



Section 5: Financial Literacy

Once a refugee starts working and receives a paycheck, there are many decisions to be made around spending and saving money. In this section, financial literacy is introduced as a key component of any refugee employment program including, the value of U.S. currency, the basics of banking, how to read a paycheck, basics about income taxes, and how to create a personal budget.

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The financial literacy lessons are best taught using a “show and tell” type of instruction. Visual aids help learners better understand each concept and how it applies to their everyday life. There is a collection of resources including visual aids, basic vocabulary definitions, and links to eLearning modules and videos to help teach these activities.

This is intended only to cover the basics. It is recommended that additional programming be available perhaps, through a partnership with a financial institution or a nonprofit organization. Financial literacy is a topic with many subtopics so be sure to indicate throughout the lessons the importance of making informed financial decisions that provide more options for clients and their families. This message must be conveyed throughout so continued learning can be prioritized by clients.

Learning Objectives

After completing the activities in *Section 5: Financial Literacy*, participants will be able to:

- Identify U.S. bills and coins and their values.
- Open and operate a bank account.
- Identify key components of banking such as debit cards and using an ATM.
- Write a personal check.
- Accurately read a paycheck and pay stub and know what to do with it.
- Articulate at least three things taxes pay for in the U.S.
- Know key dates and papers needed for filing income taxes.
- Create a personal budget.

Key Vocabulary

Money: coins or bills used to pay for goods and services

Bank: financial institution that holds people’s money and loans money to customers

Bank Account: created by depositing/putting one’s money into the bank

Deposit: putting money into the bank

Withdrawal: taking one’s money out of a bank account

ATM: (Automated Teller Machine) machine utilized to take money out of one’s bank account

Credit card: a small plastic card that is used to buy things that the customer agree to pay for later but the interest is often quite high compared to other kinds of loans

Debit card: a small plastic card that is used to buy things by immediately using money from one’s bank account

Paycheck: money received for work; it can be cashed or deposited directly to the bank

Taxes: money paid to the government to help support public safety, roads, and schools and other priorities of the government

Budget: a plan for spending and saving one's money

Income: money received from jobs earnings and possibly other sources

Expenses: money paid out for rent, services, goods and other chosen priorities

Income Taxes: money one pays to the government based on earnings including wages

W-4: document filled out by employee to indicate to their employer how much in taxes to deduct from their paycheck to pay the government

W-2: document from an employer that shows how much one paid in taxes in the previous calendar year

Federal taxes: tax money collected by the national government, based in Washington, D.C.

State taxes: tax money collected by the state's government; some states collect income tax, but others do not

Local taxes: tax money collected by a city, town, or county government

Social Security (FICA):

- Retirement benefits, which can be paid to people age 65 or older
- Benefits for the dependents of retired workers
- Benefits for the disabled and their dependents

Medicare: medical benefits available when one reaches age 65

Tax Credits: reduces the amount of tax owed, based on personal and financial status such as the number of children in a family

To file taxes: to send the Internal Revenue Service, which is part of the federal government, a "tax return," information that indicates how much money has been paid in taxes throughout the year to the government and whether more taxes are owed or whether a refund (paid too much) is due

Tax forms: document templates used to file income taxes

Tax refunds: the difference between taxes paid and taxes owed; when the government returns money for an overpayment of taxes

Internal Revenue Service (IRS): a United States government agency that is responsible for the collection and enforcement of taxes

Included Activities

5.1	U.S. Currency: The Value of Money*	
	<i>U.S. Money – Worksheet</i>	5.1A
5.2	Basics of Banking: Bank Accounts, Credit vs. Debit, and ATMs	
	<i>Banking Photo Cards</i>	5.2B
	<i>Solomon Opens a Bank Account - Worksheet</i>	5.2C
	<i>Banking Role Play Cards</i>	5.2D
5.3	How to Write a Check	
	<i>Writing a Check - Reference Page</i>	5.3E
	<i>Practice Checks - Worksheet</i>	5.3F
5.4	Understanding Your Paycheck	
	<i>Paycheck Vocabulary – Worksheet</i>	5.4G
	<i>What is Included on a Paystub? - Reference Page</i>	5.4H
5.5	Income Taxes 101	
	<i>Taxes Pay for/Do Not Pay For - Title Cards*</i>	5.5I
	<i>Taxes Pay for/Do Not Pay For - Photo Cards*</i>	5.5J
	<i>Understanding Tax Credits - Worksheet</i>	5.5K
5.6	Making a Budget	
	<i>Ali's Monthly Budget- Worksheet</i>	5.6L
	<i>My Monthly Budget- Worksheet</i>	5.6M
	<i>Budget Stickers</i>	5.6N
	<i>Tips for Creating a Budget - Worksheet</i>	5.6O
5.6	Additional Resources	

*Indicates either that the activity works well for a wide range of English levels or that a beginner English level extension option is included. Non-asterisked activities are appropriate for participants with intermediate to advanced English levels.

5.1 U.S. Currency

Activity Overview

Newcomers may have limited understanding of American currency, so this activity introduces participants to U.S. coins, bills, and their values. Purchasing a set of play money is useful for this lesson, but be sure to let participants know that while the practice currency looks very similar to the real thing, it is not.

Materials Needed

- Whiteboard and markers
- *U.S. Money Worksheet* (5.1A)
- Bag of play money including at least one of each coin and bill for each participant
- Pens or pencils

Procedures

1. First, assess the students' understanding of money by asking participants to share their very first memory of money. Take time to note if the memories are positive or negative. Ask participants what the bills and coins look like in their country. Are they colorful? Do they have pictures of important places or people? How is U.S. currency different? How is it similar?
2. Let participants know that U.S. currency has many names, from the common (money, cash, bucks), to the not-so-common ("greenbacks"), to the downright silly ("moolah"). Tell them, "No matter what you call it, be sure to keep some form of U.S. currency in your pocket whenever you leave your home." Discuss how much is a reasonable amount to cover any incidental needs.
3. Pass out copies of the *U.S. Money Worksheet* (5.1A). Ask clients if they have ever seen each coin or bill. For example answers, refer to [here](#).
4. Give each participant a bag of play currency. Ask them to match the currency with the pictures on their worksheet. Call out the names and values one at a time (quarter, five cents, \$1, etc.), checking the bills or coins participants hold up. Then ask them to hold up the correct coin or bill based on the currency named. Take it one step further by asking participants how to make specific value combinations (i.e., 11, 15 or 36 cents).

