

Financial Literacy

Contents

1. The Need for Volunteers
2. How Can I Make a Difference?
3. How Can My Organization Help?
4. Resources for Teaching Basic Financial Literacy Skills

The Need for Volunteers

To function efficiently as adults, young people must have enough knowledge and skills to navigate the world of personal and household budgeting, saving, banking, payroll and personal taxes, credit cards, insurance, investments, and personal loans. By giving young people access to lessons in basic financial and economic skills, volunteers can help these young people build a sound financial future.

Children are never too young to start learning key economic concepts and the math skills related to them. In particular, young people need to be equipped with these skills by the time they enter the teen years when their opportunities for employment and increased spending begin. For those students who plan to attend college, this is particularly important. According to the National Council of Economic Education (www.ncee.net), seventy-eight percent of college students have at least one credit card – many have four or five – and ten percent of those students owe more than \$7000. Yet according to a 2002 survey of financial literacy conducted by the Jump\$tart Coalition for Personal Financial Literacy, 68.1 percent of high school seniors failed an assessment of financial literacy skills. And those 2002 results reflect declining performance when compared with a 59.1 percent passage rate in 2000 and a 44.2 percent passage rate in 1997.

It is not surprising then that the Jump\$tart Coalition reports among the more than one million Americans who file for bankruptcy every year, the largest number come from the age group of young adults between 18-24 years of age.

According to Operation Hope, fewer than 30 percent of young Americans are given the opportunity to take as much as one week's worth of course work in money management or personal finance in high school. This is where volunteers with basic knowledge of financial literacy can help.

Volunteers can work in classrooms or through after-school and weekend activities with community-serving groups such as houses of worship and nonprofits to guide young people through simulations, demonstrations, and interactive projects designed to teach basic financial literacy skills. In addition to teaching them financial principles, these activities can have a lasting impact on students and help them develop critical thinking skills.

This toolkit is designed to provide tips and resources to organizations and individuals who want to help children acquire financial literacy skills, and in so doing, to give them hope that they are able to participate in the American dream.

How Can I Make a Difference?

Volunteers and organizations can incorporate financial literacy activities into a variety of youth-serving activities. You do not need to be a banker to help teach these basic skills to young people, and some tips appear below to help you think about how to do this. There are also opportunities specifically for financial services professionals to participate in classrooms and after-school and weekend programs, and information on these opportunities appears below.

Tips for Volunteers

If you are a volunteer working with children and youth, here are a few activities related to money matters that you can do together:

- Create a budget, whether for a specific purpose (e.g., saving for college, a vacation, a car) or for general household living expenses or their own expenses (e.g. clothing, after-school snacks, weekend entertainment).
- Visit a store (or look at print or online catalogs) to explore the costs of typical items
- Balance a checkbook.
- Review a credit card statement and talk about interest charges, yearly fees and what it means to establish personal credit.
- Choose a few stocks and follow them for several weeks. Compare stock growth with other investment opportunities like bonds, bank accounts and mutual funds.
- Conduct consumer research on an item you select together (compare costs, read consumer reports, etc.).

A number of national organizations and government agencies have created curricula and lessons for youth and for adults designed to teach basic financial literacy. A resources section is included in this toolkit which includes links to many of these materials.

Banking on Our Future

Banking on Our Future is a program at Operation HOPE, a national non-profit self-help and economic empowerment organization and a leading provider of economic empowerment tools and services. Click here (www.freedomcorps.gov/for_volunteers/spotlight/articles/200211-04.asp) to learn more about Banking on Our Future and how financial services professionals can engage in volunteer activities.

How Can My Organization Help?

Volunteer organizations that want to address financial literacy for youth should look for and create programs and materials that address the following basic topics:

Budgeting for your future.

There are many things young people need to consider when they think about what it will take to survive on their own: shelter, transportation, food, entertainment, and a variety of other personal expenses. For a sample activity to get young people thinking about budgeting skills, visit: www.education-world.com/a_lesson/01-1/lp232_01.shtml

Saving and investing.

The majority of Americans are not putting away enough money for retirement (National Council of Economic Education). Understanding basic concepts such as saving, consumption, and interest rates can help young people begin preparing now. For an example of a simulation exercise for grades 4-12, take a look at the *Stock Market Game*, online at: www.smg2000.org/

Understanding your paycheck.

As young people enter the workforce, they need to understand what they are earning and the percentage of that income that goes into taxes, benefits, and other sources. For a sample activity, visit: www.jumpstart.org/12PrinciplesAprillesson.pdf

Being an informed consumer.

With marketers, credit card companies, and others targeting increasingly young consumers, youth need to develop the skills and savvy to make responsible and informed choices. For a variety of interactive games, quizzes, and projects for teens, visit Consumer Jungle, at: www.consumerjungle.org

Understanding credit.

Young people need to understand the differences among different types of credit cards, as well as how to use credit cards responsibly. View a sample lesson on this topic at: www.education-world.com/a_lesson/01-1/lp232_02.shtml

Resources for Teaching Basic Financial Literacy Skills

The following are resources and materials that may be helpful to individuals or organizations working to teach young people basic financial literacy.

Interactive and lesson planning sites addressing multiple components:

Banking on Our Future (www.bankingonourfuture.com) is a program at Operation HOPE, a national non-profit self-help and economic empowerment organization and a leading provider of economic empowerment tools and services.

EconEdLink (www.econedlink.org/index.cfm) is part of the Marc Polo consortium, an extensive source of classroom-tested Internet-based economic lesson materials for grades K-12.

Practical Money Skills for Students (www.practicalmoneyskills.com/english/students) offers activities for young children (preschool – grade 2), children (grades 3-6), teens, and adults. Also links to resources for parents and teachers.

Money Smarts (www.girlscouts.org/moneysmarts/home.html) is targeted at girls, but applicable to all young people, advice and definitions to clarify the basics of earning, spending, saving, and investing.

Helpful Organizations and Websites:

FDIC Learning Bank (www.fdic.gov/about/learn/learning/index.html) is the FDIC's educational resource for students, parents, and teachers, complete with useful information, related links, and lesson plans.

Fannie Mae Foundation (www.fanniemae.com) provides financial products and services that make it possible for low-, moderate-, and middle-income families to buy homes of their own.

U. S. Department of Agriculture (www.reeusda.gov/f4hn/fdrm/excel3.htm) hosts the National Endowment for Financial Education (NEFE) High School Financial Planning Program (HSFPP) seven-unit curriculum available free-of-charge to schools. It is designed to help teach high school students the basics of sound money management.

U.S. Department of Agriculture Cooperative State Research, Education and Extension Service (www.reeusda.gov/ecs/Money/atwork.htm) makes the National Extension Money Management available online which teaches concepts, processes, and skills, and provides tools for individuals and families to learn and practice effective money management techniques.

Operation Hope (www.operationhope.org) seeks to bring economic self-sufficiency and a sustained spirit of revitalization to America's inner city communities through ongoing collaborations and long-term partnerships with leading government, private sector, and community interests.

Campaign for Economic Literacy (www.ncee.net/cel/index.html) is an ambitious campaign effort to significantly increase economic literacy and give young people a grasp of the basic principles of the American economic system.

Jump\$tart Coalition (www.jumpstart.org) offers resources, a personal finance clearinghouse, and lesson plans all designed to ensure that young people attain basic personal financial management skills during the K-12 educational experience.

Kiplinger (www.kiplinger.com/managing/kids/) offers personal finance and business forecasting guidance, with a special page devoted to kids and money.