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  - o 12-6b: Discuss the pros and cons of investing in a diversified mutual fund versus investing in a small number of individual stocks.
  - o 12-6c: Suggest an appropriate asset allocation for a very risk averse person versus a very risk tolerant person.
  - o 12-6d: Explain how target date retirement funds reallocate investments over time to meet their investment objectives.
  - o
- **Investing 12-7: Expenses of buying, selling, and holding financial assets decrease the rate of return from an investment.**
  - o 12-7a: Discuss how the expenses associated with buying and selling investments can impact rates of return and investment outcomes.
  - o 12-7b: Compare the expense ratios for several mutual funds.
  - o 12-7c: Explain why an actively managed mutual fund usually has a higher expense ratio than an index fund.
- **Investing 12-8: Tax rules affect the rate of return on different investments, and can vary by holding period, type of income, and type of account.**
  - o 12-8a: Compare tax rates paid on interest income versus short-term and long-term capital gains.
  - o 12-8b: Describe the advantages of investing through a tax-deferred account such as an IRA or 401(k) versus a taxable account.
  - o 12-8c: Investigate the contribution limits and tax advantages of a traditional IRA versus a Roth IRA.
- **Investing 12-9: Common behavioral biases can result in investors making decisions that adversely affect their investment outcomes.**
  - o 12-9a: Identify several behavioral biases that can result in poor investment decisions (e.g. loss aversion, investing in employer stock, home bias, mental accounting).
  - o 12-9b: Brainstorm methods for avoiding negative consequences from behavioral biases.
- **Investing 12-10: Financial technology can counterbalance negative behavioral factors when making investment decisions.**
  - o 12-10a: Explore common financial technologies used for investing, including automated trading platforms.
  - o 12-10b: Explain how automating investment activities can help people avoid making emotional investment decisions.
- **Investing 12-11: Many investors buy and sell financial assets through discount brokerage firms that provide inexpensive investment services and advice using financial technology.**
  - o 12-11a: Discuss how the development of financial technology has made it easier for people of all income and education levels to participate in financial markets.

- 12-11b: Choose a discount broker and research the minimum starting account balance, minimum monthly investment, and trading costs.
  - 12-11c: Identify the advantages and disadvantages of robo-advising and other investment-related financial technologies.
- **Investing 12-12: Federal regulation of financial markets is designed to ensure that investors have access to accurate information about potential investments and are protected from fraud.**
    - 12-12a: Explain the role of federal regulators in financial markets.
    - 12-12b: Discuss why insider trading is illegal and harmful to investment markets.
    - 12-12c: Explain the importance of having access to full and accurate information about potential investments.
- **Investing 12-13: Investors often compare the performance of their investments against a benchmark, such as a diversified stock or bond index.**
    - 12-13a: Explain why investors often compare portfolio performance to a benchmark such as the S&P 500 Index.
    - 12-13b: Research the composition of the most popular benchmark indices and compare their recent performance.
    - 12-13c: Discuss the advantages of investing in an exchange-traded fund (ETF) that tracks a market index rather than investing in actively managed mutual funds or individual stocks and bonds.
- **Investing 12-14: Criteria for selecting financial professionals for investment advice include licensing, certifications, education, experience, and cost.**
    - 12-14a: Discuss reasons that a person might want to hire a financial professional to manage their investments or provide investment advice.
    - 12-14b: Explain the importance of licensing, certifications, education, and experience as criteria for selecting a financial professional for investment management or advice.
    - 12-14c: Investigate where and how to find qualified financial professionals.

