

Decision Making in Finance: Future Value of an Investment

VI.A.1 You Have to Get Money to Make Money

12. You are considering two job offers: a full-time permanent position that pays \$55,500 annually and a full-time contract job that pays \$29 per hour. Estimate the gross annual income, gross monthly income, and the after-tax monthly income for each job offer. Record your estimates in Job Summary Table 2 at the end of this activity sheet. Use the information for calculating income, taxes, and costs that Kafi used. The contract job is self-employment, which is taxed an additional 7.65% of gross income.

Based on the gross monthly income, which job should you take? Why?

Based on the after-tax income, which job should you take? Why?

13. The permanent position will cost you \$95 per month in health care benefits and 4% of your after-tax income in retirement contributions. The contract job will cost you \$150 per month in health care benefits and 8% of your after-tax income in retirement contributions.

Estimate the take-home income for each job offer and record it in Job Summary Table 2. Based on this information, which job should you take? Why?

14. Did your decision on which job to take change throughout the analysis? What does that say about the decision process for considering any job offer? When considering various job offers, what will factor into your decision?

Job Summary Table 2

Job:	Permanent Position	Contract Position
Income information		
<i>Process</i>		
Gross annual income		
<i>Process</i>		
Gross monthly income		
<i>Process</i>		
After-tax monthly income		
<i>Process:</i> <i>Health insurance</i>		
<i>Process:</i> <i>Retirement plan</i>		
Monthly take-home income		