

The Center for Personal Financial Education is an educational resource and research center. Its mission is to advance the adoption of sound personal financial practices by developing and delivering personal financial education programs and conducting related research. It was founded in 1996 and is a joint venture between the University of Rhode Island and Consumer Credit Counseling Service of Southern New England, a division of Money Management International. The Center produces and provides an array of integrated, coordinated outreach programs and services designed for diverse audiences and delivered through schools, at community sites, in the workplace, and through mass media.

The school curriculum enrichment program, through this newsletter and teacher seminars, is designed to provide:

- ◆ news about the NEFE High School Financial Planning Program,
- ◆ information about new financial literacy teaching resources and events,
- ◆ updates on research related to teens and money, and
- ◆ a forum for teachers, youth leaders, university faculty, financial educators in business and government, and others to share teaching ideas and techniques.

Projects at the Center are funded by grants and donations from foundations and businesses.

Gift Cards Get Guidelines

With the holiday season just around the corner, consumers will have more information when shopping for gift cards this year.

Gift cards are pre-paid or stored value cards that are issued by retailers or by banks. Bank-issued cards typically carry the logo of the financial institution's network, for example, VISA, MasterCard or American Express. Sometimes bank gift cards are co-branded and jointly issued by a retailer or shopping mall. These cards are accepted as universally as other bank cards.

Gift cards from national banks or jointly issued by banks and retailers will contain new disclosures. The federal Office of the Comptroller of the Currency (OCC) recently issued guidelines that will help consumers who buy or receive bank gift cards to understand the terms and conditions on the cards.

The new disclosures will include:

- Expiration date of the card on the front of the card -- some are as short as one year

- Dormancy fee – a charge, sometimes as high as \$2 per month, for not using the gift card within a certain period of time, usually six months to a year
- Maintenance or low balance fees – a monthly charge if you only have a small balance left on your card if the card isn't used within a set amount of time

Continued on page 2

In this issue:

- Gift Cards Get Guidelines
- Survey of Credit Card Offers
- Changes Ahead for Retirement Accounts
- The Real Cost of Payday Loans
- Retirement Savings
- New Ways to Receive Your Tax Refund
- Book Review: The Number
- Fun Facts About Money
- Resources
- High School Financial Planning Program
- New on the Net
- Professional Development

Greetings!

To Teachers in Southern New England

During the past couple of years, as my colleagues and I have listened to educators and financial industry professionals, we have heard a common theme. Both are interested in working together to deliver financial education to youth. The financial industry professional brings content expertise, real world credibility and program resources to a financial literacy partnership, while educators integrate financial education content into an on-going program of study. A recent conference, organized by the University of Rhode Island Center for Personal Financial Education and the Rhode Island JumpStart Coalition, brought together 29 educators and 26 financial industry professionals to collaborate on delivering lessons and experiences that will prepare students for the financial challenges ahead. For educators in Connecticut, Massachusetts and Rhode Island who are seeking financial professionals to partner with, but have not found them yet, I would be happy to try to suggest some potential partners. My contact information is on the last page of this newsletter. Best of luck as you begin this new school year!

Claudia Kerbel

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Gift Cards Get Guidelines

Continued from page 1

- Limits on cash back – if you purchase merchandise, but don't use the entire amount on the card, statement explains if cash will be refunded for the remainder or if a balance will remain on the card, even if it's a small amount
- How to obtain additional information about the card or other customer services, such as providing a toll free number or website address

Other information to be provided includes the name of the issuing bank and what to do if the card is lost or stolen.

The OCC guidelines include the expectation that the new information will be packaged in such a way that the card purchaser can easily pass the information on to the recipient. The disclosures could appear on promotional packaging, on an accompanying sleeve on the gift card, or printed on a sticker or tape attached to the gift card.

Gift card issuers are also advised not to mislead consumers. For example, promotional materials should not promise "no expiration date" if monthly fees or other charges will deplete the balance on the card. Also, gift cards should not be described as gift certificates or as products that carry federal deposit insurance.

