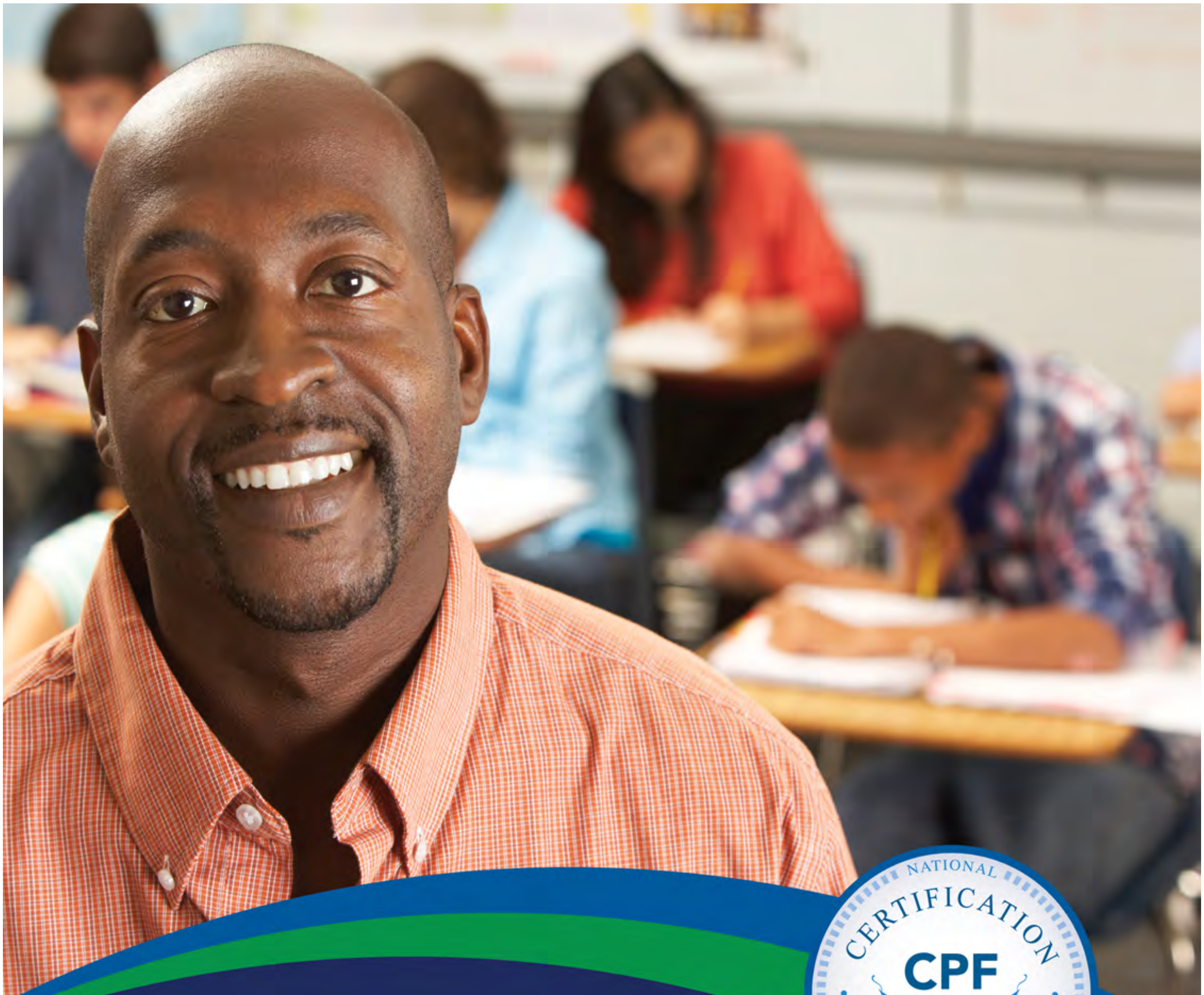

CERTIFICATION IN PERSONAL FINANCE MANUAL

w!se
working in support of education

The Working in Support of Education (W!SE)

Manual for the Certification in Personal Finance Test

is made possible through the generosity of…

ICE NYSE Foundation

W!SE, an educational not-for-profit, is dedicated to financial literacy, and readiness for college and the workplace. W!SE is the New York State Affiliate of National Jump$tart, a Coalition designed to promote financial education nationwide.

Use of this manual is **restricted** to educators registered to take the Certification in Personal Finance test. Under applicable copyright laws, you are prohibited from copying, reproducing, adapting, distributing, displaying, or transmitting any of the content of this manual.

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FOREWORD

In 2008, Working in Support of Education (W!SE) created a Certification in Personal Finance Test. The Test is intended for educators who are currently teaching or are interested in teaching personal finance to high school students, other educators, or adults. It is an online exam and has 75 multiple choice questions. The topics assessed are aligned to national and state standards on personal finance; educators who pass the Test earn a Certification in Personal Finance and receive a CPF certificate from W!SE.

The Certification in Personal Finance Test is now offered nationally. To help educators prepare, W!SE has created this Manual. Questions on the Test are based on the enclosed curriculum outline. W!SE will review the Manual annually and make revisions to it, as needed, to reflect changes in personal finance education.

Please contact us with questions or recommendations:

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THE W!SE CERTIFICATION IN PERSONAL FINANCE TEST

Purpose: W!SE developed Certification in Personal Finance to encourage educators to build their knowledge of personal finance and, therefore, strengthen and improve the quality of personal finance instruction.

Eligibility: Any individual who is an instructor of personal finance or is interested in providing personal finance instruction is eligible to take the Certification in Personal Finance Test. No individual shall be excluded from the opportunity to take the Test on the basis of race, national origin, religion, gender, age, sexual orientation or disability.

Scheduling the Test: W!SE offers the Certification in Personal Finance Test nationally during the school year and in the summer. It must be administered by an independent proctor in a proctored setting at a school or school district office or location arranged by W!SE. Educators interested in taking the Test should contact W!SE to find out when and how they can schedule a date to take the Test.

