

QUICK

FINANCIAL LITERACY GUIDE

Five Steps to Gain Control Over Your Financial Future

INSTRUCTOR'S RESOURCE

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Overview

Only 40% of US adults have a budget, and 80% of US adults agree they could benefit from advice and answers to everyday financial questions from a professional. This is according to the *Consumer Financial Literacy Survey* published by the National Foundation for Credit Counseling (2017). The study also reports that “Financial literacy is found to be strongly correlated with behavior that is indicative of financial capability. Specifically, those with higher literacy are more likely to plan for retirement and to have an emergency fund, and less likely to engage in expensive credit card behaviors.”

Perhaps most indicative of the need for financial literacy education is explained in the report’s findings of self-perception versus financial behavior: “Despite relatively low levels of financial literacy as measured by the quiz questions, Americans tend to have positively biased self-perceptions of their financial knowledge.” Without a basic understanding of money management and financial options, individuals can and often do fall into debt, overpay for financial services such as cashing paychecks, ruin their credit, forego health insurance, avoid getting additional education or training, and/or become victims of fraud.

Financial literacy is a critical life skill, one that often gets neglected in traditional school curricula. A lack of financial literacy makes career and life planning difficult and dreams like college or retirement almost impossible to achieve. On the flipside, those who take steps to become more financially literate are better able to meet their short- and long-term financial goals. The *Quick Financial Literacy Guide* teaches the skills needed to properly manage personal finances, providing students with the important and much-needed knowledge to improve their financial future.

Remember that financial literacy can be a daunting subject for some people. At the same time, it is a subject that many people are highly invested in. Find ways to encourage students to take an active role in managing their money and to become savvy savers, investors, and consumers. Empowering them to take control of their personal finances can lead to increased career and life success, not to mention peace of mind.

Topics Covered

The *Quick Financial Literacy Guide* offers a crash course in the key concepts and skills necessary to become financially literate. Upon completion of the course, the reader will be equipped with the basic knowledge and tools needed to be a better consumer, planner, investor, and money manager. This gained knowledge, in turn, has the power to positively impact the reader's life and career. The goals of the quick guide are to help individuals with the following financial literacy capabilities:

- Assess personal income potential and work value, especially how the fair value of a job fits in with personal career plans.
- Create and implement short- and long-term financial goals.
- Know the most common options available for saving and investing, with a focus on long-term financial goals, such as college or retirement savings.
- Understand the value of banking institutions and the various products they offer, such as savings and checking accounts.
- Budget for the purposes of managing everyday expenses and increasing savings potential and/or reducing debt.
- Understand the relationship between credit and debt, as well as the value and potential pitfalls associated with borrowing money.
- Understand the basic rights as consumers and the actions that can be taken when wronged.
- Manage financial risk by better understanding the many forms of insurance and deciding which insurance plans are right for a given circumstance.

The quick guide includes **exercises** to help students practice the concepts taught and **worksheets** to allow students to assess their own financial situation—their goals, personal income, career plans, banking and budgeting habits, credit and debt behaviors, saving and investing plans, insurance needs, and other basic financial literacy concepts. As a result of completing the worksheets and exercises in the quick guide, students will have a foundational understanding of the most important financial literacy concepts, a firm grasp on their own personal finances, and a plan with specific steps they can take to better manage their money and invest in their future.

Using the Quick Guide

The *Quick Financial Literacy Guide* can be used in a variety of settings and with a wide range of audiences. The topics covered are particularly helpful to individuals who find themselves facing new financial responsibilities, including:

- individuals who have recently suffered a job loss and need help managing finances,
- individuals who need help reassessing their career and financial goals upon reentering the workforce after a hiatus,
- individuals who are in a credit to debt cycle or have other spending habits that prevent them from feeling financial peace,
- ex-offenders recently released who must quickly get a handle on money matters and understand how technology has changed personal finance management,
- high-school and post-secondary graduates just now entering the workforce, and
- individuals who struggle to live within their means and/or meet financial goals.

While this quick guide is designed to be the basis for a workshop or class on financial literacy, the guide can also be used as a supplemental resource, including as a:

- giveaway to job seekers, either as a systemwide handout or as part of an orientation packet for individuals in job search, life skills, or ex-offender reintegration programs;
- homework assignment to support individual counseling in cases where managing personal finances is a barrier to career and life success;
- supplement to after-school or in-school support services programs designed to provide career and life skill curricula.

Regardless of the setting, it is important to stress the need to complete all exercises and worksheets in the quick guide. Many of them are designed to help readers apply the more general concepts of financial literacy to the reader's specific circumstance. Having a basic understanding of personal finance is only useful to the extent that participants use that knowledge to better manage their own money by establishing and then meeting their specific financial goals.

This quick guide helps you teach in a classroom setting and can be easily customized to meet the specific needs of your students. For individualized counseling, you simply need to . . .

