

What's Going On?

Checking In

Minds on

Minimum Wage

Action!

Savings Plans

Consolidation

Your Savings Plan

Learning Goal - I will understand the power of putting away small amounts of money at regular intervals.

 Minds on

Minimum Wage

Minimum wage is going up!

Minds on

Minimum Wage

As of June 1 (just in time for summer) the minimum wage is \$11 an hour!

If you work every Friday, Saturday and Sunday in June for 3 hours, 5 hours and 5 hours respectively, how much will you earn in total?

June 2014						
Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

25

12

20

57 hrs

Minds on

Minimum Wage

If you said \$627.00 ... **DREAM ON!**

There are several deductions that all Ontarians and Canadians have to pay.

What are they?

- Income Tax
- EI (employment insurance)
- CPP

Minds on

Net Pay

Deductions

EI - Employment Insurance

Year	Max. Annual Insurable Earnings	Rate (%)	Max. Annual Employee Premium	Max. Annual Employer Premium
2014	\$48,600	1.88	\$913.68	\$1,279.15

CPP - Canada Pension Plan

Year	Max. Annual Pensionable Earnings	Basic Exemption	Maximum Contributory Earnings	Employee Contribution Rate (%)	Max. Annual Employee Contribution
2014	\$52,500	\$3,500	\$49,000	4.95	\$2,425.50

Income Tax

- 15% on the first \$43,953 of taxable income, +
- 22% on the next \$43,954 of taxable income (o \$87,907), +
- 26% on the next \$48,363 of taxable income (o \$136,270), +
- 29% of taxable income over \$136,270.

Minds on

Net Pay

Deductions

EI	CPP	Income Tax
1.88%	4.95%	15%
21.83		

So... if you "earn" \$627.00, how much do you get?

$$627 \times 0.2183 = 136.87 \rightarrow \text{deductions}$$

$$\begin{aligned} \text{Net Income} &= 627 - 136.87 \\ &= 490.13 \end{aligned}$$

*This is a simplistic calculation. Basically, you lose about 20% of your pay to deductions at this stage of your life.

True Net Income

In reality, the government only charges you income tax on some of your income. First, they take off the EI and CPP. Then, they calculate 15% of whatever you have left.

$$\begin{aligned} 627 - 1,88\%_{EI} - 4,95\%_{CPP} \\ = 627 - 42,82 \\ = 584,18 \end{aligned} \quad \left. \vphantom{\begin{aligned} 627 - 1,88\%_{EI} - 4,95\%_{CPP} \\ = 627 - 42,82 \\ = 584,18 \end{aligned}} \right\} \text{Taxable} \\ \text{Income}$$

$$\begin{aligned} \text{Income tax} &= 15\% \text{ of } 584,18 \\ &= 87,63 \end{aligned}$$

$$\underline{\text{TRUE}} \quad \text{Net Income} = 496,55$$

Action!

Savings Plans

Let's stick with our original numbers. 3 hours on Friday, 5 hours on Saturday, 5 hours on Sunday.

13 hours per week.

If you earn minimum wage (\$11 / hour), what is your bi-weekly income?

gross

$$11 \times 13 \times 2$$

\$296

Action!

Savings Plans

If you put away just 10% of each pay cheque, how much can you save in 1 year working 15 hours a week at the new minimum wage?

Assume you put your money in a President's Choice Interest Plus Savings Account that earns 1.30% compounded daily.

$$\begin{aligned} \text{Gross Income: } & \$11/\text{hour} \\ & \times 13 \text{ hours/week} \\ & \times 2 \text{ weeks} \\ \hline & \end{aligned}$$

Assume you lose 20%

to government deductions

$$\begin{aligned} \text{Net Income: } & 80\% \text{ of } 286 \\ & = 228.80 \end{aligned}$$

$$\times 10\% \text{ of net income} = 22.88$$



$$\$594.64$$

Consolidation

Saving Your Money

You have started a new job for the summer and you want to save some money for college.

You are going to work _____ hours per week.

Your rate of pay will be _____ per hour.

You plan to put away _____% of your pay cheque (assume you get paid biweekly)

Net Pay = 80% of Gross Pay

How much will you save over the summer if you put the money into a President's Choice Interest Plus Savings Account that earns 1.30% compounded daily?

$$N = 4$$

$$P/Y = 26$$

The summer is 8 weeks you are paid bi-weekly. Therefore, you get paid 4 times over the summer.

P/Y is STILL 26, the calculator needs to know the number of payments in a year, regardless of how long you are making payments.

Consolidation

Practice It!

Savings Plans

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