

STANDARD 2

This guide is intended to help teachers gain a clear understanding of the General Financial Literacy standards and objectives.

Background Knowledge:

Standard two is about identifying and understanding various sources of income and the major factors that affect that income.

For many students, a steady income is a far off dream, while other students have earned their own income for years. This standard helps students with any level of experience explore and learn of the many different sources of income beyond a paycheck. It is important to understand the importance and monetary value of employee benefits such as insurance, leave, retirement, etc. Draw from your own experiences as an educator to give examples of the value of benefits.

If you were expected to live in Las Vegas or New York City on the same earning you make as a teacher in Utah, what concerns would you have? Students need to understand the relationship between income and the cost-of-living in various geographical areas throughout the country. They should be introduced to the concept of the average cost-of-living and then be able to research and compare the cost-of-living for different locations.

Students must also be introduced to and learn to analyze how different economic conditions affect one's income and lifestyle. Have you ever cancelled a family trip or tried a "stay-cation" because of the cost of gas? The current economic trends and conditions should be discussed with the students and also how those trends and conditions will potentially affect their future.

In objective two, students will learn about paychecks and the required income withholdings from those paychecks. Receiving a paycheck can be the highlight of a person's day. If the paycheck is smaller than expected, it can also be a concern. By learning about paychecks, paycheck deductions, and required employment forms, a student will be able to understand the amount received on their paycheck and ensure they have been paid the correct amount from the employer.

Today, there are three ways an employer may handle paying his/her employees: 1) paycheck with the paycheck stub, 2) direct deposit, and 3) payroll card. Students should understand the benefits and detriments of each type.

Regardless of which method of payment employees receive, it is important for the employee to understand paycheck deductions taken out of a paycheck and what they are used for. The first step to understanding a paycheck is to understand the vocabulary associated with paychecks and the paycheck process. This vocabulary should include: W-4, I-9, pay period, gross pay, net pay, deductions, Federal withholding tax, State withholding tax, FICA, retirement plan, medical, year-to-date, dependent, etc.

In objective two, students analyze criteria for selecting a career and the probable impact their career choice will have on their future income and financial stability. Why do people work? Individuals work to earn money to support their personal or family's style of living. The manner in which money is gained, a person's career choice, and how money is spent affects the overall well-being of a family.

There are many factors that influence a person's career choice. Those choices are different for everyone and are based upon personal values, goals, needs, and wants. The type of work a person performs affects his or her income level, work environment, leisure time, and personal satisfaction. Each choice an individual makes, based upon his or her needs and wants, has risks and opportunity costs. For example, some individuals choose personal satisfaction over high pay; some choose part time work to have more time for family, and some refuse a promotion because it would require moving. The risks and opportunity costs to all career decisions is why thorough research of career choices and assessment of personal values is important.

Perhaps one of the most important decisions a person can make when determining his/her career path is to invest, personally and financially, in their human capital. Human capital is defined as skills (education and on the job training) acquired through a process of self-investment. An investment in human capital lasts a lifetime. The more an individual invests into their human capital early in life, the greater range of opportunities they will have and the greater the opportunity for career success later in life.

Investment in human capital can occur in many ways. A person can increase his/her human capital by attending trade and vocational schools, participating in conferences, receiving on-the-job training, volunteering, and joining extra-curricular activities. However, the most common way to increase human capital is through formal education. Individuals with more educational training have higher estimated lifetime earnings. The more education one has, the higher the average income they will receive.

Entrepreneurship/self-employment is another important concept with which students should be introduced. Entrepreneurs are regarded as people with drive and ambition to succeed. The advantages of entrepreneurship include: job security, being your own boss, opportunity for greater financial success, opportunity to have control over your life and job, and a great sense of personal satisfaction.





Quizzes:

- Standard 2 - Objective 1 Quiz (doc)
- Standard 2 - Objective 2 Quiz (doc)
- Key to All Quizzes (pdf)

Terms:

- | | | |
|---------------------------------------|----------------------------------------------|---------------------------------------------------|
| <input type="checkbox"/> Pension Plan | <input type="checkbox"/> Wages | <input type="checkbox"/> Leave |
| <input type="checkbox"/> Benefits | <input type="checkbox"/> Economic Conditions | <input type="checkbox"/> Cafeteria-style benefits |
| <input type="checkbox"/> Income | <input type="checkbox"/> Cost of Living | <input type="checkbox"/> Retirement |
| <input type="checkbox"/> Insurance | <input type="checkbox"/> Investment | |

Attention Getters/Hooks:

- "Investment in Yourself" FEFE activity. As students enter the classroom, have them select a piece of colored paper. Have students all stand, students will sit depending on the color of their paper as related to education and earning power. Last student standing has the most education and earning power. Give the student a 100 Grand candy bar to illustrate the relationship to education and earning potential.
- Have definitions to terms typed on posters and placed around the room. As students enter the classroom, give them a card with a term. Have students find the definition for their term.
- Use a "web organizer" for students to brainstorm the many different sources of income.
- Have Mr. Holland's Opus music playing as students enter the classroom. Show various clips from the movie to represent the concept of a job vs. a career.
- Have the quote following quote from Dave Ramsey posted at the front of your room, "Your life is not a snapshot, it's a filmstrip. This is only one frame of the movie." Have them write down what the statement means to them.