



pennsylvania
DEPARTMENT OF EDUCATION

Testimony
House Education Committee

Financial Literacy

October 6, 2014

Chairman Clymer, Chairman Roebuck, members of the House Education Committee, thank you for the opportunity to submit comments regarding financial literacy. Along with the Governor, the Department of Education believes that every Pennsylvania student should graduate from high school equipped with the skills necessary to maintain sound financial practices in adulthood.

The department's commitment to financial literacy and financial education is long standing and has continued to grow over the past decade. Governor Corbett's commitment is evident in the fact that the department has committed dedicated resources and funding to support financial literacy initiatives. Please allow me to briefly describe some of these endeavors.

Financial Literacy Initiatives of the Department of Education

- **The Making Cents Project** – The department has partnered with the Pennsylvania State University since January 2012 to provide financial literacy resources to schools and teachers throughout Pennsylvania through the “Making Cents Project.” The project consists of multiple components including the regular distribution of information on financial education topics through electronic communication, online professional development programs, and the development of model financial education curriculum resources.
 - *Regular Communication* – Thirteen “Making Cents of Financial Literacy and Economic Education” communications have been sent to a distribution list of over 4,500 educator email addresses. These communications feature curriculum resources, content information, professional development opportunities, and reports on financial literacy. An additional three communications will be sent this school year.
 - *Professional Development* – The department has provided 28 financial literacy webinars for teachers. Each of the 90-minute afterschool and evening programs provides teachers with content information, curriculum resources, and professional tools to support the teaching of personal finance topics from Pre-Kindergarten through grade 12. An additional 12 webinars will be offered this school year.
 - *Model Financial Education Curriculum* – The department has worked with teachers from across the state to develop a model personal finance curriculum and associated instructional framework. The model curriculum and framework provide a guide for school districts by identifying the long-term transfer goals, big ideas, core concepts, and competencies of personal finance for grades Pre-Kindergarten through grade 12. The curriculum is aligned to the Pennsylvania academic standards in economics; family and consumer science; career education and work and business, computer, and information technology. The materials are being integrated with the department's Standards Aligned System website and will be featured at the Standards Aligned System Institute this December.
- **Academic Standards for Business, Computer and Information Technology** – Pursuant to section 17 of Act 104 of 2010, 24 P.S. § 15-1552, the department convened a committee of teachers to develop academic standards for business, computer, and information technology. These standards were issued in April 2012 and can be found on

the department's Standards Aligned System website. The standards provide targets for instruction and student learning in nine areas including finance and economics.

- **Partnership with the Office of Financial Education** – The department partnered extensively with the state's Office of Financial Education (Office) throughout its seven years in existence (2004 through 2011) at the Department of Banking and Securities. Most notably, the department worked collaboratively with the Office to offer the Governor's Institute on Financial Education each summer from 2005 through 2011. This program provided an entire week's worth of in-person professional development for over 500 teachers. In addition, Ripple Effect Awards were issued to teachers for their excellence in furthering financial education in their schools and communities. From 2006 through 2011, the two departments maintained a partnership providing an office in each agency for the Office's school-based financial education specialist.
- **Pennsylvania JumpStart Coalition** – The department was instrumental in the 2000 formation of the Pennsylvania JumpStart Coalition, an organization dedicated to promoting youth literacy. The department has continued its involvement with the coalition in the years since.

In addition to the initiatives outlined above, the department issued a report to the legislature in April 2013 entitled "Economic and Personal Finance Education in Pennsylvania." This report, offered in conjunction with the Department of Banking and Securities, provides information on a number of findings of the department along with the identification of both state and local challenges facing financial literacy efforts. As part of the report, the department also made four recommendations for action, research, and dialogue.

The department encourages the committee to review this report. Enclosed is a copy for your review. The report is also available on the department's website. As called for in Act 104 of 2010, this is a biennial report and, as such, the next report will be issued this coming spring.

The department thanks you for allowing us to share these initiatives and findings with you and looks forward to working together to help provide the best financial education experience we can to Pennsylvania's students.



Pennsylvania Teacher Comments in Support of Financial Education in Schools*

As educators we are to make sure that our students become productive citizens. It is therefore inherent that we give them the knowledge about finances so that they are able to make wise, informed decisions in their lives. The current state of our economy speaks volumes as to the need for financial literacy among our population.

Most of seniors that do not take a personal finance course say they wish they would have had one... especially as they see the importance of spending plans and credit card debt.

Since attending the Governor's Institute on Financial Education in the summer of 2011 and teaching personal finance at my school as a new course for the 2011-12 school year, I can see the importance of personal finance for our young people. There is so much vital information and these topics are real-life lessons that they will need every day. Throughout the year, I was amazed at just how much these young students did not know about these everyday concerns. I believe that having personal finance be a required course would greatly benefit our youth, our future generations and our nation.

I teach personal finance at Palmerton Area High School. Our course is an elective and roughly only 50% of our students will take the class by the time they graduate. That number should be 100%. Our neighbor state NJ has made it mandatory that starting with the freshman class of 2012 that ALL students take a personal finance course for a state graduation requirement. I encourage PA to follow suit.

It is so important because the example of the state of our current economy is the very reason why students need to be informed. If we are to prepare them for the "real" world, personal finance needs to be taught. I can't tell you how many people from all ages tell me that my school is offering the mandatory class that they wish they had when they were in school. Preparation for the future is what we need to do to help students with the best resources as possible for success.

Out of all of the subjects I teach at my high school, and have taught for the past 25 years, personal finance is by far the subject I have had the most students return to thank me... that it has helped them establish their independence more than any other subject area!

PA students, for the most part, don't have a clue about basic financial education. Whether the concept is managing a checking account, saving for college, or buying a car, PA students don't have the background knowledge to make wise decisions. However, until financial education components appear as a component of a PSSA exam or a Keystone exam, school districts will not be enticed to engage in financial education because it is "not on the test."

My district does already have a FCS program in place that teaches personal finance to all of our students before graduation. This program has had very positive feedback from students and parents.

Having taught short personal finance courses, I have come to realize how much students do not know about the basics of personal finance to live after high school. I am also a professional tax preparer and see so many clients who make poor financial decisions regarding retirement accounts and other financial decisions that cost them unnecessary expenses. As a whole, we need to educate the population and where better to begin than in the high school. At least give these students the tools to know where to get information when they need it.

Pennsylvania students should learn about personal finance in school because many students do not learn about it at home, either in word or in deed. If our goal as teachers is to best prepare our students for success in the "real world", then financial education is absolutely one of the smartest places to start.

Especially with our present economic situation, it is imperative that the students today have personal finance skills. These students need to plan for their future and retirements. In addition, Pennsylvania is one of 22 remaining states that DOES NOT have a personal finance requirement for our students. PA needs to be proactive with our students' knowledge and opportunity for financial success.

Pennsylvania students should be educated about personal finance. It is relevant and meaningful for them to succeed in life. If we want them to go out after high school and become productive and responsible members of society then we need to give them the necessary tools to do so.

I have students tell me in the community all the time how valuable the course has been that they took with me.

There has never been a more relevant time in history to teach personal finance. It has not been taught in the past, and we can see the results today.

Schools have an obligation to help their students be productive and successful. Financial education will help students make prudent financially savvy choices. This will be better for them and for society.

Personal finance is necessary in schools because studies show that students are not knowledgeable on money and finance. Like many things, students are no longer taught to manage money by their parents and the schools need to address this need. Also, the change from a cash society to a credit and electronic banking society has made it difficult for parents to be educated and thus to educate their children. The complexities of much of the financial world are more than the average person can understand and/or keep up on. Schools can lay the ground work for students to be life-long learners in the financial arena.

Students should learn about personal finance in school because we can't count on students to learn about it at home. In addition, the push these days towards improving PSSA scores has left personal finance education in school lost in the wind. I have personally seen this in my own school district. When one of our former math teachers retired, we no longer had a consumer math class. All math classes were dedicated to PSSA math. This school year is the first time in about 6 years that we will have a personal finance class, and I'm proud to be that teacher to do so. I'm thankful that my district heard my concerns that students don't have a clue on how to even balance a checkbook.

I believe it is extremely important! In fact, I believe that it is more important that the majority of students learn and master personal finance than geometry and/or Algebra II. Most students will not use geometry or Algebra II after those classes are over, but all students will continue to use personal finance skills throughout their lifetime!

Given the current state of the economy, it would be a shame not to better equip our students as consumers and voters.

One fundamental principle of teaching is to show how the material is meaningful for the learner. Financial education has to be one of the most meaningful subject areas. It is necessary for the financial success of an individual. Students may not be supplied with the tools at home, therefore it should be taught at school not only for the sake of the individual but for the financial wellbeing of the community.

Other states have passed a mandatory personal finance course, we should too!

The topics covered in a personal finance course are of a far more practical nature than most of what is taught in a traditional high school. The skills and knowledge gained by learning personal finance can be applied on a daily basis throughout life. Students are better equipped to make sound decisions when faced with the myriad of financial issues they will encounter during their lifetime. The same cannot be said for many other classes taught in high school.

Since it is the mission of most schools to prepare students for responsible citizenship, it makes sense to have the students learn about personal finance because being financially responsible is a very basic foundational tool for being a responsible citizen. Also, it cannot be assumed that students are learning about personal finance in their homes. Many parents are not financially responsible and many parents don't talk to their children about finances.

Too many people have gotten into financial difficulties because they never learned or thought about the basics. My students appreciate the head start I give them on their financial futures. At the same time, a lot of our country's difficulties appear to be tied into the failure of our legislature to follow the personal financial procedures successful individuals do.

I believe that students need to be able to survive in today's world. Personal finance is about the things in their life. What better place than the public schools to learn this. In the old days, we were taught financial education in school to some extent, but we also learned many of these things at home. Nowadays it seems that kids don't seem to get it at home or at school. We need to focus again on things that make education practical.

**Teacher comments were compiled from program evaluation responses of participants attending the Governor's Institutes on Financial Education from 2006-2011.*

Business Education: Content Knowledge (0101)

Test at a Glance

Test Name	Business Education: Content Knowledge		
Test Code	0101		
Time	2 hours		
Number of Questions	120		
Format	Multiple-choice questions		
	Content Categories	Approximate Number of Questions	Approximate Percentage of Examination
	I. Accounting and Finance	18	15%
	II. Communication and Career Development	18	15%
	III. Economics	12	10%
	IV. Entrepreneurship	12	10%
	V. Information Technology	18	15%
	VI. Law and International Business	18	15%
	VII. Marketing and Management	12	10%
	VIII. Professional Business Education	12	10%

About This Test

The Praxis Business Education: Content Knowledge test is intended primarily for persons planning to teach in business education programs. The test concentrates on the core of knowledge and cognitive skills common to all business teachers, including content that contributes to general business and economic literacy. Also included are questions about business education in general and questions about areas of specialization within business education. An examinee planning to take this test should be prepared to encounter ethical and technological concepts as well as emerging trends and issues. Because of the variations among business education programs, some questions may refer to areas you may not have studied. Therefore, no one is expected to answer all of the questions on the test correctly. In addition, this test may contain some questions that do not count toward your score.

In general, the topics concern areas broadly defined as business and economic literacy; professional business education, including knowledge, comprehension, and application of pedagogical techniques; and business specialization, including specific background and application knowledge considered essential for a business education teacher. The examination is typically taken by examinees who have completed a bachelor's degree program in education with appropriate coursework in business education. Examinees will be allowed to use a calculator during the examination; however, calculators with QWERTY keyboards will not be allowed.

Topics Covered

Representative descriptions of topics covered in each category are provided below.

I. Accounting and Finance

- Accounting: the accounting cycle, the accounting process, and the interpretation and use of financial statements
- Personal and Business Finance: savings and investments; managing: credit, finances, and risks; financial institutions

II. Communication and Career Development

- Foundations of Communication: barriers, techniques, and skills
- Written and Oral Communications: letters, memos, email, presentations, reports
- Employment Communication: résumés, applications, interview techniques and tools
- Career Research: evaluating occupational interests and using career research tools and resources

III. Economics

- Allocation of Resources: supply and demand, opportunity cost, scarcity, factors of production, etc.
- Economic Systems: free enterprise, market vs. command economies, mixed economies
- Market Structures: monopolies, oligopolies, competition, the effect of the structures on pricing and the quality of goods and services
- Role of Government: fiscal policies, taxation; monetary policies, banking regulations
- Economic Indicators: growth, productivity, employment, the business cycle

IV. Entrepreneurship

- Characteristics
- Entrepreneurial opportunities
- Forms of Ownership: sole proprietorship, partnership, corporation
- Business Plans: components and rationale

V. Information Technology

- Operations and Concepts: hardware, software, networking, operating environments, file management, security
- Human Factors: ergonomics, workflow, physical design/layout
- Technology Tools:
 - Communication (e.g., telecommunications, Internet, netiquette)
 - Research (e.g., Internet usage, search strategies, databases)
 - Problem solving and decision-making using applications (e.g., word processing, multimedia, spreadsheet, database, desktop publishing, Web design, programming, collaborative software)

VI. Law and International Business

- Foundations of International Business: role and impact
- International Business Environment: social, cultural, political, legal, and economic factors; and the impact of a country's infrastructure
- Trade Relations: imports and exports; trade barriers, trade agreements, and balance of trade
- Contract Law
- Consumer Law
- Computer Law: copyright, intellectual property, privacy/security
- United States court system

VII. Marketing and Management

- Marketing: marketing principles, marketing mix, and consumer behavior
- Management: management functions and human resources

VIII. Professional Business Education

- Professional Business Education Organizations
 - Student organizations and the role of the advisor
 - Teacher organizations and the importance of staying actively involved in the profession
- Career and Technical Education Legislation (e.g., Carl Perkins)
- School and Community Relationships
 - Advisory committees
 - Student recruitment
 - Involvement of business community
- Mission and Objectives of the Business Education Program
- Work-based Learning
 - School-based enterprises
 - Internships
 - Mentorship
 - Cooperative education
 - Job shadowing

Sample Test Questions

The sample questions that follow illustrate the kinds of questions in the test. They are not, however, representative of the entire scope of the test in either content or difficulty. Answers with explanations follow the questions.

Directions: Each of the questions or statements below is followed by four suggested answers or completions. Select the one that is best in each case.

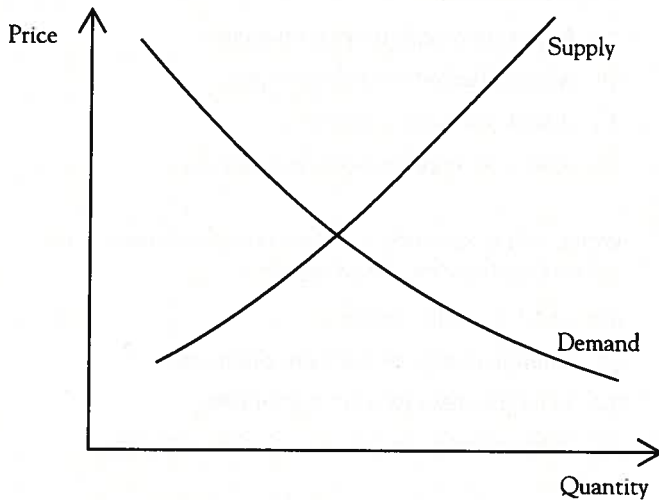
- Which of the following actions by the Federal Reserve System would be most likely to increase consumer spending?
 - Increasing the discount rate to member banks
 - Decreasing the discount rate to member banks
 - Selling large amounts of government securities
 - Keeping reserve requirements of member banks constant
- The total retail market value of all the goods and services produced in a nation, usually stated in annual terms, is the
 - ratio of profit to sales
 - current ratio
 - gross domestic product
 - trade surplus
- An important source of information on the credit rating of retail businesses is
 - the Retail Merchants Association
 - the local chamber of commerce
 - Dun & Bradstreet, Inc.
 - the United States Retail Credit Association
- Which of the following is the government regulator for all securities firms operating in the United States?
 - Federal Trade Commission
 - Federal Deposit Insurance Corporation
 - Federal Reserve Board
 - Financial Industry Regulatory Authority
- An accounts payable entry appears in the
 - asset section of the balance sheet
 - liability section of the balance sheet
 - cost of goods sold section of the income statement
 - operating expense section of the income statement
- Which of the following best describes the situation after the price is raised on a product that has an inelastic demand?
 - The quantity demanded will not change.
 - The quantity demanded will increase.
 - Total revenue will decrease.
 - Total revenue will not change.
- If one party to a contract is forced to sign, the contract is defined as
 - enforceable
 - executory
 - unilateral
 - voidable
- Which of the following defenses may NOT be used to legally avoid payment on a negotiable instrument?
 - Breach of contract
 - Diminished economic resources
 - Fraud in the inducement
 - Mental incapacity
- Which of the following prescribes standards for wages and overtime pay that affect most private and public employment?
 - The Employee Retirement Income Security Act
 - The American Recovery and Reinvestment Act
 - The Fair Labor Standards Act
 - The Federal Employees' Compensation Act

10. When Corporation X pays out \$300,000 in salaries, which of the following is the impact on assets and liabilities?
- (A) Salary expense is increased by \$300,000; Cash is increased by \$300,000
 - (B) Salary expense is increased by \$300,000; Cash is decreased by \$300,000
 - (C) Salary expense is decreased by \$300,000; Cash is increased by \$300,000
 - (D) Salary expense is decreased by \$300,000; Cash is decreased by \$300,000
11. What is the most likely impact of an increase in interest rates?
- (A) Investment levels diminish
 - (B) Employment increases
 - (C) The value of the US dollar decreases
 - (D) Mortgage rates decline
12. Which of the following best describes an entrepreneurial opportunity?
- (A) Sales representative for a small biotech firm
 - (B) Marketing manager for a new product about to be launched
 - (C) Head accountant in a newly franchised business
 - (D) Owner of a small Internet start-up
13. Jacques, Hedwig, and Reyes want to form a business entity through which they can raise capital by selling equity shares to the public. Which of the following business structures should they adopt?
- (A) LLC
 - (B) PC
 - (C) Corporation
 - (D) LLP
14. What is the fundamental basis of competition in a market with poorly differentiated products?
- (A) Promotion
 - (B) Product placement
 - (C) Price
 - (D) Value proposition
15. Which of the following protocols is used to transport HTML pages from Web servers to Web browsers?
- (A) BOOTP
 - (B) HTTP
 - (C) SNMP
 - (D) SMTP
16. Which of the following protocols is usually associated with hyperinflation?
- (A) A rapid decrease in total spending
 - (B) A rapid increase in money supply
 - (C) A slow increase in exports
 - (D) A slow increase in labor productivity
17. Which of the following should a computer user do to prevent screen-induced eyestrain?
- (A) Use eye drops regularly
 - (B) Change choice of software programs
 - (C) Limit the resolution on the monitor
 - (D) Take periodic breaks to view natural lighting
18. When preparing a presentation, which of the following might make data-heavy text more reader friendly?
- (A) Providing an overview of data
 - (B) Using italics on numbers
 - (C) Using double-spacing for all text
 - (D) Including relevant graphics with text
19. Which of the following is the best source of objective information about a prospective employer that is publicly traded?
- (A) Annual reports
 - (B) Press releases
 - (C) Newspaper articles
 - (D) 10-K filings with the SEC

20. Which of the following would be provided in the marketing segment of a business plan?
- (A) How the products and services will be priced
 - (B) The organizational structure of the business
 - (C) Any factors that could affect employee retention
 - (D) The details of the budget plan

23. Verbal cues can help an audience determine which of the following during a speech?
- (A) Experience
 - (B) Influence
 - (C) Power
 - (D) Responsiveness

Questions 21–22 relate to the graph below.



24. A major difference between a general business education program and the capstone in a cooperative education program is that the capstone does NOT provide students with which of the following?
- (A) Instruction in personality development
 - (B) Information about community awareness
 - (C) Introduction to a variety of career fields
 - (D) Preparation of technical skills

21. An increase in the price of leather and a simultaneous increase in consumers' incomes will most likely have which of the following effects on the equilibrium price and quantity of leather garments?

<u>Price</u>	<u>Quantity</u>
(A) Increase	Increase
(B) Increase	Indeterminate
(C) Indeterminate	Decrease
(D) Decrease	Decrease

22. If the government places a price ceiling on leather garments that is below the equilibrium price, which of the following will occur in the market for leather garments?
- (A) There will be a shortage.
 - (B) There will be a surplus.
 - (C) The demand curve for leather garments will shift leftward.
 - (D) The supply curve for leather garments will shift rightward.

Answers

1. The correct answer is B. A reduction in the discount rate, the rate commercial banks are charged to borrow money from the Federal Reserve, encourages banks to lend money, promoting consumer spending.

2. Choice C is the correct answer. Gross domestic product can be defined as the total market value of all final goods and services produced by factors of production located within a country, regardless of who owns them.

3. The correct answer is C. One of the primary services of Dun & Bradstreet, Inc., is to provide credit information on businesses. Choices A, B, and D are organizations made up of member firms with common interests.

4. The correct answer is D. The Financial Industry Regulatory Authority is the regulator for all securities firms operating in the United States.

5. Accounts payable shows the amount owed to a creditor for goods or services bought on credit. Therefore, choice B is the correct answer.

6. The correct answer is A. Choice B is incorrect because an increase in the price of a product that has an inelastic demand will not cause a change in the quantity demanded. Total revenue will increase if the price is raised on a product that has an inelastic demand. Therefore choices C and D are incorrect.

7. The correct answer is D. A forced agreement is not a genuine agreement. The contract is voidable due to duress.

8. The correct answer is B. A lack of economic resources does not legally void the payment obligation on a negotiable instrument. Choices A, C, and D are legal reasons for nonpayment on a negotiable instrument.

9. The correct answer is C. The Fair Labor Standards Act (FLSA) prescribes standards for wages and overtime pay, which affect most private and public employment. The act is administered by the Wage and Hour Division of the Department of Labor. It requires employers to pay covered employees who are not otherwise exempt at least the federal minimum wage and overtime pay of one-and-one-half times the regular rate of pay.

10. The correct answer is B. The debit of \$300,000 to Salary expense increases Expenses; the credit of \$300,000 to Cash decreases Assets.

11. The correct answer is A. A rise in interest rates means an increase in the cost of borrowing, which can discourage investment. A rise in interest rates can cause employment to decline B, the value of the US dollar to decrease C, and mortgage rates to increase D.

12. The correct answer is D. Entrepreneurs are owners fully accountable for their business venture. The other opportunities, choices A, B, and C, relate to employees with predetermined responsibilities and compensation.

13. The correct answer is C. Of all business structures, only corporations can sell equity.

14. The correct answer is C. In a commodity market where products are close substitutes of each other, the only basis for competition is price.

15. The question tests your knowledge of information technology with respect to hypertext markup language (HTML). The bootstrap protocol (BOOTP) A is used to assign an IP address to diskless computers and tell it what server and file to load to provide it with an operating system. The simple network management protocol (SNMP) C is used to manage all types of network elements based on various data sent and received. The simple mail transfer protocol (SMTP) D is used to transport mail. The hypertext transfer protocol (HTTP) B is used to transport HTML pages from Web servers to Web browsers and is the protocol used to communicate between Web servers and Web browser software clients. Therefore, B is the correct answer.

16. Hyperinflation is caused by extremely rapid growth in the supply of money. It occurs when the monetary and fiscal authorities of a nation regularly issue large quantities of money to pay for a large stream of government expenditures. Therefore, the best response is B.

17. The correct answer is D. Looking at natural light is known to relieve eyestrain caused by pixilated images.

18. The correct answer is D. While additional formatting, choices A, B, and C, can improve readability, graphical presentation is often the most effective conveyor of data.

19. The correct answer is D. In annual 10-K filings, publicly traded companies are required by statute to report assets, liabilities, activities, and risks accurately. Sources such as annual reports, press releases, and newspaper articles can be biased and incomplete.

20. The correct answer is A. Pricing strategy is a part of the marketing segment. This segment would discuss how the products and services are priced. Choices B, C, and D are not a part of the marketing segment.

21. The correct answer is B, because an increase in the price of leather decreases the supply of leather garments, and an increase in incomes will increase the demand for leather garments, assuming leather garments are normal goods. These simultaneous shifts in the curves will result in an increase in price, but the effect on quantity is indeterminate and will depend on the extent of the shift of each curve.

22. The correct answer is A. The result of an effective price ceiling below the equilibrium price will be an excess of quantity demanded over quantity supplied, which will result in a shortage.

23. The question tests your knowledge of interpersonal communications. Verbal cues can be used to interpret the degree of a speaker's experience A. Visual cues may provide clues to a speaker's influence B, power C, or responsiveness D. The correct response, therefore, is A.

24. Choice D is the correct answer. Technical skills are not included in the capstone of a cooperative education program because this type of information is very occupation-specific and is not needed by the entire group. These skills are generally grouped by specific occupations and may be delivered to students in a general business education program as they explore different career fields.



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2012

Report and Recommendations

Pennsylvania Task Force on Economic Education
and Personal Financial Literacy Education

January 2013



REPORT AND RECOMMENDATIONS

by the Pa. Task Force on Economic Education and Personal Financial Literacy Education

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REPORT AND RECOMMENDATIONS

by the Pa. Task Force on Economic Education and Personal Financial Literacy Education

2. Task Force Members

The Task Force on Economic Education and Personal Financial Literacy Education members were appointed in July 2011 by the secretary of the Pennsylvania Department of Education, in consultation with the secretary of the Pennsylvania Department of Banking (now the Department of Banking and Securities), “representing school administrators, finance or economics teachers, school boards, students, business leaders, faculty from this commonwealth’s institutions of higher education having a background in or knowledge of personal financial literacy and other groups with expertise in financial literacy education.”

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Views expressed in this report are those of the individual member and do not necessarily represent those of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

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3. Executive Summary

The Pennsylvania Task Force on Economic Education and Personal Financial Literacy Education, established by Act 104 of 2010, spent fourteen months studying research, best practices and trends in financial education in order to formulate recommendations on how to improve financial education in Pennsylvania's schools. While acknowledging that financial education can and should begin at home, the Task Force found that most parents do not feel confident to teach these skills and overwhelmingly look to schools to help them in this regard. This report provides a summary of the Task Force's work and findings.

Key Findings

In researching the trends and needs in financial education, the Task Force found:

- Studies document there is growing support for teaching financial education in schools.
- Since the financial crisis, more states are adopting legislation that varies in the degree to which personal finance is taught and required for graduation.
- While many Pennsylvania high schools offer financial education, it is typically part of an elective course, and the personal finance content is often limited.
- Many states have developed their own K-12 academic standards for personal finance to provide a multi-grade approach to learning culminating with a capstone course at the high school level.
- There are a wide variety of free and low-cost curriculum materials from which schools can choose making the implementation of a financial education curriculum a no- to low-cost endeavor.
- Most teachers have not been trained to teach personal finance and would like more professional development to help them better understand the subject.
- More high school graduates entering college today are taking out student loans and acquiring substantial debt, yet most young people indicate they do not understand the student loan process or how to plan for college costs.

Recommendations

Current efforts to teach personal finance in Pennsylvania's public schools today are fragmented and inconsistent depending on which of the 500 school districts a student attends. To ensure that every student receives the instruction they need to make informed decisions about saving, spending, investing and protecting their money, the Task Force makes the following recommendations to Governor Corbett and the Pennsylvania General Assembly:

REPORT AND RECOMMENDATIONS

by the Pa. Task Force on Economic Education and Personal Financial Literacy Education

- Recommendation 1: Require every Pennsylvania high school student to complete a standalone capstone course on personal finance in order to graduate.
- Recommendation 2: Adopt comprehensive, standalone Pennsylvania K-12 academic standards devoted to personal finance.
- Recommendation 3: Provide dedicated funding to support high quality K-12 personal finance instruction and teacher training.
- Recommendation 4: Develop a financial education instructional endorsement for secondary teachers in Pennsylvania and corresponding program guidelines for professional educator programs.

4. Background

Task Force Responsibilities

Act 104 (formerly HB101, PN 4389) became law in November 2010 requiring the Pennsylvania Department of Education to provide resources to schools on economics and personal finance and to convene a Task Force on Economic Education and Personal Financial Literacy Education (Task Force) consisting of nine members appointed by the secretary of Education and the secretary of Banking.¹ They are charged with the following responsibilities:

- To assess the trends and needs in K-12 economic education and personal financial literacy;
- To consider the manner in which any funds are used to support economic education and personal financial literacy activities;
- To make recommendations to the governor and the General Assembly regarding legislative or regulatory changes to improve economic education and personal financial literacy, pursuant to the preparation and submittal of a biennial report submitted jointly by both secretaries.

Focus of Task Force

The first meeting of the Task Force was held on July 27, 2011 at which time the members elected a chairperson and established a timeline to meet the mandated November 2012 deadline as set by Act 104. Seven additional meetings were held and draft recommendations were submitted in November 2012 to Secretary of Education Ron Tomalis and Secretary of Banking and Securities Glenn Moyer. (See Appendix 10.1: Timeline and Discussion Topics for Task Force on Economic Education and Personal Financial Literacy Education.) These recommendations are to be included in a report that will be submitted to Governor Corbett and the

Pennsylvania General Assembly in early 2013 for their approval and action.

The Task Force realized early on in its meetings that it was necessary for them to focus their discussions on the area of financial literacy, and economics as it pertains to personal finance education. This was due in part because there already exists academic standards, curriculum and standalone courses in Pennsylvania devoted to economics. Moreover, from the perspective of the Task Force, the personal finance capabilities of the commonwealth's students were of particular concern, especially given the recent financial crisis and the overall inadequacies of personal financial education in Pennsylvania's schools.

Definition of Financial Literacy and Financial Education

To further clarify the work of the Task Force, we agreed to use the following definitions as defined by the President's Advisory Council on Financial Literacy. This group, convened in 2008 by President George W. Bush to "improve financial literacy among all Americans," defines financial literacy and financial education as:

- Financial literacy – the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being.
- Financial education – the process by which people improve their understanding of financial products, services and concepts, so they are empowered to make informed choices, avoid pitfalls, know where to go for help and take other actions to improve their present and long-term financial well-being.²

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The Jump\$tart Coalition for Personal Financial Literacy, a national nonprofit coalition of organizations dedicated to improving the financial literacy of pre-kindergarten through college-age youth, further explains that “financial literacy refers to an evolving state of competency that enables each individual to respond effectively to ever-changing personal and economic circumstances.”³ They believe that even though a high school graduate will not necessarily be able to exhibit the same degree of knowledge of personal finance as a financially literate older adult, they should know how to:

- Find, evaluate, and apply financial information
- Set financial goals and plan to achieve them
- Develop income-earning potential and the ability to save
- Use financial services effectively
- Meet financial obligations
- Build and protect wealth

Nationwide, private, public (including federal agencies) and nonprofit groups interested in financial education worked to create a national strategy to develop an overarching strategic framework that all organizations involved with

personal finance education, research, practice and policy could use to guide work and efforts for several years. This commission is known as FLEC – Financial Literacy and Education Commission. The strategy is outlined in “Promoting Financial Success in the United States: National Strategy for Financial Literacy 2011” and is available on www.mymoney.gov.⁴

The strategy identifies four goals:

- Increase awareness and access to effective financial education
- Determine and integrate core financial competencies
- Improve financial education infrastructure
- Identify, enhance and share effective practices

The five core competencies FLEC identified as ones all American consumers should know to make informed decisions about personal finance involve specific skills related to:

- Earning
- Spending
- Saving and investing
- Borrowing
- Protecting against risk

5. Reasons for Providing Financial Education in Pennsylvania Schools

“Financial education supports not only individual well-being, but also the economic health of our nation. Consumers who can make informed decisions about financial products and services not only serve their own best interests, but collectively, they also help promote broader economic stability.”

Federal Reserve Chairman Ben Bernanke speaking at Teacher Town Hall Meeting on Financial Education, August 7, 2012

The skills that our young people need in today’s society as they leave high school and enter the real world are very different than they were a generation ago. According to the Partnership for 21st Century Skills, schools today must support students in developing deep mastery of core academic subjects while also integrating 21st century interdisciplinary themes into these academic areas. These themes include financial, economic, business and entrepreneurial literacy. To support rigorous systemic reform in our schools, the Commonwealth of Pennsylvania requires all public school districts to submit comprehensive plans that incorporate 21st century skills using the Partnership for 21st Century Skills framework. To achieve this goal, it is important for leaders to address the compelling need for a unified and meaningful approach to financial literacy.⁵

Impact on Employers

As young Pennsylvanians enter the real world today they are facing an increasingly complicated and risky financial world where they are expected to make decisions about money that will impact the rest of their lives. But are they equipped to make those choices? The answer is often no—because they haven’t been taught the necessary skills. Even more alarming than their lack of financial knowledge is the fact that many young people are starting their new

lives in an extremely negative position having accumulated large amounts of debt from student loans and credit cards. This combination of financial illiteracy and debt will not only affect their future well-being, but will impact our commonwealth’s prosperity as well.

