

Student name: _____ Date: _____

Describe types and purposes of insurance.

Objectives:

- A. Describe the factors in buying automobile insurance.
- B. Describe the factors in buying health insurance.
- C. Describe the factors in buying life insurance.

MODULE 10E: INFORMATION SHEET

TO THE STUDENT: Read and study this information sheet and complete the student activities at the end.

Why purchase insurance?

There are at least two reasons why insurance is purchased. The first, and perhaps most important, is for protection against loss from some catastrophic event. A car accident, an illness or injury, or death can lead to serious financial consequences. Insurance helps to provide protection against these financial losses. Another reason for purchasing insurance is that some insurance is required by law. In Pennsylvania, car owners are required to purchase automobile insurance. You must provide your insurance information when registering a car. **No insurance, no registration.** It's as simple as that.

Purchasing insurance is no simple matter. Insurance is a contract between an insurance company and you under which you agree to pay for the insurance (called **insurance premiums**), and the insurance company agrees to pay for losses under certain carefully defined circumstances. There are many factors that influence the price that you pay for insurance. In this module we will discuss these factors to help you get the best protection for your insurance dollars.

Factors to consider when purchasing required automobile insurance

A very important factor to consider when purchasing automobile insurance is how much insurance coverage you need. Many students choose the minimum amount required under Pennsylvania law. The problem with this choice is that the minimum limits are rarely enough to cover a significant accident.

Look at the legal requirements and you will see the problem:

Medical Benefits – The law requires a minimum of \$5000 to cover the medical costs of you and anyone else injured in a car accident. The problem is that medical costs are so high that you can easily reach this amount in one day at the hospital.

Bodily Injury Liability – The law requires coverage of at least \$15,000 for any one person and \$30,000 for any one accident. This is the total amount of insurance money available to pay others, if you are found to be at fault in an automobile accident. These limits are very low. It is not unusual for a court to award damages of \$100,000 or more to persons injured in a car accident. **If the damages resulting from an accident you caused are more than your insurance limits, you have to pay the excess.**

Property Damage Liability – Pennsylvania law requires that you have at least \$5000 of property damage liability insurance to pay for repairs to any car that you may run into or any other damage you cause with your automobile. You can cause more than \$5000 damage to a car – especially an expensive one – with nothing more than a minor car accident. If you only have \$5000 worth of insurance coverage, you will have to pay the additional amount out of your own pocket.

How much automobile insurance you buy is one of the most important decisions you will ever make. Persons with very low insurance limits who are involved in traffic accidents sometimes end up paying for the costs of those accidents for years out of their earnings.

How can I keep my insurance costs under control?

There are some things you can do that will help to keep your insurance costs as low as possible. Insurance premiums are based upon risk factors – the likelihood that you will have an accident. Insurance companies look upon the following things when determining the costs of a liability insurance policy:

Your grades – Good students pay less for automobile insurance. Ask your insurance agent. You may find that being an honor roll student saves you money on your car insurance.

Your driving record – Careful drivers pay less for insurance. If you have speeding tickets or accidents, your insurance costs will go up dramatically. Be a careful driver and save on insurance.

Your car – The car you drive can also affect your insurance rates. Insurance companies place certain kinds of cars in special risk categories. You should ask your insurance agent before making a car purchase to make sure you aren't getting a car that will cost you extra for your liability insurance.

Driver training – Completion of an approved driver training course can sometimes save you money on your insurance.

What about other car insurance?

Another kind of car insurance you may consider purchasing is **collision insurance**. This insurance pays for the cost of repairing or replacing your car if you are responsible for a car accident. Many students mistakenly think that liability insurance will pay for their own cars. It doesn't if you are the person who caused the accident. Liability insurance only pays for the damage you cause to other people, not for your own vehicle.

If you have a car loan, your bank or finance company will require you to have collision insurance. You should also consider collision insurance if the value of your car is high enough. Anything you own that is worth a lot of money is worth protecting against loss. Collision insurance protects your investment in your automobile.

All collision insurance policies have a **deductible amount**. This is the amount you pay towards the repair of your automobile. Under Pennsylvania law, the deductible is \$500. This means that you pay the first \$500 of any damage to your car and the insurance company pays the rest. You can purchase insurance with a lower deductible, but this will increase your premium.

Another important kind of insurance coverage is **comprehensive insurance**. This insures you from loss, if your car is damaged by fire, flood, vandalism, or striking an animal. The likelihood of striking a deer in many areas of Pennsylvania is so high that comprehensive insurance is important. You should know that hitting a deer is not covered under collision insurance, so to protect your car, comprehensive insurance is a good investment. As with collision insurance, comprehensive insurance has a deductible. The lower the deductible you select, the higher the premium will be.

Factors to consider when purchasing health insurance

There are many different kinds of health insurance available to individuals today. Most health insurance is provided through employers as a part of an employee benefits program or through government programs such as Medicare, Children's Health Insurance Program (CHIP), or Medicaid.

Most of the decisions you make about health insurance have something to do with the kind of coverage you want. Are you interested in coverage for hospital expenses or surgery, or do you want coverage for visits to the doctor's office? Do you need prescription coverage? Do you want dental insurance? How about insurance to cover eye exams and corrective lenses if you need them? Generally speaking, the more different kinds of health insurance you have, the higher your premium will be.

Here are some other factors that you should consider regarding health insurance:

Deductibles – Most health insurance plans have a deductible that is paid by the patient before insurance is paid. The amount of the deductible you are willing to accept can have a significant effect on the cost of your insurance. The higher the deductible you will accept, the lower your insurance premiums will be.

Co-payments – Some health insurance plans require a co-payment. This means that every time you get health care, you pay a portion of the cost. As with a deductible, the amount of co-payment you are willing to make will impact on your insurance premiums.

Choice – How important is it for you to be able to choose your doctor or even your hospital? Some health insurance providers are very restrictive about who you can see for health care and the procedures you must follow. Others allow much more freedom of choice for patients. If seeing a particular doctor is important to you or if you really need to be able to choose your health care provider, you should consider this when selecting a health insurance plan.

Exclusions – It's a good idea to look at what is not covered under your health insurance plan. These are called **exclusions**. Is there coverage for chiropractors? Under what conditions is mental health care provided? Is cosmetic surgery covered? Does your dental coverage pay for dental surgery? If so, are there special co-payments or deductibles that apply? Every insurance policy has exclusions. Be sure that you know what yours are.

Factors to consider when purchasing life insurance.

Most of us don't want to think very much about what would happen if we were to die as a result of injury or some illness. Life insurance provides the money needed to pay funeral and burial expenses, and it can provide money for our families to replace the money we would have earned, if we were still alive.

There is a second reason some workers have for purchasing life insurance. It can be used as a savings program. Many life insurance policies build up a cash value that can be used if a financial need arises in your life, or for retirement when you reach that age.

The most important factor to consider when purchasing life insurance is whether you are only interested in protection or if you want a policy that accumulates a cash value. Generally speaking, policies with no cash value (called **term insurance**) provided the greatest amount of protection for the cost. Policies that accumulate a cash value may be less expensive in the long run, because your premiums do not normally increase as you get older, and you will get money back when you withdraw accumulated cash.

Another very important factor is how much insurance you need. You need to carefully consider what would happen if you were to suddenly die and how your family would meet their financial obligations. A good insurance agent can help you assess your life insurance needs and guide you to the correct level of insurance coverage.

There are some factors that can impact upon the cost of life insurance that are under your control. They are:

Smoking – Non-smokers pay less for life insurance than smokers do because they live shorter lives. If you smoke, consider quitting.

Health – While some health conditions cannot be avoided, others can. A regular program of exercise, diet, and proper nutrition can keep you in shape and keep your life insurance costs down.

Drinking – Statistics show that drinkers are more likely to die than non-drinkers are, especially in accidents.

