

## MODULE 3:

# Tracking and managing income and benefits

If you have a 10 minute session...	If you have a 30 minute session...	If you have multiple sessions...
<ul style="list-style-type: none"><li>▪ <i>Tool 1: Income and resource tracker</i></li></ul>	<ul style="list-style-type: none"><li>▪ <i>Tool 2: Ways to receive income and benefits: Know your options</i></li><li>▪ <i>Tool 3: Ways to increase income and resources</i></li></ul>	<ul style="list-style-type: none"><li>▪ All three tools</li></ul>

## Income

Income is the money that comes into your household. You use income to pay for the things you need and want. It comes from part-time or full-time work, self-employment, and investments. Gifts from others, tax refunds, and inheritances can also be income. Public benefits can also serve as income, but these financial resources are not as flexible as other types of income because there are usually restrictions about how they can be spent.

Income can be **regular** – this means it comes into your household on a schedule and in an amount that you can count on. Or it can be **irregular** – which means you can't predict accurately when you will receive it or how much you will receive. These ups and downs can make it hard to be sure that you'll have money to pay your bills and have enough on hand for expenses like food and transportation.

Sometimes income is **seasonal** – you may receive it for only some months out of the year. For example, if you live in a northern state and work in the building industry, you may be very busy

with work from March through November, but not working at all from December through February. Finally, income may be a **one-time** occurrence. Your tax refund is an example of a one-time source of income within a year.

Managing income can be very challenging if it is irregular, seasonal, or is one-time-only because you may not know how much money is coming in or when it will be coming in. Your bills and expenses, however, continue. Even if your income doesn't come in, your rent will still be due every month.

It can also be hard to use irregular, seasonal, or one-time income to cover expenses in the months you may not have income. When you have the money, you may need or want to spend it instead of setting some aside for bills and expenses in other months.

You can use *Tool 1: Income and resource tracker* to track your income, whether it is regular, irregular, seasonal, or one-time within a year. It is the first step in planning how you can manage your income differently to cover spending in months you may not have income. This is also an important step in creating a cash flow budget, which is explained in *Module 5: Getting through the month*.

If you find that your income is less than you need or want, you can use *Tool 3: Ways to increase income and resources*.

## Deductions from your pay

There are two kinds of deductions you may have from your pay:

- Mandatory, which means they must be taken out
- Voluntary, which means you choose the amount of any optional deductions

Mandatory deductions include:

- Federal income tax

- Social Security, which is part of FICA (Federal Insurance Contributions Action) – 6.2 percent of your pay is held for Social Security, with your employer contributing another 6.2 percent on your behalf.<sup>29</sup>
- Medicare, which is also a part of FICA – 1.45 percent of your pay is withheld for Medicare with your employer contributing another 1.45 percent on your behalf.
- State income tax (in most states)
- Local taxes (in some communities)
- In some cases, wage garnishments

Voluntary deductions may include:

- Employee share for health, dental, or vision insurance
- Employee contributions to employer-sponsored retirement (401K or 403B plans)
- Union dues
- Employee contributions to life insurance premiums
- Charitable contributions

## Wage garnishments

If you have unpaid debts, and the creditor sues you for the debt and wins, the creditor might collect the debt by garnishing your wages. This means that the creditor gets a court order and sends it to your employer, who must send the collector part of your paycheck (unless the law protects your income from garnishment).

If you don't remember being sued for a debt and you don't know why your wages are being garnished, ask your employer for a copy of the wage garnishment order. The order should include contact information for the creditor. Your wages can also be withheld or garnished to

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<sup>29</sup> FICA and Medicare contributions are accurate as of August 2015.

pay child support and student loans, back taxes, or other debts to a government agency. Any wage garnishment request should include some information about the type of debt, too.

## Federal law limits wage garnishments

Generally, federal law limits wage garnishment so that consumers can take home enough income to live on, even if their wages are being garnished. Some state laws provide greater additional protections that allow consumers to keep more of their wages than the federal limits. To learn about these state law protections, you may want to consult an attorney in your state. There are exceptions for the collection of child support and debts due for federal or state taxes.

Generally, the amount that can be garnished from wages under federal law is limited to the smaller of two amounts:

- 25 percent of disposable income
- or**
- The amount that a person's weekly earnings exceeds 30 times the federal minimum wage of \$7.25 ( $\$7.25 \times 30 = \$217.50$ )

In other words, if someone earns \$300 a week:

- 25 percent of their disposable income would be **\$75.00**
- The amount that a person's weekly earnings exceed 30 times the federal minimum wage of \$7.25 is \$82.50
  - Minimum wage ( $\$7.25$ )  $\times 30 = \$217.50$
  - $\$300 - \$217.50 = \mathbf{\$82.50}$

In this example, federal law limits wage garnishment to \$75.00 because \$75.00 is less than \$82.50.

