

# Money for Life

June 2008

Dear Readers,

Have you ever heard the phrase “financial literacy” and wondered what it meant?

Financial literacy is often defined as “*the ability of individuals to make appropriate decisions in managing their personal finances.*”

In the past few years raising the levels of financial literacy among youth and adults has become the focus of government programs and legislation. Iowa Senate File 2216 recently signed by the governor establishing a core curriculum that includes financial literacy.

The Jump\$tart Coalition for Personal Financial Literacy is a national coalition of organizations dedicated to improving the financial literacy of kindergarten through college age youth through advocacy, research, standards and educational resources.



Every two years the Jump\$tart Coalition sponsors a financial literacy survey that includes a sampling of high school seniors from across the United States. Iowa students are included in the survey sample.

The results of the 2008 survey were recently released and the scores demonstrate that graduating high school seniors continue to struggle with financial literacy basics. The national average score was 48.3 percent. The good news is, the Iowa average score was 54.9 percent -- higher than the national average score.

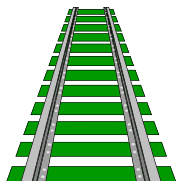
This year for the first time the survey was also administered to college students with an average score of 62 percent.

The complete survey can be viewed in the “downloads” section of the Jump\$tart website: [www.jumpstart.org](http://www.jumpstart.org). Following are some of the questions from the survey. See how you score.

1. Which of the following statements best describes your right to check your credit history for accuracy?
  - a. Your credit record can be checked once a year for free.
  - b. You cannot see your credit record.
  - c. All credit records are the property of the U.S. Government and access is only available to the FBI and lenders.
  - d. You can only check your record for free if you are turned down for credit based on a credit report.
2. Your take home pay from your job is less than the amount you earn. Which of the following best describes what is taken out of your total pay?
  - a. Social security and Medicare
  - b. Federal income tax, property tax, Medicare, Social Security
  - c. Federal income tax, social security, Medicare
  - d. Federal income tax, sales tax, Social Security
3. If you caused an accident, which type of automobile insurance would cover damage to your own car?
  - a. Comprehensive
  - b. Liability
  - c. Term
  - d. Collision

Answers: 1) a; 2) c; 3) d





## Start on the Right Track

Take these steps to get on track to managing personal finances.

- Gather important personal and financial information in one accessible location. For help organizing the information request a copy of *Money Mechanics: Recordkeeping* (Pm 1452) and *Getting Organized* (Pm 1121) from your county Extension Office.
- Check your credit report annually for free from each of the three major credit report agencies - Equifax, Experian, TransUnion.
  - Call 877-322-8228,
  - Go to [www.annualcreditreport.com](http://www.annualcreditreport.com), OR
  - Print off a mail-in form at [www.ftc.gov/credit](http://www.ftc.gov/credit)
- If you received a large tax refund or had to pay taxes at years end, consider adjusting your tax withholdings (IRS form W-4).
- Maintain a low debt to income ratio. Monthly consumer debt payments (excluding mortgage) should be 15% or less of your monthly take home pay. For example if your monthly debts are \$300 divided by \$2500 of net pay that equals a consumer debt ratio of 12%.
- Save money in an emergency fund equal to at least three month's of expenses. Use this money only for meeting emergencies such as paying bills if temporarily unemployed, making unexpected repairs, etc. Replenish the fund by making contributions to it on a regular basis.

## Increase personal financial literacy

Knowledge is power. Check out these free resources.

High School Financial Planning Program –  
<http://hsfpp.nefe.org>

A seven unit curriculum with web resources for parents, a student workbook, and teacher learning tools.

Take Control of Your Money –  
[www.extension.iastate.edu/financial/money](http://www.extension.iastate.edu/financial/money)

A web based course that helps you examine spending habits, reduce debt and build savings.

40 Money Management Tips Every College Freshman Should Know

[www.smartaboutmoney.org/40moneytips](http://www.smartaboutmoney.org/40moneytips)

Some great information for college students and parents too!

eXtension (pronounced ee-extension)

<http://www.extension.org/personal+finance>

The best personal financial information for consumers delivered in an interactive learning environment from land-grant universities across America.



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