



 **POWER BASICS**[®]

Everyday English

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To the Student

Welcome to *Power Basics® Everyday English*. This book will teach you basic English skills. Each unit will show you how these skills are used in a different part of everyday life.

Unit 1: English in Everyday Life will teach you the basics of speaking, reading, writing, and finding information.

Unit 2: English at Home will show you how English skills are used to keep a home. You will learn how to find a place to live, how to shop, and how to cook for yourself.

Unit 3: English Outside the Home will help you use English skills in the world around you. You will gain skills needed to manage your money. You will also learn how to get around using public transportation or driving on your own.

Unit 4: English in the Community will teach you to use your skills to be a part of our nation. You will learn to use your rights and carry out your responsibilities to your community.

Unit 5: English for Health and Safety will explain how to use your skills to get health care and to keep you and your loved ones safe.

Each lesson is made up of short sections that explain important everyday English skills. Each section is followed by exercises to help you practice what you have learned. Each unit ends with a review followed by application exercises. These activities will help you extend and apply what you have learned in the unit.

To the Student, continued

Power Basics® *Everyday English* has many special features that make learning easier. “Tips” give you hints on ways to master the ideas and concepts in the text. “In Real Life” sections show you how the skills you are learning are used in the world outside the classroom. “Think About It” questions ask you to think about the concepts in new ways. The “Words to Know” section at the beginning of each lesson includes important new terms introduced in the lesson. The word appears in bold type later in the lesson, and it is defined for you. All the terms in the “Words to Know” section are also defined in the Glossary at the end of the book.

As you move through *Power Basics: Everyday English*, you will gain confidence and skills that will help you in everyday life. We hope that you enjoy this material as you learn.

LESSON 6: Keeping Track of Your Money



GOAL: To learn English skills used in handling money and paying bills

WORDS TO KNOW

account	gross pay	pay stub
annual	income tax	PIN
ATMs	insurance	pretax
balance	interest	purchases
checks	manage	register
deductions	minimum	retirement
deposit	net pay	statement
earnings	online banking	transaction
FICA	overtime	withdrawal
finance charges	pay period	

Reading Your Paycheck

Have you ever heard the idiom “There’s no such thing as a free lunch”? This means that you have to earn the food you eat and the roof you put over your head. To do this, most of us have a job to make money.

Once you earn money, you must learn to **manage** it. In other words, you must keep track of it so you do not waste it or spend money that you don’t have. Learning to read your paycheck is the first step in managing your money.

Most companies attach a **pay stub** to your check. The pay stub explains why you are getting the amount of money in your check. Look at the example that follows.

Emily works as a delivery driver. She works full-time, 40 hours per week, and gets paid every week. Last week she was very busy and worked 50 hours. Here is her pay stub:

Pay Period: 3/14/2007–3/21/2007

Earnings	Rate	Hours	This Period	Year to Date
Regular	10	40	400.00	3,920.00
Overtime	15	10	150.00	600.00
Sick				80.00
Vacation				0.00
		Gross Pay:	550.00	4,600.00

Deductions

Federal Income Tax			49.60	406.00
FICA			39.68	324.80
State Income Tax			6.94	56.84
Health Insurance			35.00	350.00
Dental Insurance			8.00	80.00
401K			11.00	110.00
		Net Pay:	399.78	3,272.36

As you can see, there is a lot of information on a pay stub. Let’s see what it all means.

The first thing you see on the stub is the **pay period**. This shows the week for which Emily is being paid. If you work a different number of hours each week, it is important to know your company’s pay periods. This will help you to figure out how much money to expect in your check.

Below the pay period you find the **earnings**. This shows how Emily earned her money for the week. Under *Rate*, you see how much she was paid for each hour that she worked. Under *Hours* you can see how many hours she worked at that rate. These two numbers are multiplied to get the amount she is being paid for this pay period. Under *Year to Date* is listed all of the money she has made at each rate so far this year.

TIP

Write down the number of hours you work each day. That way, if the hours on your check aren't correct, you will have something in writing that shows the mistake.

