

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.

- 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.

Cash Flow Management:

- Identify the components of a budget
- Create personalized budget documents
- Revise their budgets to reflect current cash flow

Personal Net Worth:

- 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:

- 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

Standard II: Credit

Know how and where to obtain credit, and the implications of using and misusing credit.

Obtaining Credit:

- 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:

- 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

Standard III: Debt Management

Recognize how using debt can be a tool in asset building.

Debt Measurement:

- 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:

- 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

Standard IV: Risk Management

Use appropriate risk management strategies to protect assets and quality of life.

Insurance:

- Differentiate among the types of insurance products
- Understand their insurance needs
- Comprehend the implications of being insured or uninsured

Risk Management:

- 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

Standard V: Investing & Retirement Planning

Implement investment and retirement strategies to achieve financial goals.

Planning:

- 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

Strategies:

- 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