Ohio's Model Curriculum

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Financial Literacy – Middle Grades

Ohio | Department of Education

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Introduction to Ohio's Learning Standards for Financial Literacy

Ohio Revised Code (3301.079 (A)(2)) requires Ohio to have financial literacy standards and model curriculum for students in kindergarten through grade 12. Financial literacy is a requirement for high school graduation; however, each district determines how best to meet the needs of its students to fulfill this graduation requirement. Some districts add a separate course as a local graduation requirement, while others integrate financial literacy content into a course that already exists.

The content covered in the financial literacy standards and model curriculum has immediate implications for high school students as they begin to make large financial decisions such as purchasing cars, signing contracts for places to live or taking out loans to continue their education. The goal of financial literacy instruction is to provide students with the knowledge they need to make a lifetime of informed financial decisions.

Financial Literacy or Economics?

The terms *economics* and *financial literacy* often are used interchangeably, but these areas of study are dissimilar. Economics is defined as an area of study in the social sciences concerned chiefly with description and analysis of the production, distribution and consumption of goods. Conversely, financial literacy focuses on individuals or families making the best financial decisions in the present and planning for a strong financial future.

Currently, Ohio law allows for teachers with any licensure to teach financial literacy. According to EMIS data, the most common areas of licensure for educators teaching this course are social studies, family and consumer science, and business education. However, it is up to the district to determine who will teach this content and whether it is integrated into another course or is offered as a stand-alone course.

Guiding Assumptions

Statistics such as the ones below show the need for students to have a strong basic understanding of financial literacy:

- About 40% of adults under age 30 have student loan debt.[1]
- A quarter-million federal direct student loan borrowers see their loans go into default for the first time every quarter, and an additional 20,000 to 30,000 borrowers default on their rehabilitated loans.[2]
- Payday lenders misrepresent the true cost of borrowing to their customers. Even the industry-funded CRC (Georgetown Credit Research Center) study found that over 40% of borrowers believed their payday loan rates were less than 30% APR, not much more than a credit card rate. In fact, payday loan rates are on average 13 times higher, or roughly 400%.[3]

These statistics highlight a lack of understanding by consumers regarding their financial options or in navigating their options to create the best financial future for themselves.

The financial literacy standards and model curriculum were created by Ohio educators who currently teach financial literacy and include topics that the average consumer will need to know and make decisions about during their lifetime. While topics such as investing are covered, this is not designed to be a course on investing and there is no assumption that all students will, at some point in their lives, become active investors. However, it is important for students to be aware of investing as they may decide later to participate in a pension plan or retirement savings program. Students are introduced to savings and investing in addition to debt and credit issues. Additionally, topics such as consumer fraud and identity theft are covered to help students remain vigilant about new and different methods used in crimes to access consumers' personal information.

[1] FactTank – 5 Facts About Student Loans

[2] Underwater on Student Debt – Kristen Blagg

[3] Center for Responsible Lending - Fact v. Fiction: The Truth about Payday Lending Industry Claims

Overview of Ohio's Model Curriculum: Financial Literacy

The K-6 financial literacy standards and model curriculum combine content from both social studies and mathematics. Standards that deal with topics such as counting money, creating a budget and understanding the importance of saving have been adopted by the State Board of Education. The model curriculum makes intentional connections between social studies and mathematics which create a foundation for the Middle Grades Financial Literacy Standards.

The middle grades (grades 7-8) model curriculum introduces students to new concepts such as different sources of income, the connections between training or continuing education and income potential. It will also allow students to develop a deeper understanding of budgeting, savings, insurance and investing concepts.

The High School Model Curriculum can be used by districts to inform instruction in a stand-alone course or as possible content to include in their own financial literacy instruction. The high school course prepares students to understand financial literacy concepts and helps them to become savvy consumers who can avoid scams, prepares students to make sound financial decisions, provides an overview of different types of insurance and how they protect individuals, explains how to create budgets and plan for unexpected expenses and provides an introduction to investing.

Financial Literacy Model Curriculum: Middle Grades

TOPIC: FINANCIAL RESPONSIBILITY AND DECISION MAKING

Content Statement

1. **Financial responsibility entails being accountable for managing money to satisfy one's current and future economic choices.**

CONTENT ELABORATION

Financially responsible individuals make thoughtful choices based on their own goals and recognize they are personally responsible for their financial choices. Managing money is the process of budgeting, saving, investing and spending to reach financial stability.