1. schedule a one-on-one financial review,
2. administer the *Financial Literacy Inventory* assessment tool (optional), and then
3. provide a targeted financial education session using the *Quick Financial Literacy Guide*.

Consider generally allowing more instructional time in class to present new material. Here are a few suggestions for getting the most out of the *Quick Financial Literacy Guide* in your classroom or workshop:

- **Assign the worksheets as homework.** Many of the worksheets in *the Quick Financial Literacy Guide* ask questions about personal finances that students might not have immediate answers to (and they often require the student to enter personal information). Making a budget, for example, may require students to go back through their bills and bank statements. Therefore, some of the worksheet activities in the quick guide might be better completed at home.
- **Assign the exercises in class.** You may want to provide real-life examples and assign the exercises to illustrate concepts taught in class. For the exercises, students may enter hypothetical dollar amounts to complete the activity (they may also choose to enter their personal information later in privacy).
- **Assign an expense log.** Some students may not be fully aware of their daily spending habits. For this reason, it can be helpful if they keep a daily log of their purchases. By the end of the week or month, depending on the length of the course, they will have a much better understanding of the inflows and outflows of their personal finances, which they can then use to revise their budgets and plan more effectively for the future.
- **Give short assessments to check for understanding.** The quick guide is composed of open-ended worksheets and exercise activities rather than quizzes. However, the guide does cover a great deal of content and terminology that may be unfamiliar to students. You may find it beneficial to offer quick fill-in-the-blank, matching, or multiple-choice quizzes periodically to make sure the key concepts are sinking in (see the quiz provided at the end of this instructor guide).

- **Bring in guest speakers.** If possible, try to take advantage of the resources in your community. Bringing in a bank representative to discuss savings and checking account options or a financial advisor to provide an overview of investment options gives students a chance to ask questions and better evaluate their financial options.
- **Integrate technology.** Becoming financially literate is easier when combined with computer literacy. So much of banking, investing, tax filing, budgeting, and financial planning is now done online. If possible, try to incorporate technology directly into the discussion of financial literacy topics; for example, demonstrate how to bank online, how to compare insurance plans, and how to find investment advice. Throughout the quick guide, students will have access to free calculators and online worksheet resources (there are additional resources found in this instructor guide). If you don't have access to computers as a group, encourage participants to access a computer on their own at home or at their local library.

A Note on Privacy

The quick guide is designed to provide a basic framework for financial literacy that participants can immediately use to take control of their personal finances and incorporate into their career planning. That said, some participants may be reluctant to disclose personal financial information, even of the basic kind required for the worksheets in the quick guide. It is our recommendation that at no time should anyone be expected to share their private information with others.

Instructors should also note that the disparity in financial literacy can be wide. Individuals will have differing gaps in their financial education. Some students may understand the basics of investing and even have their own portfolio but still lack any practical skill for making a monthly budget, while other students may know how to manage their money in the present but have no idea how to plan for the future.

You may find that your students need to focus on some topics more than others, or that certain individuals need to concentrate on topics that are most relevant to their specific financial situation and needs. For that reason, it may be useful to assign additional activities (in the form of out-of-class work or additional research) personalized to each student's needs.

Additional Instructional Resources

JIST Publishing has additional resources for instructors that can complement much of the material offered in the *Quick Financial Literacy Guide*. Some of the resources are free and others are for purchase at <http://JIST.com>. The following may be most helpful when used in tandem with the quick guide:

- **Financial Literacy Inventory (FLI)**—is a self-scoring assessment that helps users to identify the financial literacy topics and skills that they struggle with most. Taking only 20 to 30 minutes to complete and score, users can quickly determine their strengths and weaknesses when it comes to matters of personal finance and then review suggestions for how to improve in the areas that need it. The *Quick Financial Literacy Guide* directly parallels the *FLI* both in terms of structure and content. While it is not necessary to use them together, it is recommended that you administer the assessment at the start of a course that uses the *Quick Financial Literacy Guide*, as it offers a reliable basis of each student's current financial literacy. Having this realistic understanding will allow students to know what content areas to concentrate on most. You can administer the assessment again at the end of the course to determine if learning goals have been met.
- **Money Smart video**—is available as a 25-minute DVD that covers the basics of financial literacy broken into five topics: earning, saving and investing, spending, owing, and tracking and giving. While these topics do not align directly with the *Quick Financial Literacy Guide*, the video can provide an excellent introductory overview of what financial literacy is and why it is so important. It is recommended that you show the video at the beginning of your class or unit.
- **Things to Know About Spending and Saving Money**—is a reproducible activity book that helps students learn to budget, pay rent, buy groceries, take out loans, pay with credit cards, and much more. Each activity uses a short story to introduce the topic, and related activities review vocabulary and check comprehension. Discussion questions and writing suggestions help students apply what they've learned to everyday situations.
- **Free infographics**—are available at <http://JIST.com/resources/infographics/>.

In addition to the above resources available from JIST, the following websites offer additional information and activities for a variety of personal finance topics.