Preparation for the Test: Educators may prepare for the Test with or without training. For those without any experience teaching personal finance, prior training is recommended. The Manual can be used to support preparation for the Test, whether or not educators prepare on their own or in conjunction with a training workshop or course.

Taking the Test: The Certification Test is an online multiple choice exam. Test takers should choose the one answer that they think answers the question correctly. There are no penalties for guessing. Seventy minutes are allotted for the exam, which includes ten minutes for the proctor to provide instructions and sixty minutes for test takers to complete the Test.

Materials to Bring: Test takers must present a government issued photo ID (e.g. driver's license) to the proctor in order to take the exam. The name appearing on the photo ID must be the same as the name of the test taker. Reference books, notes, calculators, communications devices or other study materials must not be brought into the exam room.

Reporting of Scores: Scores are reported by W!SE within three days of the scheduled date of the Test. Scores may be reported directly to the test taker. W!SE may also be required to submit scores to a school district administrator.

Certification: Certification is awarded to test takers who complete and successfully pass the Certification in Personal Finance Test. The designated credential is W!SE's CPF – a Certification in Personal Finance.

Reapplication: If a test taker does not pass the Test and wishes to take it again, he/she may do so after three months.

FREQUENTLY ASKED QUESTIONS

Who receives the test results?
If W!SE has the email address of the teacher, we will send the results via email. Otherwise, scores are reported to teachers through our contact person who is often a school district administrator. Scores are confidential unless the state or school district arranged for the test to be administered and requires copies of the test scores.

Do I have to be Certified in Personal Finance in order to participate in the W!SE Financial Literacy Certification Program for high school students?
W!SE encourages, but does not require, teachers to have a Certification in Personal Finance.

Do I need to be enrolled in a financial education workshop or course to be eligible to take the Certification Test?
If you are enrolled in a professional development program that culminates in the Certification Test, you can use this Manual to prepare for the exam. Otherwise, you may use the Manual to prepare for the test without professional development.

After reviewing this Manual, can I take the test online at home?
The Certification in Personal Finance test may only be taken with an approved proctor in an approved proctored venue. Please contact W!SE for testing sites.

Is the Certification in Personal Finance test for educators and adults the same as the W!SE **Financial Literacy Certification Test for students?**
No, the teacher test is longer and more rigorous.

How many questions does the test have?
The test has 75 multiple-choice questions that are based on the detailed outline given in this Manual.

Is the test timed?
Yes. The test must be completed within 60 minutes. There is an additional 15 minutes allowed for set up and instruction.

If I do not pass the Certification in Personal Finance, can I take this test again?
Yes, after 3 months, it may be taken again.

How much does it cost to take the test?
The cost of the test is $50. Prospective test takers should contact their test administrator. If you need the administrator's name, contact Jonathan Sands at jsands@wise-ny.org.

2016-2017 CURRICULUM OUTLINE

➊ MONEY

- What is money and why is money important?
    - Description and characteristics of money (e.g., medium of exchange)
- U.S. currency has value
    - U.S. money is money **NOT** backed by gold (U.S. money has value based on the confidence in and strength of the U.S. government, i.e. fiat money)
- Money vs. barter
- Role of the U.S. Department of the Treasury
    - Printing, minting currency through the Bureau of Engraving and the U.S. Mint
    - Collects taxes through the Internal Revenue Service (IRS)
- Connection between money, income, savings, spending, and financial literacy
- Methods for receiving or paying for goods & services (other than cash) which is leading to a cashless society:
    - Gift card—store or agency specific cash/gift cards that have a dollar balance on the card—e.g., Starbucks, phone cards, metro/subway card, etc.
        - Potential for and restriction on fees
    - Debit card—allows consumers to withdraw directly from bank checking or savings account
        - Potential and restriction on fees
        - Does a PIN or signature-based debit transaction become a credit card transaction?
    - Prepaid debit card—allows consumers without credit cards or bank accounts to make card purchases or get cash via ATM networks
        - Advantage (cannot overdraw) and disadvantage (fees)
    - Checks, cashier checks, bank checks, money orders
        - Purpose, how to obtain, benefits and typical usage
    - Credit card
    - Electronic transfer (or EFT-electronic funds transfer, online payment of bills)
- Sources of Income (how money enters our lives). For example:
    - Employment, investments, self-employment (being an entrepreneur and operating your own business), rental income, profits on the sale of goods or services, overtime pay
    - Windfall income (gambling, lottery, inheritance, gift, etc.)
    - Earning interest and/or dividends
    - Inheritance
- Factors influencing income
    - Capacity to earn, knowledge, skills, level of education
    - Job opportunities (supply and demand, upward mobility opportunities, etc.)
    - Employment benefits (monetary and non-monetary)
    - <u>Inflation</u> and <u>deflation</u>
        - characteristics of each and the impact of each on income, purchasing power, and money in circulation)
    - Taxation
        - What is a tax, general purpose of taxes
        - Types of taxes (payroll, excise (cigarettes, gasoline, commodities))
        - Impact on income
        - Who has the power to assesses taxes
        - Required annual filing of federal income tax returns with the IRS
        - How does the graduated income tax system work?