The Federal Reserve Bank of New York announced in its February 2012 quarterly report that student loan debt in the United States has soared to \$867 billion at the end of 2011, outpacing all other forms of personal debt including credit cards and auto loans.⁶ In Pennsylvania, college students today graduate with student loans amounting to over \$28,000⁷ and, on average, credit card debt totaling \$4,100.⁸ This means that they are starting out at the age of 21 with debt totaling over \$32,000, and sometimes more. (The issue of student debt is further explored in the “Trends and Needs” section of the report on page 20.)

Furthermore, new graduates are currently having difficulty finding employment given the current slow growth in jobs creation, yet they are expected to begin repaying on their college loans only a few months after they leave school.⁹ Once, and if, they do find work, they bring their financial problems with them. Their employers may now be forced to deal with a host of potential problems including stress-related health issues due to debt, absenteeism, lack of productivity and wage garnishments for these new hires.¹⁰ As a result, more and more employers are now incorporating financial education into wellness programs which can have a long-term benefit, but also adds an additional drain on a company’s profits.

Young workers are also entering the workforce at a time where most employees are expected to plan for their own retirement as fewer businesses are

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providing a defined benefit pension plan. Establishing and maintaining a 401(k) portfolio requires an understanding of investments, managing risks and setting long-term goals that many young adults do not have. A recent state-by-state study by the FINRA Investor Education Foundation found that Pennsylvania's 18-34 year olds were more likely to be less financially capable than older Pennsylvanians, with 20% spending more than their household income, 72% not having money set aside to cover expenses for three months (rainy day fund) and averaging only 2.5 correct out of 5 questions covering concepts of economics and finance expressed in everyday life.¹¹

With students repaying college loans often for 10-20 years or longer, this may replace a home mortgage and potentially slow the recovery of Pennsylvania's housing market. Student loan borrowers are sending big payments every month to loan servicers, rather than becoming first-time homebuyers. Young adults with too much debt will not qualify for additional loans such as mortgages or car loans, may be excluded from certain professions because of their poor credit rating and end up depending on social programs or filing for bankruptcy which will put a strain on the government and ultimately taxpayers.

Parents as Teachers

To get young adults ready for this brave new—and uncertain—world, financial education should, and in many cases does, begin with instruction from parents. Parents, more than any other source, exert the most influence over their children's positive financial attitudes and financial behaviors. In fact, parental influence is 1.5 times more influential than continuing financial education and more than twice as much as what children hear from their friends.¹² Additional evidence of parental influence is provided from a 2011 Capital One study where a majority (87%) of the high school seniors reported that parents were their primary source of information about money matters.¹³

However, the innovations in financial services, such as the growing number of personal financial management tools (PFMs) and the different ways young generations use technology, present an additional challenge for some parents. Many parents find it difficult to keep up with these changes, let alone advise children on how to use them to manage their finances.

Furthermore, there is an assumption that all parents know how to manage money to maximize the benefit for their families and teach their children what they know about managing money. There is plenty of evidence to document that parents, even before the arrival of the new electronic PFMs, did not understand or use time-tested money management practices and skills associated with financially stable households. More than half (56%) of parents in a survey by the National Foundation for Credit Counseling, indicated they did not have a budget. Moreover, one-third or 77 million of these adults, did not pay their bills on time.¹⁴

In a 2002 survey of Pennsylvania parents and their teens, Penn State professor Dr. Cathy Bowen found no relationship between the parents' and teens' knowledge about basic personal finance concepts. The majority of the teens also indicated that money had not been a topic of discussion in their high school classes.¹⁵

In another study, parents who said they provided financial advice to their teens reported that they had not taught them how to balance a checkbook (34%) and even fewer (29%) had explained how credit cards work.¹⁶ Finally, two in five adults gave themselves a C, D, or F on their own knowledge of personal finance.¹⁷ *Parents cannot teach what they do not know.* Therefore, there is a strong need for financial education of children in schools.

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The School's Role

In fact, parents would like schools to play a larger role in teaching their children about finances and overwhelmingly support (90%) requiring students to take a personal finance course in order to graduate from high school.¹⁸

Teachers, students and even administrators also say they are in favor of teaching money management skills. This year, Penn State University, on behalf of the Pennsylvania Department of Education, conducted an online survey of 499 teachers and administrators and found that 93% of those completing the survey said that they “strongly agreed” (72.1%) or “agreed” (20.8%) that Pennsylvania students should be required to take a personal finance course to graduate from high school.¹⁹

National studies support these findings as well. A detailed listing of survey findings from parents, teachers and students is further explored in the section of this report on “Trends and Needs in Financial Education” (see page 13).

Laura Levine, president and CEO of the Jump\$tart Coalition for Personal Financial Literacy, stated in a recent *USA Today* eight-page financial literacy supplement, “The need for financial education is not really new. What’s new today is that consumers face an increasingly complex financial system, with more responsibility for making their own smart financial decisions, and obvious consequences for their missteps.” She believes that, “Reaching students while they are still forming their attitudes, beliefs, and monetary habits, and before they’ve had to learn through costly mistakes, will help prepare them to make smart financial decisions throughout their lives.”²⁰

Historically, personal finance was taught in schools, often embedded in mathematics classes. Today with the focus on standardized testing and higher level

math classes specifically for students who intend to enroll in post-secondary education, everyday applications of math beneficial to all societal segments such as how to calculate compound interest on a credit card or estimate the cost of grocery purchases have been eliminated from the curriculum. Even as early as 1917, the Thorndike Arithmetic Book Three covered topics—such as interest on borrowing and lending, investing, insurance rates, calculating overtime pay and buying a home—that are as relevant today as they were back then.²¹

Beyond support for teaching personal finance in schools, research also documents the need for teaching financial skills and its benefits.

The Jump\$tart Coalition for Personal Financial Literacy has been measuring financial literacy since 1997 by conducting a survey of high school seniors which was repeated biennially between 2000 and 2008. Each year students received a failing grade scoring well below 70%. The average score of the nearly 6,000 high school seniors who took the Jump\$tart personal finance survey in 2008 was only 48.3% - an ‘F’ on any grading scale.

Since 2010, the U. S. Treasury and the U. S. Department of Education have sponsored the National Financial Capability Challenge. In 2011, over 80,000 high school students participated in this voluntary online quiz with an average score of 69%. National scores for previous years were similar, averaging between 69% and 70%.

While Pennsylvania students and schools have topped the nation each year of the survey for participation, our students have always scored below the national average. The 2012 state average score was 67.98%, 2011 was 68.33% and 2010 was 68.25%.

While these national surveys were not intended to be the only measure of high school students’

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financial knowledge, they do highlight the need for increasing our efforts in providing instruction and resources to young people while they are in school instead of their learning through the school of hard knocks.

Two recent research studies have shown, however, that students who do receive financial education in schools not only have more knowledge of money management concepts, but also have improved financial behaviors.

In 2009, the National Endowment for Financial Education (NEFE) funded a study by Michael Gutter of the University of Florida that examined the relationship between exposure to varying state mandates about high school financial education and college students' financial capability. Gutter found that to be most effective, states should go beyond simply setting standards to requiring a financial education course.²²

After analyzing data from 15,797 college students, Gutter found that students from states where a financial education course was required had the highest financial knowledge and were more likely to display positive financial behavior and dispositions. Compared to other students, these young adults were more likely to save, pay off credit cards in full each month and less likely to max out their credit cards or to be compulsive buyers.

In another NEFE funded study, the University of Arizona is conducting a longitudinal study that examines the financial attitudes and behaviors—and the forces that drive them—in youth ages 18 and up. The study, "Arizona Pathways for Life Success in University Students (APLUS)" is the first of its kind,

and is particularly valuable because it tracks the same group of young adults and is designed to identify the factors contributing to positive financial behaviors.

The 2011 research from the third wave of the study found that high school and college students who are exposed to cumulative financial education show an increase in financial knowledge, which in turn drives increasingly responsible financial behavior as they become young adults. In fact, researchers at the University of Arizona were able to document a "snowball effect" that these early efforts exponentially increase the likelihood that students will pursue more financial education as time goes on, including informal learning through books, magazines and seminars.²³

As Pennsylvania embraces life in the 21st century, our government, business and education leaders will need to make decisions on how we can best support the next generation so that they can become productive, prosperous members of society. If young adults do not learn effective and accurate money management skills, at home or in school, their lack of financial savvy is certain to have a trickle-down effect with detrimental consequences. Our commonwealth and our country will be left with an uncompetitive workforce that does not attract businesses. In fact, further delaying sound ways to strengthen the financial literacy of Pennsylvanians may have the unintended result of more residents leaning on public social programs and ultimately lowering our attractiveness among the states and adding to the United States' decreasing global standing.

6. Trends and Needs in Financial Education

One of the legislated mandates of the Task Force was to assess the trends and needs in K-12 economic education and personal financial literacy. Given this charge, Task Force members were selected because of their expertise and first-hand knowledge in this area. Throughout its meetings in 2011 and 2012, the

Task Force spent many hours discussing and researching financial education needs and trends both here in Pennsylvania and in other states. Below are the top issues that they found need consideration by Pennsylvania’s policy makers.

As a result of the financial and economic crisis from 2007-2009, there is growing support for teaching financial education in schools.

It is widely recognized and documented in numerous studies, that financial education is not only needed as an essential life skill, but teaching it in schools has received overwhelming support by many segments of our society.

- A 2010 Visa survey revealed that: 93% of Americans believe all high school students should be required to take a class in financial education.²⁴
- Nearly all (90%) of parents revealed in the College Savings Foundations 2010 “The State of College Savings” survey that they believe there is a need to teach financial literacy to children as part of the school curriculum. Of those parents, 82% said that they believed that school districts should be required to offer a multi-grade integrated financial literacy curriculum.²⁵
- 85% of state financial education leaders responded in the 2011 “Status of Financial Education in the United States” that parents in their states are either very supportive or supportive of personal financial education.²⁶
- In the 2010 NEFE study on teacher capability, 89% of more than 1,200 K-12 teachers,

prospective teachers and teacher education faculty agreed strongly or moderately agreed that students should either be required to take a financial education course or pass a financial literacy test for high school graduation.²⁷

- In the 2012 VITA survey of taxpayers, of whom almost half were graduate students, 81% agreed to some level with the statement: All students in Pennsylvania should be required to take a personal finance course in order to graduate from high school (26% agreed; 22% strongly agreed; 33% very strongly agreed). 91% had not taken a semester or year-long personal finance course in high school.²⁸
- According to Charles Schwab’s 2011 Teens & Money Survey, 86% of teen respondents indicated they’d rather learn about money management in a class before making mistakes in the real world.²⁹
- The 2010 annual back-to-school survey of parents and teens from Capital One found that 53% of teens polled say they want to learn more about how to manage their money.³⁰

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Four states lead the nation in requiring a standalone personal finance course as a graduation requirement. Other states have passed legislation on financial education that varies in the degree to which it is actually taught.

The National Conference of State Legislators has been tracking state legislation on financial education since 2004. It found that over 500 bills were submitted by state legislators with 104, less than 20%, becoming law. This legislation covered issues such as mandates for a high school personal finance course, creating academic standards in personal finance, requirements for curriculum and instruction, assessment, funding and creating a state task force or commission to study this issue. (See Appendix 10.2: Financial Literacy Legislation Passed by States 2004-2012.) Each year, the number of bills on financial literacy introduced in state assemblies has increased, suggesting a level of concern that legislators have for this issue.

As the Task Force studied legislation from other states regarding financial education, they found that only four states—Missouri, Utah, Tennessee and Virginia—were actually specific in the language of their legislation requiring that every student take a standalone personal finance course in order to graduate.

We found that while many states have passed legislation on this issue, the majority have not gone as far as the four mentioned above. The Council for Economic Education (CEE) in their 2011 “Survey of the States” found that 46 states include personal finance concepts in their academic content standards.³¹ However, as Hill and Meszaros found in their 2011 study “Status of K-12 Personal Financial Education in the United States,” not all states have standalone academic content standards for personal finance.³² CEE also found that 13 states require that a course containing personal finance material be taken before graduation, but nine of those states

allow personal finance material to be comingled with the teaching of another discipline, which may significantly diminish the intent of providing students with extensive coursework in personal financial education. CEE found that in 2011 only five states required the testing of personal financial education.

Another analysis of legislation was conducted by Ohio State University in 2008 on seventeen states and one United States territory regarding personal finance instruction in high schools. They found that “of the eighteen jurisdictions; only nine actually require financial literacy education, either as a separate course or to be integrated into existing courses. Rather than mandating the inclusion of financial literacy, six states encourage school districts to provide financial education by requiring the state’s education agency to set academic standards, create financial literacy curricula, or provide resources for disseminating financial education. Finally, three states have enacted laws that merely require the state’s education board to accumulate information on financial literacy programs or require an entity to conduct studies about the need for financial literacy instruction.”³³

Hill and Meszaros in their 2011 study asked leaders in the field of K-12 personal finance the degree to which they believe personal finance was actually being taught in various classes and in various grades across the K-12 curriculum. The respondents indicated that they believed that personal finance is only being taught to a great extent or somewhat as an elective course, while those subject areas that every student takes are providing little or no coverage of personal finance concepts.³⁴

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In Pennsylvania, less than 10% of high schools require that all students take a standalone course in personal finance. Most teach personal finance as an elective that only some students take or integrate the concepts into existing curricula that covers only a small portion of the course.

In 2007 and again in 2009, the Pennsylvania Office of Financial Education commissioned Penn State University's Survey Research Center (SRC) to determine the extent to which personal finance courses were being offered and/or required for graduation across Pennsylvania's 500 school districts. SRC conducted telephone interviews with guidance counselors in high schools and area vocational technical schools and followed-up with a web-based survey of teachers who were identified by the guidance counselors as providing instruction in that area. The 2009 survey also sought to identify any changes in personal finance offerings since the first survey was conducted in 2007.

The 2009 survey "Status of Financial Education in Pennsylvania High Schools" had a completion rate of 85% with 584 schools out of 685 responding (84.5% or 579 in 2007).^{35, 36} The results showed that even though there was a slight increase in the number of schools requiring a standalone course in personal finance in two years (from 3.5% in 2007 to 7.5% in 2009), the number is still very small. Furthermore, nearly 15% of the schools both in 2007 and 2009 indicated that they did not offer any personal finance instruction of any kind. (See Appendix 10.3: "Executive Summary 2009" and Appendix 10.4: "Executive Summary 2007.")

Eighty-five percent of the schools said that they offered some type of integrated or standalone course that may or may not be a graduation requirement. This finding at first glance may appear to be a positive one, but as indicated in the 2011 Hill and Meszaros study³⁷ and the 2008 Ohio State

University study³⁸ mentioned earlier found not all students in these school districts are receiving this instruction and often personal finance is only offered as a small percentage of the course content. In fact, Pennsylvania teachers who teach these courses said in the follow-up web-based survey that these elective courses were taken by less than 50% of the 2009 graduating class and that generally less than 25% of the content in integrated courses was devoted to personal finance.

The National Association of State Boards of Education in its report, "Who Will Own Our Children: The Report of the NASBE Commission on Financial and Investor Literacy," recognized this debate over whether to provide a separate curriculum or to integrate personal finance concepts. They determined that there are definite disadvantages to integration because the chances of schools making a priority of financial literacy are "significantly decreased when the content is spread among several classes and multiple teachers."³⁹ (See Appendix 10.5: "NASBE Executive Summary.")

A more recent trend as to whether Pennsylvania high schools are providing financial education is related to the number of furloughs that occurred in the 2011-12 school year because of budget cuts. While funding was not available to conduct a follow-up 2011 study by SRC, anecdotal evidence indicates that many of the school districts that have furloughed teachers did so by eliminating elective courses often taught in the Business Education and Family Consumer Sciences Departments, where personal finance is usually taught.

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Many states have adopted academic standards for personal finance to ensure coherent K-12 curriculum.

Public education in this country is a state responsibility. State-level academic standards are important because they define what students should know and are able to do with what they learned. Setting high standards enables not only educators, but also students, parents and the community to know what students should learn at any given point in time.

Pennsylvania has academic standards for sixteen subject areas. Because our state is a locally-controlled education state with each school district determining their own curricula and graduation requirements, local education authorities (LEAs) use the state academic standards to choose their approach to implementation, determining how best to provide students with instruction at all grade levels and evaluating that learning through a variety of assessments.

As noted in the previous trend concerning financial education legislation passed by other states, ambiguous language in some bills has caused confusion for local school entities in determining development and implementation of the curriculum. A lack of financial education standards can result in a hodge-podge of teaching techniques, curriculum, trainers and testing. As a result, some states have focused their attention on creating state-specific academic standards for personal finance either through legislation or regulatory changes by their State Board of Education. Having these K-12

standards not only ensures that the subject matter will be taught, but also helps classroom teachers develop their lesson plans by following a sequence of learning knowing what concepts have been taught in previous grades and what is to be taught at their grade level and beyond.

Those states that have adopted either Jump\$tart's National Standards in K-12 Personal Finance Education (<http://www.jumpstart.org/national-standards.html>) or their own state-specific content area standards are better prepared in providing continuity of instruction than states that have simply passed legislation with no academic standards or developed only guidelines for a high school course.

Maryland is an example of a state that has passed personal finance academic standards for grades 3 through 12 in 2010. As a result, all of their twenty-four school districts have reported to their state education department that they are teaching personal finance in those grades and six districts have made it a graduation requirement. Wisconsin, one of the first states to develop personal finance standards, has voluntary model standards for grades K through 12. Virginia and Utah, which have content area standards at the high school level, also promote integrating personal finance at the elementary and middle school grades and have extensive resources and dedicated websites for assisting teachers in this effort. (See Appendix 10.6: "States with Personal Finance Academic Standards.")

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While there are many free or low-cost materials available for personal finance classes, most teachers do not feel qualified or adequately trained to teach this subject matter.

The Task Force found that there is a plethora of free or low cost financial education curricula and classroom resources available from nonprofit organizations, government agencies and financial education providers all of which are commercial-free and most aligned to national or state academic standards. The Jump\$tart Coalition’s clearinghouse lists over 800 items in their curriculum library and the Pennsylvania Department of Banking’s Your Money’s Best Friend website at www.moneysbestfriend.com has over 175 links to classroom materials in their “Resources for Educators” section for K-12 teachers to utilize. Recently, the Pennsylvania Department of Education has begun adding online resources in personal finance to their web portal at www.pdesas.org.

Few other academic subjects in schools today have this amount of free or low cost materials for teachers to choose from which means that school districts do not have to spend taxpayer dollars for expensive textbooks that often become outdated because of the ever-changing financial world. While having these resources readily available makes a convincing argument for teaching personal finance, many teachers have expressed concerns about their expertise in this area and the limited opportunities they have for professional development.

Since a single accepted certification to teach financial education does not currently exist, teachers from diverse backgrounds—from elementary education teachers to secondary teachers specializing in business education, family and consumer sciences, social studies, or math—are being tapped to teach financial education topics that they may know very little about.

Results of a 2010 national study by the National Endowment for Financial Education and the University of Wisconsin-Madison, found that less than 20% of teachers surveyed reported feeling very competent to teach any of the six personal finance topics listed in the survey.⁴⁰ More than 1,200 K-12 teachers, prospective teachers enrolled in teacher education programs and teacher education faculty completed online surveys for this study.

Only 37% of the K-12 teachers indicated that they had taken a college course in personal finance. And, only 11.6% of these K-12 teachers had taken a workshop on teaching personal finance. However, a majority of these teachers indicated that they were open to further education in financial literacy.

The 2009 “Pennsylvania Teacher Investor Education Research Project” also found that there is room for improvement for our teachers in their understanding on many personal finance and investment topics.⁴¹ A total of 438 responses were collected for a study sponsored by the Pennsylvania Securities Commission concerning teachers’ knowledge, attitudes and behaviors as it relates to saving and investing. While 9 out of 10 Pennsylvania teachers could identify the investment with the highest risk, about half of the teachers knew that when interest rates go up the price of bonds go down and only 1 in 10 knew the characteristics of a Ponzi scheme.

The survey found a strong need for further professional development and a desire by Pennsylvania’s teachers to receive such assistance. The most desired topics for professional development were curricula and other resources to teach personal finance (84%), followed by detailed information on investing (76.8%) and current topics as they are happening (73.4%).⁴²

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Several states have acted to improve the financial literacy of their residents and have best practices that Pennsylvania can model to help teachers integrate personal finance instruction throughout the K-12 curricula.

Effective financial education should begin in childhood with the introduction of basic money management concepts and then expanded upon throughout the school years, culminating with a standalone capstone course at the high school level. This instruction, particularly in the early grades, can be accomplished by integrating personal finance into existing subject areas such as math, social studies, family and consumer sciences, business and career education.

Administrators and classroom teachers are concerned, however, with adding additional content to an already crowded school day. To address this concern, the Task Force studied other states' efforts that helped make it easier for teachers to adapt/extend their lessons plans to include personal finance concepts. We found three areas to be the most helpful or feasible.

1. Create and maintain a clearinghouse dedicated to financial education resources.

With so many free or low-cost materials available on financial education, it can be time consuming for teachers to search for a lesson on a particular topic such as banking basics, credit or investing. Having a central place where teachers can download commercial-free materials from a trusted source saves time and ensures that the resources are appropriate for classroom use.

As mentioned previously, Pennsylvania is fortunate to have the *Your Money's Best Friend* web-based clearinghouse from the Department of Banking and Securities as well as the PDE Standards Aligned System portal that hosts K-12 curricula and links to online resources for personal finance. As both agencies add to or improve their listings, they should look to other states as possible models.

Utah's Department of Education and the Utah Education Network have partnered to create Finance in the Classroom: Utah's Go-To-Website at <http://financeintheclassroom.org> that provides teacher, student and parent resources for grades K-12. The teacher resources section has classroom financial education activities that are searchable by math, social studies and language arts content areas for every grade level. They also have a bibliography of children's storybooks with money themes as well as videos, music, PowerPoint® presentations and other resources. Upcoming professional development opportunities are also listed.

The website was created in 2008 by legislation requiring that financial and economic education be taught in grades K-12 through the core areas of math, social studies and language arts. This is in addition to the state mandate in 2003 for a high school course. Included in the 2008 legislation was the Financial and Economic Education Passport, which gives students an opportunity to be recognized by the school and community for completing age-appropriate financial activities and lessons.

The Teaching Money Virginia website at www.teachingmoneyva.org supports middle and high school teachers as they implement their state's one-credit requirement in economics and personal finance. The Virginia Department of Education provides oversight for the website and the website is sponsored by the Virginia Financial Institutions for Financial Literacy partnership.

Teachers using the website can sort by keyword, by the standards of learning for economics and personal finance or by types of resources, including sequential lesson plans, lesson plans, speakers, classroom extensions or other resources. Teachers

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can also submit their own teacher-generated lesson plans to share with their colleagues.

2. Provide grants to local school districts to promote innovation and best practices.

Colorado, Connecticut, Delaware and Wisconsin have provided grants to their local education authorities as an incentive to develop personal finance programs. These grants allow school administrators and teachers to make decisions at the local level when choosing curricula and materials that are appropriate for their needs.

- Colorado – In 2011 and 2012, Great-West Life & Annuity Insurance Company provided 25 grants of \$5,000 annually to Colorado public, private or charter schoolteachers to fund resources, technology, supplies, field trips and professional development related to personal finance.
- Connecticut – In 2012, a total of \$500,000 for “Investing in Personal Finance Education Programs” grants will be distributed from the Connecticut Department of Education ranging from \$15,000 to \$25,000 per school for developing curriculum, establishing a high school course, professional development or postsecondary collaboration.
- Delaware – In 2011 and 2012, Delaware’s Office of the State Bank Commissioner and the Department of Education, awarded \$400,000 and \$450,000, respectively, to K-12 schools and organizations to increase financial and economic literacy among youth and adults.
- Wisconsin – In 2012, the Governor’s Council on Financial Literacy, the Department of Financial Institutions, the Department of Public Instruction and the Wisconsin Women’s Council awarded \$250,000 to 24 Wisconsin school districts to begin new and sustainable financial literacy programs and events.

It should also be noted that beginning in 2012, Discover Financial Services invested \$10 million to bring financial education curriculum into public high schools across the country through its “Pathway to Financial Success” program. Eight Pennsylvania high schools received grants so far this year.

3. Supplement classroom teachers’ expertise in financial education with partnerships for guest speakers and professional development opportunities.

Just as math, English and science have a fixed place in our educational curriculum, so should financial education. As the NEFE study on “Teachers’ Background and Capacity to Teach Personal Finance” points out, however, there are some topics such as insurance and investing, that teachers do not feel confident in teaching.⁴³ To address this issue, some states have formed partnerships with the financial services industry or financial education providers for guest speakers and teacher training.

It seems rational and very appropriate that the Pennsylvania Department of Education should steer state plans for implementing financial education. In addition though, the Department of Education should also involve other relevant state agencies (e.g., Departments of Banking and Securities, Insurance and Revenue as well as the Treasurer’s Office and Office of the Attorney General) and the financial community at appropriate areas for expertise while maintaining guidance for educational pedagogy.

A collaborative model has proven successful in several states. Colorado, Washington, South Carolina, Tennessee and New Hampshire have all partnered with their state’s Jump\$tart Coalitions to provide professional development for K-12 teachers. In Texas, the Texas Department of Banking and Federal Reserve Bank of Dallas cooperate to provide train-the-trainer workshops for teachers.

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Student debt has grown dramatically in the last several years, totaling over \$1 trillion in 2012. Yet, young people say they are confused about the student loan process and how to plan for college costs.

One of the most troublesome economic and financial trends that the Task Force studied was the increasing number of students who are in debt shortly after leaving high school. According to the Consumer Financial Protection Bureau, when you add in the private student loan market and the outstanding debt in the federal student loan program, outstanding student loan debt hit the trillion dollar mark several months ago.⁴⁴ Despite the fact that an overwhelming majority of students (78%) say it is their responsibility to pay for at least part of their college education, data from the third annual “How Youth Plan to Fund College” survey by the College Savings Foundation (CSF), show that students are worried and confused about how they are to accomplish this.⁴⁵

“This is a clarion call for financial literacy,” says CSF Chairman Roger Michaud. “We need to better prepare both parents and their children with the skills and strategies to cope with the costs of college.” Ninety-four percent of prospective student borrowers in the survey say they are concerned about the debt burden they will face. Yet only 25% of them have projected the total loan amount they will need to graduate (down from 30% in 2011), and only 20% have projected what they’ll owe each month to pay it (down from 22% in 2011).⁴⁶

The study has found that to meet these challenges, students are eager to learn how to deal with college costs: 51% wished that their current high school offered financial literacy instruction for them and their families to prepare for college costs.⁴⁷

Even more worrisome, is the increase in the number of high-debt borrowers with some students graduating with loan amounts of \$50,000 to \$100,000 or even higher. The 2012 study “High Debt, Low Information: A Survey of Student Loan Borrowers” reported that about 65% of respondents misunderstood or were surprised by aspects of their student loans or the student loan process. When talking about specific aspects that they misunderstood or found surprising, about 20% mentioned their repayment terms, 20% mentioned the amount of their monthly payments and 15% mentioned their loans’ interest rates.⁴⁸

Policy recommendations are pertinent to the Task Force’s work on financial literacy, including:⁴⁹

- Educate earlier. As many borrowers stated, [age] 17 or 18 felt too young to be making the kinds of decisions that would affect the rest of their lives. Providing high school students with the vocabulary to understand student loan debt can help fill the cracks when colleges or others fail to do so.
- Educate those who students rely upon to make loan decisions. Many young students, being themselves uneducated about student loans, rely upon their parents, relatives, or guardians to make their borrowing decisions and to set up their loans. Young people may believe that adults are more knowledgeable, though in many instances this is an incorrect assumption.

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7. Funding

A second legislated mandate for the Task Force was to “consider the manner in which any funds are used to support economic education and personal financial literacy activities.” In doing so, the Task Force reviewed current and past practices in Pennsylvania as well as examples that we might follow from other states.

Pennsylvania

One of the first supporters of school-based financial education in our state was the Pennsylvania Jump\$tart Coalition for Personal Financial Literacy. This organization, a member of the national Jump\$tart Coalition for Personal Financial Literacy, was formed in 1999 as a nonprofit 501(c)(3) and is comprised of organizations, government agencies, financial institutions and corporations working together to improve the personal financial literacy of Pennsylvania's youth.

The Pennsylvania Jump\$tart operates on a limited budget and does not charge membership dues. They have received some grants to fund teacher training events and sponsors two teachers each year to attend the National Jump\$tart conference. The group meets quarterly to network and share information and hosts a website that lists statewide events and classroom resources.

In April 2004, the Pennsylvania Office of Financial Education (OFE) was created by an executive order of Governor Edward G. Rendell. Establishing OFE was in response to recommendations made by the state Task Force on Working Families for commercial-free resources on financial education. Until its elimination in November 2011, the Office was housed in the Pennsylvania Department of Banking and supported by the assessments, fees and fines paid by Pennsylvania's regulated financial community. It provided a train-the-trainer approach

to financial education for schools, community-based organizations and workplaces. The Office staff included a director and three financial education specialists. Its consumer website, www.moneysbestfriend.com, continues to serve as a clearinghouse of trusted resources and includes a “Resources for Educators” section that has over 175 links for K-12 teachers to utilize.

Funding for the school-based portion of the Office of Financial Education included an annual appropriation of \$108,000 for the Governor's Institute on Financial Education, a full scholarship, weeklong residential professional development program for K-12 teachers on how to create a standalone personal finance course or integrate those concepts into existing curricula. The school-based financial education specialist also conducted teacher workshops onsite at school districts and intermediate units across the state. Through a partnership between the Departments of Banking and Education, that person held an office in both agencies and served as the state's K-12 financial education liaison. Funding for the school-based financial education specialist (salary, benefits, travel and materials) was approximately \$70,000 to \$80,000 per year.

As a result of the mandates from Act 104, the Pennsylvania Department of Education has provided funding for FY2011 at \$30,000 and FY2012 at \$70,000 for K-12 economic education and financial literacy professional development and materials. Two webinars, offered a total of four times, have been conducted; two electronic newsletters distributed; school and district websites investigated for evidence of personal finance classes and a survey on future needs has been conducted. Planning is underway for additional programs including

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implementing the awards program highlighting school district efforts in this area.

Funding Legislation from Other States

Ohio State University's analysis of legislation regarding personal finance instruction in high schools found that states that addressed the barriers to implementation of financial literacy instruction—namely funding and lack of financial expertise—had the strongest statutes.⁵⁰

In reviewing state legislation on financial education tracked by the National Conference of State Legislators, the following two trends appear to be the most common approach to funding by states that have acted.

Funding from the state's department of banking:

- Delaware – Financial Education Fund created in Treasurer's Office from licensing fees and administered by Banking and Education (SB108, 2009); \$400,000 in grants awarded in 2011 and \$450,000 in 2012
- Florida – Financial Literacy Education Fund created (HB825, 2006)
- Texas – Financial Education Endowment created from licensing fees of financial institutions (HB2594, 2011); authorized Banking to accept donations (HB2007, 2007)
- Washington – annual \$50,000 appropriation from state legislature to public-private partnership account in Treasurer's Office (SB6386, 2006); authorized Banking to provide financial education (SB6272, 2008)

Funding from the state's treasurer's office:

- Colorado – annual appropriation by General Assembly (SB11-218, 2011)
- Illinois – Financial Literacy Fund administered by State Board of Education (SB2387, 2008)
- Iowa – Iowa Financial Literacy Program (SF2367, 2010) and (SF2216, 2008)

- Massachusetts – fund created along with board of trustees and 501(c)(3) to solicit private money (HB3347, 2011)
- South Carolina – South Carolina Financial Literacy Trust Act and authority to receive income tax returns as charitable donation (HB4707, 2006)
- Tennessee – Tennessee Financial Literacy Commission created to raise funds and administered by Treasurer's Office (HB3334, 2010) with annual appropriation of \$125,000 from the General Assembly; Commission authorized to review current personal finance standards and make recommendations (SB912, 2011)

Missouri Example

In January 2002, representatives of multiple banking groups formed the Missouri Coalition for Economic and Financial Literacy. Later in 2002, House Bill 1973 and an executive order by Governor Bob Holden required that a study be conducted to examine ways to improve economic and financial literacy education in schools throughout the state. The coalition was able to raise almost all of the \$100,000 needed to conduct the study with private donations.⁵¹

As a result of the study and the recommendations made, the Missouri Commissioner of Education created the Task Force on the High School in April 2004. As the task force concluded its work, the General Assembly issued House Resolution No. 24 commending task force members and encouraging them to recommend a mandated personal finance course to the State Board of Education. In 2004, state academic standards were adopted; and in 2005, the State Board of Education adopted a state graduation requirement for personal finance beginning with the class of 2010.

Since 2006, the Division of Career Education in the Missouri Department of Elementary and Secondary Education has provided funding for curriculum

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resources and annual teacher training as well as overseeing the online assessment for students who wish to “test out” of the required personal finance course or who take an online version of the course.

Tennessee Example

In 2006, Tennessee passed legislation mandating a high school course on personal finance as a requirement for graduation (TN SB3741/HB3753). The Tennessee Department of Education developed curriculum standards and a course outline as part of the social studies content which was approved by the State Board of Education in 2007.

