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The Maryland State Curriculum for Personal Financial Literacy Education



**Maryland State Department of Education
Financial Literacy Standards**

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Developing State Curriculum for Personal Financial Literacy

In the 2008 session of the General Assembly, Delegate Dana M. Stein of Baltimore County and Senator C. Anthony Muse of Prince George's County sponsored Senate Bill 533 (Chapter 186) and House Bill 1242 (Chapter 187) which established the Task Force to Study How to Improve Financial Literacy in the State. The legislation required the appointment of the task force co-chaired by Delegate Stein and Senator Muse. In January of 2009, the State Board of Education was asked to respond to and act on the K-12 portion of the recommendations and subsequently accepted the Task Force's report. Under the leadership of the State Superintendent of Schools, staff members identified the following action steps:

1. The Maryland State Department of Education (MSDE) will form a representative design team to ensure that K to 12 content standards are developed that explicitly speak to financial literacy. The design team will explore both national and international standards as they complete their work.
2. The MSDE will provide a prototype of a course that local school systems can use to teach financial literacy concepts to middle and high school students. The prototype will be based on the Family Economics and Financial Education (FEFE) curriculum which is aligned to the national Jump\$tart and Family and Consumer Sciences Education standards. In August of 2008, MSDE sponsored the first statewide professional development series on the FEFE curriculum which has been successfully implemented in several local school systems. Future professional development will be provided on the FEFE curriculum.
3. The MSDE will convene an advisory group to engage local representatives from education and the financial communities to monitor what is happening in local school systems and to help leverage resources to implement and improve financial literacy education.

In May of 2009, the State Superintendent appointed members to the Financial Literacy Education Advisory Council and the Financial Literacy Education Design Team. The Advisory Council was charged with overseeing the work of the Design Team and helping to leverage resources for financial literacy education. The Design Team was charged with developing the *Maryland State Curriculum for Personal Financial Literacy Education*, including content standards, indicators, and objectives. The Advisory Council and Design Team members collaborated to identify, refine, review, and agree on content standards for personal financial literacy education in several meetings between June of 2009 and December of 2009. Between each meeting, a seven-person MSDE staff team researched and further refined the material developed by the members (members' names and affiliations are included in the acknowledgements). This document represents the culminating work of the Advisory Council and Design Team.

What is Financial Literacy and Financial Literacy Education?

The President's Advisory Council on Financial Literacy defines personal financial literacy as "the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being." It goes on to define financial education as "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" (2008 Annual Report to the President).

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Implementing the State Curriculum

When employers consider what they want employees to know and be able to do, they often speak of broad areas of applied knowledge, such as communication, thinking, technology, learning, and interpersonal skills. In Maryland, these are known as *Skills for Success*. These areas connect or go beyond the mastery of individual subject areas. As students apply their knowledge both within and across the various curricular areas, they develop the concepts and complex thinking of an educated person.

Community members need these skills to function responsibly. Employers prize those employees who demonstrate these skills because they are people who can continue learning and connect what they have learned to the requirements of a job. College and university faculty recognize the need for these skills as the means of developing the level of understanding that separates the expert from the beginner. Graduates also need to be financially literate as they prepare for college and careers, thus the standards are developed to be embedded across the curriculum in the same manner that the *Skills for Success* were intended to be applied. Teachers in every class should expect and encourage the development of these shared applications, both to promote the learning of the subject content and to extend learning across the curriculum.

Today's students need a strong foundation in personal finance to help them budget and manage their money. Many students work during high school; some even have credit cards in their own names. After high school, young people often make uninformed decisions that can negatively impact their credit ratings and their ability to gain a security clearance for employment. With the nation currently in the midst of a financial crisis, far too many people are deeply in debt and are faced with the reality of losing their homes and their financial security. The events of the last decade point to the need for a more focused approach to personal finance instruction for students, both while they are in school and in the future. The state curriculum lays the foundation for a new generation of competent, confident, and financially literate adults.

The knowledge and skills set forth in the personal financial literacy standards cross all grade levels and disciplines. A comprehensive, developmentally appropriate program that spans from pre-kindergarten through grade 12 can promote personal financial literacy throughout numerous curricular areas. Educators from all grade levels can use the financial literacy standards to align instruction and create curriculum and activities designed to instill within students a desire to be financially literate. The standards are intended to help school leaders develop programs that provide the knowledge and skills to establish sound financial habits.