Extension Options

- **Additional Practice Counting Money:** K5Learning has free worksheets to download and print for additional practice counting money. Several different levels of difficulty are available; check [here](#), [here](#), and [here](#) to see which exercises will best fit students' needs.
- **New to Numbers?** If participants do not yet know how to count in English, consider pairing them with a volunteer to practice counting coins or tracing numbers using worksheets like [these](#).
- **Setting Up Shop:** Another way to practice money (as well as greetings and customer service) is to set up a mock store. Gather items from around the office that can be "sold." Assign one group of students to be the shopkeepers and another group to be the shoppers. The shopkeepers should organize and price items with labels or stickers. Give the shoppers a set amount of fake money to use to shop, instructing them only to spend the money they've been given. Shopkeepers should accept and count money from the shoppers, providing correct change as needed.

U.S. Money



Penny

Value: _____ Color: _____

What is on it? _____

What can I buy? _____



Nickel

Value: _____ Color: _____

What is on it? _____

What can I buy? _____



Dime

Value: _____ Color: _____

What is on it? _____

What can I buy? _____



Quarter

Value: _____ Color: _____

What is on it? _____

What can I buy? _____



\$1 Bill

What is on it? _____

What can I buy? _____



\$2 Bill

What is on it? _____

What can I buy? _____

	<p>\$5 Bill</p> <p>What is on it? _____</p> <p>_____</p> <p>What can I buy? _____</p> <p>_____</p>
	<p>\$10 Bill</p> <p>What is on it? _____</p> <p>_____</p> <p>What can I buy? _____</p> <p>_____</p>
	<p>\$20 Bill</p> <p>What is on it? _____</p> <p>_____</p> <p>What can I buy? _____</p> <p>_____</p>
	<p>\$50 Bill</p> <p>What is on it? _____</p> <p>_____</p> <p>What can I buy? _____</p> <p>_____</p>
	<p>\$100 Bill</p> <p>What is on it? _____</p> <p>_____</p> <p>What can I buy? _____</p> <p>_____</p>

5.2 Basics of Banking

Activity Overview

This activity covers several basics of banking in the U.S., including how to open a bank account, the difference between credit and debit, and how to securely use an ATM. Many refugees and immigrants come from countries where the banking system was corrupt or unsafe. Consider augmenting this lesson with a field trip to a bank or by inviting a local banker to come speak to the class to further contextualize the activities and help clients build trust in the banking system.

Materials Needed

- Whiteboard and markers
- *Banking* Photo Cards (5.2B)
- *Solomon Opens a Bank Account* Worksheet (5.2C)
- *Banking* Role Play Cards (5.2D)
- Computer, projector and screen, or TV for video extension option

Procedures

1. Generate discussion by asking participants, “How do you keep your money safe?” Elicit answers such as by keeping it in a wallet, saving it at home, or putting it in the bank. Ask guiding questions about what happens if someone loses a wallet or someone steals money from a home. Use personal experience with banks to describe why a bank is the safest place to keep money in the U.S. Provide information to clients about the [federal government in the U.S. insuring deposits at banks](#).
2. Tell participants that they will discuss how to use a U.S. bank to safeguard their money. Introduce the key vocabulary¹ for this activity using the *Banking* Photo Cards (5.2B) and the following vocabulary and talking points:

Money: coins or bills used to pay for goods and services

Trainer’s Tip

This section is loaded with new vocabulary terms. To maximize retention of key words, include contextual examples as definitions of each term are discussed. Look for opportunities to compare and contrast words and definitions. Incorporate visual aids, opportunities for role play, and discussion questions to help participants fully process word meanings.

¹ See Trainer’s Tip (http://www.tesol.org/docs/books/bk_teachingvocab_650.pdf?sfvrsn=2)

Bank: financial institution that securely holds customers money/deposits and makes loans to interested customers

Bank Account: created by putting money into the bank in one's own private account that no one else can access

Bank Account talking points:

- *Look for a bank that is close to your home or work.*
- *Ask about the fees for opening an account; you should try to find one that is free and does not have any monthly costs.*
- *You will need two forms of identification, such as a state ID card and a Social Security Card.*
- *You will need to provide personal information such as your name and birthday.*
- *You will need some money (cash or check) to deposit.*
- *Banks can issue debit cards and personal checks linked to your bank account.*
- *Banks generally offer two kinds of accounts: checking and savings accounts. Checking accounts are mainly used for everyday expenses, where money regularly comes in and goes out. Savings accounts are mainly for money that will stay longer in the account; savings accounts usually earn small amounts of interest – a percentage of the amount in savings given to the account holder (i.e. 1-2%).*
- *Your bank can also help you cash a check.*

Interest: a percentage of money that increases over time, either in a bank account or for delaying the repayment of debt

Deposit: putting money into a bank account

Withdrawal: taking money out of a bank account

ATM: (Automated Teller Machine) machine used to take money out of a bank account

ATM talking points²:

- *Never say your password or personal identification number (PIN) out loud or share it with anyone.*

² <https://gcflearnfree.blob.core.windows.net/media/Default/Learning%20Objects/Interactives/EDL/ATM%20tips-2.pdf>

- *Check for ATM fees that might be associated if you are using an ATM not operated by your bank.*

Credit card: a small plastic card that is used to buy items utilizing money from a financial institution that a customer agree to pay for at a later date but there is a cost to use the institution's money which is called an interest rate fee

Debit card: a small plastic card that is used to buy items by using money from your bank account

Credit/Debit card talking points³:

- *The process of using debit cards and credit cards is slightly different.*
- *Differences when purchasing:*
 - *You can use a debit card at the store or at an ATM to withdraw cash. You will frequently have to use a personal identification number (or PIN) with your debit card.*
 - *Credit cards are used at the store and usually only require your signature.*
- *After the purchase has been made:*
 - *With a debit card, money immediately comes out of your bank account.*
 - *With a credit card, you'll receive a statement at the end of the month that outlines all of your purchases. You'll then have to pay back the money. If you pay it in full, you won't be charged any interest. If you don't pay it all back right away, you'll be charged interest on your purchases. Interest can be as high as 29%.*

