

# Four Types of Income Lesson

## What's Inside?

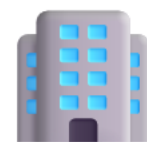
- ✓ Ready-to Use Slides
- ✓ Real-World Scenarios
- ✓ Higher-Order Thinking Questions
- ✓ Includes Benefits & Compensation Analysis



**Earned Income**



**Unearned Income**



**Business Income**








**Passive Income**



# Learning Objectives

## Students will:

-  Differentiate between earned, unearned (portfolio), business, and passive income.
-  Analyze real-world scenarios and classify income types.
-  Evaluate the long-term impact of compensation packages.
-  Apply financial reasoning to benefits and 401k matching decisions.
-  Develop critical thinking around salary negotiation.

# Built-in Critical Thinking & Discussions

- Real-world job comparison analysis
- Employer benefit value calculations
- Long-term financial impact discussions

## Example Slide

**BENEFITS: THE HIDDEN PART OF COMPENSATION**

Students often only look at salary — but benefits can be worth \$10,000–\$20,000 per year in additional compensation. Employees often take these for granted.

**HEALTH INSURANCE**  
Employers often cover 70–80% of the premium. On your own, a plan can cost \$300–\$500/month.

**401k MATCH**  
If an employer matches a portion of your salary, that's free money. For example, if you have a \$40,000 salary, that's \$2,000/year added to your retirement. **FREE MONEY!** +\$1,200/YR

**PAID TIME OFF (PTO)**  
Two weeks of paid vacation on a \$40,000 salary is worth about \$1,538 — a contractor doesn't get paid when they don't work.

**SAFETY NET**  
Workers' Compensation & Unemployment Insurance: Employees are protected. Contractors and business owners are not.

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# Example Slides

**THE FOUR TYPES OF INCOME**

- EARNED INCOME**  
This is the most familiar. It's money you work for. It comes from a job, freelance work, or flipping burgers. A student flipping burgers after school is earning this type.  
Key idea: You trade your time and labor for money.
- UNEARNED INCOME**  
This is money that comes to you without active work. It includes interest from a savings account, dividends from stocks, and royalties from a book.  
Key idea: Your money (or luck) does the work, not you.
- PASSIVE INCOME**  
This is often confused with unearned income, but it usually requires some effort or investment, then generates ongoing income with minimal continued work. Examples include renting out a property, earning royalties from a song or book, or running a monetized YouTube channel.  
Key idea: You set something up once and it keeps paying you.
- SELF EMPLOYED-BUSINESS INCOME**  
This is someone who owns their own business and acts as their own boss. They make their own hours and they have all of the ups and downs of owning a business.  
Key idea: you work for you.

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Students learn the **FOUR** types of income, then...



**1. THE WEEKEND SHIFT**

Jordan works at Chick-fil-A every Saturday and Sunday and earns \$11.50 per hour. She works 14 hours and receives her pay directly deposited into her bank account.  
What type of income is this?

**THE LANDLORD**

Marcus's grandfather passed away and left him a small house. Marcus decides to rent it out to a family for \$900 a month while he finishes school.  
What type of income is this?

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...Use their **critical thinking skills** to apply what they've learned.

# Example Slides

## PATH 3: BUSINESS OWNER (ENTREPRENEUR)

A business owner creates a company, may hire employees, and earns income from the overall profits of the business — not just from their own labor.

**CHARACTERISTICS:**

- You are tied to the success or failure of the business
- Has the highest earning potential — no ceiling on income
- You carry the highest financial risk — can lose invested money if the business fails
- Must understand cash flow — a business can be profitable on paper but still run out of cash
- Builds equity — the business itself has value that can be sold someday
- Responsible for setting up and funding their own retirement

**REAL EXAMPLE:** Destiny opens her own hair salon. She invested \$20,000 to get started, employs two stylists, and pays monthly rent on her space. When business is great, she earns more than she ever could as an employee. But when the AC broke last summer, she had to pay \$3,000 out of pocket and barely broke even that month.

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Students learn about earning paths, then...



## LEVEL UP YOUR CASH FLOW!

Choose Your Earning Path!