More information about the new guidelines can be accessed at:
<http://www.occ.treas.gov/ftp/bulletin/2006-34.doc> .



Survey of Credit Card Offers

If you are looking for a website that your students can use to compare credit card offers, be sure to consider the Federal Reserve's semi-annual report of credit card plans. The survey gathers information from the largest credit card issuers in the country and other financial institutions that wish to participate in the survey. The current survey lists data on 138 plans, which is subject to change. To learn more about other credit card plans, contact credit card issuers for current rates and terms. The survey is available at:

<http://www.federalreserve.gov/pubs/SHOP/survey.htm> .

Commercial sources of information that promote credit cards include:

www.bankrate.com and
www.cardweb.com.



Changes Ahead for Retirement Accounts

Submitted by Joan Gray Anderson, Professor of Family Financial Counseling and Planning, University of Rhode Island

The Pension Protection Act of 2006 was enacted in August. It contains several important provisions which will have an impact on workers who are saving for retirement.

Contribution limits for defined contribution plans, 401(k), 403(b) and 457 plans, have been made permanent. For 2006, up to \$15,000 may be contributed; an additional "catch up" contribution of \$5,000 will be allowed for workers 50 and older. These amounts will be adjusted for inflation in future years.

Saver's credit: Low-income workers who have one of the three defined contribution plans listed above, will be eligible for the "saver's credit" on their income tax return. This tax strategy existed before, but has now been made permanent. The credit is worth up to 50 percent of one's contribution up to \$2,000 and is taken as a tax credit which comes off of taxes owed. The amount of the tax credit may be directly deposited into one's retirement account. It is available to taxpayers with an

adjusted gross income of \$25,000 or less if single or \$50,000 if married, filing jointly.

Automatic enrollment of workers into defined contribution plans -- Previously, an employee had to sign up to participate in a 401(k) or similar plan. Under the new law, workers are automatically enrolled and must opt out of the plan if they do not want to save for retirement. Research studies have shown repeatedly that using automatic enrollment as the default option increases retirement plan participation rates dramatically.



The Real Cost of Payday Loans – new web site helps consumers

Payday loans are small cash loans generally between \$100 and \$1,000, depending on the maximum allowed by state regulation, from check-cashing outlets, pawn shops or payday lending storefronts. Here's how they work. A consumer writes a check payable to the lender for the amount he or she wishes to borrow plus a fee. The payday lender gives the borrower cash for the amount of the check, minus the fee. The lender holds the borrower's check until his or her

next payday, when the borrower has three choices: allow the check to be cashed, redeem it by paying cash to retrieve the check, or roll it over by paying another fee to extend the loan for two more weeks. Often, loans are rolled into another loan. The risk for consumers is an endless cycle of repeated borrowing.