The standards also allow for stand-alone courses in specific content areas, including Social Studies, Economics, elective Business classes, and Family and Consumer Sciences (FACS). In Maryland, teachers in FACS are often opting to offer courses in financial literacy education available through the Family Economics and Financial Education (FEFE) curriculum designed for use with both middle and high school students.

The *Maryland Personal Financial Literacy State Curriculum* can help teachers work together to develop and implement curricula that will support students for life. Preparing young people to understand and actively participate in their own financial well-being is a vital personal skill. The economic stability of our communities and the resulting growth of our state's economy are influenced by personal financial literacy.

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Questions about Financial Literacy Education

1. Will Financial Literacy Education be required of every student?

The *State Curriculum for Personal Financial Literacy Education* provides standards, indicators, and objectives for use in creating local curricula – thus defining what students should know and be able to do. Local leaders will choose the approach to implementation and determine how best to provide students with instruction across the learning levels. Once the state curriculum is adopted into COMAR by the Maryland State Board of Education, the content is required to be taught to all students. It will be up to each local school systems’ instructional leaders to determine how it is done. While there will not be a stand-alone graduation requirement, local leaders may decide to offer stand-alone courses in financial literacy education or embed the content in other courses. As with current practice, local school boards could also include financial literacy education as a local graduation requirement.

2. Why are content standards necessary?

Standards serve as rigorous goals for teaching and learning. Setting high standards enables students, parents, educators, and the community to know what students should have learned at any given point in time. Without clear goals, instruction can become redundant or confusing to students. Clear statements about what students must know and be able to do are essential to ensure that schools offer students the opportunity to acquire the knowledge and skills necessary for success.

3. What is the difference between standards and curriculum?

Standards are a statement about what students should know and be able to do. Standards can then be translated into curriculum. Curriculum is the program devised by local school systems used to prepare students to meet standards, which consists of activities and lessons at each grade level, instructional materials, and various instructional techniques. In short, standards define what is to be learned at certain points in time, and from a broad perspective, what performances will be accepted as evidence that the learning has occurred. Curriculum specifies the details of the day-to-day schooling at the local level.

4. Why are state-level standards important?

Public education is a state responsibility. All children must have equal access to high quality educational programs. At a minimum, this requires clear statements of what all children in the state should know and be able to do as well as evidence that students are meeting these expectations. Furthermore, academic standards form a sound basis on which to establish the content of local curriculum.

5. How will local school systems use the standards?

Districts use the standards as guidelines for developing local grade-by-grade level curriculum. Implementing standards will likely require changes in curriculum and instruction, as well as create the need for teacher professional development.

6. What is the State Curriculum?

The State Curriculum is the document that includes the Maryland Content Standards that define what students should know and be able to do at each grade level. The curriculum documents are formatted so that each begins with content standards or broad, measurable statements about what students should know and be able to do. Indicator statements provide the next level of specificity and begin to narrow the focus for teachers. Finally, the objectives provide teachers with very clear information about what specific learning should occur.

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STANDARD 1: MAKE INFORMED, FINANCIALLY RESPONSIBLE DECISIONS

Students will apply financial literacy reasoning in order to make informed, financially responsible decisions.

By the end of grade 5, students will:	By the end of grade 8, students will:	By the end of grade 12, students will:
<p>A. Explain that people make financial choices based on available resources, needs, and wants.</p> <ol style="list-style-type: none"> 1. Explain the consequences of making financial decisions. 2. Identify opportunity cost of financial decisions made by individuals. 3. Apply the steps in the decision-making process to a financial situation. 4. Describe the concept of financial obligations, such as borrowing and “IOUs”. 	<p>A. Analyze the financial choices that people make based on available resources, needs, and wants for goods and services.</p> <ol style="list-style-type: none"> 1. Predict the consequences of making financial decisions. 2. Describe opportunity cost of financial decisions made by individuals. 3. Predict the financial outcomes in an applied decision-making process. 4. Compare factors that affect personal financial decisions and actions. 	<p>A. Evaluate the financial choices that are made based on available resources, needs, and wants for goods and services.</p> <ol style="list-style-type: none"> 1. Analyze costs, benefits, and opportunity cost to determine the achievement of personal financial goals. 2. Apply the decision-making process to an unforeseen situation. 3. Explain the concept of financial obligations, such as a promissory note, cell phone contract or college loan. 4. Evaluate how public policy issues impact personal financial decisions, such as environmental and health care concerns. 5. Evaluate factors that affect personal financial decisions and actions.
<p>B. Apply financial knowledge, attitudes, and skills to a given scenario.</p> <ol style="list-style-type: none"> 1. Develop and apply financial literacy vocabulary. 2. Identify personal financial goals. 	<p>B. Integrate and apply financial knowledge, attitudes, and skills to a given scenario.</p> <ol style="list-style-type: none"> 1. Develop and apply financial literacy vocabulary. 2. Describe methods to achieve personal financial goals. 3. Differentiate between responsible and irresponsible financial decisions. 	<p>B. Evaluate and apply financial knowledge, attitudes, and skills.</p> <ol style="list-style-type: none"> 1. Refine and extend a conceptual understanding of new words regarding financial literacy. 2. Justify an informed and responsible action to resolve personal financial literacy questions and issues. 3. Evaluate outcomes of financially responsible and irresponsible decisions.



