

## Evaluating Jobs Based on Wage

### Objectives

In this lesson you will:

- ✓ learn how to evaluate a job based on wages
- ✓ learn about income, expenses, and net cash flow
- ✓ calculate your acceptable wage range based on your monthly expenses
- ✓ create a monthly budget for yourself

You are almost ready to start looking for a job now. Among other things, you have one important item to consider as you evaluate jobs: the amount of money you need to earn. Although many people get other rewards from working in addition to money, the major reason most people work is to earn a paycheck. You need to consider how much money you need to make before you can decide which jobs to apply for. If you need to earn \$400 per week to pay your rent and support a family, you probably will not be able to work part time. If your family is helping to support you while you are going to school full time, you may need to earn only \$100 per week. You can limit your search to part-time jobs that will allow more time to study.

Keeping a monthly budget is one way to keep track of your money. You will know how much you will need each month. A *budget* includes a list of all your *income* (the amount of money you have coming in) and your *expenses* (the amount of money you are paying out). To figure out how much you need to earn, first add up all your present sources of income for each month. Next, add up your expenses for each month. Subtract your total expenses from your total income to find out what your *net cash flow* is for each month. *Net* means the amount of money left over after subtracting expenses. So, your net cash flow is the amount of money you have available each month after you pay all your expenses. This money can be used for extra purchases if you like. More importantly, though, it can be put aside as savings.

Many people find that they have a “negative” cash flow each month instead of a “positive” cash flow. This means that they pay out more money each month than they bring in. If this negative cash flow continues for too long, people’s savings are used up. Once that happens, they will find themselves *in debt* – owing money. Keeping a budget and watching your expenses helps you avoid this by keeping you informed about your finances. Only by knowing just how much you spend can you figure out how much you need to earn! To help you figure out your *wage range* – the amount of money you must earn each pay period – first complete the following budget worksheet activity.

### Activity 1: Monthly Budget Worksheet

If you have not begun to keep track of your monthly budget, now is the time to start. Without knowing how much money you need to earn, you have no way to make decisions about which jobs you can or should apply for. Recording your monthly income and expenses is a habit to develop and is easy to do. First, get a small notebook. Even a single sheet of paper will work. Carry the notebook or piece of paper in your purse or wallet at all times. Each time you spend money on anything, record the amount, the date, and the kind of purchase.

At the end of the month, sort your expenses into the categories on the following worksheet (include additional categories if you wish) and add them up. Do the same with all your sources of income. Your income and expenses should balance. After a few months, you'll begin to see how much income is really necessary to provide for all your needs and wants. Keep in mind that your needs and wants will change over time. A job that may provide the income you need right now may not always suit your requirements.

| <b>MONTHLY BALANCE SHEET</b>            |  |
|---|--|
| Month/Year                              |  |
|   |  |
| <b>INCOME</b>                           |  |
| Wages (after taxes have been taken out) |  |
| Loans                                   |  |
| Gifts                                   |  |
| Family Support                          |  |
| Other                                   |  |
| <b>TOTAL INCOME</b>                     |  |

| <b>EXPENSES</b>   |   |
|---|---|
| Job Search (supplies, printing, postage, phone, travel expenses)  |   |
| Rent or Mortgage  |   |
| Groceries   |   |
| Utilities (electricity, heat, water, sewer, garbage, phone, etc.)   |   |
| Public Transportation (bus pass, subway, taxi, parking, inc.)   |   |
| Auto (car payments, insurance, gas, maintenance, registration, etc.)  |   |
| Health Costs (insurance, medical, dental, and vision care)  |   |
| Credit Card Payments  |   |
| Other Loan Payments   |   |
| Clothing (dry cleaning, laundry, jewelry and other accessories)   |   |
| Personal Grooming (hair cuts, etc.)   |   |
| Household (furniture, bedding, towels, paint, repairs, etc.)  |   |
| Education (tuition, books, supplies)  |   |
| Recreation/Entertainment  |   |
| Vacation/Travel   |   |
| Gifts   |   |
| SAVINGS (not really an expense because you still have the money, but it is money you set aside and do not spend, so you should treat it as an expense. Get in the habit of saving something every month!) |   |
| <b>TOTAL EXPENSES</b>   |   |
| <b>Total Income</b>   |   |
| <b>Minus Total Expenses</b>   | – |
| <b>Equals NET CASH FLOW</b>   | = |

