



Financial Literacy

Study Guide

Assessment:
0057 Financial Literacy

career tech ✓
Testing
The Provider of Online Testing Solutions



**OKLAHOMA
WORKS**

Aligns with
Oklahoma PASS Standards

Overview

This study guide is designed to help students prepare for the Financial Literacy assessment. It not only includes information about the assessment, but also the skills standards upon which the assessment is based and test taking strategies.

Each of the four sections in this guide provides useful information for students preparing for the Financial Literacy assessment.

- CareerTech and Competency-Based Education: A Winning Combination
- Financial Literacy assessment
 - ▶ Assessment Information
 - ▶ Standards and Test Content
 - ▶ Sample Questions
 - ▶ Textbook/Curriculum Crosswalk
 - ▶ Abbreviations, Symbols, and Acronyms
- Strategies for Test Taking Success
- Notes

This assessment measures the ideas, concepts, knowledge, and skills that enable students to implement personal financial decision-making skills.

A crosswalk has been developed from Oklahoma's Personal Financial Literacy Passport Standards to the JumpStart Coalition for Personal Financial Literacy National Standards, the Oklahoma State Department of Education's Personal Financial Literacy Curriculum and CIMC's Personal Financial Literacy Curriculum.

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CareerTech and Competency-Based Education: A Winning Combination

Competency-based education uses learning outcomes that emphasize both the application and creation of knowledge and the mastery of skills critical for success. In a competency-based education system, students advance upon mastery of competencies, which are measurable, transferable outcomes that empower students.

Career and technology education uses industry professionals and certification standards to identify the knowledge and skills needed to master an occupation. This input provides the foundation for development of curriculum, assessments and other instructional materials needed to prepare students for wealth-generating occupations and produce comprehensively trained, highly skilled employees demanded by the work force.

Tools for Success

CareerTech education relies on three basic instructional components to deliver competency-based instruction: skills standards, curriculum materials, and competency assessments.

Skills standards provide the foundation for competency-based instruction and outline the knowledge and skills that must be mastered in order to perform related jobs within an industry. Skills standards are aligned with national skills standards and/or industry certification requirements; therefore, a student trained to the skills standards is equally employable in local, state and national job markets.

Curriculum materials and textbooks contain information and activities that teach students the knowledge and skills outlined in the skills standards. In addition to complementing classroom instruction, curriculum resources include supplemental activities that enhance learning by providing opportunities to apply knowledge and demonstrate skills.

Certification Assessments test the student over material outlined in the skills standards and taught using the curriculum materials and textbooks. When used with classroom performance evaluations, certification assessments provide a means of measuring occupational readiness.

Each of these components satisfies a unique purpose in competency-based education and reinforces the knowledge and skills students need to gain employment and succeed on the job.

Measuring Success

Evaluation is an important component of competency-based education. Pre-training assessments measure the student's existing knowledge prior to receiving instruction and ensure the student's training builds upon this knowledge base. Formative assessments administered throughout the training process provide a means of continuously monitoring the student's progress towards mastery.

Certification assessments provide a means of evaluating the student's mastery of knowledge and skills. Coaching reports communicate assessment scores to students and provide a breakdown of assessment results by standard area. The coaching report also shows how well the student has mastered skills needed to perform major job functions and identifies areas of job responsibility that may require additional instruction and/or training.

Financial Literacy Assessment Information

What is the Financial Literacy assessment?

This assessment is an end-of-course assessment for students studying Financial Literacy that provides an indication of student mastery of personal financial decision-making skills.

How was the assessment developed?

The assessment was produced by the CareerTech Testing Center. Items were developed using resources most commonly used in the classroom and reviewed by a committee of subject matter experts.

What does the assessment cover?

Specifically, the test includes multiple-choice test items over the following areas:

Financial Literacy (60 questions)

Describe the Importance of Earning an Income and Managing Personal Income Effectively	13%
Demonstrate an Understanding of Local, State, and Federal Taxes	7%
Describe the Functions and Uses of Banks and Other Financial Service Providers	8%
Demonstrate Ability to Use and Manage Personal Financial Accounts Effectively	3%
Analyze the Costs and Benefits of Saving and Investing	10%
Explain the Importance of Planning for Retirement and Evaluate Retirement Income Options	8%
Demonstrate an Understanding of Borrowing Money and Managing Credit Responsibly	10%
Demonstrate an Understanding of Interest, Credit Card Debt, and Online Commerce	10%
Demonstrate an Understanding of Consumer Fraud and Identity Theft	6%
Understand the Rights and Responsibilities of Renting or Buying a Home	7%
Demonstrate an Understanding of Insurance and Risk Management	10%
Demonstrate an Understanding of the Financial Impact and Consequences of Gambling	3%
Demonstrate an Understanding of Bankruptcy	5%

What are the benefits of using these assessments?

