

An Integrated Approach to Teaching Financial Literacy in Middle Schools

The New Requirement

CHAPTER 167

AN ACT concerning public school instruction on financial literacy and supplementing chapter 35 of Title 18A of the New Jersey Statutes.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

C.18A:35-4.34 Financial literacy instruction.

1. The State Board of Education shall require that a school district incorporate in each of the grades six through eight financial literacy instruction to pupils enrolled in those grades. The purpose of the instruction shall be to provide middle school students with the basic financial literacy necessary for sound financial decision-making.
2. The instruction shall meet the requirements established by the State board and shall:
 - a. be appropriate to, and reflect the age and comprehension of, the students enrolled in the particular grade level; and
 - b. include content on budgeting, savings, credit, debt, insurance, investment, and other issues associated with personal financial responsibility as determined by the State board. The Commissioner of Education shall provide school districts with sample instructional materials and resources that may be used to support the implementation of the financial literacy instruction requirement.

2. This act shall take effect immediately and shall first be applicable to the first full school year following enactment.

Approved January 3, 2019.

Money Management is a National Crisis It affects both low income & high income households!

Americans save so little money that there is an annual week-long campaign to encourage people to put aside cash for financial emergencies.

If faced with an unexpected \$400 expense, 4 in 10 adults said they would not have the money to cover it, according to a report last year from the Federal Reserve. To get the funds, they would have to sell something or borrow.

There was a time in the 1970s when the savings rate in the United States was in the double digits. But the most recent figures from the U.S. Bureau of Labor Statistics put it at 6 percent, the lowest level since the 2008 financial crisis. The drop is part of a 60-year downward trend in the personal savings rate, according to the Bureau of Economic Analysis. https://www.washingtonpost.com/business/2019/02/21/does-america-have-savings-crisis/?utm_term=.a33f62fcfd5d

NJ Financial Literacy Learning Outcomes 5-8

STRAND A: INCOME AND CAREERS

By the end of Grade 8, students will be able to:

- 9.1.8.A.1 Explain the meaning and purposes of taxes and tax deductions and why fees for various benefits (e.g., medical benefits) are taken out of pay.
- 9.1.8.A.2 Relate how career choices, education choices, skills, entrepreneurship, and economic conditions affect income.
- 9.1.8.A.3 Differentiate among ways that workers can improve earning power through the acquisition of new knowledge and skills.
- 9.1.8.A.4 Relate earning power to quality of life across cultures.
- 9.1.8.A.5 Relate how the demand for certain skills determines an individual's earning power.
- 9.1.8.A.6 Explain how income affects spending decisions.
- 9.1.8.A.7 Explain the purpose of the payroll deduction process, taxable income, and employee benefits.

STRAND B: MONEY MANAGEMENT

By the end of Grade 8, students will be able to:

- 9.1.8.B.1 Distinguish among cash, check, credit card, and debit card.
- 9.1.8.B.2 Construct a simple personal savings and spending plan based on various sources of income.
- 9.1.8.B.3 Justify the concept of "paying yourself first" as a financial savings strategy.
- 9.1.8.B.4 Relate the concept of deferred gratification to [investment,] meeting financial goals, and building wealth.
- 9.1.8.B.5 Explain the effect of the economy on personal income, individual and family security, and consumer decisions.
- 9.1.8.B.6 Evaluate the relationship of cultural traditions and historical influences on financial practice.
- 9.1.8.B.7 Construct a budget to save for long-term, short-term, and charitable goals.
- 9.1.8.B.8 Develop a system for keeping and using financial records.
- 9.1.8.B.9 Determine the most appropriate use of various financial products and services (e.g., ATM, debit cards, credit cards, check books).
- 9.1.8.B.10 Justify safeguarding personal information when using credit cards, banking electronically, or filing forms.
- 9.1.8.B.11 Evaluate the appropriate financial institutions to assist with meeting various personal financial needs and goals.

STRAND C: CREDIT AND DEBT MANAGEMENT

By the end of Grade 8, students will be able to:

9.1.8.C.1 Compare and contrast credit cards and debit cards and the advantages and disadvantages of using each.

9.1.8.C.2 Compare and contrast the financial products and services offered by different types of financial institutions.

9.1.8.C.3 Compare and contrast debt and credit management strategies.

9.1.8.C.4 Demonstrate an understanding of the terminology associated with different types of credit (e.g., credit cards, installment loans, mortgages) and compare the interest rates associated with each.

9.1.8.C.5 Calculate the cost of borrowing various amounts of money using different types of credit (e.g., credit cards, installment loans, mortgages).

9.1.8.C.6 Determine ways to leverage debt beneficially.

9.1.8.C.7 Determine potential consequences of using “easy access” credit (e.g., using a line of credit vs. obtaining a loan for a specific purpose).

9.1.8.C.8 Explain the purpose of a credit score and credit record, and summarize borrowers’ credit report rights.

