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## MEMORANDUM

**TO:** Members, Utah State Board of Education

**FROM:** Brad C. Smith  
Chief Executive Officer

**DATE:** December 5, 2014

**ACTION:** General Financial Literacy Standards Approval

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### **Background:**

S.B. 40 *Financial and Economic Literacy Amendments*, passed by the 2014 Utah Legislature, requires that "the State Board of Education shall adopt revised course standards and objectives for the course of instruction in general financial literacy."

The Board gave preliminary approval to the revised standards during its October 2014 meeting. USOE staff have gathered public comments and input from teachers for consideration in creating the final version.

### **Key Points:**

In addition to previously required content, the revised standards address attending college, student loans, scholarships, the Free Application for Federal Student Aid, and technology that relates to banking, savings, and financial products. These standards have been modified following input from the Utah State Treasurer's Office and other members of the education community.

### **Anticipated Action:**

The Law and Licensing Committee will consider approval of the final version of the General Financial Literacy Standards. If approved, the standards will be considered for approval by the full Board.

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# General Financial Literacy Standards

Summary of Changes, Dec 2014

Overall strategy: Simplify standards, making them less prescriptive. Eliminate lists and specific examples of concepts that will be included in lesson resources and published on Finance in the Classroom (FITC) website <http://financeintheclassroom.org/>

## Standard 1 Objective 1

- d. Describe the influence of social pressure and marketing strategies as related to purchasing decisions, Inserted "marketing strategies" in place of advertising and deleted specific social pressures which will be included in lesson resources and published on Finance in the Classroom (FITC) website.

## Standard 1 Objective 2

- b. Present a rational decision-making process. Include specific elements of a decision making process in lesson resources and publish on FITC.
- c. Define the elements of a financial plan. Include specific elements of a financial plan in lesson resources and publish on FITC
- d. Deleted references to "financial planner" as recommended by the Utah State Treasurer's Office.

## Standard 1 Objective 3

- b. Identify and create short and long term financial goals. Include goal setting strategies in lesson resources and publish on FITC website.

## Standard 2 Objective 2

- b. Calculate the costs of post high school training options and analyze the return on investment (ROI) based on career choices. Include links in lesson resources.
- c. Identify sources of funding to assist in post high school education opportunities and cost of repayment. Include specific sources of education funding in lesson resources and publish on FITC
- d. Utilize the FAFSA 4caster to explore the FAFSA process. Seek guidance from school counselors. Include link in lesson resources.

## Standard 3 Objective 1

- d. Emphasize the importance of comparison shopping, buying strategies, negotiation, and sales and marketing strategies in purchasing. Added in response to educator feedback.
- e. Identify the process, rights and responsibilities relating to renting, leasing, and purchasing a home. Inserted process in response to educator feedback.

- f. Identify the process, rights and responsibilities relating to renting, leasing, and purchasing a vehicle. Inserted process in response to educator feedback.

#### Standard 3 Objective 2

- d. Describe available consumer banking technologies Include specific technologies in lesson resources and post of FITC website.
- e. Explain the potential consequences of checking account mismanagement such as non-sufficient funds (NSF) handling, overdraft processing and the role of ChexSystems. Added ChexSystems per State Treasurer's Office.

#### Standard 4 Objective 1

- a. Identify and understand basic saving options such as savings account, and Certificate of Deposit. Understand that savings are designed to preserve principal. Added per Treasurer's Office
- b. Identify and understand investment options, including retirement planning, long and short term investments, dividend re-investment plans. Understand that investments put principal at risk. Added per Treasurer's Office
- g. Discuss the long term investment potential associated with the stock market focusing on fundamentals such as diversification, risk/reward, investor behavior.
- ~~h.~~ Identify and define the types of financial risks. Delete types of financial risk, include in lesson resources and publish on FITC.

#### Standard 5 Objective 1

- a. Explain the purposes and features of consumer protection laws Include specific laws as identified by the Utah State Treasurer's Office in lesson resources and publish on FITC.
- b. Identify Federal and State entities that exist to protect consumers from forms of fraud and abuse Include specific agencies as identified by the Utah State Treasurer's Office in lesson resources and publish on FITC.