Students receive a certificate for each assessment that he/she passes. This certificate may be included in his/her portfolio and used to communicate the student's mastery of the subject matter to potential employers.

When should the assessment be taken?

The CareerTech Testing Center recommends that students take these assessments as soon as possible after receiving all standards-related instruction, rather than waiting until the end of the school year.

Is the assessment timed?


No. Although students may take as long as they need, most students finish an assessment within one hour.

What resources can students use on these assessments?

Students are allowed to use calculators and scratch paper on CTTC assessments; however, these items must be provided by the testing proctor and returned to the proctor before the student's exam is submitted for scoring. Calculator apps on cell phones and other devices may not be used on these assessments.

What accommodations can be made for students with Individualized Education Plans (IEPs)?

Accommodations are allowed for students with an Individualized Education Plan. Examples of allowable accommodations include:

- Extended time — This assessment is not timed; therefore, students may take as much time as needed to finish. The assessment must be completed in one testing session.
- Readers — A reader may be used to read the assessment to a student who has been identified as needing this accommodation.
- Enlarged text — Students needing this accommodation can activate this feature by clicking the  icon in the upper right corner of the screen.

What can students expect on Test Day?

All CTTC assessments are web-based and delivered exclusively by a proctor in the school's assessment center. The proctor **cannot** be an instructor or anyone who was involved with the students during instruction.

Assessments are delivered in a question-by-question format. When a question is presented, the student can select a response or leave the question unanswered and advance to the next question. Students may also flag questions to revisit before the test is scored. All questions must be answered before the test can be submitted for scoring.

After the assessment is scored, the student will receive a score report that not only shows the student's score on the assessment, but also how the student performed in each standard area.

Can students retake the test?

Students may retake the test unless their school or state testing policies prohibit retesting. Students who can retest must wait at least three days between test attempts.

Standards and Test Content

Financial Literacy

Describe the Importance of Earning an Income and Managing Personal Income Effectively (8 questions)

1. Explain the difference between a job and a career
2. Define human capital and how it impacts income potential
3. Discuss the relationship between goals and earning an income
 - Personal, financial, career
 - Short-, medium-, and long-term
4. Define common sources of personal income
 - Salaries
 - Wages
 - Investment income (interest, dividends, capital gains)
 - Tips
 - Commissions
 - Gifts
5. Distinguish between fixed and variable sources of income
6. Discuss common components of a personal/family budget
 - Fixed expenses (i.e. rent/mortgage, insurance)
 - Variable expenses (i.e. utilities, gasoline, groceries, clothing, entertainment)
 - Savings/investments
 - Charitable contributions
7. Explain how to manage personal income through a budget
8. Explain the difference between gross income and net pay
9. Explain how taxes, employee benefits, and payroll deductions affect gross income
10. Locate information on a pay stub

Demonstrate an Understanding of Local, State, and Federal Taxes (4 questions)

1. Define the types of taxes paid by citizens and/or businesses
 - Income
 - Payroll
 - Sales
 - Property
2. Discuss the consequences of failing to pay taxes
 - Fees, penalties, interest
 - Garnishment of wages
 - Imprisonment
3. Explain how government entities collect and use tax revenue
 - Local
 - State
 - Federal
4. Discuss how taxes impact personal income and standard of living



Describe the Functions and Uses of Banks and Other Financial Service Providers (5 questions)

1. Compare and contrast the basic types of financial institutions
 - Banks
 - Mortgage companies
 - Credit unions
 - Brokerage/investment firms
 - Finance companies
2. Describe the most common products and services offered by financial institutions
 - Demand deposit accounts (checking, savings)
 - Mortgages/loans
 - Credit/debit cards
 - Electronic/online banking
 - ATMs
 - Safe deposit boxes
 - Overdraft protection
 - Investments
 - Insurance

Demonstrate Ability to Use and Manage Personal Financial Accounts Effectively (2 questions)

1. Demonstrate ability to perform basic banking tasks
 - Endorse checks
 - Prepare deposits
 - Write checks
 - Maintain transaction register
 - Reconcile with account statements
2. Discuss the importance of reconciling a checkbook with a monthly account statement

Analyze the Costs and Benefits of Saving and Investing (6 questions)

1. Differentiate between saving and investing
2. Identify reasons for saving and investing
3. Compare the savings results from simple and compound interest
4. Use the Rule of 72 to evaluate saving and investment options
5. Discuss factors to consider when evaluating options for saving and investing
 - Opportunity cost
 - Rate of return on investment
 - Liquidity
 - Diversification
 - Risk
 - Taxes
 - Fees



