

## Lesson 1-Earning an Income

How do you earn income right now?

How COULD you earn income?

## 100+1 Ways to Make Money worksheet in partners

Let's look at turning our interests and skills into jobs.



## How We Earn:

### 1. Active Participation (Employment)

- **Employment Income**

- wages/salary
- commission

- **Self-Employment**

- gig employment
- piecework

### 2. Non-Employment Sources

- Interest/Inheritance
- Collecting money from rental properties

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### **Employment Income-->Working for Others:**

#### What does this mean?

If you are going to be working for someone else (company, government, etc.) your goal is to get and keep a job.

Through education, training and experience, people aim to develop **talents and skills in a particular area** as well as **general employability skills**.

What are some examples of general employability skills?

How are your employability skills?

Worksheet

Once you have your employability skills and can get hired, who will you want to be hired by?

Some possibilities that may influence your job choices are:

- level of income
- passion
- work environment
- working as part of a team vs. alone
- opportunities to be creative
- benefits (health, dental, pension)
- helping others
- learning/developing a skill/trade
- working outdoors vs. indoors
- travel
- applying a talent or skill you have
- working in a particular industry
- supply and demand (you are the supply, and hiring you depends on the demand)

When you do get and keep a job, great! Congratulations!

Now what? How will you be getting paid?

**Remuneration: compensation paid for work/service.**

The primary type of pay is money.

When working for someone else, you will most likely be paid in wages or a salary.

**Wages:**

- tied to number of hours worked
- fixed rate (usually expressed as an hourly rate)
- regular payment (weekly, bi-weekly, monthly, etc.)
- can also earn overtime
- only paid for hours worked and do not have paid sick days.

**Salary:**

- expressed as an annual amount but paid bi-weekly, semi-monthly, or monthly.
- may receive sick days (without docking of pay)
- because pay is not based on hours worked, performance will be reviewed or supervised periodically.

\*Both wages and salaries have set hours but only wages are compensated based on hours



What can influence this pay? (Are there factors that could cause you to get paid more/less?)

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This depends on the job, but some factors that can influence your wage/salary are:

- level of education/training/experience
- number of others who have similar/better skills
- how long you have been working (seniority)
- your work habits, reliability, dependability, perseverance
- the state of economy
- impact of unions
- the region in which you live
- company success

Could you have remuneration in other forms? (Other than money?)

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Could you have remuneration in other forms? (Other than money?)

Yes!

## Gratuities (Tips)

-given voluntarily (usually in service industries)  
-individual tip or tip pool/tip out (this depends on the company)  
-must pay income tax on the tips, and tips are included in CPP and EI if tips are paid out by employer.

## Commission

-all or part of compensation is based on achievement  
-for example, a car salesperson may make minimum wage if no cars are sold and an additional amount in commission(\$ per amount of cars sold or \$ per amount of sales)

This often encourages workers to work harder because achievement leads to more income.

## Employment Benefits:

Working as an employee for a company may have other remuneration in addition to wage/salary.

Benefits!

Some benefits are mandated by law, such as EI and CPP (anyone who works has to pay into these)

Benefit packages vary from company to company, industry to industry, and occupation to occupation. It is important to ask what benefits would be provided to you at your job!

Some possibilities are:

- paid vacation days
- paid sick days
- extended health care insurance (aside from Canada/Sk)
- life insurance (contract saying dependents receive money if the insurance holder passes away)
- dental insurance
- disability insurance (when unable to earn an income, still get a monthly income of about 60-80%, depending on what you've been contributing)
- profit sharing
- payroll savings
- stock option purchase
- registered pension plan
- registered retirement savings plan
- educational expense reimbursement
- vehicle or funds for travel expenses
- benefits for a spouse and dependents (children)
- access to financial advice
- company pension program

## Pension

Pension is money contributed during your working life, to be used after your working years. This money grows tax free until it is withdrawn (so you only pay taxes when you withdraw it and your taxes should be less if you're not working).

Anyone who has worked in Canada pays into CPP (Canada Pension Plan) to be collected when you retire. (Be aware that this retirement income is usually not an amount to support the lifestyle you may be used to.)

Two Main Types:

### 1. Defined-Benefit Plan

-guarantees the amount you will receive when you retire (retirement income) based on a formula (ex: % of the avg of your 5 best years)

-you and your employer contribute to the plan, your employer invests it and is responsible for paying you at retirement (their risk).

