

# Financial Literacy Lesson #1: Income

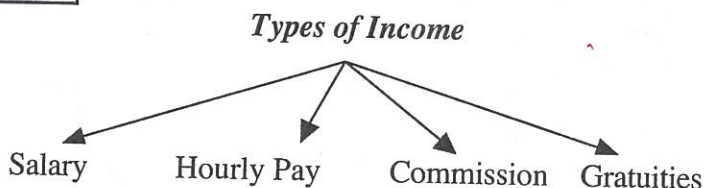
## Gross and Net Income

Many people in Canada are employed on a full-time or part-time basis for which they receive an income.

**Gross income** is the amount of money earned through employment before **deductions**.

**Net income** (or "take-home" pay) is the amount of money after deductions.

## Types of Income



### Salary

A person who receives an annual salary is usually paid on a monthly basis and will not usually receive extra income for working extra hours, eg. teacher.

### Hourly Pay

A person who is paid by the hour usually works for a fixed number of hours per week and will receive overtime (usually at a greater rate per hour) for any extra hours worked, eg. cashier.

### Commission

A person who works on commission is paid according to how much product they sell. A person can be paid in straight commission, graduated commission, or by salary and commission, and may have to meet a predetermined sales quota before any commission is paid, eg. salesperson.

A variation of commission is piecework, where a person is paid according to the number of items they make.

### Gratuities

A person receives "tips", or gratuities, for the work they do. This may be in addition to an hourly rate of pay, eg. server.



Some people will earn income through a combination of the above types.



Class Ex. #1

Mrs. Cardinal is an elementary teacher who earns an <sup>yearly</sup> annual salary of \$62 400. What is her gross monthly income?

$$\begin{array}{l} \text{Annual salary} \rightarrow \$62\,400 \\ \text{divide} \rightarrow \\ \text{12 months in a year} \rightarrow 12 \end{array} = \boxed{\$5\,200 \text{ per month}}$$



Class Ex. #2

Mr. Alpine is an electronics salesperson who is paid a graduated commission. He is paid 5% of the first \$4 000 of sales, 6% of the next \$6 000, and 10% on any further sales. Last month his total sales amounted to \$13 520. Calculate his gross income for the month.

First Sales = 5% of 4 000

Second Sales = 6% of 6 000

Further Sales = 10% of (13 520 - 10 000)

Gross income = (4000)(0.05) = 200

(6000)(0.06) = 360

(3520)(0.10) = 352

= 200 + 360 + 352

= **\$912**

} Add Them

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4000 + 6000