

Financial Literacy Concepts and Skills

Financial literacy is closely connected to an individual's emotional, personal, social, economic, and employment success. An individual needs to understand the basics of money management, and use financial resources appropriately to function well in society at a personal, professional, business and community level. In a broader sense, students need to identify and discuss significant economic issues, important to society and to the world. They should practice examining the consequences of change in economic conditions and public policies. (The enGauge 21st Century Skills, 2003)

As society changes, the skills needed to deal with the complexities of life also change. The meaning of skills like financial literacy may change to reflect context, or current realities. Financial **literacy**, however, is about empowerment, the ability "...to access, manage, integrate, evaluate, and create information in order to function in a knowledge society..." (ICT Literacy Panel, 2002)

The vision articulated by the Iowa Core 21st Century Skills Committee states: **Each student in Iowa's schools will learn financial literacy concepts, enabling them to succeed in a complex global environment.** The essential concepts and skill sets for financial literacy address the requirements outlined in Iowa legislation Senate File 2216. They also reflect broader, universal skills that cultivate critical thinking and responsible citizenship. They provide us the framework and knowledge to be proactive. When we accept responsibility for our actions because they have consequences for other people as well as for our personal success, we will also understand what it means to solve the problems and face the collective challenges of an increasingly diverse and interconnected world. (OECD, 2005*)

Essential Concepts and Skills for Grades K-2:

Demonstrate the ability to set goals based on wants and needs.

Identify monetary resources and distribution options for those resources.

Demonstrate an understanding of the concept of credit.

Develop awareness that each person has an identity.

Recognize various ways to save and the reasons individuals decide to save.

Distinguish between appropriate spending choices.

Essential Concepts and Skills for Grades 3-5:

Create long and short term goals based on a prioritization of wants and needs.

Recognize how one's personal career choice and attitude can impact financial planning decisions.

Identify the concept of debt and an individual's responsibility for that debt.

Recognize common risks to one's identity and demonstrate the ability to protect that identity.

Determine the importance of saving/investing in relation to future needs.

Recognize that spending choices differ between groups of people and settings.

Essential Concepts and Skills for Grades 6-8:

Model the process of financial planning based on personal prioritization of wants and needs.

Create an effective spending plan using informed decision-making skills.

Recognize appropriate uses of credit and its impact on an individual's financial security.

Evaluate various risks to personal identity and create a plan for ongoing protection.

Evaluate possible options for investing as a means to attain one's goals.

Demonstrate ethical financial decision making skills and assess how these decisions might impact the broader community.

Essential Concepts and Skills for Grades 9-12:

Demonstrate financial responsibility and planning skills to achieve financial goals for a lifetime of financial health.

Manage money effectively by developing spending plans and selecting appropriate financial instruments to maintain positive cash flow.

Make informed and responsible decisions about incurring and repaying debt to remain both creditworthy and financially secure.

Evaluate and identify appropriate risk management options, including types of insurance, non-insurance, and identity protection.

Assess the value, features, and planning processes associated with savings, investing, and asset building, and apply this knowledge to achieve long-term financial security with personal and entrepreneurial goals in a global market.

Understand human, cultural, and societal issues related to financial literacy, and practice legal and ethical behavior.

*The Definition and Selection of Key Competencies, or the DeSeCo, Project. Overview. Organization for Economic Co-operation and Development, 2005.

Source: Iowa Core K-12 21st Century Skills: Essential Concepts and Skills with Details and Examples. August, 2010. Pp. 36-51. Retrieved from https://iowacore.gov/sites/default/files/k-12_21stcentskills.pdf

Essential Concept and/or Skill: Make informed and responsible decisions about incurring and repaying debt to remain both creditworthy and financially secure. (21.9-12.FL.3)

Identify responsible credit card management.

- Compare and contract offers of credit card, instant loan, and introductory offers (low rate introductory, startup fees, and fixed rate).
- Explain credit card features, including annual fees, interest rates, and incentives.
- Understand implications of making minimum payments, late payments, and late fees.

Understand different types of debt.

- Understand the types of debt consumers encounter.
- Compare loan terms and rates to determine best choice.
- Identify the impact of loans on a personal financial plan, such as auto, student, credit card, major purchase.
- Identify asset-producing debt versus living expense debt.

Understand rights and responsibilities of borrowers.

- Identify factors considered for qualifying for and securing a loan (i.e., what makes a person a good or bad credit risk).
- Understand the meaning of a credit score and how it is used to negotiate better loan options. Identify the steps in checking their own credit score and making corrections if needed.
- Explain the potential consequences for not meeting the requirements of the agreement (i.e., payment amount, due dates, insurance, taxes, etc.).
- Explain an individual's rights and responsibilities under consumer protection laws.

Illustration of <i>Make informed and responsible decisions about incurring and repaying debt to remain both creditworthy and financially secure</i> in the ICLE's Rigor and Relevance Framework	
Quadrant C Compare three different credit cards--features, incentives, fees, interest. Complete an Internet search for offers of credit cards--identify differences in features and hidden fees, as appropriate.	Quadrant D After comparing various credit card offers, select a credit card that best meets your expected needs. Determine how and when you will use the card and describe when it is better to use a credit card than cash.
Quadrant A Assume that you have a credit card that charges 9% interest. You've charged \$650. The minimum payment due is \$25. How long will it take you to pay off the \$650 if you make only minimum payments?	Quadrant B Using credit card offers to at least three different companies, list the advantages and disadvantages of each card. From this information, determine which is the best option for you.