- Paycheck
  - Gross wage
    - (hours x hourly wage vs. an annual salary) vs. net pay
  - Paycheck and pay stub
  - Mandatory vs. optional payroll deductions
    - Mandatory taxes include Federal, State, (in some locations there is a city or local tax), Social Security (FICA) and Medicare).
    - Court mandated deductions are: child support and garnishments.
    - Optional deductions include automatic savings, contributions to 401(k) plans that are taken out of gross pay, and life insurance.
      - Employees often pay for some of their health insurance which is deducted from gross pay as a separate deduction.
  - Role of payroll exemptions
    - When does a person increase or decrease their exemptions? What happens to net pay and/or gross pay when there is an increase or decrease in exemptions?
  - Benefits that are <u>sometimes</u> given to employees by employers and the importance of knowing what benefits are provided by the employer when accepting a job
    - i.e. tuition reimbursement, matching pension contributions, health insurance (is it fully paid by the employer or partially paid by the employer?)
    - Most employers are requiring employees to contribute to health plans.
    - Non-contributory (not deducted from pay) benefits are generally vacation and sick days.
- Loans Against Future Income
  - Payday Loans
    - Why and where do people get a payday loan? (Disadvantage: Expensive)
  - Deposit advance loans: allow bank checking account holders to get an (expensive) short-term advance on an electronically deposited paycheck or qualified direct deposit
    - Sometimes called Checking Account Advance

❷ BUDGETING

- Financial goals that are "SMART" (**S**pecific, **M**easurable, **A**ction-oriented, **R**ealistic with a **T**ime-frame)
  - Goal timelines–long term, intermediate, and short-term
- Purpose of a budget
  - Recommend that individuals start by tracking income & expenses for one or two months
  - Value of having a spending plan/budget
  - Steps in preparing a budget
- Create a budget/spending plan
  - Categories include: income, fixed expenses, variable expenses, investments and savings
  - Limited resources
  - Needs vs. wants
  - Opportunity cost
- Analyzing income vs. fixed and variable expenses
- Balancing a budget (based on the 3 R's—reality, responsibility, and restraint)
  - Determining surplus (also known as discretionary income) or deficit
  - Evaluating the budget—with strategies to reduce a budget, have discretionary income (income, coupons, luxuries, negotiation), and spend less than is earned
  - Purchasing strategies (comparison shopping, catalog, internet)
  - Understanding the influence of advertising and peer pressure on spending (evaluating information)
  - Having strategies to achieve long-term, medium/intermediate term, and short-term goals
  - Importance of savings
- Guideline for an emergency fund (three to six months of income) at different stages in life

- Understanding and following the advice "**pay yourself first,**" in order to develop the habit of saving and building savings into the budget
- Factors affecting a budget (inflation, "acts of God", unemployment, etc.)

❸ COST OF MONEY

- Interest rates (the cost of borrowing)
- Role of the Federal Reserve in influencing interest rates and clearing checks
  - Results of raising and lowering interest rates
    - Whom and what do the rates affect when they increase or decrease? Why?
  - Different interest rates that the Federal Reserve System uses to influence the money supply
    - Federal Funds Rate, Discount Rate (their purpose and importance)
- Concepts
  - Time value of money
  - Rule of 72 (number of years it takes to double money = 72/interest rate)
  - The benefit of interest on principal or savings
  - Simple interest vs. compounding interest
  - Benefit of daily compound interest (preference for weekly over monthly, quarterly or annual compounding, etc)
- What is the Annual Percentage Rate (APR)?
  - When is this term used? Why is it important to know the APR? How does the APR differ from the APY (Annual Percentage Yield)?
- Inflation
  - Impact of inflation on interest rates and on purchasing/buying power

❹ BANKING

- Types of financial institutions (purpose, similarities and differences)
  - Credit unions (non-profit)
  - Banks (for profit)
- Savings
  - Definition
  - Importance and advantage of saving to achieve financial goals
    - short, medium, long term, retirement
  - Making money grow (putting money to work through savings that earn interest)
  - Liquidity vs. illiquidity
  - Bank requirement to report deposits of $10,000 or more
- Safety in banking
  - Federal Deposit Insurance Fund (FDIC) for banks
    - Role of FDIC regarding the closure of failed banks
  - National Credit Union Share Insurance Fund (NCUSIF) for credit unions
    - Administered through National Credit Union Administration (NCUA)
  - Role of the Federal Reserve
    - The banks' bank; protecting depositors/setting reserve requirements
- Factors to consider when shopping for a bank
  - Availability of products and services,
    - e.g., free checking, savings without a minimum balance or a very low balance, online banking, ATM availability, hours that the bank is open, safe deposit boxes, drive-up window, weekend or evening hours, the interest rate on CDs, mortgages, personal or business loans, etc.
  - Questions to ask
    - What type of accounts pay interest? Etc.
- Information/identification needed to open an account

- Your information and a required ID enables the bank to report interest earned to the IRS and to have proof of true identity
  - They generally ask for a valid photo ID, proof of age and identity
    - i.e., driver's license, state issued or military ID, alien registration number, utility bill, apartment lease
    - Most banks require a Social Security (FICA) number.
  - Some banks do not require proof of citizenship or a Social Security card but they all ask for some form of identification.

- Banking services and products (purpose, function, and uses of each)
  - ATM cards
    - How they work, advantages, PIN numbers
  - Debit cards
    - Automatic/direct withdrawal from checking, savings or money market accounts
    - vs. PREPAID debit cards i.e., agency, or store cash cards that may, or may not, be replenished
      - i.e., Starbucks or subway/metro card
  - Instruments that are as good as cash
    - Cashier/Bank checks (guaranteed by bank, paid for upfront, bank generally charges a fee)
    - Certified checks (personal check stamped at a person's bank because funds are set aside to pay on the check)
    - Money Order (purchased at post office for a fee)
  - Checking
    - Regular checking
      - Monthly and per-check fees
    - Free checking
      - Account guidelines and benefits
      - If minimum balance is required, what happens if a check written brings the balance below the minimum balance?
    - How to write a check and parts of a check
      - ABA routing number/check number, checking account number, payor, payee, date, amounts (numerical and word)
    - Check register (purpose is to record deposits and withdrawals)
    - Endorsement (why important and different forms of endorsement)
    - Consequences of insufficient funds
      - Fee by bank and fee by or to payee
      - Overdraft protection (advantage and disadvantage)
    - Potential problem with checks made payable to Cash
    - Reconciliation of check register with the checking account bank statement
    - Placing a stop payment order
      - When and why would a person stop payment on a check, an action that results in a bank fee for the service?
  - Cashing checks, money orders etc.
    - **NO cost** to depositors or if check is drawn on the bank
  - Electronic transfer/automatic and online bill and credit payments
    - Value and how it works
  - <u>Compare services</u> and associated costs at banks, credit unions, pawnshops, check cashing centers, and lending/mortgage nonbank firms
  - Direct deposit of paycheck
    - Value to employee, how it works, availability of money on payday
    - Employee's responsibility to verify that the paycheck was deposited
  - Online access
  - College Savings Plans

