

# EARNING CAPABILITY SEMINAR

*PRESENTER:*

**KRISTIE LITTLEFIELD**, EXECUTIVE DIRECTOR  
WESTERN MAINE EDUCATION COLLABORATIVE

# Seminar Topics

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- Assess how a career plan impacts your earning power and lifestyle
- Appraise your options regarding payroll holdings and benefits



What advice do we give young people about career planning?

# Unemployment Rates & Earnings by Educational Attainment

 UNITED STATES DEPARTMENT OF LABOR

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## Employment Projections

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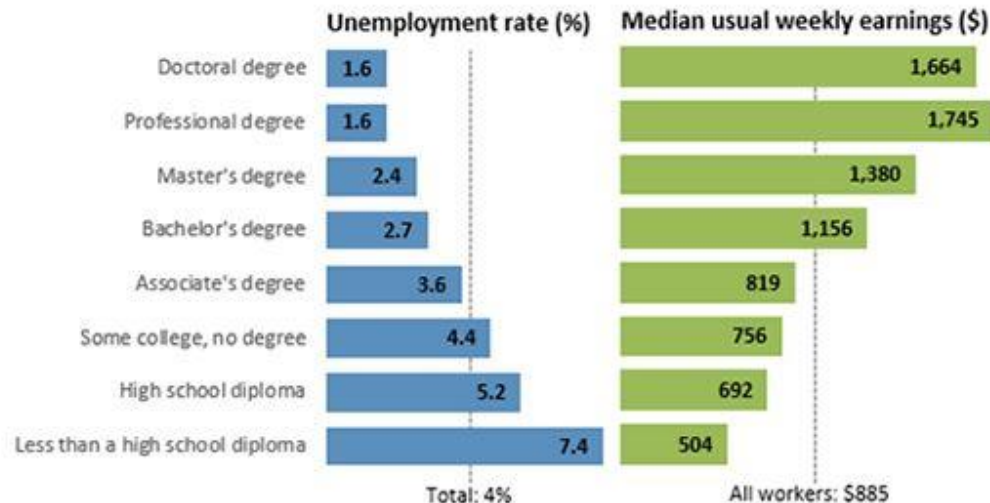
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### Unemployment rates and earnings by educational attainment, 2016



Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.  
Source: U.S. Bureau of Labor Statistics, Current Population Survey.

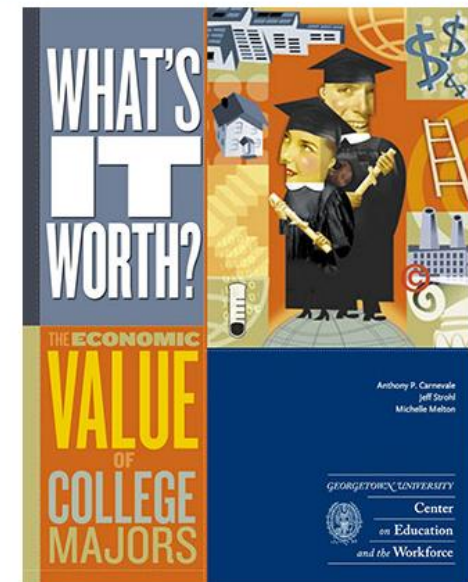
# Career Choice & Earning Potential

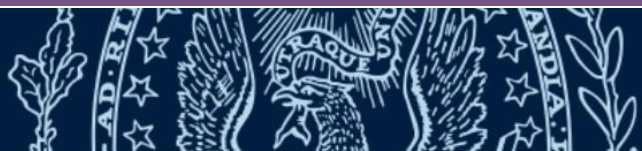
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## Full Report

We've always been able to say how much a Bachelor's degree is worth in general. Now, we show what each Bachelor's degree major is worth.

*What's It Worth?: The Economic Value of College Majors* finds that different undergraduate majors result in very different earnings. At the low end, median earnings for Early Childhood Education majors are \$36,000, while Petroleum Engineering majors see median earnings of \$120,000.

