amount	Year-to-Date (YTD) Amount
Earnings:				
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. **Use information from the Case Study (pages 14&15) to complete the worksheet.** [The (v)'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	✓				(v)
	Vision		✓			
	Other:					
Other Insurance	Life	✓				(v)
	Dependent Life	✓			✓	
	Disability	✓			✓	
	Long-term Care		✓			
	Property (Auto/Home, etc)		✓			
	Other: Dependent Life	✓			✓	
Paid Time Off	Annual/Vacation/Personal	✓			✓	
	Holidays	✓			✓	
	Sick Leave	✓			✓	
	Family Leave	✓				(v)
	Other:					
Retirement	Traditional Pension Plan		✓			
	401(k), 403(b), or 457 Savings Plan	✓				(v)
	Matched Savings Incentives		✓			
	Profit-Sharing Plan (or ESOP)		✓			
	Retiree Health Insurance		✓			
	Other:					
Other	Flexible Spending Account (FSA)	✓			✓	
	Health Savings Account (HSA)		✓			
	Tuition Reimbursement	✓				(v)
	In-house Training Programs	✓				(v)
	Employee Assistance Program (EAP)			✓		
	Child Care			✓		
	Adoption Assistance			✓		
	Wellness Program	✓				(v)
	Legal Assistance		✓			
	Housing Assistance		✓			
	Other: Credit Union	✓				(v)
	Other: Flexible Work Hours	✓				✓

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

Insurance Benefits

Use information from the Case Study (pages 13-15) to complete the following chart to record what insurance and related benefits are available to Anna *and* at what cost.

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>	<i>\$0.35 (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>	<i>\$25</i>
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. Use information from the Case Study (pages 14&15) 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.*

What Comes In: Add It Up

Use information from the Case Study (pages 9-15) to complete the worksheet.

Cash Coming In

Wages/Salary (before deductions)	\$2,426
Wages/Salary (before deductions)	
Commission/Tips/Overtime Pay	
Temp Assistance for Needy Families (TANF)	
Child Support/Alimony Received	
Unemployment Compensation	
Social Security Benefits	
Pension	
Veteran's Benefit	\$ 210
Worker's Disability Compensation	
Other Cash: (specify) <i>transportation allowance</i>	\$ 120
Total Cash In:	\$2,756

Non-Cash Assistance

Supplemental Nutrition Assistance (SNAP)	
Women, Infants & Children Program (WIC)	
Child Care Assistance	
Housing Assistance	\$ 400
School Lunch	\$ 115
Energy Assistance	
Other Non-Cash: _____	
Total Non-Cash In:	\$ 515

What Comes In: Cash In + Non-Cash In
(Also called *gross monthly income*)

\$3,271

Off the Top Deductions

Federal Taxes	\$ 119
State/Local Taxes	\$ 102
FICA Taxes	\$ 172
Unemployment Insurance	
Retirement Savings	
Health/Dental Insurance	\$ 121
Life/Disability Insurance	\$ 1
Child Support/Garnishments	\$ 50
Other: <i>FSA</i>	
Total Off the Top:	\$ 565

What Comes In – Off the Top = Take Home Pay
(Also called *net monthly income*)

\$2,706

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

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