Financial Literacy: Mastering Money Matters for High School Educators

Webinar 7: "Standard 6 - Managing Risk: Protecting and Preserving"

Presented by: Dr. Cynthia Fitzthum

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Agenda

- Journal and Approach
- Overview and Application Ideas
- Assessment
- Resources
- Q and A

Objective

Objective: Clarify the importance of insurance and risk management, equipping teachers with the knowledge to prepare students for unexpected financial scenarios.

- Topics Covered:
  - Principles of Insurance and Risk Management
  - Evaluating and Managing Personal Risk
  - Classroom Integration: Risk assessment activities and insurance policy evaluations

Dr. Cynthia Fitzthum

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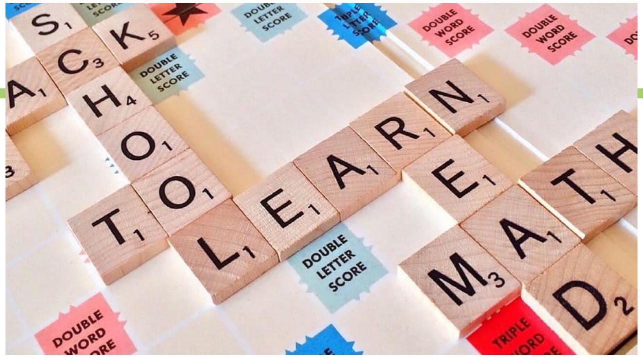
Personal Finance: Debt

Cities With Most Debt

Article Link

1. **Denver:** With an average debt per person of $26,636, Denver ranks as the most indebted city in America, according to data collected by Experian. (That number excludes mortgages.) The sunny weather and numerous urban walking trails don't stop residents from racking up an average credit card balance of $6,211.
2. **Seattle:** In the Emerald City, the average debt per person is $26,351. Credit cards alone make up $6,577 of that. The high cost of living combined with average income levels contribute to those debt loads.
3. **Dallas:** The saying "Everything's big in Texas" also applies to debt levels. Dallas ranks as the third most indebted city with average debt per person of $26,209. Experian reports that average credit card debt in the city, which is home many of the major professional sports teams in Texas, comes in at $5,839.
4. **Phoenix:** The fourth most indebted city carries an average debt per person of $26,100 and average credit card debt of just over $6,000. It's also home to more than 80,000 high-tech jobs, which could help explain the debt, since higher incomes are associated with higher debt levels.

Key Term(s)- EconEdLink Glossary



Insurance

A practice or arrangement whereby a company provides a guarantee of compensation for specified forms of loss, damage, injury, or death. People obtain such guarantees by buying insurance policies, for which they pay premiums. The process allows for the spreading out of risk over a pool of insurance policyholders, with the expectation that only a few policyholders will actually experience losses for which claims must be paid.

Types of insurance include the following: Automobile: For losses incurred as a result of accidents, vandalism, and other causes of damage to cars. Health: For coverage of certain health-care costs. Renter's: For losses (from theft, for example) of personal possessions in a rental unit. Homeowner's: For damage to a person's home or its contents, and to cover costs arising from injury to others on the homeowner's property. Life: For compensation to dependents of a policyholder, to be paid when a policyholder dies. Disability: To provide income for a worker when she or he is ill or injured and unable to work.

Reflection Journal

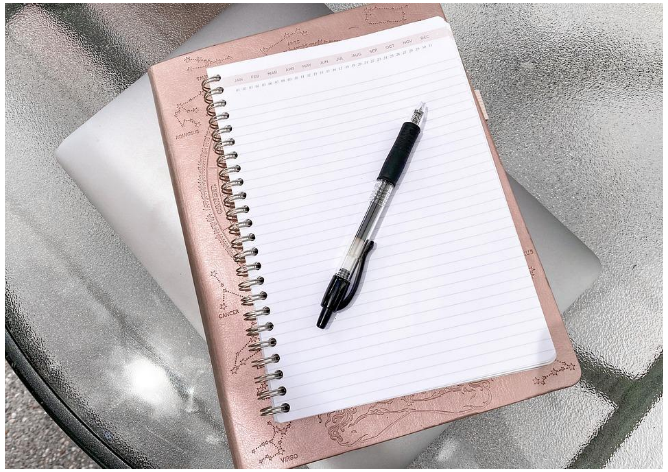
Paper or Word Document

•Pause and reflect:

–Answer the questions

–Make connections to your situation

–Application



List all kinds of insurance you have heard of.
Which ones do you have? Why?

Reflect in journal.

(8 Different Types of Insurance Article Link)

"No, sir, I'm afraid you can't collect on your fire insurance just because you got fired..."

Overview and Application Ideas

(EconEdLink, Personal Examples)

Principles of Insurance and Risk Management

Why do we need insurance?

