Money Sense - Volume 8 - Version 3
CARDINAL COMPASS - NO. 8

First Paycheck and Taxes

VOL. 8

Why the paycheck is smaller than the pay, and where the shared money goes.



HANDS-ON LEARNING | WITH CARL THE CARDINAL

Read this together. Imagine a worker who earns a good, round amount of pay. When the paycheck arrives, it is smaller. Where did the rest go? In this book you will follow one pretend paycheck line by line, sort taxes from other deductions, match shared money to the places in the picture above, figure a tiny pretend sales tax, spend a pretend town's shared tokens, and hear why having a say about taxes mattered at the start of the United States.



Meet Carl

Carl the Cardinal is your guide. Here he stands beside a tall pay stub with three panels. The arrows flow down from what a worker earned, to what was taken out, to what the worker takes home. The little pictures help you follow the money. His green neckerchief and gold compass medallion stay on for every adventure.

Color your own Carl on the last page.

How to answer in this book: answer in the way that works best for you. You may write, say your answer out loud, point to a line or picture, tell a grown-up who writes it for you, or draw it. Every way of answering counts the same.

READ TOGETHER

Smaller Than the Pay

A worker is promised a certain amount of pay for work done. That full amount has a name, and so does the smaller amount that actually reaches home. Four words unlock this whole book, so we will learn them carefully.

> **Gross pay:** the full amount a worker earns before anything is taken out.
>
> **Deduction:** an amount taken out of the gross pay before the worker takes the rest home. Deductions have different kinds, and this book will sort them.
>
> **Tax:** money the law requires workers and shoppers to pay to a government, so the government can pay for services everyone shares.
>
> **Net pay:** the amount left after all deductions are taken out. This is the pay the worker actually takes home.

So the paycheck is smaller than the pay because deductions come out first. Nothing vanished. Every token taken out has a name and a job, and a good pay stub lists them all, line by line.

The big idea box: three things that are NOT true

1. A tax is not a fine or a punishment. A fine is what someone pays for breaking a rule. A tax is different. It is a lawful shared cost, set ahead of time, that pays for services a whole community shares.

2. Not every deduction is a tax. Some lines on a stub are taxes. Other lines are choices the worker made, like saving a little from every paycheck. Sorting the two is the work of page 4.

3. Shared services do not appear without shared funding. A library full of books, a fire truck ready to roll, a smooth road, and a park bench in the shade all cost money. Shared money is how a community pays those bills together.

Say it in your own words:

What is the difference between gross pay and net pay?

Name one shared service in your town. Who do you think pays for it, and how?

Point to, say, or write the word that fits: the amount a worker takes home is the _____ pay, and the full amount earned is the _____ pay.