All mandatory deductions are protected from garnishment. Mandatory deductions include:

- Federal, state, and local taxes
- FICA contributions

Your voluntary deductions are not protected from garnishment. Voluntary deductions are direct deductions that you choose on your own. They can include pre-tax contributions to your flexible spending account, health savings account, or retirement savings account.

## Garnishment of federal benefits and support payments

Most federal benefits are exempt from garnishment. These federal benefits include: Social Security, Supplemental Security Income (SSI), Veterans' Benefits, as well as retirement and pensions. A list of federal benefits generally exempt from garnishment can be found at the Federal Trade Commission at <https://www.consumer.ftc.gov/articles/0114-garnishing-federal-benefits>. But if you owe a debt to the federal government for student loans or back taxes, for example, the federal government may be able to garnish this money. Still, there are limits to how much the federal government can garnish for a debt to the government.

If you are facing garnishment of your income or benefits, consider consulting a lawyer. This can help you understand your legal rights and responsibilities and take steps to protect your rights if that becomes necessary.

You may qualify for free legal services through legal aid, depending on your income and where you live. Check your state's Legal Aid Directory at <http://lsc.gov/find-legal-aid>.

Servicemembers can get legal assistance through their Judge Advocate General's (JAG) office. You can find your local JAG office at <http://legalassistance.law.af.mil/content/locator.php>.

You can also contact a lawyer referral service in your area and ask for an attorney with experience in garnishment and debt collection. Some attorneys may offer free services or charge a reduced fee.

If the debt you owe is to the government or is for child support, there may be different rules. For example, the state child support enforcement agency may not need to get a court order and may establish the amount due by an administrative proceeding. The amount that can be taken from your wages may also be different. This kind of garnishment can be complicated too, so you may want to consult a lawyer.

# Benefits

Benefits are payments from local, state, tribal, or federal government agencies. They are often designed to help individuals and families that don't have the resources to cover their basic living expenses.

You can only get benefits if you apply for them and qualify to receive them. For most benefits programs, eligibility is based on:

- Income
- Circumstances – whether you have dependents or have a disability, for example
- Assets – savings, a vehicle (or more than one vehicle), money in investments, for example

Benefits are like income in that they can be used to pay for some of the things you need. The difference between income and benefits is that some benefits may only be used for a specific purpose. For example, if you qualify for the Supplemental Nutrition Assistance Program (SNAP), you can only use those benefits to purchase groceries. If you qualify for Medicaid, you can only use those benefits to cover qualified health expenses.

Benefits are important financial resources that cover living expenses. That's why it is important to track benefits the same way you keep track of your income. Having benefits can also free up cash to pay for other living expenses not generally covered by benefits, such as:

- Gasoline for an automobile
- Car repairs
- Cell phone service
- Debt repayment

In some states, people may receive their unemployment benefits and other government benefits on a prepaid card.<sup>30</sup> Instead of getting checks, they receive a card, and each month the benefit amount is loaded onto the card. The federal government also allows you to have certain federal

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<sup>30</sup> Some states also distribute child support via prepaid cards.

benefits, such as veterans' benefits or Social Security benefits, deposited to your checking or savings account, a federally insured prepaid card of your choosing, or a prepaid card that they arrange.

On the back of your government benefits card, there is a phone number you can call in case something happens to your card. It is also usually written on your cardholder agreement. Write this number down and keep it somewhere safe. If your government benefits card is lost or stolen, be sure to call that number or log into your account online to report this right away. If you can't find the number to report a loss or theft, call the agency that provides your benefit. If someone else uses the card and your PIN number, there is a chance these benefits will not be replaced.

You have protections in case of an error or fraudulent transaction if:

- You are paid through a payroll card arranged by your employer.
- You receive government benefits (other than needs-tested benefits<sup>31</sup>) through a government-arranged card.
- You receive any payments from the federal government onto your own prepaid card.

For example, you generally can't be held responsible for most fraudulent charges or other errors on these cards, if you report them in a timely manner. In addition, the card provider may be required by federal law to credit the disputed amount to your account while investigating the problem if the investigation will take longer than 10 business days. You should call your card provider as soon as you notice your card is missing or notice any charges you don't recognize.