**1. Safest Bet:** Which path has the lowest risk? Why?

**2. Most Cash:** Which path can make you the richest & how?

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...Use their **critical thinking skills** to reflect and apply what they've learned.

# 20 SLIDES INCLUDED

**THE FOUR TYPES OF INCOME**

- EARNED INCOME:** Work for wages, salary, or tips. Directly trades time for money. Examples: Cashier.
- UNEARNED INCOME:** Comes to you without active work. Interest from a savings account, dividends from stocks, or prizes are good examples. A student flipping burgers after school is earning this type.
- PASSIVE INCOME:** Often confused with unearned income, but it has a nuance — it usually requires some upfront effort or investment, then generates ongoing income with minimal continued work. Renting out a property, earning royalties from a song or book, or...
- SELF-EMPLOYED-BUSINESS INCOME:** Is someone who owns their own business and acts as their own boss. They make their own hours and have all of the ups and downs of owning a business.

**EARNED INCOME**

**EARNING PATHS: IT'S NOT JUST HOW MUCH, BUT HOW.**

How you earn money matters just as much as how much you earn. The same \$50,000 salary looks very different depending on whether you're an employee, independent contractor, or business owner.

**PATH 1: EMPLOYEE**

An employee works for a company and receives a regular paycheck. The employer controls when, where, and how the work gets done.

**PATH 2: INDEPENDENT CONTRACTOR (Freelancer/Gig Worker)**

An independent contractor is self-employed but works for clients rather than building a full business. They control how the work gets done but don't have a traditional boss.

**PATH 3: BUSINESS OWNER (ENTREPRENEUR)**

A business owner creates a business and employs others. They earn income from the business — not just from their own labor.

**WHICH EARNING PATH IS BEST FOR YOU?**

Read each scenario and decide which earning path the person is using, then select the correct path.

**EMPLOYEE:** Works for a company or an individual and receives a paycheck.

**CONTRACTOR:** Works for themselves and gets paid for specific jobs or gigs.

**BUSINESS OWNER:** Starts their own business and employs others.

**THE TAX REALITY**

Students often only look at salary — but benefits can be worth \$10,000–\$20,000 per year in additional compensation. Employees often take these for granted.

**HEALTH INSURANCE:** Employers often cover 70–80% of the premium. On your own, a plan can cost \$300–\$500/month.

**401k MATCH:** If an employer matches 3% of your salary, that's free money. On a \$40,000 salary, that's \$1,200/year added to your retirement.

**PAID TIME OFF (PTO):** Two weeks of paid vacation on a \$40,000 salary is worth about \$1,538 — a contractor doesn't get paid when they don't work.

**SAFETY NET:** Workers' Compensation & Unemployment Insurance. Employees are protected. Contractors and business owners are not.

**W-2 RELATIONSHIP:** If you receive a W-2, what does that tell you about your relationship with the person or company that paid you?

**1099 REALITY CHECK:** A contractor receives a 1099 showing \$60,000 in earnings. Should they expect to keep all \$60,000? Why or why not?

**THE BENEFITS BLIND SPOT:** Why do you think many young people overlook benefits when evaluating a job offer?

**GROSS vs. NET INCOME:** What are some things that get subtracted between gross income and net income?

**KEY VOCABULARY**

- TAX FORMS:** W-2: Tax form employees receive showing wages and taxes withheld. 1099: Tax form independent contractors receive showing payments made (no taxes withheld).
- INCOME & TAXES:** Gross Income: Total earnings before taxes and deductions. Net Income: What you actually take home after taxes. Self-Employment Tax: The 15.3% Social Security and Medicare tax paid entirely by contractors/owners. Tax Deduction: An expense that reduces the amount of income that is taxed.
- BUSINESS CONCEPTS:** Benefits Package: Non-wage compensation (insurance, retirement, PTO). Cash Flow: The movement of money in and out of a business. Equity: The ownership value built up in a business over time.

**BENEFITS: THE HIDDEN PART OF COMPENSATION**

Students often only look at salary — but benefits can be worth \$10,000–\$20,000 per year in additional compensation. Employees often take these for granted.

**EVEN IF YOU CHOOSE YOUR CASH FLOW!**

Choose Your Earning Path!

