

Tracking income

Using a case study about an urban family, students calculate monthly net income and explore the impact of having irregular income.

Learning goals

Big idea

Knowing your monthly net income is helpful when creating and managing a budget.

Essential questions

- How does having a clear picture of monthly net income and benefits help you plan ahead and make and follow a budget?
- How does irregular income affect monthly net income?

Objectives



- Recognize different sources of income
- Use a financial tracker to organize income and benefits
- Begin to understand how monthly net income can vary due to irregular income

NOTE

Please remember to consider your students' accommodations and special needs to ensure that all students are able to participate in a meaningful way.

KEY INFORMATION

Building block:

-  Executive function
-  Financial knowledge and decision-making skills

Grade level: High school (9-12)

Age range: 13-19

Topic: Earn (Becoming an entrepreneur, Getting paid, Making money), Spend (Budgeting)

School subject: CTE (Career and technical education), Math, Social studies or history

Teaching strategy: Cooperative learning, Simulation

Bloom's Taxonomy level: Apply, Analyze

Activity duration: 75-90 minutes

National Standards for Personal Financial Education, 2021

Earning income: 12-2, 12-4, 12-5, 12-7

These standards are cumulative, and topics are not repeated in each grade level. This activity may include information students need to understand before exploring this topic in more detail.

What students will do

- Learn key terms related to income and benefits.
- Calculate weekly and monthly net income and explore how net income changes as a result of irregular monthly income.

Preparing for this activity

- While it's not necessary, completing the "[Analyzing budgets](#)" activity first may make this one more meaningful.
- Print copies of all student materials for each student, or prepare for students to access them electronically.

What you'll need

THIS TEACHER GUIDE

- [Tracking income \(guide\)](#)
[cfpb_building_block_activities_tracking-income_guide.pdf](#)

STUDENT MATERIALS

- [Tracking income \(worksheet\)](#)
[cfpb_building_block_activities_tracking-income_worksheet.pdf](#)

Exploring key financial concepts

Having a clear picture of your total monthly income and benefits can help you create and manage a budget.

Income is the money you earn through hourly wages, salaries, tips, or commissions. It can also include money from qualified government programs, dividends on investments, tax refunds, gifts, and inheritances. Income can be regular (a set schedule and amount) or irregular (inconsistent because the schedule or amount varies). Sometimes income is seasonal, meaning you may receive it for only some months out of the year. If your income is irregular, it may be harder to cover your monthly expenses

TIP

Because financial products, terms, and laws change, students should be encouraged to always look for the most up-to-date information.

because you can't rely on a consistent amount. So, it can be helpful to save during months that you earn more money so you have enough to pay for living expenses when you earn less money.

Benefits are something that an employer, the government, or an insurance company provides that's often used only for a particular purpose, such as food or medical costs.

Teaching this activity

Whole-class introduction

- Ask students to share examples of different sources of income.
 - Examples may include a weekly paycheck, a monthly Social Security check, or money earned from seasonal work such as lawn care or from creative work such as creating and selling artwork.
- Read the "Exploring key financial concepts" section to students to explain why it's helpful to understand the difference between regular and irregular income.
- Be sure students understand key vocabulary:
 - **Benefit:** Something that an employer, the government, or an insurance company provides that's often used only for a particular purpose, such as food or medical costs. Also: An advantage; something that is good.
 - **Budget:** A plan that outlines what money you expect to earn or receive (your income) and how you will save it or spend it (your expenses) for a given period of time; also called a spending plan.
 - **Income:** Money earned or received such as wages or salaries, tips, commissions, contracted pay, government transfer payments, dividends on investments, tax refunds, gifts, and inheritances.
 - **Irregular income:** Inconsistent amounts of money you receive through work or investments; both the schedule and the amount may vary.
 - **Net income:** Amount of money you receive in your paycheck after taxes and other deductions are taken out; also called take-home pay.
 - **Regular income:** A set amount of money you receive at the same time each week or month.

TIP

Visit CFPB's financial education glossary at consumerfinance.gov/financial-education-glossary/.

Individual or group work

- Distribute the “Tracking income” worksheet, or have students access the worksheet electronically.
- Have students work individually, in pairs, or in small groups to review the West family case study.
- Students should figure out the family’s average weekly net income for the months of February and July in the “Weekly earnings snapshot” section of the worksheet.
- Depending on the rules of your classroom, allow students to use calculators to help with the computations.
- Students will use the “Income and benefits tracker” section of the worksheet to convert the weekly net income into a monthly income statement.
- Explain that while tips can be considered irregular income, the tip amounts in the case study are averages and are counted as regular income for the purposes of this activity.
- Have students answer the reflection questions to see how the family’s weekly earnings change when Reggie is not working his scoreboard job in July and if Diondra also has to miss two weeks in July to care for Marcus.
 - Depending on the amount of time you have for this activity and your class focus and goals, you may ask students to describe their ideas in writing or provide evidence for the response with actual mathematical calculations.

Wrap-up

Ask students to share their answers to the reflection questions.

Suggested next steps

Consider searching for other [CFPB activities](#) that address the topics of earning (including becoming an entrepreneur, getting paid, or making money) and spending (including budgeting). Suggested activities include [“Tracking income for a farming family”](#) and [“Tracking income for an artist family”](#).

Measuring student learning

Students' answers on their worksheets and during discussion can give you a sense of their understanding.

This answer guide provides possible answers for the "Tracking income" worksheet. **Keep in mind that students' answers may vary.** The important thing is for students to have reasonable justification for their answers.

Answer guide

WEEKLY EARNINGS SNAPSHOT

- Calculate the average weekly earnings from each income source for February and July.
- Put a check mark next to regular income sources to help show what the family can depend on throughout the year.

Note: While tips can be considered irregular income, the tip amounts in the case study are averages and are counted as regular income for the purposes of this activity.

Family member	Source	Is this regular income?	Income calculation	Weekly income: February	Weekly income: July
Diondra	Server job	<input checked="" type="checkbox"/>	Wages: \$3/hour x 20 hours Tips: \$40 + \$90 + \$130 Deductions: \$34.43 per week	\$60 wages + \$260 tips = \$320 minus deductions of \$34.43 = \$285.57	Stays the same: \$285.57
Reggie	Scoreboard job	<input type="checkbox"/>	Wages (after taxes): \$45 X 2 games per week	\$90	0
Marcus	Disability payment	<input checked="" type="checkbox"/>	Monthly income: \$1,197/4 weeks	\$299.25	Stays the same: \$299.25
Reggie	Military pension	<input checked="" type="checkbox"/>	Annual pension (after taxes): \$22,000/52 weeks	\$423.08	Stays the same: \$423.08
Total weekly income				\$1,097.90	\$1,007.90

MONTHLY EARNINGS

In February, when Reggie is working his scoreboard job and Diondra works a full schedule at the restaurant, the family makes \$1,097.90 per week. This is \$4,391.60 in net income per month ($\$1,097.90 \times 4$ weeks).

In July, when Reggie doesn't work his scoreboard job, but Diondra is working a full schedule, the family makes \$90 less per week, or \$360 less per month for a total net income of \$4,031.60.

If Diondra has to take two weeks off in July when Reggie isn't working his scoreboard job, the family will make \$571.14 less per month for Diondra's missed work (Diondra's weekly net pay of $\$285.57 \times 2$) and \$360 less per month without Reggie's scoreboard net income. This brings their monthly net income to \$3,460.46.

Reflection questions

Answers will vary.