- Bank products that produce income
  - Certificates of Deposit (CD) vs. savings (CD's generally have higher interest/penalty/less liquidity, require higher deposit)
  - U.S. Savings Bonds
- Safe deposit boxes
  - What is the main reason to rent a box?
- Loans
  - What is a loan and why do banks give loans?
  - Using savings vs. taking a loan (cost comparison)
  - More on Credit (**see next topic area on credit** for more topics related to loans, credit cards, how they work, etc.)
- How banks make money, get money to pay interest to depositors, and serve businesses
- Abuses, remedies and how to prevent:
  - Money order scams
  - Check fraud
  - Identity Theft
  - Check cashing stores

❺ CREDIT

***IMPORTANT NOTICE*:**

Summary of the Credit Card Accountability Responsibility (CARD) and Disclosure Act of 2009 located here: **www.creditcards.com/credit-card-news/help/what-the-new-credit-card-rules-mean-6000.php**

- Define credit and explain how credit works
  - Sources
    - Banks and credit unions
    - **Finance companies/Consumer Finance Company**
      - Whom do they generally lend to and why? Potential disadvantage.
    - Credit card companies
    - Mortgage brokers/lenders
    - Auto-finance companies
    - Furniture stores
    - Payday lenders
      - Tend to be employers and now banks with pay advances that give loans (using the next paycheck as collateral for the loan
        - Results in a cycle of borrowing that is difficult to get out of
    - Pawn shops, tax preparer fees for advance on refund, check cashing stores (why they lend and DISADVANTAGES)
    - Government
    - Colleges, bank or government
      - Student loans to cover costs related to colleges/university education
        - NOTE: **Student loans are never forgiven even if person declares bankruptcy**
    - Family or friends
    - Borrowing from insurance companies against cash value on a policy
  - Benefits of credit
    - Convenience of not having to carry cash, easy to buy on the internet, emergencies, short-term financing, hotel/rental cars, ID, buy-now terms
  - Types of credit/loans
    - Credit cards
    - Student loans
    - Real estate loans i.e., mortgages

        - Cash loans
        - Car loans
        - Installment loans
        - Advance pay loans
- Considerations when taking a loan
    - Application and need to compare
    - Down payment and impact on monthly payments (the higher the down payment the lower the cost of monthly payments)
    - Length of loan (the further out the loan, the lower the payment but the higher the total amount of interest paid/cost of borrowing)
    - Interest rate (variable vs. fixed rate of interest)
    - Total cost (the greater length of time for the loan, the higher the cost of the loan)
    - Collateral vs. no collateral
- Factors affecting credit
    - How to establish credit
    - Qualifications for credit or loans
        - Three C's of credit (capacity, character and collateral)
            - <u>Character</u>—integrity
            - <u>Capacity</u>—sufficient money to pay for obligations
            - <u>Collateral</u>—assets to secure the debt
        - Six C's of credit (lenders are now using the 6 C's)
            - <u>Character</u>—integrity
            - <u>Capacity</u>—sufficient money to pay for obligations
            - <u>Collateral</u>—assets to secure the debt
            - <u>Capital</u>—net worth
            - <u>Conditions</u>—of the borrower and the overall economy
            - <u>Credit history and scores</u>—what are they and how do they influence the interest rate charged on a loan?
                - Right of lender to deny loans based on credit history, credit score, inadequate income and/or assets in relation to the amount of loan requested (cannot deny credit because of age, gender, race, handicap, sexual orientation)
    - How a lending/credit agency or bank strengthens its ability to collect in the event a consumer defaults on a loan
    - Types of Loans
        - Secured loans (forms/examples of collateral)
        - Secured loans vs. unsecured loans
        - Cosigned loans and joint credit vs. individual credit
- Costs and risks
    - Costs
        - Interest [APR]
            - Variable vs. fixed interest rate
            - The Truth in Lending Act
        - Finance charges and/or fees
            - Annual, late fees, fee for awards programs
        - The shorter the loan, the cheaper the price of the product purchased on credit (because less interest is being paid), and the inverse, i.e., effect of loan length on the cost of credit/the purchase
        - The higher the interest rate, the more a consumer pays for the product purchased on credit and the inverse when interest rates are lower, i.e., the effect of interest rate on the cost of the price
        - Why credit (FICO) score/rating (determined by # of credit products, amount of debt, and record of payments) influences the rate of interest charged by lenders