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STANDARD 2: RELATE CAREERS, EDUCATION, AND INCOME

Students will relate choices regarding their education and career paths to earning potential.

By the end of grade 5, students will:	By the end of grade 8, students will:	By the end of grade 12, students will:
<p>A. Acquire self-knowledge in order to develop personal, learning and career goals</p> <ol style="list-style-type: none"> 1. Identify one’s positive personal characteristics (e.g. honesty, dependability, responsibility, integrity, and loyalty). 2. Describe how personal characteristics and interests affect career decisions 3. Explain the relationship between being a good student and being a good employee. 	<p>A. Acquire and apply self-knowledge in order to develop personal, learning and career goals.</p> <ol style="list-style-type: none"> 1. Demonstrate behavior and decisions that reflect one’s interests, likes and dislikes. 2. Identify one’s abilities, strengths, skills and talents as seen by self and others and explain the significance to one’s education and career plans. 	<p>A. Acquire and apply self-knowledge in order to develop personal, learning and career goals.</p> <ol style="list-style-type: none"> 1. Integrate a broad range of interests into one’s personal learning and career goals, and assess the impact of abilities, strengths, skills, and talents on one’s career development. 2. Evaluate how positive personal characteristics affect one’s career development.
<p>B. Discuss how different careers require different levels of education.</p> <ol style="list-style-type: none"> 1. Differentiate between a job and career. 2. Describe the benefits and trade-offs of a variety of careers including personal satisfaction. 3. Identify potential sources of income 	<p>B. Identify career goals and map the educational paths needed to achieve them.</p> <ol style="list-style-type: none"> 1. Compare a variety of jobs within a career field. 2. Describe the benefits and trade-offs of a variety of careers including personal satisfaction. 3. Describe different sources of income 	<p>B. Evaluate postsecondary education options such as college, military, or apprenticeship needed to fulfill identified career goals.</p> <ol style="list-style-type: none"> 1. Map out a variety of jobs that would comprise a “career ladder.” 2. Analyze the benefits and trade-offs of a variety of careers including personal satisfaction. 3. Differentiate among sources of income. 4. Differentiate between “gross” and “net” income.
	<p>C. Compare the costs (time, money, and effort) in pursuing a variety of identified career goals.</p>	<p>C. Determine the financial obligation required to achieve educational and career goals, including interests and repayment.</p> <ol style="list-style-type: none"> 1. Verify the entry and median salaries of two or more positions within a career field. 2. Determine the salary needed and time allotment (5, 10, or 15 years) to repay educational loans.
		<p>D. Examine how income and fixed debt affect choices and spending.</p>

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STANDARD 3: PLAN AND MANAGE MONEY

Students will develop skills to plan and manage money effectively by identifying financial goals and developing spending plans.

