

DEVELOPING INFORMATION LITERACY SKILLS: UNDERSTANDING FINANCIAL LITERACY

FACILITATOR'S GUIDE

This guide and the following lesson plan are designed to provide you with sample tools and preparation that you might consider using to deliver simple, introductory lessons to community members on the topic of financial literacy. IMLS has created these materials with the understanding that many organizations do not have the expertise or staff to deliver comprehensive trainings on information literacy topics. If you would rather seek the services of a subject matter expert, we have provided a sample guide for partnering locally with a trainer or offering online training resources to your **community**.

Thank you for all you do to promote information literacy every day.

Advance Preparation:

- While you prepare for this lesson on financial literacy, consider compiling a variety of examples to effectively convey the importance of the subject and engage participants.
- Examples can include financial-related articles, illustrations/infographics/other visual aids (make sure all sources are attributed), interactive websites, etc., that can help simplify complex financial information and make it more accessible.
- These resources can help you show participants the practical implications of financial literacy in their daily lives, empower them to make informed decisions about their finances, and inspire them to become advocates for improving financial literacy in their community.

Setting Expectations:

The following section outlines some best practices that we have identified and encourage you to consider. You are welcome to revise as necessary to accurately reflect your training goals.

- Begin by welcoming participants to the training. Introduce yourself as the instructor and thank them for joining you today.
- Inform participants of your role and experience with financial literacy. Disclose to the participants that you are not here as a financial advisor, accountant, nor do you work for a financial institution.
- Clearly communicate any expectations or guidelines for participation and behavior (e.g., avoid interruptions, put phones away). This helps set boundaries and creates a positive learning environment.
- Addressing confidentiality and privacy at the outset of the activity can encourage more active participation. For this lesson plan, we advise that participants' names and/or identities are not attributed to their commentary. Any reporting after the activity, whether internally or to the public, should be in the aggregate. Remind participants that they should not share any personal or confidential information.

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- Give a brief outline of the format and agenda for the training. Let participants know how the training will be structured, including activities or exercises to come.
- Invite each participant to introduce themselves with their first name, if they are willing, in order to facilitate the conversation (not for attribution), and any relevant background information such as why they joined the training today. This helps create a sense of community and familiarity among participants.
- Emphasize the importance of everyone's participation and encourage all participants to share their thoughts and experiences openly. Assure them that all perspectives are welcome and valuable.
- Invite participants to ask any questions before the lesson starts.

LESSON PLAN

Objectives:

- By the end of the lesson, participants will be able to grasp why strong financial literacy improves individual/community wellbeing and know how to complete several key tasks related to financial literacy, including:
 - Opening a bank account;
 - Managing their money with confidence;
 - Recognizing a scam; and
 - Filing their taxes (the basics).

Materials Needed:

- Pen and paper

Duration:

- This financial literacy overview is designed to be delivered in 120 minutes, but it also can be broken into a series of trainings on the topic.

Lesson:

Introduction (10 minutes):

Greet participants and introduce the topic. Provide an overview of what will be covered during the lesson and why understanding financial literacy is important to individual/community wellbeing.

- Everyone has a wide range of experiences and comfort levels with money. Income, childhood experiences, cultural norms, and many other factors can shape how people navigate financial information.
- Financial literacy is the ability to find, evaluate, and use financial information to make decisions about personal finances.
- Everyone needs financial literacy skills to get the most out of their money and work toward their financial goals.
- Financial literacy skills can help people:
 - Plan and save for the future;

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- Compare costs before making a purchase or securing a mortgage or loan;
 - Use bank accounts and credit or debit cards;
 - Research student loans and other financial aid options; and
 - Avoid scams and financial fraud.
- This lesson will cover:
 - How to open a bank account;
 - How to manage money;
 - How to recognize a financial scam; and
 - How to file your taxes.

Engagement (10 minutes):

Discuss participants' prior knowledge related to financial literacy and their experiences with the concepts being taught today.