In order to provide instruction at the K-8 grade level, the General Assembly created the Tennessee Financial Literacy Commission (TFLC) as part of the Financial Literacy Program Act of 2010. The TFLC, administratively attached to the Tennessee Treasury Department, is a 501(c)(3) organization established to raise funds and authorized to contract for the development of financial literacy education programs for elementary and middle school students. The state’s appropriation of \$125,000 was granted in 2010 and 2011 to the University of Memphis’ \$MART Tennessee program to conduct teacher training for these grades. Additional financial support has been provided by a matching grant from \$MART Tennessee and funding from First

Tennessee Bank, the Tennessee Department of Financial Institutions and fundraising events.⁵²

Washington Example

The Financial Education Public-Private Partnership (FEPPP) was established in 2009 (SHB1347) extending the efforts of the previous Financial Literacy Public-Private Partnership “to advance financial literacy education in Washington by leveraging state funds with private donations, partnering with other organizations and providing outreach to educators and administrators in districts throughout the state.” The FEPPP members include representatives from the Washington Department of Financial Institutions, the Washington Office of Superintendent of Public Instruction, the financial services industry, higher education and K-12 teachers.

As stated in the FEPPP “August 2012 Interim Report to the Legislature,” state funds for fiscal years 2011-12 were \$146,720 with an additional \$46,193 raised through donations and in-kind contributions.⁵³ A full-time position of Financial Literacy Coordinator was created in April 2006 along with staff support and administration of the FEPPP by the Washington Office of Public Instruction. The Department of Financial Institutions provides additional program support and materials.

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8. Recommendations

A third mandate for the Task Force on Economic Education and Personal Financial Literacy Education was to make recommendations to the governor and the General Assembly regarding legislative or regulatory changes to improve personal financial

literacy in Pennsylvania's schools. Therefore, the Task Force submits the following four recommendations:

Recommendation 1: Require every Pennsylvania high school student to complete a standalone capstone course on personal finance in order to graduate.

- School districts should have a range of delivery options for offering this course, including classroom instruction (equivalent of one semester or .5 credit) or as a standards-aligned, self-paced online or blended course which would include a district approved end-of-course assessment.
- The Pennsylvania Department of Education and the Pennsylvania Department of Banking and Securities should continue their efforts to promote their online clearinghouses of free and low-cost curricula that is available from government agencies and vetted financial education providers.

Why We Make this Recommendation: Pennsylvania high school graduates are entering the real world today lacking basic money management skills that are needed to make financial decisions that will impact their future and the future of the commonwealth. While some Pennsylvania school districts currently require a course in personal finance for graduation, the number is too small (less than 50) with very little consistency in content from district to district.

Our Vision for Pennsylvania: Every student will receive personal finance instruction regardless of their plans after graduation (i.e., enrolling in a 2 or 4 year college, attending trade school, enlisting in the armed forces or entering the workforce). They will use this knowledge to become prosperous, self-reliant and productive citizens of the commonwealth and contribute to our state's growth.

Recommendation 2: Adopt comprehensive, standalone Pennsylvania K-12 academic standards devoted to personal finance.

- To save on time and expense when creating Pennsylvania state-specific standards, Pennsylvania should try to adapt or consider model K-12 personal finance academic standards that have been developed by other states or at the national level by organizations leading the charge to improve the nation's financial literacy.
- Identifying grade-band benchmarks in the standards and cross-referencing to other content areas will help teachers and curriculum coordinators identify personal finance concepts that can be integrated into existing courses in the primary grades.

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Why We Make this Recommendation: Academic standards are the cornerstone for developing instruction and assessment in our local school districts. Financial education is a content area, like math, reading, science and other subjects, that is critical to the development of 21st century learning. Furthermore, while there is personal finance content within other existing academic standards, the extent and rigor would be enhanced through standalone standards.

Our Vision for Pennsylvania: With academic standards for grades K through 12, teachers, parents and our communities will be able to determine what every student should know and do related to personal finance. These standards will serve as the basis for sound assessment of student mastery.

Recommendation 3: Provide dedicated funding to support high quality K-12 personal finance instruction and teacher training.

- The Pennsylvania Department of Education and its public and private partners should allocate funding for ongoing professional development on how to encourage the 1) creation and use of a standalone personal finance course and 2) to integrate personal finance concepts into existing curricula.
- School districts should apply for grants from state, federal and private sources to supplement their budgets for developing and implementing financial education programs.

Why We Make this Recommendation: Research and best practices show that incentives are needed to allow local education authorities to determine the appropriate instructional approach for their communities. In addition, funding would allow for further coordination of efforts.

Our Vision for Pennsylvania: The Pennsylvania General Assembly will fund a public-private financial education initiative for K-12 schools that includes a dedicated annual appropriation, along with administrative and program support from state government agencies as well as contributions from groups involved in the financial services and financial education community.

Recommendation 4: Develop a financial education instructional endorsement for secondary teachers in Pennsylvania and corresponding program guidelines for professional educator programs.

- The commonwealth's institutions of higher education with teacher education programs and intermediate units should work with the Pennsylvania Department of Education to develop content specific program guidelines that include financial education content based on Pennsylvania's academic standards for personal finance.
- This program endorsement would allow high school teachers who are certified in another content area (such as family and consumer science; business, computer and information technology; social studies or mathematics) to obtain an additional certificate dedicated to personal finance.

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Why We Make this Recommendation: Without an instructional designation specific to financial education, teachers from diverse backgrounds may be tapped to teach personal finance topics that they are ill equipped to teach.

Our Vision for Pennsylvania: High school personal finance teachers will be highly qualified to teach a course on this subject matter. Additionally, teachers who integrate financial education into their lessons will receive training as pre-service teachers and have ongoing access to professional development opportunities to help them increase knowledge and teaching techniques to teach personal finance in ways relevant to their student’s developmental level.

Conclusion

After studying the current research, identifying the best practices of other states and determining the needs and trends in financial education, the Task Force unanimously agreed upon the four recommendations listed in this report. Furthermore, the Task Force believes that, like pieces in a puzzle, it is necessary to enact each of the recommendations in order to be most effective and complete the picture towards financial literacy for Pennsylvania’s next generation.

We learned that having a standalone personal finance course in high school is important. However, if there is no requirement for implementation, not every student will receive that instruction. This is particularly true for advanced placement students, who are often the very ones who will make decisions about college financial aid and future debt in their senior year of high school.

The Task Force also learned (as most parents already know from experience) that waiting until high school to teach children about money after many habits and attitudes have already been formed is a huge mistake as many years of teachable moments are lost. By integrating basic financial concepts in lower grades prior to a high school capstone course, it allows for teachers in many disciplines and at every

grade level to introduce concepts that can be built upon each succeeding year.

To help teachers develop age-appropriate instruction and ensure continuity of instruction, we also found that it is essential to have academic standards to provide a framework for teaching and assessing what students should know and be able to do. Along with personal finance standards, a financial education program endorsement will ensure that regardless of the discipline teaching the course, the appropriate pedagogy will be used and appropriate content will be provided.

A final, and a critical piece of the puzzle, is funding. The Task Force recognizes that Pennsylvania public schools already face many mandates while operating with decreased revenue. Thus, it is important for the Department of Education (PDE) to conduct statewide professional development so that teachers are trained properly and that funds (e.g., grants, predetermined state allocation) are provided to districts to encourage local implementation of financial education. There are many examples from other states and prior Pennsylvania initiatives that PDE can investigate to help them develop partnerships to assist with this endeavor.

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9. Endnotes

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10. Appendices

10.1 Task Force Timeline 2011-2012

10.2 Department of Banking “Financial Education Legislation Passed by States 2004 – 2012 as Compiled by the National Conference of State Legislators”

10.3 Penn State University Research Center “Status of Financial Education in PA High Schools” Executive Summary 2009

10.4 Penn State University Research Center “Status of Financial Education in PA High Schools” Executive Summary 2007

10.5 National Association of State Boards of Education Report “Who Will Own Our Children?” Executive Summary 2006

10.6 Department of Banking “States with Personal Finance Academic Standards” 2012

10.7 JumpStart Coalition “Making the Case for Financial Literacy” 2012

10.8 Pennsylvania Office of Financial Education “Where is Personal Finance Found in the PA Academic Standards?” 2011

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Appendix 10.1

Timeline and Discussion Topics for Task Force on Economic Education and Personal Financial Literacy Education 2011-2012

Timeline and Discussion Topics for Completion of
Task Force on Economic Education and Personal Financial Literacy Education
Report and Recommendations

Date	Task
July 27, 2011	Inaugural meeting; review of Action 104 mandate; discussion of what each organization is doing; election of chair; plan of action consideration
August 17, 2011	Analysis of national and statewide research; discussion of statistics on making the case; review of what federal government is doing
October 26, 2011	Review of national and statewide academic standards and curriculum resources; conference call with Laura Levine, president & CEO, Jump\$tart Coalition; teacher certification guidelines; professional development
January 25, 2012	Legislation from other states; best practices from other states; Wisconsin, Utah and Virginia examples; evaluation tools; conference call with Maryland Department of Education
March 14, 2012	Funding and partnerships; legislation from other states; Washington, Texas and South Carolina examples conference call with Tennessee Department of Treasury
June 13, 2012	Discussion and draft of task force recommendations
September 25, 2012	Discussion of first draft of report
November 5, 2012	Review and vote on second draft of report and recommendations
November __, 2012	Submission of final report to secretaries of Banking and Education
January __, 2013	Report and recommendations submitted to General Assembly and Governor Corbett

REPORT AND RECOMMENDATIONS

by the Pa. Task Force on Economic Education and Personal Financial Literacy Education

Appendix 10.2

Department of Banking “Financial Education Legislation Passed by States 2004 – 2012 as Compiled by the National Conference of State Legislators”

	A	B	C	D	E	F	G	H	I
1	Financial Literacy Legislation Passed by States 2004 - 2012*								
2	State	Year Passed	Course Mandate	Standards	Curriculum/ Instruction	Assessment	Funding	Task Force/ Commission	Notes
3	Colorado	2011					S.B.218		Cash funds to Education Dept.
4	Colorado	2008		H.B.1168		H.B.1168			PF aligned to math content
5	Colorado	2004			H.B. 1360				
6	Connecticut	2009							S.B.617, banks in high schools
7	Connecticut	2009			H.B. 6483				Credit card instruction and pf
8	Delaware	2009					S.B.108		Banking & Education Depts.
9	District of Columbia	2008						B17-434	
10	Florida	2006					H. B. 825	H.B. 825	Fin Lit Council; trust fund in Fin Services
11	Hawaii	2011					H.B.400, Act 95		Office of Hawaiian Affairs
12	Illinois	2010				S.B. 3608, P.A.96-1061			Removes consumer ed test
13	Illinois	2008	S.B.2387			S.B.2387			Consumer ed for 9-12; Fin Lit Trust Fund
14	Illinois	2006	S.B.2191				S.B.2191		Consumer ed for 9-12; Fin Lit Trust Fund
15	Indiana	2009			H.B.1581, P.L.154				Grades 6-12
16	Iowa	2010					S.F.2367		Treasurer's Office
17	Iowa	2008					H.F.2555, Ch.1123		Treasurer's Office; investor ed & PF fund
18	Iowa	2008			S.F.2216, Ch.1127				PF in K-12 core curriculum
19	Iowa	2007		H.F.804					PF in social studies
20	Kansas	2009		S.B.41, Ch.130		S.B.41, Ch.130			K-12 in math or other areas
21	Kansas	2008					H.B.2746		grants from real est. recovery fund
22	Louisiana	2010	H.B.1029, Act 327						PF integrated in Civics elective
23	Louisiana	2010						H.B.1226	Abolishes Fin Lit Commission
24	Louisiana	2008						S.B.405	
25	Maine	2011	L.D.184, Ch.154						2012-13 HS pf as a math course
26	Maine	2009		L.D.1027	L.D.1027				FCS standards and curriculum
27	Maine	2007					L.D.216, ch.126		Treasurer's Office
28	Maryland	2012				H.B.9			SDs must report pf to state ED
29	Maryland	2009	S.B.500						High school pilot
30	Maryland	2009						S.B.140, Ch.199	
31	Maryland	2008						H.B.1242, Ch.187	
32	Massachusetts	2011					H.B.3347, Ch. 14		
33	Mississippi	2004			S.B. 3016				
34	Nebraska	2012					L.B.269		Fin Lit Cash Fund created
35	Nevada	2009			S.B.317				High school instruction
36	New Jersey	2009			A.B.1943, Ch.153				High school pilot
37	New Mexico	2010	H.B.53						PF qualifies for required math
38	New Mexico	2009		H.M.70					Indian Education Division
39	New Mexico	2008	S.B.460						PF as elective for grad. req.
40	New Mexico	2007	H.B.1205, Ch.305						PF as an elective
41	North Carolina	2009						S.B.1019	
42	North Carolina	2009			H.B.1474				2011-12
43	North Dakota	2009							S.B.2135 Treasurer's duties
44	Ohio	2008					H.B.545		Funds adult fin ed

	A	B	C	D	E	F	G	H	I
2	State	Year Passed	Course Mandate	Standards	Curriculum/ Instruction	Assessment	Funding	Task Force/ Commission	Notes
45	Oklahoma	2007			H.B.1476				
46	Oregon	2007						H.B.2584, Ch.773	PF and Civics
47	Pennsylvania	2010			H.B.101, Act 104			H.B.101, Act 104	Governor's veto overridden
48	Rhode Island	2008						H.B.8332	
49	Rhode Island	2007				S.B.912		H.B.6235	
50	South Carolina	2006					H.B.4707, Act 382		Fin Lit trust fund in Treas; Ed supt. Chair
51	South Carolina	2005			H. B. 3020, Act 38		H.B. 3020, Act 38		
52	Tennessee	2012					H.B.3835		Funds for Fin Lit Comm by Banking
53	Tennessee	2012						S.B.2326	Fin Lit Commission extended to 2017
54	Tennessee	2011		S.B. 912		S.B. 912	S.B. 912	S.B. 912	Fin Lit Commission
55	Tennessee	2010					H.B.3334	H.B.3334	Treasurer's Office
56	Tennessee	2007			H.B.1944, Ch.303				Removes PF as free enter. req.
57	Tennessee	2006	S.B.3741, Ch. 854						.5 unit course on pf requirement
58	Texas	2011			H.B.34				
59	Texas	2011	H.B.399						2013 pre-service training
60	Texas	2011					H.B.2594		Public-Private Partnership
61	Texas	2011			H.B.3232				K-8 math instruction & textbooks
62	Texas	2009			H.B.3646, Ch.1328				Expands pilot program
63	Texas	2007					H.B. 2007		H.B.2007, Ch.110 Banking Dept. partner.
64	Texas	2005			H.B. 492				
65	Utah	2012			H.B.156, S.B. 178				Fin Lit test-out option & online fees set
66	Utah	2009			S.B.100, Ch.95				PF/econ passport to parents
67	Utah	2008					S.B.2, Ch.397		
68	Vermont	2011							H.B.438 financial services info.
69	Virginia	2012	S.B.489, Ch.642						Diploma req. including virtual course
70	Virginia	2007			H.B.2513, Ch.47				PF in college life skills pgm
71	Virginia	2011							S.B.810, Ch.411, accreditation
72	Virginia	2009		H.B.2112, Ch.802					K-12 pf objectives
73	Virginia	2005			S.B. 950				PF in economics
74	Virginia	2004			S. B. 479				Req. to develop objectives
75	Washington	2011		H.B.1594					
76	Washington	2009						H.B.1347	
77	Washington	2008						S.B.6272, Ch.3	Banking Department
78	Washington	2007					H.B.1980, Ch.459		Gen. fund to Fin. Lit. account
79	Washington	2004						H.B. 2455	Public-Private Partnership
80	West Virginia	2012					S.B.337, Ch.17		Consumer Ed Fund created in Banking
81	West Virginia	2005			H. B. 2837				
82									
83	*Source: http://www.ncsl.org/issues-research/banking/financial-literacy-2012-legislation.aspx								
84	Prepared by Mary Rosenkrans, Pennsylvania Department of Banking, 3-12-12, updated 11-5-12.								

REPORT AND RECOMMENDATIONS

by the Pa. Task Force on Economic Education and Personal Financial Literacy Education

Appendix 10.3

Penn State University Research Center “Status of Financial Education in Pennsylvania High Schools” Executive Summary 2009

(The full report is available for download at <http://www.moneysbestfriend.com/default.aspx?id=351>.)

The Status of Financial Education in Pennsylvania High Schools 2009

**Commissioned by:
Pennsylvania Office of Financial Education**

**Conducted by:
Penn State University Survey Research Center**

pennsylvania
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Introduction

This report summarizes the findings of a recently completed survey of Pennsylvania's public high schools. The survey was conducted by Penn State University's Survey Research Center (SRC) on behalf of the Pennsylvania Office of Financial Education. The primary purpose of the survey was to identify the extent to which personal finance courses are being offered and/or required for graduation across Pennsylvania's 500 school districts. In addition, the survey sought to identify changes since the first survey of its kind in 2007. In both surveys, SRC conducted telephone interviews with guidance counselors to provide general information about course offerings including the course structure, whether courses were requirements or electives, and in which departments courses were offered. The information provided by the guidance counselors was expanded upon by teachers in a web-based survey. In both surveys, respondents were asked to discuss standalone personal finance courses as well as those courses into which a substantial amount of personal finance is incorporated such as economics, accounting, family and consumer science and various math courses.

Key Findings

More schools are requiring standalone courses in personal finance for graduation than in 2007; however, the total is still well under 10% of the state's 500 school districts.

- Only 44 of the 584 schools surveyed report requiring a standalone course in personal finance for graduation (7.5%) as opposed to 20 of the 579 responding in 2007 (3.5%).

Students in too many schools have no personal finance instruction offered to them of any kind.

- Nearly 15% of schools report not offering any courses in personal finance – either as a standalone or as part of another course. This percentage remains virtually unchanged since the 2007 survey.

Most schools are somewhere in the middle – offering too little to too few.

- 85% offer some type of integrated or standalone course that may or may not be a graduation requirement.
- Generally less than 25% of the content in integrated courses is personal finance.
- Schools report that their elective courses are typically taken by less than 50% of the graduating class. However, elective standalone courses are seeing an increase in student enrollment. In 2007, only 2% of schools reported more than three-quarters of their students taking the elective standalone courses in personal finance compared to 15% in 2009.

Courses vary from school-to-school in structure and content.

- Nearly 75% of standalone courses are taught within a business department. The remaining 25% are split between social studies, math, family and consumer science and other disciplines.
- Courses are offered at various grade levels depending on the schools; however, in most cases the courses are focused at the junior and senior grade levels.
- The topics most frequently taught include banking, budgeting, credit cards, and financial decision making. Less frequently noted topics are consumer rights and responsibilities, buying a house and identity theft.

Personal finance teachers are often lone rangers in their schools and districts, but they are resourceful.

- 83% of the schools report that standalone courses are taught by a single teacher in their school. For integrated courses, the percentage drops to 77%.
- Teachers identified a myriad of resources they are using to teach personal finance. Over half use guest speakers from their local community and over one-third use no textbook at all, relying instead on a variety of other resources.
- One and a half times as many teachers are using *Your Money's Best Friend*, the website of the Pennsylvania Office of Financial Education, as were in 2007.

There are signs that progress is being made to improve financial education.

- One in four schools report efforts underway to increase the extent to which personal finance is taught – up from one in five in 2007.
- Respondents in 29 school districts report that personal finance is being considered as a graduation requirement – either as a standalone course or integrated into another.
- 9% of the standalone personal finance courses are very new - having been in place for less than a year.
- 21% of schools report partnering with a local financial institution to provide financial education and/or services to students – up from 15% in 2007.

REPORT AND RECOMMENDATIONS

by the Pa. Task Force on Economic Education and Personal Financial Literacy Education

Appendix 10.4

Penn State University Research Center “Status of Financial Education in Pennsylvania High Schools” Executive Summary 2007

(The full report is available for download at <http://www.moneysbestfriend.com/default.aspx?id=351>.)

The Status of Financial Education in Pennsylvania High Schools 2007

Commissioned by:
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Introduction

This report summarizes the main findings of a recently completed survey of Pennsylvania's public high schools. The survey was conducted by Penn State University's Survey Research Center (SRC) on behalf of the Pennsylvania Office of Financial Education. The primary purpose of the survey was to identify the extent to which personal finance courses are being offered and/or required for graduation across Pennsylvania's 501 school districts. SRC conducted telephone interviews with guidance counselors in 579 schools between May 10, 2007 and June 22, 2007. Guidance counselors provided the names and e-mail addresses of teachers that could answer additional questions via a web-based survey. A total of 251 teachers responded (25%) during the web-based survey window of May 21, 2007 to November 20, 2007.

Key Findings

Very few schools have a standalone personal finance course required for graduation

- Only 20 of the 579 schools surveyed report requiring a standalone course in personal finance for graduation.

Students in too many schools have no personal finance instruction offered to them of any kind.

- Nearly 15% of schools report not offering any courses in personal finance – either as a standalone or as part of another course.

Most schools are somewhere in the middle – offering too little to too few.

- 82% offer some type of integrated or standalone course that may or may not be a graduation requirement.
- Generally less than 25% of the content in integrated courses is personal finance.
- Schools report that their elective courses are typically taken by less than 50% of the graduating class.

Courses vary from school-to-school in structure and content.

- Nearly 75% of standalone courses are taught within a business department. The remaining 25% are split between social studies, math, and family and consumer science.
- Courses are offered at various grade levels depending on the schools; however, in most cases the courses are focused at the junior and senior grade levels.
- The topics most frequently taught include banking, credit cards, budgeting, and saving. Less frequently noted topics are buying a house, identity theft, buying a car, and credit scores.
- Teachers identified a myriad of resources they are using to teach personal finance. More use guest speakers from their local community than any other resource except a textbook.

There are signs that progress is being made to improve financial education.

- 20% of schools reported efforts underway in the schools or districts to increase the extent to which personal finance is taught at the high school.
- One in three standalone courses are relatively new in their school having been offered four or less years.
- 15% of schools report partnering with a local financial institution to provide financial education and/or services to students.

REPORT AND RECOMMENDATIONS

by the Pa. Task Force on Economic Education and Personal Financial Literacy Education

Appendix 10.5

National Association of State Boards of Education Report “Who Will Own Our Children?” Executive Summary 2006

Who Will Own Our Children?

The Report of the NASBE Commission on Financial and Investor Literacy

Executive Summary



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NASBE Commission on Financial and Investor Literacy

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The NASD Investor Education Foundation, established in 2003 by NASD, supports innovative research and educational projects that give investors the tools and information they need to better understand the markets and the basic principles of financial planning. For details about grant programs and other new initiatives of the Foundation, visit www.nasdfoundation.org.

Who Will Own Our Children?

The Report of the NASBE Commission on Financial and Investor Literacy

Armed with a shiny new diploma from State U, the young graduate is ready to begin a new life. Of course, the bachelor's degree is accompanied by approximately \$16,000 in student loans, a credit card debt of \$3,500, and the need for a transportation. Welcome to the brave new—and uncertain—world of today's college graduate. Add to these initial debts the likelihood that the individual will never work for an organization that provides a defined benefit retirement plan combined with the fact that the Social Security system will inevitably undergo significant revision with reduced benefits. Indeed, the financial future of today's high school/college generation has never been more insecure.

In a world in which fierce global competition and terrorism grab many of the headlines, the answer to the question of “Who will own our children?” may actually present the greatest single national security challenge to the nation. State boards of education, with responsibility for establishing curriculum standards and guidance, hold one of the keys to determining our children's—and ultimately, the nation's—financial future.

Given the importance of the issue and the prominent role state boards of education play in addressing it, NASBE convened its Commission on Financial and Investor Literacy in February 2006. The Commission's charge was to assess the current state of financial and investor education in public schools and provide education policymakers with recommendations for specific actions to help strengthen students' financial literacy.



Understanding the Issues

The drumbeat of news covering the personal finances of Americans continues on a daily basis. This news, whether from radio, newspapers, television, or the Internet, is almost always negative.

NASBE's Commission on Financial and Investor Literacy heard, for example, how millions of Americans have experienced an erosion in their economic and social security. Advances in technology and economic globalization have accelerated the pace of change in

What is Financial/Investor Education?

According to Vitt, et al. in *Personal Finance and the Rush to Competence: Financial Literacy Education in the U.S.*, “Personal financial literacy is 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 everyday financial decisions, including events in the general economy....Literacy in the context of personal finance is sometimes referred to as economic literacy.” The authors go on to note that, “General education determines occupation and income, which in turn influences place of residence, social contacts, consumer choices, and activities. *Financial Literacy* education shapes the life course in other ways by enhancing access to investment income, asset accumulation, and asset protection.”⁴

our economy, increasing both job insecurity and the awareness of this instability. In the past two decades, this has been especially the case for the relatively highly compensated blue-collar workers who were forced to accept less lucrative positions or retired from the workforce. At the same time, globalization has spurred efforts by employers to reduce costly pensions and health care benefits. As a result, over the past decade there has been a massive reduction in the availability of pension plans for employees (only 46 percent of all workers in 2004 were covered by a defined benefit plan). For younger workers, these plans have effectively ceased to exist. Employers have largely replaced pension plans with contributory retirement programs that are voluntary and must be funded, entirely or in large part, out of wages. According to Congressional testimony, “At present, most workers with access to these contributory programs are not participating sufficiently to allow them to retire in their sixties without suffering a great decrease in their standard of living.”¹

Another area of concern addressed by the Commission was personal debt. Massive increases in the availability and acquisition of consumer and mortgage credit now make it essential for nearly everyone to understand and make sensible decisions about debt. A key factor in the rising number of personal bankruptcies over the past decade has been the growth in credit card marketing, which has reached a level of over five billion mail solicitations annually. Available credit lines on these cards have grown to nearly \$5 trillion dollars.² American consumers now owe about \$1.7 trillion in credit card and other debt, an amount roughly equal to the gross national products of Great Britain and Russia combined.³

According to Nofsinger and Duguay, “In 2005, the average personal savings rate for the year dipped into negative territory (-0.5 percent) in the United States for the first time since the Great Depression as consumers relied on credit and/or tapped into personal savings and other assets to

allow them to spend more than they took in. As a comparison, savings rates for countries in Western Europe hover around 14 percent.⁵ In 2006, household debt in the United States rose to an unprecedented 126.4 percent of disposable income.⁶

Clearly, this level of personal debt and lack of savings is not sustainable over the long term, both for individuals and for the country.

A significant concern for Commission members was the social and economic issues associated with the erosion of pension funding and the cloudy—at best—future of

Social Security. For the Commission, the issue was two-fold. It is apparent that the massive change in retirement funding will have untold and unforeseen consequences for the American public. In terms of ensuring a secure retirement, the consequences for individuals are clear. Less obvious, but just as important, is the threat to social cohesion if large segments of society become prisoners of debt and/or are unable to secure their well-being into retirement. Clearly, more work needs to be done to address these consequences. Specifically, the Commission expressed concern about a burgeoning “policy in a vacuum”

Current State Efforts

The National Council on Economic Education (NCEE)¹⁶ annually publishes a *Survey of the States*. This survey solicits information from a) the chief executives of state councils on economic education, and b) social studies and family and consumer education specialists in all 50 states and the District of Columbia. Following are some of the highlights from the report’s findings:

- Forty-nine states and the District of Columbia require economics;
- Seventeen states require an economics course to be offered in high school;
- Thirty-eight states report having personal finance standards of some form;
- Nine states require testing in personal finance;
- Nine states currently have personal finance as part of their graduation requirements (Alabama, Georgia, Idaho, Illinois, Kentucky, Louisiana, New York, Texas, and Utah);
- In 2004, 23 states introduced legislation that addressed personal finance education and at least 30 states introduced similar legislation in 2005; and
- In 2006, seven states have introduced legislation concerning the teaching of personal finance in public schools (Florida, Indiana, Massachusetts, Mississippi, New Hampshire, Oklahoma, and Pennsylvania).

Clearly the issues of economics education and financial education have been on the radar-screen for some time. Just as clearly, most states have made at least some effort to provide students with information. However, it is also apparent that, at present, there is no consistent approach concerning the issue of personal financial education.

crisis—that is, with a growing push for the public to take personal control over finances, there has not been a concomitant push for the provision of adequate tools to manage this change.

As noted by the U. S. Department of Treasury:

It is easy to lose sight of the broader social and political changes that have contributed to this need for greater financial awareness. Changes in employment and public policy have only recently put substantial financial responsibility on the shoulders of individuals, a condition for which they have not been adequately prepared. Financial literacy is as much a societal concern as it is an issue for individuals, according to Sonnenberg,⁷ and policymakers must stay aware of the broader issues.

According to Rep. Harris Fawell, R-IL, author of the SAVER Act (Savings Are Vital to Everyone's Retirement Act of 1997), America faces "a ticking demographic time bomb that requires increased retirement savings." Educating the public, Fawell urged, is the first step in defusing the bomb.

Preparing students, by giving them the necessary skills to defuse this "time bomb," is the responsibility of state boards of education.

Why Is Financial Literacy a K-12 Issue?

The Commission acknowledged the importance of offering financial education

to individuals at various stages in their lives. However, financial education efforts targeted at a specific type of financial decision-making (such as buying a home or saving for retirement), which have been shown to be effective, will be most successful when a person already possesses a basic understanding of financial concepts. Like all types of education, financial education begins with teaching the basics that will provide an individual with a foundation for analyzing increasingly complex financial problems. Introducing the youngest students to financial education basics in school helps them to develop the building blocks they will need to make good financial decisions throughout their lives. Policymakers cannot expect a 30-year-old to comprehend the mortgage closing process or a 65-year-old to make informed investment and spending decisions regarding retirement income if they have not been given an understanding of the basic concepts of personal finance.

The best and most obvious starting place is in schools. No better venue exists to reach a large segment of the youth population than through the school system. The evidence shows that youth financial education can make a difference. Individuals graduating from high schools in states that mandate personal finance education courses have higher savings rates and net worth as a percentage of earnings than those who graduate from schools in states without such a mandate.¹⁵ Teaching financial education in school starts the process of preparing children to become competent consumers and managers of household wealth.

Recommendations

■ **Recommendation 1: State boards of education must be fully informed about the status of financial literacy in their states.**

The Commission recommends that state boards of education evaluate the current status of financial and investor education in their state. If students in their state are currently being taught financial and investor education concepts, the Commission recommends that board members evaluate the goals of the program and determine whether the state's current strategies are working, whether changes are needed, and how needed changes should be implemented.

■ **Recommendation 2: States should consider financial literacy and investor education as a basic feature of K-12 education.**

The Commission believes that all students should receive comprehensive financial and investor education. The Commission also believes that the earlier a student begins learning these concepts, the more opportunities schools will have to impact behavior. Therefore, states should consider infusing financial and investor education throughout the K-12 curriculum.

■ **Recommendation 3: Ensure that teachers and/or staff members teaching financial literacy concepts are adequately trained.**

The Commission recommends that states, school districts, and/or schools provide the resources to ensure that individuals teaching financial and investor education concepts are adequately prepared. This includes providing the professional development needed to meet the goals identified for the curriculum. The Commission also envisions that state boards of education contribute to preparing teachers by encouraging recertification.

■ **Recommendation 4: States should fully utilize public/private partnerships.**

The Commission recognizes that there is a large number of organizations (including educational institutions, consumer groups, nonprofit organizations, and private sector companies) that offer financial education programs. The Commission believes that states should encourage partnerships with such organizations (where possible and where the organizations are deemed creditable) in order to obtain support for teaching financial and investor education concepts.

■ **Recommendation 5: States should improve their capacity to evaluate financial literacy programs.**

Currently, not enough is being done to evaluate the effectiveness of financial education programs. Therefore, the Commission recommends that states develop better tools to assess financial and investor education programs, including establishing indicators to determine program effectiveness. The Commission also suggests that states, schools, and/or districts establish a plan to improve financial and investor programs that are not achieving their instructional goals.

■ **Recommendation 6: States should include financial and investor education in their academic standards and ensure that assessments are aligned with the standards.**

Because teachers tend to teach to state standards, particularly if that subject matter is assessed, the Commission believes that for financial and investor education to truly be part of every student's education, financial literacy concepts must be included in the state's standards and assessment system.

■ **Recommendation 7: State boards of education should cooperate with other states to develop a common assessment tool for financial and investor education.**

Although states may incorporate financial and investor education in different ways, the Commission believes that burdens carried by individual states will be lessened if states develop and share common assessments for measuring goals.

■ **Recommendation 8: States should encourage the development of a National Assessment of Educational Progress (NAEP) framework for financial literacy.**

While the Commission is pleased that there is now a NAEP assessment in economics, the Commission members believe that this broad treatment of the subject does not provide enough information to fully understand what students know about financial and investor education. Therefore, the Commission recommends that the National Assessment Governing Board, which oversees NAEP, direct the development of a specific framework and assessment for gauging students' financial literacy.