By the end of grade 5, students will:	By the end of grade 8, students will:	By the end of grade 12, students will:
<p>A. Use money management skills and strategies to set a financial goal.</p> <ol style="list-style-type: none"> 1. Define and list the components of a spending plan. 2. Identify circumstances for when a spending plan would be appropriate. 3. Identify an age-appropriate financial goal and develop a spending plan indicating income and expenses. 	<p>A. Use money management skills and strategies to set a financial goal.</p> <ol style="list-style-type: none"> 1. Determine the circumstances for using a spending plan. 2. Formulate and compare money management choices that enable individuals to progress toward stated financial goals. 3. Prepare a spending plan based on personal values and goals 	<p>A. Use money management skills and strategies to set a financial goal and achieve it.</p> <ol style="list-style-type: none"> 1. Determine the circumstances for using a spending plan. 2. Apply money management strategies that enable individuals to progress toward stated financial goals. 3. Cite examples of trade-offs resulting from competing financial goals. 4. Prepare a spending plan based on personal values and goals.
<p>B. Identify products used at financial institutions.</p> <ol style="list-style-type: none"> 1. Describe the services financial institutions provide, such as savings, checking, and money market accounts. 	<p>B. Describe the services of financial institutions.</p> <ol style="list-style-type: none"> 1. Describe the various financial products and services provided by financial institutions and determine which product best aligns to achieving a personal financial goal. 	<p>B. Analyze the services of financial institutions.</p> <ol style="list-style-type: none"> 1. Compare the financial products and services of various financial institutions, including interest and fees and determine which product best aligns to achieving personal financial goals.
<p>C. Understand the purposes and responsibilities related to taxation.</p> <ol style="list-style-type: none"> 1. Explain the meaning and purposes of taxes. 	<p>C. Explain the purposes and responsibilities related to taxation.</p> <ol style="list-style-type: none"> 1. Discuss the services that are provided through tax dollars. 2. List the consequences of not complying with personal tax obligations. 	<p>C. Evaluate the purposes and responsibilities related to taxation.</p> <ol style="list-style-type: none"> 1. Determine the services that are provided through tax dollars. 2. Evaluate the consequences of not complying with personal tax obligations. 3. Evaluate various sources of tax planning and filing assistance.
<p>D. Understand the similarities among a promise, a promissory note, and a contract.</p>	<p>D. Explain that contracts are binding agreements.</p> <ol style="list-style-type: none"> 1. Explain why contracts are used. 2. Identify factors to consider when entering into a contract, such as interest rates, credit score, reputation, and/or references of involved parties. 	<p>D. Analyze contractual language.</p> <ol style="list-style-type: none"> 1. Identify the rights and responsibilities of all parties entering into a contract, such as college loans, cell phones contracts, car loans, and credit card. 2. Discuss the possible consequences of not adhering to the terms of a contract.

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STANDARD 4: MANAGE CREDIT AND DEBT <i>Students will develop skills to make informed decisions about incurring debt and maintaining creditworthiness.</i>		
By the end of grade 5, students will:	By the end of grade 8, students will:	By the end of grade 12, students will:
<p>A. Identify why people enter into debt.</p> <ol style="list-style-type: none"> 1. List reasons why people borrow. 2. Describe the concept of a loan. 3. Explain the importance of paying back borrowed money. 	<p>A. Explain the importance of managing debt.</p> <ol style="list-style-type: none"> 1. Provide examples of good and bad debt. 2. Discuss how debt can be used to establish credit. 3. Describe the consequences of having too much debt and not meeting credit obligations, such as late fees, loan acquisition, paying higher interest rates, and bankruptcy. 4. Explain strategies used to manage credit and debt. 	<p>A. Develop skills to build a credit history and manage debt.</p> <ol style="list-style-type: none"> 1. Differentiate among situations when debt is an advantage and when it is a disadvantage. 2. Discuss how debt can be used to establish credit. 3. Predict the consequences of having too much debt, and analyze the problems of not meeting credit obligations, such as poor credit score, late fees, loan acquisition, paying higher interest rates, and bankruptcy. 4. Determine when credit counseling is necessary. 5. Find reputable providers of credit counseling services. 6. Identify strategies to acquire and maintain credit.
<p>B. Describe the different types of payment methods, such as bartering, cash, check, credit card, and debit card.</p> <ol style="list-style-type: none"> 1. Recognize that using checks, credit cards and debit cards is making a promise to pay at a later time. 	<p>B. Compare credit products and services, and use numeracy skills to calculate the cost of borrowing.</p> <ol style="list-style-type: none"> 1. Explain credit terminology. 2. List sources of consumer credit. 3. Explain the difference between short- and long-term loans. 4. Compare and compute application of interest and compound interest. 5. Compute the amount of interest paid over time when using credit. 	<p>B. Evaluate credit products and services, and use numeracy skills to calculate the cost of borrowing.</p> <ol style="list-style-type: none"> 1. Compare sources of consumer credit, and apply them to consumer decisions. 2. Calculate the difference between short- and long-term loans with regards to interest. 3. Identify and discuss examples of predatory lending practices, such as payday lenders. 4. Compare and compute interest and compound interest and interpret an amortization table. 5. Compute and assess the accumulating effect of interest paid over time.
	<p>C. Compare credit scores and reports.</p> <ol style="list-style-type: none"> 1. Describe a credit report; explain what a credit score is and the factors affecting a credit score. 2. Identify ways to prevent credit problems. 	<p>C. Analyze credit scores and reports.</p> <ol style="list-style-type: none"> 1. Explain personal responsibility and the factors that affect creditworthiness, such as payment history and the ratio of total debt vs. total

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STANDARD 4: MANAGE CREDIT AND DEBT

Students will develop skills to make informed decisions about incurring debt and maintaining creditworthiness.