Current (short-term) financial goals typically include daily and monthly expenses, such as rent or mortgage payments, food, transportation and utilities. Future (long-term) goals may include saving for a new vehicle, education, retirement or other large purchases.

EXPECTATION FOR LEARNING

Identify the differences between short- and long-term financial goals.

Describe responsible ways to manage money.

Content Statement

2. **Financial responsibility involves life-long decision-making strategies, which include consideration of alternatives and consequences.**

CONTENT ELABORATION

Over their lifetime, people make many financial decisions about education, jobs and personal life that affect their income.

Financial goals should be developed and evaluated regularly. When making financial decisions, individuals should reflect upon alternatives and determine if the consequences will be positive or negative for everyone involved in the decision.

EXPECTATION FOR LEARNING

List financial decisions made at different stages of life and factors that will affect those decisions.

Explore how education and career decisions affect incomes and job opportunities.

Understand there are often positive and negative consequences for financial decisions.

TOPIC: FINANCIAL RESPONSIBILITY AND DECISION MAKING

Content Statement

3. **Competencies (knowledge and skills), commitment (motivation and enthusiasm), competition (globalization and automation), training, work ethic, abilities and attitude are all factors impacting one's earning potential and employability.**

CONTENT ELABORATION

Twenty-first century skills, including critical thinking, media and communication skills, collaboration and creativity, are important in every job and not specific to any particular field. Being prompt, hard-working and honest, as well as having a good attitude also are important.

Competencies can be defined as the knowledge, abilities and skills necessary for an employee to be successful in a specific job. Employees who are lifelong learners seek additional training and typically are more desirable to their employers.

EXPECTATION FOR LEARNING

Identify how various training and education options in high school and beyond can further one's employability.

Evaluate individual interests and skill sets to identify potential careers.

Explain how one can become more employable through training and education.

Content Statement

4. **Income sources include job earnings and benefits, entrepreneurship, saving and investment earnings, government payments, grants, inheritances, etc. Workers can experience dramatic income dips and spikes from month to month.**

CONTENT ELABORATION

There are various sources of income, such as jobs, entrepreneurship, savings, investments and government assistance. Different income sources will affect financial planning in both the short and long term.

Interest is a form of income earned from financial investments.

Various jobs can experience dramatic changes in income. In some industries, such as agriculture, an individual does not receive a regular paycheck and may be paid only after a crop is harvested once or twice a year. Another example is a roofer who can work only in certain weather conditions, causing income amounts to fluctuate. Workers in these situations must account for these fluctuations as they create their budgets.

EXPECTATION FOR LEARNING

List and explain the different types of income, including earned and unearned.

Explain the causes that affect income changes in specific jobs.

TOPIC: FINANCIAL RESPONSIBILITY AND DECISION MAKING

Content Statement

5. **Taxes, retirement, insurance, employment benefits, and both voluntary and involuntary deductions impact take-home pay.**

CONTENT ELABORATION

Gross pay is the amount of pay employees receive before taxes and other withholdings are taken from their paychecks. Net pay, also referred to as take-home pay, is the amount of money employees receive after deductions and withholdings.

Deductions from gross pay may be considered voluntary or involuntary. Examples of involuntary deductions may include federal, state and local taxes, retirement accounts, insurance and employment benefits. Voluntary deductions include investments and charitable donations.

EXPECTATION FOR LEARNING

List common deductions, such as insurance, taxes and retirement.

Understand the effect of deductions and withholdings on gross pay.

Identify the difference between voluntary and involuntary deductions.

TOPIC: PLANNING AND MONEY MANAGEMENT

Content Statement

6. **Financial responsibility includes the development of a spending and savings plan (personal budget).**

CONTENT ELABORATION

To achieve short- and long-term financial goals, a spending and savings plan (budget) must be created, evaluated and updated on a regular basis. Income and expenses must be accurately reflected to make the budget a useful tool.

S.M.A.R.T. (Specific, Measurable, Attainable, Realistic, Time-bound) goals help individuals determine and remember what their financial goals should reflect.

