

MEL 3E - Budgeting Lesson

1. Deductions

Name: _____

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"Nothing this week — between your pay and your deductions, you broke even."

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Standard Pay Check Deductions	What is it?	Approximate percent? (simplified)	Why do they take it?										
EI	Employment Insurance	2%	to provide income to Canadians who become unemployed										
CPP	Canada Pension Plan	5%	to provide income to retired Canadians										
Income Tax	Federal and Provincial Tax based on income earned. Income earned in higher brackets is taxed at a higher rate.	<table border="0"> <tr> <td>Income</td> <td>Marginal Tax Rate</td> </tr> <tr> <td>0 - \$10 000</td> <td>0%</td> </tr> <tr> <td>\$10 000 - \$40 000</td> <td>20%</td> </tr> <tr> <td>\$40 000 - \$80 000</td> <td>30%</td> </tr> <tr> <td>\$80 000 +</td> <td>40%</td> </tr> </table>	Income	Marginal Tax Rate	0 - \$10 000	0%	\$10 000 - \$40 000	20%	\$40 000 - \$80 000	30%	\$80 000 +	40%	to fund government expenditures such as health, education, defence, roads, etc.
Income	Marginal Tax Rate												
0 - \$10 000	0%												
\$10 000 - \$40 000	20%												
\$40 000 - \$80 000	30%												
\$80 000 +	40%												

2. Net Pay Formula: $\text{Net Pay} = \text{Gross Pay} - \text{EI} - \text{CPP} - \text{Income Tax}$

3. Fill in the chart for the following people. Show Calculations in each cell of the table.

Name	Annual Gross Pay \$	EI (2%) \$	CPP (5%) \$	Income Tax (20%) on income over \$10 000 \$	Annual Net Pay \$	Monthly Net Pay \$
Bobby	10 000					
Kim	16 000					
Dana	28 500					



4. Variable and Fixed Costs

Household monthly expenses can be divided into two types of costs:

Fixed Costs - do not change

Variable Costs – change

Identify the following household expenses as Fixed (F) or Variable (V) or possibly both (FV):

- Car payment _____
- Groceries _____
- Heating _____
- Water Usage _____
- Hydro Electricity _____
- Mortgage or Rent Payment _____
- Recreation _____
- Car Maintenance _____
- Gasoline _____
- Home Phone _____
- Cell Phone _____
- Furniture/Appliances _____
- Clothing/Shoes _____
- Charitable Donations _____
- Internet Usage _____
- Cable/Satellite _____
- Household Supplies _____
- Personal Care _____
- Property Tax _____



5. Monthly Budgeting

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Fill in the missing values in the right column:

Gross Income		\$3000
Subtract Deductions	EI (2%)	
	CPP (5%)	
	Income Tax (20%)	
	Total Deductions	
Net Income (or Take-home Pay)		
Subtract Expenses	Fixed (list all expenses that do not change)	1100
	Variable (list all expenses that may change)	800
	Total Expenses	
Balance (or Savings)		