The amount you can be charged in fees for using a government benefits card depends on the government agency and the financial institution issuing the card. Be sure to read the cardholder agreement carefully to understand the cheapest ways to access your benefits.

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<sup>31</sup> Needs-tested benefits in a program established under state or local law or administered by a state or local agency, such as SNAP, TANF, or WIC, are not subject to these protections. However, needs-tested programs administered directly by the federal government, such as SSI, are protected.

# Getting income and benefits

There are different ways to receive income and benefits. Sometimes, you have a choice about how you will receive them, but in other situations, you may not. For example, some benefits programs require that funds are deposited directly to a card or a bank account. Some employers may only pay you using a traditional paycheck. If you are only paid electronically, you must get a choice of more than one electronic method (for example, either use the employer's payroll card or use direct deposit to your own checking account).

You may get your income or benefits in one or more of the following ways:

- Cash
- Paper check
- Direct deposit (to a checking or savings account or prepaid card)
- Payroll card (prepaid card arranged by an employer)
- Government benefits cards (prepaid card arranged by a government agency)

Why does this matter? Each way to get income has advantages and disadvantages. Some of these advantages and disadvantages may make it easier or harder for you to manage your income. To better understand the pros and cons of each method, use *Tool 2: Ways to receive income and benefits: Know your options*.

Once you have tracked your income, be sure to add it into your budget or cash flow budget. For more information on cash flow budgets, see *Module 5: Getting through the month*.



## Tool 1:

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# Income and resource tracker

Income is the money that comes into your household. Benefits are financial resources that come into your household.

You can use this tool to track all of income and financial resources that you receive during a month. Once you have written the amount and when you receive the income, benefit, or other resource, first identify whether the income is:

- **Regular** – comes at a predictable time during the month
- **Irregular** – is not predictable
- **Seasonal** – is only received during some months during the year
- **One-time** – only comes one-time or once a year (a gift or tax refund, for example)

It is usually easier to track net income because that is the money you actually have available to pay for your living expenses. Net income is your gross income minus taxes and other deductions. Gross income is what you earn before taxes or other deductions are taken from your pay.

- On this worksheet, enter **net** income you have earned in each category. Then:
  - Add each column to get weekly income totals. Add the total for each week to get the monthly total.
  - Get a total by source by adding each row.
  - Put a check in the column that best describes the income: regular, irregular, seasonal, or one-time.

**Income for the Month of:** \_\_\_\_\_

Source of income / benefits	Frequency	Week 1 ____/____/____	Week 2 ____/____/____	Week 3 ____/____/____	Week 4 ____/____/____	Total by source
Job	<input type="checkbox"/> Regular <input type="checkbox"/> Irregular <input type="checkbox"/> One-time <input type="checkbox"/> Seasonal	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Second job	<input type="checkbox"/> Regular <input type="checkbox"/> Irregular <input type="checkbox"/> One-time <input type="checkbox"/> Seasonal	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Self-employment Income	<input type="checkbox"/> Regular <input type="checkbox"/> Irregular <input type="checkbox"/> One-time <input type="checkbox"/> Seasonal	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
SNAP	<input type="checkbox"/> Regular <input type="checkbox"/> Irregular <input type="checkbox"/> One-time <input type="checkbox"/> Seasonal	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TANF	<input type="checkbox"/> Regular <input type="checkbox"/> Irregular <input type="checkbox"/> One-time <input type="checkbox"/> Seasonal	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Social Security / SSI	<input type="checkbox"/> Regular <input type="checkbox"/> Irregular <input type="checkbox"/> One-time <input type="checkbox"/> Seasonal	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Disability Insurance (SSDI)	<input type="checkbox"/> Regular <input type="checkbox"/> Irregular <input type="checkbox"/> One-time <input type="checkbox"/> Seasonal	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Source of income / benefits	Frequency	Week 1 ____/____/____	Week 2 ____/____/____	Week 3 ____/____/____	Week 4 ____/____/____	Total by source
Veterans' benefits	<input type="checkbox"/> Regular <input type="checkbox"/> Irregular <input type="checkbox"/> One-time <input type="checkbox"/> Seasonal	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Child support	<input type="checkbox"/> Regular <input type="checkbox"/> Irregular <input type="checkbox"/> One-time <input type="checkbox"/> Seasonal	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Tax refund	<input type="checkbox"/> Regular <input type="checkbox"/> Irregular <input type="checkbox"/> One-time <input type="checkbox"/> Seasonal	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Other	<input type="checkbox"/> Regular <input type="checkbox"/> Irregular <input type="checkbox"/> One-time <input type="checkbox"/> Seasonal	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Weekly total:		\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

**Total monthly income and benefits:** \$ \_\_\_\_\_

Once you have tracked your income, be sure to add it into your budget or cash flow budget. For more information on cash flow budgets, see *Module 5: Getting through the month*. For more information on financial services that may help you manage your income, see *Module 8: Money services, cards, accounts, and loans: Finding what works for you*.