6. Compare the costs and benefits of common savings and investment products and strategies
 - Savings accounts
 - Savings bonds
 - Certificates of Deposit
 - Corporate Bonds
 - Mutual Funds
 - Money Market Funds
 - Stocks
7. Discuss the effects of inflation on future earnings, saving and investments

Explain the Importance of Planning for Retirement and Evaluate Retirement Income Options (5 questions)

1. Discuss the importance of setting goals and planning for retirement
2. Identify factors that affect retirement planning
 - Life expectancy
 - Lifestyle and activities
3. Discuss the roles of common sources of retirement income
 - Social Security
 - Employer-funded pensions and 401(k) plans
 - IRAs, Roth IRAs
 - Personal investments (i.e. annuities, real estate, stocks, bonds)



Demonstrate an Understanding of Borrowing Money and Managing Credit Responsibly (6 questions)

1. List reasons why people borrow money
2. Identify the advantages and disadvantages of using credit
3. Compare and contrast the types of credit
 - Secured
 - Unsecured
 - Installment
 - Non-installment
4. Describe common credit products
 - Student loans
 - Vehicle/Consumer loans
 - Credit Cards
 - Mortgages
5. Identify traditional sources of credit
 - Financial institutions
 - Finance companies
 - Life insurance companies
 - Brokerage firms
6. Identify credit practices
 - Standard lending
 - Predatory lending (rapid tax returns, rapid access loans, payday loans, pawning)
 - Debt collection
7. Perform credit-related calculations and comparisons
 - Cost of credit/interest
 - Payback period

8. Describe the information contained in a credit report
9. Discuss factors that affect credit score
10. Discuss the importance of maintaining good credit
 - Ability to obtain credit
 - Favorable credit terms (interest rate, repayment schedule, fees)
 - Employment



Demonstrate an Understanding of Interest, Credit Card Debt, and Online Commerce (6 questions)

1. Discuss the costs, risks, and benefits of using credit cards and making online purchases
2. Compare costs and benefits of credit card payment options
 - Minimum payment
 - Payment in full

Demonstrate an Understanding of Consumer Fraud and Identity Theft (3 questions)

1. Describe common types of consumer fraud
2. Identify agencies and legislation that protect consumers against fraud and deceptive lending practices
3. Identify ways to prevent theft of personal and financial information
4. Describe ways that identity thieves get information
5. List actions to take if victimized by identity theft or fraud



Understand the Rights and Responsibilities of Renting or Buying a Home (4 questions)

1. Compare the costs and benefits of renting versus buying a home
2. Explain the elements of a standard lease agreement
3. Define terms related to mortgages
 - Preapproval
 - Down payment
 - Escrow account
 - Amortization
 - Equity
 - Closing
4. Compare and contrast common types of mortgage products
 - Fixed rate
 - Adjustable rate



5. Perform mortgage-related calculations and comparisons
 - Down payment
 - Monthly payment

Demonstrate an Understanding of Insurance and Risk Management (6 questions)

1. Identify common risks to life and property
2. Discuss approaches to dealing with risk
 - Avoiding
 - Reducing
 - Accepting
 - Transferring
3. Discuss the purpose of insurance
4. Define terms associated with insurance
 - Deductible
 - Claim
 - Premium
 - Copayment
 - Coinsurance
5. Discuss common types of insurance and the risks they are designed to manage
 - Life
 - Health
 - Automobile
 - Homeowner's
 - Property
 - Renter's
 - Disability
 - Liability
6. Explain how deductible and copayment amounts affect insurance premiums
7. List factors that can affect insurance premiums
8. Calculate out-of-pocket expenses associated with an insurance claim
9. Demonstrate how to select appropriate amounts of insurance

Demonstrate an Understanding of the Financial Impact and Consequences of Gambling (2 questions)

1. Calculate the probabilities of winning in games of chance
2. Evaluate the costs and benefits of gambling to individuals and society
3. List common indicators of compulsive or problem gambling behavior



Demonstrate an Understanding of Bankruptcy (3 questions)

1. Define the types of bankruptcy protection available to individuals
2. Discuss the consequences of bankruptcy
3. Identify alternatives to bankruptcy
 - Budget management
 - Debt consolidation
 - Refinancing
 - Credit counseling
4. List the steps to rebuilding a positive credit history