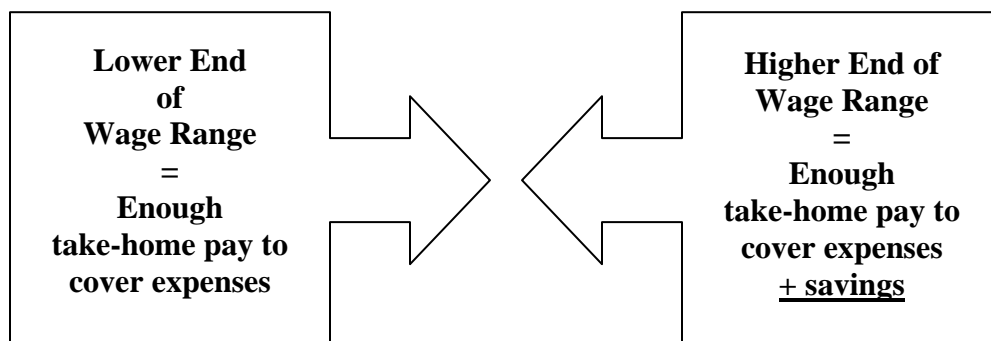
Once you know what your expenses are going to be, you can figure out the wage range you can accept. Many jobs are paid by the week. Let us learn how to calculate your weekly wage range. Since there are about four weeks in a month, calculate your weekly pay requirement by dividing your monthly expenses by four. For example, if you find that you need \$800 per month to cover your expenses, you will need to earn at least \$200 per week *take-home pay* (the

amount of money you are paid after taxes are taken out). You will actually need to be paid enough to cover your expenses plus the taxes that will be taken out of your paycheck.

If \$200 per week is the minimum you must earn, that amount is the lower end of your wage range. But, you really should set aside some money each month as savings! Savings are important for two reasons. First, you need to put aside money each month toward things you need to buy in the future (such as a car or tuition for school). Second, you need to have extra money each month in case of emergency (such as injury, illness or getting laid off). When you include the amount of money you would like to save each month in your total calculations, you have the higher end of your wage range.

If you want to save enough money to pay \$1200 in college tuition one year from now, divide \$1200 by 12 months (the number of months in a year). Your answer is \$100 per month, right? So that means you would need to save \$100 per month, or \$25 per week (\$100 divided by 4), for your tuition next year. If you add \$25 per week to \$200 per week in expenses, your total is \$225 per week. This amount will cover your expenses plus your savings for college, but you might want to add a bit more for emergencies. Let us say another \$20 per week. That brings the higher end of your wage range to \$245 per week, or \$980 per month (\$245 x 4). So, the wage range you can accept right now is between \$200 and \$245 per week. Getting paid more than that is just great, but getting paid less than that is unacceptable. Remember that the lower end of your wage range will only cover expenses. You will want to find out if the number of work hours or pay will increase in the future if you accept a job offer at the lower end of your wage range.

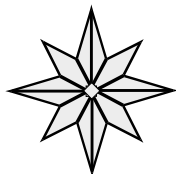
**Confused? Let us review:**



**Activity 2: Calculating your wage range**

Directions: Once you've completed the budget worksheet, it is easy to calculate your wage range. Use the savings and expenses information you have already recorded in Activity 1. Then, just follow the steps below...

|   |  |                  |
|---|--|------------------|
| <b>Weekly Expenses = Lower End of Weekly Wage Range (take-home pay)</b>                   |  |                  |
| \$ _____<br>(monthly expenses)  | divided by 4 = \$ _____<br>(weekly expenses) |                  |
| <b>Weekly Expenses + Weekly Savings = Higher End of Weekly Wage Range (take-home pay)</b> |  |                  |
| \$ _____<br>(monthly savings)   | divided by 4 = \$ _____<br>(weekly savings)  |                  |
| Weekly Expenses   | =  | \$ _____         |
| + Weekly Savings  | =  | \$ _____         |
| <b>Higher End of Weekly Wage Range</b>  | =  | <b>\$ _____.</b> |
| <b>WEEKLY WAGE RANGE</b>  |  |                  |
| Between \$ _____ (lower end) and \$ _____ (higher end).                                   |  |                  |



**End of Lesson**