There are four different things Emily can be paid for. The regular rate is the usual amount she gets paid for every hour she works. By law, a normal work week is 40 hours long. For most people, any hours they work over 40 are **overtime**. Overtime hours are paid at the usual rate, plus one half. Emily can also be paid for sick leave or vacation. This is time that the company will pay her for being off work. You can see that she didn't use any sick time or vacation this period. She has used sick time at some point during the year, though.

All of her pay is added together to get her **gross pay**. This is the total amount she has earned for the period and for the year to date.

The next part of the stub shows Emily's **deductions**. These are amounts that she pays from her gross pay before she gets her check. Just as for her earnings, the stub shows her deductions for the period and for the year so far.

Emily pays two kinds of **income tax**. Income taxes are money that governments use to pay for things, such as roads and schools. They are a certain percent of the money everyone makes each year. Emily pays a tax on her income to the federal government and to her state. She also pays **FICA**. FICA is a tax that pays for programs that help people who no longer work because of their age and people who can't work.

Out of her gross pay, Emily also pays for two kinds of **insurance**. Insurance is a service that helps pay when something goes wrong. Her insurances help her pay to go to the doctor and the dentist. She also pays for a 401K. This is a way that she saves money for **retirement**, when she gets older and doesn't work. These deductions are paid **pretax**. That means that she does not pay tax on the money she uses for her insurance and retirement.

These deductions are subtracted from her gross pay to get her **net pay**. This will be the amount of her check.

■ PRACTICE 29: Reading Your Paycheck

Complete each sentence below. Write the correct answers on the lines provided.

1. The money made in a pay period before any deductions are taken out is called _____.
2. The money made in a pay period after deductions are taken out is called _____.
3. Overtime is paid for any amount over _____ hours worked in a week.
4. _____ is paid to the government as a percentage of money made during the year.
5. A 401K is a way to save money for _____.

Choosing a Bank

Once you have your money, you need to find a safe place to keep it. Most people keep their money in a bank **account**. An account is a file that a company keeps on each customer it does business with. There are two types of bank accounts that most people use: savings accounts and checking accounts.

Savings accounts are useful when you are planning to hold on to your money for a while. For instance, you can open a savings account to save money for an emergency or to buy something. The pro of savings accounts is that they pay **interest**. This means that the bank will pay you for keeping money in the account. This payment is a certain percent of the money in the account. The con of savings accounts is that there is usually a limit on the money you can take out of the account.

A checking account is a good place to put the money you plan on using every day. The pro is that you can write **checks** to pay for things. Checks are forms that can be used by someone else to get money out of your account. Checks make it easy to pay your bills. The con of checking accounts is that they pay little or no interest.

There are probably many banks in your area. Each bank usually offers many different types of accounts. With so many choices, it can be hard to figure out which account is best for you. Getting more information about each choice and listing the pros and cons of each can help. Here are some questions you should ask about each bank account:

1. Is there a **minimum** to open? *Minimum* means “least.” At some banks, you must have at least a certain amount of money to open an account.
2. Is there a minimum **balance**? Your balance is the amount of money in your account at any one time. A minimum balance is an amount of money that must be in the account at all times. Otherwise, the bank charges a fee.
3. Is there a monthly service fee? In other words, do you have to pay a fee every month to keep the account open? Usually, these fees are not charged for savings accounts. Sometimes you only pay the fee if you go below the minimum balance.
4. Are there any **transaction** fees? A transaction happens whenever you put money into or take money out of the bank. Some accounts charge for each transaction. Some charge for every transaction over a certain amount that you make in a month.
5. Are there any transaction limits? Some accounts limit the number of times you can take money out each month. Others may limit how much money you can take out at one time. These limits are usually only found on savings accounts.
6. How much interest does the account pay?
7. What else does the bank offer? At most banks, you will have to pay for your checks. Some banks will offer them for free. Other banks will make it easier to get a loan or a credit card if you open a savings account.
8. Is the bank easy to use? You want to choose a bank that is easy to get to and open when you need it. Some banks let you check your account on the Internet. Some have several locations. Others have many **ATMs**, or machines that let you do transactions 24 hours a day.