Dangerous Activities – Your insurance company will want to know if you are a skydiver, or about other hazardous activities you may be involved in.

Life insurance does not need to be an expensive part of your insurance program. It is, however, important to you and your family.

MODULE 10E: STUDENT ACTIVITIES

TO THE STUDENT: After reading and studying the above information, complete the following activities.

Activity 1: Answer the following questions about automobile insurance.

1. If the damages resulting from an accident you caused are more than the limits of your automobile insurance, who pays for the difference?

2. List four (4) factors that influence the cost of your automobile liability insurance.
 - A.
 - B.
 - C.
 - D.

3. Automobile collision insurance covers what kinds of losses?

4. If you hit a deer with your automobile, what kind of insurance will help pay for the repairs to your automobile?

5. What is a deductible when part of an automobile collision insurance policy?

6. Why is it often a bad decision to have only the minimum amount of automobile insurance prescribed by law?

Activity 2: Answer the following questions about health insurance.

1. List four (4) factors you should consider when selecting health insurance.
 - A.
 - B.
 - C.
 - D.
 2. What is an exclusion from a health insurance policy?
 3. Reducing the deductible on your health insurance usually results in an increase or a decrease in the cost of your health insurance?
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Activity 3: Answer the following questions about life insurance?

1. List 2 reasons why individuals purchase life insurance.
 - A.
 - B.
 2. What can a person who smokes do to reduce his/her life insurance costs?
 3. Why do persons who drink alcoholic beverages often pay higher life insurance premiums?
 4. Can the activities you engage in have an impact upon your life insurance premiums?
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MODULE 10E: STANDARDS ADDRESSED IN THIS MODULE

Pennsylvania’s Academic Standards for Reading, Writing, Speaking and Listening (RWSL)

1.1.11. Learning to Read Independently

- E. Establish a reading vocabulary by identifying and correctly using new words acquired through the study of their relationships to other words. Use a dictionary or related reference.

Student name: _____ Date: _____

Identify actions that can be taken for consumer protection.

Objectives

- A. Explain the importance of consumer savvy.
- B. Describe common consumer scams.
- C. List and describe ways to be a smart shopper.
- D. List steps to take to solve a consumer problem.

MODULE 10F: INFORMATION SHEET

TO THE STUDENT: Read and study the following information sheet and then complete the student activities at the end of this module.

How much do you know?

1. A Music Club you have joined delivers you the Oompah Band's, "Greatest Hits of the Thirties," instead of what you ordered. What happens next?
 - A. You're stuck and give it to your Mom for Christmas.
 - B. You have to pay to ship it back in order to get the right thing.
 - C. The club refunds your money.
2. Your new DVD player breaks 2 days after the warranty expires. What happens next?
 - A. Tough luck, huh?
 - B. You get 50% off if you buy another one.
 - C. It is replaced anyway with no problems.
3. If you buy a mountain bike for \$1000 and use your new credit card (which charges a nominal 18% interest) and you pay at least the minimum monthly payment, how long does it take to pay back and how much do you pay?
 - A. 12 years and 9 months, paying over \$2000 over that time
 - B. 5 years, \$1045
 - C. 1 year, \$1,000

4. Jeff bought a great used Pathfinder from a local Attorney who assured him that it was in excellent mechanical condition. Two weeks later, the transmission went. What happens?
 - A. Jeff is out of luck.
 - B. The seller pays for repairs.
 - C. They split the repair bill.

5. Jill was having a party and went to the store to buy some snacks. She was going to make her famous Taco Dip. At home, the cream cheese she bought had green mold on it when she unwrapped it. What happened?
 - A. She took it back but they wouldn't replace it because she tossed her receipt on the way out.
 - B. The cheese was replaced no questions asked.

Do any of these scenarios sound familiar? Believe it or not, if you don't know what you are doing, the answer to all of them COULD be the dreaded and horrible choice A!

\$MONEYS

There never seems to be enough and since it doesn't grow on trees, it is really important to make the most of what you have by protecting yourself through consumer awareness. You can assure this by learning some basic rules of buying as well as some basic rules for effective complaining.

It All Doesn't Always "Ad" Up

Millions of dollars are spent on advertising. There are even cases where more is spent on advertising than the product actually costs to produce! Advertising can be very useful- informing you about products, but unfortunately it can also be very deceiving. Consider some common advertising strategies and how the people below were "taken."

Morgan went to a store get a Designer top advertised for \$24. When she got there, they were all out of the top she wanted but offered her another very similar one for \$30. She bought it- after all, she had taken the time and used the gas to get there. Morgan was a victim of "BAIT AND SWITCH"- a common tactic where the bait (\$24 item) got her there, and then she fell for the "switch"- what was available.

Scott bought a new guitar It had the signature of a famous rock star on the side. He was sure it was going to be great. He paid \$800. Philip also got a

similar guitar- not endorsed by anyone. He paid \$600. The two friends jammed quite a bit and over time Scott realized that Philip's instrument actually had a better sound than his own. The advertising technique Scott fell for was "TESTIMONIAL OR ENDORSEMENT." Companies pay Musicians, Athletes, Body Builders...almost anyone famous- for their endorsement of products. This does not guarantee a better product or really anything other than the fact that the celebrity was paid big bucks to lend their name to the product.

Meghan wanted a TastyBake oven for Christmas. This battery-powered oven was advertised everywhere- on TV, radio, magazines, in newspapers. Her mother Beth spent hours on the phone tracking one down and then drove 47 miles to buy one. Meghan was thrilled on Christmas morning but after about 1 hour of playing- the oven was set aside and hasn't been used since. Mother and daughter fell for the "BLITZ"- a product is advertised so heavily that you almost feel you HAVE to have it.

Jean wanted to drop a few pounds before the Prom. She stocked up on Slender Bars- the food substitute "used by New York models". This ad tells you really nothing useful. It does not claim that New York models are thin or beautiful because they use Slender Bars. This is an "EMPTY AD." They really tell you nothing or make any claims. But if a great looking man or woman drives a certain brand of car- will you great because you drive it? If "People in Love" use a certain shampoo, hey, maybe it will work for you. That's what the advertisers are hoping you will think.

Bill bought an expensive whitening toothpaste because, "no other whitening toothpaste has more whitening power." Well, maybe because they all have the same amount but none have more? This is a "MISLEADING" ad. So is a products that helps fight acne (doesn't tell you whether it wins or loses). Or perhaps you see an ad in which an average person actually picks one brand of salad dressing as tasting so much better than the other. The company may have done 100 taste tests and are showing you the one that they picked as best for them. Another example of misleading ads involve photography. Look at before and after pictures closely. Look at facial expression, clothing, makeup and hair. You can stand and look in the mirror and easily make yourself look extremely different in terms of attractiveness just by smiling, holding your stomach in, puffing out your chest etc.

The Bottom Line on Advertising- it can serve a purpose but know how to use it. **DON'T EVER BUY ANYTHING JUST BECAUSE OF AN AD!** As you watch TV or listen to the radio, or look at a magazine, look for common tricks and traps such as those above, and protect yourself from falling for it.

Scams, frauds, and other fun things

The main rule to remember here is that if something seems to be too good to be true, it probably is! **The key to protection here is awareness.** Some examples of common techniques aimed at young people:

Modeling- A man approaches you at a mall, asks if you have ever considered modeling, and invites you to come for an interview at a Modeling Agency affiliate that you have heard of. You get there, have the interview, and are told to wait. They call you back in, compliment you, say you have **real** potential but just need a little “polish” They will provide classes to you at a low cost. The “low cost” is enormous.

Chain Letters- You know- send \$2 to the five people on the list, drop the first name and add yours to the bottom. You will receive loads of money within the next month. By the time your name gets to the top of the list, there would have to be over 15,000 people involved. These are called Pyramid Schemes. **STAY AWAY FROM THESE! THEY NEVER WORK!** If they did, everyone would be using this method to get rich.

