



Brenda J. Cude, UGA Department of Housing and Consumer Economics  
GIHC August 2009 Retreat

# FINANCIAL LITERACY AND HOUSING

# OUTLINE

---

- ✖ What *is* financial literacy?
- ✖ Who is promoting financial literacy?
- ✖ What's happening in Georgia?



# WHAT IS FINANCIAL LITERACY?

- ✗ Competency in managing money
  - + Knowledge
    - ✗ But about what?
  - + Ability to communicate about financial concepts
    - ✗ Requires knowledge, aptitude and skills
  - + Ability to manage money
    - ✗ Financial literacy is more than just knowledge
  - + Skill to make appropriate financial decisions
    - ✗ Including critical thinking skills
  - + Confidence to plan effectively



# MOST HAVE FOCUSED ON KNOWLEDGE

- ✗ Jump\$tart Coalition for Personal Financial Literacy

- + Annual survey of high school seniors (33 questions, multiple choice): 2008 mean score was 48.3%.

- ✗ **THE FINANCIAL LITERACY OF YOUNG AMERICAN ADULTS**

- Results of the 2008 National Jump\$tart Coalition*

- Survey of High School Seniors and College Students*

- Download from <http://www.jumpstartcoalition.org/>

# A SAMPLE QUESTION

---

- ✖ Many savings programs are protected by the Federal government against loss. Which of the following is not?
  - + a) A U. S. Savings Bond.
  - + b) A certificate of deposit at the bank.
  - + c) A bond issued by one of the 50 States.
  - + d) A U. S. Treasury Bond.

# ANOTHER SAMPLE QUESTION

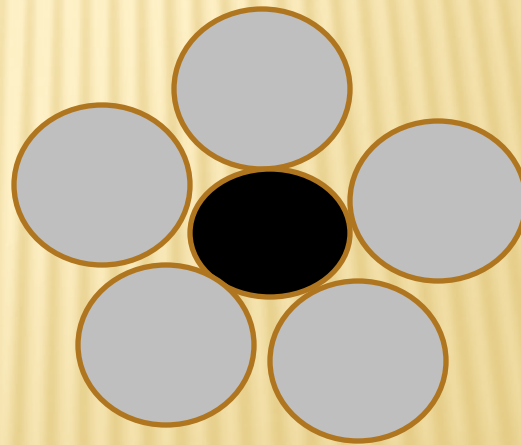
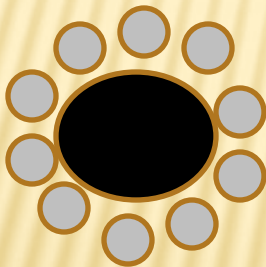
- ✖ If you went to college and earned a four-year degree, how much more money could you expect to earn than if you only had a high school diploma?
  - a) About 10 times as much.
  - + b) No more; I would make about the same either way.
  - + c) A little more; about 20% more.
  - + d) A lot more; about 70% more.



# EVEN KNOWLEDGEABLE CONSUMERS MAKE MISTAKES

---

- ✗ Consumers “often” aren’t rational, or as Ariely says, they are “predictably irrational.”



## WHICH OF THESE?

- ✖ 36-inch Panasonic for \$690
- ✖ 50-inch Philips for \$1,480

## WHICH OF THESE?

- ✖ 36-inch Panasonic for \$690
- ✖ 42-inch Toshiba for \$850
- ✖ 50-inch Philips for \$1,480



# WHICH WOULD YOU CHOOSE?



### IF IT'S A NEW PEN

- ✖ At Store 1, it's \$25
- ✖ You remember that it's \$18 at another store 15 minutes away.
- ✖ Would you go to Store 2?

### IF IT'S A NEW SUIT

- ✖ At Store 1, it's \$455
- ✖ You hear that it's \$448 at another store 15 minutes away.
- ✖ Would you go to Store 2?

The price difference for both is \$7.

## WHICH WOULD YOU CHOOSE?

# ONE LAST EXAMPLE FROM BEHAVIORAL ECONOMICS



Dan Ariely. Predictably Irrational

# INFLUENCES ON PUBLIC POLICY

- ✗ Automatically enrolling new employees in a 401(k) instead of only those who opt in
- ✗ Save More Tomorrow: Save 5% of this raise or save 3% of the next raise with the percentage saved going up by 3% for each of the next 4 raises.
  - + i.e., Save 3% of the next raise, 6% of the one after that
- ✗ Prepay for medical appointments



# WHO IS PROMOTING FINANCIAL LITERACY?

---

- ✗ At the national level:

- + President's Advisory Council on Financial Literacy
- + Financial Literacy and Education Commission
- + U.S. Department of Treasury Office of Financial Education
- + Proposed Federal Consumer Financial Protection Agency

- ✗ Really, who isn't?

# WHAT'S HAPPENING IN GEORGIA?

- ✖ Georgia Performance Standards for K-12 approved in 2004.
  - + K-3: The student will describe the costs and benefits of personal spending and saving choices.
  - + 4-5: The student will identify the elements of a personal budget and explain why personal spending and saving decisions are important.
  - + 6-8: The student will explain personal money management choices in terms of income, spending, credit, saving, and investing.

# GEORGIA 9-12 STANDARDS (HIGH SCHOOL ECONOMICS REQUIRED SINCE 1976)

- ✘ Apply rational decision making to personal spending and saving choices.
- ✘ Explain that banks and other financial institutions are businesses which channel funds from savers to investors.
- ✘ Explain how changes in monetary and fiscal policy can impact an individual's spending and savings choices.



# GEORGIA 9-12 STANDARDS

---

- ✖ Evaluate the costs and benefits of using credit
- ✖ Describe how insurance and other risk-management strategies protect against financial loss.
- ✖ Describe how the earnings of workers are determined in the marketplace.

# GPS CONCEPTS

K-5	6-8	9-12
Spending Saving Budget	Compound interest Credit Financial markets Human capital Money management Investing Risk and return	Incentives Inflation Insurance Cost-benefit analysis Investment options Taxation

# HIGH SCHOOL ECONOMICS END OF COURSE TEST (15% OF FINAL GRADE)

Domain	% of End of Course Test
Fundamental	20.5%
Microeconomic Concepts	22%
Macroeconomic Concepts	20.5%
International	18%
Personal Finance	19%



# TRAINING AND MATERIALS FOR GEORGIA TEACHERS

---

- ✖ Georgia Council on Economic Education
  - + Of the nearly 3,000 teachers who attended one of the Council's 122 workshops in 2008, 300 attended a workshop on teaching Personal Finance.
  - + Just over 300 teachers attended training on The Stock Market Game; 40,000 Georgia students played in 2008.

# GEORGIA PEER FINANCIAL COUNSELING PROGRAM

---

- ✖ College students are trained to teach other students about personal finance using materials for Georgia college students.
  - + Armstrong Atlantic State, Clayton State, Emory University, Gainesville State, Georgia Southern, University of Georgia,
- ✖ We have taught over 10,000 Georgia college students in the last six years.
- ✖ Financial support from the Georgia Governor's Office of Consumer Affairs.
- ✖ Materials available online at <http://www.fcs.uga.edu/pfc>

# ONE LAST THOUGHT

- ✖ Georgia Consortium for Personal Financial Literacy
  - + Check it out at <http://www.georgiaconsortium.org/>

