



## COUNCIL FOR ECONOMIC EDUCATION - NATIONAL STANDARDS FOR FINANCIAL LITERACY


### Grades 5-8:

#### Standard 1: Earning Income

	Benchmark	FoolProof Component
1.1	<p>Careers are based on working at jobs in the same occupation or profession for many years. Different careers require different education and training.</p> <p>Remarks and Examples: Interview individuals and create a timeline that shows the education, training, and job experiences that occurred as the individuals progressed through different stages of their careers.</p>	Middle School Module 3: Why You Can't Have and Do Everything.
1.2	<p>People make many decisions over a lifetime about their education, jobs, and careers that affect their incomes and job opportunities.</p> <p>Remarks and Examples: Conduct research on a specific career. Describe the education, job, or career decisions individuals in this field might make over their lifetime and explain how this could affect their incomes and job opportunities.</p>	Middle School Module 3: Why You Can't Have and Do Everything.
1.3	<p>Getting more education and learning new job skills can increase a person's human capital and productivity.</p> <p>Remarks and Examples: Explain how taking a babysitting class or getting lifeguard training can improve a young person's human capital or productivity.</p>	Middle School Module 3: Why You Can't Have and Do Everything.
1.4	<p>People with less education and fewer job skills tend to earn lower incomes than people with more education and greater job skills.</p> <p>Remarks and Examples: Gather data on the average wage or salary for different jobs and explain how they differ by the level of education, job skill, or years of experience.</p>	Middle School Module 3: Why You Can't Have and Do Everything.

1.5	Investment in education and training generally has a positive rate of return in terms of the income that people earn over a lifetime. Remarks and Examples: Using data on the lifetime earnings of workers with different levels of education, explain why adults with a college education typically earn more than adults with only a high school education.	Middle School Module 3: Why You Can't Have and Do Everything.
1.6	Education, training, and development of job skills have opportunity costs in the form of time, effort, and money. Remarks and Examples: Describe the opportunity costs of attending a training course on babysitting, lifeguarding, or first aid.	Middle School Module 3: Why You Can't Have and Do Everything.
1.7	People often use a portion of their savings to help themselves or their family members build human capital through education or job training. Remarks and Examples: Explain why older family members such as parents might choose to use their savings to support the education and training of younger family members.	Middle School Module 3: Why You Can't Have and Do Everything.
1.8	Entrepreneurs take the risk of starting a business because they expect to earn profits as their reward, despite the fact that many new businesses can and do fail. Some entrepreneurs gain satisfaction from working for themselves. Remarks and Examples: Name a local business that recently failed as well as a business that has been successful. Speculate on why one business was successful and the other was not. Investigate what causes people to start their own businesses or to become self-employed.	Middle School Module 6: When Opportunity Cost Smacks You In the Face!
1.9	Interest, dividends, and capital appreciation (gains) are forms of income earned from financial investments. Remarks and Examples: Find the interest rate a bank pays on a savings account. Find the dividend rate paid on a company stock and the percentage that the price of that stock rose or fell in the last year.	High School Module 17: Pay Me While I Sleep
1.10	Some people receive income support from government because they have low incomes or qualify in other ways for government assistance. Remarks and Examples: Look up government programs such as Medicaid or SNAP (Supplemental Nutrition Assistance Program) and explain the financial situation the programs are addressing.	Middle School Module 6: When Opportunity Cost Smacks You In the Face!

<b>1.11</b>	<p>Social Security is a government program that taxes the income of current workers to provide retirement, disability, and survivor benefits for workers or their dependents.</p> <p>Remarks and Examples: Given information on a worker's income and today's Social Security tax rates, calculate what the worker and the worker's employer will pay in taxes.</p> <p>Find the average benefit paid to a retiree living on Social Security today.</p>	Middle School Module 6: When Opportunity Cost Smacks You In the Face!
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## Standard 2: Saving

	Benchmark	FoolProof Component
2.1	<p>Banks and other financial institutions loan funds received from depositors to borrowers. Part of the interest received from these loans is used to pay interest to depositors for the use of their money.</p> <p>Remarks and Examples: Draw and label a diagram showing the role that financial institutions play in channeling funds from savers to borrowers.</p> <p>Conduct research into the interest rate paid on savings and charged for loans by financial institutions in their community and create a classroom bulletin board summarizing their findings.</p>	High School Module 17: Pay Me While I Sleep
2.2	<p>For the saver, an interest rate is the price a financial institution pays for using a saver's money and is normally expressed as an annual percentage of the amount saved.</p> <p>Remarks and Examples: Define an interest rate as the price paid for using someone else's money, expressed as a percentage of the amount saved.</p>	High School Module 17: Pay Me While I Sleep
2.3	<p>Interest rates paid on savings and charged on loans, like all prices, are determined in a market.</p> <p>Remarks and Examples: Explain why banks that experience an increase in the number of people who want loans may decide to pay higher interest rates on deposits.</p>	High School Module 17: Pay Me While I Sleep
2.4	<p>When interest rates increase, people earn more on their savings and their savings grow more quickly.</p> <p>Remarks and Examples: Calculate the total amount of interest earned on two certificates of deposit - one with a higher rate of interest than the other - and explain how the certificate of deposit with the higher interest rate can help a saver reach his or her savings goal faster.</p>	High School Module 17: Pay Me While I Sleep
2.5	<p>Principal is the initial amount of money upon which interest is paid.</p> <p>Remarks and Examples: Differentiate between principal and interest.</p>	High School Module 17: Pay Me While I Sleep