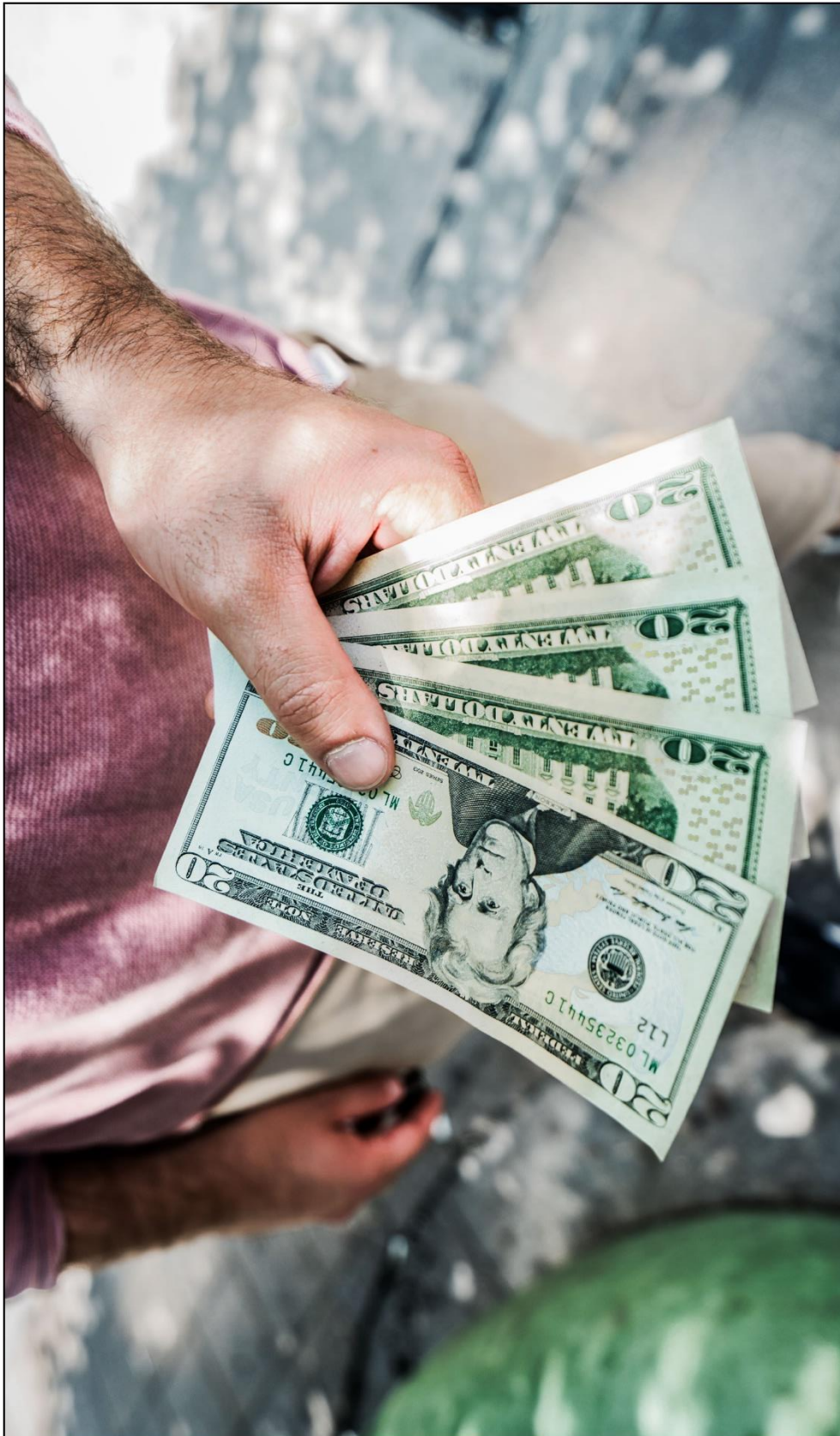
3. Pass out copies of the *Solomon Opens a Bank Account* worksheet (5.2C) and ask participants to read it and fill in the blanks using the new vocabulary. Review together as a class, asking the following comprehension questions:
 - Why did Solomon want to open a bank account?
 - What did Solomon do to open an account?
 - What are some ways Solomon might use his new debit card?
 - How does Solomon feel about having a personal bank account?
4. Ask participants to find a partner, and give each pair one of the *Banking Role Play* cards (5.2D). Give them 10 minutes to read their card, decide how to act out the situation on the card, and rehearse. Challenge participants to incorporate at least one new

³ <https://www.pixton.com/schools/teacher-resources/lesson-plans/credit-and-debit-cards#activity-how-cards-work>

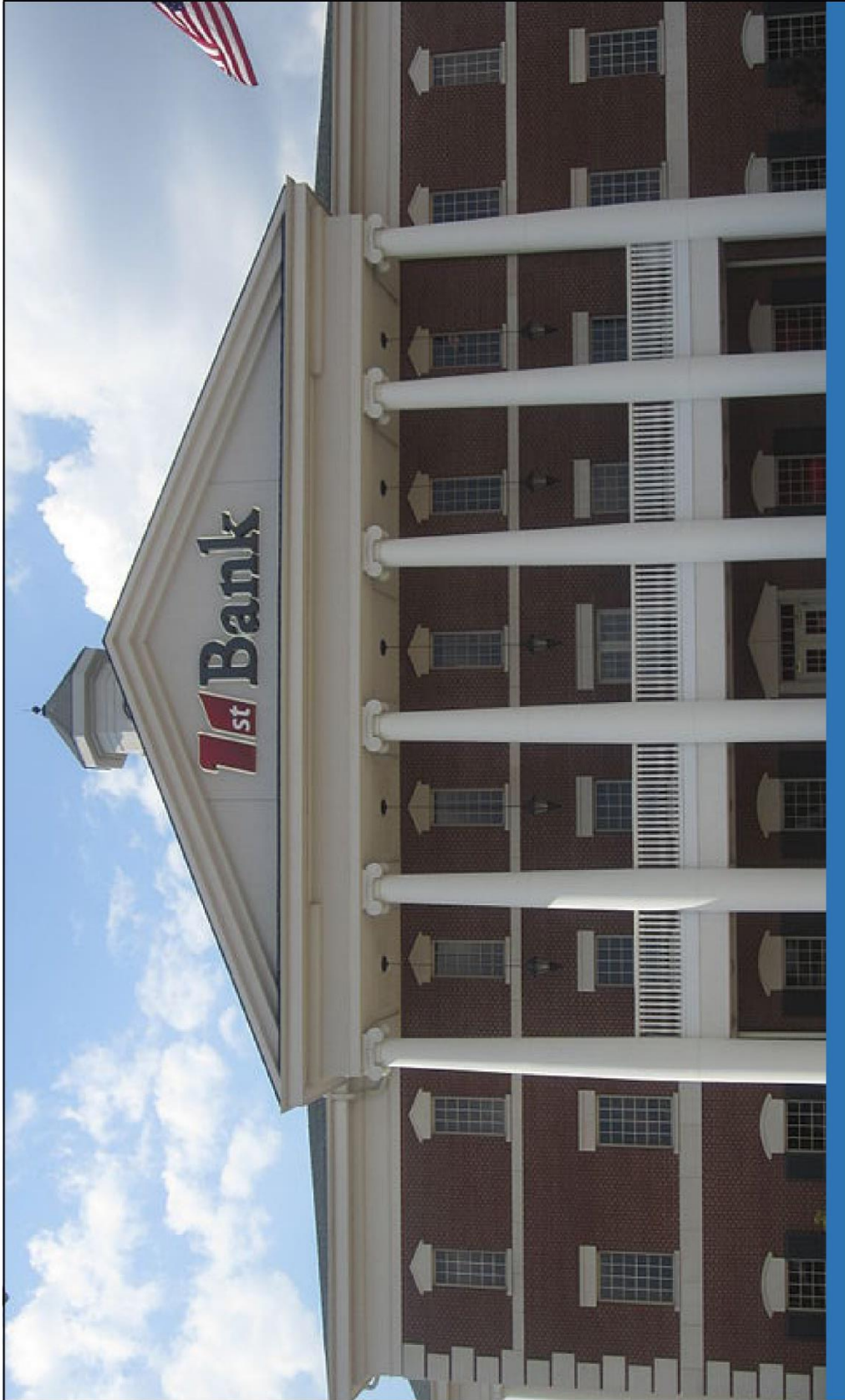
vocabulary word. Invite partners to share their role plays one at a time, asking comprehension questions after each role play.