Prizes with String attached- Wow! You win a contest and get the Prize- free Gift Certificates at the Spotted Cow- a new restaurant. The Gift Certificates are for \$5 off an entrée, limit one per visit and you must be with someone paying full price. So you go and the prices are way over what you usually pay- you end up spending nearly \$60, but hey! You get \$5.00 off.

Counterfeit Clothes- These are the \$75 GAP pants on the Boardwalk for \$10, or the Designer sunglasses at the Flea Market that instead of \$79.99 are only \$19.99. Don't be surprised if the pants start to fall apart next week, and the sunglasses follow soon after.

Great Jobs- Henry saw an Ad in the paper for a job that sounded perfect. Make your own hours, earn \$20-\$50 an hour, No Selling, great working environment. He called, answered a few easy questions and was told that he was exactly what the company was looking for. He went to the Interview and the Dream Job turned into a Nightmare real fast. The job was demonstrating knives and scissors to customers he had to find. He would be paid a small amount for proof that he had spent time presenting- the \$20-\$50 came in if the people decided to buy products. Though the job might appeal to some, it was NOT what Henry expected.

Credit Cards- Not really a fraud or scam, Credit cards can be great or a major money pit. As soon as you graduate (and sometimes even before) you will begin to receive all kinds of offers of Credit Cards. Just be careful- the average American Consumer owes \$8000 in Credit Card Debt. Almost ½ of all Credit Card Holders pay late penalties. Remember Jeff who paid twice the cost of his

Mountain Bike and it took 12 years? He followed the rules and made no mistakes or late payments. Be sure you know what you are doing when you start to use plastic- don't buy more than you can afford.

The situations above are some examples of how you might waste time and money. Always remember the **Number 1 Tip-Off to a Rip-OFF- if something sounds too good to be true- it probably is.**

Ten tips to make you a smart consumer

So it's a Jungle out there. How do you make your way through and protect yourself or are you doomed? There are some basic rules as well as remedies that will really increase the chances of being a Crafty Consumer.

1. **SHOP BEFORE YOU SHOP!** Huh? This means do some research before you buy- especially on big purchases. Know what a general price range is for the product you are looking at. Even big Warehouse Stores like Costco and BJ's are higher priced on SOME items than your local Supermarket or Store. Use the internet, plug the item into a search engine like Google and you will be linked to all sorts of information including some with prices.
2. **KNOW WHO YOU ARE DEALING WITH!** Do you really think the sleazy woman at the Flea Market with the ½ price Designer Brands is reputable? Does the guy you are buying that car from seem honest? This is especially important when buying by mail or on the Internet. Make sure that there is some kind of customer feedback or consumer approval rating to check.
3. **KNOW THE RETURN POLICY!** How long do you have to return something? Do you need a receipt? Will you get money back or store credit? Imagine Joe's surprise when he took a radio back to Circuit City because when he got it out of the box and read the features it was missing one he thought it had- and they took it back cheerfully, but deducted a 10% restocking fee from his refund. The policy should always be posted at the store, attached to the merchandise, or printed on the receipt.
4. **READ SMALL PRINT!** In most cases the information is there but in order to do any good, you have to READ it. Read labels, warranties, guarantees, store policies, conditions... READ everything. You can save yourself some real headaches and heartaches. Beth ordered a mattress from a Mattress store and told the salesman she would pick it up at the store to avoid the delivery charge. When she went to sign contract, she read it carefully and saw they were charging her \$20 handling for the "free" delivery to the store.
5. **DON'T SIGN ANYTHING UNLESS YOU KNOW EXACTLY WHAT YOU ARE SIGNING!** This goes along with the reading...once you sign, you have a commitment. Although there are some instances (such as a door-to-door sales

purchase) that you do have 3 days to “change your mind,” but this isn’t true for everything. Better safe than sorry.

6. GET IT IN WRITING! A verbal “the X-Box works great- if not, just bring it back” doesn’t mean a thing. This is very important with buying used items or from Private Parties. As mentioned in #3, at businesses, return policies should be posted, on the merchandise, or on the receipt.

7. KNOW YOUR GUARANTEES AND WARRANTIES! Ask about them. Look for key words like “full,” “partial,” “labor extra,” “you ship,” “only,” and “limited.” A chain saw with a full warranty stopped working after two months. The Full Warranty specified that it had to be delivered or shipped at owner’s expense (if you live in Pennsylvania, California is hefty postage) to the nearest Service Center. Frank did that only to have it returned at his expense because he had never sent in the Warranty Card that came with the product.

8. INSPECT IMMEDIATELY! Don’t buy something and put it away without first looking it over or trying it out. Staci bought a treadmill. She used it two months on a medium setting and then decided to try a harder interval setting. It would not adjust. The Warranty was 60 days. She had to buy a new part for \$90. If there is a problem, you are at a distinct advantage if it is known immediately.

9. SAVE TO SAVE! Save all printed receipts, guarantees, repair orders, cancelled checks, credit card statements, etc. Keep a large envelope or a file folder and just put everything in. This can be absolutely invaluable if there are problems.

10. BE IN CONTROL! Don’t feel pressured or embarrassed into spending your hard-earned money. Remember Beth’s mattress and the \$20 “Free Delivery.” She was mad, she stood up and said, “I don’t appreciate that hidden fee- I think I am going to think about it.” The salesman immediately waived the fee. Don’t be afraid to ask, wait, or reconsider.

Did you make a mistake?

So you have followed your rules, you are now a savvy consumer and you encounter a problem. That new sweater fell apart in the wash. You order a great poster online and are shipped instead a poster of the Famous Rock Formations on the World. The iPod you got for Christmas freezes. What now?

The very first thing is to make sure it wasn’t your fault. Did you read the label? Was the sweater, “Dry clean only?” Did you accidentally type in one wrong letter when you ordered the poster (and you can check because of course you, being a smart consumer, SAVED the paperwork). Did you try to load pictures on an iPod model that can’t handle them or did you accidentally drop it in the sand? If the problem was your fault there is not much recourse (unless you have purchased a

service contract or extended warranty) Also, at this step, you may want to check your guarantee or warranty information.

If the problem was NOT your fault, and you feel that you have a valid complaint, there are a series of easy steps to follow to try to make things right.

Steps to Righting a Wrong

1. Gather any receipts or other written documentation of your purchase. You can get a lot further with a receipt. For example, Wal-Mart will currently take returns without a receipt as long as the bar code is found in their system. A local supermarket, when shown a moldy package of biscotti they carried, immediately replaced it, but the general rule is: You Need Documentation!
2. Go back to where you made the purchase in person, if impossible, call.
3. Tell them about the problem fully and clearly. State the facts and show the documentation. Tell them what you feel would be fair. Do not lose your temper.
4. If the salesperson is not helpful, ask to speak to a manager.
5. Be sure to write down when you went, who you talked to, and what the outcome was.
6. If you are still not satisfied, write a letter. There is a sample on the next page. Keep a copy for yourself.

Don't Give Up! By this time, there is a good chance that your problem will be solved. If not however, you need to go to the next step.

7. Write or call your Local Better Business Bureau or Consumer Protection Agency (in the phone book or look up on line). They are there to help consumers free of charge.
8. And finally... if all else fails, call the Federal Trade Commission- a toll free number that gets you to the United States Agency that deals with consumer protection.

Consumer Complaint Letter Guidelines

A letter should be used when you can't get the action you want by going to the store where you made the purchase, or if you purchase by catalog or on-line and a phone call doesn't fix things.

