

# Navigating the Land of Lost Income: Understanding Your Paycheck

**SUBMITTED BY:** Kathryn McGinn

**SUBJECT(S):** Career Development

**GRADE LEVEL(S):** 9, 10, 11, 12

## ≡ OVERVIEW:

Students will learn how to read a paycheck, focusing on what is deducted and why. They will work in groups to create visual representations of paycheck earnings and deductions, which they will present to the class. Students will begin to think about where their paycheck deductions go and what these deductions mean to them as individual wage-earners and as members of society.

## ≡ NBEA STANDARD(S):

- Career Development, II. Career Research

## ≡ RELATED ARTICLES:

- [“The Value of a Summer Job”](#)
- [“The Paycheck Breakdown: What You Earn Is Not What You Keep”](#)
- [“Student Essay: Saving for Retirement: ‘Time Is on Our Side’”](#)
- [“Sharing Your Income with Uncle Sam: The Realities of Taxation”](#)
- [“Live Long and Prosper: Planning for a Social Security Shortfall”](#)
- [“Killing the ‘Cockroaches’ of Myths about Money”](#)

## Common Core Standard(s):

- ELA CCR Writing 7: Conduct short as well as more sustained research projects based on focused questions, demonstrating understanding of the subject under investigation.
- ELA CCR Writing 9: Draw evidence from literary or informational texts to support analysis, reflection, and research.
- ELA CCR Reading 1: Read closely to determine what the text says explicitly and to make logical inferences from it; cite specific textual evidence when writing or speaking to support conclusions drawn from text.
- ELA CCR Reading 7: Integrate and evaluate content presented in diverse formats and media, including visually and quantitatively, as well as in words.
- ELA CCR Speaking and Listening 1: Prepare for and participate effectively in a range of conversations and collaborations with diverse partners, building on others' ideas and expressing their own clearly and persuasively.
- ELA CCR Speaking and Listening 5: Make strategic use of digital media and visual displays of data to express information and enhance understanding of presentations.

**Objectives/Purposes:**

- Students will understand how to read a paycheck.
- Students will create visual aids to share their knowledge with their peers.

**Other Resources/Materials:**

- Fake paycheck ([Handout A](#))
- Handout of common paycheck acronyms ([Handout B](#))
- Land of Lost Income Assignment ([Handout C](#))

**Activities:**

1. Ask students who have had part-time jobs to share their reaction when they received their first paychecks. Explain that the purpose of this lesson is to learn more about where your money goes, and why your paycheck is often much lower than you might expect it to be.

*(5 mins)*

2. Give each student a copy of “The Paycheck Breakdown: What You Earn Is Not What You Keep.” Read together and then discuss the following questions as a class:

a. What forms are you required to complete in order to be paid?

- W-4: tells the employer what factors to use in order to calculate federal income tax
- I-9: tells an employer that you are eligible to work in the United States. Proper documentation, such as a driver’s license and social security card, is necessary to complete the form

b. What information is included on your paystub?

- Gross pay and net pay
- Pay period
- Taxes taken out

c. In addition to federal and state income taxes, where does a large portion of your paycheck go?

- Social Security and Medicare programs
- Possibly company benefits (health and life insurance), retirement plan contributions and childcare assistance

*(10 mins)*

3. Break students into groups of two-to-three. Each group receives a copy of Francine Gelato’s paystub (Handout A) and a copy of the APA’s common paycheck acronyms (Handout B). Using the information from the article and the acronyms handout, students must interpret Francine Gelato’s paycheck and create a visual representation of where Francine Gelato’s paycheck goes each pay period. Hand out Land of Lost Income Assignment (Handout C). Students have the following options:

- a. Create a map that illustrates the twists and turns that Francine’s gross wages encounter on their way to her net pay.
- b. Develop a comic strip that highlights the deductions and taxes Francine has to pay.

c. Make a graph that demonstrates where deductions go and what portion/percent each deduction takes out of Francine's gross wages.

Students should make sure that they clearly define terms on their posters, and remember they will have to explain their work to the rest of the class.

As students work, check in with groups to answer specific questions.

*(15 mins)*

4. Students each share their visual aids, explaining terms, deductions and why they made the choices that they did to create their illustrations.

*(10 mins)*

### **Tying It All Together:**

Ask students what they think of all these paycheck deductions. While it's no fun to net less income than you technically earn, what are some potential benefits of paycheck deductions? Who do these deductions benefit? What questions do students still have about reading paychecks and where their money goes?

*(5 mins)*

### **Practice Outside of the Classroom:**

Using the Internet or adults as resources, dig deeper into what different paycheck deductions mean. For example, students might want to learn more about Medicare and Social Security, and how these issues are discussed in the media. What conversations are policy makers having about Medicare and social security? What key points/questions are raised?

Also, refer to another Wharton Global Youth Program article both during and outside of class: ["Sharing Your Income with Uncle Sam: The Realities of Taxation."](#)

### **What Worked and What I Would Do Differently:**

While students were initially a bit overwhelmed by all the deductions, I found it was more engaging for everyone to let them puzzle out the acronyms on their own, rather than going over each possible deduction together as a class. I did check in with each group, and I provided

additional information (e.g., FICA = social security). But students also had access to a computer, and they were able to look up a lot of questions on their own. Students were interested to learn where their federal, state and local taxes went, and they were able to find that information easily on the Internet.

Most groups chose to complete the graph option, I think because they felt it was easiest. Perhaps in the future I would make students complete a graph *and* a map: a graph to show the distribution of the taxes and a map to illustrate where exactly the money goes.

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