Sample Questions

- _____ 1. John has \$200.00 in his checking account, \$1,200.00 in his savings account, and \$100.00 in his wallet. He owes \$8,000.00 on a car that is worth \$10,000.00. His other personal possessions are worth a total of \$3,000.00. He has a take home income of \$800.00 per week. What is John's current net worth?
- a. \$4,500.00
 - b. \$6,500.00
 - c. \$7,300.00
 - d. \$14,500.00
- _____ 2. Susan invests \$1,000 into a 24-month certificate of deposit (CD) that yields a fixed annual interest rate of 5% compounded annually. What will the CD be worth at maturity?
- a. \$1,050.00
 - b. \$1,100.00
 - c. \$1,102.50
 - d. \$1,104.94
- _____ 3. One significant problem with credit card use is that people:
- a. buy things they cannot afford.
 - b. fail to use them.
 - c. frequently have their identity stolen.
 - d. are charged a transaction inquiry fee.
- _____ 4. What is an estimate, often itemized, of expected income and expenses for a given period in the future?
- a. amortization schedule
 - b. budget
 - c. cash basis statement
 - d. income statement
- _____ 5. What is the first step in purchasing a home?
- a. determining what payment is affordable
 - b. shopping for a home
 - c. making an offer
 - d. shopping for a loan

- _____ 6. What is a technique that brings an investment portfolio back to the original asset allocation mix?
- a. diversification
 - b. dollar cost averaging
 - c. hedging
 - d. rebalancing
- _____ 7. Chapter 7 bankruptcy stays on a credit report for:
- a. 3 years.
 - b. 5 years.
 - c. 7 years.
 - d. 10 years.
- _____ 8. An individual can obtain a free copy of his/her credit report every:
- a. 6 months.
 - b. 12 months.
 - c. 18 months.
 - d. 24 months.
- _____ 9. The practice of a lender deceptively convincing borrowers to agree to unfair and abusive loan terms is known as:
- a. open-ended lending.
 - b. predatory lending.
 - c. secured lending.
 - d. unsecured lending.
- _____ 10. Which provides a protected location in a secure bank vault where an individual can store valuables for a small fee?
- a. ATM
 - b. safe deposit box
 - c. teller station
 - d. cash management department
- _____ 11. An individual buys a used vehicle and finances the purchase through a local bank. After making timely payments for one year she skips two payments and subsequently risks losing the vehicle through:
- a. repossession.
 - b. Chapter 7 bankruptcy.
 - c. garnishment.
 - d. Chapter 13 bankruptcy.

- _____ 12. Which item is typically classified as a need?
- a. trendy clothes
 - b. concert tickets
 - c. reliable transportation
 - d. housekeeping services
- _____ 13. Which action is appropriate if one's expenses are more than his/her income?
- a. asking friends or family for money
 - b. identifying ways to cut variable expenses
 - c. postponing payments until more money is available
 - d. obtaining additional credit cards to pay for living expenses
- _____ 14. Which is a short-term financial goal?
- a. saving 15% of income every month
 - b. buying a house within ten years
 - c. purchasing new furniture in two years
 - d. paying off all debt within five years
- _____ 15. If the sales tax rate is 5%, how much sales tax is paid on a \$40 purchase?
- a. \$1.00
 - b. \$2.00
 - c. \$4.00
 - d. \$5.00
- _____ 16. The primary purpose of a brokerage is to:
- a. facilitate securities transactions.
 - b. preserve wealth by managing risk.
 - c. finance startup businesses.
 - d. fund residential mortgages.
- _____ 17. What is a primary difference between a debit card and a credit card?
- a. With debit cards, no interest is charged because no money is borrowed.
 - b. With debit cards, interest is charged if the balance is not paid in full each month.
 - c. Debit cards usually charge a higher rate of interest on purchases than credit cards.
 - d. Debit card users are charged a fee per transaction, while credit card issuers charge an annual fee.

- _____ 18. Which guideline best protects personal financial information when banking online?
- a. Use autosave to remember usernames and passwords.
 - b. Create simple passwords that are easy to remember.
 - c. Make passwords difficult by including numbers and letters.
 - d. Keep the username and password in an easily accessible place.
- _____ 19. Which term means quickly converted to cash?
- a. liquidity
 - b. solidarity
 - c. fluidity
 - d. unchangeability
- _____ 20. If a customer has money in a one year Certificate of Deposit, what is the minimum number of months the money must remain in the CD without a penalty being issued?
- a. 3
 - b. 6
 - c. 12
 - d. 18
- _____ 21. When raising capital, a company can either borrow money or issue shares of:
- a. stock.
 - b. growth funds.
 - c. money market funds.
 - d. T-bills.
- _____ 22. A defined retirement plan is funded by the:
- a. employer.
 - b. employee.
 - c. COBRA.
 - d. Social Security Administration.
- _____ 23. The supply of money, goods, or services in the present time in exchange for the promise of future payment is known as:
- a. credit.
 - b. interest.
 - c. capacity.
 - d. depreciation.