## General Financial Literacy

Levels: Grades 11-12

Units of Credit: 0.50

Core Code: 01-00-00-00-100

Prerequisite: None

Skill Test:

### COURSE DESCRIPTION

The General Financial Literacy Core is designed for junior and senior students and represents those standards of learning that are essential to the development of basic financial literacy. Students will be enabled to implement those basic decision-making skills to become more aware as consumers, savers, investors, borrowers, money managers, citizens, and members of a global workforce.

### CORE STANDARDS, OBJECTIVES AND INDICATORS

**Standard 1 – Students will understand the process of identifying financial priorities based on personal values and financial goals.**

Objective 1: Analyze the role of cultural, social, and emotional influences on financial behavior.

- a. Evaluate the role of emotions, attitudes and behavior in making financial decisions.
- b. Recognize that individuals are responsible for their own financial transactions and subsequent positive and negative consequences.
- c. Relate instant satisfaction and delayed gratification to impulse buying and planned expenditures.
- d. Describe the influence of social pressure and marketing strategies as related to purchasing decisions.
- e. Explain how scarcity of financial resources affects wants and needs.

Objective 2: Define a rational decision-making process and the steps of financial planning.

- a. Define *opportunity cost* (tradeoffs) and their role in decision making.
- b. Describe a rational decision-making process.
- c. Define the elements of a financial plan.

Objective 3: Explain how setting goals affects personal financial planning.

- a. Identify spending habits and their connection to personal values.
- b. Identify and create short and long term financial goals

**Standard 2: Students will understand sources of income and the relationship between career preparation and lifetime earning power.**

Objective 1: Identify sources of income and specific employability skills.

- a. Identify sources of income such as wages, commissions, investments, benefits, inheritance, and gifts.
- b. Evaluate and compare career opportunities based on individual interests, skills, and educational requirements, value of work to society, income potential, and the supply and demand of the workforce including unemployment.
- c. Compare risks and rewards of entrepreneurship/self-employment.
- d. Compare income to the cost-of-living in various geographical areas and the impact it has on purchasing power.
- e. Understand the effects of state, local, and federal taxes on income.

Objective 2: Understand and begin preparation for career and post high school training.

- a. Recognize and explore the correlation between education and potential lifetime income.
- b. Calculate the costs of post high school training options and analyze the return on investment (ROI) based on career choices.
- c. Identify sources of funding to assist in post high school education opportunities and cost of repayment.
- d. Utilize the FAFSA 4caster to explore the FAFSA process. Seek guidance from school counselors.
- e. Identify components to be included on a resume and/or electronic professional profile such as appropriate contact information; educational, work, and volunteer experience; skills; certificates obtained; accomplishments; interests; and references.
- f. Understand the use and advantages of 529 plans and the benefit of planning early for paying for the cost of post-secondary education and training.

**Standard 3: Students will understand principles of personal money management including budgeting, managing accounts, and the role of credit and impacts on personal finance.**

Objective 1: Identify and explain the process of budgeting based on calculated income.

- a. Develop a budget.
- b. Identify and prioritize fixed, fixed variable and variable budget categories.
- c. Emphasize the importance of proactive budget priorities such as pay yourself first, emergency/opportunity fund, and charitable or other voluntary contributions.
- d. Compare tools for tracking of a budget and expenditures such as envelope system, paper tracking, and online or software options.
- e. Emphasize the importance of comparison shopping, buying strategies, negotiation, and sales and marketing strategies in purchasing.
- f. Identify the process, rights and responsibilities relating to renting, leasing, and purchasing a home.
- g. Identify the process, rights and responsibilities relating to renting, leasing, and purchasing a vehicle.
- h. Understand the similarities and differences between "principal" and "interest" on an amortization schedule.
- i. Explain the purpose of co-signers and collateral when applying for a loan.

Objective 2: Describe and discuss financial institutions and demonstrate how to manage personal financial accounts.