Extension Options

- **Videos:** Videos can be a great resource for this lesson, particularly if the class is not able to take a field trip to a bank. Fuel offers a [helpful video](#) about the basics of opening a bank account and [Learn English's video](#) highlights the basics of banking, checking, and savings.
- **ATM Simulation:** Practice using an ATM [online at GCL LearnFree](#). Steps include inserting an ATM card, entering a PIN, choosing a transaction type, choosing an account, checking the balance, withdrawing money, completing the transaction, and taking the card and receipt.
- **Banking Options:** Assign advanced participants online reading that covers how banks operate, how interest is calculated, and the differences between banks and credit unions using this lesson from [GCF LearnFree](#).



Money



Bank



FIRST BANK OF WIKI
1425 JAMES ST, PO BOX 4000
VICTORIA BC V8X 3X4 1-800-555-5555

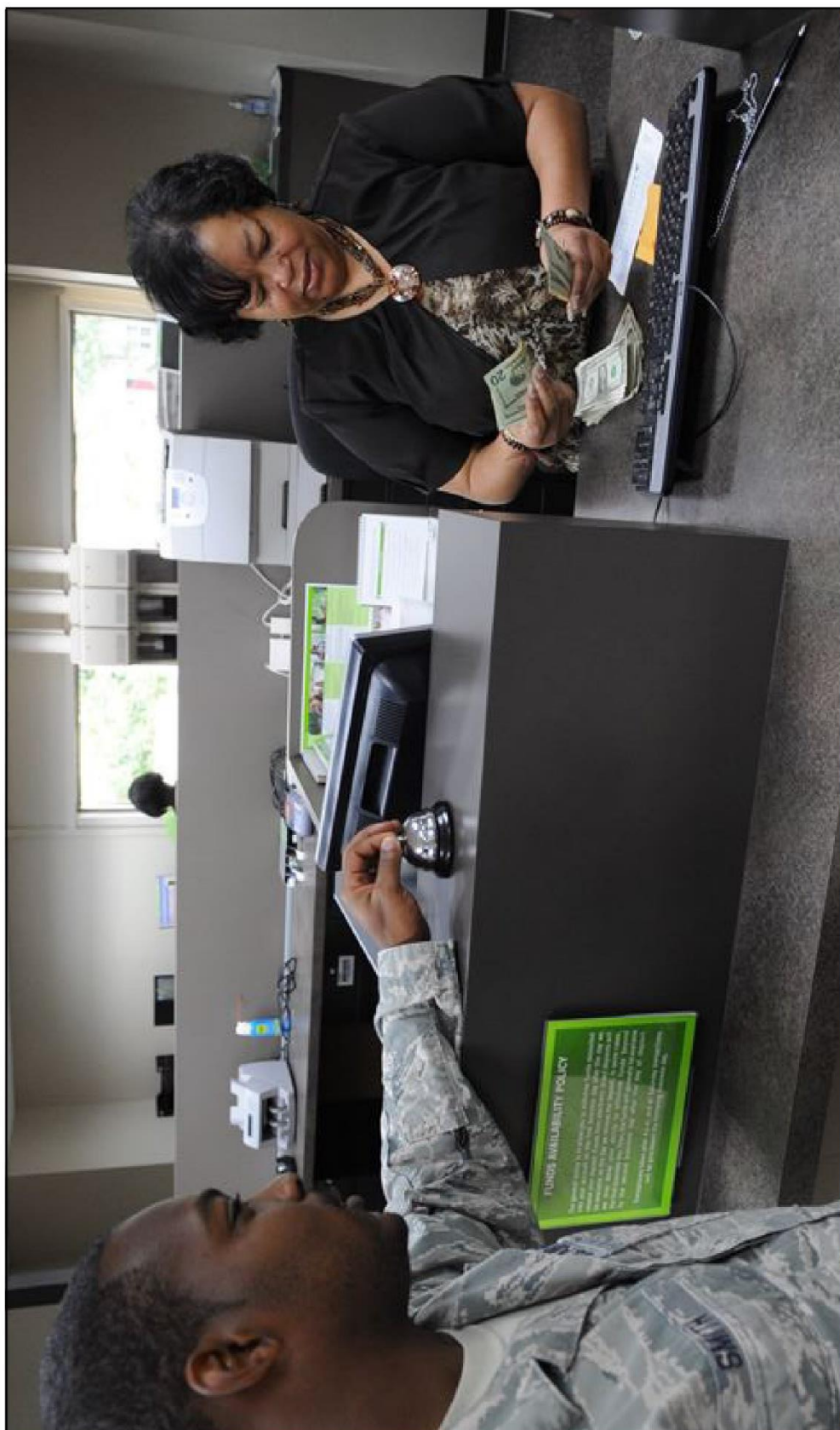
CHEQUING ACCOUNT STATEMENT
Page : 1 of 1

JOHN JONES
1643 DUNDAS ST W APT 27
TORONTO ON M6K 1V2

Statement period	Account No.
2003-10-09 to 2003-11-08	00005- 123-456-7

Date	Description	Ref.	Withdrawals	Deposits	Balance
2003-10-08	Previous balance				0.55
2003-10-14	Payroll Deposit - HOTEL			694.81	695.36
2003-10-14	Web Bill Payment - MASTERCARD	9685	200.00		495.36
2003-10-16	ATM Withdrawal - INTERAC	3990	21.25		474.11
2003-10-16	Fees - Interac		1.50		472.61
2003-10-20	Interac Purchase - ELECTRONICS	1975	2.99		469.62
2003-10-21	Web Bill Payment - AMEX	3314	300.00		169.62
2003-10-22	ATM Withdrawal - FIRST BANK	0064	100.00		69.62
2003-10-23	Interac Purchase - SUPERMARKET	1559	29.08		40.54
2003-10-24	Interac Refund - ELECTRONICS	1975		2.99	43.53
2003-10-27	Telephone Bill Payment - VISA	2475	6.77		36.76
2003-10-28	Payroll Deposit - HOTEL			694.81	731.57
2003-10-30	Web Funds Transfer - From SAVINGS	2620		50.00	781.57

Bank Account



Deposit



Photo courtesy of TaxCredits.net

Withdrawal



ATM



Credit Card



Debit Card

Solomon Opens a Bank Account

Money	Bank	Bank Account	Deposit
Withdrawal		ATM	Debit Card

Use these vocabulary words to complete the story below.