Guidelines

1. Send it to the appropriate person. If the letter is being written because you are not getting anywhere on the phone or at the store, aim for the top. Address the letter to the President of the Company or the manager. Sometimes you can even find the name by calling or looking online. If it is being written because it is the only way to register a complaint (e.g. on-line purchase first inquiry), then address to Customer Service.
2. Be specific with details of problem (“the hem frayed and a button became loose” rather than “it fell apart.”)
3. Include all additional details such as dates, account number, product name, model, and serial number.
4. Stick to the facts.
5. Include ways of contacting you: name, address, email, phone number.
6. Explain how you would like the problem solved (store credit, refund, repair, replacement).
7. Include **copies** of anything you have in writing (receipts, guarantees, etc)
8. Be respectful. (Good: “ I was disappointed when my cell phone didn’t fit the holder;” Bad: “some idiot must have measured wrong because the case is a piece of junk.”)
9. If this is a letter due to lack of satisfaction with first response to the matter, include a statement that you will wait for a reply before contacting outside agencies (for example, “Unfortunately, if I don’t hear from you within two weeks, I will have to contact the Better Business Bureau.”) Often, just this “threat” will get action.
10. KEEP A COPY OF YOUR LETTER!!!!

Sample Letter

President, Ajax Camera Company
13 Lucky Dog Street
Michees, NY 89765

Dear Sir:

I purchased your Digital Camera (Ajax Model Sharpshooter 6755) on January 18 from Billy's Electronic House in downtown Tickytown. A copy of my receipt is enclosed. I took it with me on vacation, and from the first time I used it, the pictures all seem out of focus.

I took it back as soon as I arrived home, but the store manager said that I had been using it for two weeks so he can't do anything.

I really like the camera and would be happy with a replacement since this was a problem that started the first time I used it.

I will wait two weeks before I contact my local Consumer Protection Agency. I hope to hear from you soon.

Sincerely,

Meg Brown
1818 Eighteen Street
Tickytown, NY 66571
987-654-3210
Megbrown@tickey.net

Resources to Use for Consumer Protection

The *Consumer Resource Handbook* offers tips on buying products and services as well as contacts for help, information, and assistance. For a free copy write to:

Federal Citizen Information Center, Pueblo, Colorado 81009

For complaints Contact:

Your local Better Business Bureau (BBB)

Local Consumer Protection Agency

State Attorney General's Office

Federal Trade Commission 1-877-FTC-HELP (1-877-382-4357)

Online:

www.consumerworld.com lists international, federal, state, local, and private consumer agencies as well as Better Business Bureaus, consumer organizations, and professional associations.

MODULE 10F: STUDENT ACTIVITIES

TO THE STUDENT: After reading and studying the information sheet, complete the following questions.

Activity 1: Advertising

1. Using your memory, Newspapers, Radio, TV, or the Internet, give one example of each type of Advertisement Trap.

Blitz _____

Testimonial _____

Empty _____

Misleading _____

2. Write a paragraph describing the **good** side of advertising.

Activity 2: Scams and frauds

Your Best Friend is sending away for 30 pills that melt fat away. She said the ad tells her she will lose 50 pounds by next month. She asks you what you think and you tell her the following:

Activity 3: Ten tips to make you a smart consumer

1. Max wants to join a music Club he read about online. Before he joins, what are three things he should do to protect himself and his money?

a. _____

b. _____

c. _____

2. You go to look at a Jetta about thirty miles away that you saw advertised in the newspaper. You are really interested but it is from a personal owner who claims it is in great shape. What are three things you can do to make protect your investment?

a. _____

b. _____

c. _____

3. You have ordered a computer online. It arrives. What are three Consumer Protection steps you take as soon as it gets there?

a. _____

b. _____

c. _____

Activity 4: Righting a wrong

You buy your little sister a doll for her birthday, within 3 days the head falls off and she is horrified. Write a paragraph describing the steps you will take to remedy this situation. Assume that you do not get satisfaction.

Activity 5: Letter of Complaint

On December 8 you order a Live Aid Concert DVD from Amazon.com. It arrives December 17 and you play it December 18. It skips horribly. You even try it on a friend's player and it skips. You have a receipt in your email. Your order number is 77256. Write or type an effective Complaint Letter and attach it to this packet.

MODULE 10F: STANDARDS ADDRESSED IN THIS MODULE

Pennsylvania’s Academic Standards for Reading, Writing, Speaking and Listening (RWSL)**1.1.11. Learning to Read Independently**

- E. Establish a reading vocabulary by identifying and correctly using new words acquired through the study of their relationships to other words. Use a dictionary or related reference.

1.4.11. Types of Writing

- C. Write persuasive pieces.
- Include a clearly stated position or opinion.
 - Include convincing, elaborated and properly cited evidence.
 - Develop reader interest.
 - Anticipate and counter reader concerns and arguments.
 - Include a variety of methods to advance the argument or position.
- D. Maintain a written record of activities, course work, experience, honors and interests.
- E. Write a personal resume.

1.5.11. Quality of Writing

- A. Write with a sharp, distinct focus.
- Identify topic, task and audience.
 - Establish and maintain a single point of view.
- B. Write using well-developed content appropriate for the topic.
- Gather, determine validity and reliability of, analyze and organize information.
 - Employ the most effective format for purpose and audience.
 - Write fully developed paragraphs that have details and information specific to the topic and relevant to the focus.
- F. Edit writing using the conventions of language.
- Spell all words correctly.
 - Use capital letters correctly.
 - Punctuate correctly (periods, exclamation points, question marks, commas, quotation marks, apostrophes, colons, semicolons, parentheses, hyphens, brackets, ellipses).

- Use nouns, pronouns, verbs, adjectives, adverbs, conjunctions, prepositions and interjections properly.
- Use complete sentences (simple, compound, complex, declarative, interrogative, exclamatory and imperative).

Student name: _____ Date: _____

Types of earnings.

Objectives:

- A. Identify criteria used to select a job.
- B. Describe various ways the workforce is classified.
- C. Describe the different forms of earned income an employee can receive for doing a job.
- D. Understand the various forms of raises employees receive.

MODULE 10G: INFORMATION SHEET

TO THE STUDENT: Read and study the following information sheet and then complete the student activities at the end of this module.

Introduction

“What do you want to do when you grow up?” This is a question you probably began hearing very early on in life. It may have inspired you to picture yourself at work in various jobs. Maybe you have already made a mental list of jobs that sound interesting and others that do not. Choosing the right job or career is important to your future happiness and success. Making the right choice involves considering *several criteria* such as the:

- income offered
- fringe benefits available
- job duties and responsibilities
- education, training, and skills needed
- advancement opportunities available
- work location and commuting
- working conditions and environment
- job prospects

Other factors also enter into the picture of choosing a job or choosing between jobs such as you’ve only received one job offer, or maybe you have friends that work for a particular company, or whether it’s part-time or full-time employment.

The information in this module will focus on how people are paid for doing certain jobs – the income offered. Although an occupation should not be selected just on the basis of earnings, pay is an important aspect to consider. What is the starting pay? How will you be paid? When will you be paid? How much do experienced workers earn? Will additional education or training be necessary for

significant pay increases in the future? How much money do you expect to earn during the first year? How much do you want to earn after two years or five?

The type of job one does and the financial compensation he or she receives are very important in our society. Job type is linked to status, as is wealth. While the type of job one performs is arguably more important status-wise than wealth, both are important to us.

Structure of the workforce

The *structure of the workforce* affects the way jobs are organized. A flexible workforce is important to keep labor costs as low as possible. *Core employees* tend to be permanent workers, whether full-time or part-time, and receive any additional benefits that might be available. *Temporary workers* are hired for a short term. This can be done through a temp agency or for special projects such as retail workers for the Christmas holidays. These workers usually receive no additional benefits. *Sub-contractors* are private businesses that supplies services to another business such as cleaning services, security, printing, or payroll. They are paid a fee usually negotiated through a contract. *Self-employed* workers run their own businesses, whether on their own or with additional employees. More and more workers are moving here from core employees due to major corporate layoffs.

Another way to classify the workforce is based on vocation. We used to refer to *Blue-collar* workers as manual laborers. *White-collar* workers were office workers, and *pink-collar* workers (a rather sexist term!) referred to jobs held by women such as nursing and secretarial.