<p><b>2.6</b></p>	<p>Compound interest is the interest that is earned not only on the principal but also on the interest already earned.  Remarks and Examples: Use the Rule of 72 to determine the number of years it will take for their savings to double in value.</p> <p>Using a formula for compound interest, calculate how much two different savers, one who starts to save at age 21 and one who starts to save at age 35, will have at retirement.</p>	<p>High School Module 17:  Pay Me While I Sleep</p>
<p><b>2.7</b></p>	<p>The value of a person's savings in the future is determined by the amount saved and the interest rate. The earlier people begin to save, the more savings they will be able to accumulate, all other things equal, as a result of the power of compound interest.  Remarks and Examples: Predict which of two individuals will have more in savings for retirement when one individual has saved \$2,000 a year for the last 15 years before retirement and the other has saved \$1,000 a year for last 30 years before retirement, assuming each earns the same rate of interest.</p>	<p>High School Module 17:  Pay Me While I Sleep</p>
<p><b>2.8</b></p>	<p>Different people save money for different reasons, including large purchases (such as higher education, autos, and homes), retirement, and unexpected events. People's choices about how much to save and for what to save are based on their tastes and preferences.  Remarks and Examples: Write a short story comparing the savings choices of a young college graduate to those of a married couple who recently celebrated their 40th birthdays and who have two children.</p>	<p>High School Module 17:  Pay Me While I Sleep</p>
<p><b>2.9</b></p>	<p>To assure savers that their deposits are safe from bank failures, federal agencies guarantee depositors' savings in most commercial banks, savings banks, and savings associations up to a set limit.  Remarks and Examples: Identify the FDIC and the National Credit Union Administration (NCUA) as the government agencies responsible for insuring depositors' savings and state the limit of FDIC and NCUA coverage.</p> <p>Explain why the bank-run scene in the movie It's a Wonderful Life is less likely to occur in today's world of insured banks.</p>	<p>High School Module 17:  Pay Me While I Sleep</p>

### Standard 3: Using Credit

	Benchmark	FoolProof Component
3.1	<p>People who apply for loans are told what the interest rate on the loan will be. An interest rate is the price of using someone else's money expressed as an annual percentage of the loan principal. Remarks and Examples: Explain that repayment of a loan includes repayment of the principal plus the interest charged.</p> <p>Compute the interest rate when given a principal and an amount of interest. Compute the amount of interest when given the loan principal and the interest rate.</p>	Middle School Module 6: When Opportunity Cost Smacks You In the Face!
3.2	<p>The longer the repayment period on a loan and the higher the interest rate on the loan, the larger is the total amount of interest charged on a loan. Remarks and Examples: Explain and illustrate what happens to the total cost of borrowing under various scenarios, such as higher or lower interest rates or longer or shorter repayment periods.</p>	Middle School Module 6: When Opportunity Cost Smacks You In the Face!
3.3	<p>A credit card purchase is a loan from the financial institution that issued the card. Credit card interest rates tend to be higher than rates for other loans. In addition, financial institutions may charge significant fees related to a credit card and its use. Remarks and Examples: Examine a credit card statement and identify the interest rate and fees charged.</p>	Middle School Module 6: When Opportunity Cost Smacks You In the Face!
3.4	<p>Borrowers who use credit cards for purchases and who do not pay the full balance when it is due pay much higher costs for their purchases because interest is charged monthly. A credit card user can avoid interest charges by paying the entire balance within the grace period specified by the financial institution. Remarks and Examples: For an expensive good purchased using credit, find the total interest paid and the amount still owed after one year when only the minimum payment is made each month.</p> <p>Give advice to a friend explaining what happens to the total cost of borrowing on a credit card when only the minimum payment is made each month.</p>	Middle School Module 6: When Opportunity Cost Smacks You In the Face!

