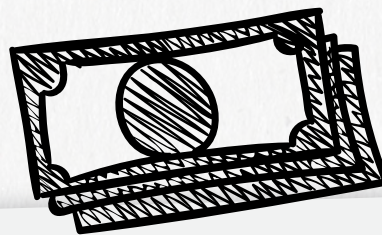


# Activity 1

## PART 3: MORE COMPENSATION OPTIONS

Read each of the scenarios below and answer the questions that follow.



### SCENARIO 1: Retirement Matching

**Job 1:** The employer will match \$.50 for every \$1 you contribute to your 401k, with a maximum benefit of 8% of your salary per year.

**Job 2:** The employer matches \$.75 for every \$1 you contribute to your 401k, with a maximum benefit of \$3,000 per year. It is vested over 3 years; if you quit in one year, you can keep 30% of the employer's contribution; 2 years, 60%; after 3 years, you can keep the entire contribution.

Assume that both employers are offering the same salary, \$40,000.

- If you are able to contribute \$2,000 each year to your retirement, how much will each employer match?

Job 1: \$ \_\_\_\_\_ Job 2: \$ \_\_\_\_\_

- How much would you have to contribute to maximize your employer's contribution at Job 1? \$ \_\_\_\_\_
- How much money in total will have been contributed? \$ \_\_\_\_\_
- How much would you have to contribute to maximize your employer's contribution at Job 2? \$ \_\_\_\_\_
- How much money in total will have been contributed? \$ \_\_\_\_\_
- Assuming all other benefits are the same, which package would you prefer? Explain why.

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### SCENARIO 2: Freelance Compensation

**Job 1:** You are an exempt employee with a base salary of \$30,000 per year. You get 2 weeks PTO in addition to your base salary and the employer pays \$300 per month toward your health insurance premium, which totals \$500. You have to pay a total of \$2,295 per year in Social Security and Medicare taxes.

**Job 2:** You are a freelancer with a base pay of \$800 per week, and you work 50 weeks per year. You have to pay \$500 per month for health insurance and your yearly Social Security and Medicare taxes are \$4,590.

- Which package has a higher total value? Show the math to explain why.

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