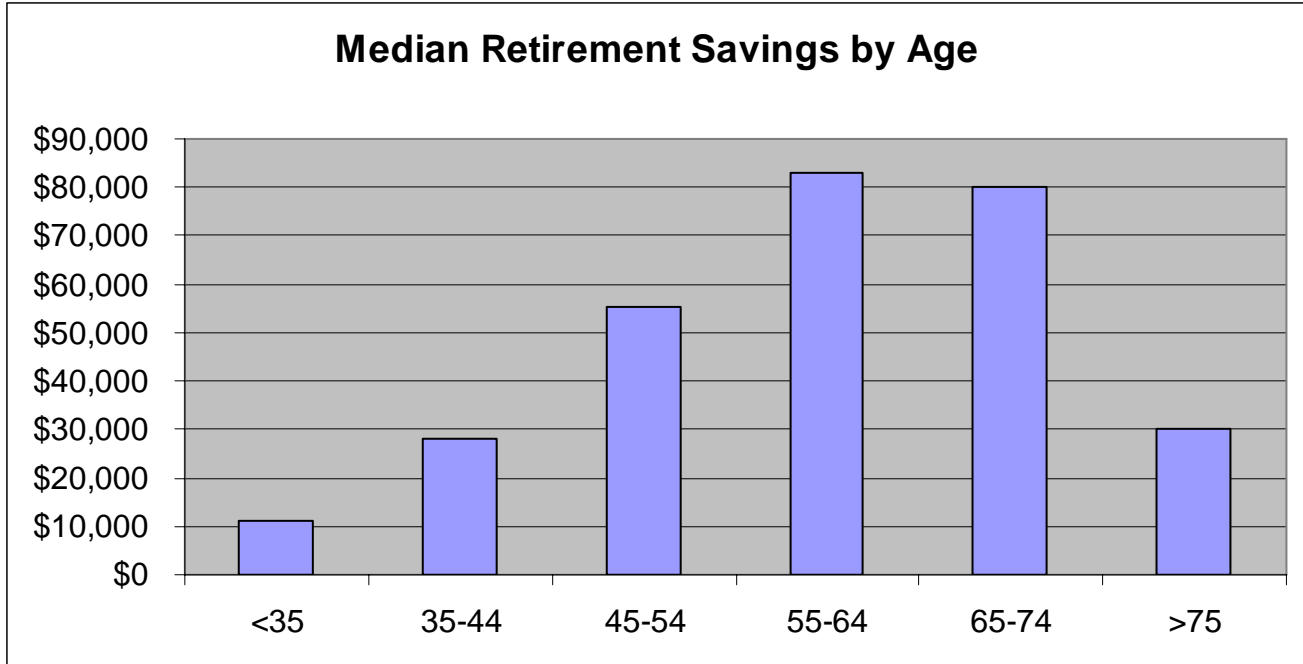
Internet payday loans offer additional risks. With online payday lending, consumers apply and receive loan funds deposited overnight in their bank accounts. They fill out an online application and/or fax their application and supporting documents. If a dispute arises and the borrower needs to communicate with the lender, the online payday lender may be hard or impossible to contact at an out-of-state or out-of-the-U.S. business location. Online payday lenders can bypass state usury laws and avoid licensing regulations required in the borrower's home state. In addition, the online borrower risks identity fraud if the lender does not abide by strict privacy policies or if the web site is not secure.

Although a payday loan generally doesn't involve a large sum of money, the cost of the loan can be excessive. As an example, for a two week loan of \$100, a typical interest charge would be \$15. This is actually an APR (annual percentage rate) of 390%. Compare that with mortgage rates which are usually under ten percent or some credit card interest rates in the low teens.

To help your students understand the real cost of payday loans, go to the Consumer Federation of America's new website at: www.paydayloaninfo.org. You'll be able to calculate the annual cost of using payday loans, get access to online research reports, and get state-specific information.

Retirement Savings

How much money has the average worker saved in a retirement account? According to the recently released 2004 Survey of Consumer Finances, the median amount saved by American families was \$35,200. As seen in the chart below, the amount saved varies by age of the head of the family.



Source: Bucks, B.K., Kennickell, A.B., Moore, K.B. Recent Changes in U.S. Family Finances: Evidence from the 2001 and 2004 Survey of Consumer Finances, Federal Reserve Board. Available at: <http://www.federalreserve.gov/pubs/bulletin/2006/financesurvey.pdf>

Submitted by Joan Gray Anderson, Professor of Family Financial Counseling and Planning, University of Rhode Island

New Ways to Receive Your Tax Refund

Beginning next year, you will have the option of having your 2006 federal income tax refund deposited into up to three different accounts. This means that in the future, consumers will not have to choose between a savings account, checking account or retirement savings account, instead, they can have their refund check direct deposited to all three! This

change is designed to encourage consumers to save at least a portion of their refund checks. A new document, Form 8888, will be used to designate the account information and the amount to be deposited in each account. The new form can be attached to any type of 1040 form, including Form 1040 and 1040A/EZ. Consumers will be able to have their refunds deposited in any U.S. financial institution that accepts direct deposit.