Solomon started a job working in a factory last month. He's happy to be earning _____ to pay his rent and support his family! He received his first paycheck and decided he needed to open a _____ where his money would be safe. He went to a _____ close to his house and waited for a banker to help him.



"Hello," Solomon said. "I'd like to open a bank account." The banker asked him for his ID, proof of his address, and money that could be deposited into the account. Solomon showed his state ID and Social Security Card. He brought a copy of his apartment lease and signed the back of his paycheck to _____ it. The banker also asked Solomon to fill out an account application.

After setting up the bank account, the banker offered Solomon a _____ that he can use instead of cash to spend money from his bank account to buy things at the store. The card can also be used to _____ cash from the bank's _____.

Solomon likes his money is secure and thinks that setting up a banking account in the U.S. was easy!

Banking Role Play Cards

A woman goes to a bank to open a new account with \$100 cash. The banker asks several questions to set up the new account.

Two friends remember they need cash to buy bus tickets, so they go to the ATM.

A woman is buying a new hat and the cashier asks if she is paying with a credit or debit card.

One friend asks another how he can keep his money safe now that he is working.

A woman goes to the bank to cash her first paycheck.

5.3 How to Write a Check

Activity Overview

Participants learn the information contained on a personal check and practice writing two checks for paying rent and utilities.

Materials Needed

- Whiteboard and markers
- *Writing a Check* Reference Page (5.3E)
- *Practice Checks* Worksheet (5.3F)
- Pens or pencils

Procedures

1. Review payment methods by asking participants, “What are the different ways you can pay for something?” Solicit answers such as cash, credit or debit cards, and checks. Tell participants this class practices writing a check.
2. Distribute copies of the *Writing a Check* Reference Page (5.3E) and review the different areas of a personal check. Check comprehension by calling out a check area and asking participants to point to it on their reference page. Encourage participants to keep the *Writing a Check* Reference Page (5.3E) for future check-writing.
3. Pass out copies of the *Practice Checks* worksheet (5.3F) and ask participants to practice writing two checks, one for their monthly rent and one for their monthly electricity or utilities. Give participants time to complete both practice checks and review together.
4. Discussion questions:
 - How is a check similar to cash? How is it different?
 - How can you keep checks safe? Remind participants that they should treat checks like cash and keep them in a safe place. They should never give away a blank check.

WRITING A CHECK

**JAMES SMITH
JANE SMITH
321 OAK ST
ANYTOWN, USA**

#203
12-567/891

PAY TO THE ORDER OF _____ **\$** _____ **DOLLARS**

**YOUR BANK
123 MAIN STREET
ANYTOWN, USA**

MEMO _____

053962407 9944444433 203

(a) DATE
(b) PAYEE
(c) AMOUNT IN NUMBERS
(d) AMOUNT IN WORDS
(e) SIGNATURE
(f) MEMO
(g) ROUTING NUMBER
(h) ACCOUNT NUMBER
(i) CHECK NUMBER
(j) TRANSIT NUMBER

Check Area	Description
(a) DATE	Today's date. Include the month, day, and year you are writing the check.
(b) PAYEE	Write the name of the person or business on the line, "Pay to the order of."
(c) AMOUNT IN NUMBERS	Write the amount of the check in numbers. Begin close to the left of the section to prevent anyone from adding additional numbers.
(d) AMOUNT IN WORDS	Write the amount of the check in words.
(e) SIGNATURE	Sign all checks the way you sign the signature card.
(f) MEMO	Use to note the reason for the check. If you are paying a bill, you can also use this space to supply information requested by the company.
(g) ROUTING NUMBER	The nine-digit string of numbers used to identify your bank to process the transaction.
(h) ACCOUNT NUMBER	The number used to identify your unique account within a bank.
(i) CHECK NUMBER	The number used to identify a specific check within the sequence of the register. Usually three or four digits.
(j) TRANSIT NUMBER	The hyphenated number in the upper right-hand corner that is above or to the left of a second number, separated by a line or slash; used to list checks for deposit.

Practice Checks⁴

Practice writing a check to pay your rent for this month.

YOUR NAME:	Date: _____	Check No: _____

PAY TO:	_____	\$
THE ORDER OF	_____	DOLLARS

BANK NAME:	_____	
MEMO:	SIGN: _____	
_____	_____	

Practice writing a check to pay for your electricity this month.

YOUR NAME:	Date: _____	Check No: _____

PAY TO:	_____	\$
THE ORDER OF	_____	DOLLARS

BANK NAME:	_____	
MEMO:	SIGN: _____	
_____	_____	

⁴ Check photo is from <http://financeintheclassroom.org/downloads/CheckingLessonPlan.pdf>

5.4 Understanding your Paycheck

Activity Overview

Higher developed a training module for clients to learn about paychecks. This activity relies on the eLearning module [Understanding Your Paycheck](#), available through [Higher's Online Learning Institute](#).

Materials Needed

- Whiteboard and markers
- *Paycheck Vocabulary* Worksheet (5.4G)
- Pens or pencils
- Computer, projector and screen, or TV
- Access to [Higher's Online Learning Institute](#)
- *What is Included on a Pay Stub?* Reference Page (5.4H) for extension option

Procedures

1. Assess participants' prior knowledge and experience on the topic of paychecks by asking these discussion questions:
 - Did you work in your home country? If so, what did you do? Did you receive payment for this work?
 - If you received payment, was it in the form of money or goods? How was it given to you (i.e. in the form of a check, currency, or an exchange for goods)?
 - What did you do with the money or goods that you received from work? Did you use it immediately or did you keep any in a bank?
2. Introduce key vocabulary that will be reinforced during the *Understanding Your Paycheck* online learning module by writing each of the words below on the board and verbally discussing the definition.
 - **Paycheck:** money received for work; it can be cashed or deposited at the bank
 - **Pay Stub:** a paper explaining a paycheck
 - **Direct Deposit:** an employer sends money to a bank account and a pay stub is received
 - **Endorse:** to sign the back of a check so it can be used at the bank
 - **Pay Period:** range of dates the employee is paid for in a paycheck
 - **Taxes:** money paid to the government to help with public safety, roads and schools

- **Benefits:** other things besides wages that an employee receives from an employer, including health insurance, vacation time, and retirement
3. Pass out copies of the *Paycheck Vocabulary* worksheet (5.4G) and give students 5-10 minutes to complete the vocabulary review. Go over answers together as a class.
 4. Watch the Higher Online Learning Institute's "Understanding Your Paycheck" module (located on [Higher's Online Learning Institute](#), under "Courses").
 5. Discussion questions:
 - How do you get paid for work in the United States?
 - How can you be sure that you are paid the correct amount? What can you do to help you remember how much money to expect in each paycheck?
 - What can you do if you have a problem with your paycheck?
 - What are deductions? Do you think you will have deductions on your paychecks? If so, which ones?
 - Why is it good to deposit your money at the bank? Can you trust banks in the United States?
 - What is gross pay? What is net pay?
 - **Gross pay:** The total income earned during a pay period. A pay period is determined by the employer, but it is typically two weeks or one month. Taxes and other withholdings have not been deducted.
 - **Net pay:** The income the client actually takes home after all withholdings have been applied. It is the amount of money one takes straight to the bank.