- Ask the participants:
 - Where do they get financial information?
 - Do they ask their family and friends?
 - Do they ask professionals?
 - Do they search the internet?
- Have them talk in pairs at first and then elicit several responses in the whole group.
- **Note:** Take care to promote an atmosphere of acceptance and respect. Before beginning it may be beneficial to remind the participants once more to not disclose any personal or confidential information.

Instruction (40 minutes):

Present information, breaking down complex ideas into smaller, more digestible parts on:

- **How to open a bank account:** When you're ready to take a big step toward your financial goals, a bank account can be your best ally. It keeps your money safe, gives you quick access to your funds, and can bring financial peace of mind.
 - Banks are like guardians for your money, keeping it safe and helping you manage it wisely. Banks are closely watched by the government to make sure they play fair and follow the rules, so you can feel reasonably confident that your money is in good hands. They have special protections in place to help ensure that your money doesn't disappear if something goes wrong. Banks also have a long history of helping people manage their money wisely, and they can answer your questions and help you out when you need it.
 - **Choose the right bank:** Consider these questions: 1) Does the bank need to be near my home or work? 2) Does it offer 24-hour banking or online banking? 3) Does it add money to its accounts via interest? 4) Does it charge fees for the actions I want to take with my money? Research different banks to find one that meets your needs in terms of location, services offered, fees, and account options.

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- **Select the type of account:** Decide what type of account you want to open. Research common types of accounts, including savings accounts, checking accounts, and money market accounts, to decide what meets your banking needs.
 - **Gather required documents:** You may need to provide certain documents to open a bank account. These may include:
 - Identification (such as a driver's license, consular ID, or passport)
 - Social Security number or Individual Taxpayer Identification number
 - Proof of address (such as a utility bill or lease agreement)
 - **Note:** Some credit unions and other community organizations can help individuals who don't have this documentation to open an account.
 - **Visit the bank:** Many people feel comfortable going to the bank branch in person to open an account. When you arrive at the bank, speak with a bank representative or customer service representative who can aid you with the account opening process. Some banks also offer the choice to open an account online or over the phone.
 - **Complete an application:** Fill out an account application form, providing personal information such as your name, address, date of birth, and contact information.
 - **Deposit funds:** To open the account, you'll need to make an initial deposit of cash, check, or money order. The amount needed varies depending on the type of account you're opening and the bank's policies.
 - **Review and sign documents:** Review any account agreements, terms and conditions, and fee schedules provided by the bank. Once you're satisfied, sign the necessary documents to finalize the account opening.
 - **Receive your account materials:** After opening the account, you'll receive account materials, such as a debit card, checks, and later on, account statements showing your activity.
 - **Set up online banking (optional):** If you want to access your account online, set up online banking by creating a username and password. This allows you to manage your account, view transactions, and transfer funds electronically.
 - **Keep your account information secure:** Safeguard your account information, including your account number, PIN, and online banking credentials to prevent unauthorized access and protect your financial privacy.
- **How to manage money:** Developing the knowledge, skills, and confidence you need to manage your money effectively and achieve your financial goals is key!
 - **Understanding income and expenses:** Income is money coming in; it can be earned from sources like jobs (including part-time jobs), allowances, or scholarships. Expenses are money that is going out, such as what you spend on food, rent, transportation, and entertainment.
 - **Setting financial goals:** It's important to set short-term and long-term financial goals, such as saving for a house, buying a car, or traveling. Prioritize your goals and create a plan to achieve them, including setting aside a part of your income for savings.
 - **Saving for an emergency fund:** Putting aside a little money regularly can help you prepare for the unexpected, like car repairs or medical bills. It's smart to save enough to cover about three to six months' worth of your regular expenses, so you're more prepared for unexpected costs.
 - **Saving for retirement:** Even though retirement might seem far away for some of us, starting to save early can make a big difference — especially if you have options like a 401(k), which is a special account where you can put part of your paycheck before taxes to grow over time.

