Financial Literacy Academic Content Standards

6/12/2012

Financial Literacy

THEME: Financial literacy is defined as the ability to read, analyze, manage and communicate about the personal financial conditions that affect material well-being. It includes the ability to discern financial choices, discuss money and financial issues without (or despite) discomfort, plan for the future and respond competently to life events that affect every day financial decisions, including events in the general economy.

–*Report of the NASBE Commission on Financial and Investor Literacy*

TOPIC: ***Financial Responsibility/Decision Making*:**

In the US economy, personal financial decisions rest with the individual. Making responsible decisions related to goals for lifestyle and financial wants, fosters financial success and security.

Content Statements:

1. Financial responsibility entails being accountable for managing money in order to satisfy one's current and future economic choices.
2. Financial responsibility involves life-long decision-making strategies which include consideration of alternatives and consequences.

TOPIC*: Income and Careers*:

Career choices impact earning potential. Many factors, including a sound work ethic, educational level, skills and experiences, affect gross income. Decisions related to benefits, deductions, retirement, investments, etc. affect net income.

Content Statements:

3. Competencies (knowledge and skills), commitment (motivation and enthusiasm), training, work ethic, abilities and attitude are all factors impacting one's earning potential.
4. Income sources include job earnings and benefits, business earnings, saving and investment earnings, government payments, grants, inheritances, etc.
5. Taxes, retirement, insurance, employment benefits, and both voluntary and involuntary deductions impact take-home pay.

TOPIC: ***Planning and Money Management*****:**

A disciplined personal financial plan is a critical component for financial success. Financial institutions and professionals provide services, expertise and guidance in developing and implementing one's financial plan.

Content Statements:

6. Financial responsibility includes the development of a spending and savings plan (personal budget).
7. Financial literacy includes a decision-making strategy on purchasing.
8. Financial institutions offer a variety of products and services to address financial responsibility.
9. Financial experts provide guidance and advice on a wide variety of financial issues.
10. Planning for and paying local, state and federal taxes is a financial responsibility.

TOPIC: ***Consumerism*****:**

Informed purchasing decisions are essential for responsible financial management. Limited protections against some consumer fraud exist in government regulatory agencies and laws. Ultimately, consumers must be informed and vigilant when making purchasing decisions.

Content Statements:

11. Consumerism choices consistent with one's financial plan including decision-making strategies on purchasing.
12. Consumer advocates, organizations and regulations provide important information and help protect against potential consumer fraud.
13. Utilizing financial services and risk management tools, and interpreting and comparing consumer lending statements, terms and conditions enable one to be an informed consumer.
14. Consumer protections laws help safeguard individuals from fraud and potential loss.
15. Planned purchasing decisions factor in direct (price) and indirect costs (e.g. sales/use tax, excise tax, shipping, handling, and delivery charges, etc.).

TOPIC: ***Investing*****:**

The goal of financial management is to increase one's net worth. Investing, through a variety of options, is one way to build wealth and increase financial security. Many factors impact investment and retirement plans, including government regulations and global economic and environmental conditions, etc.

Content Statements:

16. Using key investing principles one can achieve the goal of increasing net worth.
17. Investment strategies must take several factors into consideration including the time horizon of the investment, the degree of diversification, the investor's risk tolerance, how the assets are selected and allocated, product costs, fees, tax implications and the time value of money.
18. Government agencies are charged with regulating providers of financial services to help protect investors.

TOPIC: *Credit/Debt:*

Responsible use of credit is one tool to help achieve financial and lifestyle goals. To successfully advance through financial life stages, a consumer must create, establish and maintain credit worthiness. Disciplined consumers borrow within their means at favorable terms and responsibly repay debt.

Content Statements:

19. Credit is a contractual agreement in which a borrower receives something of value now and agrees to repay to lender at some later date.
20. Debt is an obligation owed by one party to a second party.
21. Effectively balancing credit and debt helps one achieve some short and long-term goals.
22. Financial documents and contractual obligations inform the consumer and define the terms and conditions of establishing credit and incurring debt.
23. Credit and debt affect tax obligations.