To order the full report online, go to:

http://www.nasbe.org/financial_literacy.htm

REPORT AND RECOMMENDATIONS

by the Pa. Task Force on Economic Education and Personal Financial Literacy Education

Appendix 10.6

Department of Banking “States with Personal Finance Academic Standards” 2012

States with Personal Finance Standards

State	Framework	Grades	Content Area	Personal Finance Concepts	Curriculum Resources
Arizona	Content Area Standards	9-12	Economics	Careers and Income; Consumer Choices; Financial Goals; Credit; Saving and Investing	
Colorado	HS & Grade Level Expectations	P-13	Math and Economics	Goal Setting; Financial Responsibility and Careers; Planning, Income, Saving and Investing; Using Credit; Risk Mgt. and Insurance	Content Discipline Map by Grade Level or Content Area
Connecticut	Content Area Standards	9-12	BCIT	Personal Decision Making; Earning and Reporting Income; Managing Finances and Budgeting; Saving and Investing; Buying Goods and Services; Banking and Financial Institutions	
Delaware					
Georgia					
Idaho	Instruction Standards	9-12	Economics	Money Management; Making Responsible Consumer Choices; Credit and Debt; Saving and Investment; Education Employment and Income; Taxation	Idaho Content Standards/Mathematics of Personal Finance 2008
Illinois					
Indiana	Content Area Standards	6-12	Personal Finance	Financial Responsibility and Decision Making; Relating Income and Careers; Planning and managing Money; Managing Credit and Debt; Risk Management and Insurance; Saving and Investing	Personal Financial Responsibility Instruction Guidelines for Implementation 2009

State	Framework	Grades	Content Area	Personal Finance Concepts	Curriculum Resources
Iowa	Content Area Standards	K-12	21st Century Skills/Financial Literacy	Financial Responsibility and Planning; Money Management; Decision Making; Risk Management; Saving and Investing;	Essential Concepts and Skills with Details and Examples 2009
Kentucky			Practical Living and Vocational Studies Program		Ed Dept Personal Finance Website with Links to Resources
					KCEE Math Personal Finance Courses
Maryland	Content Area Standards	3-12	Personal Finance	Make Informed, Financially Responsible Decisions; Relate Careers, Education and Income; Plan and Manage Money; Manage Credit and Debt; Create and Build Wealth; Manage Risks and Preserve Wealth	Ed Department Financial Literacy Education Resources
Missouri	Content Area Standards	9-12	Personal Finance	Goals and Decision Making; Careers and Planning; Budgeting; Banking Services; Saving and Investing; Credit; Consumer Skills	Personal Finance Curriculum Guide 2006
					Ed Dept Personal Finance Website with Links to Resources
Nebraska	Content Area Standards	7-12	Career Readiness	Saving and Investing; Budgets; Credit; Insurance; Decision Making; Taxes	Ed Dept Personal Finance Website with Course Outlines and Lesson Plans
New Jersey	Content Area Standards	K-12	21st Century Life and Careers/Personal Financial Literacy	Income and Careers; Money Management; Credit and Debt Management; Planning, Saving and Investing; Becoming a Critical Consumer; Civic Financial Responsibility; Risk Management and Insurance	
North Carolina	Instruction Standards	9-12	Civics and Economics	Economic Basics; Taxing and Spending; Money Management; Savings and Investment; Credit; Insurance; Banking	Ed Dept Personal Finance Website with Resources for Educators, Best Practices, Videos and Webinets

State	Framework	Grades	Content Area	Personal Finance Concepts	Curriculum Resources
Ohio	Content Area Standards	K-12	Personal Finance	Financial Responsibility/Decision Making; Income and Careers; Planning and Money Management; Consumerism; Investing; Credit/Debt; Risk management and Insurance	Ed Dept Personal Finance Website with Overview, Training and SD Reporting Requirements
Oklahoma	Instruction Standards	7-12	Personal Finance	Earning and Income; Understanding State and Federal Taxes; Banking and Financial Services; Balancing a checkbook; Savings and Investing; Planning for Retirement; Understanding Loans and Borrowing Money, Including Predatory Lending and Payday Loans; Identity Fraud and Theft; Rights and Responsibilities of Renting or Buying a Home; Understanding Insurance; Understanding the Financial Impact and Consequences of Gambling; Bankruptcy; Charitable Giving	Ed Dept Personal Finance Website with Resources for Students, Teachers, Passport Implementation Guide and Introduction Guide
South Carolina	Instruction Standards	K-12	Personal Finance	Financial Responsibility and Decision Making; Income and Careers; Planning and Money Management; Credit and Debt; Risk Management and Insurance; Saving and Investing	Standards, Guidelines and Classroom Resources for the Instruction of Financial Literacy 2009
					Partnership for 21st Century Skills Website Resources for Financial Literacy
					Ed Dept Personal Finance Professional Development Videos
South Dakota	Instruction Standards	11-12	Personal Finance	Income; Money Management; Credit and Debt; Saving and Investing; Managing Risks	
Tennessee	Instruction Standards	9-12	Social Studies	Income; Money Management; Spending and Credit; Saving and Investing	Personal Finance Course Description, Expectations and Performance Indicators

State	Framework	Grades	Content Area	Personal Finance Concepts	Curriculum Resources
Utah	Content Area Standards	11-12	Personal Finance	Decision Making; Income and Career Preparation; Money Management; Savings, Investing and Retirement Planning	Ed Dept.'s Finance in the Classroom Website K-12 Personal Finance Scope and Sequence K-12 Core Lesson Plans Mathematics of Personal Finance Course
Virginia	Content Area Standards	7-12	Personal Finance	Consumer Skills; Banking Transactions; Credit and Loans; Insurance and Risk Management; Income and Earning; Taxes; Personal Financial Planning; Investment and Savings Planning	Teaching Money Virginia Website Economics and Personal Finance Curriculum Framework 2010 Econ and PF Correlations to Mathematics, History and Social Studies Standards and Career Tech Competencies 2006 Virtual Virginia Economics and Personal Finance Online Course Ed Dept Econ and PF Videos for Teachers
West Virginia	Content Area Standards	12	21st Century Social Studies	Decision Making; Credit; Risk Management; Choices and Scarcity; Financial Institutions; Global Economic Systems	Ed Dept Personal Finance K-12 Instructional Guides NetWorth Lesson Plans from Treasurer's Office
Wisconsin	(Model) Content Area Standards	K-12	Personal Finance	Relating Income and Education; Money Management; Credit and Debt Management; Planning, Saving and Investing; Becoming a Critical Consumer; Community and Financial Responsibility; Risk Management	Ed Dept Personal Finance Website with Curriculum Planning Guide, TEACH IT! Videos and Innovation Grants
<i>In most cases, Content Area Standards are for a grade or grade level. Instruction Standards are for a course or unit.</i>					
<i>Prepared 6-22-12, Mary Rosenkrans, PA Department of Banking. Updated 2-12-13.</i>					

REPORT AND RECOMMENDATIONS

by the Pa. Task Force on Economic Education and Personal Financial Literacy Education

Appendix 10.7

Jump\$tart Coalition on Personal Financial Literacy “Making the Case for Financial Literacy” 2012

MAKING THE CASE FOR FINANCIAL LITERACY— 2012

A collection of personal finance statistics gathered from other sources.

Financial Literacy Education

Adults and Parents:

1. The sixth annual Financial Literacy Survey of adults, conducted in 2012 on behalf of the **National Foundation for Credit Counseling** and the **Network Branded Prepaid Card Association** revealed that:
 - Two in five U.S. adults gave themselves a C, D, or F on their knowledge of personal finance.
 - 56% admit that they do not have a budget.
 - One-third, or more than 77 million Americans, do not pay all of their bills on time.
 - 39% carry credit card debt over from month to month.
 - Two in five adults indicated that they are now saving less than they were one year ago and 39% do not have any non-retirement savings.
 - 25% of those who do not currently have non-retirement savings indicated that, if they did begin to save, they would keep their savings at home in cash.
 - More than one in ten (13%), or about 30.5 million Americans, typically use prepaid debit cards to pay for everyday transactions such as groceries, gas, dining out, paying bills, and shopping online.
 - 78% of adults who use prepaid debit cards for everyday transactions say they use them because they are convenient.
 - 74% use prepaid cards because they feel the cards are safer than carrying cash.
 - 72% utilize prepaid cards because it allows them not to overspend or spend money they don't have.
 - 56% find that the cards enable them to better manage their money.

[National Foundation for Credit Counseling, Inc., *Financial Literacy Survey Exposes Significant Gaps In Grasp Of Personal Finance Skills*, April 2012, http://www.nfcc.org/newsroom/newsreleases/SIGNIFICANT_GAPS.cfm]

2. **DoughMain's** 2012 survey of parents revealed that:
 - 81% of parents feel it is their responsibility to teach their kids about money and savings.
 - 63% of kids 18 and under have savings accounts, and 73% of those savings accounts were started before the age of three.
 - 43% of parents review bank statements with their kids monthly.
 - 51% of parents give their children allowance, but only 4% require them to deposit that money into a bank account.
 - Only 28% of children have used online banking to view their savings account balance.
 - Only 38% of parents are matching their children's savings.
 - Only 30% of children give some of their savings regularly to charity.
 - For children without savings accounts, their money is most frequently saved in a piggy bank, bonds/CDs, or checking accounts.

[DoughMain, *Study Reveals Need for Tools to Help Parents Teach Kids About Savings*, February 17, 2012, <http://www.doughmain.com/odmpublic/includes/footer/about/docs/Help%20Parents%20Teach%20Kids%20About%20Savings.pdf>]

3. The 2011 annual back-to-school survey of parents and teens from **Capital One** found that:

- Only 41% of teens expect their parents will spend more than \$100 on back-to-school shopping, compared with 68% of parents who expect to spend over \$100.
- 43% of teens plan to contribute their own money to back-to-school spending, but only 15% of parents surveyed expect their child to help pay for the bill.
- 57% of parents surveyed say that they have discussed the difference between needs and wants with their teen, and 28% of parents say they have created a back-to-school budget with their child. Yet only 26% of teens report that they have discussed the difference between needs and wants with their parents, and only 15% say they have created a back-to-school budget with their parents.
- 93% of teens surveyed say they are not involved in paying household bills or managing the household budget, and 46% do not know how to create a budget.
- 55% of teens surveyed say that they want to learn more about how to manage their money - particularly learning about investing (88%), saving (87%), budgeting (82%), checking accounts (80%), and financing for big purchases like a car or a home (79%).

[Capital One, *Capital One's Annual Back-to-School Shopping Survey Reveals Gap in Back-to-School Budget Expectations Between Parents, Teens*, August 15, 2011, <http://phx.corporate-ir.net/phoenix.zhtml?c=70667&p=irol-newsArticle&ID=1596344&highlight>]

4. A 2011 **American Express** Spending & Saving Tracker survey indicated that:

- More than half of parents (57%) with kids in high school and college give schools below average or failing grades in teaching kids responsible spending, with more than one-third (35%) giving a straight out 'F.' This is compared with 37% of parents who give schools an 'A' or 'B' for teaching safe sex.

[American Express, *No Triple 'AAA' Rating for Schools that Fail to Teach "Safe Spend,"* August 10, 2011, <http://about.americanexpress.com/news/pr/2011/safespend.aspx>]

5. A 2011 survey of parents from **Visa Inc.** found that:

- 37% of adults interviewed say they learned basic money management on their own. Mothers were the primary source for 25% of respondents, while 22% learned about personal finance from their fathers.
- Only 5% of those surveyed say they learned about money matters from a teacher.
- In a related survey conducted in April 2011, 85% of American parents surveyed thought that a course in personal finance should be a high school graduation requirement.

[Visa Inc., *Mom and Dad 'MIA' on Teaching Money Management?*, May 24, 2011, http://www.practicalmoneyskills.com/about/press/releases_2011/0524.php]

6. A 2010 **iVillage** survey of online U.S. moms revealed that:

- More than half of moms (61%) are primarily responsible for managing their household's finances.
- 41% said they wish they were more informed about managing money/being financially responsible, so they could pass that knowledge on to their kids.
- 37% said they want more access to online articles and discussion forums with trusted financial experts.
- 29% said they would go online to talk with other moms for advice and information on how to talk about money with their kids. Online moms are also likely to share information with their social networks (51%).
- 30% would go to an online source (e.g. blogs financial websites and forums) for information about managing money/being financially responsible – ranked only behind a family member (52%) and financial professional/financial advisor (37%).

[iVillage, *iVillage and PASS from American Express(SM) Partner to Launch The Talk to Mobilize Moms to Talk to Teens About Money*, September 15, 2010, <http://about.americanexpress.com/news/pr/2010/thetalk.aspx>]

7. The 2010 Back to School Survey conducted by **Visa** survey revealed that:

- 93% of Americans believe all high school students should be required to take a class in financial education. While a handful of states have adopted varying degrees of financial literacy curriculum, only four states require high school students to take a semester-long course in personal finance. Only 3% of survey respondents do not think a financial education class should be required, with 4% unsure.

[Visa, *Back to School Survey Shows Americans Want Personal Finance Taught in the Classroom*, July 20, 2010, http://www.practicalmoneyskills.com/about/press/releases_2010/0720.php]

8. Results from the *Teachers' Background & Capacity to Teach Personal Finance* study, funded by the **National Endowment for Financial Education**, indicate that:

- While 89% of K-12 teachers agree that students should either take a financial education course or pass a competency test for high school graduation, relatively few teachers believe they are adequately prepared to teach personal finance topics.
- K-12 teachers and prospective teachers are acquiring very little additional formal education in personal finance, either through credit-based courses or non-credit offerings. In addition, only a few teachers and a handful of prospective teachers had completed any formal course work in educational methods for teaching financial education. Only 11.6% of K-12 teachers had taken a workshop on teaching personal finance
- The study found no influence of state mandates on whether a teacher had taken a course in personal finance, taught a course, or felt competent to teach a course. In fact, over 60% of teachers and prospective teachers said they do not feel qualified to teach their state's financial education standards. And teacher education faculty members in those states were no more familiar with state financial education standards than K-12 teachers themselves.

[National Endowment for Financial Education, *Are Teachers Making the Grade in Personal Finance Education?*, May 4, 2010, <http://www.nefe.org/NEFENews/PressRoom/PressRelease/UWMADISONRELEASESSTUDYONTEACHERSCAPABILITY/tabid/835/Default.aspx>]

9. A 2010 **American Express** survey of parents with children between the ages 6-16 revealed that:

- 71% of parents say their children understand we are in a recession.
- 91% of parents say they are committed to instilling lessons of financial responsibility upon their children in 2010, with 62% giving their children a weekly allowance.
- One in five children (20%) has indicated to a parent that “maybe we shouldn't buy that due to the recession.”

[American Express, *Children Clued In to Recession and Family Finances*, February 16, 2010, <http://about.americanexpress.com/news/pr/2010/cci.aspx>]

Undergraduate & Graduate Students

1. 2011 research from the third wave of the study, *Arizona Pathways for Life Success in University Students (APLUS)*, co-funded by the **University of Arizona** and the **National Endowment for Financial Education** revealed that:

- High school and college students who are exposed to cumulative financial education show an increase in financial knowledge, which in turn drives increasingly responsible financial behavior as they become young adults.
- Researchers document a “snowball effect” that these early efforts exponentially increase the likelihood that students will pursue more financial education as time goes on, including informal learning through books, magazines and seminars.
- Parents, more than anything, exert the most influence over their children when it comes to developing positive financial attitudes and behaviors—1.5 times more than continuing financial education and more than twice as much as what children hear from their friends.

[University of Arizona and National Endowment for Financial Education, *New Evidence Shows Positive ‘Snowball Effect’ of Financial Education - Cumulative Education Leads to More Financial Knowledge*, September 6, 2011, <http://www.nefe.org/PressRoom/News/APLUSWave20/tabid/1041/Default.aspx>]

2. A 2011 **Capitol One** survey of graduating college seniors revealed that:

- 69% have undergraduate student loans to repay.
- 66% say that having student loans to repay will have an influence on the job they take or the career they pursue.
- 60% are very or somewhat worried about their ability to pay back their loans.
- 55% say that they are “very concerned” about building a positive credit history.
- While 62% of current and recent graduates believe they are “highly” or “very” knowledgeable about personal finance and money management, many admit to impulse buying and overlooking opportunities to improve their finances.
- Only 43% say that they are putting money in savings on a monthly basis or more.
- 36% admit they are not setting aside money for savings on a regular basis.
- 55% of college seniors polled currently have a credit card of their own, while 78% of graduates from 2008-2010 have their own credit cards.

[Capital One, *College Grads Cite Student Loan Repayment as Top Concern, but Overlook Key Ways to Build a Solid Financial Foundation, Says Capital One Survey*, May 18, 2011, <http://phx.corporate-ir.net/phoenix.zhtml?c=70667&p=irol-newsArticle&ID=1565115&highlight>]

3. According to the **FINRA Investor Education Foundation’s** 2010 State-by-State Financial Capability Survey:

- Young Americans [18- to 34-year-olds] nationally were more likely to be less financially capable than older Americans, with 23% spending more than their household income, 68% not having money set aside to cover expenses for three months (rainy day fund), 34% engaging in non-bank borrowing, and averaging only 2.6 correct out of 5 questions covering concepts of economics and finance expressed in everyday life.

[FINRA Investor Education Foundation, *FINRA Foundation Releases Nation’s First State-by-State Financial Capability Survey*, December 8, 2010, <http://www.finra.org/Newsroom/NewsReleases/2010/P122538>]

American Kids & Teenagers

1. The 2012 *How Youth Plan to Fund College* survey of high school students by the **College Savings Foundation** revealed that:

- 78% of students said that costs would influence their higher education plans, but more planned to go to private schools this year than last (21% versus 16% in 2011) and fewer to often more affordable public schools (45%, down from 51%).
- 78% said it was their responsibility to pay for at least part of their college education.
- Of the 74% of students who say they have decided to save, fewer are getting jobs to help them: 46%, down from 52% last year.
- 94% of prospective borrowers are concerned about the debt burden they will face. Yet only 25% of them have projected the total loan amount they will need to graduate (down from 30%), and only 20% have projected what they'll owe each month to pay it (down from 22%).
- 51% wished that their current high school offered financial literacy instruction for them and their families to prepare for college costs.
- 52% have researched tuition costs for specific colleges or post-secondary schools, up from 49% last year.
- 35% have researched ways to save including personal savings and 529 college savings plans.

[College Savings Foundation, *High School Students Unprepared for Rising Costs of College with Deep Divide Between Funding Plans and Actions*, Says College Savings Foundation's Survey of American Youth, February 22, 2012, <http://www.collegesavingsfoundation.org/pdf/YouthSurveyExecSummaryFinal2012.pdf>]

2. According to a 2011 survey of high school seniors sponsored by **Capital One**:

- 75% expect to receive gift money for their graduation. Yet only 19% have created a budget and mapped out a plan for the cash, and only 45% plan to put their graduation gift money into savings.
- 87% report that their parents are their primary resource for information about money management and personal finance issues, but only 22% report that they talk to their parents about money management "frequently" and 44% say that they "sometimes ask their parents questions" about personal finance.
- Overall, 49% believe that they are "highly" or "very knowledgeable" about personal finance, but of the students who report frequent conversations about money with their parents, 70% rate themselves as "highly" or "very knowledgeable" about personal finance.
- 38% say that they are unsure or unprepared to manage their own banking and personal finances.
- Of those students planning to take out student loans for college, 44% say that they have either not discussed with their parents how student loans work, or they have had a brief conversation with little detail.
- 37% receive an allowance, and of those, 54% say that their parents "sometimes" talk with them about how it should be handled, and 30% say that these conversations "rarely" or "never" take place.
- 50% of those who receive an allowance report that they are currently using a budget to manage their expenses and savings, compared with 35% of students who don't receive an allowance. Similarly, 55% of students who receive an allowance report that they balance their checkbook at least monthly compared with 40% of students without an allowance.
- Of those who have had a job before, 72% think that their job experience has prepared them for their financial future in some way. Only 51% of high school seniors surveyed currently have a job lined up for the summer.

[Capital One, *As High School Graduates Open their Gifts, Parents Have Key Opportunity to Talk Money Management*, June 14, 2011, <http://phx.corporate-ir.net/phoenix.zhtml?c=70667&p=irol-newsArticle&ID=1573673&highlight>]

3. A 2011 survey of high school seniors conducted by **Sallie Mae** revealed that:

- About half of senior girls shopped for two or more weeks to pick out their dream dress for prom and half of senior boys spent two or more weeks deciding whom to ask for the big event.
- In contrast, nearly half of high school seniors spent five or fewer hours learning how to pay for college.

[Sallie Mae, *Sallie Mae survey reveals high school seniors spend more time planning for prom than financial planning for college*, May 11, 2011,

https://www1.salliemae.com/about/news_info/newsreleases/Sallie+Mae+survey+reveals+high+school+seniors+spend+more+time+planning+for+prom+than+financial+plann.htm]

4. According to **Charles Schwab's** 2011 Teens & Money Survey:

- Nine out of 10 teens say they were “affected by the recession,” causing major shifts in perspective that include a greater appreciation for what they have and an increased awareness of financial hardship.
- 64% are more grateful for what they have, and 58% reported they are less likely to ask for things they want as a result of the recession.
- 56% now have a greater appreciation for their parents’ hard work, and 39% appreciate their families more.
- Three-quarters of teens surveyed responded that their parents or guardians have talked to them about their financial situation during the past year.
- While teens aren’t overly optimistic about an economic recovery—with most (80%) believing the recession isn’t over yet and almost half (45%) responding that the recession will continue beyond this year—the majority feel they eventually will do better financially than their parents (59%).
- 77% consider themselves “Super Savers,” as opposed to 23% who characterize themselves as “Big Spenders.”
- On average, teens have nearly \$1,000 saved, and 76% say their main reason for saving is to pay for college. Fewer than 5% agree that “you might as well spend as much as you can today, because you never know what tomorrow will bring.”
- 86% indicate they’d rather learn about money management in a class before making mistakes in the real world.
- 82% say their parents have taught them the basics of money management, and 77% say their parents are great role models when it comes to money management. Parents talk to their teens most about saving, how to be a smart shopper, how to pay for college and the importance of budgeting.

[Charles Schwab, *2011 Teens & Money Survey*, April 2011,

http://www.schwabmoneywise.com/public/moneywise/calculators_tools/families_money_surveys/teens_money_survey?cmsid=P-4579457&lv1=calculators_tools&lv2=families_money_surveys]

5. Results of the 2011 **Junior Achievement/Allstate Foundation** “Teens and Personal Finance” Survey indicate that:

- Two-thirds of teens are changing their college plans due to the recession: half are working more to pay for college (an increase of 9%) and 42% now plan to attend college close to home (an increase of 5%).
- Nearly half report that they are more concerned about the economy than last year and 63% say their families are spending less due to the recession.
- 81% say the recession has motivated them to learn more about managing their money and parents are their number-one resource for financial planning, yet less than half of teens (43%) say they have discussed money management with their family.

- 97% plan on going to college and 83% believe they'll be financially independent of their parents by age 24.
- 81% say K-12 is the best time to learn money management.
- Nearly 50% are unsure of how to use a credit card effectively, yet 24% think high school or younger is when they should get their first credit card.
- 73% use a savings account, checking account, debit card or credit card, compared to 66% in 2009.
- 89% of teens say they will be as financially well off as their parents.

[Junior Achievement/Allstate Foundation, *Economics Crash Course: Teens Learn College Education Doesn't Come Cheap*, May 31, 2011, http://www.ja.org/about/releases/about_newsitem592.asp and *New Poll Shows Managing Money is Today's "Birds and Bees" Talk*, April 5, 2011, http://www.ja.org/about/releases/about_newsitem588.asp]

6. Results of the **U.S. Department of Education** and the **U.S. Department of the Treasury** 2011 National Financial Capability Challenge:

- 84,372 high school students registered for the challenge, and received a national average score of 69% on the exam. 18,192 students scored in the top 20% and 563 received perfect scores.

[U.S. Department of Education and the U.S. Department of the Treasury, *National Financial Capability Challenge 2011 Results*, April 2011, <http://www.challenge.treas.gov/index.htm>]

7. A 2010 survey by the **College Savings Foundation** revealed that:

- Three quarters (75%) of 16-17-year-old high school students surveyed said that it is their responsibility to fund part or all of their higher education costs.
- 77% of high school students surveyed are grappling with tradeoffs, saying that the cost of school will definitely (30%) or possibly (47%) influence their further education plans. Of these students, 55% said that costs will be a factor in *which* college they decide to attend.
- 70% of students are talking to their parents about how much college costs. And despite 55% of their college savings being affected by current market, only 28% of all students said that college funding had created anxiety in the household.
- 45% of all students surveyed have already begun to save and, of those, 43% have already amassed between \$1,000 and \$5,000 towards college. This same subgroup has shown its mettle against the pull of immediate gratification with over half (54%) giving up things like electronics, vacations, or cars to save for college.
- 68% have not researched any type of student loan. Of the 66% who are taking out or considering loans, 80% have not projected the total amount they will need to graduate, and 82% haven't calculated the monthly loan repayment amount.

[College Savings Foundation, *High School Students Step Up to Fund Their Own College Costs, Says College Savings Foundation Survey*, February 25, 2010, <http://www.collegesavingsfoundation.org/pdf/HighSchoolSurveyPRFINAL.pdf>]

American Families

Saving & Investment:

1. According to a 2011 survey of college-going families conducted by **Sallie Mae**:

- 90% of students strongly agreed that college is an investment in the future, an increase from 84% in 2010.

- In addition, 70% of students and parents strongly agreed that a college education is necessary for their desired occupation and that attending college is required to earn more, up from 63% and 59%, respectively, in 2010.
- Virtually all families reported taking cost-savings measures, such as attending lower-cost colleges, living at home, or going to school part time. On average, families reported paying 9% less for college than they had the previous year.
- Grants and scholarships played an increasingly important role, covering 33% of college costs in 2010-2011, up from 23% the previous year.
- In addition, the proportion of families who received grants and scholarships grew substantially, from 55% in 2009-2010 to 67% in 2010-2011. The majority of this increase occurred among middle- and high-income families.
- Parent sources, including savings, income and loans, funded the largest segment of the average family's total college expenses, at 37%. Students assumed direct responsibility for about one-quarter of the total cost of college, contributing 11% from income and savings and 15% through borrowing.
- In one-third of families, the student borrowed money to pay for college, most commonly through the federal student loan program at an average of \$6,983. In addition, students used private education loans in 9% of families.

[Sallie Mae and Gallup, *Sallie Mae 'How America Pays for College' study reveals shifts in reasons for attending college: From aspirational to practical*, August 23, 2011, https://www1.salliemae.com/about/news_info/newsreleases/Sallie+Mae+study+reveals+shifts+in+reasons+for+attending+college.htm]

2. The **College Savings Foundation's** 2010 "The State of College Savings" survey of parents revealed that:

- 65% of parents are saving for their children's college education, up from 59% last year. Conversely, the number of parents who weren't saving at all has fallen to 35% this year, down from 41% in 2009.
- 76% of all respondents said that they take the time to teach their children how to be financially literate. Nearly all – 90% – said that they believe there is a need to teach financial literacy to children as part of the school curriculum. Of those parents, 82% said that they believed that school districts should be required to offer a multi-grade integrated financial literacy curriculum.

[College Savings Foundation, *Parents Shift Behavior to Save More for Their Children's College Education, Says College Savings Foundation Survey*, August 25, 2010, <http://www.collegesavingsfoundation.org/pdf/2010CSFStateofCollegeSavingsPR8-25-10.pdf>]

3. According to a survey by **PASS from American Express**:

- 36% of parents say that talking to their teens about an allowance is comparable or more difficult than the stressful experience of negotiating the purchase of a car.
- Teens also indicated that talking with their parents about money is not easy, as nearly half of teens (49%) say that having to ask their parents for money is a "hassle."
- The recent survey suggests that teens and young adults primarily receive money through allowances, gifts, or unscheduled jobs such as chores around the house. Over half of parents (55%) give their teens an allowance. Parents give teens an average of \$66 per month, including funds for a regular allowance, clothing or food, extra spending money, and/or payment for jobs around the house.

[PASS from American Express, *Many Parents Say Discussing Allowance with Teens is as Stressful as Negotiating Purchase of a Car*, August 16, 2010, <http://about.americanexpress.com/news/pr/2010/dat.aspx>]

4. The 2010 Families & Money Survey by **Charles Schwab** revealed that:

- The road to financial independence for today's youth stretches out farther than ever before, with 41% of so-called "sandwich generation" parents continuing to provide at least some financial support to their young adult children.
- Parents cite college debt (32%) and unemployment (31%) as top reasons their children are relying on them more. However, they also believe that some contributing financial pressures fall squarely within the kids' control. Parents also cite overspending (25%) and consumer debt (19%) as reasons for their kids' delayed independence.
- Parents of 20-somethings recognize that they could perhaps have done more to foster their children's independence by teaching them about saving and budgeting and not helping them as much financially. And while 57% of parents see themselves as a "good financial role model to their children," they also admit that their children's spending habits don't necessarily reflect this perception.
- Parents believe the top three areas of money management where their children need to improve are: how to stick to a budget and live within their means (48%), how to save money (42%), and how to invest wisely (33%).

[Charles Schwab, *Results of Charles Schwab's 2010 Families & Money Survey Show Strong Financial Ties between the Sandwich Generation and Their Young Adult Kids*, April 21, 2010, http://www.businesswire.com/portal/site/schwab/index.jsp?ndmViewId=news_view&ndmConfigId=1020773&newsId=20100421005252&newsLang=en]

Debt:

1. **Card debt is way down across the entire country. Since January, average credit card debt has fallen nearly 10% nationally to \$6,503, while all 50 states showed reduced credit card debt.** The states that decreased their debt the most include Mississippi, down 16% to \$5,362; Alabama, down 14% to \$5,750; and Kentucky, New Hampshire, Rhode Island and West Virginia, all down 13% to \$6,151, \$7,464, \$6,090 and \$5,956, respectively.

[CardTrak.com, *Credit Card Debit*, January 9, 2012, http://www.cardtrak.com/news/2012/01/09/credit_card_debit]

Bankruptcies, Defaults, & Foreclosures:

1. U.S. consumer bankruptcy filings totaled 100,980 nationwide during November 2011, a 12% decrease from the 114,587 total consumer filings recorded in November 2010, according to the **American Bankruptcy Institute** (ABI), relying on data from the National Bankruptcy Research Center (NBKRC). The November 2011 consumer filings also represented a 5% decrease from the 106,255 filings in October. Chapter 13 filings constituted 31% of all consumer cases in November 2011, a slight decrease from October.

[CardTrak.com, *November Consumer Bankruptcy Filings Drop 12 Percent from Last Year*, December 2, 2011, <http://www.abiworld.org/AM/Template.cfm?Section=Home&CONTENTID=64784&TEMPLATE=/CM/ContentDisplay.cfm>]

Updated April 2012

REPORT AND RECOMMENDATIONS

by the Pa. Task Force on Economic Education and Personal Financial Literacy Education

Appendix 10.8

Pennsylvania Office of Financial Education “Where is Personal Finance Found in the Pennsylvania Academic Standards?” 2011

Where is Personal Finance in the Pennsylvania Academic Standards?

The short answer is – lots of places! But, more specifically, you'll find personal finance content within the standards for mathematics, economics, family and consumer science, and career education and work. The following lists each of the standard statements that deal with personal finance. These are, of course, not all-encompassing. Much of math, for example, can be taught (and assessed) in a personal finance context as can reading, writing, speaking, and listening.

Mathematics (revised 2009)

2.1.3.A. Apply one-to-one correspondence and number patterns to count up and count back and to compare values of whole numbers and values of money.

2.2.3.B. Add and subtract single and double digit numbers with regrouping and triple-digit numbers, without regrouping including problems with money.

2.2.3.D. Estimate values, sums and differences of quantities and conclude the reasonableness of those estimates.

2.4.5.A. Use models, number facts, properties and relationships to draw conclusions and explain reasons for conclusions (e.g., statistics or budgetary analysis).

2.6.4.E. Determine the reasonableness of a statement based on a comparison to data displayed in a graph (e.g., statistics or budgetary analysis).

Economics (revised 2009)

6.1.3.A. Define scarcity and identify examples of resources, wants, and needs.

6.1.9.B. Identify the origin of resources and analyze the impact on the production of goods and services. Analyze how unlimited wants and limited resources affect decision making.

6.2.3.C. Identify types of advertising designed to influence personal choice.

6.2.3.D. Define price and how prices vary for products.

6.2.6.E. Explain the causes and effects of expansion and contraction of businesses.

6.2.6.F. Explain the influence of private economic institutions on the local and state economy.

6.2.9.E. Analyze the characteristics of economic expansion, recession, and depression.

6.3.12.C. Evaluate the social, political, and economic costs/benefits of potential changes to taxation policies.

6.3.3.C. Define tax and explain the relationship between taxation and government services.

6.3.6.C. Explain the cost and benefits of taxation.

6.3.9.B. Examine how and why the government acts to regulate and stabilize the state and national economy.