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- **Tracking spending:** Keeping receipts, using budgeting apps or spreadsheets, or keeping a spending journal helps you know where your money is going. Reviewing spending habits regularly helps you find areas where you can cut back and save money.
- **Managing debt responsibly:** Student loans, credit cards, and personal loans are types of debt. It's important to borrow responsibly and avoid high-interest debt whenever possible. Making prompt payments, avoiding late fees, and paying more than the minimum balance helps get rid of debt faster and builds your credit profile, making it easier to borrow larger sums of money later, like a housing loan.
- **Practicing good financial habits:** Living within your means, avoiding impulse purchases, and saving regularly are all good habits to keep up. It's crucial to be mindful of lifestyle inflation and make intentional spending choices to achieve financial goals.
- **How to recognize a financial scam:** Recognizing these common signs of a scam could help you avoid one!
 - Scammers are people who want to trick you into giving them your money, and they are very good at it. They will learn about you via information available on the internet to trick you into giving them money. They might contact you through email, text, phone, or even at your front door.
 - Scammers pretend to be from an organization you know and often say they are contacting you on behalf of the government. They might use a real name, like the Federal Trade Commission (FTC), Social Security Administration, Internal Revenue Service (IRS), or Medicare, or make up a name that sounds official.
 - Scammers typically say there's either a problem or a prize. They might say you're in trouble with the government, you owe money, someone in your family had an emergency, or that there's a virus on your computer.
 - They also might pretend to be from a charity or a good cause, but really, they're just trying to take your money. It's essential to be careful and check if the charity is real before giving any money.
 - Scammers pressure you to act at once before you have time to think. If you're on the phone, they might tell you not to hang up so you can't check out their story. They might threaten to arrest you, sue you, or take away your driver's or business license.
 - Scammers tell you to pay in a specific way. They often insist that you can only pay by using cryptocurrency, wiring money through a company like MoneyGram or Western Union, using a payment app, or putting money on a gift card and then giving them the numbers on the back of the card.
 - How to avoid a scam
 - Block unwanted calls and text messages. For example, you could suggest that participants consider adding themselves to the FTC's National Do Not Call Registry to opt out of telemarketing calls (<https://www.donotcall.gov>).
 - Don't give your personal or financial information in response to a request that you didn't expect.
 - If you get an email or text message from a company you do business with and you think it's real, it's still best not to click on any links. Instead, contact them using a website you know is trustworthy.
 - Resist the pressure to act immediately. Honest businesses will give you time to make a decision.
 - Never pay someone who insists that you can only pay with cryptocurrency, a wire transfer service, a payment app, or a gift card. Never deposit a check for someone else and give them money back in return.
 - Stop and talk to someone you trust. Talking about it could help you realize it's a scam.
- **How to file your taxes:** Taxes are mandatory payments made to the government to fund public services like schools, roads, and health care. Everyone who gets paid needs to file taxes.

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- Taxes are collected at every level of government — local, state, and federal. Each of these entities collect taxes in a different way and with different deadlines. You can visit City Hall or your local government website, along with state department of revenue websites and the IRS website, to learn how and where to pay your taxes.
- **Types of taxes:** Different types of taxes include income tax (taxes on money earned from jobs), sales tax (taxes on purchases), and property tax (taxes on owned property).
- **Tax filing basics:** Though there are many ways that governments collect taxes, the most complicated way can be tax filing. This involves reporting your income and deductions to the government by a certain deadline. Gross income = total earnings before taxes; net income = earnings after taxes and deductions.
- **Components of a tax return:**
 - Personal information: name, address, Social Security number
 - Income: wages, salaries, tips, and any other sources of income
 - Deductions: expenses that can reduce taxable income, such as student loan interest or charitable donations
 - Credits: amounts that directly reduce the amount of tax owed, such as the Earned Income Tax Credit or education credits
- **Filing methods:** There are different ways to file taxes, including filing electronically (e-filing) using tax software or online platforms and filing by mail using paper forms (less common).
- **Deadlines and penalties:** It's important to file taxes on time to avoid penalties and interest charges. The tax filing deadline is usually April 15th in the United States, though people who are self-employed might have to file more often.
- **Tax refunds and payments:** You might receive a tax refund if you've overpaid taxes throughout the year. If you owe taxes, you'll need to make a payment by the deadline the IRS gives you.
- **Resources for help:** You can get help doing your taxes from tax preparation services (some may be free for low-income individuals), online resources and guides from the IRS, or other trusted organizations.