- a. Explain the role of the Federal Reserve.
- b. Compare the roles of financial institutions and their services such as banks, credit unions, investment or brokerage firms, insurance companies, loan agencies.
- c. Demonstrate how to manage checking/debit and saving accounts, both manually and/or electronically, including reconciliation.
- d. Describe available consumer banking technologies.
- e. Explain the potential consequences of checking account mismanagement such as non-sufficient funds (NSF) handling, overdraft processing and the role of ChexSystems.

Objective 3: Describe and discuss the impact of credit and debt on personal money management.

- a. Discuss the purpose and role of credit and explain the value of building and maintaining a healthy credit rating.

- b. Explore and discuss the pros and cons of basic types of credit such as unsecured vs. secured credit, credit cards, installment loans, revolving credit, student loans, and predatory lenders.
- c. Describe the risks and responsibilities associated with using credit such as late fees, finance charges, default rates, interest, and closing costs.
- d. Calculate how long it takes to repay debt making minimum payments on installment loans and revolving accounts.
- e. Locate and use on-line calculators to determine principal and interest aggregate monthly for long-term debt such as mortgages, vehicles, personal loans and credit cards.
- f. Evaluate the costs and risks of Pay Day and Predatory Lending
- g. Describe the personal and societal effects of bankruptcy and identify circumstances that lead to bankruptcy such as uninsured medical costs, family break-up, or loss of job.

Objective 4: Explain and understand credit reports and scores.

- a. Identify the three major credit bureaus.
- b. Understand the legal right to a free annual credit report (AnnualCreditReport.com).
- c. Evaluate and identify components of a credit report; including derogatory remarks, and the warning signs of credit abuse such as late fees, missed payments, collection notices and bounced checks.

#### **Standard 4 –Students will evaluate monetary saving methods and investment strategies.**

Objective 1: Discuss the dynamics of saving and investing.

- a. Explain how Paying Yourself First (PYF) early and often influences positive progress towards long-term, financial goals.
- b. Identify and understand basic saving options such as savings account, and Certificate of Deposit. Understand that savings are designed to preserve principal.
- c. Identify and understand investment options, including retirement planning, long and short term investments, dividend re-investment plans. Understand that investments put principal at risk.
- d. Identify types of long-term retirement investments such as IRA, Roth IRA, 401(k), and 403(b)) and reasons to invest.
- e. Understand the impact on income through federal, state, and local taxes.
- f. Demonstrate time value of money (TVM) principles by using the rule of 72 and by manipulating the five variables used in basic TVM calculations.
- g. Discuss the long term investment potential associated with the stock market focusing on fundamentals such as diversification, risk/reward, and investor behavior.
- h. Identify and define the types of financial risks.

Objective 2: Discuss personal and societal impacts of charitable giving.

- a. Discuss the pros and cons of charitable giving.
- b. List ways and examples of charitable giving

#### **Standard 5 – Students will understand general consumer safeguards and methods of risk management.**

Objective 1: Students will understand the role of Government in protecting the consumer.

- a. Define purpose of Federal Deposit Insurance Corporation and National Credit Union Association.
- b. Explain the purposes and features of consumer protection laws.
- c. Identify Federal and State entities that exist to protect consumers from forms of fraud and abuse

Objective 2: Define rights and responsibilities of consumers.

- a. Understand financial contracts tied to consumer purchases such as cell phone, cable or satellite plans and membership fees.
- b. Discuss the negative impacts of predatory and pay-day lending practices.
- c. Identify ways to avoid "identity theft" and fraud such as securing sensitive financial data, online commerce, phishing, pharming, and the disposal of sensitive documents.
- d. Understand how to recover from Fraud and Identity Theft
- e. Discuss ways to avoid financial schemes such pyramid schemes, multi-level marketing, and other questionable and illegal practices.
- f. Describe the negative consequences of gambling and playing the lottery.
- g. Identify the pros and cons of online commerce, including how to conduct transactions safely.

Objective 3: Discuss the purposes of insurance/risk management.

- a. Define common insurance options and their purposes such as automobile, health, home owner/renters, whole/term life, long-term care and disability.
- b. Define terms of a basic insurance policy such as contract, limits of coverage, deductible, premium, grace period, and life time limit.
- c. Discuss insurance needs at different stages of life.
- d. Understand identification and designation of beneficiaries.