

Purchasing Power

Purchasing Power is how able a person is to buy what they want when they want. The more money a person has left after paying their Essential expenses, the BIGGER their Purchasing Power.

Example:

Ivanka is a single, 28-year-old woman. Her take-home pay from her main job is about \$900 every other Friday. She also has income of about \$100 every Friday from a second job.

- a) Calculate Ivanka's net income for a 4-week month.

- b) Calculate Ivanka's net income for a 5-week month (3 Fridays).

Here is a list of Ivanka's usual expenses:

- Rent: \$734 per month + \$20 for parking
- Groceries: \$85 per week
- Car insurance: \$135 per month
- Car Expenses (e.g. gas, maintenance): \$200 per month
- Phone: \$40 per month
- Laundry: \$10 per week
- Long-Term Savings (RRSP): \$50 per week
- Personal Loan: \$238 per month
- Credit Card Payment: \$100 per month



- c) Calculate Ivanka's total expenses for a typical month

- d) Calculate the difference between Ivanka's net income and her expenses for a typical month.


- e) What could Ivanka do to improve her overall purchasing power? Hint: think of the months in which she receives 3 paycheques.

Practice

1. Joona is a server at a café in a hotel. She earns minimum wage and usually works 35 hours per week. In addition to her wages, Joona earns about \$300 per week in tips.

a) Assume that Joona works 35 hours per week. Determine annual wages including tips.

b) Approximately what percent of her gross income does Joona take home?

<p style="text-align: center;">Step 1: Find Deductions</p> <p>*Use her annual salary to look up deduction rates (%)</p>	CPP	
	EI	
	Federal Income Tax	
	Provincial Income Tax	
	Total % Deducted:	
<p>Step 2: Find what % she keeps</p> <p>* Do 100% minus the total deductions from step 1</p>	$100\% - \boxed{} =$ 	

c) Joona is paid every other Thursday (biweekly). Determine her GROSS pay.

Hint: There are 26 pay periods in one year.

- d) You just found Joona's biweekly gross pay. Find her NET pay.
 Hint: Look at your answer from question 1b. Ask for help if needed!

- e) Assume that Joona was paid on the last day of September. Circle her October paydays on the calendar.

OCTOBER						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24 31	25	26	27	28	29	30

- e) How much should Joona expect to make in tips in October?

Here is a list of Joona's usual essential expenses:

- Savings: 25% of tips (deposited to an account every week)
- Rent: \$450 per month (due on the 1st of each month)
- Groceries: \$60 per week
- Transit Pass: \$100 per month (renewed between the 24th and the 30th of each month)
- Phone: \$40 per month (due on the 12th of each month)
- Laundry: \$10 per week
- Income Tax: 25% of tips (deposited to an account every week)



2. a) Use the information above to determine Joona's total expenses for a typical month.

b) On the calendar below, place the dollar value of Joona's NET income on the days she receives it. Place the dollar value of her expenses on the day that they occur or are likely to occur.

S	M	T	W	T	F	S
26	27	28	29	30	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31	1	2	3	4	5	6

c) Calculate the difference between Joona's net income and her expenses for a typical month.

d) Does Joona have good purchasing power? How can she improve her purchasing power? Explain.