- Insurance Video and Quiz
- Managing Risk Lesson
    - Objectives and Resources

Evaluating and Managing Personal Risk

		Mishap Severity			
		Catastrophic	Critical	Marginal	Negligible
Probability of Mishap Occurring	Frequent				
	Probable	HIGH RISK			
	Occasional		MEDIUM RISK		
	Remote			LOW RISK	
	Improbable				NEGLIGIBLE RISK

How can I manage risk?

- Essential Techniques of Risk Management (Article)

- "Risk Management is the calculated approach to understanding, evaluation, and tackling threats to your capital and future earnings. It involves two primary components: risk assessment and risk mitigation"- Forbes Article

Classroom Integration:
Risk assessment activities &
insurance policy evaluations

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Procedure

Warm-Up

Before the game begins, review some important terms with the students. Write the questions below on the board. Pose and discuss the following questions:

1. How do insurance companies come up with the money to pay for fixing the damage of an auto accident?
2. What kinds of drivers are the least likely to require big payouts by insurers?
3. What kinds of drivers are the most likely to require big payouts by insurers?
4. Why would an insurance company like drivers with higher credit scores?

Answers

1. From selling insurance; that is, charging premiums.
2. Least likely, those responsible drivers of practical vehicles.
3. Most likely, irresponsible drivers who do not obey the law.
4. They are more likely to pay their bills on time, and possibly more responsible drivers. Someone's credit score is a number between 300 and 850 that indicates a borrower's ability to repay a loan. Higher numbers are better.

Insurance Pools

Name: ______________________________ **Date:** ______________

Directions: This activity puts you into insurance pools to show how individual decisions affect both insurers and drivers.

The Game

1. You are about to play a game that puts you into student groups called "insurance pools."
2. In this game, your insurance pools will look at the front side of your Driver Cards and decide who should be insured. If you're insured you "pay" $2000 and then the loss you'll incur, if any, is determined by a roll of two dice.
3. Think about the kinds of drivers that are least likely to get into expensive accidents. Also consider the drivers, and cars, that are the most likely to be in expensive accidents. (Notice that credit ratings run from 300 to 850, with the higher ratings being for responsible people who pay bills on time.
4. Write your name in the blank of your Driver Card and fold the card along the dotted line.
5. Notice that your folded card has two sides. The front side lists information about your riskiness. It also includes $2000 to pay for insurance. The back side has additional information that the insurance pool doesn't yet know.
6. As a group, in your insurance pool, choose which drivers the pool will insure and the ones it will not. You want to help the members of your pool but you don't want to lose money by offering insurance to drivers that are too unsafe.
7. When all decisions have been made, you will now find out the profit or loss on each driver. Even safe drivers sometimes have accidents; risky drivers may go some time without an

How can I integrate this into my classroom now?

- Choosing Sides: Which Drivers Would You Insure? (Lesson and Activity)
  - Review Lesson
  - Note Discussion Questions

Side Bar:

Discussions

“The insurance that you own may well mean the ultimate success of your financial plan.”

Unknown

National Standards

[The National Standards for Personal Financial Education (2021)]

The National Standards for Personal Financial Education is organized around six topics, with Standards and Learning Outcomes expected by the end of the 4th, 8th, and 12th grades.

The Topics are:

I. Earning Income

II. Spending

III. Saving

IV. Investing

V. Managing Credit

VI. Managing Risk

Assessment Ideas

Quotes:

Discuss with students

What are the costs and benefits of:

- Life Insurance?
- Car Insurance?
- Health Insurance?
- Other?

References

- Additional MCEE **K-12** Resources: z.umn.edu/TeacherResources
- Council for Economic Education (National):
  - EconEdLink

Looking ahead…

- 4/30: Standards #4-6 Recap and Breakout Rooms (4-5 CT)

Q & A (Or Comments)

Thank You

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Invest In Girls

FIN ED50

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FinEd50 is a coalition of non-profit organizations, researchers, corporate partners, and professional organizations that believes that personal finance education is a crucial tool to helping people better navigate their financial lives, make informed decisions regarding their life choices, and take more control over their own futures.

FinEd50: Financial Education for American

Currently, only 24 states require personal finance education courses in the United States. Research indicates that a quality financial education leads to improved future credit scores, declines in payday lending, student loan payment increases, student borrowing shifting to lower cost options, and overall financial well-being!

Recognizing that education is the realm of state and local leadership, FinEd50 is dedicated to achieving:

State Level Action: State-level action that guarantees equitable access for every student to a robust, high-quality personal finance course;

National Standards: Courses and educational materials that address the content outlined ir National Standards for Personal Financial Education and are culturally relevant and respo to students' lived experiences;

Innovative Funding: Innovative funding mechanisms and professional development place to support and develop a corps of high-quality teachers with access to n professional development opportunities to teach personal finance; a

Measurement: A mechanism for measuring access to courses on personal fi equitable reach of state requirements.

Learn more about FinEd50:

Advocacy

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A network of 200 nationwide affiliates

Provide professional development for K-12 teachers, advocate for including economics and personal finance in K-12 schools, conduct research, and forge partnerships.

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