6.5.12.G. Analyze the risks and returns of various investments.

6.5.3.A. Explain why people work.

6.5.3.B. Identify different occupations.

6.5.3.E. Identify tangible and intangible assets.

6.5.3.G. Define saving and explain why people save.

6.5.3.H. Explain the basic operation of the banking system.

6.5.5.F. Define entrepreneurship and its role in the local community.

6.5.6.E. Describe how people accumulate tangible and intangible assets.

6.5.6.G. Identify the costs and benefits of saving.

6.5.6.H. Explain the differences between interest rates for saving and borrowing.

6.5.9. A. Define wages and explain how wages are determined by the supply of and demand for workers.

6.5.9. C. Identify and explain the characteristics of sole proprietorship, partnership, and corporation.

6.5.9. E. Define wealth and describe its distribution within and among the political divisions of the United States.

6.5.9. G. Compare and contrast the various financial tools available to savers.

6.5.9. H. Explain the impact of higher or lower interest rates for savers, borrowers, consumers and producers.

6.5.12. A. Analyze the factors influencing wages.

6.5.12. G. Analyze the risks and returns of various investments.

6.5.12. H. Evaluate benefits and costs of changes in interest rates for individuals and society.

Family & Consumer Science

11.1.3.A. Identify money denominations, services and material resources available as trade-offs within the home, school and community.

11.1.3.B. Define the components of a spending plan (e.g., income, expenses, savings).

11.1.3.D. Explain consumer rights and responsibilities.

11.1.3.E. Explain the relationship between work and income.

11.1.6.B. Know the relationship of the components of a simple spending plan and how that relationship allows for managing income, expenses and savings.

11.1.6.C. Describe the adaptability to meet basic human needs of the different types of housing available (e.g., single home, apartment, mobile home, shelter, recreational vehicle, public housing).

National Standards in K–12 Personal Finance Education

With Benchmarks, Knowledge Statements, and Glossary



National Standards for Financial Literacy



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Introduction

Annual income twenty pounds, annual expenditure nineteen nineteen six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery.

That advice, proffered by Charles Dickens' Mr. Micawber to the young David Copperfield, comes from an older, and perhaps simpler, time. But if there was ever a time when people could so easily master everything they needed to know about their finances, it ended long ago. Today the principles of personal finance—and the global economy in which they function—are mysteries to an alarming number of Americans. Mr. Micawber's rule of thumb has been swept aside, and in its place we find a bewildering variety of prescriptions for both happiness and misery: exotic investment instruments, arcane tax regulations, constantly changing computer technologies. Financial markets have grown in size, complexity, and global reach, providing both individuals and businesses exciting opportunities for reward and, simultaneously, unprecedented levels of risk. These changes in the financial landscape directly and indirectly affect the lives of individuals and the decisions they make as workers, consumers, savers, borrowers, and investors.

What's more, the pace of change is quickening at a time when individuals of all ages are being called upon to assume more responsibility for their financial lives. College tuition is now so costly—due in part to cutbacks in support from state governments—that postsecondary education has become a serious economic issue, and those high school graduates who do apply to college must explore complex funding packages when they decide whether, and where, they will go. Health care insurance offerings have multiplied, forcing would-be subscribers to select among a confusing mix of prices and fees. Retirees' pensions have been largely replaced with defined contribution plans, shifting the responsibility for saving and investing from the employer to the employee. Investors, who have an immense amount of financial information literally at their fingertips, face a staggering variety of financial products and services. In short, consumers today must decide how best to allocate finite resources among a stream of new financial products and payment options that would shock Mr. Micawber in their complexity.

A New Role for the Schools

Students begin learning about the financial world at an early age. Long before they enter school, they have had the chance to observe the financial decisions made by their friends and families—occasions that allow them to begin to develop a financial mindset. But parents aren't always the most effective models for personal financial decision making. Formal education in school about financial terms and concepts can significantly help prepare students for the financial opportunities and challenges they will face as adults.

Increasingly, policymakers worldwide have come to the same conclusion: Young people need to be educated about personal finance. In the first large-scale international study to assess the financial literacy of young people, the Organisation for Economic Co-operation and Development (OECD) is testing 15-year-olds in 18 countries, including the United States, on their knowledge of personal finance and their ability to apply it to their financial problems. The goal of the Programme for International Student Assessment (PISA) is to compare levels of financial literacy across countries in order to see which countries perform best and identify effective national strategies and practices.

In the United States, the Council for Economic Education's (CEE) 2011 *Survey of the States* indicates that most states now recognize the value of personal financial instruction. The survey found that 46 states now include personal finance in their state education standards; 36 states require that these standards be implemented, up from 16 in 2000. In addition, 14 states required that a specific course on personal finance be offered in high school (up from 7 in 2000), and 13 of those states made it mandatory for graduation (up from just 1 in 2000). This trend is likely to continue.

The addition of personal finance to more school curricula gives urgency to developing national standards for instruction. Our hope is that the publication of the standards in this report will help guide school administrators, teachers, curriculum developers, and other parties charged with instilling personal financial literacy.

Developing the Standards

The six standards presented in this report are the scaffolding for a body of knowledge and skills that should be contained in a personal finance curriculum. Each standard is an overarching statement of content, to which we have attached multiple age-appropriate benchmarks as a means of evaluating students' mastery. To make the standards as accessible as possible, they have been designed to apply to all socioeconomic student groups. The standards do not assume prior economic or financial knowledge and are written in deliberately nontechnical language so that they can be taught by teachers who are not trained in personal finance and economics.

At the same time, the standards are geared toward deepening students' understanding of personal finance through an economic perspective, and accordingly are designed to develop a curriculum that is not only practical but academically sound. We strongly believe that a basic understanding of economics provides a critical framework for making informed decisions about budgeting, saving, and investing. In learning basic economics, students come to appreciate that choices have costs and benefits, and that it is often necessary to sort through complex information and weigh multiple costs and benefits before arriving at a decision. Indeed, it would be fair to say that a systematic approach to decision making acquired in studying economics permeates virtually all aspects of life.

Implicit in this approach is an emphasis on the role that economics plays in the functioning of financial markets. Financial choices rarely occur in isolation. As a rule, investment decisions must be made in the context of markets. A better understanding of markets should result in more informed financial decisions. For example, investors may be offered a chance to buy a bond that pays an interest rate well above that paid by an insured account at a bank. If investors understand that riskier borrowers must pay a higher rate of interest, they know that the bond is probably riskier than the bank account. Financially illiterate investors who do not understand this trade-off may unwittingly take on an inappropriate level of risk. Financially literate investors may also decide to take on the risk, but they understand and, more importantly, knowingly accept and plan for the consequences of this risk. Furthermore, those investors are more likely to understand the risk-reward trade-off of new financial instruments as they become available—or at least realize what they need to understand.

The Benefits of Financial Literacy

Ultimately, increased personal financial literacy will change student behavior. Students will learn how their personal situations and preferences affect their financial decision

making—and will also begin to understand the trade-offs inherent in every choice they make. For example, some individuals will save more for retirement; some will save less. Sound financial decision making does not dictate blindly throwing money into a retirement fund. Rather, it means asking oneself what lifestyle is desired at retirement and then determining what must be sacrificed today to achieve tomorrow's goals. In the end, more informed choices lead to better choices as well as greater satisfaction with the choices that are made.

These changes in behavior pay dividends to society as well. People who work, spend, save, borrow, invest, and manage risk wisely are less likely to require a government rescue. To be sure, financial literacy does not eliminate the need for a social safety net; even the most prudent individual can encounter financial difficulties. Government also necessarily regulates financial markets to prevent illegal or abusive practices and to ensure disclosure of pertinent financial information. However, most of the responsibility for managing financial matters rests with the individual. That responsibility is easier for adults to bear when they have learned the basics of personal finance in their youth.

Background and Acknowledgments

The creation of national standards for financial literacy has been a truly collaborative process. The idea for standards arose out of a conference, "Assessment and Evaluation of K–12 Personal Finance and Economic Education in the 21st Century: Knowledge, Attitudes, and Behavior," held at the Federal Reserve Bank of St. Louis in May 2011. CEE subsequently organized a planning meeting in October of that year.

The Writing Committee that emerged from that planning session reviewed many documents, including the Department of Treasury's "Financial Education Core Competencies;" "Money as You Grow," developed by the President's Advisory Council on Financial Capability; PISA's "2012 Financial Literacy Assessment Framework;" and a wide variety of state standards as well as the Jump\$tart Coalition for Personal Financial Literacy's *National Standards in K–12 Personal Financial Education*. While these documents were helpful in providing the Writing Committee a perspective on other experts' views, none of the documents fully achieved the goals the committee established.

Each writer on the committee was assigned a standard to complete. The Economic and Financial Literacy Educators Review Committee, which was composed of university professors and educational professionals who train K–12 teachers, and the Educator Review Committee (the teachers themselves) provided feedback. The document also benefitted greatly from comments received by the Review Committee, which consisted of nationally recognized experts from academic institutions, the Federal Reserve, and private business. Various iterations of the standards were also vetted by groups such as the National Association of Economic Educators and the National Association of State Boards of Education. A draft was presented at a conference sponsored by the American Economic Association's Committee on Economic Education in May 2012. The final draft was submitted to CEE in November.

CEE expresses its appreciation in particular to the members of the Writing Committee for their significant role in bringing these standards to life. Also, project director William Bosshardt exhibited extraordinary guidance, leadership, and patience in coordinating the various components of this project, and we sincerely thank him for his contribution to this document. Finally, CEE gratefully acknowledges 1st Financial Bank USA for its support of this project and its commitment to financial literacy.

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Brief Guide to the Standards

The standards are formatted as follows:

Standard Topic

The standard is an overarching statement from which the benchmarks are built.

Concept Progression

A paragraph provides a rationale for how the benchmarks were constructed and describes the development of the concepts through the grade levels.

Benchmarks: Grades 4, 8, 12

At the completion of Grade 4, students will know that:	At the completion of Grade 4, students will use this knowledge to:
Benchmarks are listed for each grade level.	Examples of how understanding might be demonstrated by the student are given.

Using Decision-Making Skills: Topic

Economics is about making decisions. To help students understand how to make better decisions, the process is described in a systematic way through an example using the knowledge outlined in the benchmarks to make a decision within the context of the topic. The decision-making skill is divided into three steps as shown below. Each step is described for the example.

Planning and Goal Setting: This section discusses the information needed to plan for and achieve goals.

Making the Decision: This section identifies the costs and benefits associated with the decision and addresses how to compare costs and benefits before making the decision.

Assessing Outcomes: This section addresses how results are measured and when the decision might need to be reconsidered.

Other Topic-Related Choices: Grades 4, 8, 12

Questions are provided to illustrate how the decision-making skills and content in the standard can be applied to answer practical questions or to address specific issues.

Summary of the Standards

- I. **Earning Income** Income for most people is determined by the market value of their labor, paid as wages and salaries. People can increase their income and job opportunities by choosing to acquire more education, work experience, and job skills. The decision to undertake an activity that increases income or job opportunities is affected by the expected benefits and costs of such an activity. Income also is obtained from other sources such as interest, rents, capital gains, dividends, and profits.
- II. **Buying Goods and Services** People cannot buy or make all the goods and services they want; as a result, people choose to buy some goods and services and not buy others. People can improve their economic well-being by making informed spending decisions, which entails collecting information, planning, and budgeting.
- III. **Saving** Saving is the part of income that people choose to set aside for future uses. People save for different reasons during the course of their lives. People make different choices about how they save and how much they save. Time, interest rates, and inflation affect the value of savings.
- IV. **Using Credit** Credit allows people to purchase goods and services that they can use today and pay for those goods and services in the future with interest. People choose among different credit options that have different costs. Lenders approve or deny applications for loans based on an evaluation of the borrower's past credit history and expected ability to pay in the future. Higher-risk borrowers are charged higher interest rates; lower-risk borrowers are charged lower interest rates.
- V. **Financial Investing** Financial investment is the purchase of financial assets to increase income or wealth in the future. Investors must choose among investments that have different risks and expected rates of return. Investments with higher expected rates of return tend to have greater risk. Diversification of investment among a number of choices can lower investment risk.
- VI. **Protecting and Insuring** People make choices to protect themselves from the financial risk of lost income, assets, health, or identity. They can choose to accept risk, reduce risk, or transfer the risk to others. Insurance allows people to transfer risk by paying a fee now to avoid the possibility of a larger loss later. The price of insurance is influenced by an individual's behavior.

Earning Income



Students will understand that:

Income for most people is determined by the market value of their labor, paid as wages and salaries. People can increase their income and job opportunities by choosing to acquire more education, work experience, and job skills. The decision to undertake an activity that increases income or job opportunities is affected by the expected benefits and costs of such an activity. Income also is obtained from other sources such as interest, rents, capital gains, dividends, and profits.

Concept Progression

This standard focuses on income earned or received by people. The primary focus at the 4th grade level is to describe different types of jobs as well as different forms of income earned or received. Attention at the 8th grade level turns to the benefits and costs of increasing income through the acquisition of education and skills. Government programs that affect income are introduced. The 12th grade level gives further emphasis to types of income and taxes, highlights benefit-cost decisions related to jobs and careers, and introduces labor markets.

Benchmarks: Grade 4

At the completion of Grade 4, students will know that:	At the completion of Grade 4, students will use this knowledge to:
1. People have many different types of jobs from which to choose. Different jobs require people to have different skills.	Make a list of different types of jobs and describe the different skills associated with each job.
2. People earn an income when they are hired by an employer to work at a job.	Explain why employers are willing to pay people to do their work.
3. Workers are paid for their labor in different ways such as wages, salaries, or commissions.	Explain how a waitress, a teacher, and a realtor are paid.
4. People can earn interest income from letting other people borrow their money.	Explain why banks and financial institutions pay people interest when they deposit their money at those institutions.
5. People can earn income by renting their property to other people.	Identify different types of property (such as apartments, automobiles, or tools) that people own and on which rent is paid.

6. People who own a business can earn a profit, which is a source of income.	Calculate the profit from a business with the information provided on the business's costs and revenues.
7. Entrepreneurs are people who start new businesses. Starting a business is risky for entrepreneurs because they do not know if their new businesses will be successful and earn a profit.	Read a children's book about an entrepreneur and identify the type of business started, the possible risks of running the business, and what the entrepreneur expected to earn.
8. Income can be received from family or friends as money gifts or as an allowance for which no specified work may be required.	Survey classmates and create a graph showing how many classmates receive money as gifts and how many receive an allowance. Explain why people give other people gifts of money.
9. Income earned from working and most other sources of income are taxed. The revenue from these taxes is used to pay for government-provided goods and services.	Describe examples of government-provided goods and services that are paid for with taxes.

Benchmarks: Grade 8

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard and also that:	At the completion of Grade 8, students will use this knowledge to:
1. Careers are based on working at jobs in the same occupation or profession for many years. Different careers require different education and training.	Interview individuals and create a timeline that shows the education, training, and job experiences that occurred as the individuals progressed through different stages of their careers.
2. People make many decisions over a lifetime about their education, jobs, and careers that affect their incomes and job opportunities.	Conduct research on a specific career. Describe the education, job, or career decisions individuals in this field might make over their lifetime and explain how this could affect their incomes and job opportunities.
3. Getting more education and learning new job skills can increase a person's human capital and productivity.	Explain how taking a babysitting class or getting lifeguard training can improve a young person's human capital or productivity.
4. People with less education and fewer job skills tend to earn lower incomes than people with more education and greater job skills.	Gather data on the average wage or salary for different jobs and explain how they differ by the level of education, job skill, or years of experience.
5. Investment in education and training generally has a positive rate of return in terms of the income that people earn over a lifetime.	Using data on the lifetime earnings of workers with different levels of education, explain why adults with a college education typically earn more than adults with only a high school education.
6. Education, training, and development of job skills have opportunity costs in the form of time, effort, and money.	Describe the opportunity costs of attending a training course on babysitting, lifeguarding, or first aid.
7. People often use a portion of their savings to help themselves or their family members build human capital through education or job training.	Explain why older family members such as parents might choose to use their savings to support the education and training of younger family members.

8. Entrepreneurs take the risk of starting a business because they expect to earn profits as their reward, despite the fact that many new businesses can and do fail. Some entrepreneurs gain satisfaction from working for themselves.	Name a local business that recently failed as well as a business that has been successful. Speculate on why one business was successful and the other was not. Investigate what causes people to start their own businesses or to become self-employed.
9. Interest, dividends, and capital appreciation (gains) are forms of income earned from financial investments.	Find the interest rate a bank pays on a savings account. Find the dividend rate paid on a company stock and the percentage that the price of that stock rose or fell in the last year.
10. Some people receive income support from government because they have low incomes or qualify in other ways for government assistance.	Look up government programs such as Medicaid or SNAP (Supplemental Nutrition Assistance Program) and explain the financial situation the programs are addressing.
11. Social Security is a government program that taxes the income of current workers to provide retirement, disability, and survivor benefits for workers or their dependents.	Given information on a worker's income and today's Social Security tax rates, calculate what the worker and the worker's employer will pay in taxes. Find the average benefit paid to a retiree living on Social Security today.

Benchmarks: Grade 12

At the completion of Grade 12, students will know the Grade 4 and Grade 8 benchmarks for this standard and also that:	At the completion of Grade 12, students will use this knowledge to:
1. People choose jobs or careers for which they are qualified based on the income they expect to earn and the benefits, such as health insurance coverage or a retirement plan, that they expect to receive.	Conduct research and create a list of potential income and employee benefits packages that are likely to be offered by different companies, government agencies, or not-for-profit organizations for a new worker in an occupation. Explain what decisions workers are likely to have to make regarding benefits.
2. People choose jobs or careers for which they are qualified based on non-income factors, such as job satisfaction, independence, risk, family, or location.	Identify non-income factors that influence career or job choice by interviewing three individuals who work at different jobs.
3. People vary in their willingness to obtain more education or training because these decisions involve incurring immediate costs to obtain possible future benefits. Discounting the future benefits of education and training may lead some people to pass up potentially high rates of return that more education and training may offer.	Explain how people's willingness to wait or plan for the future affects their decision to get more education or job training in a dynamic and changing labor market. Speculate how a high school student might assess the future benefits of going to college, and describe how that assessment will affect the student's decision to attend college.
4. People can make more informed education, job, or career decisions by evaluating the benefits and costs of different choices.	Compare the benefits and costs of a college education to those of a technical school. Compare the unemployment rates of workers with different levels of education.

<p>5. The wage or salary paid to workers in jobs is usually determined by the labor market. Businesses are generally willing to pay more productive workers higher wages or salaries than less productive workers.</p>	<p>Explain why wages or salaries vary among workers in different types of jobs and among workers in the same jobs.</p> <p>Discuss why the productivity of workers is important to businesses.</p>
<p>6. Changes in economic conditions or the labor market can cause changes in a worker's income or may cause unemployment.</p>	<p>Explain how an increase in the demand for mobile applications might impact the wages paid to software developers.</p> <p>Explain the effects of a recession on the unemployment rate.</p>
<p>7. Taxes are paid to federal, state, and local governments to fund government goods and services and transfer payments from government to individuals. The major types of taxes are income taxes, payroll (Social Security) taxes, property taxes, and sales taxes.</p>	<p>Calculate the amount of taxes a person is likely to pay when given information or data about the person's sources of income and amount of spending.</p> <p>Identify which level of government receives the tax revenue for a particular tax and describe what is done with the tax revenue.</p>
<p>8. People's sources of income, amount of income, as well as the amount and type of spending affect the types and amounts of taxes paid.</p>	<p>Investigate the tax rates on different sources of income and on different types of goods that are purchased.</p>

Using Decision-Making Skills: Job and Career Choices

Planning and Goal Setting: People's choices of jobs and careers affect their income and quality of life. Choices about jobs and careers are often influenced by the level of education, the extent of work experience, the types of job skills, or the amount of job training required for a person to do that job or career. To make an informed decision, people have to gather sufficient information about possible jobs or careers. This information can include the wage or salary and benefits associated with the job or career together with opportunity costs associated with the education or training for that job or career.

Making the Decision: With information in hand, people then weigh the costs and benefits and make a choice. After having made a job or career choice, people then need to acquire the skills, training, and education necessary to enter that job or career. This investment in human capital requires further planning and goal setting. It may also require saving, borrowing, and risk taking to finance this investment in human capital.

Assessing Outcomes: Once people have a job or enter a career, they still must decide if they are satisfied with their choice. If they like their job, people may want further advancement that may require more education or job training so they can earn more income, obtain a promotion, or gain more work responsibility. On the other hand, people can become dissatisfied with their choice because they did not obtain the expected benefits or because their interests or circumstances changed. If they don't like their job, they may decide to change jobs or careers because the benefits of staying in the same job or career are not worth the costs. Other jobs or other careers may be more suitable.

Other Income-Related Choices

4th Grade

- What type of work do you want to do when you grow up?
- How do you get prepared for your desired career or job?
- Why would you want to start a business of your own?

8th Grade

- Would you like to work for someone else or start your own business and work for yourself?
- What part-time jobs or volunteer work can you do now to explore jobs or careers you might want to pursue in the future?
- Why is it important to graduate from high school rather than dropping out?

12th Grade

- Should you get a summer job? Should you work during the school year?
- What type of postsecondary education do you want? What will be the expected costs and benefits of that education?
- How many hours a week do you want to work? How important is leisure time to you?
- What types of fringe benefits are important to you? How valuable are these benefits?
- What kinds of education or training will best help you advance in a job or a career in which you are interested?



Buying Goods and Services

Students will understand that:

People cannot buy or make all the goods and services they want; as a result, people choose to buy some goods and services and not buy others. People can improve their economic well-being by making informed spending decisions, which entails collecting information, planning, and budgeting.

Concept Progression

The 4th grade benchmarks introduce the concepts of scarcity, choice, and opportunity cost. Factors that influence spending choices, such as advertising, peer pressure, and spending choices of others, are analyzed. Attention is given to comparing the costs and benefits of spending decisions. The basics of budgeting and planning are introduced. The 8th grade benchmarks expand upon these concepts. More attention is paid to making a spending decision. Payment methods are introduced along with the importance of weighing the costs and benefits of each. Budgeting is discussed in more detail, including the classification of expenses. The 12th grade benchmarks frame a consumer's decision using economic ideas such as satisfaction, determinants of demand, costs of information search, choice of product durability and other features, and the role of government and other institutions in providing information for consumers.

Benchmarks: Grade 4

At the completion of Grade 4, students will know that:	At the completion of Grade 4, students will use this understanding to:
1. Economic wants are desires that can be satisfied by consuming a good, a service, or a leisure activity.	Brainstorm a list of wants and then identify examples of goods, services, or leisure activities they can buy to satisfy each want.
2. People make choices about what goods and services they buy because they can't have everything they want. This requires individuals to prioritize their wants.	Create a list of goods or services they want given a set budget constraint, rank the goods and services from the most to the least desired, and justify their ranking.
3. People spend a portion of their income on goods and services in order to increase their personal satisfaction or happiness.	Explain why consumers with identical vacation budgets choose different options when planning a weeklong vacation.

4. Whenever people buy something, they incur an opportunity cost. Opportunity cost is the value of the next best alternative that is given up when a person makes a choice.	Present an example of a buying choice a person made and identify the opportunity cost of that choice.
5. Informed decision making requires comparing the costs and benefits of spending alternatives. Costs are things that a decision maker gives up; benefits are things that a decision maker gains.	Compare the costs and benefits of buying a bicycle in two settings, rural and urban, and for different people including a younger child, a teenager, and a grandparent.
6. People's spending choices are influenced by prices as well as many other factors, including advertising, the spending choices of others, and peer pressure.	Write stories about how individual spending choices were informed or influenced by advertising, the spending choices of others, peer pressure, or the prices of alternative choices. Explain why shopping with a list can help consumers with their spending choices.
7. Planning for spending can help people make informed choices. A budget is a plan for spending, saving, and managing income.	Create a budget for a set amount of allowance income that includes expenses (buying of goods and services) and savings.

Benchmarks: Grade 8

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard and also that:	At the completion of Grade 8, students will use this knowledge to:
1. When making choices about what to buy, consumers may choose to gather information from a variety of sources. The quality and usefulness of information provided by sources can vary greatly from source to source. While many sources provide valuable information, some sources provide information that is deliberately misleading.	Gather information for an electronic good from sources such as manufacturers' websites, retail websites, and consumer review websites. Explain what information is most helpful in making their decision. Search the Internet and print materials and identify deceptive selling practices.
2. By understanding a source's incentives in providing information about a good or service, a consumer can better assess the quality and usefulness of the information.	Explain why advice from a source such as a salesperson may or may not be useful when deciding which product to buy.
3. People choose from a variety of payment methods in order to buy goods and services.	Explain how they would use the following payment methods to purchase a good or service: cash, check, debit card, credit card, mobile phone, online payment, prepaid card, layaway, and rent to own.
4. Choosing a payment method entails weighing the costs and benefits of the different payment options.	Choose the best payment method for the following purchases by weighing the costs and benefits of various payment options: ticket to a concert, food at a convenience store, airline ticket, cell phone bill, beverage at a middle school basketball game, and car payment.

5. A budget includes fixed and variable expenses, as well as income, savings, and taxes.	Prepare a monthly budget for a family given their income, savings goals, taxes, and list of fixed and variable expenses.
6. People may revise their budget based on unplanned expenses and changes in income.	Offer ways to balance a family's budget given unplanned expenses such as health care costs, car repairs, or change in income.

Benchmarks: Grade 12

At the completion of Grade 12, students will know the Grade 4 and Grade 8 benchmarks for this standard and also that:	At the completion of Grade 12, students will use this knowledge to:
1. Consumer decisions are influenced by the price of a good or service, the price of alternatives, and the consumer's income as well as his or her preferences.	Write scenarios explaining how an individual's decision to buy athletic shoes may have been influenced by various factors.
2. When people consume goods and services, their consumption can have positive and negative effects on others.	Explain the positive or negative impacts that a person who smokes cigarettes or who attends school might have on other individuals and the community.
3. When buying a good, consumers may consider various aspects of the product including the product's features. For goods that last for a longer period of time, the consumer should consider the product's durability and maintenance costs.	Explain the factors that a consumer who is buying an automobile should consider before making a choice.
4. Consumers may be influenced by how the price of a good is expressed.	Write a paragraph explaining why a store might advertise the price of a flat screen TV expressed as an amount per day or week rather than the actual full price. List different ways retailers use to express the prices of their products.
5. People incur costs and realize benefits when searching for information related to their purchases of goods and services. The amount of information people should gather depends on the benefits and costs of the information.	Write a newspaper column, "Tips for Consumers," explaining why searching for information may be more important when purchasing expensive, durable goods and services than for inexpensive and nondurable products. Include an explanation of how impulse buying can be avoided by sleeping on a decision before making a big purchase.
6. People may choose to donate money to charitable organizations and other not-for-profits because they gain satisfaction from donating.	Brainstorm a list of charitable organizations that are operating in the students' community. For each organization, list a possible reason that a donor might want to give to that charitable organization.
7. Governments establish laws and institutions to provide consumers with information about goods or services being purchased and to protect consumers from fraud.	Draft a complaint letter to an appropriate firm or agency about a problem the consumer has encountered with a purchase.

Using Decision-Making Skills: Budgeting for Purchases

Planning and Goal Setting: A high school senior has many expenses, including yearbook, class ring, homecoming, graduation announcements, senior pictures, cap and gown, college visits and application fees, and numerous prom-related expenditures. In addition, students may be responsible for ongoing expenses such as car insurance, gas for their car, clothes, cell phone, entertainment, and personal care items. Managing all of these expenses can be a bit daunting without some planning. When they generate a list of ongoing expenses and those specifically related to their senior year, students are often surprised at how extensive the list is. By establishing goals for their senior year and prioritizing the items on their list according to what is most important to them, students can begin the process of creating a senior year budget.

Making the Decision: Establishing a budget requires students to commit to live within their income and not expand that income indefinitely by using credit or asking parents for money. It also helps students determine which high school expenses they can afford and which they will have to forego. The first steps in creating a senior year budget are very similar to creating a budget for a household. This requires gathering information on sources of income (gifts, wages, and help from parents) and estimating their expenses (divided into fixed and variable). Next, income and expenses are separately totaled; then expenses are subtracted from income. A positive number allows students to make choices on how to allocate these funds by considering the costs and benefits of their options. A negative number requires further planning: making choices on how to decrease expenses and/or increase their income and determining what trade-offs can be made.

Assessing Outcomes: Budgets are dynamic. Circumstances change over time, requiring budget adjustments. For example, the price of the yearbook or class ring might be more than originally planned, or cost of car insurance might increase. Incomes can change for a variety of reasons, such as hours are reduced at a part-time job, gift money received is smaller than expected, or parents are unable to provide the level of financial support anticipated. Each of these has an impact on a budget. Reviewing budgets regularly allows students to make adjustments. They may identify problems that require further planning, or they may be able to reallocate dollars to reach more of their senior year goals.

Other Spending-Related Choices

4th Grade

- What would you choose as a present for a parent, brother, or sister?
- What would you do with money received as a birthday gift? What is the opportunity cost of your choice?

8th Grade

- If you wanted a new electronic game console, which one would you choose?
- What would you consider when deciding among different cell phone plans?
- How many stores or websites should you visit before buying a pair of shoes? How many before you buy a new computer?

12th Grade

- Which is the best way to get to your part-time job: taking public transportation, riding your bike, or borrowing your parent's car?
- If you decide to go to college, which is the best choice of where to live: at home, in an apartment, or in a dorm?

- Where will you take your boy/girlfriend out for a date?
- Should you buy a house or rent an apartment?
- How would you choose between two similar apartments based on clauses in the lease?
- If you need a car, what would you choose to do: buy a new car, lease a new car, or buy a used car?

Saving



Students will understand that:

Saving is the part of income that people choose to set aside for future uses. People save for different reasons during the course of their lives. People make different choices about how they save and how much they save. Time, interest rates, and inflation affect the value of savings.

Concept Progression

At the 4th grade level, the primary focus is for students to understand the concept of saving. Students should know how people save money, where people can save money, and why people save money, as well as the concept of interest. At the 8th grade level, the focus turns to the role that financial institutions play as intermediaries between savers and borrowers as well as the role government agencies such as the Federal Deposit Insurance Corporation (FDIC) play in protecting savings deposits. The role of markets in determining interest rates is introduced. Finally, the mathematics of saving is covered, including the power of compound interest. All of this is framed around the choices people make about how much to save. At the 12th grade level, more complex concepts are introduced, such as real versus nominal interest rates, present versus future value, financial regulators, the factors determining the value of a person's savings over time, automatic savings plans, "rainy-day" funds, and saving for retirement.

Benchmarks: Grade 4

At the completion of Grade 4, students will know that:	At the completion of Grade 4, students will use this knowledge to:
1. Income is saved, spent on goods and services, or used to pay taxes.	Explain the difference between saving and spending and give examples of each.
2. When people save money, they give up the opportunity to spend that money to buy things now in order to buy things later.	Describe what a person gives up when he or she deposits \$20 into a savings account.
3. People can choose to save money in many places—for example, at home in a piggy bank or at a commercial bank, credit union, or savings and loan.	Draw a picture identifying the different places where people can save their money.
4. People set savings goals as incentives to save. One savings goal might be to buy goods and services in the future.	Read a children's book and identify a character's savings goal and whether the character meets the savings goal.

5. A savings plan helps people reach their savings goals.	Select a savings goal and identify steps to take in order to reach that savings goal.
6. When people deposit money into a bank (or other financial institution), the bank may pay them interest. Banks attract savings by paying interest. People also deposit money into banks because banks are safe places to keep their savings.	Describe the advantages of saving money in a savings account rather than putting the money into a piggy bank.

Benchmarks: Grade 8

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard and also that:	At the completion of Grade 8, students will use this knowledge to:
1. Banks and other financial institutions loan funds received from depositors to borrowers. Part of the interest received from these loans is used to pay interest to depositors for the use of their money.	<p>Draw and label a diagram showing the role that financial institutions play in channeling funds from savers to borrowers.</p> <p>Conduct research into the interest rate paid on savings and charged for loans by financial institutions in their community and create a classroom bulletin board summarizing their findings.</p>
2. For the saver, an interest rate is the price a financial institution pays for using a saver's money and is normally expressed as an annual percentage of the amount saved.	Define an interest rate as the price paid for using someone else's money, expressed as a percentage of the amount saved.
3. Interest rates paid on savings and charged on loans, like all prices, are determined in a market.	Explain why banks that experience an increase in the number of people who want loans may decide to pay higher interest rates on deposits.
4. When interest rates increase, people earn more on their savings and their savings grow more quickly.	Calculate the total amount of interest earned on two certificates of deposit—one with a higher rate of interest than the other—and explain how the certificate of deposit with the higher interest rate can help a saver reach his or her savings goal faster.
5. Principal is the initial amount of money upon which interest is paid.	Differentiate between principal and interest.
6. Compound interest is the interest that is earned not only on the principal but also on the interest already earned.	<p>Use the Rule of 72 to determine the number of years it will take for their savings to double in value.</p> <p>Using a formula for compound interest, calculate how much two different savers, one who starts to save at age 21 and one who starts to save at age 35, will have at retirement.</p>
7. The value of a person's savings in the future is determined by the amount saved and the interest rate. The earlier people begin to save, the more savings they will be able to accumulate, all other things equal, as a result of the power of compound interest.	Predict which of two individuals will have more in savings for retirement when one individual has saved \$2,000 a year for the last 15 years before retirement and the other has saved \$1,000 a year for last 30 years before retirement, assuming each earns the same rate of interest.