<p><b>3.5</b></p>	<p>Various financial institutions and businesses make consumer loans and may charge different rates of interest.  Remarks and Examples: Compare the following credit options based on interest rates charged, length of repayment time offered, and fees charged: commercial banks, credit unions, and savings and loans, as well as loans obtained through a variety of other businesses ranging from payday loan stores and pawn shops to credit extended directly by the seller.</p>	<p>Middle School Module 6:  When Opportunity Cost Smacks You In the Face!</p>
<p><b>3.6</b></p>	<p>Interest rates on loans fluctuate based on changes in the market for loans.  Remarks and Examples: Explain why mortgage interest rates might be lower when people are more reluctant to buy houses.</p>	<p>Middle School Module 6:  When Opportunity Cost Smacks You In the Face!</p>
<p><b>3.7</b></p>	<p>Lenders charge different interest rates based on the risk of nonpayment by borrowers. The higher the risk of nonpayment, the higher the interest rate charged. The lower the risk of nonpayment, the lower the interest rate charged.  Remarks and Examples: As a banker, decide for each of three potential borrowers with different credit backgrounds whether to extend credit, and if so, what the interest rate should be. Write a decision letter to the borrower justifying the banker's decision.</p>	<p>Middle School Module 6:  When Opportunity Cost Smacks You In the Face!</p>
<p><b>3.8</b></p>	<p>People can use credit to finance investments in education and housing. The benefits of using credit in this way are spread out over a period of time and may be large. The large costs of acquiring the education or housing are spread out over time as well. The benefits of using credit to make daily purchases of food or clothing are short-lived and do not accumulate over time.  Remarks and Examples: Explain the benefits and costs when choosing to use credit to acquire an education, a smart phone, or a pair of jeans.</p>	<p>Middle School Module 6:  When Opportunity Cost Smacks You In the Face!</p>

## Standard 4: Buying Goods and Services

	Benchmark	FoolProof Component
4.1	<p>When making choices about what to buy, consumers may choose to gather information from a variety of sources. The quality and usefulness of information provided by sources can vary greatly from source to source. While many sources provide valuable information, some sources provide information that is deliberately misleading.</p> <p>Remarks and Examples: Gather information for an electronic good from sources such as manufacturers' websites, retail websites, and consumer review websites.</p> <p>Explain what information is most helpful in making their decision. Search the Internet and print materials and identify deceptive selling practices.</p>	<p>Middle School Module 7: The Other Side of the Story!</p>
4.2	<p>By understanding a source's incentives in providing information about a good or service, a consumer can better assess the quality and usefulness of the information.</p> <p>Remarks and Examples: Explain why advice from a source such as a salesperson may or may not be useful when deciding which product to buy.</p>	<p>Middle School Module 7: The Other Side of the Story!</p>
4.3	<p>People choose from a variety of payment methods in order to buy goods and services.</p> <p>Remarks and Examples: Explain how they would use the following payment methods to purchase a good or service: cash, check, debit card, credit card, mobile phone, online payment, prepaid card, layaway, and rent to own.</p>	<p>Middle School Module 6: When Opportunity Cost Smacks You In the Face!</p>
4.4	<p>Choosing a payment method entails weighing the costs and benefits of the different payment options.</p> <p>Remarks and Examples: Choose the best payment method for the following purchases by weighing the costs and benefits of various payment options: ticket to a concert, food at a convenience store, airline ticket, cell phone bill, beverage at a middle school basketball game, and car payment.</p>	<p>Middle School Module 6: When Opportunity Cost Smacks You In the Face!</p>
4.5	<p>A budget includes fixed and variable expenses, as well as income, savings, and taxes.</p> <p>Remarks and Examples: Prepare a monthly budget for a family given their income, savings goals, taxes, and list of fixed and variable expenses.</p>	<p>Middle School Module 6: When Opportunity Cost Smacks You In the Face!</p>




<b>4.6</b>	People may revise their budget based on unplanned expenses and changes in income. Remarks and Examples: Offer ways to balance a family's budget given unplanned expenses such as health care costs, car repairs, or change in income.	Middle School Module 6: When Opportunity Cost Smacks You In the Face!
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## Standard 5: Financial Investing