Extension Option

- **What is Included on a Pay Stub?** Provide advanced participants with the *What is Included on a Pay Stub?* Reference Page for additional information and details on reading a pay stub. Ask them to review the information as a homework assignment or one-on-one with a volunteer.

Paycheck Vocabulary

Use these words to fill in the blanks for each sentence below.

Paycheck	Pay Stub	Direct Deposit
Endorse	Pay Period	Taxes
		Benefits

1. I do not like to receive a check from my employer. I like to use _____ and have my money put directly into the bank.
2. My _____ include health insurance.
3. I can see how much taxes were deducted from my wages by looking at my _____.
4. To be safe, I usually wait to _____ my checks until I am at the bank, ready to deposit them.
5. My paycheck was higher this time because I worked more hours during the _____.
6. I can't wait to start working and earn my first _____!
7. _____ are paid from my wages to help build roads and keep our community safe.

What is Included on a Paycheck Stub?

Although companies print paychecks that look different, employers are required by law to include specific information. These things will be on every paycheck stub:

- **Federal tax amount:** When an employer hires you, you will complete a W-4 form to determine how much taxes are paid to the federal government. Federal taxes are deducted from each paycheck and differ depending on someone's family situation and income.
- **State tax:** Some states deduct a tax; other states do not. In states that do participate (most of them), this amount is deducted from the paycheck (the same way as federal tax) to cover the amount of tax owed to the state when your tax return is filed.
- **Local tax:** Although rare, a local tax is sometimes applied to employees of certain cities, counties, or school districts. For example, if you live in New Jersey but work in New York City, you may be required to pay not only New Jersey state tax, but also New York City tax on earnings.
- **Social Security:** The federal government requires every employee to have a certain percentage of each paycheck withheld for Social Security purposes. This entitles wage earners to receive a monthly Social Security payment upon retirement.
- **Medicare:** Like Social Security withholdings, Medicare withholdings are also mandatory. Every employee pays 1.45 percent of his or her paycheck toward Medicare, and every employer contributes an additional 1.45 percent on behalf of the employee. Upon eligibility for Social Security, an employee is entitled to coverage for a majority of his or her medical expenses.
- **Year-to-date (for pay and deductions):** The year-to-date fields on a paycheck stub show how much has been paid toward a particular withholding at any point in the calendar year. This is useful when budgeting for monthly expenses or long-term goals.

Common Abbreviations Used on Paycheck Stubs

- YTD: year-to-date
- FT or FWT: federal tax or federal tax withheld
- ST or SWT: state tax or state tax withheld
- SS or SSWT: Social Security or Social Security tax withheld
- MWT or Med: Medicare tax withheld

5.5 Income Taxes 101

Activity Overview

This activity provides an overview of income taxes, giving participants an understanding of the tax systems. It includes a broad explanation of where taxes go and why certain services are available to them, their families, neighbors, and co-workers. This activity relies on an eLearning module available through [Higher's Online Learning Institute](#) called *Income Taxes 101*. Here are additional talking points to keep in mind through this activity:

Tax Deductions

Before clients start work, U.S. law requires their employer have them complete a [W-4 tax form](#). The allowances the worker chooses determines the amount of tax deducted from each paycheck.

Under U.S. law, employers are required to pay taxes to the U.S. government; in turn, employers deduct taxes from clients' paychecks. Taxes fund the roads we drive on, Medicaid health benefits, the schools our children attend, and other services. There are other deductions in addition to the taxes owed:

- Under U.S. law, the employer must pay half (5.65 percent) of clients' Social Security/Medicare taxes
 - As long as clients continue working through a U.S.-appropriate retirement age (65 or older), they are eligible to receive a Social Security payment as income upon retirement.
 - Medicare insurance is available at age 65 (retirement age) and helps cover medical costs.

Tax Returns

Any person authorized to work in the United States must complete a tax return. Tax returns are reports filed with the Internal Revenue Service (IRS), as well as state and local tax collection agencies that contain information on taxable income. Although preparing a tax return can be complicated and may seem overwhelming, it's critically important to do. Tax returns can be filed during the months of January through mid-April; they are due April 15 (with occasional exceptions). If clients don't file a tax return, they may receive a letter in the mail from the IRS stating that they owe the U.S. government taxes. There is often a penalty associated with late tax payments.

Tax Credits

Clients who are working should explore the Earned Income Tax Credit, the Child Tax Credit, and other credits to which they may be entitled. These deliver critical work supports for employees earning low to moderate wages. Claiming these tax credits can put an eligible worker on the path to securing better housing, obtaining dependable

transportation, paying for quality childcare, or pursuing higher education. Eligible workers must file a tax return to benefit from any tax credits. It's important to promote free tax filing along with working family tax credits.

Materials Needed

- Whiteboard and markers
- *Taxes Pay For/Do Not Pay For* Title Cards (5.5I)
- *Taxes Pay For/Do Not Pay For* Photo Cards (5.5J)
- Tape
- Computer, projector and screen, or TV
- Access to [Higher's Online Learning Institute](#) course "Income Taxes 101"
- *Understanding Income Tax Credits* Worksheet (5.5K) for extension option

Procedures

1. Review the previous lesson by asking what deductions participants can expect to see on their paystubs. Write the following questions on the board:
 - What have you heard about taxes in the U.S.?
 - Who pays taxes?
 - How do you think taxes are paid?
2. Give participants a couple minutes to think about the questions on their own, then ask them to discuss their answers with a partner for three minutes. Ask participants to share their thoughts with the entire class. Wrap up the discussion with these talking points:
 - Income tax is money that you are required to pay to the government if you earn money from work. In the United States, you must pay income tax if you are working. Anyone who does not pay income taxes can have very serious legal problems such as fees or property seizure.
 - Your employer will withhold money from your paycheck to pay your income taxes to the government.
3. Ask participants where they think tax money goes. Write answers on the board.
4. Tape the *Taxes Pay For/Do Not Pay For* Title Cards (5.5I) on opposite sides of the board and pass out the *Taxes Pay For/Do Not Pay For* photo cards (5.5J) to participants. Explain that participants should decide if their photo card representation receives tax dollars or does not. If a participant decides that their photo card does receive tax dollars, they should tape the picture under "Taxes Pay For" title card and vice versa.
5. After participants have completed placing their photo cards on the board, review each photo card and ask the class if the photo card is in the correct space. Explain why each photo card is or is not paid for by taxes.