TOPIC: *Risk Management and Insurance*:

As individuals accumulate-net worth and establish a standard of living, they assume the risk of loss of income and assets. Use of a risk management plan mitigates the potential loss of income and personal net worth and also safeguards personal identity. Risk management products and strategies change over one's life span.

Content Statements:

24. A risk management plan can protect consumers from the potential loss of personal and/or business assets or income.
25. Safeguards exist that help protect one's identity.
26. Diversification of assets is one way to manage risk.
27. A comprehensive insurance plan (health, life, disability, auto, homeowners, renters, liability, etc.) serves as a safeguard against potential loss.

Effective date: Nov. 1, 2010

Financial Literacy for the Middle Grades

When a youth reaches the early teens, the possibility of **working** and **earning money** becomes a reality. Getting **that first job** and **learning the skills** needed to be successful as a good employee are critical to success in later life. The **work ethic** one develops will go a long way toward developing the habits of mind that translate into economic success in later years.

Young workers quickly learn the **connection between working and earning**. They learn that not everything they earn from working will go home as the **difference between gross income and net income** is realized. They also learn that the more **skilled and better educated** workers generally earn higher incomes. Hence, they see the **connection between learning and earning** and seeking a career track that fits their **wants and talents**.

As **a consumer**, the youth learns the difference between **goods and services**. **Markets** are created when **buyers and sellers** interact to exchange the goods and services as created by **producers.** They quickly learn the difference between **spending** all of their income or **saving** a portion of their income for future use. In so doing, they learn that **role of banks** is to provide a place for workers and earners to become **savers and investors** by utilizing basic banking tools such as **checking accounts** and **savings accounts**.

When they open their first checking accounts, young workers realize the importance of **reconciling** their financial transactions to maintain some sense of **financial responsibility**. With all the new financial tools available such as **ATM** cards to access available funds and **debit cards** to immediately utilize monies, it becomes critical that sound personal financial responsibility is exercised.

As consumers, young teens must make **informed financial decisions** weighing both the **benefits** and **costs** of every choice and understanding that for every choice selected, there is an **opportunity cost** for the next best alternative. Personal **budgets,** even basic plans about how one spends and/or saves income from jobs, are critical to becoming financially responsible.

Understanding the **different kinds of costs (i.e. fixed, variable and periodic**) and when they come due allows one to project available **discretionary income** that can be used for leisure time activities or other personal wants.

Realizing that as a responsible consumer, it is necessary to include in one's budget a plan for paying bills, either in person, by check or through electronic transaction, knowing how and when to do that establishes an individual as a **fiscally responsible** person. Understanding how **interest rates affect both savings and credit** goes a long way toward achieving financial competency. Likewise, understanding the role that **taxes** play in our society and the different kind of taxes (e.g. sales, income, property, luxury, excise) that serve different roles strengthens one's financial competency.

Financial Literacy for the Middle Grades

1. Working and Earning;
    a. Getting that first job
    b. Skills vs. Interests
    c. Good work ethic
    d. Knowing the difference between a wage and a salary
        i. Gross vs. net income
    e. Workers and Earners
    f. Income vs. expense
2. Understanding the difference between Cash and Credit
    a. How does Interest work?
    b. How does credit work?
3. What are Goods and Services?
    a. The role of a Market
    b. Producers and Consumers
    c. Buyers and Sellers
4. Banking Basics
    a. Spending vs. saving
    b. How do savings accounts work?
        i. How does interest grow my savings?
        ii. Savers and Investors
    c. How do checking accounts work?
        i. What do you mean – reconcile?
    d. Other banking tools:
        i. Debit Cards, ATM Cards, Electronic Banking
5. Economic Decision-Making
    a. Opportunity Costs
    b. Weighing costs vs. benefits
6. What is a Budget?
    a. Fixed Costs
    b. Variable Costs
    c. Periodic Costs
    d. Discretionary Income
7. Paying Bills
    a. Installment loans
    b. Electronic payments
    c. Automatic payments
8. The role of taxes
    a. Sales tax
    b. Income tax
    c. Property tax
    d. Luxury/entertainment tax
    e. Excise tax