## DISTRICT-PROVIDED RESOURCES

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# Financial Literacy

## UNIT 5: Managing Credit

### ESSENTIAL QUESTION

**How does debt impact financial health?**

### BIG IDEAS

Students will:

- Analyze the costs and benefits of various types of credit
- Analyze the impact of credit scores and their influence on the cost of debt.
- Understand strategies to manage debt
- Identify major consumer credit laws

### GUIDING QUESTIONS

- **Content**
  - What information is needed when applying for loans and other forms of credit?
  - What information is contained in a consumer's credit report and what factors can impact their credit score?
  - What information about consumer credit rights are available from the Federal Trade Commission?
  - What is predatory lending?
- **Process**
  - How do borrowers develop a personal financial plan to manage debt?
  - How do financial institutions evaluate a consumer's creditworthiness?
- **Reflective**
  - Why is it important to have a good credit score and what can be done to improve the score by a consumer?
  - Why might a good credit score lead to the ability to better build wealth?

### FOCUS STANDARDS

- **Credit 12-1: Borrowers can compare the cost of credit using the Annual Percentage Rate (APR) and other terms in the loan or credit card contract.**

- 12-1a: Describe how credit card grace periods, methods of interest calculation, and fees affect borrowing costs.
- 12-1b: Compare the cost of borrowing \$1,000 using consumer credit options that differ in rates and fees.
- **Credit 12-2: Loans that are secured by collateral have lower interest rates than unsecured loans because they are less risky to lenders.**
  - 12-2a: Give examples of unsecured and secured loans.
  - 12-2b: Explain why lenders charge lower interest rates on secured loans than on unsecured loans.
  - 12-2c: Compare what happens if a borrower fails to make required payments on a secured loan, such as an auto loan or a home mortgage, versus failing to pay a credit card account.
- **Credit 12-3: Monthly mortgage payments vary depending on the amount borrowed, the repayment period, and the interest rate, which can be fixed or adjustable.**
  - 12-3a: Identify the type of collateral required for a mortgage loan.
  - 12-3b: Differentiate between adjustable-rate and fixed-rate mortgages.
  - 12-3c: Compare monthly mortgage payments for loans that differ in repayment period, amount borrowed, and interest rate.
- **Credit 12-4: Describe the different sources of funding for post-secondary education.**
  - 12-4a: Describe the different sources of funding for post-secondary education.
  - 12-4b: Explain the role the FAFSA plays in applying for college financial aid.
  - 12-4c: Identify scholarships and grants for which they are eligible.
  - 12-4d: Estimate the reduction in total cost of education and potential student loan debt if they complete their first two years of college at a community college before transferring to a four-year institution.
- **Credit 12-5: Federal student loans have lower rates and more favorable repayment terms than private student loans, and may be subsidized.**
  - 12-5a: Compare federal and private student loans based on interest rates, repayment rules, and other characteristics.
  - 12-5b: Describe the process of applying for a student loan.
  - 12-5c: Estimate total interest on various student loans based on interest rates and repayment plans.
  - 12-5d: Predict the potential consequences of deferred payment of student loans.
- **Credit 12-6: Down payments reduce the amount needed to borrow.**
  - 12-6a: Identify examples of loans that may require down payments.
  - 12-6b: Given the price of a home, estimate the amount of down payment required.
  - 12-6c: For a specified loan amount, compare the monthly loan payment with a 10% down payment versus a 20% down payment.