- <https://nfcc.org/wp-content/uploads/2017/05/2017-FLS-Infographic.pdf>—The 2017 *Consumer Financial Literacy Survey*, conducted online by Harris Poll on behalf of the National Foundation for Credit Counseling (NFCC), provides a snapshot of consumers' financial knowledge, as well as behavioral and attitudinal trends associated with personal finance.
- <https://mymoney.gov>—This website, created by the US Financial Literacy and Education Commission, offers information and resources on a variety of topics, including credit, savings, education, home ownership, and retirement planning.
- <http://www.schwabmoneywise.com/public/moneywise/home>—This website, sponsored by investment company Charles Schwab, offers a crash course in the most important financial literacy topics. It is designed for adults and children.
- <https://fdic.gov/consumers/consumer/moneysmart/>—This educational program was created by the Federal Deposit Insurance Corporation (FDIC) and consists of 10 web-based lessons that can be completed for free.
- <http://money.cnn.com/pf/money-essentials>—CNN Money is CNN's exclusive business site, offering lessons on money management. The site gives you access to a selection of articles on important financial topics and offers several free calculators.
- <http://nfcc.org/tools-and-education>—The National Foundation for Credit Counseling (NFCC) offers credit, debt, and bankruptcy resources.
- <http://americasaves.org>—America Saves is a campaign coordinated by the nonprofit Consumer Federation of America (CFA) and offers articles, strategies, and resources to help you plan your financial future.
- <http://sec.gov/investor/pubs/roadmap.htm>—This US Securities and Exchange Commission offers a step-by-step plan for investing in your future.
- <http://iii.org>—The Insurance Information Institute's (III) website helps to explain the different kinds of insurance available and offers tools for finding plans.
- <https://kiplinger.com>—Kiplinger is a good place to go for current information relevant to personal finance. The website offers informative articles, calculators and tools, quizzes, and instructional videos.

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Quiz

The following quiz can be used as a precheck quiz to provide insight into a student's baseline knowledge of key subjects; it can also be used as a recheck quiz to administer to students after they have completed the class, a particular chapter, or after they have worked through the worksheets and exercises in the quick guide.

Note: You may read these questions out loud, allowing time for students to respond, or copy and hand this out as a written exercise. If you read the quiz, write responses on the board/overhead. The answer key follows the questions.

Quiz Questions

Income and Careers

1. Taxes, Social Security, and insurance can affect your take-home pay.
 - a. True
 - b. False
2. Social Security is considered a _____ withholding.
 - a. mandatory
 - b. elective
 - c. voluntary
 - d. yearly
3. Cost of living is the amount of money
 - a. an employer must pay you for the type of work you are performing.
 - b. necessary to cover basic expenses in the city and state where you live.
 - c. you earn from the work you do, whether you offer a service or sell a physical item.
 - d. you earn in one year before subtracting any mandatory or elective dollar amounts.

Banking and Budgeting

4. _____ is a financial term that represents how easily an asset or investment can be converted into cash.
 - a. Discretionary income
 - b. Capacity
 - c. Capital
 - d. Liquidity
5. Rent and the cable bill are examples of fixed expenses.
 - a. True
 - b. False
6. When planning your budget, it is important to use your _____ income.
 - a. net
 - b. gross
 - c. disposable
 - d. discretionary

Credit and Debt

7. You have a better chance of securing a loan with a low credit score.
 - a. True
 - b. False
8. Money you owe is called
 - a. debt.
 - b. credit.
 - c. collateral.
 - d. equity.
9. Credit represents your ability to _____ money to make purchases.
 - a. invest
 - b. appreciate
 - c. lend
 - d. borrow

Savings and Investing

10. Stocks are generally a higher-risk investment than bonds.
 - a. True
 - b. False
11. This strategy will help improve the amount you save for a vacation.
 - a. Set short-term goals.
 - b. Set long-term goals.
 - c. Maximize credit purchases.
 - d. Defer tax payments.
12. A _____ is not tax deductible.
 - a. 401(k)
 - b. Roth IRA
 - c. traditional IRA
 - d. IRA

Rights and Risks

13. A more-expensive health insurance plan will generally have higher deductibles and provide less coverage.
 - a. True
 - b. False
14. _____ provides health insurance to eligible low-income adults, children, pregnant women, elderly adults, and people with disabilities.
 - a. Medicaid
 - b Medicare
 - c. An HMO
 - d. The IRS
15. You have the right to safety and the right to choose. You also have the right to be heard and to be
 - a. seen.
 - b. informed.
 - c. paid a wage increase.
 - d. late to work.

Answer Key

1. a. True
2. a. mandatory
3. b. necessary to cover basic expenses in the city and state where you live
4. d. liquidity
5. a. True
6. a. net
7. b. False
8. a. debt
9. d. borrow
10. a. True
11. a. Set short-term goals.
12. b. Roth IRA
13. b. False
14. a. Medicaid
15. b. informed