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## MEMORANDUM

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

**FROM:** Joel Coleman  
Interim Chief Executive Officer

**DATE:** October 10, 2014

**ACTION:** General Financial Literacy Curriculum Standards

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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."

### **Key Points:**

In addition to previously required content, the revised standards address going to college, student loans, scholarships, the Free Application for Federal Student Aid, and technology that relates to banking, savings, and financial products.

### **Anticipated Action:**

It is proposed that the Law and Licensing Committee review the proposed draft standards and give directions for changes. If the draft standards are approved, the Committee will forward to the Board for preliminary approval. If preliminary approval is given, it is anticipated that the standards will come back to the Board in November for final approval.

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## 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 as it relates to purchasing decisions (e.g., fashion, social acceptance, advertising, sales strategies, “keeping up with the Joneses,” delayed payment, entitlement).
- 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. Present a rational decision-making process (e.g., Identify problem, Brainstorm solutions, List pros and cons, Make decision, Take action, Evaluate results).
- c. Define the elements of a financial plan (e.g., net worth statement, cash flow statement, statement of goals and priorities)
- d. Identify the process of creating a financial plan personally or with a financial planner. (e.g., explore the pros and cons of a client/planner relationship; define goals, objectives, facts and data; analyze and evaluate current financial status; develop recommendations including alternatives, implement and monitor recommendations).

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 (e.g., “SMART”: Specific, Measurable, Attainable, Result-oriented, Time-based).

**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 (e.g., 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 <ENTER POSTER LINK HERE> and analyze the return on investment (ROI) based on career choices.
- c. Identify sources of funding to assist in post high school education opportunities (e.g., scholarships, employment, tuition reimbursement, student loans, work study, and other state and federal aid) and cost of repayment.
- d. Utilize the FAFSA 4caster to explore the FAFSA process. <ENTER LINK HERE> Seek guidance from counselors.
- e. Identify components to be included on a resume and/or electronic professional profile (e.g., 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 (e.g., pay yourself first, emergency/opportunity fund and charitable or other voluntary contributions).
- d. Identify the rights and responsibilities relating to renting, leasing, and purchasing a home.
- e. Identify the rights and responsibilities relating to renting, leasing, and purchasing a vehicle.
- f. Discuss and compare the similarities and differences between “principal” and “interest” on an amortization schedule.
- g. Explain the purpose of co-signers and collateral when applying for a loan.
- h. Compare tools for tracking of a budget and expenditures (e.g. envelope system, paper tracking, and online or software options).

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 (e.g. banks, credit unions, investment or brokerage firms, insurance companies, loan agencies).
- c. Demonstrate how to manage checking/debit and saving accounts (manually and/or electronically) including reconciliation.
- d. Utilize technology that relates to banking, savings, and financial products (e.g., electronic deposits, apps, payments, etc.).

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. Describe the risks and responsibilities associated with using credit. (e.g., late fees, finance charges, default rates, interest, closing costs).
- c. Calculate how long it takes to repay debt making minimum payments on installment loans and revolving accounts.
- d. 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.
- e. Understand the Rule of 72 and the negative impact on borrowed sums.
- f. Describe the personal and societal effects of bankruptcy and identify circumstances that lead to bankruptcy (e.g. uninsured medical costs, family break-up, loss of job).

Objective 4: Explain and understand credit reports and scores.

- a. Explore and discuss the pros and cons of basic types of credit (e.g. unsecured vs. secured credit, credit cards, installment loans, revolving credit, student loans, and predatory lenders).
- b. Identify the three major credit bureaus.
- c. Understand the legal right to a free annual credit report (AnnualCreditReport.com).
- d. Evaluate and identify components of a credit report; including derogatory marks the warning signs of credit abuse (late fees, missed payments, collection notices and bounced checks).
- e. Evaluate the costs and risks of Pay Day and Predatory Lending

**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. (Saving)
- b. Identify and understand basic saving options. (e.g., savings account, mutual funds, Certificate of Deposit, etc.).
- c. Identify types of long-term retirement investments and reasons to invest (e.g., IRA, Roth IRA, 401(k), and 403(b)).
- d. Understand the impact on income through federal, state, and local taxes.
- e. Demonstrate time value of money (TVM) principles by using the rule of 72 and by manipulating the five variables used in basic TVM calculations.
- f. Discuss the long term investment potential associated with the stock market focusing on fundamentals (e.g., diversification, risk/reward, investor behavior).

- g. Identify and define the types of financial risks (e.g., business risk, political risk, inflation risk, interest rate (re-investment) risk, market price risk (short term-volatility), fraud risk, consumer/investor behavior risk).

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 select consumer protection agencies and laws (e.g. Federal Trade Commission (FTC), Better Business Bureau (BBB), US Food and Drug Administration, and Consumer Product Safety Commission (CPSC).
- c. Identify and explore Federal and State entities that exist to protect consumers from forms of fraud and abuse (e.g., FINRA.org, State Division of Securities, State Departments of Insurance, Securities Investor Protection Corporation).

Objective 2: Define rights and responsibilities of consumers.

- a. Understand financial contracts tied to consumer purchases, (e.g., cell phone, membership fees, etc.).
- b. Discuss the negative impacts of predatory and pay-day lending practices.
- c. Identify ways to avoid "identity theft" and fraud (e.g., securing sensitive financial data, online commerce, phishing, pharming, and the disposal of sensitive documents).
- d. Understand how to recover from Fraud and Identity theft
- a. Discuss ways to avoid financial schemes (e.g. pyramid schemes, multi-level marketing, etc.).
- b. Describe the negative consequences of gambling and playing the lottery.
- c. 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 (e.g., automobile, health, home owner/renters, whole/term life, disability, etc.).
- b. Define terms of a basic insurance policy (e.g., contract, limits of coverage, deductible, premium, grace period, life time limit, etc.).
- c. Discuss insurance needs at different stages of life.
- d. Understand identification and designation of beneficiaries.

**Comments:**

- Retirement planning should be enhanced
- Where money comes from