

INSTITUTE FOR FINANCIAL LITERACY



NATIONAL STANDARDS FOR ADULT FINANCIAL LITERACY EDUCATION Second Edition

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The National Standards for Adult Financial Literacy Education identify the personal finance knowledge and skills an adult should possess. The Institute for Financial Literacy® contends that all adults who receive financial literacy education should have, at a minimum, the knowledge and ability to competently perform the basic tasks of managing their personal finances.

Financial literacy is a lifelong process requiring both academic and practical components. No single textbook or educational program can result in a financially literate adult. Financial literacy textbooks and education programs must be clear and concise, and they may be components of a comprehensive financial literacy curriculum. Such curricula should be graduated and consistent with the user's financial sophistication. Furthermore, the effectiveness of adult financial literacy education programs and textbooks should be validated by research.

The Institute for Financial Literacy strongly recommends that adult financial literacy education programs be designed to appeal to multiple adult learning styles and modalities, and utilize any educational resources found to be effective.

About the Institute for Financial Literacy®

Founded in 2002, the Institute for Financial Literacy® is a 501(c)(3) tax exempt non profit organization whose mission is to make effective financial literacy education available for all American adults. The Institute works both directly with clients and in partnership with other organizations to integrate financial literacy education into their current delivery of services. The Institute accomplishes its mission through the following programs and services:

Credit Counseling • Financial Education

Center for Financial Certifications™ • Library of Personal Finance™

Annual Conference on Financial Education™ • Center for Consumer Financial Research™

National Standards, Benchmarks and Best Practices Guidelines for Adult Financial Literacy Education

For more information about the Institute, its services and programs, please visit our website at

www.financiallit.org

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STANDARD I. MONEY MANAGEMENT
STANDARD II. CREDIT
STANDARD III. DEBT MANAGEMENT
STANDARD IV. RISK MANAGEMENT
STANDARD V. INVESTING & RETIREMENT PLANNING

Standard I. Money Management: Recognize how cash flow management and net worth analysis can be used as tools to achieve financial goals.

Money Management Benchmarks	
Cash Flow Management	Adults can: <ul style="list-style-type: none"> ⇒ Identify the components of a budget ⇒ Create personalized budget documents ⇒ Revise their budgets to reflect current cash flow
Personal Net Worth	Adults can: <ul style="list-style-type: none"> ⇒ Identify the components of a personal net worth statement ⇒ Create personalized net worth statements ⇒ Understand that their net worth will fluctuate as the values of their assets and liabilities change
Financial Goal Setting	Adults can: <ul style="list-style-type: none"> ⇒ Differentiate between short and long term financial goals ⇒ Prioritize their financial goals ⇒ Construct a realistic financial goal action plan ⇒ Revise their financial goals as life circumstances change

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Standard II. Credit: Know how and where to obtain credit, and the implications of using and misusing credit.

Credit Benchmarks	
Obtaining Credit	<p>Adults can:</p> <ul style="list-style-type: none"> ⇒ Differentiate among the types of credit ⇒ Understand which types of credit are better suited for particular purposes than other types ⇒ Identify types of financial institutions where credit can be obtained ⇒ Understand how the credit application process works
Utilization of Credit	<p>Adults can:</p> <ul style="list-style-type: none"> ⇒ Comprehend the legal implications of using credit ⇒ Understand what a credit report is, how to dispute errors in credit reports, and what a consumer's rights are regarding credit reports ⇒ Understand what credit scores mean and the significance of their use in modern life ⇒ Recognize what precautions can be taken to prevent identity theft and fraud, and what to do if victimized

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Standard III. Debt Management: Recognize how using debt can be a tool in asset building.

Debt Management Benchmarks	
Debt Measurement	<p>Adults can:</p> <ul style="list-style-type: none"> ⇒ Know what tools are available to them to measure their debt load ⇒ Determine what their appropriate debt load is ⇒ Understand the difference between good debt and bad debt
Debt Resolution	<p>Adults can:</p> <ul style="list-style-type: none"> ⇒ Recognize the warning signs of excessive consumer debt ⇒ Understand options available to assist with excessive debt loads ⇒ Evaluate which professionals can assist in dealing with excessive debt issues

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Standard IV. Risk Management: Use appropriate risk management strategies to protect assets and quality of life.

Risk Management Benchmarks	
Insurance	<p>Adults can:</p> <ul style="list-style-type: none"> ⇒ Differentiate among the types of insurance products ⇒ Understand their insurance needs ⇒ Comprehend the implications of being insured or uninsured
Risk Management	<p>Adults can:</p> <ul style="list-style-type: none"> ⇒ Evaluate the effectiveness of risk management tools in protecting against financial loss ⇒ Assess their risk tolerance level ⇒ Use risk tolerance levels in developing risk management strategies

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Standard V. Investing & Retirement Planning: Implement investment and retirement strategies to achieve financial goals.

Investing & Retirement Planning Benchmarks	
Investing & Retirement Planning	<p>Adults can:</p> <ul style="list-style-type: none"> ⇒ Differentiate among the types of investment vehicles ⇒ Identify the types of financial institutions where investment products can be purchased ⇒ Understand the differences between retirement and non-retirement, and qualified and non-qualified investments ⇒ Recognize the importance of planning for retirement
Investing & Retirement Strategies	<p>Adults can:</p> <ul style="list-style-type: none"> ⇒ Evaluate the risks and rewards associated with investment options ⇒ Understand the role risk tolerance plays when choosing investment vehicles ⇒ Comprehend the legal implications of investing ⇒ Assess their overall financial situation in determining retirement needs

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