Today we classify our work roles into three categories referred to as *labor grades*. *Skilled labor* are those workers who have received specialized training to do their jobs. They have developed a special skill and may or may not need to be licensed or certified by the state. Some examples of skilled jobs are carpenters, plumbers, accountants, mechanics, and police officers. *Unskilled labor* are workers who have no specialized training and have few specific skills. Examples of unskilled jobs are painters, factory assembly line workers, sanitation and custodial workers, and retail and food service workers. *Professionals* are those workers who need an advanced degree to do their jobs. The three primary groups of professional are doctors, lawyers, and teachers.

These labor grades are often said to be non-competing labor grades because workers rarely move from one grade to another and do not compete salary-wise with each other. The cost of education and training, lack of opportunity, and lack of initiative are some of the reasons why.

There are two theories that explain why salaries are the way they are in a particular field. The *Theory of Wage Determination* states that the law of supply

and demand dictates salary. For example, programmers and healthcare workers are in short supply; doctors and lawyers specialized skills are needed, as is a good car mechanic and electrician. These jobs command high wages. The *Theory of Negotiated Wages* refers to employees who work in unions where the union negotiates salary and benefits on behalf of all workers. A teacher's salary is set by collective bargaining with the union. A teacher could be the best teacher in the world and sought after by many students, yet it won't change the salary.

Depending on the job and how it's categorized or classified within the structure of the workforce will play a big part in dictating how much you might earn.

Forms of earned income

When you are hired for a job, you usually discuss how you will be paid by your employer. *Earned income* is the money you receive for doing a job. The form of income you earn may depend on the type of job you have. If you work in a retail store, you may be paid an hourly wage. As a cosmetologist, you would probably receive a wage (either hourly or a percentage of sales generated) plus tips. If you become a manager, you will probably receive a salary. The following are the most common forms of earned income:

- Hourly wage – This is a set amount of pay for every hour of work. Part-time and full-time workers can both be paid hourly. Hourly wages are most commonly found in office, manufacturing, maintenance, retail, and service jobs. This is a worker's *regular pay*. If hourly workers work more than 40 hours in a workweek, by law, they must receive 1-½ times their hourly rate for each hour over 40. Therefore, a job that pays \$8.00 per hour would pay \$12.00 in *overtime pay*. Employers may also decide to pay workers extra pay per hour for working on holidays or Sundays. However, if you don't work, you don't get paid at all. So when an hourly worker calls out sick or is sent home early or severe weather conditions prevent certain types of workers, such as construction and masons, from working, paychecks will be considerably lower.
- Salary – This is set amount of money paid for a certain period of time. Many full-time workers are paid a salary. Usually a salary is offered for a year and paid out in equal payments weekly, bi-weekly, twice a month, or in monthly pay periods. Teachers, reporters, and various levels of managers are paid a salary. These workers always get their set paycheck regardless of the amount of hours worked, however, they do not receive overtime pay if they work over 40 hours in a workweek (which many salaried employees do).
- Tips – This is a small amount of money given by customers to service-related workers in return for service. Food and beverage servers, cosmetologists, bartenders, taxi drivers, and delivery persons are examples of workers who receive tips in addition to their hourly wage. Tipping is a way for workers to

be rewarded for good service. However, tipping is voluntary as is the amount given. Tips are considered income and should be reported as such with any other forms of earned income.

- **Commission** – Workers in sales positions usually earn a commission, which is a percentage of sales they make. The purpose of a commission is to encourage people to sell. The more salespeople sell, the more money they make. Depending on the sales position can dictate the commission received. For example, retail sales workers usually receive an hourly wages plus a **fixed percentage** of what they sell. Some receive a **fixed dollar amount** of commission for selling certain additional items, such as retail workers who get customers to open charge accounts. Sales people in the construction trades industry can receive a weekly drawer plus an **increasing percentage** of commission for each level of sales achieved. Still other workers receive no money at all until they sell something, such as in real estate. This is called working on **straight commission** and many people find it very challenging.
- **Bonus** – This is an extra payment in addition to a worker’s regular pay and usually comes from the company’s profit. There are two types of bonuses. An **incentive bonus** is paid to encourage workers to increase their production. A **year-end bonus** is given at the end of the calendar year and depends on the company’s profits and the length of time a worker has been with the company. Some employers feel this type of bonus encourages an employee to stay with the company.
- **Profit sharing** – If the employees’ hard work results in greater profits for the company, the company returns some of those profits to the employees. It’s usually offered in the form of company stock given periodically during the year. Each employee’s share may be based upon seniority, productivity, and employee evaluations. It’s an incentive to encourage employees to be more productive.
- **Piecework** – Sometimes people are paid per unit of work completed or per piece. Car detailers may be paid per car prepared for delivery. Housekeepers in hotels may be paid per room cleaned. Medical transcriptionists may be paid per report typed.
- **Contracted price** for a completed job – On a larger scale similar to piecework, certain workers cost out jobs for customers based on time and materials and agree on a fixed price, such as building or painting contractors and landscapers.
- **Royalties** – Each time an author sells a book or a musician sells a CD, they will receive a check from the publisher or recording company.

- Residuals – Each time an actor’s commercial airs on TV or the radio, they receive a check from the company that created the commercial.
- Per Diem – Some workers are paid for a “day” of work, such as school substitutes.

Increases in pay

For most jobs your *degree* and *experience* get you the job, however, your *work performance* will determine if you’ll get a raise and advance on the job. In most jobs you will receive periodic *performance reviews*. If you’re a new hourly worker, you may receive your first review after a 30-, 60-, or 90-day probationary period. Most workers, however, receive annual performance reviews. Performance reviews generally allow for a monetary raise and/or promotion along with identifying the strengths and weaknesses of the employee.

Workers employed in union jobs also have yearly performance reviews, however, raises are dictated by the union contract. If a union contract has been negotiated for three years and the increase is 3% per year, that is all a worker will get regardless of the worker’s performance.

MODULE 10G: STUDENT ACTIVITIES

TO THE STUDENT: After reading and studying the information sheet, complete the following questions.

Activity 1: Answer the following questions:

1. List three (3) criteria we use to select a job.
2. Describe the difference between core employees and temporary employees.
3. Name four (4) forms of income an employee may receive for doing a job.
4. What is one (1) advantage and one (1) disadvantage of being paid hourly?
5. What is one (1) advantage and one (1) disadvantage of being paid a salary?
6. What is the difference between an incentive bonus and a year-end bonus?
7. What kind of sales person might be paid a straight commission?
8. Who might get paid a royalty?
9. Who usually gets paid residuals?
10. What are two situations that would determine whether you receive a raise or not?

Activity 2: Complete the following calculations:

1. You are an hourly employee and earn \$6.00 per hour. You worked 25 hours last week. What was your gross pay?
2. This week you are scheduled for 42 hours. What will your gross pay be?
3. You wait tables at a nice restaurant in town. You received a 20% tip on a bill totaling \$80.00. How much did you receive?
4. You work for a local consumer electronics company and receive a 3% commission for each \$1,000.00 of sales. How much commission will you receive if you sell \$5,500.00 worth of products this week?

Activity 3: Using the Internet, research the annual salary for different levels of managers in a chosen occupation. Write a paragraph discussing how the salaried managers' responsibilities differ from hourly wage earners in the same occupation.

MODULE 10G: STANDARDS ADDRESSED IN THIS MODULE

Pennsylvania’s Academic Standards for Career Education and Work**13.3.11. Career Retention and Advancement**

- D. Develop a personal budget based on career choice, such as, but not limited to:
- Charitable contributions
 - Fixed/variable expenses
 - Gross pay
 - Net pay
 - Other income
 - Savings
 - Taxes

Pennsylvania’s Academic Standards for Reading, Writing, Speaking and Listening (RWSL)**1.1.11. Learning to Read Independently**

- E. Establish a reading vocabulary by identifying and correctly using new words acquired through the study of their relationships to other words. Use a dictionary or related reference.