Guided Practice (15 minutes):

Facilitate exercises where participants can practice applying new knowledge to real-life scenarios and may be faced with roadblocks.

- **Real-life scenario:** Suppose you have accumulated significant credit card debt due to overspending or unexpected expenses. You're struggling to make minimum payments, and the high-interest rates are causing your debt to grow rapidly. This financial burden is causing you stress and affecting your ability to save for other financial goals.
- Discuss steps to overcome roadblocks:
 - Review your credit card statements to understand the total amount owed, interest rates, minimum payments, and due dates.
 - Find areas where you can cut back on spending to free up more money to put toward debt repayment.
 - With the debt avalanche repayment method, you focus on paying off the credit card with the highest interest rate first, while with the debt snowball repayment method, you start with the smallest balance first.
 - Reach out to your credit card companies to see if you can negotiate lower interest rates or reduced payment plans.
 - Consider ways to increase your income to accelerate debt repayment.

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- If you're feeling overwhelmed or unsure about how to proceed, consider seeking assistance from a nonprofit credit counseling agency.
- Provide general guidance and support as needed, while making sure that participants know that you are not providing specific financial advice.

Independent Practice (20 minutes):

Break into two groups, each with an activity related to two of the topics covered during the instruction segment (create a budget and identify a financial scam).

- Instruct participants to create a budget by creating a sample monthly income and distributing it to different expense categories OR provide them with a worksheet on identifying a financial scam.
- Encourage participants to apply what they have learned on their own.

Assessment (15 minutes):

Evaluate participants' understanding through formative assessment methods (e.g., questioning, observation, quizzes, etc.).

- Discuss participants' results during the independent practice part.

Wrap Up (10 minutes):

Summarize the key points covered during the lesson.

- Opening a Bank Account:
 - Choose the right bank based on location, services, fees, and account options.
 - Select the type of account (savings, checking, etc.) based on your needs.
 - Gather required documents like ID and proof of address.
 - Visit the bank in person or explore online options.
 - Complete an application and make a first deposit.
 - Review and sign documents, then receive account materials.
 - Set up online banking if desired and keep account information secure.
- Managing Money:
 - Understand income sources and expenses.
 - Set financial goals and create a plan to achieve them.
 - Track spending and review habits regularly.
 - Manage debt responsibly to avoid high-interest payments.
 - Practice good financial habits like living within means and saving regularly.
- Recognizing Financial Scams:
 - Be wary of calls or messages pretending to be from official organizations.
 - Scammers create urgency and pressure to act at once.
 - They often request payment in specific, non-traditional ways.
 - Avoid scams by blocking unwanted communications and not sharing personal information.