**2. Most Cash Which path can make you**

**3. Tax Bite: Why do freelancers pay more taxes than employees?**

**4. The Content Creator:** Devos started a YouTube channel reviewing video games. He now has 50,000 subscribers and earns money every month from ads that play on his videos — even on videos he posted two years ago.

**5. The Side Hustle:** Brianna is great at doing nails. She charges her classmates \$25 for a full set every weekend out of her bedroom. She sets her own hours and doesn't have a boss.

**6. Interest Income:** earnings paid by a bank for holding an account.

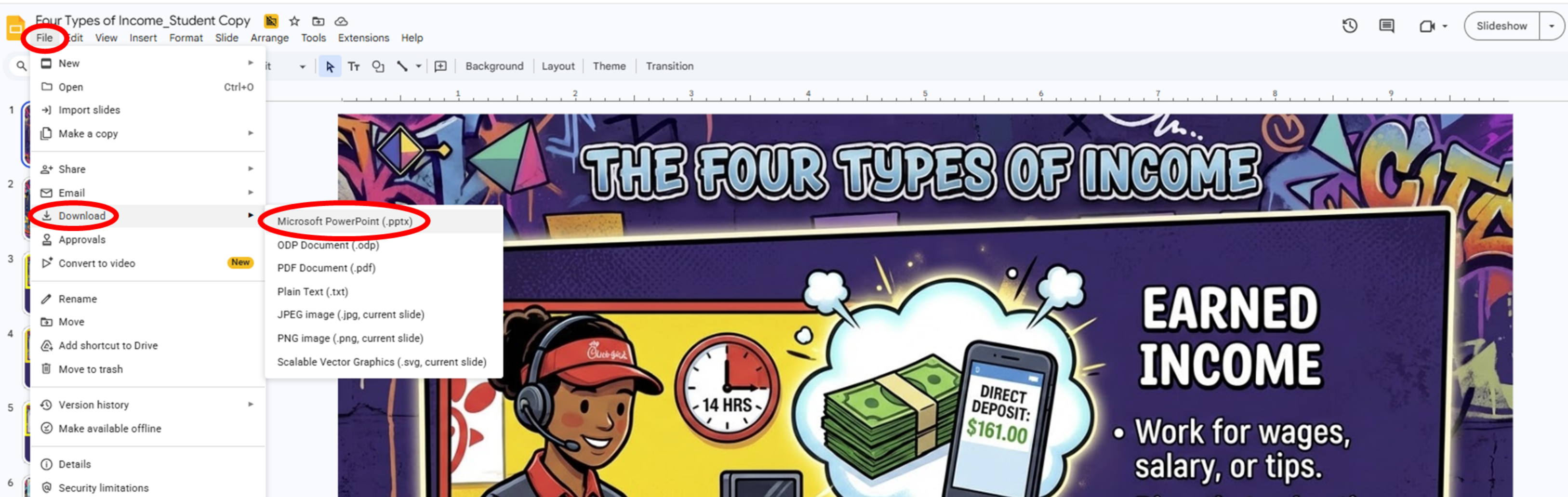
**3. The Stock Market Bet:** Specify the type of income for each scenario... Aaliyah's parents opened a custodial investment account for her birthday. She bought shares of Nike at \$85 each, and after six months, she sold them for \$110 each.

**2. The Weekend Shift:** Specify the type of income for each scenario... Jordan works at Chick-fil-A every Saturday and Sunday and earns \$11.50 per hour. Last weekend she worked 14 hours and received a direct deposit into her bank account.

**2. The Landlord Move:** Specify the type of income for each scenario... Marcus's grandfather passed away and left him a small house. Marcus decides to rent it out to a family for \$800.

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# How to **EASILY** Convert from Google Slides format to PowerPoint .pptx



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**Hi! My name is Denise Leigh. I have been teaching Business Education for over 25 years! I love collaborating with business educators all over the world. I am a 2022 Pennsylvania Teacher of the Year Finalist and relentless lifetime learner and lover of everything education. Engaging students and connecting them to their world is my jam!  
Thank you for exploring my resources and sharing my passion for BUSINESS EDUCATION!**

Denise Leigh is an expert on student-led instruction. She was featured on CBS Pittsburgh for her City Collaborative™ Project-Based Business Education (PBL) Classroom.

