Teacher to Teacher

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Financial Literacy Awareness

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Financial literacy is the ability to read, analyze, manage, and communicate the personal financial conditions that affect material well-being. It includes the ability to make financial choices, discuss money and financial issues without (or despite) discomfort, plan for the future, and respond to life events that affect everyday financial decisions, including events in the general economy. Being financially literate helps to protect individuals from identity fraud or questionable investments and allows them to meet basic everyday needs.

Statistics provided by the American Bankruptcy Institute, Federal Reserve, and National Endowment for Financial Education say that:

- The average credit card debt per U.S. household rose from $2,985 in 1990 to $8,562 in 2002.
- Women are twice as likely as men are during retirement to receive income below the poverty level.
- 55% of American workers have no idea how much they will need to save to make their retirement dreams a reality.
- It costs the average American family over $200,000 to raise a child to 18.
- 43% of adults at the lowest level of financial literacy live in poverty, compared to only 4% of those at the highest level of financial literacy
- More than one-third (36.1%) of Americans report that they do not use a budget to manage expenses.

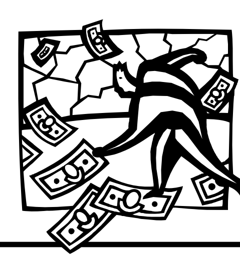
According to the American Institute of Certified Public Accountants (AICPA), there are five basic areas of personal finance that people need to understand to become financially literate. They include:

- **Money and income** Career choices, education, and job skills that affect income.
- **Money management** What we need and what we want are two different things. The truth is that few of us will ever have the money to purchase everything we desire.
- **Spending and debt** Whether you spend now or later, whenever you purchase an item, you take from your income (earned or unearned) to pay for it. Careful consumers compare the benefits and costs of spending alternatives.
- **Saving and investing** Saving means not spending money. Saving doesn't take brainpower; it takes willpower. Investing means that you earn a return on your money.
- **Risk management** There are always risks associated with both spending and saving money, but there are ways to mitigate these risks (risk avoidance, risk control, and risk transfer through insurance).

Resources for ABLE Teachers

You can use these resources to help students learn more about financial literacy. These sites provide valuable information about statistics on financial literacy, how to invest the money one makes, and guides one to implementing these tips into his or her lifestyle.

- *Financial Literacy in America: Individual Choices, National Consequences* http://www.nefe.org/pages/whitepaper2002symposium.html. Written in 2002, this document discusses the epidemic of financial illiteracy and how to help in ridding America of such distress. Bulleted information guides you through the essay's main concerns and helps explain what financial literacy is today.
- *FDIC Financial Education Curriculum: Money Smart* http://www.fdic.gov/consumers/consumer/moneysmart/index.html A training program to help adults outside the financial mainstream enhance their money making skills and create positive banking relationships.
- *Banking Basics* http://www.bos.frb.org/education/pubs/banking2.pdf This website has all the information one needs on financial information. The table of contents will guide you through the document.
- *Teacher Resources* http://www.federalreserveeducation.org/teachers/ This website houses several interactive tools and resources for educators, students and parents. The curriculum search tool facilitates integrating Federal education materials and statistics into the classroom by aligning materials with Voluntary National Standards in Economics produced by the National Council on Economic Education.



Ohio Literacy Resource Center
Enhancing Adult Literacy

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