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## Tool 2:

# Ways to receive income and benefits: Know your options

Salaries, wages, and public benefits can be provided in a variety of ways. These include cash, paychecks, direct deposit, payroll cards, and government benefits cards. Each method has pros and cons when it comes to convenience, security, and fees.

### Cash

Definition	Benefits	Risks	Tip
Paper or coin money minted by the U.S. Government	Accepted everywhere	Could be lost or stolen Some people find it tempting to spend cash they have on hand (it “burns a hole in your pocket”). Can be more difficult to track spending for personal budgeting and tax purposes Not all bill payments can be made in cash.	Avoid carrying around or leaving large amounts of cash in your home. If cash is lost or stolen, it’s hard to get it back.
<input type="checkbox"/> <b>Cash is an option that works for me</b>			

## Paper check

Definition	Benefits	Risks	Tip
<p>A paper check for salary, wages, or benefits made out to an individual</p>	<p>Income can be deposited to a checking or a savings account or onto a prepaid card.</p> <p>If you do not have a bank account, some banks and credit unions do not charge a fee to cash “on us” checks that are written from accounts that are held with their institution. Otherwise, you may have to pay a check cashing service to cash them.</p>	<p>Bank and credit union accounts are sometimes the only cost-free way to cash paychecks.</p> <p>If you don’t have an account, unless your employer’s bank or credit union cashes “on us” checks for free, you may have to pay to cash them at a bank, credit union, or check cashing service.</p> <p>If you deposit a paycheck in a bank or credit union account or onto a prepaid card, you may not be able to access all the funds immediately.</p> <p>May not be offered by all employers or government agencies</p>	<p>If you cash your checks at a check cashing store, these stores may try to offer you a payday loan. This can be very expensive – if you’re considering one, make sure you understand the costs.</p>
<p><input type="checkbox"/> Paper check is an option that works for me</p>			

## Direct deposit

Definition	Benefits	Risks	Tip
<p>Employee pay or government benefit is electronically sent to your bank or credit union account, or your own prepaid card.</p>	<p>Reduces your risk of loss or theft compared with carrying cash or checks because funds are sent directly to a bank or credit union account</p> <p>Funds are usually available to you immediately.</p> <p>No check cashing fees</p> <p>Many banks and credit unions also offer checking/savings accounts with no monthly fees when you set up direct deposit.</p> <p>Funds can be accessed via a debit card, ATM card, with a checking account, or by personal checks. The debit/ATM card you get with a bank or credit union account has consumer protections for funds taken by error or theft.</p> <p>Many employers allow you to split the deposit between checking and savings accounts, which can help you build savings.</p>	<p>If direct deposit is made to a prepaid card, the card may lack full consumer protections for funds taken by error or theft.</p> <p>Can be charged fees if you write checks or use debit card without sufficient funds</p> <p>Have to go to an ATM or get cash back at a merchant to get cash</p> <p>May not be offered by all employers or government agencies</p>	<p>Ask your employer how to arrange for direct deposit. If you receive your pay through direct deposit, your money is often available on your payday. Be aware of ATM fees you may be charged. Generally, you can avoid ATM fees by using your own bank or credit union's ATMs.</p>