9.1.8.C.9 Summarize the causes and consequences of personal bankruptcy.

9.1.8.C.10 Determine when there is a need to seek credit counseling and appropriate times to utilize it.

STRAND D: PLANNING, SAVING, AND INVESTING

By the end of Grade 8, students will be able to:

9.1.8.D.1 Determine how saving contributes to financial well-being.

9.1.8.D.2 Differentiate among various savings tools and how to use them most effectively.

9.1.8.D.3 Differentiate among various investment options.

9.1.8.D.4 Distinguish between income and investment growth.

9.1.8.D.5 Explain the economic principle of supply and demand.

STRAND E: BECOMING A CRITICAL CONSUMER

By the end of Grade 8, students will be able to:

9.1.8.E.1 Explain what it means to be a responsible consumer and the factors to consider when making consumer decisions.

9.1.8.E.2 Identify personal information that should not be disclosed to others and the possible consequences of doing or not doing so.

9.1.8.E.3 Compare and contrast product facts versus advertising claims.

9.1.8.E.4 Prioritize personal wants and needs when making purchases.

9.1.8.E.5 Analyze interest rates and fees associated with financial services, credit cards, debit cards, and gift cards.

9.1.8.E.6 Compare the value of goods or services from different sellers when purchasing large quantities and small quantities.

9.1.8.E.7 Evaluate how fraudulent activities impact consumers, and justify the creation of consumer protection laws.

9.1.8.E.8 Recognize the techniques and effects of deceptive advertising.

STRAND F: CIVIC FINANCIAL RESPONSIBILITY

By the end of Grade 8, students will be able to:

9.1.8.F.1 Explain how the economic system of production and consumption may be a means to achieve significant societal goals.

9.1.8.F.2 Examine the implications of legal and ethical behaviors when making financial decisions.

9.1.8.F.3 Relate the impact of business, government, and consumer fiscal responsibility to the economy and to personal finance. By

STRAND G: INSURING AND PROTECTING

By the end of Grade 8, students will be able to:

9.1.8.G.1 Explain why it is important to develop plans for protecting current and future personal assets against loss.

9.1.8.G.2 Determine criteria for deciding the amount of insurance protection needed.

9.1.8.G.3 Analyze the need for and value of different types of insurance and the impact of deductibles.

9.1.8.G.4 Evaluate the need for different types of extended warranties.

NOTE: THIS STATEMENT HAS NOT BEEN APPROVED BY THE NJCSS AND IS THE OPINION OF THE EXECUTIVE DIRECTOR (2/24/19)

The New Jersey Legislature has added a curriculum requirement to teach financial literacy to students in each year of middle school (i.e. in Grade 6, 7, 8). Each district should enthusiastically support the teaching of financial literacy in a comprehensive and meaningful way that supports changed behaviors in their students through a sequential and scaffold approach in Grades K-12.

The three models below are suggested guidelines for implementing the required Learning Outcomes (above) with direct application to student's lives and what they are learning in the social studies curriculum in your district. The models encourage a comprehensive approach to teaching personal finance to middle school students with best practices that will hopefully lead to life-long behaviors for managing their money and making decisions in the many choices they have in a free market economy.

The three guiding principles for instruction:

1. Instruction needs to involve students in understanding financial literacy concepts, practice and reinforce problem solving and decision-making skills, and include application to the lessons of social studies (Civics, World History, U.S. History, and their personal lives).
2. Instruction needs to include opportunities for inquiry, engagement, and debate through analyzing scenarios, engaging in discussion with people in banking, business, insurance, and investment, and making presentations (research, interviews, video production, class presentations, activities, etc.)
3. Instruction requires evidence through assessments that indicate what students have learned over time. Since the requirement is for instruction in each year of middle school assessments should include scaffolding, long term memory, and when possible based on pre and post tests.

Consider authentic assessment models of essays, presentations, exit interviews, and a measure of core content knowledge. Districts should pursue partnerships with certified financial planners (banks, investment firms, NJ Council for Economic Education, Working in Support of Education -WISE, and/or local colleges) and/or a regional consortium with area districts to develop a common assessment with populations from more than one class, school or district. Assessments should be reviewed and/or endorsed by someone other than the classroom teacher.

Short Term and Long-Term Considerations

Recognizing that the law takes effect in September 2019 and that there are only a few months left before June 2019, we suggest the following:

1. Professional Development for teachers is essential and this is an unfunded mandate.
 - a. Provide professional development through the teachers in your high school who are currently teaching Financial Literacy. In addition to sharing resources and content, they

will want to avoid duplication of what they are teaching high school students. The law requires that instruction be age appropriate for middle school students.

