Introduction to Personal Financial Literacy

Name: _____	Date: _____	Score: _____ / 17

Personal financial literacy is all about understanding how money works so you can earn, save, spend, and borrow wisely—and the earlier you start, the better! You will learn the difference between *gross income* (what you earn before deductions) and *net income* (what you actually take home), how to build a **budget** that balances income with expenses and savings, and why **credit** and **debit** affect your future in very different ways. You will also see how taxes, tips, and fees fit into everyday money decisions and how simple and compound interest connect to long-term saving and borrowing. These are skills you will use for the rest of your life—whether you are choosing a phone plan, opening a bank account, or planning for college!

Key Concepts & Quick Review

Income & Taxes: Gross income is the total you earn before deductions. Net income ("take-home pay") is what remains after taxes and other deductions.
Budget: A plan that shows how you will spend and save your income.

$$\text{Income} = \text{Expenses} + \text{Savings}$$

Simple Interest: $I = Prt$ (principal $\times$ rate $\times$ time).
Tips & Sales Tax: Tip $=$ bill $\times$ tip rate; Total with tax $=$ price $+$ (price $\times$ tax rate).
Profit & Loss: Profit $=$ Revenue $-$ Cost. A *loss* occurs when costs exceed revenue.

Examples

① Alina earns \$12.50 per hour and works 30 hours per week. If 18% is deducted for taxes, what is her weekly net income?

Think It Through: Gross $= 12.50 \times 30 = \$375$. Tax $= 375 \times 0.18 = \$67.50$. Net $= 375 - 67.50 = \$307.50$.

Answer: *\$307.50*

② Carlos has a monthly budget. He earns \$1,200. He spends \$480 on rent, \$240 on food, \$120 on transport, and saves the rest. What percent of his income does he save?

Think It Through: Total expenses $= 480 + 240 + 120 = \$840$. Savings $= 1{,}200 - 840 = \$360$. Percent saved $= \frac{360}{1{,}200} \times 100 = 30\%$.

Answer: *30%*

Practice Problems

Solve each problem. Round money answers to the nearest cent.

1. A worker earns \$10 per hour and works 25 hours. Find the gross pay. _____
2. A paycheck has gross pay \$500 and 15% is withheld for taxes. Find the net pay. _____
3. An item costs \$45 before tax. Sales tax is 8%. Find the total cost. _____
4. A restaurant bill is \$32. Find the tip amount for a 20% tip. _____
5. A budget has income \$600 and expenses \$420. Find the savings. _____
6. A student saves \$150 out of \$750 earned. Find the percent saved. _____
7. Use $I = Prt$ to find the simple interest when the principal is \$400, the annual rate is 5%, and the time is 2 years. _____
8. A small business has revenue \$800 and cost \$650. Find the profit. _____
9. A paycheck has gross pay \$1,200 and 22% is withheld for taxes. Find the net pay. _____
10. An item costs \$18.50 before tax. Sales tax is 7%. Find the total cost. _____
11. A restaurant bill is \$56. Find the total paid with a 15% tip. _____
12. A worker earns \$14 per hour, works 32 hours, and pays 20% tax. Find the net pay. _____
13. Use $I = Prt$ to find the simple interest when the principal is \$1,000, the annual rate is 3%, and the time is 4 years. _____
14. A budget has income \$950 and expenses \$720. Find the percent saved. _____
15. A business has revenue \$540 and cost \$600. State whether this is a profit or loss and give the amount. _____

Study Tips

- ☞ **Net income** is always less than gross income because of deductions. If your answer is bigger, double-check your work!
- ☞ A balanced budget means **income** $\geq$ **expenses + savings**. Tracking every category helps you avoid overspending.
- ☞ Tip/tax problems are just percent problems: multiply the base by the rate, then add to (or subtract from) the original amount.

✍ Word Problems

16. Sophia earns \$11 per hour at her part-time job and works 20 hours a week. She wants to save 25% of her gross weekly pay. How much does she save each week? _____

17. A family's monthly income is \$3,500. They spend \$1,050 on rent, \$700 on food, \$350 on utilities, and \$525 on other expenses. How much can they save? What percent of their income is that? _____

Answer Keys

1) $250.00
2) $425.00
3) $48.60
4) $6.40
5) $180.00
6) 20%
7) $40.00
8) $150.00
9) $936.00
10) $19.80
11) $64.40
12) $358.40
13) $120.00
14) 24.21%
15) $60.00 loss
16) $55
17) Save $875; that is 25% of their income.

Step-by-Step Explanations

Tutoring notes not found for this topic.

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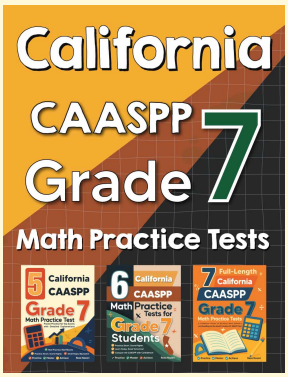

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