<p>8. Different people save money for different reasons, including large purchases (such as higher education, autos, and homes), retirement, and unexpected events. People's choices about how much to save and for what to save are based on their tastes and preferences.</p>	<p>Write a short story comparing the savings choices of a young college graduate to those of a married couple who recently celebrated their 40th birthdays and who have two children.</p>
<p>9. To assure savers that their deposits are safe from bank failures, federal agencies guarantee depositors' savings in most commercial banks, savings banks, and savings associations up to a set limit.</p>	<p>Identify the FDIC and the National Credit Union Administration (NCUA) as the government agencies responsible for insuring depositors' savings and state the limit of FDIC and NCUA coverage.</p> <p>Explain why the bank-run scene in the movie <i>It's a Wonderful Life</i> is less likely to occur in today's world of insured banks.</p>

Benchmarks: Grade 12

<p>At the completion of Grade 12, students will know the Grade 4 and Grade 8 benchmarks for this standard and also that:</p>	<p>At the completion of Grade 12, students will use this knowledge to:</p>
<p>1. People choose between immediate spending and saving for future consumption. Some people have a tendency to be impatient, choosing immediate spending over saving for the future.</p>	<p>Identify instances in their lives where they decided to buy something immediately and then wished they had instead saved the money for future purchases.</p>
<p>2. Inflation reduces the value of money, including savings. The real interest rate expresses the rate of return on savings, taking into account the effect of inflation. The real interest rate is calculated as the nominal interest rate minus the rate of inflation.</p>	<p>Explain why savers expect a higher nominal interest rate when inflation is expected to be high.</p>
<p>3. Real interest rates typically are positive because people expect to be compensated for deferring the use of savings from the present into the future. Higher interest rates increase the rewards for saving.</p>	<p>Explain how saving can result in getting more goods and services in the future.</p>
<p>4. The nominal interest rate tells savers how the dollar value of their savings or investments will grow; the real interest rate tells savers how the purchasing power of their savings or investments will grow.</p>	<p>Given the nominal interest rate and the rate of inflation over the course of one year, explain what will happen to the purchasing power of savings.</p>
<p>5. Money received (or paid) in the future can be compared to money held today by discounting the future value based on the rate of interest.</p>	<p>Use spreadsheet software to calculate the amount a 10-year-old would need to save today in order to pay for one year of college tuition eight years from now.</p>
<p>6. Government agencies supervise and regulate financial institutions to help protect the safety, soundness, and legal compliance of the nation's banking and financial system.</p>	<p>Explain the role that government agencies charged with regulating financial institutions play in helping to protect the safety, soundness, and legal compliance of the nation's banking system. These agencies include the Federal Reserve System, the Office of the Comptroller of the Currency, the Consumer Financial Protection Bureau, the FDIC, and state banking departments.</p>

7. Government policies create incentives and disincentives for people to save.	Explain why traditional IRAs (individual retirement accounts), Roth IRAs, and educational savings accounts provide incentives for people to save.
8. Employer benefit programs create incentives and disincentives to save. Whether or how much an employee decides to save can depend on how the alternatives are presented by the employer.	<p>Explain why matches of retirement savings by employers substantially change the incentives for employees to save.</p> <p>Explain why having employees “opt out” of savings programs results in a higher level of saving than having them “opt in.”</p>

Using Decision-Making Skills: Saving for Postsecondary Education

Planning and Goal Setting: Families make important decisions about how much to save and how much to spend. Some of the most important savings decisions that families must make are how to save and how much to save for the postsecondary education of their children. How much is saved by the parents and how much is saved by the children are determined by many factors including the parents’ income, the level of real interest rates, the earning capacity of the children, the number of children in the family, the postsecondary aspirations of the children, and the availability to the family of alternative means of funding postsecondary goals. With each paycheck (or other source of income), parents and children alike are faced with the choice of how much of that money they will save toward college or other postsecondary education and how much they will spend. They need to consider their current wants in comparison to their savings goals, including postsecondary education. To make these important decisions, they will collect information about the costs and benefits associated with different postsecondary education options and information about savings and spending alternatives.

Making the Decision: After collecting information about the costs and benefits associated with different postsecondary education options as well as information about other savings and spending alternatives, parents and children will weigh those costs and benefits, and make a decision about how much of their income to save toward postsecondary education; how much to save for other savings goals, such as retirement; and how much to spend now.

Assessing Outcomes: After making a decision about how much of their income to save for postsecondary education, how much to save toward other savings goals, and how much to spend, families will assess the benefits of their spending and saving. They will assess the degree to which their decision got them closer to their savings goals, including postsecondary education, and the amount of benefit they received from their spending choices. They will then use these assessments when making spending and savings decisions in the future.

Other Saving-Related Choices

4th Grade

- Where do you choose to put your savings?
- How can you save enough money to reach your savings goal?
- How much should you save and how much should you spend?

8th Grade

- How long are you willing to wait to reach your savings goal?
- Where will you save your money?

- How can you save to buy your mother or father a birthday gift?
- What are you willing to give up to be able to save more in order to reach a savings goal?

12th Grade

- How do your saving and spending decisions change when government policies or employee benefit programs change?
- How much should you save from each of your paychecks for retirement?
- When should you start saving for retirement?
- Should parents decide to put off saving for retirement in order to save for their child's college education?
- How much do you need to save to buy a car?

IV

Using Credit

Students will understand that:

Credit allows people to purchase goods and services that they can use today and pay for those goods and services in the future with interest. People choose among different credit options that have different costs. Lenders approve or deny applications for loans based on an evaluation of the borrower's past credit history and expected ability to pay in the future. Higher-risk borrowers are charged higher interest rates; lower-risk borrowers are charged lower interest rates.

Concept Progression

At the 4th grade level, students should understand the concept of credit and the cost of using credit—namely, the obligation to repay what is borrowed plus interest on the amount borrowed. Students should recognize that a reputation for repaying loans contributes to a person's ability to obtain loans in the future. At the 8th grade level, attention turns to why people use credit, the sources of credit, why interest rates vary across borrowers, and the reasons for using credit to invest in education and durable goods. Students should be able to make basic calculations related to borrowing, including principal and interest payments as well as compound interest. At the 12th grade level, the focus is on credit reports, credit scores, behaviors that contribute to strong credit reports and scores, and the impact of credit reports and scores on consumers. Consumer protection laws as they apply to credit and credit card use are also covered.

Benchmarks: Grade 4

At the completion of Grade 4, students will know that:	At the completion of Grade 4, students will use this knowledge to:
1. Interest is the price the borrower pays for using someone else's money.	Explain the reason why, when a person borrows \$100 to buy a new cell phone, he or she will have to pay back more than the \$100 at a future date.
2. When people use credit, they receive something of value now and agree to repay the lender over time, or at some date in the future, with interest.	Identify goods and services people often purchase with the use of a loan.
3. By using credit to buy durable goods—such as cars, houses, and appliances—people are able to use the goods while paying for them.	Explain why people do not wait to buy a car until they have saved enough to pay for the car with cash.

<p>4. Borrowers who repay loans as promised show that they are worthy of getting credit in the future. A reputation for not repaying a loan as promised can result in higher interest charges on future loans, if loans are available at all.</p>	<p>Explain why a student might refuse to lend lunch money to someone who didn't pay back lunch money that was borrowed previously.</p> <p>Explain why a bank would charge more interest or decide not to lend to a borrower who has had problems repaying a loan in the past.</p>
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Benchmarks: Grade 8

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard and also that:	At the completion of Grade 8, students will use this knowledge to:
<p>1. People who apply for loans are told what the interest rate on the loan will be. An interest rate is the price of using someone else's money expressed as an annual percentage of the loan principal.</p>	<p>Explain that repayment of a loan includes repayment of the principal plus the interest charged.</p> <p>Compute the interest rate when given a principal and an amount of interest. Compute the amount of interest when given the loan principal and the interest rate.</p>
<p>2. The longer the repayment period on a loan and the higher the interest rate on the loan, the larger is the total amount of interest charged on a loan.</p>	<p>Explain and illustrate what happens to the total cost of borrowing under various scenarios, such as higher or lower interest rates or longer or shorter repayment periods.</p>
<p>3. A credit card purchase is a loan from the financial institution that issued the card. Credit card interest rates tend to be higher than rates for other loans. In addition, financial institutions may charge significant fees related to a credit card and its use.</p>	<p>Examine a credit card statement and identify the interest rate and fees charged.</p>
<p>4. Borrowers who use credit cards for purchases and who do not pay the full balance when it is due pay much higher costs for their purchases because interest is charged monthly. A credit card user can avoid interest charges by paying the entire balance within the grace period specified by the financial institution.</p>	<p>For an expensive good purchased using credit, find the total interest paid and the amount still owed after one year when only the minimum payment is made each month.</p> <p>Give advice to a friend explaining what happens to the total cost of borrowing on a credit card when only the minimum payment is made each month.</p>
<p>5. Various financial institutions and businesses make consumer loans and may charge different rates of interest.</p>	<p>Compare the following credit options based on interest rates charged, length of repayment time offered, and fees charged: commercial banks, credit unions, and savings and loans, as well as loans obtained through a variety of other businesses ranging from payday loan stores and pawn shops to credit extended directly by the seller.</p>
<p>6. Interest rates on loans fluctuate based on changes in the market for loans.</p>	<p>Explain why mortgage interest rates might be lower when people are more reluctant to buy houses.</p>

<p>7. Lenders charge different interest rates based on the risk of nonpayment by borrowers. The higher the risk of nonpayment, the higher the interest rate charged. The lower the risk of nonpayment, the lower the interest rate charged.</p>	<p>As a banker, decide for each of three potential borrowers with different credit backgrounds whether to extend credit, and if so, what the interest rate should be. Write a decision letter to the borrower justifying the banker's decision.</p>
<p>8. People can use credit to finance investments in education and housing. The benefits of using credit in this way are spread out over a period of time and may be large. The large costs of acquiring the education or housing are spread out over time as well. The benefits of using credit to make daily purchases of food or clothing are short-lived and do not accumulate over time.</p>	<p>Explain the benefits and costs when choosing to use credit to acquire an education, a smart phone, or a pair of jeans.</p>

Benchmarks: Grade 12

<p>At the completion of Grade 12, students will know the Grade 4 and Grade 8 benchmarks for this standard and also that:</p>	<p>At the completion of Grade 12, students will use this knowledge to:</p>
<p>1. Consumers can compare the cost of credit using the annual percentage rate (APR), initial fees charged, and fees charged for late payment or missed payments.</p>	<p>Use the APR, initial fees, late fees, nonpayment fees, and other relevant information to compare the cost of credit from various sources for the purchase of a product.</p>
<p>2. Banks and financial institutions sometimes compete by offering credit at low introductory rates, which increase after a set period of time or when the borrower misses a payment or makes a late payment.</p>	<p>Explain why a bank may offer low-rate introductory credit offers.</p>
<p>3. Loans can be unsecured or secured with collateral. Collateral is a piece of property that can be sold by the lender to recover all or part of a loan if the borrower fails to repay. Because secured loans are viewed as having less risk, lenders charge a lower interest rate than they charge for unsecured loans.</p>	<p>Give examples of collateral used to secure a loan, such as a house for a mortgage or a car for a car loan.</p> <p>Explain why lenders charge lower interest rates on mortgages as compared to unsecured loans.</p>
<p>4. People often make a cash payment to the seller of a good—called a down payment—in order to reduce the amount they need to borrow. Lenders may consider loans made with a down payment to have less risk because the down payment gives the borrower some equity or ownership right away. As a result, these loans may carry a lower interest rate.</p>	<p>Explain how a down payment reduces the total amount financed and why this reduces the monthly payment and/or the length of the loan.</p> <p>Explain why a borrower who has made a down payment has an incentive to repay a loan or make payments on time.</p>
<p>5. Lenders make credit decisions based in part on consumer payment history. Credit bureaus record borrowers' credit and payment histories and provide that information to lenders in credit reports.</p>	<p>List factors from an individual's credit history or credit application that may cause a lender to deny credit.</p> <p>Explain what credit bureaus do.</p>

<p>6. Lenders can pay to receive a borrower's credit score from a credit bureau. A credit score is a number based on information in a credit report and assesses a person's credit risk.</p>	<p>Explain the concept of a credit score and what it indicates about a borrower.</p> <p>Explain why certain factors, such as having many credit cards with large lines of credit and large balances, might hurt a credit score.</p>
<p>7. In addition to assessing a person's credit risk, credit reports and scores may be requested and used by employers in hiring decisions, landlords in deciding whether to rent apartments, and insurance companies in charging premiums.</p>	<p>Provide two examples of how having a good credit score can benefit a person financially.</p> <p>Explain why employers find it useful to hire someone with a better credit score.</p>
<p>8. Failure to repay a loan has significant consequences for borrowers such as negative entries on their credit report, repossession of property (collateral), garnishment of wages, and the inability to obtain loans in the future.</p>	<p>Write a scenario about the future opportunities a person can lose by failing to repay loans as agreed.</p>
<p>9. Consumers who have difficulty repaying debt can seek assistance through credit counseling services and by negotiating directly with creditors.</p>	<p>Identify the costs and benefits associated with using different credit counseling services.</p>
<p>10. In extreme cases, bankruptcy may be an option for consumers who are unable to repay debt. Although bankruptcy provides some benefits, filing for bankruptcy also entails considerable costs, including having notice of the bankruptcy appear on a consumer's credit report for up to 10 years.</p>	<p>Investigate the costs of bankruptcy by examining the bankruptcy laws in their state.</p>
<p>11. People often apply for a mortgage to purchase a home. A mortgage is a type of loan that is secured by real estate property as collateral.</p>	<p>Predict what might happen should a homeowner fail to make his or her mortgage payments.</p>
<p>12. Consumers who use credit should be aware of laws that are in place to protect them. These include requirements to provide full disclosure of credit terms such as APR and fees, as well as protection against discrimination and abusive marketing or collection practices.</p>	<p>Explain why it is important that consumers have full information about loans.</p> <p>Explain the information on a credit disclosure statement.</p>
<p>13. Consumers are entitled to a free copy of their credit report annually so that they can verify that no errors were made that might increase their cost of credit.</p>	<p>Explain why it is important to check the accuracy of the information recorded on a credit report and know what steps to take to correct errors on credit reports.</p>

Using Decision-Making Skills: High School—Choosing and Financing a Car

Planning and Goal Setting: Students in high school often want a car. Deciding what car to buy is the easy part. The tough part is deciding how to pay for that car. One option is for students to save until they can afford to buy the car. Of course, that involves giving up other things to save for the car—opportunity cost—and having to wait to be able to drive the car. If a car is the person's only means of transportation for work or school, saving and waiting may not be the best option. Students, with help from their parents, can get a loan from a bank, a credit union, the

car dealer, or perhaps a family member. Getting a loan requires students to do some homework. They must decide whether or not to make a down payment on the car. A down payment will make the monthly payment lower and the overall interest paid for the car less, but they give up the interest they would earn on the down payment amount if they kept it in their savings account. If they decide to obtain a loan from a bank, credit union, or car dealer, they have more homework to do. What are the APRs being offered for each loan from each lender? What is the term of the loan? What's the best option for them?

Making the Decision: Once they have done all their homework, students can compare the information they have gathered, evaluate the costs and benefits of each loan, and select the payment option that is best for them.

Assessing Outcomes: After purchasing the car and driving it, the student could be very satisfied with the car and the loan. On the other hand, the car may have more maintenance issues or achieve poorer gas mileage than originally thought. Ideally, the student will have the loan paid off long before the car starts making funny noises or leaking oil. Eventually, the costs of keeping the car will exceed the benefits, and the student will have to make another set of decisions.

Other Credit-Related Choices

4th Grade

- Would you charge your brother or sister interest on the \$5 loan you made to him or her?

8th Grade

- Would you purchase a new bicycle if you have only saved enough to pay part of the price for the new bicycle?
- Would you lend money to a friend?

12th Grade

- How would you finance your postsecondary education given expected future earnings for your career choice?
- Which type of credit card is best for you?
- What kind of mortgage financing should a newly married couple choose when buying a home?

Financial Investing



Students will understand that:

Financial investment is the purchase of financial assets to increase income or wealth in the future. Investors must choose among investments that have different risks and expected rates of return. Investments with higher expected rates of return tend to have greater risk. Diversification of investment among a number of choices can lower investment risk.

Concept Progression

At the 4th grade level, students begin to understand that investment means using resources to expand an individual's or business's abilities to produce in the future. A financial investment is using one's savings to purchase financial assets with the goal of increasing one's income and/or wealth in the future. At the 8th grade level, students will understand the variety of possible financial investments and be able to calculate rates of return. At the 12th grade level, students are expected to be able to explain the relevance of and to calculate real and after-tax rates of return. They will be able to discuss how markets cause rates of return to change in response to variation in risk and maturity. Students will explain how diversification can reduce risk. Students will understand how financial markets react to changes in market conditions and information.

Benchmarks: Grade 4

At the completion of Grade 4, students will know that:	At the completion of Grade 4, students will use this knowledge to:
1. After people have saved some of their income, they must decide how to invest their savings so that it can grow over time.	Describe the difference between saving and financial investing.
2. A financial investment is the purchase of a financial asset such as a stock with the expectation of an increase in the value of the asset and/or increase in future income.	Explain why a stockholder benefits if the company produces an increasingly popular product.

Benchmarks: Grade 8

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard and also that:	At the completion of Grade 8, students will use this knowledge to:
1. Financial assets include a wide variety of financial instruments including bank deposits, stocks, bonds, and mutual funds. Real estate and commodities are also often viewed as financial assets.	Describe the differences among the different types of assets. Find the prices of a variety of current possible investments.
2. Interest is received from money deposited in bank accounts. It is also received by owning a corporate or government bond or making a loan.	Calculate the amount of interest income received from depositing a certain amount of money in a bank account paying 1 percent per year and from owning a bond paying 5 percent per year.
3. When people buy corporate stock, they are purchasing ownership shares in a business. If the business is profitable, they will expect to receive income in the form of dividends and/or from the increase in the stock's value. The increase in the value of an asset (like a stock) is called a capital gain. If the business is not profitable, investors could lose the money they have invested.	Determine the amount of dividends paid from a selected stock and how much the price of the stock has appreciated or depreciated over the year.
4. The price of a financial asset is determined by the interaction of buyers and sellers in a financial market.	Explain why the price of a stock might change if more individuals decide to purchase the stock. Explain why the price of a stock might change if more companies issue new shares of stock to raise new investment funds.
5. The rate of return on financial investments consists of interest payments, dividends, and capital appreciation expressed as a percentage of the amount invested.	Calculate rates of return on a number of financial instruments taking into account interest, dividends, rents, and expected appreciation over time.
6. Financial risk means that a financial investment has a range of possible returns, including possibilities of actual losses. Higher-risk investments have a wider range of possible returns.	Compare the risk of an insured certificate of deposit with the risk of a purchase of a number of shares of stock. Explain the difference.
7. The rate of return earned from investments will vary according to the amount of risk. In general, a trade-off exists between the security of an investment and its expected rate of return.	Compare rates of return of a variety of different investments and speculate on the amount of risk each of the investments entails.

Benchmarks: Grade 12

At the completion of Grade 12, students will know the Grade 4 and Grade 8 benchmarks for this standard and also that:	At the completion of Grade 12, students will use this knowledge to:
1. The real return on a financial investment is the nominal return minus the rate of inflation.	Calculate real rates of return earned on a bond given interest rates and inflation rates.
2. Federal, state, and local tax rates vary on different types of investments and affect the after-tax rate of return of an investment.	Given tax rates and inflation rates, calculate the real, after-tax rates of return for groups of stocks and bonds.
3. Expenses of buying, selling, and holding financial assets decrease the rate of return from an investment.	Identify and compare the administrative costs of several mutual funds and estimate the differences in the total amount accumulated after 10 years for each mutual fund, assuming identical market performance.
4. Buyers and sellers in financial markets determine prices of financial assets and therefore influence the rates of return on those assets.	Predict what will happen to the price and rate of return on a bond if buyers believe that the bond has increased in risk.
5. An investment with greater risk than another investment will commonly have a lower market price, and therefore a higher rate of return, than the other investment.	Explain why the expected rate of return on a “blue-chip” stock is likely to be lower than that of an Internet start-up company.
6. Shorter-term investments will likely have lower rates of return than longer-term investments.	Explain how markets will determine the rates of return for two bonds if one is a long-term bond and the other a short-term bond, assuming each bond pays the same rate of interest.
7. Diversification by investing in different types of financial assets can lower investment risk.	<p>Compare the risk faced by two investors, both of whom own two businesses on a beach. One investor owns a suntan lotion business and a rain umbrella business. The other investor owns two suntan lotion businesses.</p> <p>Explain why a financial advisor might encourage a client to include stocks, bonds, and real estate assets in his or her portfolio.</p>
8. Financial markets adjust to new financial news. Prices in those markets reflect what is known about those financial assets.	Explain how prices of financial investments can adjust when given specific news about a company’s or industry’s future profitability.
9. The prices of financial assets are affected by interest rates. The prices of financial assets are also affected by changes in domestic and international economic conditions, monetary policy, and fiscal policy.	<p>Give an example of a change in interest rates affecting the current value of a financial asset that pays returns in the future. Explain why the current value increases when interest rates fall.</p> <p>Explain how a change in economic growth might change the value of a stock held by an investor.</p>

<p>10. Investors should be aware of tendencies that people have that may result in poor choices. These include avoiding selling assets at a loss because they weigh losses more than they weigh gains and investing in financial assets with which they are familiar, such as their own employer's stock or domestic rather than international stocks.</p>	<p>Explain why investors may sell stocks that have gained in value, but hold ones that have lost value. Explain why this may not make sense.</p> <p>Identify an example of why an investor may have a bias toward familiar investments and why this may or may not be a rational decision.</p>
<p>11. People vary in their willingness to take risks. The willingness to take risks depends on factors such as personality, income, and family situation.</p>	<p>Explain how the portfolio of a retiree might differ from that of a young, single person.</p>
<p>12. An economic role for governments exists if individuals do not have complete information about the nature of alternative investments or access to competitive financial markets.</p>	<p>Explain why it is important for individuals to have accurate information about a company's sales and profits when investing in that company.</p>
<p>13. The Securities and Exchange Commission (SEC), the Federal Reserve, and other government agencies regulate financial markets.</p>	<p>Conduct research to learn about the SEC or the Federal Reserve and identify their roles in regulating financial markets.</p>

Using Decision-Making Skills: Choosing Financial Investments

Planning and Goal Setting: Households and individuals define the purposes of investing and set appropriate goals. Once they have specified goals and the approximate amount of money they would like to have in the future, the next step is to choose investments. They identify when income from financial investments will likely be needed and use that information to decide on maturities of the investments. They also decide on the acceptable level of risk of possible financial investments. Once they have this information, households will face a series of trade-offs.

Making the Decision: For investments that will yield returns allowing a household to reach its goals, households will weigh the risk of investments versus the benefits. High-risk investments may well carry a higher expected return and may require less saving to reach a goal. However, this comes at a cost of perhaps not meeting the goal if the asset performs poorly.

Assessing Outcomes: Households periodically examine their investments to decide if they will reach their goals. They may readjust their financial investments or change the amount they are saving if they do not expect to reach their goals. How an investment has performed in the past is not what matters in choosing future investments. What matters in choosing an investment is the additional cost of the new investment compared with the additional potential revenues.

Other Investing-Related Choices

4th Grade

- How should you invest your savings if the goal is to buy a birthday present for your parent next year?

8th Grade

- How should you invest your savings if you want to help pay for camp next summer?
- How should you invest your savings if the goal is to pay for postsecondary education?

12th Grade

- How should you invest your savings if the goal is to purchase a car in three years?
- How should you invest your savings if the goal is to buy a house in 10 years?
- How should you invest your savings if the goal is to provide retirement income?
- Under what circumstances should you select individual stocks, a mutual fund that is designed to earn higher than average rates of return, or a mutual fund that represents the entire stock market?
- What types of financial assets should you include in your retirement portfolio?

VI

Protecting and Insuring

Students will understand that:

People make choices to protect themselves from the financial risk of lost income, assets, health, or identity. They can choose to accept risk, reduce risk, or transfer the risk to others. Insurance allows people to transfer risk by paying a fee now to avoid the possibility of a larger loss later. The price of insurance is influenced by an individual's behavior.

Concept Progression

This standard builds an awareness of the ways in which wealth and income are vulnerable to loss from unexpected events. At the 4th grade level the primary focus is for students to be aware of financial risk and learn that individuals can reduce that risk by altering their behavior to reduce the likelihood and size of a loss. At the 8th grade level, the benchmarks introduce insurance (transfer of risk through risk pooling) as an option and emphasize that each option for managing risk (assume it, reduce it, insure it) entails a cost. The cost is often influenced by an individual's own behavior. The 8th grade benchmarks also introduce the risk associated with identity theft. At the 12th grade level the benchmarks expand the discussion of insurance contracts to consider how contract features encourage individuals to take steps to reduce the potential size of a loss. The 12th grade benchmarks also address more specific financial vulnerabilities with health, property/casualty, disability, and life insurance products. In addition, the 12th grade benchmarks focus on a wider range of personal information-sharing activities and how to protect against identity theft.

Benchmarks: Grade 4

At the completion of Grade 4, students will know that:	At the completion of Grade 4, students will use this knowledge to:
1. Risk is the chance of loss or harm.	Give examples of the risk associated with activities such as riding a bicycle, using a skateboard, or having a pet.
2. Risk from accidents and unexpected events is an unavoidable part of daily life.	Write a newspaper article on an unexpected "bad" event such as a tornado, car accident, or illness, and describe the effect the event would have on individuals and their families.

3. Individuals can either choose to accept risk or take steps to protect themselves by avoiding or reducing risk.	Draw a poster depicting an age-appropriate activity (e.g., owning and riding a bicycle) that illustrates how to avoid risk of harm or loss (not riding the bike) or how to reduce the chance of a bad event (riding in a safe manner) and potential harm if the bad event happens (wearing a bike helmet).
4. One method to cope with unexpected losses is to save for emergencies.	Give examples of events for which emergency savings could offset financial losses.

Benchmarks: Grade 8

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard and also that:	At the completion of Grade 8, students will use this knowledge to:
1. Personal financial risk exists when unexpected events can damage health, income, property, wealth, or future opportunities.	Write a scenario describing how a storm blowing a tree onto a roof can impact a family's financial situation.
2. Insurance is a product that allows people to pay a fee (called a premium) now to transfer the costs of a potential loss to a third party.	Explain why homeowners buy flood insurance for \$300 a year when the likelihood of a flood in their area is extremely low.
3. Insurance companies analyze the outcomes of individuals who face similar types of risks to create insurance contracts (policies). By collecting a relatively small amount of money, called a premium, from each policyholder on a regular basis, the company creates a pool of funds to compensate those individuals who experience a large loss.	Explain how homeowners who are covered by homeowners insurance "share" with other policyholders the risk of loss from fire or storm damage. Identify key information that the insurance company would need to know to determine how large a premium to collect from each policyholder.
4. Self-insurance is when an individual accepts a risk and saves money on a regular basis to cover a potential loss.	List examples of potential events and costs against which people might self-insure.
5. Insurance policies that guarantee higher levels of payment in the event of a loss (coverage) have higher prices.	Explain how a deductible affects the payout on an auto insurance claim, and how the individual's choice of deductible affects the price of the policy at the time it is purchased.
6. Insurance companies charge higher premiums to cover higher-risk individuals and events because the risk of monetary loss is greater for these individuals and events.	Explain why drivers who receive repeated speeding tickets will see their insurance premiums increase.
7. Individuals can choose to accept some risk, to take steps to avoid or reduce risk, or to transfer risk to others through the purchase of insurance. Each option has different costs and benefits.	Identify ways in which an automobile driver can avoid, reduce, or transfer the risk of being in an automobile accident. Explain why people may prefer to purchase insurance against fire in their apartment, but self-insure to handle the cost of tooth cavities.

<p>8. Social networking sites and other online activity can make individuals vulnerable to harm caused by identity theft or misuse of their personal information.</p>	<p>Identify ways that identity thieves can obtain someone’s personal information.</p> <p>List actions an individual can take to protect personal information.</p>
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Benchmarks: Grade 12

At the completion of Grade 12, students will know the Grade 4 and Grade 8 benchmarks for this standard and also that:	At the completion of Grade 12, students will use this knowledge to:
<p>1. Probability quantifies the likelihood that a specific event will occur, usually expressed as the ratio of the number of actual occurrences to the number of possible occurrences.</p>	<p>Use the concept of probability to describe the likelihood of a bad event that could pose risk for a person.</p>
<p>2. Individuals vary with respect to their willingness to accept risk. Most people are willing to pay a small cost now if it means they can avoid a possible larger loss later.</p>	<p>Discuss whether or not a premium paid to insure against an accident that never happens is wasted.</p>
<p>3. Judgment regarding risky events is subject to errors because people tend to overestimate the probability of infrequent events, often because they’ve heard of or seen a recent example.</p>	<p>Discuss how an extended warranty on a consumer product is like insurance. Evaluate the cost-effectiveness of extended warranties on three consumer products: a new automobile, a smart phone, and a dishwasher, considering the likelihood that the product will fail, the cost of replacing the item, and the price of the warranty.</p>
<p>4. People choose different amounts of insurance coverage based on their willingness to accept risk, as well as their occupation, lifestyle, age, financial profile, and the price of insurance.</p>	<p>Given hypothetical profiles for three types of individuals who differ with respect to occupation, age, lifestyle, marital status, and financial profile, assess the types and levels of personal financial risk faced by each and make recommendations for appropriate insurance.</p>
<p>5. People may be required by governments or by certain types of contracts (e.g., home mortgages) to purchase some types of insurance.</p>	<p>Explain why homeowners insurance is required by a lender when a homeowner takes out a mortgage.</p> <p>Investigate their state’s regulations regarding the amount of auto insurance that drivers are required to purchase.</p>
<p>6. An insurance contract can increase the probability or size of a potential loss because having the insurance results in the person taking more risks. Policy features such as deductibles and copayments are cost-sharing features that encourage the policyholder to take steps to reduce the potential size of a loss (claim).</p>	<p>Given an accident scenario, calculate the amount that would be paid on an insurance claim after applying exclusions and deductibles.</p> <p>Explain why automobile owners with a low deductible on their automobile insurance may be less likely to lock their cars.</p>
<p>7. People can lower insurance premiums by behaving in ways that show they pose a lower risk.</p>	<p>Explain why taking a safe-driving course can lower an auto insurance premium and why not smoking can lower a health insurance premium.</p>

<p>8. Health insurance provides funds to pay for health care in the event of illness and may also pay for the cost of preventive care. Large health insurance companies can often negotiate with doctors, hospitals, and other health care providers to obtain lower health care prices for their policyholders.</p>	<p>Compare the coverage and costs of hypothetical plans for a set of health care scenarios.</p> <p>Using sample policyholder benefit statements, identify any negotiated discounts for health care services and determine the cost of health care in the absence of insurance.</p>
<p>9. Disability insurance is income insurance that provides funds to replace income lost while an individual is ill or injured and unable to work.</p>	<p>Given a potential disability scenario for an individual, assess the extent of personal financial risk and determine whether disability insurance is appropriate for that individual.</p>
<p>10. Property and casualty insurance (including renters insurance) pays for damage or loss to the insured's property and often includes liability coverage for actions of the insured that cause harm to other people or their property.</p>	<p>Contact an insurance company for an auto insurance quote on a given automobile (make, model, and year) and explain the different categories and levels of coverage in the policy.</p>
<p>11. Life insurance benefits are paid to the insured's beneficiaries in the event of the policyholder's death. These payments can be used to replace wages lost when the insured person dies.</p>	<p>Create hypothetical profiles for three individuals who differ with respect to age, marital status, dependents, and occupation. Identify their vulnerability to income loss and make recommendations for life insurance coverage for each.</p>
<p>12. In addition to privately purchased insurance, some government benefit programs provide a social safety net to protect individuals from economic hardship created by unexpected events.</p>	<p>Describe examples of government transfer programs that compensate for unexpected losses, including Social Security Disability benefits, Medicare, Medicaid, unemployment insurance, and workers' compensation.</p>
<p>13. Loss of assets, wealth, and future opportunities can occur if an individual's personal information is obtained by others through identity theft and then used fraudulently. By managing their personal information and choosing the environment in which it is revealed, individuals can accept, reduce, and insure against the risk of loss due to identity theft.</p>	<p>Describe problems that can occur when an individual is a victim of identity theft.</p> <p>Give specific examples of how online transactions, online banking, email scams, and telemarketing calls can make consumers vulnerable to identity theft.</p> <p>Describe the conditions under which individuals should and should not disclose their Social Security number, account numbers, or other sensitive personal information.</p>
<p>14. Federal and state regulations provide some remedies and assistance for victims of identity theft.</p>	<p>Recommend actions a victim of identity theft should take to limit losses and restore personal security.</p>

Using Decision-Making Skills: Purchasing Auto Insurance

Planning and Goal Setting: Coping with the financial impact of unexpected events begins with a thoughtful assessment of risk by asking the question, "In what ways are a person or family financially vulnerable?" Auto insurance is a good example of a product that protects against several types of losses. An informed decision about how much insurance to purchase requires gathering information about the potential types of coverage under the policy and how each coverage option affects the total premium. An auto accident can damage one's car, a valuable asset. It can leave the car owner without reliable transportation while it is being repaired. The accident can damage other cars and property and cause personal harm to others involved in the accident. Auto insurance policies have features that cover all of these potential losses, and a purchaser can choose among different coverage levels and

deductibles. Different auto insurers will offer different premium quotes for each of these features. Those quotes will depend in part on the individual's driving record, as well as the make, model, and year of the car to be insured.