        - How prepayment of a loan can reduce the length and cost of the loan (prepayment by making larger payments than required)
    - Risks
        - Default/foreclosure/repossession
        - Overspending
        - Credit card/consumer debt and high levels of personal bankruptcy filings among young people
        - Difficult to save when consumer is constantly spending and owing
        - Poor credit decisions
        - Low payments –higher cost of product/service purchased on credit. Understand the consequences related to the length of time it takes to pay credit when only the Minimum Amount Due is paid toward the balance owed. Generally, the longer the period of time for the loan, the GREATER the total cost of the loan and the price of the product or service purchased on credit.
        - Not comparing and evaluating interest rates, length of the loan, and total cost of the loan over the payment period.
- Credit Cards
    - Also known as revolving credit, e.g., VISA, MasterCard
    - Charge cards require full payment at the end of the month e.g., American Express Green Card
    - Advantages and disadvantages
    - Credit cards are regulated by the office of the Comptroller of the Currency, part of the U.S. Treasury Department
    - Issuers have to give card account holders "a reasonable amount of time" to make payments on monthly bills--payments are due at least 21 days after they are mailed or delivered.
    - There is a legal limit on the interest rate hikes and fees that banks can charge for a credit card.
        - There is a limit to over-the-limit and subprime credit card fees.
        - Interest rate hikes on existing balances are allowed under limited conditions, such as when a promotional rate ends, there is a variable rate or if the cardholder makes a late payment.
        - Interest rates on new transactions can increase only after the first year.
        - Significant changes in terms on accounts cannot occur without 45 days advance notice of the change.
    - Changes to the law as a result of the CARD and Disclosure Act of 2009:
        - Credit card issuers are banned from issuing credit cards to anyone under 21; unless they have adult cosigners on the accounts or can <u>show proof they have enough income</u> to repay the card debt. Credit card companies must stay at least <u>1,000 feet from college campuses</u> if they are offering free pizza or other gifts to entice students to apply for credit cards.
        - Card issuers cannot raise the APR automatically when the cardholder fails to make a payment on another card
        - Consumers must "opt-in" to over-limit fees; those that opt-out have their transaction rejected if the transaction causes the card to exceed limit
        - Issuers need to more clearly disclose terms such as due dates and times, year-to-date totals on interest and fees and the implication of making only the <u>minimum payments</u> on credit card bills each month.
        - **NOTE:** Issuers can still raise interest rates on future card purchases and there is no cap on how high interest rates can go. If credit card accounts are based on <u>variable APRs</u> (as the majority now are), interest rates can increase as the prime rate goes up. Credit card companies can also continue to close accounts and slash credit limits abruptly, without giving cardholders advance warning. Some banks are launching <u>new fees</u> not banned by the credit card reform law.
    - Difference between a credit card, debit card, and prepaid debit card (which charge fees)

- Installment loans (equal monthly payments e.g., mortgages, student loans, auto loans, furniture loans), the effect of prepaying (if allowed) an installment loan, thereby reducing the length and cost of the loan.
    - How does the layaway plan work?
    - Ownership/title for goods, when purchased on installment vs. revolving credit
- Mortgages and home equity loans—how they work and their advantages
- Importance of credit history and credit score/rating
    - Credit Reports
        - Role of credit reporting agencies
        - Kind of information on credit reports
        - Consumer's responsibility, and process needed to correct errors on credit reports (also, why it is important to correct errors)
        - Right to obtain a free credit report (once a year and within 60 days of denial of consumer credit, or 6 months of denial of employment –go to annualcreditreport.com NOT freecreditreport.com)
        - Access to credit reports is given to landlords, employers, and lenders
    - Credit score (FICO)
        - Factors that influence the score
        - Steps to improve ones credit score
        - Effect of open credit card accounts on credit score
        - Factors that have a negative impact on credit score (applying for credit or credit card/having a new account (new loan)/not paying bills/bankruptcy/ **high debt balance/ high debt to credit ratio**/recent negative information/**insufficient diversity**
    - Elements related to the use of credit cards
        - Cash advances (associated costs and disadvantages)
        - Credit Limit—amount card holder is permitted to charge
            - Recommend that students start with a low limit, so as to establish a credit history and monitor spending
            - College students can also apply for prepaid credit cards (acts like a debit card)
        - Grace period—the time between date on the credit card bill and the date payment is due
        - Minimum Amount Due
        - Finance charge
        - Late fee (the result of the credit card company not receiving and posting the payment on the date due. A record of late payments may also trigger a higher interest rate on balance due or new purchases on credit after giving the cardholder 45 days notice)
        - APR (Annual Percentage Rate)
        - Due date and related misunderstandings
        - Reading and understanding credit card statements
    - Credit problems
        - High cost, sales abuses, addiction to spending
        - Gambling (poker, etc.) on the internet, using one's credit card and getting into serious debt
        - Overpaying for loans and taking unnecessary (e.g., tax-refund) loans
        - Payment problems (late payments or inability to pay)
        - Potential Consequences for default on a loan (repossession, eviction, bankruptcy, lien, foreclosure--cover Fair Debt Collection Practices Act and the limitations on collection activities)
        - Lost or stolen credit cards (steps to take, rights, potential consequences, cardholder responsibility)
    - Resolving credit problems

        - Know your rights—Truth in Lending Act of 1968 and CARD and Disclosure Act of 2009
        - Strategies/best practices—call creditors, pay on time, pay in full, close unnecessary credit card accounts, notify credit card company immediately when faced with payment problems
        - How to close a credit card account
        - Use and protection of personal identification numbers (PIN)
        - Credit repair through credit counseling—Consumer Credit Counseling Services (CCCS)
        - Bankruptcy (when used by consumers and impact on credit)
            - Chapters 7, 11, and 13
            - Effect of bankruptcy on credit and a person's credit report
            - Consolidation loans
    - Abuses, remedies, and how to prevent the following:
        - Identity Theft
        - Predatory lending
        - Payday/Pay Advance loans
        - Harassment
        - Phishing (internet scams, spoof or hoax)
    - Customer/consumer responsibilities:
        - Saving credit card receipts to check against credit card monthly statements & for returns
        - Spouse on a credit card or co-signor for credit
            - Who is responsible for payment of debt? What happens to card debt in event of divorce or death?
        - Avoiding identity theft or credit card fraud
            - Not allowing others to use your credit card, credit card w/picture, know when to give Social Security Number, etc.
        - Carefully READING and understanding financial agreements/contracts and evaluating credit deals (e.g., zero interest, low payment schedule, transferring balances)

❻ **INSURANCE**

- Type of financial institution: Insurance Company
- Purpose of insurance
    - Definition, purpose, and concept of shared risk
- Risk management
    - What does risk mean? How does the degree of risk influence the cost of insurance premiums?
- Determine insurance needs, determine what is affordable, and comparison shop
- Terminology: premium, coverage, deductible, claim, benefit, face value, benefit period
- Types of insurance—who needs the insurance, why needed and how they work
    - Automobile
        - Factors affecting cost (age, gender, marital status, type of car, cost of repairs, mileage, location, law enforcement, driving record)
        - Coverage required by the state
        - Collision insurance coverage and its impact on the cost of car insurance
        - Assigned risk pool
        - Premium cost for females vs. males
        - Strategies to reduce the cost of car insurance
            - increase the deductible
            - cancel collision insurance
            - garage the car