By the end of grade 5, students will:	By the end of grade 8, students will:	By the end of grade 12, students will:
		<p>available credit.</p> <ol style="list-style-type: none"> 2. Explain how a credit report is used and how frequently it should be obtained. 3. Explain how credit scores can be used to leverage better products, services, and employment opportunities, such as Security Clearance. 4. Apply strategies to prevent or manage credit problems. 5. Compare sources of credit reporting and evaluate credit report scores.

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STANDARD 5: CREATE AND BUILD WEALTH

Students will develop skills to plan and achieve long-term goals related to saving and investing in order to build financial security and wealth.

By the end of grade 5, students will:	By the end of grade 8, students will:	By the end of grade 12, students will:
<p>A. Develop a savings plan.</p> <ol style="list-style-type: none"> 1. Describe situations in which saving is necessary. 2. Determine a savings goal. 3. Cite examples of ways to achieve the savings goal. 	<p>A. Develop a savings plan.</p> <ol style="list-style-type: none"> 1. Determine short-term savings goals. 2. List strategies to achieve goals. 3. Create a spending plan that includes strategies to accomplish savings goals. 	<p>A. Develop a savings plan.</p> <ol style="list-style-type: none"> 1. Determine both short- and long-term savings goals. 2. List strategies to achieve both types of goals. 3. Create a spending plan that includes strategies to accomplish savings goals.
<p>B. Explain strategies for achieving financial goals.</p> <ol style="list-style-type: none"> 1. Describe the concept of “time value” of money. 2. Differentiate between “working for money” versus “money working for you”. 	<p>B. Apply strategies for creating wealth and building assets.</p> <ol style="list-style-type: none"> 1. Distinguish between financial practices of the banked and unbanked. 2. Explain how financial institutions protect consumers’ money. 3. Apply the “Rule of 72” to a financial decision. 4. Apply the principle of “Pay Yourself First” to realistic scenarios. 	<p>B. Evaluate strategies for creating wealth and building assets.</p> <ol style="list-style-type: none"> 1. Predict the long term effects of being banked versus unbanked. 2. Describe federal deposit insurance programs for banks and credit unions. 3. Analyze the effect of compounding. 4. Explain the concept of asset allocation based on short- and long term goals. 5. Assess factors that influence financial planning (age, income, liabilities, assets, goals, family size, risk tolerance, etc.).
	<p>C. Align appropriate financial services and products to specified goals.</p> <ol style="list-style-type: none"> 1. Distinguish between saving and investing. 2. Differentiate between income and investment growth. 3. Identify sources of investment products, such as banks, investment companies, and financial planners. 4. Determine an investment strategy’s time horizon based on a specified goal. 5. Calculate returns on investments as it relates to <i>time horizons</i>. 	<p>C. Critique appropriate financial services and products to specified goals.</p> <ol style="list-style-type: none"> 1. Distinguish between saving and investing and income and wealth. 2. Describe the role of revenue-generating assets in building wealth. 3. Compare sources for investment products, such as banks and investment companies. 4. Select financial services and products to achieve personal financial goals. 5. Calculate returns on investments as it relates to <i>time horizons</i>.

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STANDARD 6: MANAGE RISKS AND PRESERVE WEALTH

Students will develop financial planning skills to minimize financial setbacks.

