

Salary vs. Hourly vs. Commission Jobs

1. What are some factors you need to consider before selecting a job?



Kafi just graduated college and currently has three job offers in educational publishing. (WOW! Three offers! Nice!)

SALARY	HOURLY	COMMISSION
Editor	Designer	Sales Representative
Full time position with an annual salary of \$37,500	Full time position with an hourly wage of \$26.50. This job assumes standard five works day a week for 8 hours each day	All salary is based off of sales. 5% commission off of total sales. Typical sales representatives sell \$100,000 per month.

2. Before we start looking in depth at each of these offers, which one would you select right now and why?
3. Unlike part time jobs that you have right now, most careers pay monthly not bi-weekly so we need to compare each of these jobs based on their monthly salary. Show work in the table below

MONTHLY SALARY (PRE-TAX)		
SALARY	HOURLY	COMMISSION
$37,500 \div 12$ <u>\$3125</u>	$\$26.50 \times 8 = \212 PER DAY $\times 5 = \$1060 \text{ PER WEEK}$ $\frac{4 \text{ WEEKS AVERAGE}}{\text{PER MONTH}} \quad \quad \frac{52 \text{ WEEKS IN YEAR}}{\$55,120 \text{ ANNUAL}}$ $\div 12$ <u>\$4240</u> <u>\$4593</u>	$100,000 (.05)$ <u>\$5,000</u>

4. Hey guess what? You forgot about taxes! We need to take taxes out of our monthly salary to determine our **post-tax** salary. Here are the current tax withholdings. 6.2% is withheld for social security. 1.45% is withheld for Medicare. Income tax varies on what tax bracket you fall into (with higher incomes paying more and lower incomes paying less) but typically 15% of your paycheck will be withheld for federal income tax. Georgia income tax varies as well but the median income tax withheld is 3%.

MONTHLY SALARY (POST-TAX)		
SALARY	HOURLY	COMMISSION
$6.2\% + 1.45\% + 15\% + 3\% = 25.65\%$ $3125(.2565) = 801.56$ TAXES $3125 - 801.56 =$ <u>\$2323.44</u>	$4240(.2565)$ 1087.56 TAXES $4240 - 1087.56$ <u>\$3152.44</u>	$5,000(.2565)$ 1282.50 TAXES $5000 - 1282.50$ <u>\$3717.50</u>

5. Based on his current living situation, Kafi determine that he needs \$3,000 a month to cover all of his expenses (rent, car, utilities, food, entertainment, savings, etc.). What job would you suggest Kafi take now? Why?

KAFI CAN TAKE ANY JOB BUT THE SALARY BECAUSE IT IS NOT ENOUGH TO RAISE EXPENSES

6. Take home salary is not the only factor in comparing jobs. It is also VITAL to look at the benefits that a job offers.

SALARY	BENEFITS	
	HOURLY	COMMISSION
<ul style="list-style-type: none"> Health Insurance- \$65 per month Retirement plan- \$200 per month Life Insurance- free (paid for by company) Given 15 days of Paid Time Off (PTO) per year 	<ul style="list-style-type: none"> Health Insurance- \$125 per month Retirement plan- \$200 per month Life Insurance- \$35 per month Given 8 days of Paid Time Off (PTO) per year 	<ul style="list-style-type: none"> Health Insurance- \$160 per month Retirement plan- \$300 per month Life Insurance- \$35 per month Given no days of Paid Time Off (PTO)

- **Paid Time Off** can be used for sick days or vacation days without you losing income. For example. If you didn't have any PTO and took a week-long vacation then you would lose income for an entire week (which would mean you make a lot less in your check that month). If you have PTO and use it, then essentially the company is paying you for working even though you are not working. So you do not lose that income -

Kafi knows that he is taking a week off (5 days- a work week) in December to visit his family, another week off (again 5 days) in June for a cruise. Also during the course of the year he averages about three sick days. So overall he needs to plan for 13 days of not being in work.

Based on the benefits above, and knowing that Kafi needs to account for 13 days off, calculate the **take-home** monthly salary. Take-home salary refers to the money that you actually get in your account each month after taxes, insurance, retirement and savings are accounted for.