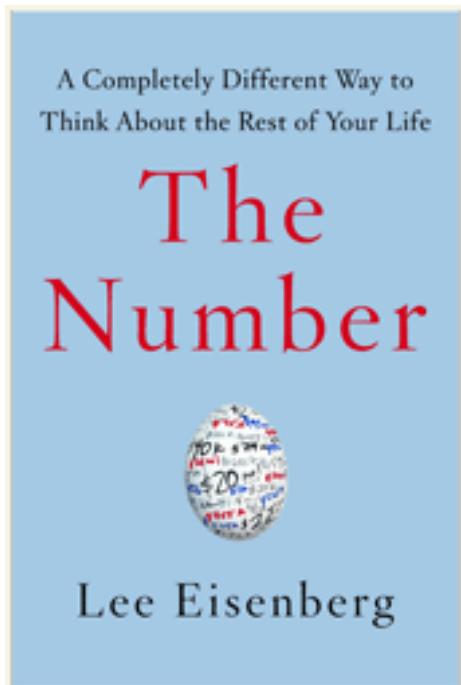
Taxpayers who want to have their entire refund electronically sent to one account, either a checking or savings account, can continue to use the direct deposit line on Form 1040. Taxpayers will also continue to have the option of receiving a paper check for their refund.

For more information and to view the new Form 8888, go to: <http://www.irs.gov/newsroom/article/0,,id=161331,00.html>

Book Review

By Joan Gray Anderson
Professor of Family Financial Counseling and Planning, University of Rhode Island

The Number: A Completely Different Way to think About the Rest of Your Life by Lee Eisenberg (2006, Free Press)



In light of all the news about retirement planning that we are barraged with daily, this book, *The Number* by Lee Eisenberg, could not be more pertinent. Eisenberg attempts to answer that very important question: How much money do you need to secure the rest of your life? As he puts it, can you afford to retire? And, if not today, when will you be financially ready?

As a professor of Retirement Planning, I read this book with professional as well as personal interest. One of the most appealing aspects of the book is that it's well written. My students would say it's an easy read, by which they mean not too many statistics and numbers, which is ironic given the title. Eisenberg, the former editor-in-chief of *Esquire* magazine, knows how to make a point and illustrate it with a great anecdote. The best thing about this book is that it is more financial therapy for the late starter than an intense financial tome. It's the author's personal confessional about his own shortcomings in the realm of retirement planning and how he came to recognize and overcome them. It's the perfect starter book for all those 40- and 50-somethings who have been procrastinating or avoiding these issues for far too many decades. It's comforting to

know that someone as successful as Eisenberg isn't any better at this planning stuff than the reader. It leaves the reader feeling good about their financial future even before having done one single thing to improve it! That's good therapy.

The major negative about the book is that it doesn't really live up to the promise of its title. To quote the author on page 249 of a 252 page book:

A good part of this book tries to explain why there are no easy formulas to arrive at the Number. While online calculators and magazine worksheets are freely available, most conventional aids are deaf and dumb to what it takes to lift your spirits and make your heart sing through old age.

To Eisenberg, the Number is a means to the goal of lifetime happiness and satisfaction.

While you will not walk away with *your* Number when you finish reading this book, you will have a very good idea of the questions to ask while seeking your Number and an understanding of how to avoid the traps that await the uneducated consumer. Eisenberg covers all the usual traps – too much debt, too little savings, financial services experts enriching themselves at the consumer's expense, the demise of Social Security and private pension plans, inflation, and more – in great detail. He gives sound advice on each of these. His bottom line is that this retirement planning is a complex business, and cannot be viewed as one size fits all. He makes the point very clearly that, in this brave new world of an ownership society, no one can plan your future as well as you can.

Resources

FDIC's Money Smart – A Resource for the Teacher's Toolkit

By the FDIC Community Affairs, Boston Area Office

There's a popular saying attributed to psychologist Abraham Maslow (Hierarchy of Needs): "If your only tool is a hammer, you tend to see every problem as a nail." It applies to nearly all human endeavors, from carpentry to haute cuisine to financial education. We may never have *too many* tools to do a job well, but we've all experienced the difficulty of trying to accomplish a task with *too few*.