- 12-6d: Explain how a down payment makes a borrower more attractive to a lender and motivates loan repayment by the borrower.
- **Credit 12-7: Lenders assess credit-worthiness of potential borrowers by consulting credit reports compiled by credit bureaus.**
  - 12-7a: Identify the primary organizations that maintain and provide consumer credit reports.
  - 12-7b: Assess the value to a potential lender of the information contained in a credit report.
  - 12-7c: Explain how a person can get a free copy of their credit report and why this is advisable.
  - 12-7d: Outline the process of disputing inaccurate credit report information.
- **Credit 12-8: A credit score is a numeric rating that assesses a person's credit risk based on information in their credit report.**
  - 12-8a: Identify the main factors that are included in credit score calculations.
  - 12-8b: Explain how a borrower's credit score can impact their cost of credit and their ability to get credit.
  - 12-8c: Recommend ways that a person can increase their credit score.
- **Credit 12-9: Credit reports and credit scores may be requested and used by entities other than lenders.**
  - 12-9a: Explain how landlords, potential employers, and insurance companies use credit reports and credit scores in decision-making.
  - 12-9b: Provide examples of benefits associated with having a good credit score.
  - 12-9c: Compare the effect of soft versus hard credit inquiries on a person's credit score.
- **Credit 12-10: Borrowers who face negative consequences because they are unable to repay their debts may be able to seek debt management assistance.**
  - 12-10a: Describe how failing to repay a loan can negatively impact a person's finances and life.
  - 12-10b: Identify sources of assistance with debt management.
  - 12-10c: Create a plan for a person who is having difficulty repaying debt.
  - 12-10d: Compare the costs and benefits associated with for-profit versus non-profit credit counseling services.
- **Credit 12-11: In extreme cases, bankruptcy may be an option for people who are unable to repay their debts.**
  - 12-11a: Describe the purpose of bankruptcy laws.
  - 12-11b: Investigate the effects of bankruptcy on assets, employment, and future access to credit.
  - 12-11c: Compare the results of liquidation versus reorganization bankruptcy.
- **Credit 12-12: Consumer credit protection laws govern disclosure of credit terms, discrimination in borrowing, and debt collection practices.**
  - 12-12a: Explain the rationale behind laws that require people to have access to full information

- about credit cards and loans before they borrow money.
  - 12-12b: Discuss the importance of protecting borrowers from discrimination and abusive marketing or collection practices.
  - 12-12c: Research where to find credible sources of up-to-date information on credit rights and responsibilities.
- **Credit 12-13: Alternative financial services, such as payday loans, check-cashing services, pawnshops, and instant tax refunds, provide easy access to credit, often at relatively high cost.**
    - 12-13a: Identify products and practices that are classified as alternative financial services.
    - 12-13b: Discuss the costs and benefits of using alternative financial services relative to traditional banking.
    - 12-13c: Explain how using payday loans can cause a cycle of debt.

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# Financial Literacy

## UNIT 6: Managing Risk

### ESSENTIAL QUESTION

**How can individuals protect wealth and health through insurance?**

### BIG IDEAS

Students will:

- Understand the various types of insurance available to consumers and the risks covered.
- Understand how insurance works.
- Understand risk mitigation strategies.

### GUIDING QUESTIONS

- **Content**
  - What factors affect the cost of insurance?
  - What are the main insurance categories? (Home, Health, Life, Auto, etc.)
  - What auto insurance is required to drive a car legally in Kansas?
  - What consumer actions and circumstances affect insurance coverage and costs?
- **Process**
  - How can a consumer reduce the amount they have to pay for insurance premiums?
  - How can a consumer compare the costs and benefits of various different insurance carriers?
- **Reflective**
  - Why is it important to have insurance?
  - How might choosing a higher deductible on your insurance coverage impact your finances?

### FOCUS STANDARDS

- **Managing Risk 12-1: People vary with respect to their willingness to accept risk and in how much they are willing to pay for insurance that will allow them to minimize future financial loss.**
  - 12-1a: Discuss whether a premium paid to insure against a crash that never happens is wasted.
  - 12-1b: Analyze the conditions under which it is appropriate for young adults to have life, health, and disability insurance.

- **Managing Risk 12-2: The decision to buy insurance depends on perceived risk exposure, the price of insurance coverage, and individual characteristics such as risk attitudes, age, occupation, lifestyle, and financial profile.**
  - 12-2a: Identify individual characteristics that influence insurance purchase decisions.
  - 12-2b: Recommend types of insurance needed by people with different characteristics.
  
- **Managing Risk 12-3: Some types of insurance coverage are mandatory.**
  - 12-3a: Explain why homeowners' insurance is required by a lender when a homeowner takes out a mortgage.
  - 12-3b: Discuss why most states mandate auto liability coverage.
  - 12-3c: Research the minimum auto liability insurance required in the state they live in and whether it is sufficient to cover typical auto accident financial losses.
  