Making the Decision: Once all of the relevant information about the available insurance coverage has been gathered, insurance buyers must weigh the benefits and costs of the coverage options, relative to their budget. In this way, an informed decision can be made to purchase insurance to cover certain types and amounts of risk. At the same time, the individual can choose to handle remaining risk associated with owning an automobile by self-insuring through reliance on savings and other financial assets. The price of insurance coverage can influence the related decision regarding whether or not to own a car and the type of car to own.

Assessing Outcomes: If a person purchases insurance for a bad event that doesn't occur, it does not mean that the insurance premium was wasted. But the financial vulnerability of individuals and families does change over time, creating a need to periodically reassess insurance decisions. Risk of injury and the potential size of loss associated with an accident can change with driving or commuting patterns, driving experience, and the type of car owned. Growing families with new (inexperienced) drivers face higher auto insurance costs because the risk of an accident is higher, as is the risk of liability for harm to others. Rising household income creates a need for greater income replacement should income be interrupted by disability or death resulting from an auto accident. However, increasing income and accumulated savings also make a higher deductible more attractive because smaller losses can be more easily self-insured (in exchange for lowering the insurance premium). Household risk management is an ongoing process of evaluating new risk exposure and determining the most cost-effective options to protect against the unexpected.

Other Protecting-Related Choices

4th Grade

- What steps could you take to lower the risk of injury in a bicycle accident?

8th Grade

- What are the options and costs of insurance that would cover veterinary care for an injured pet dog or cat? Would reliance on savings be a better alternative?
- Should you share personal information when an Internet site asks for it? What types of sites would be appropriate for you to share more personal information, and on what types of sites should you share less information?

12th Grade

- For auto insurance, should you purchase collision insurance as well as liability coverage? How much liability coverage is appropriate for you? How much underinsured and uninsured motorist coverage is appropriate for you?
- How can you lower your auto insurance costs? Identify as many options as you can. For your circumstances, which of these options seem most helpful for accomplishing your goal within the next year? The next five years?
- Which health care insurance plan should you enroll in at work? How large a deductible should you choose? Should you opt for a cheaper plan with a restricted network of providers?
- Should you purchase extended warranty plans on cars, household appliances, or consumer electronic items such as TVs, laptops, or smart phones?
- Should you purchase an identity theft protection plan or rely solely on careful handling of your personal information in online transactions and social networking?

The Council for Economic Education is the leading organization in the United States that focuses on the economic and financial education of students from kindergarten through high school. CEE trains educators to teach young people the fourth “R”—a real-world understanding of economics and personal finance—so that they will be able to make informed and responsible choices throughout their lives as consumers, savers, investors, citizens, and participants in the global economy. Each year CEE’s programs reach more than 55,000 teachers and approximately 5 million students.



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Special thanks to the Federal Reserve Board and its staff for the original design and layout of this booklet.

Introduction

The National Standards in K–12 Personal Finance Education, created and maintained by the Jump\$tart Coalition® for Personal Financial Literacy, delineate the personal finance knowledge and skills that K–12 students should possess.

The Jump\$tart Coalition asserts that all young people graduating from our nation’s high schools should be able to take individual responsibility for their personal economic well-being. Broadly speaking, a financially literate high school graduate should know how to:

- Find, evaluate, and apply financial information
- Set financial goals and plan to achieve them
- Develop income-earning potential and the ability to save
- Use financial services effectively
- Meet financial obligations
- Build and protect wealth

Many organizations have defined “personal finance” and “financial literacy.” The following, a distillation of the views of several sources, are the definitions underlying the National Standards.

Personal finance describes the principles and methods that individuals use to acquire and manage income and assets.

Financial literacy is the ability to use knowledge and skills to manage one’s financial resources effectively for lifetime financial security.

Financial literacy is not an absolute state; it is a continuum of abilities that is subject to variables such as age, family, culture, and residence.

Financial literacy refers to an evolving state of competency that enables each individual to respond effectively to ever-changing personal and economic circumstances.

Because of limited experience and responsibility, a typical recent high school graduate will not exhibit the same degree of knowledge of personal finance as a financially literate older adult. Financially literate high school graduates, however, should have a general understanding of all key aspects of personal finance. These graduates will be confident in their ability to find and use the information required to meet specific personal finance challenges as they arise. To this end, the National Standards in K–12 Personal Finance Education indicate the skills students must have to increase their personal finance knowledge continually as their responsibilities and opportunities change.

The Jump\$tart Coalition intends the National Standards in K–12 Personal Finance Education to serve as a model. As such, the National Standards represent the framework of an ideal personal finance curriculum, portions of which might not be appropriate for individual instructors and students. The Coalition leaves it up to various stakeholders to decide how to address the topics in the National Standards.

Uses for the National Standards

The revised and updated National Standards in K–12 Personal Finance Education provide a program design and evaluation framework for school administrators, teachers, curriculum specialists, instructional materials developers, and educational policymakers. At each of the three benchmark grades—4th, 8th, and 12th—the expectations describe skills and knowledge each student should exhibit, not what should be taught in that grade. Individual students might have missed or not remember previous lessons. In those cases, teachers can refer to earlier expectations to identify areas of instruction on which to concentrate.

Among the practical uses for the personal finance standards and expectations are to:

- Suggest a range of content that students should know and be able to act on
- Provide guidelines for evaluating published educational materials
- Help to shape lesson plans, unit and course outlines, learning activities, textbooks, and other instructional materials
- Increase awareness of the need for personal finance in the nation’s schools

After reviewing the 29 personal finance standards, educators may select topics that are appropriate to the needs of diverse learners in specific settings. Educators can use the stan-

dards and expectations to design new personal finance units or courses, or to integrate concepts into existing courses. To help accomplish this, the Jump\$tart Coalition provides the following additional resources:

Personal Finance Clearinghouse

The searchable, online Jump\$tart Clearinghouse (www.jumpstartclearinghouse.org) can help educators identify appropriate educational materials by several factors, including grade level, format, and content category.

National Best Practices Guidelines

The Jump\$tart Best Practices Guidelines (www.jumpstart.org/bp.cfm) can help educators evaluate and select existing instructional materials, help organizations improve programs that they already provide, and assist designers in creating effective new personal finance curricula.

The National Standards in K–12 Personal Finance Education complement state and local educational goals and standards. In states where personal finance is not yet part of the state’s K–12 educational objectives, the National Standards in K–12 Personal Finance Education can help convince policymakers to include personal finance in future state standards and student achievement tests and guide their creation.

Organization of the Standards

The National Standards in K–12 Personal Finance Education describe the minimum requirements for functional financial literacy. They are organized as follows:

Standards

The K–12 standards trace a path to a minimal level of competency upon completion of high school. They describe what personal finance instruction should enable students to know and do. The standards fall into six major categories of personal finance—Financial Responsibility and Decision Making; Income and Careers; Planning and Money Management; Credit and Debt; Risk Management and Insurance; and Saving and Investing. Each category focuses on an overall competency derived from the Jump\$tart Coalition’s definition of financial literacy.

Expectations

The statements of expectation describe how students can apply knowledge to everyday financial decisions and actions at three points

in their consumer development—at grades 4, 8, and 12. The expectations reflect a progression of student learning in which increasing complexity builds on earlier knowledge. Educators will take into account that students learn at different rates because of a variety of learning styles, interests, and experiences outside the classroom.

Knowledge Statements

These statements show relationships among the key concepts underlying the standards and expectations. They provide further guidance for publishers as they develop and revise curricula and for educators as they select classroom materials and plan lessons. Like the Glossary, the Knowledge Statements are not meant to be exhaustive.

Glossary

The list of definitions is meant as an aid to understanding the Standards, Expectations, and Knowledge Statements. It includes only a sampling of key terms.

The Standards

Financial Responsibility and Decision Making

Overall Competency

Apply reliable information and systematic decision making to personal financial decisions.

Standard 1: Take responsibility for personal financial decisions.

Standard 2: Find and evaluate financial information from a variety of sources.

Standard 3: Summarize major consumer protection laws.

Standard 4: Make financial decisions by systematically considering alternatives and consequences.

Standard 5: Develop communication strategies for discussing financial issues.

Standard 6: Control personal information.

Income and Careers

Overall Competency

Use a career plan to develop personal income potential.

Standard 1: Explore career options.

Standard 2: Identify sources of personal income.

Standard 3: Describe factors affecting take-home pay.

Planning and Money Management

Overall Competency

Organize personal finances and use a budget to manage cash flow.

Standard 1: Develop a plan for spending and saving.

Standard 2: Develop a system for keeping and using financial records.

Standard 3: Describe how to use different payment methods.

Standard 4: Apply consumer skills to purchase decisions.

Standard 5: Consider charitable giving.

Standard 6: Develop a personal financial plan.

Standard 7: Examine the purpose and importance of a will.

Credit and Debt

Overall Competency

Maintain creditworthiness, borrow at favorable terms, and manage debt.

Standard 1: Identify the costs and benefits of various types of credit.

Standard 2: Explain the purpose of a credit record and identify borrowers' credit report rights.

Standard 3: Describe ways to avoid or correct debt problems.

Standard 4: Summarize major consumer credit laws.

Risk Management and Insurance

Overall Competency

Use appropriate and cost-effective risk management strategies.

Standard 1: Identify common types of risks and basic risk management methods.

Standard 2: Explain the purpose and importance of property and liability insurance protection.

Standard 3: Explain the purpose and importance of health, disability, and life insurance protection.

Saving and Investing

Overall Competency

Implement a diversified investment strategy that is compatible with personal goals.

Standard 1: Discuss how saving contributes to financial well-being.

Standard 2: Explain how investing builds wealth and helps meet financial goals.

Standard 3: Evaluate investment alternatives.

Standard 4: Describe how to buy and sell investments.

Standard 5: Explain how taxes affect the rate of return on investments.

Standard 6: Investigate how agencies that regulate financial markets protect investors.

How the National Standards Evolved

In 1998, the Jump\$tart Coalition for Personal Financial Literacy issued its first Personal Finance Guidelines and Benchmarks. A group of 20 professionals representing a broad range of education, government, and financial service organizations developed these original guidelines.

In 2001, and again in 2006, the Jump\$tart Coalition board authorized the formation of a task force to revise and update the National Standards in K–12 Personal Finance Education. Members of the 2006 standards revision task force included:

- Rosella Bannister, Jump\$tart Personal Finance Clearinghouse, Ann Arbor, Michigan
- Les Dlabay, Lake Forest College, Lake Forest, Illinois
- Vickie Hampton, Texas Tech University, Lubbock, Texas
- Philip Heckman, Credit Union National Association, Madison, Wisconsin (Committee Chair)
- Claudia Kerbel, University of Rhode Island, Kingston, Rhode Island

- Nancy Lang, Northern Kentucky University, Highland Heights, Kentucky
- Jacqueline Ward, Wisconsin Women’s Business Initiative Corporation, Milwaukee, Wisconsin

Before and after the 2006 task force completed major revisions, a select group (identified on page 44) of business and finance industry professionals and educators—which included classroom teachers representing business education, family and consumer science, and economics in the social studies—reviewed the standards for academic integrity, as well as practical applications. Reviewers’ suggestions led to substantial improvements.

Identifying standards and expectations is not an easy task, nor is it ever completely finished. The Jump\$tart Coalition for Personal Financial Literacy considers this to be a living document, one that it will continue to modify and expand to meet the changing needs of personal finance teachers and students.

The Jump\$tart Coalition and Its Mission

Jump\$tart Coalition for Personal Financial Literacy consists of 180 organizations and 47 affiliated state coalitions dedicated to improving the financial literacy of youth from kindergarten through college age by providing advocacy, research, standards, and educational resources. Jump\$tart strives to prepare youth for lifelong successful financial decision making.

Financial Responsibility and Decision Making

Overall Competency

Apply reliable information and systematic decision making to personal financial decisions.

Standard 1

Take responsibility for personal financial decisions.

4th Grade Expectations	8th Grade Additional Expectations	12th Grade Additional Expectations
<p>4th grade student can:</p> <p>List examples of financial decisions and their possible consequences.</p> <p>Identify ways to be a financially responsible youth.</p>	<p>8th grade student can:</p> <p>Identify ways to be a financially responsible young adult.</p> <p>Give examples of the benefits of financial responsibility and the costs of financial irresponsibility.</p>	<p>High school graduate can:</p> <p>Explain how individuals demonstrate responsibility for financial well-being over a lifetime.</p> <p>Analyze how financial responsibility is different for individuals with and without dependents.</p> <p>Given a scenario, discuss ethical considerations of various personal finance decisions.</p>
<p>4th grade student can:</p> <p>Give examples of situations in which financial information would lead to better decisions.</p> <p>Identify sources of financial information.</p>	<p>8th grade student can:</p> <p>Analyze and evaluate advertising claims.</p> <p>Identify online and printed sources of product information and list the strengths and weaknesses of each.</p>	<p>High school graduate can:</p> <p>Determine whether financial information is objective, accurate, and current.</p> <p>Investigate current types of consumer fraud, including online scams.</p> <p>Given a scenario, identify relevant financial information needed to make a decision.</p> <p>List factors to consider when selecting a financial planning/counseling professional and legal/tax adviser.</p>

Standard 2

Find and evaluate financial information from a variety of sources.

4th Grade Expectations	8th Grade Additional Expectations	12th Grade Additional Expectations	Financial Responsibility and Decision Making
<p>4th grade student can:</p> <p>Compare product return policies at local retail stores.</p>	<p>8th grade student can:</p> <p>Research the primary consumer protection agency in the state of residence.</p> <p>Give examples of unfair or deceptive business practices that consumer protection laws forbid.</p> <p>Given a scenario, explain steps in resolving a consumer complaint.</p>	<p>High school graduate can:</p> <p>Match consumer protection laws to descriptions of the issues that they address and the safeguards that they provide.</p> <p>Research online and printed sources of up-to-date information about consumer rights.</p> <p>Given a scenario, write a complaint letter that states the problem, asks for specific action, includes copies of related documents, and provides contact information.</p>	<p>Standard 3</p> <p>Summarize major consumer protection laws.</p>
<p>4th grade student can:</p> <p>Explain how limited personal financial resources affect the choices people make.</p> <p>Rank personal wants/needs in order of importance.</p> <p>Set measurable short-term financial goals.</p> <p>Outline the steps in systematically evaluating alternatives and making a decision.</p> <p>Apply systematic decision making to a short-term goal.</p>	<p>8th grade student can:</p> <p>Set measurable short- and medium-term financial goals.</p> <p>Prioritize personal financial goals.</p> <p>Evaluate the results of a financial decision.</p> <p>Use a financial or online calculator to determine the cost of achieving a medium-term goal.</p> <p>Apply systematic decision making to a medium-term goal.</p>	<p>High school graduate can:</p> <p>Set measurable short-, medium-, and long-term financial goals.</p> <p>Use a financial or online calculator to determine the cost of achieving a long-term goal.</p> <p>Apply systematic decision making to a long-term goal.</p> <p>Analyze how inflation affects financial decisions.</p> <p>Analyze how taxes affect financial decisions.</p> <p>Give examples of how decisions made today can affect future opportunities.</p>	<p>Standard 4</p> <p>Make financial decisions by systematically considering alternatives and consequences.</p>

Financial Responsibility and Decision Making

Standard 5

Develop communication strategies for discussing financial issues.

4th Grade
Expectations

4th grade student can:
Give examples of how members of previous generations spent money as children.
Analyze the values and attitudes of members of previous generations from their personal stories about money.

8th Grade
Additional Expectations

8th grade student can:
Explain how discussing important financial matters with household members can help reduce conflict.
Identify differences among peers' values and attitudes about money.

12th Grade
Additional Expectations

High school graduate can:
Explain the value of discussing individual and shared financial responsibilities with a roommate before moving in.
Discuss the pros and cons of sharing financial goals and personal finance information with a partner before combining households.
Give examples of contracts between individuals and between individuals and businesses, and identify each party's basic responsibilities.

Standard 6

Control personal information.

4th grade student can:
List types of personal information that should not be disclosed to others and the possible consequences of doing so.

8th grade student can:
List actions an individual can take to protect personal identity.
Describe problems that occur when one is the victim of identity theft.
Identify ways that thieves can fraudulently obtain personal information.

High school graduate can:
List entities that have a right to obtain individual Social Security numbers.
Recommend actions a victim of identity theft should take to restore personal security.

Income and Careers

Overall Competency

Use a career plan to develop personal income potential.

4th Grade Expectations	8th Grade Additional Expectations	12th Grade Additional Expectations
<p>4th grade student can:</p> <p>Explain the difference between a career and a job and identify various jobs in the community.</p> <p>Give an example of how an individual's interests, knowledge, and abilities can affect career and job choice.</p> <p>Identify a topic of personal interest and research a career related to that topic of interest.</p> <p>Examine a job related to a career of interest.</p> <p>Give examples of entrepreneurs in the community.</p>	<p>8th grade student can:</p> <p>Give an example of how education and/or training can affect lifetime income.</p> <p>Identify online and printed sources of information about jobs, careers, and entrepreneurship.</p> <p>Compare personal skills and interests to various career options.</p> <p>Describe the educational/training requirements, income potential, and primary duties of at least two jobs of interest.</p> <p>Identify individuals who could provide a positive job reference.</p> <p>Complete an age-appropriate, part-time job application, including references.</p>	<p>High school graduate can:</p> <p>Describe the risks, costs, and rewards of starting a business.</p> <p>Outline the main components of a business plan.</p> <p>Analyze how economic, social-cultural, and political conditions can affect income and career potential.</p> <p>Identify a career goal and develop a plan and timetable for achieving it, including educational/training requirements, costs, and possible debt.</p>

Standard 1

Explore career options.

Income and Careers

Standard 2

Identify sources of personal income.

4th Grade

Expectations

4th grade student can:

Explain the difference between a wage and a salary.

Identify jobs children can do to earn money.

Give examples of sources of income other than a wage or salary.

8th Grade

Additional Expectations

8th grade student can:

Define gift, rent, interest, dividend, capital gain, tip, commission, and business profit income.

Explain the difference between earned and unearned income and give an example of each.

Give an example of a government transfer payment.

Describe how a local government assistance program can benefit people in the community.

12th Grade

Additional Expectations

High school graduate can:

Explain the effect of inflation on income.

Use a financial or online calculator to determine the future income needed to maintain a current standard of living.

Standard 3

Describe factors affecting take-home pay.

4th grade student can:

Define tax and explain the difference between sales and income taxes.

Give an example of how government uses tax revenues.

8th grade student can:

Explain all items commonly withheld from gross pay.

Give examples of employee benefits and explain why they are forms of compensation.

Explain the difference between Social Security and Medicare programs.

High school graduate can:

Explain the effect on take-home pay of changing the allowances claimed on an "Employee's Withholding Allowance Certificate" (IRS form W-4).

Transfer information on "Wage and Tax Statement" (IRS form W-2) and "Interest Income" (IRS form 1099-INT) to "U.S. Individual Income Tax Return" (IRS form 1040) and comparable state income tax form.

Complete "Income Tax Return for Single and Joint Filers with No Dependents" (IRS form 1040EZ) and comparable state income tax form.

Examine the benefits of employer-sponsored savings plans and other options for shifting current income to the future.

Planning and Money Management

Overall Competency

Organize and plan personal finances and use a budget to manage cash flow.

4th Grade Expectations	8th Grade Additional Expectations	12th Grade Additional Expectations	
<p>4th grade student can:</p> <p>Give examples of household expense categories and sources of income.</p> <p>Describe how to allocate a weekly allowance among the financial goals of spending, saving, and sharing.</p>	<p>8th grade student can:</p> <p>Prepare a personal spending diary.</p> <p>Calculate the sales tax for a given purchase.</p> <p>Discuss the components of a personal budget, including income, planned saving, taxes, and fixed and variable expenses.</p> <p>Given a household case study, calculate percentages for major expense categories.</p>	<p>High school graduate can:</p> <p>Explain how to use a budget to manage spending and achieve financial goals.</p> <p>Identify changes in personal spending behavior that contribute to wealth-building.</p> <p>Given a scenario, design a personal budget for a young person living alone.</p> <p>Analyze how changes in circumstances can affect a personal budget.</p>	<p>Standard 1</p> <p>Develop a plan for spending and saving.</p>
<p>4th grade student can:</p> <p>Prepare a personal property inventory, including locations and estimates of value.</p>	<p>8th grade student can:</p> <p>Set up a file system for household product information and warranties and financial documents such as receipts and account statements.</p>	<p>High school graduate can:</p> <p>Develop a filing system for keeping financial records, both paper and electronic.</p> <p>Describe recordkeeping features that financial institutions provide for online account management.</p>	<p>Standard 2</p> <p>Develop a system for keeping and using financial records.</p>

Planning and Money Management

Standard 3

Describe how to use different payment methods.

4th Grade

Expectations

4th grade student can:

Describe different types of local financial institutions and explain the differences between them.

Explain how checks and debit and credit cards work as payment methods.

8th Grade

Additional Expectations

8th grade student can:

Discuss the advantages and disadvantages of different payment methods, such as stored-value cards, debit cards, and online payment systems.

Compare the features and costs of a checking account and a debit card offered by different local financial institutions.

Compare the costs of cashing a third-party check at various local financial institutions, including a check-cashing service.

12th Grade

Additional Expectations

High school graduate can:

Demonstrate skill in basic financial tasks, including scheduling bill payments, writing a check, reconciling a checking/debit account statement, and monitoring printed and/or online account statements for accuracy.

Standard 4

Apply consumer skills to purchase decisions.

4th grade student can:

Compare prices for the same item at two different stores.

Apply systematic decision making to a personal age-appropriate purchase.

Explain how peer pressure can affect spending decisions.

8th grade student can:

Explain the relationship between spending practices and achieving financial goals.

Give examples of how external factors, such as marketing and advertising techniques, might influence spending decisions for different individuals.

Given an age-appropriate scenario, describe how to use systematic decision making to choose among courses of action that include a range of spending and non-spending alternatives.

High school graduate can:

Apply comparison shopping skills to purchasing decisions.

Given a personal finance scenario for a family of four, describe how to apply systematic decision making to choose among alternative consumer actions.

Compare the benefits and costs of owning a house versus renting housing.

Explain the elements of a standard apartment lease agreement.

Describe the effect of inflation on buying power.

4th Grade Expectations	8th Grade Additional Expectations	12th Grade Additional Expectations	Planning and Money Management
<p>4th grade student can:</p> <p>Identify a private charitable organization and the people it serves.</p>	<p>8th grade student can:</p> <p>Determine whether charitable giving fits one's budget and, if so, how much is appropriate.</p>	<p>High school graduate can:</p> <p>Use online charity-rating organizations to compare information about specific charities, such as the percentage of money spent on programs versus salaries and fundraising.</p>	<p>Standard 5</p> <p>Consider charitable giving.</p>
<p>4th grade student can:</p> <p>Give examples of household assets.</p>	<p>8th grade student can:</p> <p>Explain the difference, with examples, between assets and liabilities.</p> <p>Given a simplified case study, construct a net worth statement.</p>	<p>High school graduate can:</p> <p>Discuss the factors that affect net worth.</p> <p>Explain the difference, with examples, between cash inflows (including income) and cash outflows (including expense).</p> <p>Explain the difference between a cash flow statement and a budget.</p> <p>Given a simplified case study, construct a cash flow statement.</p> <p>Develop, monitor, and modify a personal financial plan, including goals, net worth statement, cash flow statement, insurance plan, investing plan, and a budget.</p>	<p>Standard 6</p> <p>Develop a personal financial plan.</p>

**Planning and Money
Management**

Standard 7

Examine the purpose and importance of a will.

4th Grade Expectations	8th Grade Additional Expectations	12th Grade Additional Expectations
<p>4th grade student can:</p> <p>Identify an item that a household member has inherited.</p>	<p>8th grade student can:</p> <p>Research the age at which an individual can write a valid will in the state of residence.</p> <p>Describe the main components of a simple will and research the typical cost of having one drafted.</p>	<p>High school graduate can:</p> <p>Identify the individuals and/or charitable organizations that are potential beneficiaries of personal property.</p> <p>Explain how the law in the state of residence specifies the disposition of an estate when there is no valid will.</p> <p>Explain the purpose and importance of a “living will” (durable power of attorney for health care).</p>

Credit and Debt

Overall Competency

Maintain creditworthiness, borrow at favorable terms, and manage debt.

4th Grade Expectations	8th Grade Additional Expectations	12th Grade Additional Expectations
<p>4th grade student can:</p> <ul style="list-style-type: none"> Explain the difference between buying with cash and buying with credit. Describe the advantages and disadvantages of using credit. Explain why financial institutions lend money. Identify credit purchases that adults commonly make. Explain why using a credit card is a form of borrowing. 	<p>8th grade student can:</p> <ul style="list-style-type: none"> Explain how debit cards differ from credit cards. Explain how interest rate and loan length affect the cost of credit. Using a financial or online calculator, determine the total cost of repaying a loan under various rates of interest and over different periods. Give examples of “easy access” credit. Given an “easy access” loan amount and a two-week borrowing fee, calculate the interest rate for the loan period and its annual equivalent. Discuss potential consequences of using “easy access” credit. Explain how students, homeowners, and business owners use debt as an “investment.” Explain the potential consequences of deferred payment of student loans. 	<p>High school graduate can:</p> <ul style="list-style-type: none"> Compare the cost of borrowing \$1,000 by means of different consumer credit options. Define all required credit card disclosure terms and complete a typical credit card application. Explain how credit card grace periods, methods of interest calculation, and fees affect borrowing costs. Using a financial or online calculator, compare the total cost of reducing a \$1,000 credit card balance to zero with minimum payments versus above-minimum payments. Given a scenario, apply systematic decision making to identify the most cost-effective option for purchasing a car. Identify various types of student loans and alternatives to loans as a means of paying for post-secondary education. Identify various types of mortgage loans and mortgage lenders.

Standard 1

Identify the costs and benefits of various types of credit.

Credit and Debt

Standard 2

Explain the purpose of a credit record and identify borrowers' credit report rights.

4th Grade

Expectations

4th grade student can:

Describe the qualities that would be desirable in a person who borrows a favorite personal possession.

Give examples of reasonable conditions to set for the use of borrowed personal property.

Given a scenario, describe steps that a person could take to regain a lender's trust after losing or damaging borrowed personal property.

8th Grade

Additional Expectations

8th grade student can:

Explain why it is important to establish a positive credit history.

Explain the value of credit reports to borrowers and to lenders.

Describe the information in a credit report and how long it is retained.

Give examples of permissible uses of a credit report other than granting credit.

12th Grade

Additional Expectations

High school graduate can:

Describe the elements of a credit score.

Explain how a credit score affects creditworthiness and the cost of credit.

Explain the factors that improve a credit score.

Identify organizations that maintain consumer credit records.

Explain the rights that people have to examine their credit reports.

Analyze the information contained in a credit report, indicate the time that certain negative data can be retained, and describe how to dispute inaccurate entries.

Discuss ways that a negative credit report can affect a consumer's financial future.

4th Grade Expectations	8th Grade Additional Expectations	12th Grade Additional Expectations
<p>4th grade student can:</p> <p>List ways to avoid credit problems, including not overspending.</p>	<p>8th grade student can:</p> <p>Give examples of legal and illegal debt collection practices.</p> <p>Identify possible indicators of excessive debt.</p>	<p>High school graduate can:</p> <p>Describe possible consequences of excessive debt.</p> <p>List actions that a consumer could take to reduce or better manage excessive debt.</p> <p>Evaluate various credit counseling services.</p> <p>Describe the purpose of bankruptcy and its possible effects on assets, employability, and credit cost and availability.</p> <p>Given a scenario, write a billing dispute letter that states the problem, asks for specific action, includes references to copies of related documents, and provides contact information.</p> <p>Describe debtors' and creditors' rights related to wage garnishment and repossession when an overdue debt is not paid.</p>
	<p>8th grade student can:</p> <p>Give examples of protections derived from consumer credit laws.</p>	<p>High school graduate can:</p> <p>Summarize consumer credit laws and the protections that they provide.</p> <p>Research online and printed sources of up-to-date information about consumer credit rights.</p>

Credit and Debt

Standard 3

Describe ways to avoid or correct credit problems.

Standard 4

Summarize major consumer credit laws.

Risk Management and Insurance

Overall Competency

Use appropriate and cost-effective risk management strategies.

Standard 1

Identify common types of risks and basic risk management methods.

4th Grade Expectations	8th Grade Additional Expectations	12th Grade Additional Expectations
<p>4th grade student can:</p> <ul style="list-style-type: none"> Give examples of risks that individuals and households face. Given an age-appropriate activity such as riding a bicycle, analyze how to reduce and avoid different kinds of risk. 	<p>8th grade student can:</p> <ul style="list-style-type: none"> Discuss the relationship between risk and insurance. Explain how insurance deductibles work. Determine how to evaluate an extended warranty. 	<p>High school graduate can:</p> <ul style="list-style-type: none"> Give examples of how people manage risk through avoidance, reduction, retention, and transfer. Explain how to self-insure and give examples of circumstances in which self-insurance is appropriate. Recommend insurance for the types of risks that young adults might face.

4th Grade Expectations	8th Grade Additional Expectations	12th Grade Additional Expectations	Risk Management and Insurance
<p>4th grade student can:</p> <p>List valuable items that households commonly own.</p> <p>Describe how valuable items might be damaged or lost and ways to protect them.</p>	<p>8th grade student can:</p> <p>Identify the types of insurance that might cover accidental damage to another person's property.</p> <p>Give examples of the kinds of expenses that a typical auto insurance policy covers.</p> <p>Give examples of the kinds of expenses that a typical renter's policy and a typical homeowner's policy cover.</p> <p>Identify the factors that influence the cost of insurance for vehicles and housing.</p>	<p>High school graduate can:</p> <p>Differentiate among the main types of auto insurance coverage.</p> <p>List factors that can increase or reduce auto insurance premiums.</p> <p>Determine the legal minimum amounts of auto insurance coverage required in one's state of residence and recommend optimal amounts.</p> <p>Given a scenario, calculate the amount paid on an insurance claim after applying exclusions and deductibles.</p> <p>Compare the costs of auto insurance for the same vehicle, given two different deductibles and two different liability coverage limits.</p> <p>Explain the benefits of renter's insurance and compare policies from different companies.</p>	<p>Standard 2</p> <p>Explain the purpose and importance of property and liability insurance protection.</p>

Risk Management and Insurance

Standard 3

Explain the purpose and importance of health, disability, and life insurance protection.

4th Grade Expectations	8th Grade Additional Expectations	12th Grade Additional Expectations
<p>4th grade student can:</p> <p>Explain why people need health insurance.</p>	<p>8th grade student can:</p> <p>List the main threats to household income and assets.</p> <p>Give examples of the kinds of expenses that health insurance can cover.</p> <p>Describe the purpose of disability insurance.</p> <p>Explain the primary purpose of life insurance and the characteristics of people who need it most.</p>	<p>High school graduate can:</p> <p>Analyze the conditions under which young adults need life, health, and disability insurance.</p> <p>Identify government programs that provide financial assistance for income loss due to illness, disability, or premature death.</p> <p>Compare sources of health and disability insurance coverage, including employee benefit plans.</p> <p>Explain the purpose of long-term care insurance.</p>

Saving and Investing

Overall Competency

Implement a diversified investment strategy that is compatible with personal goals.

4th Grade Expectations	8th Grade Additional Expectations	12th Grade Additional Expectations	
<p>4th grade student can:</p> <p>Describe the advantages and disadvantages of saving for a short-term goal.</p> <p>Describe ways that people can cut expenses to save more of their incomes.</p>	<p>8th grade student can:</p> <p>Give examples of how saving money can improve financial well-being.</p> <p>Describe the advantages and disadvantages of saving for short- and medium-term goals.</p> <p>Explain the value of an emergency fund.</p> <p>Explain why saving is a prerequisite to investing.</p>	<p>High school graduate can:</p> <p>Describe the advantages and disadvantages of saving for short-, medium-, and long-term goals.</p> <p>Identify and compare saving strategies, including “paying yourself first,” using payroll deduction, and comparison shopping to spend less.</p> <p>Develop a definition of wealth based on personal values, priorities, and goals.</p>	<p>Standard 1</p> <p>Discuss how saving contributes to financial well-being.</p>

Saving and Investing

Standard 2

Explain how investing builds wealth and helps meet financial goals.