6. Watch the **Higher** Online Learning Institute's "Income Taxes 101" module (located on [Higher's Online Learning Institute](#), under "Courses.")
7. Discussion questions:
 - Why do businesses not receive tax dollars?
 - Why should you pay taxes?
 - What is the best part about paying taxes? The worst?

Extension Options

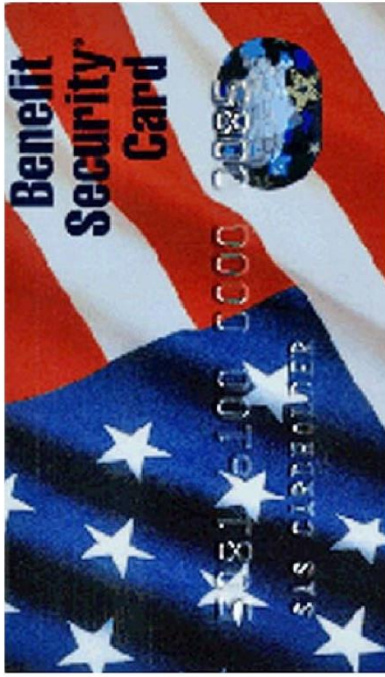
- **Computer Research:** Pass out the *Understanding Income Tax Credits* Worksheet (5.5K) to students with basic computer skills and ask them to visit the websites mentioned to answer the questions listed.
- **How Much Do You Know About Taxes?** Use this [online quiz](#) together as a class to generate additional discussion and test knowledge about taxes or as computer practice for individual students.

Taxes Pay For

Taxes Do Not
Pay For



Streets



Food Stamp Program



Medicare Health Insurance



Social Security Benefits



Police



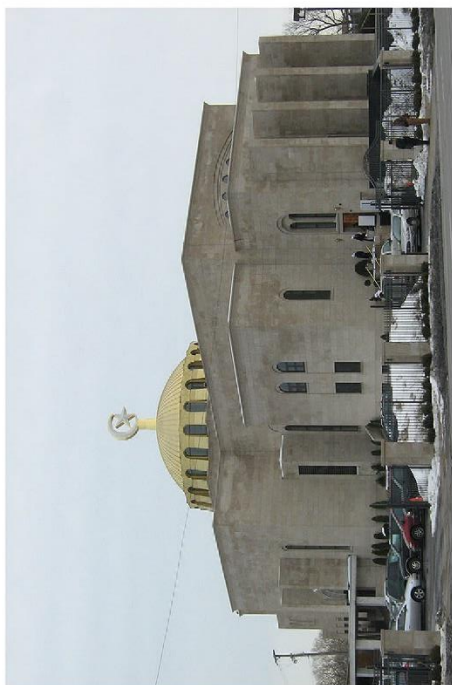
Hospitals



Schools



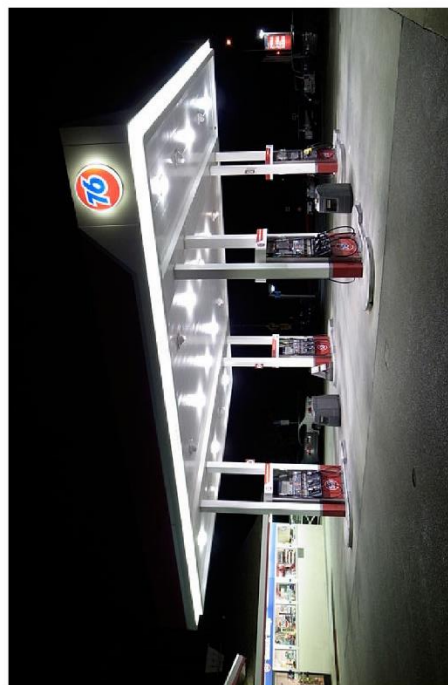
Refugee Resettlement



Places of Worship



Stores



Gas Stations

Understanding Income Tax Credits

Use this website <http://www.eitcoutreach.org/learn/tax-credits/> to research the answers to these questions.

1. What are three possible income tax credits?

- _____
- _____
- _____

2. Who can use the Earned Income Tax Credit (EITC)?

3. How is the amount of the EITC decided?

4. How many families claimed the EITC in your state?

5. How much is the child tax credit?

6. How do you claim the child tax credit?

5.6 Making a Budget

Activity Overview

A monthly budget prompts clients to plan how to spend and save money each month and document their spending patterns. Although creating a budget may not sound exciting, it is a vital tool for keeping one's financial house in order. With a budget, clients can identify their monthly expenses, prioritize spending and better manage their money and financial future.

If at all possible, gather information on rent costs, SNAP and cash assistance allotments, and estimated utilities costs for participants before starting this activity.

Materials Needed

- White board and markers
- *Ali's Monthly Budget Worksheet* (5.6L)
- *My Monthly Budget Worksheet* (5.6M)
- One set of *Budget Stickers* (5.6N) for each participant
- Tape or glue sticks
- *Tips for Creating a Budget Worksheet* (5.6O) for extension option

Procedures

1. Tell participants that this class focuses on how to make a budget. Write two columns on the white board, one labeled "Income" and one labeled "Expenses." Explain to participants the difference between income and expenses:
Income: money received
Expenses: money paid for rent, services, and goods
2. Ask the group for examples of income and expenses, and write them on the board. Ask participants if they have ever made a plan for their money.
3. Pass out copies of *Ali's Monthly Budget Worksheet* (5.6L) and review the income and expense items listed. Ask participants to listen to the story as it is read aloud. They should write the dollar amounts of Ali's income and expenses when they hear them in the story to help complete Ali's monthly budget. Read and repeat as needed:

Ali is looking for a job in the U.S. He wants to know how much money he will need to earn to cover all of his monthly expenses. His monthly rent is \$625, and his electric bill was \$35 last month. He spends \$45 for a cell phone and \$200 for groceries. He does not have any children. Ali receives \$265 in monthly assistance and \$200 in food stamps.



