

Identifying Various Forms of Income and Analyzing Factors That Affect Income

What is your source of income?

Most young people will get money in one of the following ways: do chores, receive gifts of money, have garage sales, get allowance or work a part time job. The money received isn't a substantial amount, but how much do you really need as a kid.

Other sources of income are full time jobs, investing money, rental property, getting paid interest on money invested or they own their own business (an entrepreneur). Lets break down what pay you receive for each source of income.

From a job - working part time or full time for a business pays at least minimum wage which is \$5.15 an hour. Part time is considered 20 hours or less in a week, and full time is considered 40 hours a week. Pay is determined by the level of education, training, and skills you have. The more education you have, the better pay, the more training you have the better the pay, and you guessed it, the more skills you have the better the pay.

This is called earning power. Several ways to increase your earning power are:

- One – increase the amount of time you work (E.g. if you get paid by the hour, you can work more hours, thus earning more money)
- Two – do more while on the job (E.g. if you have a job selling and make commissions on how much you sell, the more you sell, the more you earn)
- Three – do work of high quality (E.g. by producing higher quality merchandise to sell, customers will come to you because they believe your product will be of higher value)
- Four – gain more knowledge, experience and or skills/training (E.g. the more knowledge, experience, skills/training you have the greater ability you have to handle a wider variety of tasks, in addition to having more qualities that employers want and more choice for the job YOU want)

From investing money - there are numerous ventures to invest your money in. Some examples are: the stock market, real estate, bonds, CD's, etc. all of which generate money, in the form of dividends or rent.

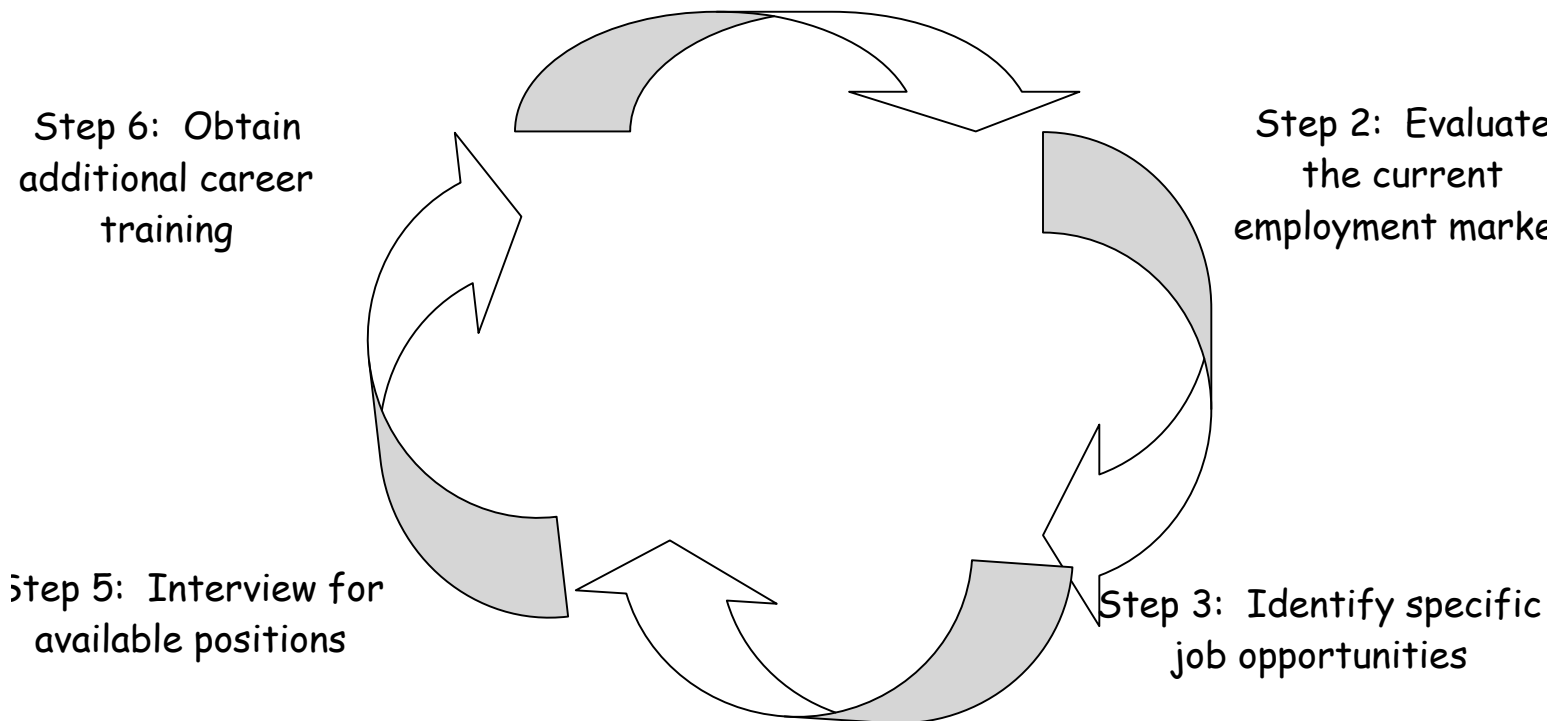
Being paid interest on money invested - being paid money by lending money to a borrower of some sort such as: a savings account, money market, US Savings Bonds or Certificates of Deposits to name just a few. This form of income is a great way to earn money without having to do a lot of work. First you must choose the type of institution you would like to invest your money and at what interest rate does the institute pay for borrowing the money.