- b. Meet with representatives at local banks. Banks are required through the Community Reinvestment Act to be involved in their communities and are usually willing to provide money for professional development and/or resources/speakers.
2. Instruction may be postponed to take place in the Spring of 2020. The new mandate does not require sequential instruction or mandate which Learning Outcomes must be taught in specific grades. In the short term, districts have a few months in the next school year to develop their plan.
3. A comprehensive and meaningful model of instruction takes time and professional development for your teachers. It takes time to develop a semester course approach, integrated model as part of existing courses, and developing measures of what students have learned.

Model 1: Integrating Financial Literacy learning outcomes into Current Courses

U.S. History 1 (Colonial America – Civil War/Reconstruction)

Budgeting - Strand B (Money Management) and/or Strand D (Planning, Saving, and Investing)

Hamilton's Bank and Federal Budget
Importance of price
Commodities Markets for Farmers
Lowell Mills
Revenue Tariffs v. Protective tariffs
Colonies – Virginia Company, Massachusetts Bay Company
Taxation – Stamp Act, Tea Act, Tax on windows
Hamilton's Bank and First Federal Budget - \$10 million in Debt
Report of Manufacturer's Document
Full Funding of Bonds
Article VI of Constitution – Full Faith and Credit Clause
First Debt of USA – Louisiana Purchase
Importance of a National Bank

Savings - Strand B (Money Management)

Hamilton's Bank
Lincoln – National Banking Act
Panic of 1819, 1837, 1857
Business cycles

Credit – Strand C (Credit)

Cotton is King
Paper money vs. gold and silver
Shays' Rebellion in Massachusetts
Commodities Markets for Farmers 19th century

Debt – Strand C (Debt)

- American Revolution – War Bonds
- Louisiana Purchase
- Work Houses, Poor Houses, Alms Houses, Charity
- Georgia – Debtor’s prisons
- Great Awakening – Charity
- Daniel Shays and Shays’ Rebellion

Insurance - Strand G – (Insuring and Protecting)

- Civil War
- Boston Tea Party
- Lloyds of London
- Shipping insurance
- Accident insurance with Railroads and travel
- Role of Presbyterian and Episcopal church in life insurance for widows

Investment – Strand D (Planning, Saving, and Investing)

- Clay’s American System
- Building National Road (Cumberland Pike)
- Real estate
- Railroads
- Indentured servants
- Bond Market

World History (Prehistory – Middle Ages) - Strand G (Insuring and Protecting)

6.2.8.B.4.b Assess how maritime and overland trade routes (i.e., the African caravan and Silk Road) impacted urbanization, transportation, communication, and the development of international trade centers.

6.2.8.C.4.a Explain how and why the interrelationships among improved agricultural production, population growth, urbanization, and commercialization led to the rise of powerful states and kingdoms (i.e., Europe, Asia, Americas).

6.2.8.C.4.b Determine the extent to which interaction between the Islamic world and medieval Europe increased trade, enhanced technology innovation, and impacted scientific thought and the arts.

6.2.8.D.4. a Analyze the role of religion and economics in shaping each empire’s social hierarchy, and evaluate the impact these hierarchical structures had on the lives of various groups of people.

6.2.8.D.4.b Analyze the causes and outcomes of the Crusades from different perspectives, including the perspectives of European political and religious leaders, the crusaders, Jews, Muslims, and traders.

6.2.8.D.4.c Assess the demographic, economic, and religious impact of the plague on Europe.

6.2.8.D.4.d Determine which events led to the rise and eventual decline of European feudalism.

6.2.8.D.4.e Analyze the immediate and long-term impact on China and Europe of the open exchange between Europe and the Yuan (Mongol) Dynasty.

6.2.8.D.4.f Determine the extent to which the Byzantine Empire influenced the Islamic world and western Europe.

Civics, Geography, NJ History, etc.

Strand A, (Income and Careers)

Strand E (Being a Critical Consumer)

Strand F (Civic Financial Responsibility)

Model 2: Semester Course with Reinforcing Units (i.e. Grade 6)

Develop a year long course with one semester of Financial Literacy and one semester of Civics.

(Geography and NJ History could also be included)

Integrate and reinforce Financial Literacy in courses in Grades 7 and 8 with a minimum of 5 days of planned activities and a maximum of 15 days.

Model 3: Realign curriculum around Quarters

Grade 6 – Civics, Financial Literacy, Geography, NJ History (or Global Issues)

Grade 7 – World History – Eras 1&2: Prehistory/Early Civilizations, Era 3: Ancient World, India, China, Era 4: Expanding Exchanges and Encounters, Financial Literacy

Grade 8 – U.S. History, Eras 1&2: Three Worlds Meet and Colonization and Settlement, Eras 3&4 Revolution & The New Nation and Expanding & Reform, Era 5: Civil War and Reconstruction, Financial Literacy

Resources:

<https://www.theatlantic.com/business/archive/2017/10/money-measure-everything-pricing-progress/543345/>

<https://www.history.com/news/11-innovations-that-changed-history>

<https://www.history.com/news/in-the-19th-century-the-last-place-you-wanted-to-go-was-the-poorhouse>