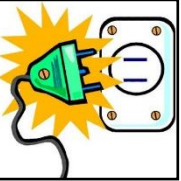


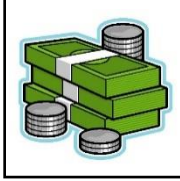

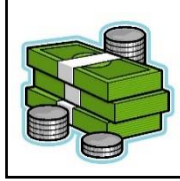

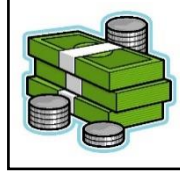

4. Give participants a few minutes to add up Ali's income and expenses, and ask these comprehension questions:
 - How much are Ali's expenses each month? How much income does Ali receive each month right now?
 - Does Ali's income cover his expenses? How do you know?
 - How much money will Ali need to earn per hour at a full-time job to cover his expenses? How do you know?
5. Now participants will have the opportunity to work on their own monthly budget. Pass out copies of *My Monthly Budget Worksheet* (5.6M) and a set of *Budget Stickers* (5.6N) to each participant. Ask them to glue or tape the *Budget Stickers* to the matching income and expenses categories. Then, give participants 10-15 minutes to complete their monthly budget and add up the totals.
6. Discussion questions:
 - Does your income currently cover your monthly expenses? Are you surprised?
 - What are the most costly expenses you have each month?
 - How can you increase your income?
 - How much money will you need to earn per hour at a full-time job to cover your expenses?
 - If you have income left over, what will you do with it?
Talking point: Explain savings to clients as money they've set aside for a specific purpose. Cash left over in a checking account after paying bills does not necessarily count as savings, especially if they might use that money later. Similarly, if they've saved \$5 at the grocery store, they haven't necessarily increased their savings. They've refrained from spending more than they otherwise would have. But saving is not the absence of spending. Instead, saving is the intentional act of setting money aside for a specific goal or purpose.⁵

Extension Options

- **Savings for Emergencies:** This is a tool for advanced-level English clients who are computer literate or a tool clients may use with a case manager. It is prudent planning to have at least three to six months of liquid/cash assets set aside in the event of a loss of job, medical emergency, short-term disability, etc. Use [this calculator](#) from Smart About Money to help determine how much money clients should set aside monthly or as a lump sum to create an emergency fund.
- **Tips for Creating a Budget:** Review the tips on this handout (5.6O) with advanced-level English participants if time allows or as an additional homework assignment to reinforce budget tips and guidelines.

⁵ "What Are Savings?" The Balance, last modified 06/22/2016, <https://www.thebalance.com/what-are-savings-453963>.

Ali's Monthly Budget

Expenses		Income	
	Rent \$ _____		Cash Assistance \$ _____
	Utilities \$ _____		SNAP (food stamps) \$ _____
	Food \$ _____		Childcare subsidies \$ _____
	Phone \$ _____		SSI \$ _____
	Childcare \$ _____		Other Income \$ _____
	Other Expenses \$ _____		
Total Expenses: \$ _____		Total Income: \$ _____	

My Monthly Budget

Expenses		Income	
<input type="text"/>	Rent \$ _____	<input type="text"/>	Cash Assistance \$ _____
<input type="text"/>	Utilities \$ _____	<input type="text"/>	SNAP (food stamps) \$ _____
<input type="text"/>	Food \$ _____	<input type="text"/>	Childcare subsidies \$ _____
<input type="text"/>	Phone \$ _____	<input type="text"/>	SSI \$ _____
<input type="text"/>	Childcare \$ _____	<input type="text"/>	Other Income \$ _____
<input type="text"/>	Other Expenses \$ _____		
Total Expenses: \$ _____		Total Income: \$ _____	



Tips for Creating a Budget

Use this step-by-step guide to create an accurate, helpful personal budget.

1. **Gather every financial statement you can.** This includes bank statements, recent utility bills, and any information regarding a source of income or expense. One of the keys in the budget-making process is to create a monthly average, so the more information you can find, the better.
2. **Record sources of income.** If you are self-employed or have any outside sources of income, be sure to record these as well. If your income is in the form of a regular paycheck where taxes are automatically deducted, then using the net income (or take-home pay) amount is fine. Record this total income as a monthly amount.
3. **Create a list of monthly expenses.** Write down a list of all the expected expenses you plan on incurring over the course of a month. This includes rent or a mortgage payment, car payments, auto insurance, groceries, and utilities—essentially everything you spend money on.
4. **Break expenses into two categories: fixed and variable.** Fixed expenses are those that stay relatively the same each month and are required parts of your way of living. They include expenses such as your rent or mortgage, car payments, cable and/or Internet service, trash pickup, credit card payments, and so on. These expenses, for the most part, are essential, yet not likely to change in the budget. Variable expenses are the type that will change from month to month and include items such as groceries, gasoline, entertainment, eating out, and gifts.
5. **Total your monthly income and monthly expenses.** You are off to a good start if your result shows more income than expenses. This means you can prioritize and designate this excess money to areas of your budget, such as retirement savings or paying more on credit card balances to eliminate that debt faster. Changes have to be made, however, if you show a higher expense column than income.
6. **Make adjustments to expenses.** If you accurately identified and listed all your expenses, the ultimate goal is to have your income column be more than the expense column. This means all your income is accounted and budgeted for a specific expense or savings goal. If you are in a situation where expenses are higher than income, look at your variable expenses to find areas to cut. Because these expenses are typically nonessential, it should be easy to cut a few dollars in a few areas to bring you closer to your income.
7. **Review your budget monthly.** Review your budget regularly to stay on track. After the first month, take a minute to sit down and compare the actual expenses with what you budgeted. This will show where you did well and where you may need to improve.

5.6 Additional Resources

Higher resources include:

- [Financial Literacy Resource Collection](#)
- [Identity Theft](#)
- [5 Ways to Build a Good Credit History](#)

Hands on Banking Curriculum is a Wells Fargo initiative that includes curriculum covering the basics of money management.

Operation Hope offers [articles, online classes, resources](#) and tools on a wide range of financial literacy topics. They also have training of the trainer programs in some states, where staff or volunteers can learn how to teach their financial literacy curriculum.

CORE has a [Budgeting and Personal Finance chapter](#) with three sessions covering budgeting, personal finance, banks, and paychecks.

The Internal Revenue Service (IRS) offers several tax-related [online activities and tutorials](#), as well as a [database of free tax preparation](#) services.

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1

ነፃ የታክስ መመያያ ቦታ ይፈልጉ*

ወደ irs.treasury.gov/freetaxprep ይሂዱ ወይም **800-906-9887** ላይ ይደውሉ።

2

መስፈርቱን ማሟላት እንደሚችሉ ያረጋግጡ

ምን ያህል እንደሚከፈሉት ለማወቅ eitcoutreach.org/help ይመልከቱ።

3

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*በእርስዎ እቅድብያ ነፃ የታክስ መመያያ ቦታ ማግኘት ባይችሉም የታክስ አበል/ክፈፋት ማጠየቅ ይችላሉ።

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ቀን: _____ ሰዓት: _____

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የበለጠ መረጃ ለማግኘት ወደ eitcoutreach.org/help ይሂዱ ወይም ለIRS ይደውሉ በ **1-800-829-1040**

The Get It Back Campaign offers downloadable information about income tax credits, including [flyers in 24 languages](#), as well as an EITC calculator.