

 **BUILDING BLOCKS STUDENT WORKSHEET**

# Saving each payday

Saving money is a step toward financial well-being. No matter how much you earn, you can get into the habit of saving part of each paycheck. Doing this helps you steadily build your savings so you can afford big purchases or cover unexpected expenses.

## Instructions

- 1 Read through the work scenario below.
- 2 Calculate how long it would take to save for a car if you were to save 20 percent of your net income.
- 3 Answer the reflection questions.

## Work scenario

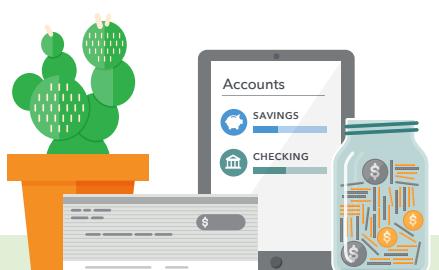
You've been hired as an assistant manager for a new movie theater. For this full-time job, you'll earn an annual salary of \$37,000. Your first day of work is January 1, and you're paid bimonthly, on the 14th and 28th of each month (or the Friday before, if those dates fall on the weekend). Deductions from your paycheck (for example, taxes and Social Security) are 30 percent of your gross (total) income.

You still live with your parents. The theater is a 45-minute commute by bus, so you want to buy a car once you can save enough money. You've seen several cars that meet your needs that cost \$4,500.

## NOTE

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While this activity uses 20 percent for savings, a rule to live by for many people is to save 10 percent of their net income. The important thing is to decide what savings amount works for you at different points in your life.



## BUILDING A SAVINGS FUND ONE PAYDAY AT A TIME

Calculations	My answer	Tips and background information
How much do I earn each payday?	\$	Your \$37,000 salary is paid bimonthly.
What is my "take-home pay" each payday (also called net income)?	\$	Your deductions are 30 percent of your total pay. Deductions are subtracted from your total pay.
How much can I save each payday?	\$	For this activity, as a rule to live by, try saving 20 percent of your net income. What would this be each payday?
How many months will it take to save for a car?		Divide your savings goal (\$4,500) by how much you'll save each payday. Then figure out how much you'll save each month.

## Reflection questions

1. How does the time it takes to reach your savings goal change if you save more or less than 20 percent? At minimum, explore what happens when you save 10 percent and 30 percent.
2. How does saving more or less than 20 percent change the money you have left over for other expenses?

3. What might be a good savings rule to live by for your situation? How did you decide on that percentage?

4. What plan could you put in place to reach your savings goals? How could you keep yourself motivated to stick to your plan? List some ideas.

5. What are some things you can do to increase the percentage you're able to save? List some ideas.