

Date \_\_\_\_\_

Name \_\_\_\_\_

## Lesson 1: Understanding Income

### *Familiarize Yourself*

**Gross Income:** Includes realized and unrealized income that does not take into account taxes and other debited items that will be charged against an individual's labor account prior to distribution of remaining monies to the individual.

**Unrealized Income:** Income that the individual has earned through their labor or efforts that will go toward taxes and other debited items with or without the individual's consent. These are monies that the individual is said to have earned, but will not have the freedom to use.

**Realized income:** Earned income received by the individual for freedom of use after unrealized income has been subtracted. This is more commonly referred to as **Net Income**.

### *Understanding What You Really Make*

Tanesha's employer pays her an on-paper salary of \$66,000 annually.

The following unrealized income items are subtracted from her monthly pay prior to payroll distribution:

- Federal taxes: \$360
- State taxes: \$200
- Health, dental, life and vision insurance: \$500
- Medicare insurance: \$70
- Social security: \$200
- Mandatory retirement: \$100

Tanesha pays a total of \$1,430 per month of unrealized income which translates to \$17,160 over the course of a year.

\$66,000 On-paper salary  
- \$17,160 Unrealized income

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\$48,840 Realized income and Tanesha's true salary available for freedom of use.

When we understand how much we truly "take home" from jobs, we know better how to manage the "leftovers," using them as *resources* to be tended to carefully versus something to frivolously toss out the window.

Although we see that Tanesha has resources of \$48,840 for her freedom of use, this is still not a true and final picture of her net or realized income. You see, Tanesha, now has to cover her living expenses, some of which cannot be avoided unless she's living totally off-grid, making these items that cause more unrealized subtractions to occur. In the next lesson, we'll cover Tanesha's net income in more detail.

## Lesson 1: Understanding Income (Worksheet)

To gauge your understanding of the difference between what you're told you receive as compensation for your labor or efforts and what you actually receive, let's complete the following questions:

1. How much house do you think Tanesha can afford on a realized income of \$48,840 in comparison to her unrealized income of \$66,000? You may use a mortgage or rental calculator to figure this out. Please write answers in complete sentences.

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2. Did you choose the most that the calculator or your calculations said Tanesha could afford, the least or right in the middle? Explain your choice.

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3. What factors did you use and why to decide how much house Tanesha can afford?

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4. Regarding question #3, did you take into account recurring expenses such as utilities, car payments, insurance, home and car maintenance, groceries, savings, vacations and clothing, and which did you consider? Of those that you considered, which did you consider most important in order of importance?

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5. What did you take away from this lesson that you can apply immediately? Is there anything included in this lesson that you remain unclear about?

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