



Test Framework

Financial Literacy (327)

June 2024

Content Domain	Range of Competencies	Approximate Percentage of Test Score
I. Financial Literacy	0001–0003	100%

FINANCIAL LITERACY

0001: Understand fundamental concepts of financial responsibility, decision making, and planning.

- Apply knowledge of financial decision-making strategies (e.g., considering opportunity costs of alternatives, comparing marginal costs and marginal benefits) for achieving short-term and long-term goals.
- Demonstrate knowledge of the personal decisions and situational factors that affect people's purchasing power and earning potential as employees and as entrepreneurs.
- Analyze sources of earned and unearned income and the relationships between gross pay, deductions and withholdings, and net pay.
- Demonstrate knowledge of the development of a personal budget or spending-and-savings plan, distinctions between expense types (e.g., fixed, discretionary, variable, intermittent), and the application of budgeting principles to purchasing decisions.
- Analyze the effects of local, state, and federal taxes on a personal spending-and-savings plan, including the effects of tax credits and deductions on total tax liability and the uses of federal tax forms (e.g., Form W-2, Form W-4, Form 1040, Form 1099).
- Apply knowledge of methods of funding and financing postsecondary options.

0002: Understand methods of informing and protecting consumers.

- Demonstrate knowledge of organizations and advocate groups that provide information to consumers and protect them from fraud.
- Demonstrate knowledge of state and federal laws and regulatory agencies that protect consumers from fraud and loss.
- Apply knowledge of the differences between the list price of a purchase and indirect costs associated with the purchase (e.g., sales/use tax; excise tax; shipping, handling, and delivery charges).
- Demonstrate knowledge of tools to protect consumers from the loss of personal and business assets and income (e.g., factory warranties, extended warranties, service plans, product liability lawsuits).
- Demonstrate knowledge of the sources of vulnerability to identity theft, the effects of the disclosure of account numbers and other sensitive personal information, and actions to limit losses and restore personal information security.
- Demonstrate knowledge of the coverage of various insurance products (e.g., health, life, disability, auto, homeowners, renters, liability) and analyze factors that influence people's choice of the amount of insurance coverage (e.g., occupation, lifestyle, age, financial profile and income, premiums, government requirements, willingness to accept risk).

0003: Understand principles of investing and the use of credit and debt.

- Apply knowledge of key investing concepts, principles, and strategies to help achieve the goal of increasing net worth (e.g., assets, liabilities, compound interest, the time value of money and the cost of delay, diversification).
- Demonstrate knowledge of the variety of financial institutions (e.g., banks, credit unions, brokerage houses) and the products and services they offer (e.g., savings accounts, checking accounts, debit cards, financial planning services, online services).
- Analyze options among investment products (e.g., bank certificates of deposit [CDs], bonds, stocks, mutual funds, 401(k) plans, Individual Retirement Accounts [IRAs], real estate, digital assets) in terms of costs and fees, tax implications, time horizons, liquidity, rates of return, and various types of risk.
- Demonstrate knowledge of state and federal laws and agencies that regulate providers of financial services and protect investors and debtors.
- Apply knowledge of the legal and financial implications of the contractual terms and conditions of lending services, such as credit cards, lines of credit, and loans (e.g., timing of payments, interest rate, service fees, late penalties, consequences of default), and the costs and benefits associated with loans from financial institutions and payday lenders.
- Apply knowledge of the effective balancing of credit and debt to achieve financial goals, issues and risks arising from the use of credit and debt (e.g., struggling to afford payments, establishing repayment plans, filing for bankruptcy), and factors that increase and decrease a person's credit score.