4th Grade Expectations	8th Grade Additional Expectations	12th Grade Additional Expectations
<p>4th grade student can:</p> <p>Give an example of an investment and explain how it can grow in value.</p>	<p>8th grade student can:</p> <p>Apply systematic decision making to determine when to invest cash not needed for short-term spending or emergencies.</p> <p>Define the time value of money and explain how small amounts of money invested regularly over time grow exponentially.</p> <p>Use the Rule of 72 to estimate the time or interest rate needed to double an amount of money.</p> <p>Calculate and compare simple interest and compound interest earnings and explain the benefits of a compound rate of return.</p> <p>Determine the average, median, or estimated costs of a four-year college education, a wedding, a new business startup, and the down payments on a new car and a house.</p> <p>Devise a periodic investment plan for accumulating the money for a four-year college education, a wedding, a new business startup, and the down payments on a new car and a house.</p>	<p>High school graduate can:</p> <p>Identify and compare strategies for investing, including participating in a company retirement plan.</p> <p>Describe the effect of inflation on investment growth.</p> <p>Given rate of return, and years, use a financial or online calculator to figure (a) the end value of an invested lump sum and (b) the lump sum needed to reach a specific investment goal.</p> <p>Given rate of return, years, and frequency, use a financial or online calculator to figure (a) the end value of an invested periodic amount and (b) the periodic amount needed to reach a specific investment goal.</p> <p>Explain the relative importance of the following sources of income in retirement: Social Security, employer retirement plans, and personal investments.</p> <p>Explain why games of chance are not good investments for building wealth.</p>

4th Grade Expectations	8th Grade Additional Expectations	12th Grade Additional Expectations	Saving and Investing
<p>4th grade student can:</p> <p>List the advantages of investing money with a financial institution.</p> <p>Give an example of an investment that allows relatively quick and easy access to funds.</p> <p>Compare the main features of interest-earning accounts at local financial institutions.</p>	<p>8th grade student can:</p> <p>Explain how stocks and bonds differ as investments.</p> <p>Compare investing in individual stocks and bonds with investing in stock or bond mutual funds.</p> <p>Compare the investment potential of stocks, bonds, and real estate to collectibles and precious metals.</p> <p>Explain how inflation affects investment returns.</p> <p>Explain how to match investments to financial goals.</p>	<p>High school graduate can:</p> <p>Discuss common types of investment risk.</p> <p>Compare the risks and returns of various investments.</p> <p>Calculate investment growth given different amounts, times, rates of return, and frequency of compounding.</p> <p>Describe the benefits of a diversified investment portfolio.</p> <p>Identify the appropriate types of investments to achieve the objectives of liquidity, income, and growth.</p> <p>Identify the appropriate types of investments for accumulating the money for a four-year college education, a wedding, a new business startup, the down payments on a new car and a house, and retirement.</p> <p>Use systematic decision making to select an investment.</p>	<p>Standard 3</p> <p>Evaluate investment alternatives.</p>

Saving and Investing

Standard 4

Describe how to buy and sell investments.

4th Grade
 Expectations

4th grade student can:
 Compare the rates of return on basic savings accounts at different financial institutions.

8th Grade
 Additional Expectations

8th grade student can:
 Identify and describe various sources of investment information, including prospectuses, online resources, and financial publications.
 Interpret the financial market quotations of a stock and a mutual fund.
 Research and track a publicly traded stock and record daily market values between two specified dates.

12th Grade
 Additional Expectations

High school graduate can:
 Analyze how economic and business factors affect the market value of a stock.
 Compare the investment objectives and historical rates of returns in two mutual fund prospectuses.
 Compare the advantages and disadvantages of buying and selling investments through various channels, including financial advisors, investment clubs, and online brokers.
 Describe the benefits of dollar-cost averaging and calculate the average cost per share of investments using this strategy.

Standard 5

Explain how taxes affect the rate of return on investments.

8th grade student can:
 Identify the income tax-free earnings limit for an investor under the age of 18.
 Identify the tax rate for dividends.

High school graduate can:
 Compare the returns of taxable investments with those that are tax-exempt or tax-deferred.
 Contrast the benefits of a traditional IRA versus a Roth IRA.
 Describe the advantages provided by employer-sponsored retirement savings plans, including 401(k) and related plans.

Standard 6

Investigate how agencies that regulate financial markets protect investors.

8th grade student can:
 Explain how deposit insurance protects investors.

High school graduate can:
 Explain how federal and state regulators protect investors.

Knowledge Statements

These statements show relationships among the key concepts underlying the standards and expectations. They provide further guidance for publishers as they develop and revise curricula and for educators as they select classroom materials and plan lessons.

The statements are by no means an exhaustive outline of personal finance instruction. They merely suggest the scope of, and relationships among, the topics that the standards cover.

Financial Responsibility and Decision Making

Overall Competency

Apply reliable information and systematic decision making to personal financial decisions.

4th Grade Students will know that:	8th Grade Students will exhibit grade 4 knowledge, plus:	12th Grade Students will exhibit grades 4 and 8 knowledge, plus:
<ol style="list-style-type: none"> 1. People make choices because they have limited financial resources and cannot have everything they want. 2. A first step toward reaching financial goals is to identify wants/needs and rank them in order of importance. 3. Systematic decision making can help people make money choices. 4. To make a decision, careful consumers compare the benefits and costs of spending alternatives. 5. Information about goods and services comes from many sources. 6. Every spending decision has an opportunity cost. 	<ol style="list-style-type: none"> 1. Financial choices that people make have benefits, costs, and future consequences. 2. A key to financial well-being is to spend less than you earn. 3. A consumer should not rely on advertising claims as the sole source of information about goods and services. 4. Comparison shopping helps consumers get the best value for their money. 	<ol style="list-style-type: none"> 1. Financially responsible individuals accept the fact that they are accountable for their financial futures. 2. Attitudes and values affect financial decisions. 3. Financial advice is available from a variety of sources, such as professional financial advisors, books, and the Internet. 4. Many factors, such as role models and peer pressure, affect spending patterns.

Income and Careers

Overall Competency

Use a career plan to develop personal income potential.

4th Grade Students will know that:	8th Grade Students will exhibit grade 4 knowledge, plus:	12th Grade Students will exhibit grades 4 and 8 knowledge, plus:
<ol style="list-style-type: none"> 1. People can acquire income in several ways, including wages, salaries, and money gifts. 2. Income can be earned or unearned. 3. Workers can improve their ability to earn income by gaining new knowledge, skills, and experiences. 4. Many workers receive employee benefits in addition to their pay. 5. Entrepreneurs, who work for themselves by starting new businesses, hope to earn a profit, but accept the risk of a loss. 	<ol style="list-style-type: none"> 1. People can earn income from rent and interest. 2. Wages/salaries minus payroll deductions equal take-home pay. 3. Inflation reduces the purchasing power of income. 4. Government transfer payments provide unearned income to some households. 5. Generally, people earn higher incomes with higher levels of education. 	<ol style="list-style-type: none"> 1. People's income reflects choices they have made about jobs and careers, education, and skill development. 2. The wages/salaries paid for a given job depend on a worker's skills and education, plus the importance of the work to society and the supply of and demand for qualified workers. 3. Social Security and Medicare are government programs that provide insurance against some loss of income and benefits to eligible recipients. 4. Social Security and Medicare are funded by a compulsory payroll tax. 5. People pay taxes on many types of income, such as wages or salaries, interest, dividends, capital gains, tips, commissions, and profit from a self-owned business. 6. Deductions, exemptions, and credits reduce taxable income.

Planning and Money Management

Overall Competency

Organize personal finances and use a budget to manage cash flow.

4th Grade Students will know that:	8th Grade Students will exhibit grade 4 knowledge, plus:	12th Grade Students will exhibit grades 4 and 8 knowledge, plus:
<ol style="list-style-type: none"> 1. A budget is a plan for using income productively, including spending, sharing, and setting money aside for future expenses. 2. People pay for goods and services in different ways. 3. People are required to pay taxes, for which they receive government services. 	<ol style="list-style-type: none"> 1. People perform basic financial tasks to manage money. 2. A budget identifies expected income and expenses, including saving, and serves as a guide to help people live within their income. 3. Some payment methods are more expensive than others. 	<ol style="list-style-type: none"> 1. Formal complaints and government/community agencies can help consumers resolve problems with goods and services. 2. A personal financial plan should include the following components: financial goals, a net worth statement, an income and expense record, an insurance plan, a saving and investing plan, and a budget. 3. Legal documents, such as wills, are an important part of financial planning.

Credit and Debt

Overall Competency

Maintain creditworthiness, borrow at favorable terms, and manage debt.

4th Grade Students will know that:	8th Grade Students will exhibit grade 4 knowledge, plus:	12th Grade Students will exhibit grades 4 and 8 knowledge, plus:
<ol style="list-style-type: none"> 1. Credit is a basic financial tool. 2. Borrowing money to buy something usually costs more than paying cash because there is a fee for credit (interest). 3. Responsible borrowers repay as promised, showing that they are worthy of getting credit in the future. 	<ol style="list-style-type: none"> 1. Comparing the costs and benefits of buying on credit is key to making a good purchase decision. 2. For any given loan amount and interest rate, the longer the loan period, the smaller the monthly payment and the larger the total cost of credit. 3. Consumers can choose from a variety of credit sources. 4. Credit bureaus maintain credit reports, which record borrowers' histories of repaying loans. 5. Sometimes people borrow more money than they can repay, which can have consequences such as the repossession and garnishment. 	<ol style="list-style-type: none"> 1. Leasing, borrowing to buy, and rent-to-own options have different contract terms and costs. 2. Making minimum payments on credit card balances increases the total cost and repayment time. 3. Understanding credit card disclosure information is key to controlling borrowing costs. 4. Consumers with excessive debt have a number of options, including loan consolidation and renegotiation of repayment schedules. 5. Bankruptcy provides debt relief, but has serious negative consequences. 6. Negative information in credit reports can affect your financial future. 7. Laws and regulations offer specific protections for borrowers.

Risk Management and Insurance

Overall Competency

Use appropriate and cost-effective risk management strategies.

4th Grade Students will know that:	8th Grade Students will exhibit grade 4 knowledge, plus:	12th Grade Students will exhibit grades 4 and 8 knowledge, plus:
<ol style="list-style-type: none"> 1. Risk is a part of daily life. 2. People have choices for dealing with risk. 	<ol style="list-style-type: none"> 1. Risk management strategies include risk avoidance, risk control, and risk transfer through insurance. 2. Laws and regulations exist to protect consumers from a variety of seller and lender abuses. 	<ol style="list-style-type: none"> 1. People purchase insurance to transfer the risk of financial loss. 2. Online transactions can make consumers vulnerable to privacy infringement and identity theft.

Saving and Investing

Overall Competency

Implement a diversified investment strategy that is compatible with personal goals.

4th Grade Students will know that:	8th Grade Students will exhibit grade 4 knowledge, plus:	12th Grade Students will exhibit grades 4 and 8 knowledge, plus:
<ol style="list-style-type: none"> 1. People save for future financial goals. 2. Every saving decision has an opportunity cost. 3. Banks, savings and loan associations, and credit unions are places people can invest money and earn interest. 4. Piggy banks are places to hold savings. Savings accounts and savings bonds are ways to earn money from income not spent. 	<ol style="list-style-type: none"> 1. Saving means setting income aside for emergencies and immediate needs. Investing means putting money to work earning more money for the future. Funds for investing often come from current income not spent. 2. Investments differ in their potential rate of return, liquidity, and level of risk. 3. There is usually a positive relationship between the average annual return on an investment and its risk. 4. Compound interest is money earned on both principal and previously earned interest. 5. Inflation reduces the return on an investment. 6. The Rule of 72 is a tool for estimating the time or rate of return required to double a sum of money. 7. Investors can get information from many sources. 8. People can buy and sell investments in different ways. 	<ol style="list-style-type: none"> 1. Employer-sponsored savings plans enable workers to shift some current income to the future, often with tax advantages. 2. Generally, the more uncertain the future value of an asset, the greater the return. 3. Tax-exempt and tax-deferred investments significantly increase an investor's total return over time. 4. Wealth increases with regular investment, time, and frequent compounding. 5. Diversification reduces risk by spreading assets among several types of investments and industry sectors. 6. Dollar-cost averaging lowers investment costs over time and promotes regular investing. 7. Mutual funds pool investors' deposits to purchase securities. 8. Government agencies, such as the U.S. Securities and Exchange Commission, Federal Deposit Insurance Corporation, and state regulators, oversee the securities and banking industries and combat fraud.

Glossary

Advertising

An announcement—usually paid—of a product's or service's benefits that is intended to encourage its purchase.

Asset

An item with economic value that an individual or organization owns, such as stocks, real estate, personal property, and business equipment.

Annual Percentage Rate (APR)

The percentage cost of credit on an annual basis, which must be disclosed by law. Example 1: A \$100 loan repaid in its entirety after one year with a \$10 finance charge (\$9 interest plus a \$1 service fee) has an APR of 10%. Example 2: A \$100 one-year loan with a \$10 finance charge repaid in twelve equal installments (meaning the borrower has the use of less and less of the loan principal each month) has an APR of 18%.

Annual Percentage Yield (APY)

The annual rate of return on an investment, which must be disclosed by law and which varies by the frequency of compounding. Example 1: A \$1,000 investment that earns 6% *per year* pays \$60 at year-end and has an APY of 6%. Example 2: A \$1,000 investment that earns 0.5% *per month* (6%/12) pays \$61.68 in one year and has an APY of 6.17%. Example 3: A \$1,000 investment that earns 0.0164% *per day* (6%/365) pays \$61.83 in one year and has an APY of 6.18%.

Automated Teller Machine (ATM)

A computer terminal used to conduct business with a financial institution or purchase items such as postage stamps or transportation tickets; also known as a cash machine.

Bankruptcy

A state of being legally released from the obligation to repay some or all debt in exchange for the forced loss of certain assets. A court's determination of personal bankruptcy remains in a consumer's credit record for 10 years.

Bankruptcy Abuse Prevention and Consumer Protection Act

A revision of bankruptcy law intended to make the system fairer for creditors and debtors and make affordable credit available to more people.

Bank

A state or federally chartered for-profit financial institution that offers commercial and consumer loans and other financial services.

Beneficiary

A person or organization named to receive assets after an individual's death.

Bond

A certificate representing the purchaser's agreement to lend a business or government money on the promise that the debt will be paid — with interest — at a specific time.

Glossary**Budget**

1. A spending plan. 2. A record of projected and actual income and expenses over a period.

Business plan

A description of a company's organizational structure, staff, activities, and marketing and financial plans, including expected sources of income and expenses.

Capital gain

Income that results when the selling price of an asset is greater than the original purchase price.

Capital loss

Monetary loss that occurs when the selling price of an asset is less than the original amount invested.

Career

A profession or field of employment for which one studies or trains, such as financial services or medicine. (See **Job**.)

Cash flow statement

A summary of receipts and payments for a given period, helpful when preparing a budget; also known as an income and expense statement.

Charitable gift

Aid to those in need.

Closed-end credit

A specific-purpose loan requiring repayment with interest and any other finance charges by a specific date. Examples include most mortgages or auto loans.

Collateral

Property that a borrower promises to give up to a lender in case of default.

Collectibles

Physical objects—such as fine art, stamps, and antiques—that an investor buys in the hope that they will grow in value.

Collection agency

A business that specializes in obtaining payments from debtors who have defaulted on their loans.

Comparison shopping

The process of seeking information about products and services to find the best quality or utility at the best price.

Compensation

Payment and benefits for work performed; also payment to injured or unemployed workers or their dependents.

Complaint

An expression of dissatisfaction with a product or service, often in the form of a letter to the seller or manufacturer documenting the problem and stating the desired solution.

Compounding

Calculating interest on both principal and previously earned interest.

Contract

A legally binding agreement between two or more parties.

Credit

An agreement to provide goods, services, or money in exchange for future payments with interest by a specific date or according to a specific schedule. The use of someone else's money for a fee. (See **Open-end credit**, **Closed-end credit**, and **Easy-access credit**.)

Credit card

A plastic card that authorizes the delivery of goods and services in exchange for future payment with interest, according to a specific schedule.

Credit counseling service

An organization that provides debt and money management advice and assistance to people with debt problems.

Credit report

An official record of a borrower's credit history, including such information as the amount and type of credit used, outstanding balances, and any delinquencies, bankruptcies, or tax liens.

Credit score

A statistical measure of a loan applicant's creditworthiness, which is the likelihood of repayment.

Credit union

A state or federally chartered not-for-profit financial cooperative that provides financial services to its member-owners, who have met specific employment, residence, or other eligibility requirements.

Creditworthy

The presumption that a specific borrower has sufficient assets, income, and/or inclination to repay a loan.

Decision making, systematic

A method of selecting a course of action after gathering and evaluating information and considering the costs and benefits of various alternatives and consequences.

Debit card

A plastic card that provides access to electronic funds transfer (EFT) from an automated teller machine (ATM) or a point-of-sale (POS) terminal.

Debt

Something owed, usually measured in dollars.

Deductible

The dollar amount or percentage of a loss that is not insured, as specified in an insurance policy.

Default

The failure to meet a financial obligation or agreement.

Dependent

A person who relies on another individual for support.

Disposable income

Gross pay minus deductions for taxes.

Diversification

A strategy for reducing some types of risk by selecting a wide variety of investments.

Glossary

Dividends

Earnings from corporate stock or credit union share accounts.

Dollar-cost averaging

A method of investing a fixed amount in the same type of investment at regular intervals, regardless of price.

Earned income

Earnings from employment, including commissions and tips.

Easy-access credit

Short-term loans granted regardless of credit history, often for very short periods and at high interest rates. (See **Pawnshops**, **Payday loans**, **Rent-to-own**, and **Title loans**.)

Electronic Funds Transfer (EFT)

The shifting of money from one financial institution account to another without the physical movement of cash.

Emergency fund

Money set aside for unexpected expenses or for living costs in case of job loss.

Employee benefit

Compensation that an employee receives in addition to a wage or salary. Examples include health insurance, life insurance, childcare, and subsidized meals.

Employer-sponsored retirement savings plan

Tax-deferred investment programs, such as 401(k) plans for corporate employees and Section 457 plans for state and local govern-

ment employees, which provide, in some cases, employer matching funds.

Entrepreneur

An individual who conceives of, establishes, operates, and assumes the risks of a business.

Equal Credit Opportunity Act

A federal law that forbids lenders from discriminating against loan applicants on the basis of gender, race, marital status, religion, national origin, age, or receipt of public assistance.

Equity

Stock ownership in a corporation.

Estate

The assets and debts that a person leaves at death.

Ethics

A set of moral principles or beliefs that govern an individual's actions.

Expense

The cost of goods and services, including those that are fixed (such as rent and auto loan payments) and those that are variable (such as food, clothing, and entertainment).

Fair and Accurate Credit Transactions Act (FACT Act)

A federal law that gives consumers more ways to recover their credit reputations after they have been victims of identity theft, and allows consumers to request one free copy of their credit reports from the major credit reporting agencies each year.

Fair Credit and Charge Card Disclosure Act

A part of the Truth in Lending Act that mandates a description of key features and costs—such as APR, grace period, balance calculation, annual fees, and penalty fees—on credit card applications.

Fair Credit Billing Act

A federal law that addresses billing problems with open-end credit accounts by requiring, for example, that consumers send a written error notice within 60 days of receiving the first bill containing the error, and preventing creditors from damaging a consumer's credit rating during a pending dispute.

Fair Credit Reporting Act

A federal law that covers the reporting of debt repayment information, requiring, for example, the removal of certain information after seven or ten years, and giving consumers the right to know what is in their credit reports, to dispute inaccurate information, and to add a brief statement explaining accurate negative information.

Fair Debt Collection Practices Act

A federal law that prohibits debt collectors from engaging in unfair, deceptive, or abusive practices, such as calling consumers at work after being told not to.

FICA

Federal Insurance Contributions Act. (See **Social Security**.)

Finance charge

The total dollar amount paid for credit. Example: A \$100 loan repaid with \$9 interest plus a \$1 service fee has a finance charge of \$10.

Financial adviser

A person who provides financial information and advice. Examples include employee benefits staff, bank and credit union employees, credit counselors, brokers, financial planners, accountants, insurance agents, and attorneys.

Financial goals

Desired results from one's efforts to achieve personal economic satisfaction.

Financial literacy

The ability to use knowledge and skills to manage one's financial resources effectively for lifetime financial security.

Financial plan

A report that identifies a person's financial goals, needs, and expected future earning, saving, investing, insurance, and debt management activities; it typically includes a statement of net worth.

Fraud

Intentional and illegal deception, misrepresentation, or concealment of information for monetary gain.

Garnishment

A court-sanctioned procedure that sets aside a portion of an employee's wages to pay a financial obligation.

Grace period

A time during which a borrower can pay the full balance of credit due and not incur finance charges or pay an insurance premium without penalty.

Glossary

Gross pay

Wages or salary before deductions for taxes and other purposes.

Identity theft

The crime of using another person's name, credit or debit card number, Social Security number, or another piece of personal information to commit fraud.

Impulse buying

Purchasing goods or services without considering needs, goals, or consequences.

Income

Money earned from investments and employment.

Individual Retirement Account (IRA)

An investment with specific tax advantages. A traditional IRA defers taxes on earnings until withdrawal and, under certain circumstances, allows the deduction of some contributions from current taxable income. A Roth IRA requires after-tax contributions only, but allows tax-free withdrawals under certain rules.

Inflation

An overall rise in the price of goods and services; the opposite of the less common deflation.

IRA

(See **Individual Retirement Account**.)

Insurance

A risk management tool that protects an individual from specific financial losses under specific

terms and premium payments, as described in a written policy document. Major types include:

Auto – Provides liability and property damage coverage under specific circumstances.

Disability – Replaces a portion of income lost when a person cannot work because of illness or injury.

Health – Covers specific medical costs associated with illness, injury, and disability.

Homeowners – Provides property damage and liability coverage under specific circumstances.

Liability – Protects the insured party from others' claims of loss due to the insured's alleged or actual negligence or improper actions.

Life – Protects dependents from loss of income, debt-repayment, and other expenses after the death of the insured party.

Long-term care – Covers specific costs of custodial care in a nursing facility or at home.

Renters – Protects from losses due to damage to the contents of a dwelling rather than the dwelling itself.

Interest

1. Cost of borrowing money. 2. Earnings from lending money.

Interest income

Money that financial institutions, governments, or corporations pay for the use of investors' money.

Investing

Purchasing securities such as stocks, bonds, and mutual funds with the goal of increasing wealth over time, but with the risk of loss.

Job

A position of employment with specific duties and compensation. (See **Career**.)

Lease

A written contract specifying the terms for the use of an asset and the legal responsibilities of both parties to the agreement, such as a landlord and tenant.

Liability

An actual or potential financial obligation.

Liquidity

The quality of an asset that permits it to be converted quickly into cash without loss of value. For example, a mutual fund is more liquid than real estate.

Living will

A document that contains the signer's desires for specific medical treatment in case the person is unable to make medical decisions; also known as a health care directive.

Loan shark

A person who lends money at an exorbitant rate of interest.

Medicaid

A program, financed by state and federal government tax revenues, to pay specified health care costs care for those who cannot afford them.

Medicare

A federal government program, financed by deductions from wages, that pays for certain health care expenses for older citizens. The Social Security Administration manages the program.

Mortgage

A long-term loan to buy real estate, that is, land and the structures on it.

Mutual fund

An investment tool that pools the money of many shareholders and invests it in a diversified portfolio of securities, such as stocks, bonds, and money market assets.

Net worth

A measure of a person's financial condition at a given time, equal to what that person owns (assets) minus what that person owes (liabilities).

Open-end credit

An agreement with a financial institution that gives a borrower the use of money up to a specified limit for an indefinite time as long as repayment of the outstanding balance and finance charge proceeds on schedule; also known as revolving credit or a revolving line of credit. A credit card is an example.

Opportunity cost

The value of possible alternatives that a person gives up when making one choice instead of another; also known as a trade-off.

Pawnshop

An easy-access credit business that makes

Glossary

high-interest loans secured by personal property collateral, such as jewelry.

Payday loan

An easy-access credit business that makes high-interest loans for the period of the borrower's pay cycle. This practice is illegal in some states.

Payment method

The means of settling a financial obligation, such as by cash, check, credit card, debit card, smart card, or stored value card.

Payroll deduction

An amount an employer withholds from a paycheck. Mandatory deductions include various taxes. Voluntary deductions include loan payments, charitable contributions, and direct deposits into financial institution accounts.

Peer pressure

The influence that a social group has on an individual, based on the individual's desire for the group's approval.

Pension Protection Act

A federal law that attempts to strengthen employees' retirement security by, among other things, allowing employers to automatically enroll employees in retirement savings plans.

Personal finance

The principles and methods that individuals use to acquire and manage income and assets.

Philanthropy

The act of voluntarily contributing to others' welfare.

Point of sale (POS)

The location where a transaction occurs. POS software can track sales, inventory, and customer information.

Portfolio

A collection of securities—such as stocks, bonds, mutual funds, and real estate—that an individual investor owns.

Principal

1. An amount of money originally invested, excluding any interest or dividends. 2. An amount borrowed, or an outstanding loan balance.

Privacy

Freedom from unauthorized release of personal information.

Probate court

The government institution with jurisdiction over a deceased person's will and estate.

Profit

The positive difference between total revenue and total expenses of a business or investment.

Prospectus

A legal document that provides detailed information about mutual funds, stocks, bonds, and other investments offered for sale, as required by the Securities and Exchange Commission.

Rate of return

Annual earnings on an investment expressed as a percentage of the amount invested; also known as yield. Example: A \$3 annual dividend divided by \$34 share cost = 0.088, an 8.8% rate of return.

Recordkeeping

The process of keeping an orderly account of a person's financial affairs, including income earned, taxes paid, household expenditures, loans, insurance policies, and legal documents.

Rent

A periodic fee for the use of property.

Rent-to-own

A plan to buy a product with little or no down payment by renting it until the final payment is made, at which point the total paid far exceeds the product's purchase price.

Repossession

Confiscation of collateral, often without notice, if a borrower defaults on a loan.

Risk

A measure of the likelihood of loss or the uncertainty of an investment's rate of return.

Risk management

The process of calculating risk and devising methods to minimize or manage loss, for example, by buying insurance or diversifying investments.

Rule of 72

A rough calculation of the time or interest rate needed to double the value of an investment. Example: To figure how many years it will take to double a lump sum invested at an annual rate of 8%, divide 72 by 8, for a result of 9 years.)

Scam

A fraudulent or deceptive act.

Salary

Compensation for work, expressed as an annual sum and paid in prorated portions regularly—usually weekly, bi-weekly, or monthly. (See **Wage**.)

Saving

The process of setting income aside for future spending. Saving provides ready cash for emergencies and short-term goals, and funds for investing.

Savings account

A financial institution deposit account that pays interest and allows withdrawals.

Savings bond

A document representing a loan of more than one year to the U.S. government, to be repaid, with interest on a specified date.

Savings and loan association (S&L)

A state or federally chartered for-profit financial institution that pays dividends on deposits and makes mortgage loans.

Security

1. A legal agreement that records a debt or equity obligation from a corporation, government, or other organization. Examples include stocks and bonds. 2. Collateral for a loan.

Simple interest

Interest calculated periodically on loan principal or investment principal only, not on previously earned interest.

Glossary**Social Security**

A federal government program that provides retirement, survivor's, and disability benefits, funded by a tax on income, which appears on workers' pay stubs as a deduction labeled FICA (for Federal Insurance Contributions Act, the enabling legislation).

Spending plan

Another name for budget.

Standard of living

The overall degree of comfort of an individual, household, or population, as measured by the amount of goods and services its members consume.

Stock

An investment that represents shares of ownership of the assets and earnings of a corporation.

Stored-value card

Prepaid plastic card that allows purchases up to a set limit, at which point the card is discarded or, if "rechargeable," replenished from an account.

Take-home pay

Gross wage or salary, plus bonuses, minus deductions such as for taxes, health care premiums, and retirement savings.

Tax

A government fee on business and individual income, activities, or products.

Tax credit

An amount that a taxpayer who meets certain criteria can subtract from tax owed. Examples include a credit for earned income below a certain limit and for qualified post-secondary school expenses. (See **Tax deduction** and **Tax exemption**.)

Tax deduction

An expense that a taxpayer can subtract from taxable income. Examples include deductions for home mortgage interest and for charitable gifts. (See **Tax credit** and **Tax exemption**.)

Tax deferral

The feature of an investment in which taxes due on principal and/or earnings are postponed until funds are withdrawn, often at retirement.

Tax exemption

Earnings, such as interest from municipal bonds, that are free of certain taxes. (See **Tax credit** and **Tax deduction**.)

Time value of money

The potential of an investment to increase in value through periodically compounded earnings.

Tip

An amount paid for a service beyond what's required, usually to express satisfaction; also known as a gratuity.

Title loan

A high-cost, short-term loan that uses the borrower's automobile as collateral.

Transfer payment

Money that a government provides to citizens for reasons other than current employment or the delivery of goods or services in exchange. Examples include Social Security, veteran's benefits, and welfare.

Trust

A legal arrangement through which a trustor manages a trustee's assets for the good of one or more beneficiaries.

Truth in Lending Act

A federal law that requires financial institutions to disclose specific information about the terms and cost of credit, including the finance charge and the annual percentage rate (APR).

Truth in Savings Act

A federal law that requires financial institutions to disclose specific information about the terms and costs of interest-earning accounts—such as annual percentage yield (APY)—and certain other financial services.

Unearned income

Earnings from sources other than employment, including investment returns and royalties.

Values

An individual's beliefs about what is important, desirable, and worthwhile, which often influence decisions.

Wage

Compensation for work, usually calculated on an hourly, daily, or piecework basis and paid on schedule—usually weekly, biweekly, or monthly. (See **Salary**.)

Warranty

A written guarantee from the manufacturer or distributor that specifies the conditions under which the product can be returned, replaced, or repaired.

Wealth

Accumulated assets; positive net worth.

Welfare

Aid in the form of money or necessities for those in need; often from a government program.

Will

A legal declaration of a person's wishes for the disposition of his or her estate after death.

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Take the Challenge!



Something exciting is in the works for high school teachers and their students. Twice a year, high school teachers are invited to save a class period for the ongoing, National Financial Literacy Challenge.

An initiative of the President's Advisory Council on Financial Literacy, this new recognition program will use a voluntary test to determine and reward high levels of financial literacy among America's high school students.

About the National Financial Literacy Challenge

The Challenge will be offered online, and will involve 35 questions on basic personal finance. It is estimated that the Challenge will take the average student 40-45 minutes to complete. In most instances, a computer lab will be required. Students scoring in the top 25th percentile of national scores will be eligible for recognition from the President's Advisory Council on Financial Literacy.

For more information

If you are a high school teacher, you may sign up for the official distribution list by e-mailing fllc@do.treas.gov. Be sure to include "Interest in National Financial Literacy Challenge" in your subject line.

charles **SCHWAB**
FOUNDATION

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the basis for financial well-being.**

11.1.9.B. Explain the responsibilities associated with managing personal finances (e.g., savings, checking, credit, non-cash systems, investments, insurance).

11.1.9.D. Explain how consumer rights and responsibilities are protected (e.g., government agencies, consumer protection agencies, consumer action groups).

11.1.9.E. Compare the influence of income and fringe benefits to make decisions about work.

11.1.12.B. Analyze the management of financial resources across the lifespan.

11.1.12.C. Analyze the relationship among factors affecting consumer housing decisions (e.g., human needs, financial resources, location, legal agreements, maintenance responsibilities).

11.1.12.D. Evaluate the role of consumer rights and responsibilities in the resolution of a consumer problem through the practical reasoning process.

11.1.12.E. Compare and contrast factors affecting annual gross and taxable income and reporting requirements (e.g., W-2 form, Income tax form).

Career Education & Work

13.1.3.D. Identify the range of jobs available in the community.

- Savings
- Taxes

13.3.3.D. Explain how money is used.

13.3.11. D. Develop a personal budget based on career choice, such as, but not limited to:

13.3.5.D. Explain budgeting.

- Charitable contributions
- Fixed/variable expenses
- Gross pay
- Net pay
- Other income
- Savings
- Taxes

13.3.8.D. Analyze personal budgets and pay statements, such as, but not limited to:

- Charitable contributions
- Expenses
- Gross pay
- Net pay
- Other income

Note: In November 2010, the Pennsylvania General Assembly passed Act 104 mandating that academic standards be developed for Business, Computer and Information Technology. It is anticipated that financial education concepts will be included as part of those standards.