            - install security alarm
            - maintain a good driving record
            - avoid submitting small claims
        - Importance of comparison shopping for the best insurance rates
    - Health
        - non-HMO/network vs. HMO/network policy—and a combination of these two
        - Note: Health insurance today is rarely paid in full by the employer. Most often the employee pays for a percentage of health insurance. The portion paid by the employee is deducted from his/her pay.
        - Co-pays and how the co-payments work when you go to the doctor
        - Annual deductible—How it works and how the amount/level of the deductible influences the cost of the premium
    - Life
        - The difference between term life, whole life insurance
        - Death benefit/face value
        - Cash value (how does cash value work)
        - Factors to consider in determining the amount of life insurance coverage needed
        - Value upon cancellation of policy
        - Death benefit on life insurance policies
    - Property Insurance
        - Examples of who needs it and how the amount of coverage needed is determined
        - Renters, homeowners, and mortgage insurance
        - How the deductible works
        - How does a policy with "replacement value" pay a claim
    - Disability Insurance
    - Long Term Care Insurance
- Considerations: strategies to reduce cost for each type of insurance, right amount of insurance (underinsured vs. over insured) e.g., alarm systems, non-smokers, no accidents or tickets for moving violations, driver education, etc.
- How insurance companies determine the premium for each type of insurance

❼ INVESTING

- Type of financial institutions:
    - Brokerage (securities) firms
    - Investment banks
- Purpose of investing (increase assets and produce wealth)
    - Explain difference between investing and saving
- Investment products
    - Stocks
    - Bonds
    - Real estate
    - Collectibles (antiques, coins, sports cards, comic books, etc.)
    - Mutual funds
- Long-term value of investing
- Brokers (known today at wealth advisors, financial advisors or consultants) vs. online investment services
- Markets
    - Market for buying and selling stocks and bonds, also known as securities
    - Stock Exchanges (e.g., NYSE Euronext, NASDAQ)
    - Major indices (S&P 500 and Dow)
- Securities—Investment products/choices
    - Treasury Bills (also known as T-Bills)

    - Considered safe because it is backed by the full faith and credit of the U.S. government (they are not, however, guaranteed by the government);
- Non-interest bearing instruments
    - Bought as a short term security for a minimum of $100, for a period of 1 month to a year. The difference between the face amount and the purchase price is the return to the investor.
- Stocks (also known as equities)
    - Definition, examples, and stockholders rights including the right to vote
    - Why do companies issue stocks? (need money to grow or expand)
    - How to read the stock market table (stock symbol, high, low, closing price, volume of trading)
    - Sale of stock and figuring capital gains/losses
        - (selling price - purchase price) x shares of stock = capital gains or losses
    - Required reporting of capital gains or losses to the IRS, and their impact on income taxes
    - Factors that influence stock prices (e.g., news, economy, new product, interest rates, etc.)
    - Bear, bull, and volatile markets
    - Risk and risk tolerance
    - Risk and return
    - Stock (equity) portfolio
    - Stocks have historically outperformed other investments over an extended period of time
    - Shareholder and creditor rights to being paid when a publicly listed corporation goes bankrupt
    - Dividends
        - Purpose, who declares, calculating what investor receives (shares x $ dividends) dividend listed on stock table
    - Classifications
        - Blue chip stocks
        - Growth stocks
        - Income (stock with dividends)
        - Speculative (characteristics and examples of a speculative vs. safe investment)
- Mutual Funds
    - What is a mutual fund?
    - Purpose of mutual funds and the reason investors purchase mutual funds (diversification and moderate risk)
    - How are mutual funds packaged (e.g., equity and bond funds)?
    - Where can an investor purchase mutual funds (wealth advisors (broker) or directly)?
- Bonds
    - Purpose, reason issued, why purchased by an investor
    - Components or characteristics of bonds
        - Principal (face value) the price you pay for the bond before commission, coupon, yield to maturity (interest rate), maturity, discount, premium, what the bond pays to lender
    - Factors that influence bond prices
        - Interest rates, credit rating, expected inflation, prospect for economic growth, safe haven
    - Result of an increase or decrease in interest rates on the price of a bond
    - Factors that influence the rating of a bond (credit worthiness, financial capacity, state of the economy, financial debt history, etc.)

        - Types of bonds: U.S. Government, municipal, corporate bonds, and junk bonds (Series EE bonds & interest earned)
            - Reason consumers buy each type of bond
            - Tax consequences on interest earned
            - What affects the price of bonds (Interest rates, inflation, economic conditions)
            - Insurance on (some) bonds to reduce risk
    - Exchange Traded Funds (ETF)
- Primary vs. secondary markets
- Monitoring groups and regulating agencies
    - Securities Exchange Commission (SEC)—protects the public by monitoring stock markets and brokers and enforces the laws concerning the buying and selling of stocks
    - Financial Industry Regulatory Authority (FINRA)
- Investment strategies
    - Securities (stocks and bonds) are generally avoided when for example,
        - there is a need for liquidity
        - investor cannot afford to lose the capital, i.e., needs the money to live on
        - the investor is retired and needs to have low risk
    - Reducing/lowering risk through diversification…**not putting all your eggs in one basket.**
    - Stage-in-life considerations: going to school, being single, marriage, children, divorce, retirement, career change
    - **Capital Gains Tax**: Holding securities whose price has increased for more than 12 months and one day before selling the stock to avoid capital gains being taxed as ordinary income. With long term holding it will be taxed at the lower capital gains tax.
    - **Churning**: high and frequent turnover of the account position by a stock broker (financial consultant/advisor)
    - **Stop Loss:** a strategy by an investor to control the potential loss on an investment
    - Circumstances under which investors may buy or sell their investments: changes in goals, spending needs, starting a new business, college education, retirement, etc.
    - **Long-term** investing, situations for cutting losses and when investors consider dollar-cost averaging.
    - **Dollar cost averaging**