1.5.11. Quality of Writing

- A. Write with a sharp, distinct focus.
- Identify topic, task and audience.
 - Establish and maintain a single point of view.
- F. Edit writing using the conventions of language.
- Spell all words correctly.
 - Use capital letters correctly.
 - Punctuate correctly (periods, exclamation points, question marks, commas, quotation marks, apostrophes, colons, semicolons, parentheses, hyphens, brackets, ellipses).
 - Use nouns, pronouns, verbs, adjectives, adverbs, conjunctions, prepositions and interjections properly.
 - Use complete sentences (simple, compound, complex, declarative, interrogative, exclamatory and imperative).

1.8.11 Research

- B. Locate information using appropriate sources and strategies.
- Determine valid resources for researching the topic, including primary and secondary sources.
 - Evaluate the importance and quality of the sources.
 - Select sources appropriate to the breadth and depth of the research (e.g., dictionaries, thesauruses, other reference materials, interviews, observations, computer databases).
 - Use tables of contents, indices, key words, cross-references and appendices.
 - Use traditional and electronic search tools.

Pennsylvania's Academic Standards for Mathematics**2.2.11 Computation and Estimation**

- A. Develop and use computation concepts, operations and procedures with real numbers in problem-solving situations.

Student name: _____ Date: _____

Describe forms of payroll deductions.

Objectives:

- A. Describe income tax withholding.
- B. Identify the factors that determine the amounts of taxes withheld from earnings.
- C. Identify other common payroll deductions.

MODULE 10H: INFORMATION SHEET

TO THE STUDENT: Read and study this information sheet and complete the student activities at the end.

An unpleasant surprise

One of life's most unpleasant surprises comes when you receive your first paycheck. Usually you have carefully calculated the anticipated earnings and is eagerly awaiting payment for the full amount. The surprise comes when the paycheck is much smaller than anticipated. There on the check stub are listed all of these different deductions. What are these deductions, and why are they taken out of your paycheck before you ever receive it?

Why are taxes taken out of paychecks before you receive them?

Governments at every level – federal, state, and local – need to collect taxes to fund their operations and programs. A very important way of getting this money is through income taxes. Income tax law requires employers to take a portion of each worker's earnings and send that money to the government regularly. The practice of taking money out of worker's earnings before they receive them is known as **withholding**.

What earnings are subject to withholding? In a word, everything. All money earned by an employee, including salaries, hourly wages, tips, commissions, bonuses, and vacation allowances is subject to withholding. In some cases, taxes may even be withheld from fringe benefits paid to you.

How much federal income tax is withheld?

The amount of Federal income tax that your employer withholds from your earnings depends on the tax rates that have been set by the government, the amount you earn, and the information you provided to your employer on your “W-4” form.

Whether you remember it or not, when you were hired you filled out a form titled, “Employee’s Withholding Allowance Certificate.” On this form you answered questions about yourself such as:

1. Are you married or single?
2. How many allowances do you claim – usually one for yourself, and one for each of your dependants?
3. Do you want an additional amount withheld?

Your employer inputs this information into a computer, or uses a chart provided by the government to determine the correct amount to withhold from your earnings. Each year the law requires that you file a new W-4 form that will show any changes in your status.

The failure to supply information that would increase your withholding or the filing of false information is a crime that is punishable by a fine of not more than \$1000 or imprisonment for one year, or both.

Filing a tax return

The exact amount of money that you pay to the federal government is not determined until you file your **tax return**. This is an official document that must be filed by April 15 each year. On it, you report your total earnings and the amount that has been withheld from your paychecks. Your employer sends this information to you at the beginning of each year on a Form W-2. If you have given your employer correct information about your tax status on your W-4 form, you usually don’t owe the government any money. In fact, most taxpayers receive a tax refund because the amount that has been withheld is slightly more than their actual taxes.

If you find that you owe the government money, you should file a new W-4 to increase the amount of tax that is withheld from your earnings. You may also owe the government a penalty.

State and local taxes

Most states and many localities also tax your income and this tax is withheld from your paycheck just like federal taxes. The W-4 that you filed with your employer for Federal taxes is also used to determine the amount of state and local taxes that are taken from your earnings. You will need to file a state and local tax return at the same time you file your federal tax return to determine your actual tax liability. If your withholding information is correct, you should not owe money for either your state or local return. Rather, you will either come out even or receive a small refund because your withholding is greater than the actual taxes due.

Some localities also require your employer to withhold money for an **Occupational Privilege Tax (OPT)**. This is an annual tax (typically about \$10) that can only be charged to you once a year. If you change jobs during the year, your new employer may also withhold money from your first paycheck for the OPT. You should keep your pay stubs and show them to a new employer if you change jobs so that you will not be charged for this tax twice in any one year.

Social Security and Medicare Taxes

Another deduction that is made from your earnings is for Social Security. If you look at your pay stub you will find one or two deductions for **FICA**. These are the deductions for social security and Medicare – benefit programs that are operated by our federal government. A detailed discussion of the benefits provided under the Social Security and Medicare programs will be included in another part of your Diversified Occupations training program.

Other payroll deductions

There may be other deductions from your earnings that are shown on your pay stub. Very often the cost of certain benefits, such as **health insurance**, are shared between the employer and employees. If this is the case with your employer, then your share of the cost of health insurance may be deducted from your paycheck.

Union dues are another common deduction. Many unions encourage members to have their union dues deducted from their earnings and paid directly to the union. Other deductions for employee retirement programs, charitable contributions, and other purposes may be made.

It is important for you to carefully read your pay stub and make sure that you understand every deduction that has been made. If you don't understand something, ask about it. **After all, it's your paycheck and you have a right to know about every deduction that is made.**

Save your pay stubs

It's a good idea to save your pay stubs and to compare each pay stub with the previous one. If something changes from one pay period to the next, you should find out why. Another good reason to save pay stubs is to check them against the wage information that your employer sends to you at the end of each year on your W-2 form. Mistakes can be made, and sometimes those mistakes could cost you taxes that you don't actually owe. Your best protection is to compare your pay stubs with your tax information to make sure that they agree. If they don't, you should get the correct amounts from your employer.

MODULE 10H: STUDENT ACTIVITIES

TO THE STUDENT: After reading and studying the previous information, complete these activities.

Activity 1: Fill in the blanks in the following questions, using one or more of the following words:

Federal Withholding
Medicare
State Withholding

Social Security
W-4
OPT

1. Money that is deducted from your paycheck before you receive it and used to fund federal government programs is _____.
2. A \$10 annual tax which is charged by some localities and deducted from your paycheck is the _____.
3. A FICA deduction from your paycheck is to fund _____ or _____.
4. The amount of Federal Withholding from your paycheck is determined from the information you provide on your _____ form.
5. Withholding from your paycheck to pay state income taxes is _____.

Activity 2: Answer the following questions.

1. List three (3) factors that help determine the amount of money that is withheld from your earnings.
 - A.
 - B.
 - C.

2. Why is it important for workers to save their pay stubs?

3. What is the purpose of filing a tax return?

4. If you find that you owe the government money when you file your tax return, what should you do?

5. Other than withholding for taxes and social security, list three (3) other common payroll deductions:
 - A.
 - B.
 - C.

MODULE 10H: STANDARDS ADDRESSED IN THIS MODULE

Pennsylvania’s Academic Standards for Career Education and Work

13.3.11. Career Retention and Advancement

- D. Develop a personal budget based on career choice, such as, but not limited to:
- Charitable contributions
 - Fixed/variable expenses
 - Gross pay
 - Net pay
 - Other income
 - Savings
 - Taxes

Pennsylvania’s Academic Standards for Reading, Writing, Speaking and Listening (RWSL)

1.1.11. Learning to Read Independently

- E. Establish a reading vocabulary by identifying and correctly using new words acquired through the study of their relationships to other words. Use a dictionary or related reference.