[Read Full Report](#)[Read Executive Summary](#)[Read Methodology](#)



## The top 10 majors with the highest median earnings

	Median	Earnings at 25th Percentile	Earnings at 75th Percentile
Petroleum Engineering	120,000	82,000	189,000
Pharmacy Pharmaceutical Science and Administration	105,000	83,000	120,000
Mathematics and Computer Science	98,000	75,000	134,000
Aerospace Engineering	87,000	60,000	115,000
Chemical Engineering	86,000	60,000	120,000
Electrical Engineering	85,000	60,000	110,000
Naval Architecture and Marine Engineering	82,000	44,000	120,000
Mechanical Engineering	80,000	59,000	105,000
Metallurgical Engineering	80,000	50,000	106,000
Mining and Mineral Engineering	80,000	52,000	125,000

\* Full-time, full-year workers with a terminal Bachelor's.

\* There was a tie for last place, and we are representing some, but not all, of the majors that tied.





## The 10 majors with the lowest median earnings

	Median	Earnings at 25th Percentile	Earnings at 75th Percentile
Counseling Psychology	29,000	21,000	42,000
Early Childhood Education	36,000	29,000	45,000
Theology and Religious Vocations	38,000	27,000	52,000
Human Service and Community Organization	38,000	27,000	53,000
Social Work	39,000	30,000	52,000
Drama and Theater Arts	40,000	29,000	60,000
Studio Arts	40,000	26,000	60,000
Communication Disorders Sciences and Services	40,000	31,000	59,000
Visual and Performing Arts	40,000	26,000	60,000
Health and Medical Preparatory Programs	40,000	24,000	71,000

\* Full-time, full-year workers with a terminal Bachelor's.

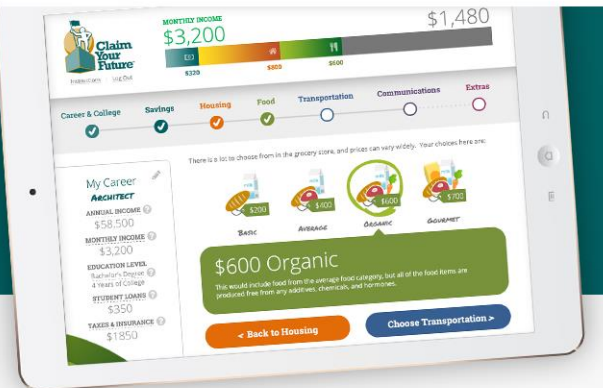
\* There was a tie for last place, and we are representing some, but not all, of the majors that tied.

# Claim Your Future

[About the Game](#)[Educator Resources](#)[Contact Us](#)

Claim Your Future® is a game that encourages you to explore education after high school, future careers, and money management.

**PLAY THE GAME!**



## Learning Objectives

After playing Claim Your Future, students will be able to:

- Have conversations about their goals and aspirations.
- Examine their assumptions about schooling, careers, money and savings.
- Link today's educational and spending choices to future job options and financial stability.
- Describe post-secondary education options and identify basic vocabulary associated with college exploration.
- Create a balanced budget.
- Explain how small expenses can add up — especially regular ones!
- Distinguish between wants and needs and learn to prioritize.
- Describe benefits of saving and the impact of long-term student debt.





# Which Job Would You Prefer?

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Annual Salary

\$40,000

\$37,000

# Which Job Would You Prefer?

## Annual Salary

\$40,000

\$37,000

## Benefits

- 2 Paid Holidays
- 2 Weeks of Vacation
- No Sick Days

- Health, Dental & Vision
- 401(k) Match
- Life Insurance
- Disability Insurance
- Health Club
- Tuition
- 8 Paid Holidays
- 2 Personal Days
- 5 Sick days
- 2 Weeks of Vacation

# Annual Salary of \$40,000

## Monthly Paycheck:

Gross Pay	\$3,333.34
Medicare Tax	(48.33)
Social Security Tax	(206.67)
State Income Tax	(90.30)
Federal Income Tax	<u>(363.02)</u>
<b><i>Net Income</i></b>	<b><i>\$2,625.02</i></b>

