

Unit 2: Personal Finance**2.1 Wages and Salary**

Definitions:

Salary: a fixed amount of money paid to a worker _____. The income does not depend on the _____.

hourly wage: the amount of money paid to a worker per hour of work _____.

Overtime: payment for work done in addition to _____

shift premium: additional payment made for working _____

gross pay: _____

gross income: _____

salary: earn a set amount _____ paid out on a _____ schedule.

Examples:

1. Marvin earns \$45000 a year. How much is his gross income per pay period?

Type of Salary	Calculation	Gross Income
1. Monthly		
2. Semi- monthly		
3. Weekly		
4. Bi- weekly		

2. Hourly wage –

Ex. Johnny earns \$16.50/h plus time and a half for overtime over 40 hours. If he works 42 hours one week, find his gross pay.

3. Eric makes a wage of \$25.40/hour, and receives overtime for any hours over 40 per week. He works the following schedule over the past 5 weeks.

Week 1	Week 2	Week 3	Week 4	Week 5
36 hours	42 hours	46 hours	40 hours	50 hours

- a. If he is paid bi-weekly, what is his gross income after week 2? Week 4?
- b. If week 5 is a set of night shifts with a \$1.35 shift premium, calculate Eric's gross pay for week 5.
- c. In week 6, Eric works two 16-hour days. His contract pays overtime after 8 hours, and double-time after 10 hours. How much does Eric earn in those two days?

4. Nic works in a restaurant cooking on a grill for \$14.75 an hour. His work schedule for this week is shown below. If he earns \$24 in tips on Monday, \$18 in tips on Tuesday, \$8 in tips on Wednesday, \$15.50 in tips on Thursday and \$36 in tips on Friday, calculate his gross income for the week.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Off	8:30-12:00 Break 12:30-4:30	6:00 – 11:00 Break 1:00 – 4:00	6:00 – 11:00 Break 1:00 – 3:00	8:30 – 12:00 Break 1:00 – 5:30	12:00 – 4:00 Break 4:30 – 8:00	Off

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2.2 Net Pay

Gross pay: _____

Deductions must include:

a. **Canada Pension Plan () :** _____

b. **Employment Insurance () :** _____

c. **Income Tax:** _____

Deductions can include: _____

Net pay: the amount you receive after _____ have been taken off.

- Also known as _____ or _____

Vacation pay: an amount of money (usually 4% of pay) owed to all employees to be taken

2018 Federal income tax brackets*

\$46,605 or less

\$46,605 to \$93,208

\$93,208 to \$144,489

\$144,489 to \$205,842

2018 Federal income tax rates

15%

20.5%

26%

29%

Taxable Income - 2019 Brackets	Tax Rate
\$0 to \$40,707	5.06%
\$40,707.01 to \$81,416	7.70%
\$81,416.01 to \$93,476	10.50%
\$93,476.01 to \$113,506	12.29%
\$113,506.01 to \$153,900	14.70%
Over \$153,900	16.80%

Examples:

1. Alphonso has a gross income of \$852.00 per week and works 50 weeks a year. Calculate his gross pay, federal tax, provincial tax, employment insurance (1.66% of gross up to \$54,200 per year), CPP (4.95% of gross to a maximum of \$2593.80), and net pay. Use the tax tables to find the income tax rates.

b. If Alphonso also pays 2.5% of his gross to union dues and 3% to a company pension plan, calculate his annual net income.

2. Complete the following information in Elaine's paystub below.

Earnings				Deductions	
Description	Hours	Rate	Amount	Description	Amount
Regular Hours	40	\$18		Income Tax	\$204.30
Overtime	6	\$27		EI	\$15.68
Double Time	2	\$36		CPP	\$49.11
Vacation Pay			\$38.16		
Gross Pay				Total Deductions	
				Net Pay	

3. Dina lives and works in Prince George. Her annual salary is \$65 000. Each month she has the following tax-exempt deductions taken from her gross income: \$60 for professional dues, \$55 to a Registered Retirement Savings Plan (RRSP) and \$50 for medical insurance.

Calculate:

a. Taxable income:

b. Federal tax:

c. Provincial tax:

d. Employment insurance:

e. CPP:

f. Net pay:

2.3 Other Forms of Income

Commission

Commission: income based on _____, often a _____ of the sales price.

Commission is designed to reward employees for making sales. Industries that use commission include:

Car sales, real estate, some home appliance stores, some electronic stores, etc.

Commission can be combined with other incomes, such as _____

_____. **Commission** can be _____, where the percent earned changes based on dollar value sold.

Examples:

1. Davy works as a realtor making a 3.5% commission on the value of homes sold. The average selling price for a house in BC in 2020 is estimated to be approximately \$692,200. If Davy manages to sell one house every two months, calculate his gross income for one year.
2. Davy is offered a salaried position with a salary of \$100,000 plus 0.7% commission on the homes sold. How much would this position earn? Which position would you recommend? Justify your answer.
3. JP has the option of a straight commission of 6.5% on sales, or a stepped commission of 5% on sales up to \$300,000 and 10% on sales over \$300,000. If JP can expect to maintain sales of \$500,000, which pays more?

Piecework and Contract Work

Piecework: a job where the pay is _____ completed.

4. Eric delivered realty flyers door-to-door for \$0.15 per flyer. He is delivering flyers to 3500 houses over four weeks. If he delivers them at a constant rate, what is his bi-weekly gross pay?

Contract: an agreement that lays out the _____ to be completed for a _____ of pay.

5. Sherry works in a tree nursery preparing seedlings for delivery to tree planting companies. She has a contract to deliver 500,000 seedlings before September 1st, and she will be paid \$50,000. If she can deliver the seedlings before August 1st, the contract grants her a 10% bonus. She begins work on January 1st to prepare the seedlings. If the contract is paid out semi-monthly, what is her gross pay per period if she meets the September deadline? What if she makes the August deadline?