

MONEY 101 EDUCATION  
0.10 Meet Maria Consuela

Maria Consuela is in her late 20s.  
She lives in Brooklyn with two roommates.

By day, she works as a customer service representative and is paid hourly; she sometimes earns commissions and a bonus.

Through her employer, she has medical insurance and contributes towards the premium. She also participates in a company retirement plan (a traditional 401k); she contributes 5% of her earnings, and her employer offers a 50% match.

By night, and on some weekends, she works part-time as an exercise instructor. Some of her work is through local gyms, from which she receives a 1099. Additionally, she has several private clients, and those clients pay her in cash.

She hopes to leave her day job and be a full-time fitness instructor.

In the Money 101 classes, we follow Maria through many different stages and help her get her finances in order.

### **PREPARING MARIA'S W-2**

In the Foundation segment, we review her customer service earnings and deductions. As a homework exercise, students prepare Maria's W-2.

We learn what earnings are taxed for Federal, State, and City taxes and what are taxed by Social Security and Medicare. (hint- they are different).

In the Taxation Segment we don't have time to prepare the W-2, but we do review it in detail because much of that information will be needed to prepare her 1040 personal tax return.

### **REVIEWING MARIA'S 1099**

In the Foundation and Taxation segments, we learn why Maria will get a 1099 for her work as an exercise instructor. Additionally, we learn how to report that income, along with her cash earnings when she prepares her tax return.

**THE TWO DOCUMENTS NECESSARY TO TRACK FINANCES ARE AN ANNUAL BUDGET AND A PERSONAL FINANCIAL STATEMENT.**

### **PREPARING MARIA'S BUDGET**

Maria struggles to increase her savings, but her money seems to disappear. In the Money 101 Foundation and Life Cycle segments, we do an Exercise, "Prepare Maria's budget,"

Preparing a Budget, which forecasts cash in and out of a household on an annual basis, is a fundamental first step to getting a hold of finances.



**PREPARE MARIA’S PERSONAL FINANCIAL STATEMENT (PFS)**

Maria also wants to track her Net Worth and how it changes from year to year.

Thus, in the Foundation and Life Cycles segment, we learn how to prepare a Personal Financial Statement listing all her assets and liabilities. The assets minus the liabilities equal her net worth. Maria will need a PFS if she ever wants to apply for a loan or mortgage.

**PREPARE MARIA’S TAX RETURN** – In the Taxation Segment, we will calculate Maria’s 1040 personal tax return.

We will specifically fill out IRS Schedule C, to record her business income and expenses. We will also calculate her home office deduction using two methods to see which gives her the biggest tax deduction and calculate her self-employment taxes and Qualified Business Income credit.

Maria appreciates all your help as she tries to improve her finances!