Being an entrepreneur or self-employed, that means owning your own business, is a big risk when just starting. Income doesn't come right away, however, if the business succeeds the time, work and money originally invested pays off.

To be completely honest, the majority of people earn their income by working. Depending on your goals and the level of financial stability you want, determines what type of career you will need to plan for. The following is what I consider "The Career Planning Process".

The Career Planning Process

Step 1: Assess your personal interests, abilities, and career goals



Step 4: Apply for employment positions with the use of a resume or application letter

In the Career Planning Process, **the first step** is assessing your personal interests, abilities, and career goals. What are your hobbies? What do you enjoy doing? What skills come easy to you? What occupation do you see yourself in? Will that occupation give you the income you need to be financially stable?

A great resource for assessing your person interests is a software program called “Choices”. This program allows you to take an interest inventory test by asking you several questions to determine what occupations matches your personal interests. It gives you several occupations to review and compare.

The second step is to evaluate the current employment market.

The third step is to identify specific job opportunities. You will need to know about the careers you are interested in, and consider if you’ve got what it takes to be in that occupation or have that career?

What do you think an employer is looking for in an employee?

Well, . . . Here is what employers **really** expect - The Secretary of Labor appointed the Secretary’s Commission on Achieving Necessary Skills (SCANS) to determine the skills people need to succeed in a high-performance economy, where employees enjoy high-skill, and have high- wage employment.

There are three sets of fundamental skills

Basic skills - reading writing, arithmetic, listening, and speaking

Thinking skills - creating new ideas, making decisions, solving problems, visualizing information, an ability to continue to learn, and how to reason

Personal qualities - taking responsibility, high self-esteem, being sociable, an ability to manage oneself, and ethical behavior

There are also five workplace competencies

An ability to manage resources - time, money, people, and materials

Interpersonal aptitude - teamwork, leadership, customer service, and negotiation

Information management - gathering information, organizing the information, evaluating the information, and using computers to manage the information

System relationships - social and/or technological systems, suggesting improvements and alterations to systems, and troubleshooting

Technology management - choosing components, using technology, and maintaining/fixing problems

Here is a skills inventory to help you recognize the skills you are advanced in, ones you do ok in, some that you are just beginning and some that you might just need to work on.

Skill/Ability	Not Yet	Beginner	Intermediate	Advanced
SCAN SKILLS				
Basic Skills				
Reading				
Writing				
Mathematics				
Listening				
Speaking				
Thinking Skills				
Creative Thinking				
Decision Making				
Problem Solving				
Seeing Things in the Mind's Eye				
Knowing How to Learn				
Reasoning				
Personal Qualities				
Responsibility				
Self-Esteem				

Sociability				
Self-Management				
Integrity/Honesty				
WORKPLACE COMPETENCIES				
Resources				
Time				
Money				
Material & Facilities				
Human Resources				
Interpersonal				
Participates as a Member of a Team				
Teaches Others New Skills				
Serves Clients/Customers				
Exercises Leadership				
Negotiates				
Works With Diversity				
Information				
Acquires and Evaluates Information				
Organizes and Maintains Information				
Interprets and Communicates Information				
Uses Computers to Process Information				
Systems				
Understands Systems				
Monitors and Corrects Performance				
Improves or Designs Systems				
Technology				
Selects Technology				
Applies Technology to Task				
Maintains and Troubleshoots Equipment				

The fourth step is to apply for employment positions with the use of a resume and or an application and application letter.