People should revise their budgets to prepare for unplanned changes in income. A budget should include short-term savings or emergency funds to pay for unexpected expenses, such as a car repair, as well as long-term savings that reflect larger goals, such as a down payment on a house or retirement.

EXPECTATION FOR LEARNING

Devise a spending and savings plan (budget) for current short- and long-term goals, income and expenses.

Identify factors that could force an individual to change his or her budget.

Prepare a monthly budget for a family or individual with consideration to income, savings goals and taxes, as well as fixed and variable expenses.

TOPIC: PLANNING AND MONEY MANAGEMENT

Content Statement

7. **Financial institutions offer a variety of products and services to address financial responsibility.**

CONTENT ELABORATION

There are many different types of financial institutions, such as banks, online banks, credit unions and brokerage houses. Each financial institution serves different needs of consumers. Typical products and services such as savings accounts, checking accounts and financial planning services help consumers manage their finances.

Consumers must know how much money they have available in their checking accounts prior to withdrawing money or making purchases with debit cards linked to those accounts. Consumers can reconcile their checkbooks by hand using the check register or by using online tools. A checking account must be reconciled on a regular basis to ensure the consumer's records correlate with bank records.

EXPECTATION FOR LEARNING

Evaluate products and services from financial institutions that a student might use, such as checking and savings accounts, and discuss advantages and disadvantages of different products.

Reconcile checking and savings account balances using both an account register and an electronic tool.

Content Statement

8. **Financial experts provide guidance and advice on a wide variety of financial issues.**

CONTENT ELABORATION

Financial experts are available to help consumers make financial decisions. Financial experts can be associated with banks, brokerage houses or credit unions, or they can be independent brokers who help consumers create plans for reaching short- and long-term financial goals.

Financial planners can be certified in different ways.

EXPECTATION FOR LEARNING

Describe the role and responsibilities of a financial expert.

Identify careers in financial services.

TOPIC: PLANNING AND MONEY MANAGEMENT

Content Statement

9. Planning for and paying local, state and federal taxes is a financial responsibility.

CONTENT ELABORATION

Federal, state and local entities levy taxes to pay for community benefits, including roads, safety and schools. It is the responsibility of each citizen to pay taxes. The cost of various taxes must be figured into an individual's spending and savings plan.

Tax rates often differ among municipalities and states. Based on income or spending, individual tax responsibility varies.

EXPECTATION FOR LEARNING

Identify how tax money is used to benefit individuals and communities.

Calculate the impact of taxes on an individual's income and spending.

TOPIC: INFORMED CONSUMER

Content Statement

10. An informed consumer makes decisions on purchases that may include a decision-making strategy to determine if purchases are within their budget.

CONTENT ELABORATION

Consumers make economic choices almost daily. When faced with choices about which items to buy, consumers should consider their budgets and needs.

When faced with a decision about purchasing a good such as a cell phone, consumers consider many factors, including price of the phone and price of alternatives, features, dealer or manufacturer reputation, consumer preference, reviews and the consumer's budget. Other considerations include durability, warranties, repair and maintenance costs.

Advertising impacts consumers. Businesses need to make profits and advertise their products in hopes of gaining more customers. Consumers must pay close attention to the details of advertisements to make sure they actually are receiving the advertised products and/or services.

EXPECTATION FOR LEARNING

Explain the factors a consumer considers before making a purchase.

Explain how advertising may impact a consumer's decision when making a purchase.

TOPIC: INFORMED CONSUMER

Content Statement

11. Consumer advocates, organizations and regulations provide important information and help protect against potential consumer fraud.

CONTENT ELABORATION

Consumer fraud is a deceptive practice that can result in financial or other losses for consumers in the course of seemingly legitimate business transactions. Personal vigilance is one way to prevent fraud.

Federal government agencies such as the Federal Trade Commission (FTC) exist to offer information and protection to consumers in matters of fraud. The Office of the Treasurer and Attorney General of Ohio also help make consumers aware of potential fraud and scams. These agencies also may be able to help victims recover some or all of their losses from fraud.

Non-government organizations such as the Better Business Bureau also educate consumers about fraud.

Laws exist to protect consumers.

EXPECTATION FOR LEARNING

Identify ways consumers can identify fraud and protect themselves from becoming a victim of fraud.