MONTHLY TAKE-HOME SALARY		
SALARY	HOURLY	COMMISSION
2323.44 - 65 - 200 <hr/> \$2058.44 NEEDS 13 PTO, HAS 15 SO HE HAS MORE THAN ENOUGH	HAS 8 DAYS PTO. NEEDS 13 SO HE NEEDS TO ACCOUNT FOR 5 DAYS OF UNPAID WORK. (FROM #3) 1 DAY OF WORK = \$212 SO 5 DAYS = \$1060. HE NEEDS TO SAVE \$1060 OVER THE COURSE OF A YEAR SO LETS SPLIT IT INTO MONTHLY SAVINGS PAYMENTS. $1060 \div 12 = \$88$ 3152.44 - 125 - 200 - 35 - 88 <hr/> \$2704.44	NEEDS 13 DAYS. TYPICAL MONTH IS \$3717.50. ASSUMING ABOUT 4 WEEKS A MONTH AND 5 DAYS A WEEK THAT IS ABOUT 20 WORKING DAYS IN A MONTH. $\$3717.50 \div 20 = \186 PER DAY. SO $13 \times 186 = \$2418$ NEEDED TO SAVE FOR PTO FOR THE YEAR. TO MAKE SAVING EASIER. SPLIT IT UP INTO MONTHLY PAYMENTS. $\$2418 \div 12 = \201.50 3717.50 - 166 - 300 - 35 - 201.50 <hr/> \$3021

7. Which job do you recommend for Kafi to take and why?
 COMMISSION CW MAKE MORE BUT IT IS NOT AS STABLE AS THE HOURLY JOB

8. Did the benefits offered affect your decision? Why or Why not?
 YOU GET MORE PTO IN THE PREVIOUS JOBS SO YOU DON'T HAVE TO BUDGET AS MUCH

9. What other things/benefits would you consider before accepting a job?

- LOCATION
- PROMOTIONS



EXTENSION: Sabrina also just graduated college and has two job offers.

SALARY	HOURLY- contract/self-employed
\$55,000 annual salary	\$29 per hour (assumes standard 5 day, 8 hour work week)

10.

MONTHLY SALARY (PRE-TAX)	
SALARY	HOURLY- contract/self-employed
$55,000 \div 12 = \$4583$	$29 \times 8 \times 5 = \$1160$ PER WEEK $1160 \times 52 = 60,320$ ANNUAL $\div 12 = \$5027$

11. Assume that Sabrina lives in Georgia as well and use the same tax information as Kari to determine her post-tax monthly incomes but since the hourly job is self-employed it has separate tax laws and is taxed an additional 7.65%.

MONTHLY SALARY (POST-TAX)	
SALARY	HOURLY- contract/self-employed
$4583 \times 0.2565 = 1175.54$ TAXES $4583 - 1175.54 = \$3407.46$	$25.65 + 7.65 = 33.3\%$ $5027 \times 0.333 = 1673.99$ TAXES $5027 - 1673.99 = \$3353.01$

12. Before benefits are considered which job would you suggest for Sabrina and why?

THE SALARY. IT MAKES A SLIGHTLY HIGHER AMOUNT

BENEFITS	
SALARY	HOURLY- contract/self-employed
<ul style="list-style-type: none"> Health Insurance- \$95 per month Retirement plan- 4% of after-tax monthly income Life Insurance- free (paid for by company) Given 10 days of Paid Time Off (PTO) per year <p style="text-align: right;">3407.46</p>	<ul style="list-style-type: none"> Health Insurance- \$150 per month Retirement plan- 8% of after-tax monthly income Life Insurance- \$35 per month Given 5 days of Paid Time Off (PTO) per year <p style="text-align: right;">3353.01</p>

13. Sabrina has a total of 7 days of planned vacation and like Kafi, typically takes about three sick days a year. Determine her take-home salary based on the benefits above

MONTHLY TAKE-HOME SALARY	
SALARY	HOURLY- contract/self-employed
<p>NO NEED TO BUDGET FOR ADDITIONAL PTO</p> <p>$3407.46 \cdot (0.04) = \\136.30 ↑ RETIREMENT</p> <p>3407.46 -95 -136.36</p> <hr/> <p style="text-align: center;"><u>\$3176.16</u></p>	<p>NEEDS 5 DAYS PTO FROM FRONT</p> <p>$\\$232 \text{ PER DAY} \times 5 = 1160$. SPLIT UP MONTHLY TO SAVE A LITTLE BIT FOR THE WHOLE YEAR</p> <p>$1160 \div 12 = \\$97$</p> <p style="text-align: right;">RETIREMENT 3353.01 (0.08)</p> <p>3353.01 -150 -268.24 -97</p> <hr/> <p style="text-align: center;"><u>\$2837.77</u></p>

14. Which job would you recommend for Sabrina and why?
 STILL THE SALARY JOB. IT HAS BETTER BENEFITS AND MORE MONEY/

15. As you analyzed and compared the different job offers, did your decision about which job to take change? Why? When considering various job offers, what will factor into your decision?

- THINK ABOUT HOW MUCH IS TAKEN OUT IN TAXES
- HOW MUCH PTO YOU GET AND HOW MUCH YOU WILL USE
- IS THERE CHANCE FOR PROMOTIONS/RAISES IN YOUR COMPANY?
- LOCATION! HOW FAR IS YOUR COMMUTE?