- _____ 24. Which type of credit card offers the highest level of security?
- a. smart
 - b. prestige-status
 - c. co-branded
 - d. affinity
- _____ 25. Which law limits the liability for fraudulent credit card charges?
- a. Fair Credit Billing Act
 - b. Gramm-Leach-Bliley Act
 - c. Identity Theft Penalty Enhancement Act
 - d. Fair Credit Reporting Act
- _____ 26. When making online purchases, ensure the website's URL begins with "https:" as this adds a layer of:
- a. security.
 - b. certification.
 - c. infrastructure.
 - d. protocol.
- _____ 27. Something of value pledged by a borrower as security for a loan is known as:
- a. collateral.
 - b. unsecured credit.
 - c. a transaction cost.
 - d. a credit.
- _____ 28. People with low risk tolerance should consider investing in:
- a. Treasury bonds.
 - b. international stocks.
 - c. commodities.
 - d. large cap stocks.
- _____ 29. Which is an example of a regressive tax?
- a. sales
 - b. federal income
 - c. state income
 - d. estate
- _____ 30. The three main credit bureaus are Equifax, Experian, and:
- a. TransUnion.
 - b. TransAmerica
 - c. Dow Jones
 - d. Dun and Bradstreet

Sample Questions — Key

1. John has \$200.00 in his checking account, \$1,200.00 in his savings account, and \$100.00 in his wallet. He owes \$8,000.00 on a car that is worth \$10,000.00. His other personal possessions are worth a total of \$3,000.00. He has a take home income of \$800.00 per week. What is John's current net worth?
 - a. \$4,500.00 Wrong, but plausible
 - b. \$6,500.00 Correct
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3. One significant problem with credit card use is that people:
 - a. buy things they cannot afford. Correct
 - b. fail to use them. Wrong, but plausible
 - c. frequently have their identity stolen. Wrong, but plausible
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 - a. amortization schedule Wrong, but plausible
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5. What is the first step in purchasing a home?
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 - c. making an offer Wrong, but plausible
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6. What is a technique that brings an investment portfolio back to the original asset allocation mix?

- a. diversification Wrong, but plausible
- b. dollar cost averaging Wrong, but plausible
- c. hedging Wrong, but plausible
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7. Chapter 7 bankruptcy stays on a credit report for:

- a. 3 years. Wrong, but plausible
- b. 5 years. Wrong, but plausible
- c. 7 years. Wrong, but plausible
- d. 10 years. Correct

8. An individual can obtain a free copy of his/her credit report every:

- a. 6 months. Wrong, but plausible
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- c. 18 months. Wrong, but plausible
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9. The practice of a lender deceptively convincing borrowers to agree to unfair and abusive loan terms is known as:

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- a. saving 15% of income every month **Correct**
- b. buying a house within ten years **Wrong, but plausible**
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15. If the sales tax rate is 5%, how much sales tax is paid on a \$40 purchase?

- a. \$1.00 **Wrong, but plausible**
- b. \$2.00 **Correct**
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16. The primary purpose of a brokerage is to:

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- b. preserve wealth by managing risk. **Wrong, but plausible**
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- d. fund residential mortgages. **Wrong, but plausible**

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 - b. growth funds. Wrong, but plausible
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 - d. T-bills. Wrong, but plausible
22. A defined retirement plan is funded by the:
- a. employer. Correct
 - b. employee. Wrong, but plausible
 - c. COBRA. Wrong, but plausible
 - d. Social Security Administration. Wrong, but plausible
23. The supply of money, goods, or services in the present time in exchange for the promise of future payment is known as:
- a. credit. Correct
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 - c. infrastructure. Wrong, but plausible
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 - d. a credit. Wrong, but plausible
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 - b. international stocks. Wrong, but plausible
 - c. commodities. Wrong, but plausible
 - d. large cap stocks. Wrong, but plausible
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- a. TransUnion. Correct
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Curricula Crosswalk

Crosswalk from Oklahoma’s Personal Financial Literacy Passport Standards to the JumpStart Coalition for Personal Financial Literacy National Standards, the Oklahoma State Department of Education’s Personal Financial Literacy Curriculum and CIMC’s Personal Financial Literacy Curriculum

The following crosswalk is intended for guidance purposes only. It does not represent all curricula or resource materials that may be used for financial literacy programs. It is intended as a reference for curriculum planning and mapping standards to available curricula.