Need to Purchase Health Insurance -\$450 a month

**Monthly Net Income after Health Ins.: \$2,175.02**

**Annual Net Income after Health Ins.: \$26,100.24**

# Annual Salary of \$37,000

## Monthly Paycheck:

Gross Pay	\$3,083.34
Medicare Tax	(43.29)
Social Security Tax	(185.09)
State Income Tax	(81.87)
Federal Income Tax	(285.20)
401(k) at 5% (pre-tax)	(154.17)
Medical Plan costs	<u>(98.00)</u>
<b>Net Income</b>	<b>\$2,235.72</b>
<b>Annual Net Income</b>	<b>\$26,828.64</b>

# Which Job Would You Prefer?

## A Job with Benefits or a Job Without Benefits?

### Salary of \$40,000 a year

- No Benefits
- Health Care costs of \$5,400 a year
- \$5,000 a year in graduate school costs
- 12 paid days off
- No sick days
- *Net Income of **\$21,100** after health care and graduate school costs*
- *No Retirement Savings*

### Salary of \$37,000 a year

- Generous Benefits
- Annual value of benefits of \$12,217
- 20 paid days off
- 5 sick days
- *Net Income of **\$39,046** adding in the economic value of the benefits paid by the employer*
- *Retirement Savings of **\$2,775** after one year (excludes any investment income or gain)*

If Tuition Reimbursement is not included, the net income is \$26,100 (for the \$40,000 salary) vs. \$39,046 (for the \$37,000 salary) or 30% greater



# Language...

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net pay

gross pay

wages

income

benefits

salary

FICA

federal tax

state tax

insurance

401(k)

retirement

Medicare

Social Security

# Form W-4

## Form W-4 (2017)

**Purpose.** Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

**Exemption from withholding.** If you are exempt, complete only lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2017 expires February 15, 2018. See Pub. 505, Tax Withholding and Estimated Tax.

**Note:** If another person can claim you as a dependent on his or her tax return, you can't claim exemption from withholding if your total income exceeds \$1,050 and includes more than \$350 of unearned income (for example, interest and dividends).

**Exceptions.** An employee may be able to claim exemption from withholding even if the employee is a dependent, if the employee:

- Is age 65 or older,
- Is blind, or
- Will claim adjustments to income; tax credits; or itemized deductions, on his or her tax return.

The exceptions don't apply to supplemental wages greater than \$1,000,000.

**Basic instructions.** If you aren't exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earners/multiple jobs situations.

Complete all worksheets that apply. However, you may claim fewer (or zero) allowances. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

**Head of household.** Generally, you can claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

**Tax credits.** You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 505 for information on converting your other credits into withholding allowances.

**Nonwage income.** If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity income, see Pub. 505 to find out if you should adjust your withholding on Form W-4 or W-4P.

**Two earners or multiple jobs.** If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 505 for details.

**Nonresident alien.** If you are a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

**Check your withholding.** After your Form W-4 takes effect, use Pub. 505 to see how the amount you are having withheld compares to your projected total tax for 2017. See Pub. 505, especially if your earnings exceed \$130,000 (single) or \$180,000 (married).

**Future developments.** Information about any future developments affecting Form W-4 (such as legislation enacted after we release it) will be posted at [www.irs.gov/w4](http://www.irs.gov/w4).

### Personal Allowances Worksheet (Keep for your records.)

A	Enter "1" for <b>yourself</b> if no one else can claim you as a dependent . . . . .	A
B	Enter "1" if: <ul style="list-style-type: none"><li>• You're single and have only one job; or</li><li>• You're married, have only one job, and your spouse doesn't work; or</li><li>• Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less.</li></ul> . . . . .	B
C	Enter "1" for your <b>spouse</b> . But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.) . . . . .	C
D	Enter number of <b>dependents</b> (other than your spouse or yourself) you will claim on your tax return . . . . .	D
E	Enter "1" if you will file as <b>head of household</b> on your tax return (see conditions under <b>Head of household</b> above) . . . . .	E
F	Enter "1" if you have at least \$2,000 of <b>child or dependent care expenses</b> for which you plan to claim a credit . . . . .	F
G	<b>Child Tax Credit</b> (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information. <ul style="list-style-type: none"><li>• If your total income will be less than \$70,000 (\$100,000 if married), enter "2" for each eligible child; then less "1" if you have two to four eligible children or less "2" if you have five or more eligible children.</li><li>• If your total income will be between \$70,000 and \$84,000 (\$100,000 and \$119,000 if married), enter "1" for each eligible child.</li></ul>	G
H	Add lines A through G and enter total here. ( <b>Note:</b> This may be different from the number of exemptions you claim on your tax return.) ►	H

For accuracy, complete all worksheets that apply. 