When it comes to teaching basic personal money management to young people, two of the most respected tools in the field are the NEFE *High School Financial Planning Program* and the CPFE's own *Getting Fiscally Fit*. At the FDIC, we have been singing their praises for years. But when times call for additional information, or changing resources or classroom reality require an adaptive approach, we think it's a good idea to have a few more tools, such as the FDIC's *Money Smart* curriculum. Its 10 modules cover budgeting, transaction accounts, and several different aspects of credit and can be used separately or in any combination that meets the needs of students and instructors. Although originally conceived for adults, it's written at a sixth grade comprehension level and appropriate for teens who often lack experience with the banking system. Money Smart is free of charge, without copyright or use restrictions, and produced in two versions: the original classroom product for group instruction (in English, Spanish, Chinese, Korean, Vietnamese and Russian); and the interactive Computer Based Instruction (CBI) product that converted all 10 modules to a self-study format (English and Spanish).

With the ability to tailor any module to specific needs, and our encouragement to add related content that is especially meaningful to the students, Money Smart provides a framework for both series-oriented instruction and specialized event-type programming. In the course of a multi-unit

financial education program, students may express particular interest in a topic not covered to any significant degree by the HSFPP. Examples of Money Smart modules that can help include: *Bank On It* (the types of mainstream financial institutions); *Check It Out* (checking accounts); and *To Your Credit* (credit scoring). Also, students generally benefit from hearing from practitioners with real world experience making guest visits to the classroom. Connecting with bankers and credit union personnel can be made easier because many instantly recognize FDIC and Money Smart as credible sources of information that will help provide a focus for such visits.

Finally, the CBI product provides additional flexibility for teachers and students. Available on free-standing CD-ROM or via the Internet, the CBI permits directed study of specific topics, and permits students to make up a Money-Smart-based class that may have been missed (a certificate of completion can be generated each time a student successfully finishes a module). The CBI also has an "Information Booth" with helpful definitions and other information about key personal finance terms and concepts.

More information about Money Smart, including how to order copies or access the CBI, is available at:

www.fdic.gov/consumers/consumer/moneysmart/index.html.

It's a Habit! Company, Inc.

(IAHC) publishes children books, music CDs, standards-based lesson plans, and training guides around its main character 'Sammy Rabbit.' The content encourages the development of strategic habits and life skills, like smart money management. IAHC also conducts author and character appearances, presents train the trainer workshops, does public speaking and offers consulting services. For more information, go to:

<http://www.itsahabit.com/>

Money Savvy Kids™

K-5 Basic Personal Finance Curriculum

Money Savvy Kids™ covers the history of money, coin and currency identification, earning, budgeting, saving, spending, donating, investing, taxes, borrowing, ways to pay, banking and insurance, among other topics. It includes fully scripted teacher materials, student activities and the mascot of financial literacy for young kids-the Money Savvy Pig®. Using real-world simulations and activities, each lesson helps students develop an understanding of what money is, how to make important financial decisions and build good money management habits from a young age.

Money Savvy U™

Intermediate Personal Finance Curriculum

Money Savvy U™ is a 5-lesson personal finance supplement for middle school or early high school years. Designed to supplement economics, consumer education, personal finance or business courses, it covers budgeting, the power of compounding, smart spending, borrowing and use of credit cards, smart investing, and other topics.

Developed by Money Savvy Generation®, each of the five scripted lessons requires approximately 45 minutes of classroom time, including discussion.

Instructor materials consist of a scripted, animated PowerPoint presentation on CD-ROM. Students learn to build sound money management habits by practicing with the Cash Cache® Beginning Personal Finance Organizer.

For more information on Money Savvy Kids™ and Money Savvy U™, including module content and purchase price go to:

http://www.msgen.com/prod/contemplate/assemble_r.php?page=money_savvy_u

Deter • Detect • Defend Fighting Back Against Identity Theft

FTC's ID Theft Consumer Education Kit, available in English and Spanish, contains: a brochure, a how-to guide for educators, presentation slides, 52 page resource book, and a 10 minute video. For more information and instructions on ordering, go to: <http://www.consumer.gov/idtheft/ddd/index.html>

NEFE High School Financial Planning Program



The NEFE High School Financial Planning Program introduces teenagers to core financial planning concepts and money management skills. Now in its twenty-third year, the program is provided at no cost to high schools throughout the U.S. The program is taught in Math, Family and Consumer Sciences, Economics, Business Education, Independent Living, and other courses.