*Topic is mentioned only or partial coverage of topics in task

CTTC FINANCIAL LITERACY STANDARDS	Passport Standards	Jump Start Standards	SDE Curriculum	PFL Curriculum
STANDARD 1: Describe the Importance of Earning an Income and Managing Personal Income Effectively				
1.1 Explain the difference between a job and a career	✓	✓	✓	✓
1.2 Define human capital and how it impacts income potential	*	*	✓	*
1.3 Discuss the relationship between goals and earning an income				
• Personal, financial, career	✓	✓	✓	*
• Short-, medium-, and long-term			✓	*
1.4 Define common sources of personal income				
• Salaries		✓		✓
• Wages		✓		✓
• Tips		✓		✓
• Commissions		✓		✓
• Investment income (interest, dividends, capital gains)		✓		✓
• Gifts		✓		✓
1.5 Distinguish between fixed and variable sources of income		✓		✓
1.6 Discuss common components of a personal/family budget				
• Fixed expenses (i.e. rent/mortgage, insurance)	✓	✓	✓	✓
• Variable expenses (i.e. utilities, gasoline, groceries, clothing, entertainment)	✓	✓	✓	✓
• Savings/investments	✓	✓		✓
• Charitable contributions	✓	✓		
1.7 Explain how to manage personal income through a budget	✓	✓	✓	✓
1.8 Explain the difference between gross income and net pay	✓	✓	✓	✓
1.9 Explain how taxes, employee benefits, and payroll deductions affect gross income	✓	✓	✓	*
1.10 Locate information on a pay stub			✓	

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STANDARD 2: Demonstrate an Understanding of Local, State, and Federal Taxes				
2.1 Define the types of taxes paid by citizens and/or businesses				
• Income	✓		✓	✓
• Payroll	✓		✓	✓
• Sales	✓		✓	✓
• Property	✓			✓
2.2 Discuss the consequences of failing to pay taxes				
• Fees, penalties, interest	✓		✓	✓
• Garnishment of wages	✓		✓	
• Imprisonment	✓		✓	✓
2.3 Explain how government entities collect and use tax revenue				
• Local	✓	*	✓	✓
• State	✓	*	✓	✓
• Federal	✓	*	✓	✓
2.4 Discuss how taxes impact personal income and standard of living	✓	✓	*	✓
STANDARD 3: Describe the Functions and Uses of Banks and Other Financial Service Providers				
3.1 Compare and contrast the basic types of financial institutions				
• Banks	✓	✓	✓	✓
• Mortgage companies	✓			
• Credit unions	✓			✓
• Brokerage/investment firms	✓			
• Finance companies	✓			
3.2 Describe the most common products and services offered by financial institutions				
• Demand deposit accounts (checking, savings)	✓	✓	✓	✓
• Mortgages/loans	✓			
• Credit/debit cards	✓		✓	*
• Electronic/online banking			✓	*
• ATMs	✓	✓	✓	
• Safe deposit boxes			✓	
• Overdraft protection			✓	✓
• Investments	✓			
• Insurance	✓			
STANDARD 4: Demonstrate Ability to Use and Manage Personal Financial Accounts Effectively				
4.1 Demonstrate ability to perform basic banking tasks				
• Endorse checks	✓			✓
• Prepare deposits	✓		✓	✓
• Write checks	✓	✓	✓	✓
• Maintain transaction register	✓		✓	✓
• Reconcile with account statements	✓	✓	✓	✓
4.2 Discuss the importance of reconciling a checkbook with a monthly account statement	✓		✓	✓

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STANDARD 5: Analyze the Costs and Benefits of Saving and Investing				
5.1 Differentiate between saving and investing		✓	✓	✓
5.2 Identify reasons for saving and investing	✓	✓	✓	✓
5.3 Compare the savings results from simple and compound interest	*	✓	✓	
5.4 Use the Rule of 72 to evaluate saving and investment options			✓	✓
5.5 Discuss factors to consider when evaluating options for saving and investing				
• Opportunity cost	✓	✓		✓
• Rate of return on investment	✓	✓	✓	✓
• Liquidity	✓	✓	✓	✓
• Diversification	✓	✓	✓	✓
• Risk		✓	✓	✓
• Taxes		✓		
• Fees	✓	✓		
5.6 Compare the costs and benefits of common savings and investment products and strategies				
• Savings accounts	*	✓	✓	✓
• Savings bonds	*	✓	✓	✓
• Certificates of Deposit	*	✓	✓	✓
• Corporate Bonds	*	✓	✓	✓
• Mutual Funds	*	✓	✓	✓
• Money Market Funds	*		✓	✓
• Stocks	*	✓	✓	✓
5.7 Discuss the effects of inflation on future earnings, saving and investments	✓	✓	✓	
STANDARD 6: Explain the Importance of Planning for Retirement and Evaluate Retirement Income Options				
6.1 Discuss the importance of setting goals and planning for retirement	✓	✓		✓
6.2 Identify factors that affect retirement planning				
• Life expectancy	✓		✓	✓
• Lifestyle and activities	✓		✓	✓
6.3 Discuss the roles of common sources of retirement income				
• Social Security	✓	✓	✓	✓
• Employer-funded pensions and 401K plans	✓	✓	✓	✓
• IRAs, Roth IRAs	✓	✓	✓	✓
• Personal investments (i.e. annuities, real estate, stocks, bonds)	✓	✓	*	✓