Explain actions consumers can take if they believe they have been victims of fraud.

Describe consumer protections provided to citizens through government and consumer agencies.

Content Statement

12. Compare bank terms before opening an account.

CONTENT ELABORATION

Many financial institutions offer lending services that include credit cards, lines of credit and loans. Before consumers make choices regarding credit or loans, it is important they know the terms and conditions, including the terms of repayment, interest rate, late fees and service fees. This information can be found by reading all the information provided by the institution prior to signing for credit or a loan.

EXPECTATION FOR LEARNING

Compare the terms and conditions of the consumer-lending statements from two or more financial institutions to determine which one is better for a given consumer.

TOPIC: INFORMED CONSUMER

Content Statement

13. Consumer protection laws help safeguard individuals from fraud and potential loss.

CONTENT ELABORATION

The Truth in Lending Act, Fair Debt Collection Practices Act and Fair Credit Reporting Act laws help protect consumers from fraud and related financial loss.

Consumers must monitor their credit card and financial account transactions to be aware of fraudulent purchases or withdrawals.

EXPECTATION FOR LEARNING

Explain how protection laws may shield individuals from fraud and potential loss.

Review a bank statement and a credit card statement to become familiar with transaction postings.

Content Statement

14. Planned purchasing decisions factor in direct (price) and indirect costs (e.g. sales/use tax, excise tax, shipping, handling, and delivery charges, etc.).

CONTENT ELABORATION

When making a purchase, consumers should know there are costs beyond the purchase price. These costs may include sales tax, a delivery charge, shipping, handling, interest and membership fees. When considering the total price, consumers must consider all direct and indirect costs.

The state of Ohio charges tax on most goods that consumers purchase. However, each county also can set a local tax rate on goods so the cost of the same pair of shoes at the same retailer may be more or less expensive in a different county.

EXPECTATION FOR LEARNING

Identify the difference between direct and indirect costs.

Compare the overall costs of goods and services from various distributors, such as retail and online.

Compute sales tax on comparable items in different tax localities.

TOPIC: INVESTING

Content Statement

15. Using key investing principles, one can achieve the goal of increasing net worth.

CONTENT ELABORATION

The purpose of investing is to increase and protect one's net worth in the short and long term. There are general investing principles that can guide individuals in choosing investments to meet this goal.

Net worth is the total of available cash, including savings and investments, plus any property or other assets, minus liabilities.

An asset is property with economic value owned by a person or company.

Liability is money owed, also known as debt.

Investing principles typically include making a plan, saving and investing for the long term, investigating before one invests and avoiding the cost of delay. Individuals who start saving at an early age have more time for compound interest to increase their wealth. Investments include mutual funds, bank CDs, bonds, stocks and real estate.

EXPECTATION FOR LEARNING

Identify different types of liabilities and assets.

Describe ways to increase net worth.

Discuss factors that can impact the value of investments.

Content Statement

16. Investment strategies must take several factors into consideration, such as compounding interest, costs, fees, tax implications and the time value of money.

CONTENT ELABORATION

One of the tools investors use to increase the value of their net worth is time. By planning on investing for the long term, investors have the benefit of compounding interest, enabling investments to increase in value.

As investors review potential investments, they must consider the costs of products, fees, risks and taxes.

EXPECTATION FOR LEARNING

Demonstrate how compound interest affects an investment at 10, 20, 30 and 40 years.

Compare the administrative costs (fees) and taxes of various investment products.

TOPIC: INVESTING

Content Statement

17. Government agencies are charged with regulating providers of financial services to help protect investors.

CONTENT ELABORATION

To help protect investors from unethical practices, regulatory agencies have been created. The Securities and Exchange Commission (SEC), Federal Deposit Insurance Corporation (FDIC), National Credit Union Association (NCUA) and other government agencies regulate providers of financial services.

EXPECTATION FOR LEARNING

Describe the roles of government agencies and protections they offer to investors.

TOPIC: CREDIT AND DEBT

Content Statement

18. Credit is a contractual agreement in which a borrower receives something of value now and agrees to repay to lender at some later date.

CONTENT ELABORATION

Contracts, both written and verbal, are agreements that bind two or more parties in a financial relationship.