If you would like to order this excellent, free resource for your classroom, please visit the High School Teachers area on the Center for Personal Financial Education website (www.gettingfiscallyfit.org) and complete the online order form.

The program is offered in cooperation with the U.S. Department of Agriculture Cooperative State Research, Education and Extension Service and the Credit Union National Association and America's Credit Unions. To connect with local credit union volunteers in Connecticut who will come to your classroom or will assist in delivering the program in many other ways, contact Mary Ann Pollaro at mpollaro@ctcua.org. For program delivery partners from credit unions in Massachusetts and Rhode Island, contact Paula Dion at pdion@cucenter.org. Claudia Kerbel (cmkerbel@etal.uri.edu) serves as the Cooperative Extension contact for this program in Connecticut, Massachusetts, and Rhode Island.

Fun Facts about Money

The Secret Life of the Dollar

By Carol X. Vinzant

This article first appeared on aol.com Money & Finance. Reprinted with permission.

Ever wonder where that dollar bill in your wallet has been? Each bill has a secret life of its own, one that remains mysterious to Americans, whose lives and wallets the bills pass through. After all, scientists can track the daily movements of exotic animals like wildebeest with radio transmitters; not so with the humble workhorse dollar bill.

But we can sketch some guideposts in a typical bill's voyage from printer to shredder. The following are key steps in the life cycle of the dollar bill:

Step 1: A Sheet of Very Special Paper

Dollar bills get their start as sheets of paper produced by a private printer, Crane and Company, in Dalton, Mass. Since 1879 Crane has made the paper for American currency, which is a special recipe of 75 percent cotton, 25 percent linen, embedded with red and blue synthetic fibers.

Since the addition of security features like the metallic strip in 1990, the denomination is built into the paper. In 1996 the U.S. Bureau of Engraving and Printing added a watermark, color-shifting ink and security features machines could read. Money needed to get fancier to thwart a new army of counterfeiters armed with color copiers and printers.

"It's a security paper," says Claudia Dickens, a spokeswoman for the bureau. "They can only print it for us."

Step 2: Paper Becomes Currency

The paper for every dollar bill is transformed into currency at only two printing facilities, one in Washington, D.C., and one in Fort Worth, Texas. The government prints 35 million bills every day, worth about \$635 million.

How does the government figure out how much money to print? The Federal Reserve is the

government agency that sets monetary policy. It forecasts and orders the amount of each denomination banks need. The calculation takes into account local economies, weather conditions (bad weather means more wear on the bills) and seasonal trends (we tend to use more cash near Christmas).

Typically 45 percent of the new bills are singles and 15 percent are \$50 and \$100 bills. The \$100 has been the highest denomination printed since 1969.



Step 3: Into Public Hands

The Fed, which functions like a bank for banks, delivers the new money to 10,000 banks around the country, which disperse it to the public. Once the cache leaves the bank's hands, where does it go? Everywhere. In fact, two-thirds of U.S. currency circulates overseas.

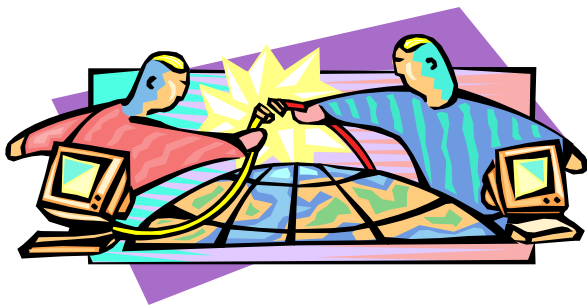
If you want to find out where that bill in your pocket has been -- or where it's headed -- you

can log onto WheresGeorge.com, a Web site that tracks bills' movements. If you ever notice a bill stamped with the site's address, you can enter the serial number and see where it's been and then get word when it lands with another Web-savvy spender. Of course, only a fraction of Americans enter the bills, so even the most watched bill, a 1999 single, has only been spotted 15 times and hasn't been seen in nearly a year.

