

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

### Step-by-Step Explanations

*Tutoring notes not found for this topic.*



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