A **job application** is - an essential form for employers to have on file regarding specific information about your qualifications, skills and history.

If you are looking for a job, you can go around to business' you are interested in working for, you can go to that business in person and ask them for a job application, you can go to the companies web site and see if they have a job application to print off, fill out and send it in.

The employment application asks for the following information about you::

Name – your full name

Address – your current address

Telephone Number – your telephone number

Education – the number of years you have gone to school, where and what degrees

Experience/Skills -

Employment History (past jobs) – chronological list of all your past jobs

Past Wages – the hourly amount you were paid or yearly salary you were paid

References – people who can say good things about you and your work ethic

Signature – your signature that what you've said is true

What does the employer do with a job application once you've turned it in?

After you've turned in the application, it will go to the business owner or Human Resource Manager who will use the job application to help determine if you are qualified for the position in which you are interested in, or for what positions they have open.

How does the entire looking for a job and hiring process work? Read through the following seven steps to become familiar with the common hiring process.

Step One - Fill out the job application and turn back in to the employer.

Step Two - If the employer is interested in you, he/she will call you for a job interview.

Step Three - Prepare a resume or portfolio to take with you to the interview.

Step Four - If an employer is impressed with your interview, he/she might ask you to take a test or an exam, to find out your knowledge or skills for the company and/or job you are applying for.

Step Five - If you are considered to continue in the hiring process, many jobs will conduct a background check on you for personal history (past jobs, references, drugs you may have taken, honorable or dishonorable military service, driving record, criminal record, credit checks, resident check (past places lived)).

Step Six - If you have successfully interviewed, tested, and have a clean background check, the employer will contact you to let you know if you have been chosen for the position.

Step Seven - Whether or not you have been chosen for the position it is ALWAYS necessary to write the hiring committee a "Thank You" letter for the opportunity to interview with them and for their time. (If another position becomes available, the "Thank You" letter acts as a great reminder to the hiring committee of who you are and to put you on the good list of applicants to follow up with.)

What if a business asks for a resume in addition to a job application or instead of a job application?

A **resume** is - a personal data sheet commonly used to apply for a job. It lists your skills and experience so that future employers can see what you have already done and whether your experience meets the job's requirements. You can find different templates (patterns) or example resumes in word processing programs that you can use to fill in your information in the spaces provided, without having to create your own layout.

Something to Consider:

If an individual gives misinformation (lies or is dishonest) about jobs, skills or anything on their job application, resume, in their interview, on their background check, or any other time during the hiring process or while working for that employer, they could be fired or not even considered for the job.

The fifth step is to interview for available position. You've completed a job application, turned it in to the company and have prepared a resume, you now just wait for the company's human resources department to contact you to set up an interview. (Sometimes it is fine to request an interview with a manager or person in the human resources department).

The following are important hints to guide you in having a successful when in interview:

Before the Interview

1. Research the organization.
2. Practice your interviewing skills.
3. Prepare questions that YOU plan on asking.
4. Prepare proper dress and grooming.
5. Plan to arrive early at the interview.

During the Interview

1. Relax. Be yourself.
2. Answer questions completely and calmly.
3. Ask questions to help you better know the organization.
4. Ask when you will hear back from the organization.

After the Interview

1. Write down notes on how you can improve your interviewing skills for your next interview.
2. Promptly send a thank-you letter to the committee/person with whom you interviewed to express your appreciation for the opportunity to have met with them.

Common Interview Questions asked at job interviews:

1. What activities have helped you expand your interests, abilities, and knowledge?
2. In what types of situations have you done your best work?
3. Describe the supervisors who have motivated you the most in the past.
4. Describe someone with whom you had difficulty working with.
5. What are your major strengths?
6. What are your weaknesses? What have you done to overcome your weaknesses?
7. What do you know about the organization?
8. Who is someone you admire? Why do you admire that person?

Did You Know? It is illegal to deny an individual a job because of their race, color, religion, sex, national origin, age, or disability.