Step 4: Getting Dirtier Than You Think

Some academic studies show that the typical American bill does some hard living. In 1997 the Argonne National Laboratory found that 78 percent of bills from Miami, Houston and Chicago carried trace amounts of cocaine. Later tests have found similar results. Cocaine on cash is so commonplace that the courts have ruled that police can no longer use a drug-sniffing dog's signal to nab a suspect or to confiscate money because it's deemed drug-related.

Money also doesn't have to go through the mob to be considered dirty. Studies conducted over the decades in countries around the globe have found bacteria on most paper money, which is friendlier to bacteria than coins.



New on the Net

Start Smart: Money Management for Teens

The latest issue of FDIC Consumer News, published by the Federal Deposit Insurance Corporation, is a special guide to help teens (and some pre-teens) learn how to make good decisions about their money, right from the start.

The publication, entitled “Start Smart: Money Management for Teens,” features simple, real-world guidance for teens on how to:

- Save more money;
- Decide where to keep their money;
- Spend money wisely;
- Borrow money responsibly; and
- Protect against identity theft.

The guide for teens can be read or printed online at:

www.fdic.gov/consumers/consumer/news/cnsum06

There also is an online form for ordering up to two free copies.

The FDIC also is encouraging financial institutions, schools, consumer organizations and the media to reprint the new guide for teens in whole or in part and to link to or mention the FDIC Web site. See the Web site above for more details.

The goal of the quarterly FDIC Consumer News (which is primarily for adults) is to deliver timely, reliable and innovative tips and information on financial matters, free of charge. Current and past issues are online at www.fdic.gov/consumernews

Understanding Taxes

The IRS partners with education professionals to bring you **Understanding Taxes**, an interactive, instructional tax program to provide high schools, community colleges, and the general public with a technology-based instructional tool. The program features:

- 36 lesson plans in English and Spanish
- Flexibility -- materials can be used as a complete unit or can be presented as individual activities/lessons as your schedule allows.
- Available as an online resource or as a package of downloadable print resources.
- Content is divided into two distinct areas -- the Hows of Taxes provides tax application and the Whys of Taxes examines the theory and history behind taxes.
- Correlations to national and state educational standards
- Background information -- eliminates the need for extensive outside research for tax subject matter content.

The materials include a student area where users have access to many of the program's components, including online activities, simulations, and tax tutorials. In addition, every lesson includes a special student page that serves as a guide for working through each lesson. View the lessons at: <http://www.irs.gov/app/understandingTaxes>

nextSTEPmag.com – online magazine designed for high school juniors and seniors with articles about life after high school, college, and careers. For more information, go to:

<http://www.nextstepmagazine.com/nsmpages/home.aspx>

Financial Literacy Teacher Resources, Utah State Department of Education

Links to a variety of financial literacy websites, lesson plans and online tutorials

http://www.uen.org/financial_lit/teacher/index.shtml

Financial Literacy Resource Center, New York State Department of Education

Links to a wide variety of websites that feature financial literacy materials

<http://emsc32.nysed.gov/cte/business/financial-literacy-resource/home.html>

Professional Development



Massachusetts HiFi Educator Training

The Massachusetts Financial Literacy Initiative, using the NEFE High School Financial Planning Program® curriculum, is presented by the Commonwealth of Massachusetts Office of Consumer Affairs and Business Regulation.

Massachusetts educators are invited to attend a free educator training session for which the Department of Education will award 10 PDP's (includes a homework assignment). Instructor's manual, student guide, lunch, and snack are included.

To register, go to: www.mass.gov/hifi

Dates for Fall training sessions:

Worcester -- October 19

Boston -- October 25

Brockton -- November 2

Springfield -- November 15

To contact the Center for Personal Financial Education, please e-mail, call or write:

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