

Total Cents Podcast Lesson 7

Break the News About Taxes

Topic Overview

In order to ensure a successful financial future, it is imperative to help your kids understand taxes. As a financial advisor, I often observe how even my adult clients forget to account for taxes in their own planning. During this discussion, you'll teach your child what taxes are as well as the different types of taxes they will pay in adulthood.

Things to have handy:

*Print out of your town's budget
(Board of Finance)*



Your Intro Discussion With Them

Tonight, we're going to talk about taxes. If you understand this one financial concept, it will really help guide your decision-making later in life. When it comes to your income and investments, remember that it's not just about what you make—it's what you keep.

Step 1

Go BIG picture

What are the costs that go into maintaining some of the public facilities that we use like schools?

- Books, computers, teachers and administrators salaries, heat/air conditioning, water, cleaning, painting, fixing the roof, mowing the lawns—the list could go on forever.

Ask your kids about the last time they visited a local playground, beach, or national park; used the library or a soccer field; Really let them build up the memory and share the experience with you about why they enjoyed their time there.

What are taxes?

- a charge, usually of money, imposed by an authority on persons or property for public purposes.

Step 2

Put it in real world context

Pull your town's budget. How much do you think a town spends on public services in the course of the year?

Total Anywhere USA 2020 Budget:
\$210,000,000

- Education: \$128,000,000
- Town: \$76,000,000
- Public Safety: \$22,000,000
- Parks and Recreation: \$6,000,000
- Public Works: \$11,000,000
- Human Services: \$1,000,000
- Other: \$6,000,000

Step 3

Ask the hard-hitting questions

Do taxes pay for that?

- While their skate park and baseball field are financially supported by taxes, the local supermarket or McDonald's are not. Having said that, the supermarket and McDonald's certainly pay their fair share of taxes.

Step 4

Know what your taxes pay for

What Types of Taxes Are There? Stick to three main types.

INCOME TAX: This is the amount of money that comes out of each of your paychecks to cover the tax you owe at your tax rate.

Income Level and tax rate

- 10% of the first \$0-9,700
- 12% of the amounts from \$9,701-39,475
- 22% of the amounts from \$39,476-84,200
- 24% of the amounts from \$84,201-160,725
- 32% of the amounts from \$160,726-204,100
- 35% of the amounts from \$204,101-510,300
- 37% of the amounts from \$510,301+

SALES TAX: This is the amount of money that is tacked on to your purchases at the store. For example, in Connecticut the sales tax is 6.35%.

PROPERTY TAX: This tax is usually thought of as applying to homes, but it also applies to cars, boats, and a host of other things.

Step 5

Controversy questions

Is it fair for us to minimize the taxes we pay?

If you can legally avoid paying some taxes, is it okay to do so?

Conversation Wrap Up

I think you've got enough of the gist for tonight. Depressing, but true: taxes are on everyone's mind almost 24-7 since they play such a big role in our finances.

As we said earlier, it's not always what you make, it's what you keep. Here's what we want you to keep in mind. It's important in life for everyone to put in their fair share.

In sound financial planning, we just try not to overpay. We pay our fair share, arranging our affairs while trying to keep our taxes as low as possible.

In short, "You must pay taxes. But there's no law that says you've gotta leave a tip."