- **Managing Risk 12-4: Insurance premiums are lower for people who take actions to reduce the likelihood and/or financial cost of losses and for those who buy policies with larger deductibles or copayments.**
  - 12-4a: Research factors that result in lower auto insurance premiums.
  - 12-4b: Explain why taking a safe driving course can lower a driver's auto insurance premium.
  - 12-4c: Discuss the pros and cons of buying an auto insurance policy with a higher deductible.
  
- **Managing Risk 12-5: Health insurance provides coverage for medically necessary health care and may also cover some preventive care. It is sometimes offered as an employee benefit with the employer paying some or all of the premium cost.**
  - 12-5a: Discuss the advantages of obtaining health insurance coverage through an employer plan versus buying private insurance or being uninsured.
  - 12-5b: Compare the cost of health insurance to the potential financial consequences of not having health insurance.
  - 12-5c: Estimate the effect on different health insurance deductibles and coinsurance rates on out-of-pocket medical costs.
  
- **Managing Risk 12-6: Disability insurance replaces income lost when a person is unable to earn their regular income due to injury or illness. In addition to privately purchased policies, some government programs provide disability protection.**
  - 12-6a: Compare disability coverage offered by individual policies, employee benefit plans, Social Security, workers' compensation, and temporary disability programs (in some states).
  - 12-6b: Assess the extent of financial risk and need for disability insurance using hypothetical disability scenarios.
  
- **Managing Risk 12-7: Auto, homeowner's and renter's insurance reimburse policyholders for financial losses to their covered property and the costs of legal liability for their damages to other people or property.**
  - 12-7a: Explain the primary types of losses covered by auto, homeowner's and renter's

- insurance policies.
  - 12-7b: Describe situations where someone may be liable for injuries or damages to another person or their property.
  - 12-7c: Identify factors that influence the cost of renter's insurance and homeowners' insurance.
- **Managing Risk 12-8: Life insurance provides funds for beneficiaries in the event of an insured person's death. Policy proceeds are intended to replace the insured's lost wages and/or to fund their dependents' future financial needs.**
  - 12-8a: Explain how a person's death can result in financial losses to others.
  - 12-8b: Discuss the benefits and costs of purchasing life insurance on the primary earners in a household.
- **Managing Risk 12-9: Unemployment insurance, Medicaid, and Medicare are public insurance programs that protect individuals from economic hardship caused by certain risks.**
  - 12-9a: Discuss how state unemployment programs can help reduce economic hardship caused by job losses during a recession or pandemic.
  - 12-9b: Compare the Medicare and Medicaid programs based on who they cover and how they are funded.
- **Managing Risk 12-10: Insurance fraud is a crime that encompasses illegal actions by the buyer (e.g., falsified claims) or seller (e.g., representing non-existent companies) of an insurance contract.**
  - 12-10a: Provide examples of insurance fraud.
  - 12-10b: Investigate the legal consequences for individuals who are convicted of insurance fraud.
- **Managing Risk 12-11: Online transactions and failure to safeguard personal documents can make consumers vulnerable to privacy infringement, identity theft, and fraud.**
  - 12-11a: Provide examples of how online behavior, e-mail and text-message scams, telemarketers, and other methods make consumers vulnerable to privacy infringement, identity theft, and fraud.
  - 12-11b: Describe conditions under which individuals should and should not disclose their Social Security number, account numbers, or other sensitive information.
  - 12-11c: Recommend strategies to reduce the risk of identity theft and financial fraud.
  - 12-11d: Explain the steps an identity theft victim should take to limit losses and restore personal security.
- **Managing Risk 12-12: Extended warranties and service contracts are like an insurance policy.**
  - 12-12a: Evaluate the costs and benefits of buying an extended warranty on a specific item (e.g. cellphone, laptop, or vehicle) considering the likelihood of product failure, cost of replacing the item, and price of the warranty.
  - 12-12b: Explain how extended warranties or service contracts are similar to and different from insurance.

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