The terms of a written contract include costs, time frame for payments, interest rate and penalties. Default consequences should be read and fully understood before signing. Borrowers must repay loans according to the contractual terms.

Loans are forms of credit. Loans are available at banks and financial institutions, as well as at payday lenders.

The difference between a loan from a bank and a payday lender is the terms of the loans. Payday lenders typically charge high interest and include significant fees for loans. The amount of money a borrower repays is much larger than the original amount borrowed. The terms of payday loans often are unclear.

EXPECTATION FOR LEARNING

Describe the difference between a loan from a bank and one from a payday lender.

Identify the terms that may exist within a loan.

TOPIC: CREDIT AND DEBT

Content Statement

19. Debt is an obligation owed by one party to a second party.

CONTENT ELABORATION

Debt is considered a promise of payment, whether it is in the form of a personal loan, vehicle loan, mortgage or credit card bill. Consumers have a legal obligation to pay debt.

Individuals should be careful not to accumulate too much debt. Too much debt negatively impacts a person or family as they struggle to pay off credit cards and loans each month while paying for current necessities. If a person cannot repay one or more loans or keep up with payments, private and government organizations provide credit counseling and can help consumers create plans to pay off the debt.

If consumers struggle to repay their debts, they should contact the billing agencies directly to create their own repayment plans and try to avoid any negative impact on their credit scores.

EXPECTATION FOR LEARNING

List types of debt.

Discuss the impact debt may have on individuals and families.

Content Statement

20. Effectively balancing credit and debt helps one achieve some short- and long-term goals.

CONTENT ELABORATION

A credit score is determined by debt-to-income ratio and various other factors, including the length of time a person has had financial accounts, types of credit used, payment history, amounts owed and new credit. Effectively balancing debt is an important part of establishing and maintaining a good credit score.

A person's credit score is a measure of consumer credit risk. A person can have a score ranging from 300-850; higher scores represent a better credit history. People who have high credit scores typically receive lower interest rates for new loans from banks.

EXPECTATION FOR LEARNING

Discuss situations that positively or negatively impact an individual's credit score.

Content Statement

21. Financial documents and contractual obligations inform the consumer and define the terms and conditions of establishing credit and incurring debt.

CONTENT ELABORATION

When incurring debt, consumers must read and understand the complex documents that describe the terms and conditions they are agreeing to before signing. Consumers often do not understand that credit cards are a form of debt, and they may have difficulty paying if they have many cards or only pay the minimum amount due each month.

EXPECTATION FOR LEARNING

Evaluate several credit card offers and choose the best card based on criteria such as interest rate, late fees, rewards programs and annual fees.

Explain the consequences of paying the minimum payment when making a monthly credit card payment.

TOPIC: CREDIT AND DEBT

Content Statement

22. Many options exist for paying for post-secondary education opportunities.

CONTENT ELABORATION

Research a career field of interest. Review the income potential and educational or training requirements. There are various methods to pay for postsecondary education or training options, including grants, loans, scholarships, work reimbursement, military benefits and personal savings. Consider the potential income of the career when reviewing loan repayment schedules.

EXPECTATION FOR LEARNING

Describe the differences between a grant, loan and scholarship.

Research the advantages and limitations of various career opportunities.

TOPIC: RISK MANAGEMENT AND INSURANCE

Content Statement

23. Safeguards exist that help protect one's identity, money, and property.

CONTENT ELABORATION

Individuals can protect their own identity by taking precautions when they use debit or credit cards, make online purchases and use passwords.

Identity theft is a growing problem; thieves can steal an identity and ruin an individual's credit very easily and often do so without the individual knowing. Individuals must be vigilant and share personal information, such as their social security number with trusted sources only. If identity theft is suspected, an individual must act quickly to lessen the impact of the theft.

When consumers purchase items such as cars, appliances and electronics, they typically are offered warranties to protect against product defects or damages. Warranties and service plans typically are offered by the business that sold the item and are a separate cost from the item. Warranties operate in a similar way as insurance.

Individuals can minimize losses by purchasing various forms of insurance. Individuals can carry insurance that will protect them against damage or loss of property, identity theft, product liability lawsuits, libel and slander.

EXPECTATION FOR LEARNING

List ways individuals can safeguard their personal information and protect against identity theft.

Explain how warranties and insurance can safeguard identity, money and property.