### 2. Defined Contribution Plan

-investment performance determines retirement income.

-you and your employer may contribute, you invest it and assume the risk on investment performance.

There are other savings plans to supplement your pension plan which are completely optional and contributed to by you.

RRSP: Registered Retirement Savings Plan

TFSA: Tax Free Savings Account

**What else to expect when working for someone else:**

Your terms of employment will be governed by an agreement or contract.

Full Time: >30 hours/week

Part Time: <30 hours/week.

**Casual Employment:** only guaranteed work when needed and only compensated for time worked.

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- **Wages and Salary**

- commission

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### Working for Oneself

- as a freelance or as owner of a business.

- not working for an employer

- negotiate terms of each job with the client rather than having a contract.

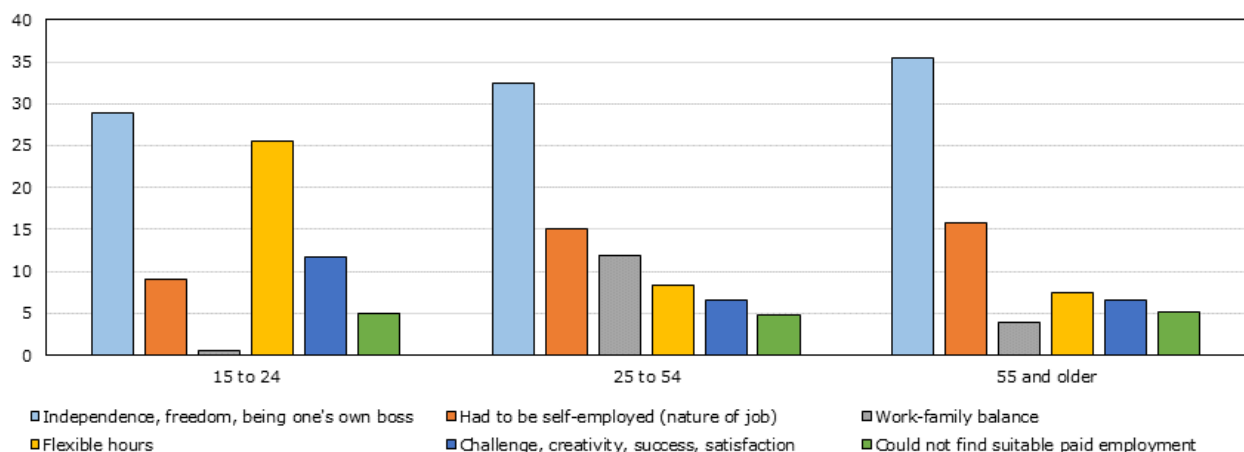
- no automatic benefits (but still pay into CPP)

- can hire other people for specific time/job, outlined in a contract.

- tax advantages (can get taxes back on certain expenses)

**Chart 4**  
**Being one's own boss tops all reasons regardless of age, and more so for older self-employed workers, Canada, 2018**

self-employed workers (percent)



Source: Statistics Canada, Labour Force Survey.

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When you do start your own company, great! Congratulations!

Now what? How will you be getting paid?

**Remuneration: compensation paid for work/service.**

The primary type of pay is money.

When working for yourself, remuneration requires negotiation with your clients. Your reward is "profit"-what is left over after you add up your revenue from jobs and subtract all of the costs to run the business.

**Payment-In-Kind:**

compensation in another service (for example: stocks, another service, IOU, etc.)

**Gig Employment:**

Temporary, flexible jobs allowing you to work for many people at a time.

The 5 most common gig employment opportunities are general office work, maintenance, babysitting, house sitting, personal assistant.

**Piece-Work:**

worker is compensated based on a fixed price rate for each unit produced/action performed regardless of time.

For example, selling pottery. Customers pay for the pottery, not the amount of hours spent creating it.

Another example would be selling articles to the news.

According to Statistics Canada:

Population of Canada: 37.59 million

Population that are employed: 17.8 million

Of that 17.8 million:

15.2 million are employees

2.78 million are self employed

Why do you think there are less self-employed than employees?



Pros and Cons

Employee

Pros

Cons



Self-Employed

Pros

Cons

self-sufficient