- If you plan to **itemize or claim adjustments to income** and want to reduce your withholding, see the **Deductions and Adjustments Worksheet** on page 2.
- If you are **single and have more than one job** or are **married and you and your spouse both work** and the combined earnings from all jobs exceed \$50,000 (\$20,000 if married), see the **Two-Earners/Multiple Jobs Worksheet** on page 2 to avoid having too little tax withheld.
- If **neither** of the above situations applies, **stop here** and enter the number from line H on line 5 of Form W-4 below.

Separate here and give Form W-4 to your employer. Keep the top part for your records. . . . .

<b>Form W-4</b> Department of the Treasury Internal Revenue Service		<b>Employee's Withholding Allowance Certificate</b> ► Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.		OMB No. 1545-0074 <b>2017</b>	
1 Your first name and middle initial . . . . .		Last name . . . . .		2 Your social security number . . . . .	
Home address (number and street or rural route) . . . . .		3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withheld at higher Single rate. <b>Note:</b> If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.		4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ► <input type="checkbox"/>	
City or town, state, and ZIP code . . . . .		5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2) . . . . .		6 Additional amount, if any, you want withheld from each paycheck . . . . .	
7 I claim exemption from withholding for 2017, and I certify that I meet both of the following conditions for exemption. <ul style="list-style-type: none"><li>• Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and</li><li>• This year I expect a refund of all federal income tax withheld because I expect to have no tax liability.</li></ul> If you meet both conditions, write "Exempt" here . . . . .		8		9	
Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.		Employee's signature (This form is not valid unless you sign it.) ►		Date ►	
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.) . . . . .		9 Office code (optional) . . . . .		10 Employer identification number (EIN) . . . . .	

For Privacy Act and Paperwork Reduction Act Notice, see page 2. Cat. No. 10220G Form **W-4** (2017)

# Big Tax Refund?

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<http://wapo.st/2wFgrX8>

# Time to Think About YOU

## ■ 360 Degrees of Financial Literacy:

<http://www.360financialliteracy.org/Calculators/Payroll-Deductions>

### ■ Payroll Deductions Calculator

## ■ IRS Tax Withholding:

<https://www.irs.gov/individuals/irs-withholding-calculator>

### ■ Withholding Calculator

**Assess your current situation...is there one way you can better save or plan your finances through paycheck options?**

## **Investments and Financial Planning**



**“I retire on Friday and I haven’t saved a dime.  
Here’s your chance to become a legend!”**



# Retirement Planning Strategies

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- PAY YOURSELF FIRST.
- Start saving immediately.
- Maximize contributions.
- Have a cash reserve.
- Don't stop investing at age 65.
- DON'T TOUCH.

# Time to KEEP Thinking About YOU

- AARP Online Money Tools:  
[http://www.aarp.org/money/money\\_tools/](http://www.aarp.org/money/money_tools/)
  - Retirement Calculator
- 360 Degrees of Financial Literacy:  
<http://www.360financialliteracy.org/>
  - Online Retirement Pension Planner
  - Online Retirement Income Calculator

**Assess your current situation...what steps will you take to better plan for retirement?**

# Estate Planning

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- Do you have a planned estate?
  - Everyone needs a will
  - Durable power of attorney
  - Living will
  - Medical durable power of attorney/health-care proxy



G-R-E-E-N... OK, NOW  
PICK A NUMBER...

DOUG BEGINS TO DOUBT  
HIS FINANCIAL ADVISOR

# Professional Assistance?

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- Interview the person
  - Credentials?
  - Experience?
  - Strengths match your needs?
- Do you get along with them?
- How are they compensated?



# Summary

- Career plans matter.
- Benefits matter.
- W-4s are your friend; big tax refunds are not.
- Pay yourself first.
- Don't touch your retirement.
- Estate plans matter.
- Consider professional assistance.

# Reflection

- *What do you wish you had known about earning capacity in your teen/early adult years?*
- *How can you help your students get off to a good start to develop skills, attitudes, and knowledge to build their earning capacity?*