By the end of grade 5, students will:	By the end of grade 8, students will:	By the end of grade 12, students will:
	<p>A. Examine strategies that protect income and wealth.</p> <ol style="list-style-type: none"> 1. Identify circumstances that impact income and wealth. 2. Describe forms of financial risk and risk tolerance. 3. Recognize forms of protection against financial loss. 	<p>A. Evaluate the strategies that protect income and wealth.</p> <ol style="list-style-type: none"> 1. Explain circumstances that impact income and wealth. 2. Strategize methods to minimize financial loss. 3. Explain how legal documents protect individuals' personal assets, such as wills and trusts.
<p>B. Explain sources of consumer protection and assistance, including public institutions and private organizations (professionals, publications, and internet).</p> <ol style="list-style-type: none"> 1. Describe and identify types of fraud. 2. Describe identity theft and how it occurs. 3. Describe reasons to keep certain types of information secure and private. 	<p>B. Differentiate sources of consumer protection and assistance, including public institutions and private organizations (professionals, publications, and internet).</p> <ol style="list-style-type: none"> 1. Examine consumer fraud and methods for protection against fraudulent activities. 2. Identify situations that put consumers in financial risk, such as sharing account information, identify theft, and co-signing on loans. 3. Distinguish between the rights and responsibilities of buyers and sellers under consumer protection laws. 4. List actions to take to dispute a claim. 	<p>B. Critique sources of consumer protection and assistance including public institutions and private organizations (professionals, publications, and internet).</p> <ol style="list-style-type: none"> 1. Determine how to detect a fraudulent situation and the methods for protection against fraudulent activities. 2. Assess situations that put consumers in financial risk, such as sharing account information, identity theft, and co-signing on loans. 3. Explain the rights and responsibilities of buyers and sellers under consumer protection laws such as the "Credit Card Bill of Rights." 4. Apply consumer protection laws to dispute a claim.
<p>C. Explain the need for and value of various types of insurance within the life cycle.</p> <ol style="list-style-type: none"> 1. Explain reasons for insurance. 	<p>C. Examine the need for and value of various types of insurance (such as health, property, life, disability, and liability) within the life cycle.</p> <ol style="list-style-type: none"> 1. Describe the need for and value of different types of insurance. 2. Identify factors to consider when determining the amount of protection needed. 3. Identify strategies to lower insurance costs. 	<p>C. Justify the need for and value of various types of insurance (such as health, property, life, disability, and liability) within the life cycle.</p> <ol style="list-style-type: none"> 1. Investigate and apply different types of insurance coverage to selected situations. 2. Review and apply criteria to choose insurance coverage for selected situations. 3. Compare insurance rates, premiums, and deductibles to minimize costs in selected situations.

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Glossary of Terms

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

Amortization. To reduce a debt by making payments against the principal balance in installments or regular transfers.

Assets. What a person owns, such as cash, stocks, bonds, real estate, and personal possessions.

Automatic Clearing House. The automated clearing house is how electronic transactions are processed when a person selects an electronic debit or credit of funds. These are most common with payroll direct deposit and automatic bill payments.

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

Banked. To have an account in a financial institution.

Bankruptcy. Legal process for selling most of the debtor’s property to help satisfy debts that can’t be repaid, in exchange for (a) relieving debtors of the responsibility of paying their financial obligations or (b) protecting them while a plan is created and they try to repay debts.

Bartering. To exchange goods or services in return for other goods or services.

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.

Capacity. Mental or physical ability for something or to do something.

Capital. Economic resource or resources that can be used to generate economic wealth.

Career. Pattern of activities and positions involved in an individual’s lifetime of work to which the person has made a long-term commitment.

Certificate of Deposits. A savings certificate is a time-deposit entitling the bearer to receive interest for a set period of time.

Character. Refers to trustworthiness; one of three factors in credit scoring (e.g., paying bills on time shows financial responsibility). Creditworthiness indicating a responsible attitude toward living up to agreements.

Charity. The voluntary provision of money, materials, or help to people in need.

Check. Written order directing a bank or credit union to pay a person or business a specific sum of money.

Collateral. Property or goods used as security against a loan and forfeited if the loan is not repaid.

Compounding, or compound interest, Rule of 72. Earning interest on interest. *Rule of 72*—how long it takes money to double in value.

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Consumer. Buyers or users of goods and services for personal use.

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.

Contract. Legally enforceable written or oral agreement between two or more parties to do or not do something.

Co-sign. To add your name to someone else's debt on a loan or financial contract. If the borrower does not repay, it can be reported on your credit record.

Cost/benefit analysis, risk/reward relationship. Tool used to choose among alternatives involves weighing the cost of a product or service against the benefit it will provide.

Credit. Amount of money a creditor is willing to loan another to purchase goods and services, based on trust and the expectation that the money will be repaid as promised with interest.

Credit card. Card that enables holder to charge expenses for purchases or to get money, often with interest.

Credit Card Bill of Rights. An amendment to the Truth in Lending Act to establish fair and transparent practices relating to the extension of credit under an open end consumer credit plan.