❽ MONEY MANAGEMENT and FINANCIAL PLANNING

- Determine personal net worth by subtracting liabilities from assets
    - Assets (things owned with monetary value) – liabilities ($ owed) = net worth OR
    - What a person owns minus what they owe equals what they are worth
- How life stages and inflation influence money management (budgets, spending, insurance needs, etc.)
- Financial plans (goals and priorities, life cycles, financial planners)
- Wills; their purpose, importance and how to create/secure one
- Taxes
    - Purpose and value
    - Kinds of taxes (sales, income tax, real estate, etc.)
    - Form of payment (annual tax returns, upon purchase, etc)
        - **Tax-anticipation** checks or prepaid cards, offered by some tax preparers, allow customers to pay upfront for tax preparation. The check is not a loan (tax refund loans are now illegal). A bank sets up a temporary account to receive the refund from the IRS. Then the bank issues the customer a check or prepaid card minus the tax preparation fee and any other fees and closes the account. Banks charge for the checks. **Fees are very high**.
- Strategies for being a smart consumer

    - Evaluating product warranties to determine need and value
    - Evaluating the need and cost for product insurance (often purchased for cell phones, computers, etc.)
    - Why comparison shopping and reading customer reports on products are important steps
    - Why lowest price is not always the best factor in making a decision
    - Problems associated with impulse buying or being addicted to spending
    - How advertising influences spending and increases the cost of products
- Housing
    - Renting vs. owning
        - Owning—tax deductibility of mortgage interest and building equity
            - When does a homeowner have title (full ownership) of his or her home?
            - Benefits related to a single family home vs. a two family home
        - Renting—fewer responsibilities, no building equity
            - Landlord's legal responsibility and rights related to security deposits
        - Costs associated with renting or owning (rent, security deposit, insurance, repairs, utilities/oil & heat, moving)
        - Real estate as an investment
    - Financing ownership
        - Applying for a mortgage
            - Elements (down payment, interest rate, length of the mortgage, amount borrowed)
            - Calculating the mortgage amount required relative to a given down payment
        - Fixed vs. variable mortgages
        - Banks vs. finance companies
        - The relationship between the amount of down payment and the amount of the monthly mortgage payment (the higher the down payment, the lower the mortgage and the lower the mortgage payments)
        - What does a lending institution consider when determining a person's creditworthiness for a mortgage?
    - Homeowners Insurance
- Long-term planning
    - College
        - Tuition and expenses
        - College savings plans and how they work
    - Retirement
        - Facts on preparedness for retirement in the U.S. and importance of taking responsibility to have sufficient money for retirement
        - Social Security Income
        - Pensions
            - Definition
            - Value of having and/or contributing to a pension
            - Meaning of tax deferred (taxes are due on pension funds when received/ withdrawn)
        - 401(k)
            - How does this financial product/benefit work?
                - Companies make a contribution to the plan and employees may make contributions
            - What are the benefits of making contributions?
                - Tax deferred savings, reduces taxable income
            - When does a person have to pay taxes on 401(k) contributions for retirement?
            - What happens to employer and employee 401(k) contributions when employee leaves employer?

        - Employee needs to rollover funds into an IRA or another 401(k). If pension retirement funds (contributions) are withdrawn when leaving a company and not deposited in a 401k or IRA account, contributions are taxable.
        - If employee retires, taxes are due on money withdrawn from plan
      - Employee is entitled to dollars contributed by the employer (after being vested) and dollars employee contributed to the 401(k) pension account.
    - Traditional vs. Roth IRA
      - How each works/benefits or advantages/penalty for early withdrawal
      - When are taxes payable for each—annually for Roth or upon withdrawal for traditional
  - Impact of inflation on income, spending, savings and investment (relative to various groups of people: fixed incomes, borrowers and lenders)
  - Cost of living considerations e.g. geographical differences in consumption needs and in the price of goods and services as well as housing costs,

❾ REGULATORY AGENCIES

Federal Deposit Insurance Corporation (FDIC)—insures deposits and can take over failed banks, Federal Savings and Loan Insurance Corporation (FSLIC), Securities Exchange Commission (SEC), Federal Reserve Bank (FED), Internal Revenue Service (IRS), Financial Industry Regulatory Agency (FINRA), Consumer Financial Protection Bureau (CFPB)

CAREERS

Institutions in the financial services industry (exchanges, banks, insurance, securities, financial planning, real estate) and related financial firms (accounting, credit counseling, finance companies, etc.).

ETHICS

- Identify social and ethical issues
- Consequences of unethical practices or behavior (financial institutions and consumers)

READING FINANCIAL DOCUMENTS

*Credit Report	*Credit Application	*Credit Statement
*Stock Market Table	*Loan Statements	*Checking Acct. Bank Statement
*Savings Account Statement	*Investment Account Statement	

TEST BLUEPRINT

		% of Questions
I.	Money, Budgeting, Cost of Money, Money Management/ Personal Financial Planning,	30-35%
II.	Banks and Banking	20-25%
III.	Credit	15-20%
IV.	Insurance/Investing	20-25%

Career related questions can appear in any of the four segments of the Blueprint.

