

INCOME AND EARNING

What is income?

Income is **money** that people earn from working. It is also referred to as **wages** or **salaries**.



What is earning?

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How do people earn money?

- Some people make or grow **goods**. Farmers grow crops or livestock. Some people work in factories to make cars, or toothpaste, or telephones. Children make lemonade to sell in a lemonade stand.



- Some people perform **services**. Doctors and nurses give care to patients. Teachers help students learn. Policemen and firemen keep communities safe.



- Some people **invest** in business stocks that they hope will bring them an income. Stocks are small shares of a company. The company sells shares to run its business. They pay dividends to stockowners

Spending means using income to purchase goods and services. People buy things they need. They also buy things they want.

Needs are the things we cannot live without such as food, clothing and shelter.



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Wants are the things we like to have but can live without.

Savings are the amount of income that is not spent.

- Some people put their savings in a place at home to use as needed
- Some people put savings in banks. Banks pay them a small amount called interest to thank them for the use of their savings.

Economics - the study of ways people spend money

Budget - a plan that shows income, spending and savings

Taxes- monies collected by a government to provide services to communities. (Sales tax, real estate tax, business profit tax)

Income tax - a percent of the money people earn is paid back to the government

Sales tax - a percent of the cost of some goods is added to the price of an item

Profit - income a producer has left after all costs of production are paid

Costs of production - salaries to workers, goods needed to make more goods, maintenance of property such as electricity or heat, and taxes

Economic choice - buying one thing, not another

Employer - an owner of a business

Employee - a worker at a business, sometimes called a laborer



PREVIEW

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