In fact, it is illegal for a potential employer to ask you any of the following information in an interview:

Your age	A disability	Your family
Your marital status	Your religion	Your national origin
Your race	Your criminal history	Your education
Any military discharges	Your height	Your weight
Your sexual orientation		

(If an employer wants to know about the above listed questions, they can put such questions on a job application and hope that you fill those questions out.)

The sixth step is to obtain any additional education or career training if necessary for the job.

Hurray you got the job, now what!

Have you stopped to consider some hidden costs to think about with in a job? The following are just a few costs to consider:

- Transportation
- Clothing
- Food (Lunches)
- Child or Adult Care
- Union dues

There are some jobs that offer great benefits. Before you take a job it is very important to know if the job you are applying for offers any benefits at all, and if it does, what benefits does it offer? (Some jobs offer benefits, some don't)

Know whether or not the business offers benefits before you ever apply. If you don't know if the business offers benefits, you can ask during the interview. But know before you ever accept the job!

Benefits usually cost your employer between 33% and 50% of your pay. You will want to find out what benefits are offered if any BEFORE you commit to the company, by asking in the interview or when researching the company,

- Health, dental, and eye care insurance
- Life insurance/disability insurance
- Retirement benefits
- Tax-deferred retirement plan
- Paid sick days (usually 5-10 per year)
- Paid vacation and or holidays
- Parental leave
- Stock purchase plan
- Employee assistance plans
- Employee fitness programs
- Employee discounts
- Tuition reimbursement

If you have considered being an entrepreneur or self-employed, have you considered some of the characteristics of typical self-employed people.

- Independent
- Has a positive attitude
- Is creative and talented
- Is a risk taker
- Has good work ethic and is honest
- Is a hard worker
- Is organized and has planning skills
- Is self-confident
- Is a good listener
- Is a team worker
- Is a decision maker
- Is motivated
- Has salesmanship
- Follows through

Do you have any of these characteristics? If so which ones?

Below are some steps that you will want to follow if you are interested in becoming an entrepreneur or self-employed:

First - look for an opportunity to provide a service or offer goods that are currently missing or that you think you can provide better than any existing business.

Second - take the initiative to learn all you can about existing competitors, and discover what it is customers really want from your product or service. Is it that your product or service is non-existent or do you have a better way to produce the product and provide the service?

Third - develop plans on who your target market is, how you will market your business, analyze the potential profit or losses associated with the business, and if the plan seems profitable produce the product or service, if not revise the existing plan to make it possible to produce the product or provide the service.

Some examples of opportunities you can take now are:

- Offer to tutor someone in subjects that you do well in
- Providing daycare
- Mowing peoples lawns
- Walking peoples' dogs
- Teaching young children to play a sport, an instrument or to speak a world language
- Starting up a band
- Selling items you've made yourself

Now that you've recognized the potential income you can be making, you will need to revisit your personal goals. Will the income projected provide stability and give you the opportunity to meet your financial goals?

The cost of living is one of the major expenses you will need to consider when review the projected job income because it is what many classify as human “needs”.

The following cost of living expenses that are usually fixed include: a mortgage payment or rent, home and or car insurance. Flexible cost of living expenses include: transportation, utilities such as: gas, electricity, water, sewer, food, clothing, tuition, school expenses, household items, gas, oil, home and car repairs, entertainment and personal items. Every state and even many cities within a state will have differing costs.

Economic factors to consider when making decisions include the following:

Higher prices resulting in more expensive goods and services and lower buying power of the dollar.

Increases in consumer spending for certain good and services resulting in additional jobs in those industries.

Lower interest rates which encourage consumer spending; high interest rates which encourage saving and less borrowing.

Higher money supplies result in lower interest rates, lower money supplies result in higher interest rates and reduced consumer spending.

High unemployment reduces consumer spending and results in fewer job opportunities.

Increased home building leads to more job opportunities and expands consumer spending.

A growing GDP indicated expansion in economic growth in a country.

Higher stock prices indicate confidence in the economy and strong business conditions for jobs and consumer spending.

Thanks to:

Neffe – p. 15, Unit Two – Labor of Love

www.practicalmoneyskills.com – Lesson One, Making Money

www.handsonbanking.org – You and Your money

www.financialeducation.us – p. 25, Week 2, Income, employment and Careers

www.bankhs.com – Money, Managing Money, Income