FINANCIAL TERMS, RULES, AGENCIES

Money

Barter
Cash card/gift card
Cashless society
Check
Credit card
Debit card
Dependents
Earnings
Electronic transfer
Employment benefits
Exemptions
Federal taxes
Fringe benefits
Garnishment
Gift
Gift card
Gross wages
Human capital
Income
Income tax deductions
Inflation
Inheritance
IRS
Life cycle
Local taxes
Money
Money order
Net pay
Paycheck
Paycheck stub/earnings statement
Payroll deductions
Payroll exemptions
Profit
Purchasing power
Rental income
Social Security tax (FICA)
State taxes
Store card
Store Cash card
Supply and demand
Tax refund
United States Treasury Department
Upward mobility
Wages
Windfall income

Budgeting

Balanced budget
Budget
Deficit
Discretionary income
Disposable income
Emergency Fund
Fixed expense
Goals
Income
Intermediary goal
Long-term goal
Needs
Opportunity costs
Pay yourself first (the rule)
Personal income
Short-term goal
Spending plan
Surplus
Trade offs
Variable expense
Wants

Cost of Money

Annual Percentage Rate (APR)
Buying power
Compound interest
Federal Reserve Bank
Interest
Interest rates
Principal
Rule of 72
Simple interest
Time value of money

Banking

ABA number/check routing #
ATM card
Automatic bill payment services
Bank
Bank Statement
Bounced check
Car loan
Cash loan
Cashier's check
Certificate of Deposit (CD)
Certified check
Check cashing centers
Check cashing fee
Check fraud
Check number
Check register
Check stub
Checking
Checking account number
Collateralized loan
Commercial bank
Credit
Credit card
Credit Union
Debit card
Depositor
Direct deposit
Endorse
Endorsement
FDIC
Finance companies
Financial intermediaries
Free checking
Illiquidity
Insufficient funds
Line of credit
Liquidity
Minimum balance required
Money market account
Money order
Online access
Overdraft protection
Pawn shops
Penalty

PIN number
Predatory lending
Promissory Note
Reconcile
Reconciliation of check register
Redlining
Safe deposit box
Savings account
Savings bank
Securities Investor Protection Corporation
U.S. Savings bond

Credit

3 C's of credit (capacity, character & collateral)
APR (Annual Percentage Rate)
Auto finance companies
Balance owed
Bank
Bankruptcy
Bankruptcy Chapters 7, 11, and 13
Cash advances
Charge cards
Collateral
Consolidation loans
Consumer Credit Counseling
Services (CCCS)
Consumer debt
Co-signed loans
Credit card companies
Credit cards
Credit history
Credit rating
Credit report
Credit reporting agency
Credit score
Debtors anonymous
Default
Due date
Finance charge
Fixed interest rate
Fixed rate of interest
Foreclosure
Garnishment
Grace period
Home equity loans
Identity theft
Installment loans/credit
Interest [APR]
Late fee
Lien
Credit limit
Line of credit
Liquidation
Low credit rating
Minimum amount due
Minimum payment
Mortgage
Mortgage brokers/lenders
Overspending
Ownership
Pawn shops
Pawn ticket
Payday loans
Penalty
PIN
Predatory lending
Prepayment
Repossession
Revolving credit
Secured Credit card
Secured loans
Unsecured loans
Tax preparers
Title for goods
Truth in Lending Act of
1968
Usury
Variable interest
Variable rate

Insurance

Annual deductible
Assigned risk pool
Automobile insurance
Beneficiary
Benefit period
Cash value
Claim
Collision insurance
Comparison shopping
Co-pay
Death benefit
Deductible
Disability insurance
Face value
Homeowners insurance
Insurance
Comprehensive
Insurance Benefit
Insured
Long-term care insurance
Managed care health
insurance
Mortgage insurance
No-fault insurance
Non-managed care health
insurance
Over insured
Premium
Property damage liability
insurance
Renter's insurance
Risk
Term life insurance
Under-insured
Unemployment
insurance
Universal variable life
insurance
Whole life insurance

Investing

American Stock
Exchange
Antiques
Bear market
Big Board
Blue chip stock
Bond
Bond fund
Bond principal
Brokers
Bull market
Capital gain
Capital loss
Collectibles
Common stock
Diversification
Diversified portfolio
Dividends

Don't put all your eggs in one basket
Dow Jones Industrial Average
Equities
Face value
Financial consultants
Growth stock
Income (stock with dividends)
Insured bonds
Investing
Investment
Liquidity
Money market account
Mutual Fund
NASDAQ Market
Financial Industry Regulatory Authority (FINRA)
New York Stock Exchange
Portfolio
Preferred stock
Primary market
Rate of return
Risk
Risk tolerance
S&P 500
Secondary market
Securities
Securities Exchange Commission (SEC)
Speculative
Speculator
Stock exchanges
Stock fund
Stock market
Stock portfolio
Stock symbol
Stockholder
Stockholders' rights
Stocks
Treasury bill
Treasury note
Volatility

Money Management/Financial Plan

401(k)
Accountants
Asset
Balance Sheet
Bank mortgage
Better Business Bureau
Building equity
Consumer Price Index
Creditworthiness
Down payment
Employee contributions
Finance company mortgage
Financial planners
Financial plans
Financing ownership
Fixed mortgage
Identity theft
Impulse buying
Income Tax
Income Tax Return
Landlord
Liability
Monthly mortgage payment
Mortgage Interest
Net worth
Ownership
Pension
Phishing
Property taxes (Real Estate taxes)
Real estate
Renting
Retirement planning
Roth IRA
Sales tax
Security deposit
Social Security income
Stages in life
Tax deferred
Tenant
Title
Traditional IRA
Utility expenses
Variable mortgages
Will

Careers

Accountant
Banker
Broker
Credit counselor
Financial consultant
Financial planner
Financial writer
Insurance agent
Insurance sales person
Investment analyst
Mortgage banker
Real estate sales person
Stock analyst

Common Financial Advice and Sayings

Don't put all your eggs in one basket.
Pay yourself first.
A penny saved is a penny earned.
If it sounds too good to be true, it is (too good to be true).
Buy low, sell high
Neither a borrower nor a lender be; for loan oft loses both itself and friend and borrowing dulls the edge of husbandry
There are more fools among buyers than sellers
The best time to plant a tree is 20 years ago...the second best time is now
The higher the risk, the higher the return
I owe, I owe, so off to work I go
Penny wise, pound foolish
A dollar today is worth more than a dollar tomorrow

w!se | Financial Literacy CERTIFICATION

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