Student name: _____ Date: _____

Describe the various fringe benefits.

Objectives:

- A. Describe fringe benefits available from some employers.
- B. Determine the fringe benefits most important to you.

MODULE 10-I: INFORMATION SHEET

TO THE STUDENT: Read and study the following information sheet and then complete the student activities at the end of this module.

Introduction

Fringe benefits! What are they? Where do they come from? What value are they to me? Are some more valuable to me than others? Does an employer have to provide them? How do I find out what fringe benefits I might be entitled to?

Questions we need to understand to be an informed employee in the workplace. Fringe benefits can one instrumental reason why you choose a particular job or not. This issue will become increasingly important to you as you grow older and may need to support a family. Let's start looking at these questions one at a time.

First, what are fringe benefits? Generally, it can be said that fringe benefits are "anything extra" you get from your employer in addition to your paycheck. Fringe benefits can be something extra to your paycheck required by law or provided by your employers on their own initiative. Or, sometimes it includes extras provided through a negotiated agreement between your employer and representatives from a labor union (part of a collective bargaining agreement).

Fringe benefits can be in the form of extra money, time off, insurance, (paid and unpaid) and services. Let's first take a look at some fringe benefits you enjoy that are in the form of insurance and are required by law. There are called "social insurances," namely social security, unemployment compensation and workers compensation.

Very briefly, social security provides income security for retirement, disability, medical costs and survivors benefits in case of the death of a covered worker. Unemployment compensation provides income replacement in case you are laid off from a job through no fault of your own. *Remember though, unemployment compensation coverage is NOT EXTENDED to students (high school or college) on school sponsored OJT Programs.* Workers compensation provides income

protection in case of injury, illness or death at work. The amounts of employer contributions with social security match yours.

For retirement, disability and survivor's protection, you and your employer each pay 6.2% of your income and 1.45% of that income each year for Medicare. (7.65%). Another government fringe benefit in form of time off comes under the federal "Family Leave Act." Not all employers are required to comply with this law, only larger employers (Procter & Gamble, yes; Jennings ATV, no).

Let us now take a closer look at the other fringe benefits that may be provided by your employer. We will look at these in the following categories:

Fringe benefits in the form of extra money!

- Bonuses (extra money given for performance or holidays, or as part of a "profit sharing plan." As the company does really well, sometimes some of those profits are passed on to workers in the form of bonuses).
- Stock Options: Many times you can buy stock in the company at cheaper rates than on the outside, or some stock may actually be given to you over time as a fringe benefit.
- Store/Company Discounts: These discounts can be on services or merchandise you purchase.
- Tuition Payment Plans: Your employer may pay some or all of your college/trade school costs. Sometimes there must also be a reciprocal agreement on your part to stay with the employer for a certain period of time. If you break that agreement, you may have to return some or all of the tuition money paid.
- Severance Pay: Provided when you leave company. Usually equivalent of a pay period. May accumulate with seniority.

Fringe benefits in the form of Time Off!

- Paid Holidays: Christmas, New Years, Thanksgiving, Martin Luther King's Day, President's Day, Good Friday, Memorial Day, Fourth of July, Labor Day, and Columbus Day. When you think of it, it comes to about two weeks off.
- Paid Vacations: Time off with pay for vacations. You may get one week, two weeks, or more. You may be able to take these days all at once or at days at a time.

- Paid Sick Days: Usually, you are given 10 to 12 days per year. Sometimes you have to use these days before the end of the year or you will lose them. Many employers allow you to ACCUMULATE sick days each year. Whatever you don't use you can carry over to the next year. For example, you get 10 days a year and you only use 3. Next January, you have 7 left over + 10 more to = 17 total! Remember, sometimes sick days must BE APPROVED by the employer. That might mean you will have to bring in a doctor's excuse to be paid.
- Sick Leave Bank: This allows you and other co-workers to contribute a few of your sick to a "sick leave bank." In case of a catastrophic illness that might wipe out your accumulative sick days, you now can draw off days in the bank. You do not have to replace these days. They are for any worker in this situation. When the days in the bank run down, everybody again contributes a couple of their days to build up the account.
- Paid Personal Days: These are days off for ANY PERSONAL reason. Usually, there is an exception in the case of interviewing for another job. For some employers, that could be grounds for immediate discharge (fired). The customary number of personal days per year is 1 to 3. Some employers may allow you to ACCUMULATE these days if you have any leftover each year. They might put a limit on how many you can use in a year.
- Bereavement or Funeral Leave: This is given when there is a death of an IMMEDIATE family member (parents, children, grandparents, brothers and sisters). Customarily three days given per occurrence. Sometimes, an employer may require you to take these as sick days instead of an additional benefit.
- Paid Anniversary Day: Some companies actually give you a paid day off to celebrate the day you started the job. (Not a day to celebrate your wedding anniversary).
- Paid Jury Duty: Some employers will guarantee you your full pay check while serving on jury duty. They will either deduct your jury duty pay, or give you your full pay and you turn over your jury duty pay to your employer. Jury duty pay is very minimal, usually much less than you would earn at work.
- Child Rearing Leave: May be unpaid, but allows man or women time to adjust to a new addition at home.
- Family Leave: Unpaid, but allows you time off (weeks or months) to take care of a family emergency. The federal "Family leave Act" guarantees this benefit for workers with large companies.

- Sabbatical Leave: This is usually found in the education profession. The employer provides a percent of the regular salary (usually 50%). Sabbatical Leave has been customarily given for health or educational enrichment purposes.

Fringe benefits in the form of Insurance

We have already mentioned the required social insurances of social security, unemployment compensation and workers compensation. Now let's look at others that might be provided by an employer:

- Life Insurance: Income protection for your spouse/family in case you should die. It might be a \$10,000 life insurance policy, or a \$50,000 life insurance policy. It may increase with seniority. If you die, it is paid to whomever you name as your "beneficiary."
- Basic Health Insurance: Covers doctor visits, and costs related to a stay in the hospital/surgery. Sometimes, coverage is more extensive, such as "major medical" which allows you to get back some out of pocket costs with a doctor or with pharmacy costs. You must file after a certain cost is reached and you may get back 80% after that original cost (\$100-\$200-\$300) is paid. An HMO allows you to visit the doctor or the pharmacy and pay only a small deductible (\$5 or \$10). You don't have to wait until you pay so much and then get only a certain percent back as in a major medical plan, or traditional health insurance coverage.
- Dental Coverage: Pays for costs incurred at the dentist. Plans vary. One example may be \$1,000 of coverage for each family member per year.
- Optical Coverage: Pays for costs incurred with eye care. Examinations, glasses, frames, contact lenses. Again, it may involve limits and deductibles depending on the plan.
- Disability Insurance Coverage: This provides income replacement in case you are out of work for an illness. (Not to be confused with workers' compensation). This is not to help you pay for medical bills (that's your basic health insurance or HMO), but helps you pay for other expenses like food, shelter, clothing, etc. Your coverage may start immediately, after 15, 30, 45, 60, or 90 days. Obviously, the later it starts, the less expensive it will be. It may provide for any percent of your income up to 80%. If you buy this privately, you should have it kick in after your sick leave runs out. This will allow it to be cheaper since the effective date will be later instead of immediately.

- Liability Insurance Coverage: Protects employee in case of law suits stemming from their work. This is important to lawyers, medical professionals, and educators.
- Pension Plans: Retirement plans at work. Your employer usually joins you to contribute to this plan. (401K).
- Vehicle Insurance: For driving as part of your job.

Fringe benefits in the form of Services

- Payroll Deductions: You may have voluntary payroll deductions made by your employer working with your bank or credit union. They may make deductions for your Christmas Club, regular savings, or to pay off a debt/loan.
- Use of Facilities: You may be allowed to use the facilities of your employer for your own personal use. You can use the equipment of your employer (health spa, automotive garage, technological equipment, cameras, computers, etc.).
- Health/Fitness Center Provided: Sometimes employers may offer this as part of an overall wellness program for employees.