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- Filing Taxes:
 - Taxes are mandatory payments to fund public services.
 - Types include income tax, sales tax, and property tax.
 - Filing involves reporting income, deductions, and credits.
 - Options include e-filing and paper forms.
 - Deadlines and penalties apply for late filing.
 - Tax refunds or payments depend on overpayment or underpayment.
 - Seek help from tax preparation services or online resources if needed.
- Ask participants to share one new thing they learned about financial literacy today.
- Summarize the importance of financial literacy for individual and community economic wellbeing.
 - Financial literacy empowers individuals to make informed decisions about their money. With a solid understanding of financial concepts, individuals can effectively manage their income, expenses, debt, and savings, leading to greater financial stability and security.
 - Financial literacy helps individuals set and achieve their financial goals. Whether it's buying a home, saving for retirement, or starting a business, financial literacy provides the knowledge and skills needed to develop actionable plans and make progress toward these goals.
 - By making sound financial decisions, individuals can build wealth, support local businesses, and contribute to economic growth and prosperity.
 - Financial literacy equips individuals with the tools to effectively manage their finances, leading to reduced stress and anxiety about money. This can improve overall wellbeing and quality of life for individuals and their families.
 - Financial literacy protects people from falling victim to fraudulent schemes, ultimately safeguarding their financial health.
 - Financial literacy education provides individuals with the knowledge and skills needed to pursue educational opportunities and career advancement. By understanding concepts such as student loans, budgeting, and financial aid, individuals can make informed decisions about their education and future earning potential.
- Encourage participants to continue their progress with financial literacy.
 - Offer them financial literacy information websites that are generally correct and trustworthy to check in the future, such as:
 - <https://www.fdic.gov/getbanked/pdf/top-reasons-to-open-a-bank-account.pdf>
 - <https://ncua.gov/consumers/financial-literacy-resources>
 - <https://playmoneysmart.fdic.gov/games>
- Glossary of terms related to financial literacy:
 - **Income:** The money you earn, such as from a job, allowance, or gifts.
 - **Expenses:** The money you spend on things like food, clothes, entertainment, and bills.
 - **Saving:** Putting money aside for future needs or wants instead of spending it right away.
 - **Investing:** Using your money to buy something that you hope will grow in value over time, like stocks, bonds, or real estate.
 - **Interest:** The extra money that you earn (on savings or investments) or that you pay (on loans or credit cards) for borrowing someone else's money.
 - **Debt:** Money you owe to someone else, like a loan or credit card balance.
 - **Credit:** The ability to borrow money or buy things now with the promise to pay for them later.

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- **Credit Score:** A number that shows how likely you are to pay back borrowed money based on your credit history (how well you've managed credit in the past).
- **Compound Interest:** Earning or paying interest on both the first amount of money and the interest that has already been added to it.
- **Emergency Fund:** Money set aside to cover unexpected expenses or emergencies, like medical bills or car repairs.
- **Insurance:** A financial product that protects you from financial losses due to unexpected events, like car accidents, illness, or natural disasters.
- **Identity Theft:** When someone steals your personal information, like your Social Security number or credit card details, to commit fraud or theft.
- **Tax:** Money that individuals and businesses must pay to the government to fund public services like schools, roads, and health care.
- **Income Tax:** A tax on the money you earn from working, investments, or other sources of income.
- **Sales Tax:** A tax added to the price of goods and services at the time of purchase, collected by the seller and paid to the government.
- **Property Tax:** A tax imposed on the value of real estate or personal property, usually paid annually by the property owner.
- **Tax Deduction:** An amount of money that reduces the total income subject to income tax, often based on expenses like mortgage interest, charitable donations, or education expenses.
- **Tax Credit:** An amount of money that directly reduces the amount of tax owed, often provided as an incentive for specific behaviors like buying energy-efficient appliances or adopting a child.
- **Tax Return:** A form filed with the government that reports income, expenses, and other financial information for the purpose of calculating and paying taxes owed or receiving a refund.
- **Withholding:** The process by which employers deduct a part of an employee's wages to cover income taxes, Social Security, and Medicare taxes before paying the employee.
- **Filing Status:** A category that figures out the rate at which an individual's income is taxed, such as single, married filing jointly, married filing separately, or head of household.
- **Tax Bracket:** A range of income levels subject to a specific tax rate, with higher incomes taxed at higher rates.
- **Taxable Income:** The part of income subject to taxation after deductions and exemptions are applied.
- **Tax Refund:** Money returned to a taxpayer when they have paid more in taxes throughout the year than they owe, typically received after filing a tax return.

Instructor Reflection:

- Reflect on the effectiveness of the lesson.
- Consider what worked well and areas for improvement.
- Adjust future lessons based on reflections.