

Introduction

Defining Financial Literacy

“Financial literacy is a broad term that has multiple meanings, depending on an individual’s situation. It may mean learning how to create and manage a household budget, learning how to invest money for retirement, or participating in one-on-one coaching and counseling to determine how to buy a house or start a business. It also is part of an overall strategy to increase economic security for lower-income families. Financial education, just like reading and writing, affects the well-being of every individual. It also affects the economic and social well-being of every community and, ultimately, the overall strength of the nation’s economy.”

National Council of State Legislatures (NCSL)

Chapter Overview

The importance of financial literacy in the schools cannot be overstated; students vitally need this information and they aren’t getting it in other places. Students are leaving our schools without even the most basic of ideas about how to manage their money. Every two years, the Jump\$tart Coalition conducts a nationwide survey of high school students looking at what students know about issues such as insurance, credit and debt management, and basic money management such as banking and checking. Every year the survey has been conducted, our nation’s students have scored below a 60 percent accuracy—a percentage that would not allow a student to pass a course in most districts around the country.

What Is Financial Literacy?

Financial literacy can be defined as the ability to understand, to evaluate, and communicate information about money and financial services. This includes the selection of appropriate financial options, the ability to plan for the future, and the capability to respond to life events and their effect on personal finances.

Wisconsin’s Model Academic Standards for Personal Financial Literacy are divided into seven broad categories: Relating Income and Education; Money Management; Credit and Debt Management; Planning, Saving and Investing; Becoming a Critical Consumer; Community and Financial Responsibility; and Risk Management. Each of these seven categories is an important component to the whole of financial literacy.

Because of this broad range of concepts, there is more to teaching financial literacy than just having a class where students learn how to balance a check-book. Topics of study would include things such as: verbal vs. written contracts,

the true cost of interest, protection from loss, insurance, lifestyle choices and spending habits, bankruptcy, sources of credit, and investment options.

Why Teach Financial Literacy?

There is growing evidence that students are leaving high school not knowing fundamental information on such topics as debt, credit, insurance, or even basic banking services. With the growing technological complexity and sophistication of the banking and investment industry, core knowledge on these topics is vital for people to be able to understand even the most basic of monetary transactions.

Through newspaper accounts, a person can see that bankruptcy rates are higher than at any other time in history. Add this in to the rise of predatory lending practices such as “payday” loans and pawn shops, the overall increase in consumer debt ratios, the decrease in the personal savings rate, and the inappropriate use of credit and it is clear that consumers—and students—may not be making decisions based on knowledge of the financial marketplace and its impact on their lives.

Due to changes in investment and pension plans, many workers are now also responsible for managing their own retirement funds. Many businesses have changed from employer-sponsored plans (such as a traditional pension) to a more worker-oriented Individual Retirement Account. This shifts the responsibility to the individual and illustrates another need for information.

If someone were to take the initiative and look on their own, however, there is such a plethora of information as to be incredibly confusing. Book after book on personal finance can give information, but much is contradictory, adding to the perplexity of the individual looking for answers and assistance. A simple web search on “personal finance” brings up a mind-boggling 165,000,000 web pages; by narrowing that search to “debt assistance,” that number drops to 9,940,000 (many of which are sites urging a consumer to declare personal bankruptcy).

People who are secure in their finances are better able to contribute to a growing and healthy economy, making personal financial literacy a vital key to maintaining the economic strength of our country.

What Does Financial Literacy Include?

The knowledge and skills set forth in the Wisconsin personal financial literacy standards cross all grade levels and disciplines. A comprehensive, developmentally appropriate pre-kindergarten through grade 12 program 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 grade specific curricula and activities designed to instill within students a desire to be financially literate. The standards are intended to help schools develop a comprehensive K-12 program that provides the knowledge and skills to establish sound financial habits.

The standards address credit, debt and money management, planning, saving and investing, and community and financial responsibility. They relate income and education, address being a critical consumer, and define responsible risk management.

There is also a standard for personal financial responsibility to self, family, and community. This standard recognizes the potential impact of personal financial decisions on other people around us. The expanding global economy holds tremendous potential for generating income, profit, and personal wealth. The standard for community and financial responsibility recognizes that students need to understand their legal rights and responsibilities as global citizens in relation to how they use their earnings or accumulate wealth. By educating students to be responsible adults who make good financial decisions, we will keep our state growing and thriving.

How Can We Approach Financial Literacy?

Wisconsin's Model Academic Standards for Personal Financial Literacy were written with the intent for implementation across the K-12 curricula. Looking at incorporating *Wisconsin's Model Academic Standards for Personal Financial Literacy* across the curriculum can seem overwhelming at first. The standards are new, and can be implemented in many curricular areas. This guide offers ways that individuals and districts can include the standards in their existing courses, or in creating a completely new stand-alone class.

Wisconsin's Model Academic Standards for Personal Financial Literacy can help teachers work together to develop and implement curricula that will give students life-long skills. Preparing young people to understand and participate in their own financial well-being is providing them with a vital skill. The economic stability of our communities and the resulting growth of our state's economy are influenced by personal financial literacy.

Implementing financial topics into a district's curriculum may take many forms. Many Wisconsin districts have already successfully accomplished this. Stand-alone courses in personal finance, revamping existing classes, or requiring a financial literacy component for graduation have all been used in districts, and all have their own advantages and disadvantages. The section, "Building an Effective Financial Literacy Program" can assist in determining what will best fit with individual districts' needs.

The importance of integrating personal finance topics and concepts into the individual school district's program of studies cannot be overstated. Schools must rise to the challenge of getting the information to their students across all grade levels and subject areas.

"We were not taught financial literacy in school. It takes a lot of work and time to change your thinking and to become financially literate."

Robert Kiyosaki, Author,
Rich Dad, Poor Dad