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STANDARD 7: Demonstrate an Understanding of Borrowing Money and Managing Credit Responsibly					
7.1	List reasons why people borrow money			✓	✓
7.2	Identify the advantages and disadvantages of using credit		✓	✓	
7.3	Compare and contrast the types of credit				
	• Secured	✓		✓	
	• Unsecured			✓	
	• Installment			✓	
	• Non-installment			✓	
7.4	Describe common credit products				
	• Student loans	✓	✓		
	• Vehicle/Consumer loans	✓	✓		✓
	• Credit Cards	✓	✓		
	• Mortgages		✓		
7.5	Identify traditional sources of credit				
	• Financial institutions	✓		✓	✓
	• Finance companies	✓		✓	✓
	• Life insurance companies			✓	✓
	• Brokerage firms			✓	
7.6	Identify credit practices				
	• Standard lending	✓		✓	✓
	• Predatory lending (rapid tax returns, rapid access loans, payday loans, pawning)	✓		✓	✓
	• Debt collection	✓			
7.7	Perform credit-related calculations and comparisons				
	• Cost of credit/interest	✓	✓	✓	
	• Payback period	✓	✓		
7.8	Describe the information contained in a credit report	✓	✓	✓	✓
7.9	Discuss factors that affect credit score	✓		✓	✓
7.10	Discuss the importance of maintaining good credit				
	• Ability to obtain credit	✓	✓	✓	
	• Favorable credit terms (interest rate, repayment schedule, fees)		✓	✓	
	• Employment		✓	✓	
STANDARD 8: Demonstrate an Understanding of Interest, Credit Card Debt, and Online Commerce					
8.1	Discuss the costs, risks, and benefits of using credit cards and making online purchases	✓	✓	✓	✓
8.2	Compare costs and benefits of credit card payment options				
	• Minimum payment	✓	✓	✓	✓
	• Payment in full	✓	✓		✓

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STANDARD 9: Demonstrate an Understanding of Consumer Fraud and Identity Theft					
9.1	Describe common types of consumer fraud	✓	✓	✓	✓
9.2	Identify agencies and legislations that protect consumers against fraud and deceptive lending practices		✓	✓	✓
9.3	Identify ways to prevent theft of personal and financial information	✓	✓	✓	✓
9.4	Describe ways that identity thieves get information	✓	✓	✓	✓
9.5	List actions to take if victimized by identity theft or fraud	✓	✓	✓	✓
STANDARD 10: Understand the Rights and Responsibilities of Renting or Buying a Home					
10.1	Compare the costs and benefits of renting versus buying a home	✓	✓	✓	✓
10.2	Explain the elements of a standard lease agreement	✓	✓	✓	
10.3	Define terms related to mortgages				
	• Down payment	✓		✓	✓
	• Escrow account	✓		✓	✓
	• Amortization	✓		✓	✓
	• Equity			✓	✓
	• Preapproval			✓	✓
	• Closing			✓	✓
10.4	Compare and contrast common types of mortgage products				
	• Fixed rate	✓	✓	✓	✓
	• Adjustable rate			✓	✓
10.5	Perform mortgage-related calculations and comparisons				
	• Down payment			✓	✓
	• Monthly payment			✓	✓
STANDARD 11: Demonstrate an Understanding of Insurance and Risk Management					
11.1	Identify common risks to life and property	✓	✓	✓	✓
11.2	Discuss approaches to dealing with risk				
	• Avoiding		✓	✓	
	• Reducing		✓	✓	
	• Accepting		✓	✓	
	• Transferring		✓	✓	
11.3	Discuss the purpose of insurance	✓	✓	✓	✓
11.4	Define terms associated with insurance				
	• Deductible	✓	✓	✓	✓
	• Claim		✓	✓	
	• Premium		✓	✓	✓
	• Copayment			✓	✓
	• Coinsurance			✓	✓