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

Credit score. A measure of creditworthiness based on an analysis of the consumer's financial history, often computed as a numerical score, using the FICO or other scoring systems to analyze the consumer's credit. A mathematical model used by lenders to predict the likelihood that bills will be paid as promised.

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 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.

Creditworthiness. A measure of one's ability and willingness to repay a loan.

Debit card. Card used to pay for goods and services directly from a checking account by transferring funds electronically from one's checking account to the store's account to pay for a purchase; also called check cards.

Debt. An amount of money owed to lenders.

Decision making. The process of considering alternatives and analyzing information to make a choice.

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Decision making process. There are several models of the decision making process. Generally it is a process used to determine and/or set goals and can be defined as a series of actions that includes: 1) Stating or identifying the problem; 2) Identifying a variety of solutions; 3) Comparing the advantages and disadvantages of possible solutions; 4) Making a decision; 5) Implementing the decision; and 6) Evaluating the decision based on the desired outcome.

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

Demand. The quantities of a particular good or service that consumers are willing and able to buy at different possible prices at a particular time.

Disability Benefits. Are provided through the Social Security Disability Insurance (SSDI), which is a federal assistance program that provides income to people who are no longer able to work because of a disability.

Disposable income. Gross pay minus deductions for taxes.

Economy—global or world. Worldwide system that results from choices of consumers, workers, business owners, manufacturers, and government officials in multiple societies and with increasing trade and cultural exchange.

Employee benefits. Additional benefits, beyond a paycheck, offered by employers (e.g., health insurance or retirement plan).

Entrepreneur. A person who owns and operates her or his own business. A person who creates a business from scratch, based on a need or personal expertise, and puts creativity and ingenuity into action to provide a service or product.

Entrepreneurship. A process that involves seeing an opportunity to provide a product/service, taking initiative to find out about competitors and what customers want from the product/service, and developing plans to market the business, analyze potential profit or losses, and produce the product/service.

Ethical/ethical reasoning. Applying criteria, standards, or principles for judging what to believe or how to act. In financial terms, ethical questions focus on fulfilling obligations, furthering the well-being of others, or resolving dilemmas and conflicts in a particular financial situation.

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).

Financial literacy. The ability to use knowledge and skills to manage one's financial resources effectively for lifetime of financial well-being.

Financial institutions. Organizations that provide financial services for its clients or members.

Financial obligation. In the financial world, obligation refers to an outstanding debt that a party must still repay - and if they do not pay, they default on the debt.

Financial planning. Personal financial planning is the process of (a) setting goals, (b) developing a plan to achieve them, and (c) putting the plan into action. Ongoing thinking process to develop an orderly program or blueprint for handling all aspects of one's money, including spending, credit, saving, and investing.

Goal. Statement about what a person wants to be, to do, or to have, accomplished by taking certain steps; provides direction to a plan of action.

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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.

Income. Any money an individual receives.

Inflation. An overall rise in the price of goods and services.

Information processing. Analyzing and organizing information for decision making.

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 - protection against the loss of income that would result if the insured passed away.

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

Renters - Protects renters from loss or liability due to damage to the contents of a dwelling.

Interest. Payment for the use of someone else's money; usually expressed as an annual rate in terms of a percent of the principal (the amount owed).

Fixed Interest Rate - A loan or mortgage with an interest rate that will remain at a predetermined rate for the entire term of the loan.

Variable Interest Rate - An interest rate that moves up and down based on the changes of an underlying interest rate index.

Balloon Rate - An oversized payment due at the end of a mortgage, commercial loan or other amortized loan.

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 earning a return.

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IOU. An abbreviation for a promissory note meaning “I owe you.”

Lifestyle. The way people choose to live their lives, based on values they have chosen.

Liquidity. The ease with which an asset can be converted to cash without serious loss.

Loan. An amount of money given to somebody on the condition that it will be paid back later.

Money. Anything that is generally accepted as payment for goods and services; a medium of exchange.

Mortgage. Loan to buy real estate, such as land or a home.

Mutual Funds. 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.

Needs. Essentials or basics necessary for maintaining physical life, including food, clothing, water, and shelter, sometimes called material well-being.

Obligation. Something that must be done because of legal or moral duty.

Opportunity cost. The foregone benefit of the next best alternative when an economic decision is made. In other words, the benefits you could have received by taking an alternative action.

Passbook loans. A personal loan extended to a savings-account holder by the custodial bank. Passbook loans use the balance of the savings-account as collateral for the loan. The amount of the loan therefore cannot exceed the savings-account balance.