What are fringe benefits really worth in real money?

The following page of figures came from the Commonwealth Telephone Company. They represent a technician earning about \$16.83/hr.

FRINGE BENEFIT BREAKDOWN

Based on a salary of #35,000/Yr. (\$16.83/hr) 40hrs/wk

<u>BENEFIT</u>	<u>%</u>	<u>TOTAL/Yr.</u>	<u>HOURLY</u>
Workers Comp.	10.00%	\$3,500.00	1.68
Social Security	7.65%	\$2,677.50	1.29
Unempl. Comp.	4.00%	\$1,400.00	.67
Basic Health Ins.		\$7,680.00	3.69

(Actual family health care – Geisinger HMO is \$800/mo or \$9,600 per year. \$7,680 a year reflects a 20% co-pay on the part of the employee. In other words, the employer here is paying 80% of the coverage. Because of the fast increasing cost of health care, most now is on a co-pay basis). Just for the record, First Priority was about \$10,000/yr (would cost \$8,000) and Blue Cross was \$13,800/year (would cost \$11,040) These costs increased 400% in the last 5 years!

Dental Insurance		780.00	.375
Optical Insurance		798.00	.38
Pension Plan	5.00%	\$1,750.00	.84
Vacation (2wk)		\$1,346.15	.65
Personal Days (3)		403.83	.19
Paid Holidays (11)		\$1,480.77	.71
Disability Insurance		240.00	.115

(This disability insurance is at a 40% rate of gross earnings in case you cannot work due to long term disability)

Life Insurance (\$10,000 policy)		100.00	.05
Paid Sick Days (10)		673.08	.32

(Let's say you actually use only 5 in the year)

Totals ----- \$22,829.33 10.97/hr

65.22% of wages as FB (\$35,000 + 22,829.33)

Actual amount = \$57,829.33

MODULE 10-I: STUDENT ACTIVITIES

TO THE STUDENT: After reading and studying the information sheet, complete the following activities.

Activity 1: Read the sample contract below and answer the questions that follow.

SAMPLE CONTRACT

Sick Leave- is provided to protect the employee from a loss of income when he/she is **physically incapacitated** from work. After completing six **qualifying pay periods of continuous service**, an employee receives six days sick leave credit and thereafter is granted one day of credit for each additional qualifying pay period (1 Month) of service. There is **NO MAXIMUM** on the amount of sick leave credit that may be accumulated. A person is seldom physically incapacitated from work so often that they have to use all their credits. The employee can build a fund of sick leave credit to insure their salary is paid even when there is a **prolonged illness**. Payment of salary as a charge against sick leave will be **authorized** only when **satisfactory proof** of the necessity of the absence is presented to the employer by the employee. A necessary absence to care for a member of the immediate family who is **seriously ill** may be taken as sick leave. Not more than five a year is granted for family care and absence up to five days per year may be used against sick leave if it is due to the death of a member of the immediate family.

1. Briefly define “incapacitated.”
2. Briefly define “continuous service.”
3. Define “authorized.”
4. Define “prolonged illness.”
5. After being employed for three months, Tony Tiger became sick and had to take off two days of work. Will he receive sick leave pay? _____.
6. How much sick leave may a worker accumulate? _____.
7. How much sick leave does a worker earn after a full year on the job? _____.
8. How much sick leave can they earn after two years on the job? _____.
9. Can sick leave pay be used due to death in the family? _____.

10. Leo Trail's son was seriously ill. Leo took off ten consecutive days to care for his son. How many of these days may he draw against his sick leave? _____.
11. Mrs. Johnson took off three days to care for her son who had a cold and stayed home from school. Can she use her sick leave? _____.
12. Does the employer have to take your word for why you are ill? _____

Activity 2: Fill in the blanks:

1. Define Fringe Benefits _____
2. List 3 social insurance FB your employer must have as required by law.

3. List 7 FB in the form of "Time Off." _____

4. List 5 FB in the form of insurance _____

5. Rank the top 5 fringe benefits MOST IMPORTANT TO YOU 5 years from now
1st _____ 2nd _____ 3rd _____
4th _____ 5th _____

Activity 3: True of False

- ___ 1. Some employers may require you to use sick days for funeral leave.
- ___ 2. With accumulative sick leave, you must use the days by the end of the year or you will lose them.
- ___ 3. If your sick days must be "authorized," that means your employer must "approve" them.
- ___ 4. Because many workers abuse sick leave before retirement, many employers will pay for unused sick days at retirement.
- ___ 5. HMO's work exactly like traditional basic health coverage.

- ___ 6. Although an employer may tell you your health benefits are effective when you start your job, there is usually a 30 day waiting period before coverage is in place.
- ___ 7. You can usually take funeral leave for the death of a cousin.
- ___ 8. Federal income taxes and Social Security Taxes are examples of “voluntary” deductions.
- ___ 9. Your Christmas Club is an example of a “voluntary” deduction.
- ___ 10. You have a job with full health coverage. Now you get an opportunity to take a job for \$3 more an hour, but your new employer will not offer health coverage. Grab that new job since your wage increase will more than pay for your health coverage on your own.
- ___ 11. If your employer closes down for two weeks and allows you to collect unemployment compensation, that’s like getting a two week paid vacation.
- ___ 12. You usually get around 6 – 12 days a year for paid sick days.
- ___ 13. You usually get around 6 – 12 days a year for paid personal days.
- ___ 14. Although we said unemployment compensation is a mandatory fringe benefit, any high school or college student on a school sponsored training program does not qualify if they are laid off from their training jobs. These employers do not have to pay into the fund for these trainees.
- ___ 15. A paid “anniversary day” means getting the day off with pay when you were married.
- ___ 16. Many employers today will not pay for full health coverage. They ask that workers “co-pay” some of the costs.
- ___ 17. The cost of health benefits has been declining in recent years.
- ___ 18. Many employers are paying another 35% to 60% of wages in fringe benefits.
- ___ 19. Getting all the paid federal holidays is almost the equivalent of another two week vacation in paid time off.
- ___ 20. Once the days accumulated in a sick leave bank are exhausted, the bank shuts down and no more days from the bank will be available to any workers in the future.
-

Activity 4: Matching

- | | |
|--|--|
| <input type="checkbox"/> 1. You pay a low co-pay (\$5 or \$10) per doctor | A. Tuition Pay Plan |
| <input type="checkbox"/> 2. Allows workers to share sick leave with others who need it since theirs has run out. | B. HMO |
| <input type="checkbox"/> 3. Employer pays for college/trade school costs. | C. Family Leave Act |
| <input type="checkbox"/> 4. Getting a “portion” of your benefit because you put in a “portion” of the time. | D. Pro-rated Benefits |
| <input type="checkbox"/> 5. Under federal law, unpaid leave for family emergency. | E. Bereavement Pay |
| <input type="checkbox"/> 6. Another term for funeral leave. | F. Authorized |
| <input type="checkbox"/> 7. Another name for prescription coverage | G. As an illness |
| <input type="checkbox"/> 8. Medically speaking, the time a women may need to recover from childbirth. This time off is treated this way. | H. Pharmaceutical Coverage |
| <input type="checkbox"/> 9. Approved. | I. Your Employee Handbook or Contract. |
| <input type="checkbox"/> 10. Your fringe benefits should be explained here. | J. Sick Leave Bank |

MODULE 10-I: STANDARDS ADDRESSED IN THIS MODULE

Pennsylvania’s Academic Standards for Reading, Writing, Speaking and Listening (RWSL)

1.1.11. Learning to Read Independently

- E. Establish a reading vocabulary by identifying and correctly using new words acquired through the study of their relationships to other words. Use a dictionary or related reference.