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11.5	Discuss common types of insurance and the risks they are designed to manage				
	• Life	✓	✓	✓	✓
	• Health	✓	✓	✓	✓
	• Automobile	✓	✓	✓	✓
	• Homeowner's	✓	✓	✓	✓
	• Property	✓	✓	✓	✓
	• Renter's	✓	✓	✓	✓
	• Disability	✓	✓	✓	✓
	• Liability	✓	✓	✓	✓
11.6	Explain how deductible and copayment amounts affect insurance premiums	✓		✓	✓
11.7	List factors that can affect insurance premiums		✓	✓	✓
11.8	Calculate out-of-pocket expenses associated with an insurance claim		✓	✓	
11.9	Demonstrate how to select appropriate amounts of insurance	✓	✓	✓	✓
STANDARD 12: Demonstrate an Understanding of the Financial Impact and Consequences of Gambling					
12.1	Calculate the probabilities of winning in games of chance	✓		✓	✓
12.2	Evaluate the costs and benefits of gambling to individuals and society	✓		✓	✓
12.3	List common indicators of compulsive or problem gambling behavior	✓		✓	✓
STANDARD 13: Demonstrate an Understanding of Bankruptcy					
13.1	Define the types of bankruptcy protection available to individuals			✓	✓
13.2	Discuss the consequences of bankruptcy	✓	✓	✓	✓
13.3	Identify alternatives to bankruptcy				
	• Budget management	✓	✓	✓	✓
	• Debt consolidation	✓	✓	✓	✓
	• Refinancing	✓	✓	✓	✓
	• Credit counseling	✓	✓	✓	✓
13.4	List the steps to rebuilding a positive credit history	✓		✓	
STANDARD 14: Demonstrate an Understanding of Charitable Giving					
14.1	Describe the types of charitable contributions				
	• Monetary gifts	✓		✓	✓
	• Gifts-in-kind	✓		✓	✓
	• Volunteer service	✓		✓	✓
14.2	Discuss the costs and benefits of charitable giving on individuals and the community	✓		✓	✓
14.3	Explain how to research charitable organizations	✓	✓	✓	✓

Abbreviations, Symbols and Acronyms

When abbreviations, symbols or acronyms are more commonly used in written and verbal communications within financial literacy than the words they represent, they will also be used on the written examination required for competency. The following is a list of abbreviations, symbols and acronyms used on the financial literacy examination.

%	Percent
\$	Dollars
401(k)	Tax-qualified, defined-contribution pension account defined in subsection 401(k) of the Internal Revenue Code
403(b)	A retirement plan for certain public school employees, tax-exempt organizations, and ministers
511 Form	Oklahoma Individual Resident Income Tax Form
1040EZ	Income Tax Return for Single and Joint Filers With No Dependents
1099-INT	Interest Income
1099-MISC	Miscellaneous Income
ACH	Automated Clearing House
ARM	Adjustable-rate mortgage
ATM	Automated Teller Machine
CD	Certificate of Deposit
CFP	Certified Financial Planner
COBRA	Consolidated Omnibus Budget Reconciliation Act gives workers and their families who lose their health benefits the right to continue coverage
FDIC	Federal Deposit Insurance Corporation
FHA	Federal Housing Administration
FICA	Federal Insurance Contributions Act
FICO	Fair, Isaac Corporation
FTC	Federal Trade Commission
FUTA	Federal Unemployment Tax Act
HI	hospital insurance
HTTPS	Hypertext Transfer Protocol Secure
IRA	Individual Retirement Account
IRS	Internal Revenue Service
NSF	Non-sufficient funds
SUTA	State Unemployment Tax Act
T-bills	Treasury bills
URL	Uniform Resource Locator
vs.	Versus
W-2	Wage and Tax Statement
W-4	Employee's Withholding Allowance Certificate

Test Taking Strategies

This section of the study guide contains valuable information for testing success and provides a common-sense approach for preparing for and performing well on any test.

General Testing Advice

1. Get a good night's rest the night before the test — eight hours of sleep is recommended.
2. Avoid junk food and “eat right” several days before the test.
3. Do not drink a lot or eat a large meal prior to testing.
4. Be confident in your knowledge and skills!
5. Relax and try to ignore distractions during the test.
6. Focus on the task at hand — taking the test and doing your best!
7. Listen carefully to the instructions provided by the exam proctor. If the instructions are not clear, ask for clarification.

Testing Tips

1. Read the entire question before attempting to answer it.
2. Try to answer the question before reading the choices. Then, read the choices to determine if one matches, or is similar, to your answer.
3. Do not change your answer unless you misread the question or are certain that your first answer is incorrect.
4. Answer questions you know first, so you can spend additional time on the more difficult questions.
5. Check to make sure you have answered every question before you submit the assessment for scoring — unanswered questions are marked incorrect.