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 deductions. Amounts subtracted from gross income that are withheld by an employer for items such as taxes and employee benefits.

Pay Yourself First (PYF). Disciplined saving or setting aside money as a regular part of the budget for later spending.

Personal finance. The principles and methods that individuals use to achieve their financial goals.

Philanthropy. A personal or corporate interest in helping others, especially through gifts to charities or endowments to institutions.

Predatory lending. Unscrupulous actions carried out by a lender to entice, induce, and/or assist a borrower in taking a loan that carries high fees, a high interest rate, strips the borrower of equity, or places the borrower in a lower credit rated loan to the benefit of the lender.

Private. Belonging to, restricted to, or intended for an individual person.

Promissory Notes. A signed agreement promising payment of a sum of money on demand or at a specific time.

Reasoning. The process of making and supporting a judgment; giving reasons to defend the conclusion.

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Resources. Human resources are those resources people have within themselves, such as working knowledge, skill, mental effort, motivation, energy. Non-human or external resources include money, time, and equipment.

Retail. The selling of goods directly to customers, e.g. in stores

Retirement Plan. There are two main types of retirement plans: defined-benefit plans and defined-contribution plans.

Defined-benefit plan - The employer guarantees that the employee will receive a definite amount of benefit upon retirement, regardless of the performance of the underlying investment pool.

Defined-contribution plan - The employer makes predefined contributions for the employee, but the final amount of benefit received by the employee depends on the investment's performance.

Risk—investment, personal, insurance. The probability of making a profit or losing money on one's investment; the chance an investment will decrease in value; possible losses involving income or standard of living. The possibility of a loss from perils to people or property covered by insurance.

Risk management. Deliberately and systematically using various strategies for controlling against potential personal or financial loss from pure risks.

Risk tolerance. The amount of uncertainty or possibility of loss the individual can bear.

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.)

Savings. Money set aside for short-term goals.

Savings and loan association (S&L). A state or federally chartered for-profit financial institution that pays dividends on deposits and makes mortgage loans.

Scarcity. An economic condition created by an excess of human wants over the resources necessary to satisfy them; an inability to satisfy all of everyone's wants.

Secured loan. A secured loan is also called a collateral loan. It is a loan obtained from a banking or other financial institution, where in exchange, the creditor may sell that which is offered for collateral if the loan is unpaid.

Security. The assurance that something of value will not be taken away.

Shipping and Handling. The costs of processing and transporting a product to a customer.

Simple interest. Interest calculated periodically on loan principal or investment principal only, not on previously earned interest.

Social Security. The federal government's basic program for providing income when earnings are reduced or stopped because of retirement, or disability. Income is also provided to families when the working parent(s) dies and underage children are a part of the family.

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Spending plan. Another name for budget.

Stock. An investment that represents shares of ownership of the assets and earnings of a corporation.

Supply. The quantities of an item that producers are willing and able to make available for sale at various prices over a given time period.

Tax deduction. An expense that a taxpayer can subtract from taxable income. Examples include deductions for home mortgage interest and for charitable gifts.

Taxes. A compulsory payment by individuals/organizations to the government; fees placed on income, property, or goods to support government programs.

Time horizon. The length of time over which an investment is made or held before it is liquidated.

Time value of money. The idea that money available at the present time is worth more than the same amount in the future due to its potential earning capacity.

Trade-off. An exchange of one thing in return for another; especially relinquishment of one benefit or advantage for another regarded as more desirable.

Trust. A fiduciary relationship in which one party, known as a trustor, gives another party, the trustee, the right to hold title to property or assets for the benefit of a third party, the beneficiary.

Values. Criteria, standards, or principles that individuals use when making a selection among alternatives in decision making.

Volunteer service. Working to help others or one's community without being paid.

Wants. Items that a person would like to have but are not essential for life. Items, activities, or services that may increase the quality of life, but one can live without them.

Wealth-building. Increasing the total value of what one owns; one's tangible assets using strategies to increase savings and personal asset accumulation, thereby promoting individual/family economic well-being and financial security.

Will. A legally enforceable declaration of how a person wishes his or her property to be distributed after death.

Work, job. Employment, occupation, effort exerted to make or do something. On a relative basis, short-term work or tasks completed for pay.

Workmen's Compensation Benefits. A system whereby an employer must pay, or provide insurance to pay, the lost wages and medical expenses of an employee who is injured on the job.