



FINANCIAL LITERACY: THE WHY'S AND HOW'S

WORKSHOP ON FINANCIAL EDUCATION COURSE

Kiev, Ukraine

August 11, 2011

Importance of a Financial Literacy Course for Maryland/U. S. Students

- Why was the course in Maryland established?
 - The emphasis of this course is to develop the “hands-on” real-world skills that will enable students to understand the financial system and to make wise use of its services—the emphasis is not on theory but on practice, to learn by doing/practicing
 - Specifically, this course prepares young people to deal with credit and debt, manage personal finances and budgets, and make intelligent consumer decisions about investments, insurance, purchases, and retirement
 - Only 26% of U. S. teenagers know how credit card fees work
 - U. S. college students graduate with an average debt level of \$20,000
 - They have larger student loans and therefore they delay saving money for retirement and monthly budgets

Importance of a Financial Literacy Course, continued

- This course on financial literacy in Montgomery County, Maryland is different from courses offered in the state's other counties—there is currently no statewide or national standard for high school financial literacy courses—every county/state creates their own curriculum
- Colleges/universities typically do not offer courses dealing with personal financial literacy, preferring to focus on courses in economics and other business offerings like accounting and marketing

OBJECTIVES OF THE FIN. LIT. COURSE IN MARYLAND

- To give students an awareness of consumer protection issues and available resources for information/help
- To help students prepare for the “real world” where the management of their money is critically important
- To help students learn the value of saving money and making use of the banking system to do that
- To help students budget their money
- To help students invest their money in wise investments that will grow in value
- To help students make wise consumer decisions about credit, home buying, and large purchases
- To teach students how to do research before making “big” decisions

GENERAL OUTLINE OF SEMESTERS

Semester 1:

- Income Unit
- Credit Unit
- Car-buying and Expenses Unit
- Banking Unit

Semester 2:

- Investments Unit
- Income Tax Unit
- Home Buying and Expenses Unit
- Health/Life Insurance Unit
- Budgeting Unit

(Note: consumer protection issues are addressed in each unit)

SYLLABUS FOR FINANCIAL LITERACY COURSE

Semester 1:

Income Unit

- Gross pay, net pay, the “big 3” deductions (roughly 30% of gross pay)
- Social Security tax
- Interpreting paycheck stubs
- Employee benefits
- Sales tax and total sale price, “Better buy”
- Purchasing and discounts
- Contracts—legal documents

Credit Unit

- Importance of using credit wisely—importance of building a good credit rating
- Different types of Loans—single-payment, installment loans, simple interest installment loans
- Allocation of principal and interest to monthly payment
- Determining the APR (annual percentage rate) on the loan
- Finance charges in monthly payment—“average daily balance” method

Car-buying/Expenses Unit

- New/used car sticker price
- Financing a car/car loans
- Operating expenses
- Types of Car insurance
- How insurance premiums are determined
- Reading the contract before signing—knowing what you're agreeing to legally

Banking Unit

- Introduction to banking services (types of accounts, potential investments)
- Checking accounts, checkbook registers, reconciling bank statements
- Simple and compound interest
- Compound interest tables, APY (annual percentage yield)

Semester 2:

Investments Unit

- Vocabulary related to investments
- 3-pronged strategy (pension/retirement, social security, investments portfolio)
- Stocks—common stock, stock markets, “risk continuum”
- Buying and selling stocks—broker’s fees
- Stock dividends—dividend income
- Stock splits
- US savings bonds, certificates of deposit (CD’s)
- Long-term annuities for retirement
- Effective annual yield (factoring in compound interest)
- How to read bond quotations

Income Taxes Unit

- Introduction—why do we pay income tax? What are they used for? How much do we pay in income tax?
- Different types of taxes paid (sales tax, income tax, property tax, etc.)
- Filing requirements
- Which form to use?
- Determine the refund or amount owed for a certain problem

Housing and Expenses Unit

- Introduction—Is this apartment right for me? Know what's in a lease (consumer protection). Why buy a home? (Income tax benefits) Different types of mortgages (fixed-rate and ARM's). Vocabulary—down payment, amount financed, term of loan.
- Mortgage calculations (from a chart or from the formula)
- Principal and Interest in monthly payment
- 4 components that determine a monthly payment (principal, interest, property tax, homeowner's insurance)
- Closing costs, utilities costs (electricity, water), property taxes, homeowner's insurance
- Settlement process

Health and Life Insurance Unit

- Introduction to life insurance—why is it necessary? What are the benefits? Different kinds of life insurance. How are premiums determined?
- Health insurance—why is it necessary? What things should be part of a health insurance package? (basic plan, major medical, prescription drug plan)
- Long-term disability insurance
- What if you're injured on the job? (Workmen's compensation)
- "Breakdown of medical costs" worksheet

Budgeting Unit

- Introduction—why do I need a budget? Understand the importance of maintaining an individual or family budget that keeps track of expenses and income.
- Identify expenses that will affect budgets.
- Determine a budget using total fixed monthly expenses, total variable monthly expenses, and total monthly expenses.
- Compute a budget by finding the percent of net monthly income for each budget item.
- Determine a budget that reflects changes in expenses and/or income.
- Become familiar with online resources that assist people in making up individual or family budgets.

Target Audience for Financial Literacy Course in Maryland (MCPS)

- This is an elective course and is currently geared toward juniors and seniors in high school (16-18 year old students)
- Students who complete both semesters of work will earn 1.0 credit toward their graduation (they need 22 credits to graduate from high school in MCPS, Maryland)
- Students have roughly 4 hours of class time each week for this course
- Students should have completed the 2nd-year Algebra course before taking Financial Literacy

Measurement and Evaluation of Learning

- There are half-unit quizzes and end-of-unit tests for each unit
- There is a comprehensive 2-hour final exam at the end of each semester
- There is a “final exam review” based on the semester’s units that students are expected to review/study thoroughly in order to do well on the final exam

Relation of the Fin. Lit. Course to Other MCPS Courses

- Currently, the only other course program that is related to our Financial Literacy course is the Business Finance Program.
- However, our high school offers a course in business law which in part explores consumer protection issues, but this course has a much broader scope of topics.