Direct deposit is an option that works for me

## Payroll card and government benefits card

Definition	Benefits	Risks	Tip
<p><u>Payroll card</u></p> <p>Prepaid card arranged by an employer through which people access their salary or wages</p>	<p>Safer and more secure than carrying cash or checks</p> <p>These cards have full consumer protections for funds taken by error or theft, except for government-issued cards for needs-tested benefits.<sup>33</sup></p> <p>You use it just like a prepaid or debit card.</p>	<p>Potential inactivity and service fees – You may face fees to get full access to your wages, for example.</p> <p>Have to go to an ATM or get cash back at a merchant to get cash – Some cards have limits on how many times you can access an ATM in a 24-hour period.</p> <p>Not all merchants accept EBT cards.</p> <p>Cards for needs-tested benefits lack full consumer protections for returning funds taken by error or theft.</p>	<p>Ask questions about fees for using the payroll card or government benefits card. Your employer can require that you receive your pay by electronic means, but must give you a choice between a payroll card and a direct deposit to an account of your choosing (which can generally be a bank or credit union account or prepaid card).</p> <p>For EBT cards, some benefits can be lost if they are not used within a certain amount of time. Be sure to ask if this applies to your benefit and keep track of your balance.</p> <p>If you have a bank account and are offered an EBT card, ask if you can have cash benefits sent to your bank account instead.</p>
<p><u>Government benefits card</u></p> <p>Prepaid card arranged by a government agency through which benefits recipients can access benefits payments – Electronic benefits transfer (EBT) cards are a type of government benefits card, which replaced paper-based benefits for needs-based programs such as Temporary Assistance to Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), and other programs.<sup>32</sup></p>			

Payroll or government benefits card is an option that works for me

<sup>32</sup> The availability of EBT cards and other government benefits cards, their fees and other details vary from state to state and program to program.

<sup>33</sup> Needs-tested benefits in a program established under state or local law or administered by a state or local agency, such as SNAP, TANF, or WIC, are not subject to these protections. However, needs-tested programs administered directly by the federal government, such as SSI, are protected.



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## Tool 3:

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# Ways to increase income and resources

There are two ways to bring in more income. You can bring in more income through a one-time activity. This would include selling items in a garage sale or online. This would also include getting a tax refund by claiming tax credits for which you qualify.

You can sometimes bring in more income or resources on a regular basis. This would include getting a part-time job, applying for benefits you may qualify for, or starting a small business.

## Increasing income through workforce development programs

One way to potentially increase income for the long term is to use a local workforce development program to develop skills to fill high-demand jobs. Workforce development programs provide skills training that can prepare you for a new job where you work now or for another company or organization. They may be offered through vocational schools, career-technical schools, community colleges, universities, unions, and other apprenticeship programs.

**How do you find a workforce development program in your community?** Start with the U.S. Department of Labor services locator at <https://www.dol.gov/general/location>. If you enter your zip code, you will get a list of programs in your area.

You can also visit an American Job Center to explore careers, find out about education and training required for different careers, get advice on applying for jobs and interviews, and more. To find a center near you, visit <https://www.careeronestop.org/LocalHelp/service-locator.aspx>. You can also visit <https://www.careeronestop.org> for online tools and information.

Your state probably has a state career or workforce development website or portal. There, you may find online assessments for your interest and skills and links to in-person and online training. Many community colleges also provide these types of assessments and services.

## Deciding when to claim Social Security

If you're getting close to retirement age, you may be thinking about claiming Social Security retirement benefits to add to your income. Choosing when to begin collecting Social Security retirement benefits is an important financial decision. Social Security often becomes a primary source of income in later life, and that's when medical and health costs may be at their highest. Claiming early (right when you're first eligible) can threaten your financial security in retirement.

Your benefit increases by as much as 75 percent if you wait to claim Social Security retirement benefits at age 70, instead of 62. The CFPB's Planning for Retirement Tool at <http://www.consumerfinance.gov/retirement/before-you-claim> can help you visualize how your Social Security payments will grow each year that you delay claiming.

### Ways to increase cash, income, and other resources

Use this tool to identify ways you can increase your income. Note that not all of these may apply to you. Check the options that may work for you and use this as a plan to increase cash, income, and other resources.

#### **One-time activity**

<b>This might work</b>	<b>Strategy for increasing income</b>	<b>Next Steps</b>
	Hold a yard sale/garage sale.	
	Sell items online.	
	Claim tax credits if you qualify.	
	Other:	

## Regular income

This might work	Strategy for increasing income	Next Steps
	Seek a raise or additional hours at current job.	
	Change tax withholding (if you generally receive a large tax refund).	
	Get a part-time job.	
	Do odd jobs (providing childcare, doing yard work, running errands for someone, etc.).	
	If eligible, apply for public benefits (TANF, SNAP, Medicaid, public housing, SSI, unemployment).	
	Rent a room in your home if allowed in your community.	
	Start a part-time small business or use your talents or hobbies to make items to sell online.	
	Search the Internet for reputable opportunities to provide services to other businesses.	

## Long term

This might work	Strategy for increasing income	Next Steps
	Seek opportunities for training or education that would increase wage at current job or help you get a better job.	
	Decide when to claim Social Security.	
	Other:	

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