

# Financial Education Core Competencies

## US Treasury

### 1) What You Earn

#### **A. Understand Gross vs. Net Pay**

a. So you can understand what you earn ("gross pay"), what is deducted from your paycheck (taxes and/or other expenses), and the actual amount you take home ("net pay").

#### **B. Understand your workplace benefits and taxes**

a. So you can make informed choices about employee benefits such as health insurance and putting money into retirement savings or, if you are self-employed, save a portion of your income to pay estimated taxes.

#### **C. Understand that income is strongly related to education.**

a. So you can invest in your future through education.

### 2) What You Spend

#### **A. Understand Needs (must have) vs. Wants (would like to have).**

a. So you can prepare a personal spending plan to help you keep track of your income and expenses and live within your means.

#### **B. Understand that your spending decisions can affect other people and the environment.**

a. So the choices you make on how you manage your money are consistent with your personal hopes and wishes for your local community, the nation, and the world.

### 3) What You Save

#### **A. Understand how saved money grows and the power of compounding (interest earned on reinvested interest)**

a. So you benefit from your money growing through the interest earned on your savings, as well as the interest earned on interest earlier deposited into your account (compound interest).

#### **B. Understand basic types of bank deposit accounts (such as checking and saving accounts), investment products (including bonds, stocks, and mutual funds), and the benefits of diversifying.**

a. So you can protect and grow your money while balancing the risk for loss with the opportunity for greater returns.

#### **C. Understand how to meet long-term savings goals.**

a. So you can plan and save for major goals and expenses such as buying a home, paying for a child's education, funding your retirement, or other needs.

b. So you can monitor and track your savings, finances, and assets

### 4) What You Borrow

#### **A. Understand the costs of borrowing money.**

a. So you can decide when it makes sense to borrow money, and know how to shop for a loan or credit card that is right for you.

#### **B. Understand that how you manage your credit -- including how you pay your loans and bills -- can affect the cost and availability of credit in the future.**

a. So you can minimize your costs of borrowing money by handling credit responsibly.

#### **C. Understand how to plan and meet your payment obligations.**

a. So you know how to avoid over-extending yourself with debt, how to keep accounts current, and what to do if you cannot make a payment.

#### **D. Understand the differences between renting and owning a home.**

a. So you can decide what makes the most sense for you from a financial and lifestyle perspective.

### 5) Protecting Yourself

#### **A. Understand identity theft, fraud, and scams**

a. So you know how to protect your personal information and finances, online or anywhere.

#### **B. Understand how to get your credit report and its importance**

a. So you can order your free annual credit report from [www.annualcreditreport.com](http://www.annualcreditreport.com), review it for accuracy and completeness, dispute inaccuracies and, if necessary, take steps to build or repair your credit.

b. So you can understand how businesses use your credit report to evaluate your applications for credit, insurance, employment, and renting a place to live.

c. So you can monitor your credit report to spot identity theft.

#### **C. Understand how and why to plan for a rainy day**

a. So you can build an emergency savings fund to help you handle major, unexpected expenses or a loss of income.

#### **D. Understand how insurance protects risk.**

a. So you can choose the appropriate types of insurance and coverage for life, health, automobile, and home.

#### **E. Understand how and why to comparison shop, particularly for costly goods or services**

a. So you can get a deal that makes sense for you.