	Benchmark	FoolProof Component
5.1	<p>Financial assets include a wide variety of financial instruments including bank deposits, stocks, bonds, and mutual funds. Real estate and commodities are also often viewed as financial assets.</p> <p>Remarks and Examples: Describe the differences among the different types of assets. Find the prices of a variety of current possible investments.</p>	High School Module 17: Pay Me While I Sleep
5.2	<p>Interest is received from money deposited in bank accounts. It is also received by owning a corporate or government bond or making a loan.</p> <p>Remarks and Examples: Calculate the amount of interest income received from depositing a certain amount of money in a bank account paying 1 percent per year and from owning a bond paying 5 percent per year.</p>	High School Module 17: Pay Me While I Sleep
5.3	<p>When people buy corporate stock, they are purchasing ownership shares in a business. If the business is profitable, they will expect to receive income in the form of dividends and/or from the increase in the stock's value. The increase in the value of an asset (like a stock) is called a capital gain. If the business is not profitable, investors could lose the money they have invested.</p> <p>Remarks and Examples: Determine the amount of dividends paid from a selected stock and how much the price of the stock has appreciated or depreciated over the year.</p>	High School Module 17: Pay Me While I Sleep
5.4	<p>The price of a financial asset is determined by the interaction of buyers and sellers in a financial market.</p> <p>Remarks and Examples: Explain why the price of a stock might change if more individuals decide to purchase the stock. Explain why the price of a stock might change if more companies issue new shares of stock to raise new investment funds.</p>	High School Module 17: Pay Me While I Sleep
5.5	<p>The rate of return on financial investments consists of interest payments, dividends, and capital appreciation expressed as a percentage of the amount invested.</p> <p>Remarks and Examples: Calculate rates of return on a number of financial instruments taking into account interest, dividends, rents, and expected appreciation over time.</p>	High School Module 17: Pay Me While I Sleep

<b>5.6</b>	Financial risk means that a financial investment has a range of possible returns, including possibilities of actual losses. Higher-risk investments have a wider range of possible returns. Remarks and Examples: Compare the risk of an insured certificate of deposit with the risk of a purchase of a number of shares of stock. Explain the difference.	High School Module 17: Pay Me While I Sleep
<b>5.7</b>	The rate of return earned from investments will vary according to the amount of risk. In general, a trade-off exists between the security of an investment and its expected rate of return. Remarks and Examples: Compare rates of return of a variety of different investments and speculate on the amount of risk each of the investments entails.	High School Module 17: Pay Me While I Sleep



## Standard 6: Protecting & Insuring

	Benchmark	FoolProof Component
6.1	<p>Personal financial risk exists when unexpected events can damage health, income, property, wealth, or future opportunities. Remarks and Examples: Write a scenario describing how a storm blowing a tree onto a roof can impact a family's financial situation.</p>	High School Module 15: Parachute Required
6.2	<p>Insurance is a product that allows people to pay a fee (called a premium) now to transfer the costs of a potential loss to a third party. Remarks and Examples: Explain why homeowners buy flood insurance for \$300 a year when the likelihood of a flood in their area is extremely low.</p>	High School Module 15: Parachute Required
6.3	<p>Insurance companies analyze the outcomes of individuals who face similar types of risks to create insurance contracts (policies). By collecting a relatively small amount of money, called a premium, from each policyholder on a regular basis, the company creates a pool of funds to compensate those individuals who experience a large loss. Remarks and Examples: Explain how homeowners who are covered by homeowners insurance "share" with other policyholders the risk of loss from fire or storm damage.</p> <p>Identify key information that the insurance company would need to know to determine how large a premium to collect from each policyholder.</p>	High School Module 15: Parachute Required
6.4	<p>Self-insurance is when an individual accepts a risk and saves money on a regular basis to cover a potential loss. Remarks and Examples: List examples of potential events and costs against which people might self-insure.</p>	High School Module 15: Parachute Required High School Module 17: Pay Me While I Sleep
6.5	<p>Insurance policies that guarantee higher levels of payment in the event of a loss (coverage) have higher prices. Remarks and Examples: Explain how a deductible affects the payout on an auto insurance claim, and how the individual's choice of deductible affects the price of the policy at the time it is purchased.</p>	High School Module 15: Parachute Required

<p><b>6.6</b></p>	<p>Insurance companies charge higher premiums to cover higher-risk individuals and events because the risk of monetary loss is greater for these individuals and events.  Remarks and Examples: Explain why drivers who receive repeated speeding tickets will see their insurance premiums increase.</p>	<p>High School Module 15: Parachute Required</p>
<p><b>6.7</b></p>	<p>Individuals can choose to accept some risk, to take steps to avoid or reduce risk, or to transfer risk to others through the purchase of insurance. Each option has different costs and benefits.  Remarks and Examples: Identify ways in which an automobile driver can avoid, reduce, or transfer the risk of being in an automobile accident.</p> <p>Explain why people may prefer to purchase insurance against fire in their apartment, but self-insure to handle the cost of tooth cavities.</p>	<p>High School Module 15: Parachute Required</p>
<p><b>6.8</b></p>	<p>Social networking sites and other online activity can make individuals vulnerable to harm caused by identity theft or misuse of their personal information.  Remarks and Examples: Identify ways that identity thieves can obtain someone's personal information. List actions an individual can take to protect personal information.</p>	<p>Middle School Module 9: Staying Out of Trouble Online</p>

