



TEXAS TECH UNIVERSITY  
College of Human Sciences

Center *for* Financial Responsibility™

**Personal Financial Literacy  
Certification  
Study Guide**

# **CERTIFICATION OVERVIEW**

The Center for Financial Responsibility Personal Financial Literacy Certification verifies individuals possess the ability to successfully navigate vital monetary decisions which affect both their personal and professional lives. The certification exam assesses knowledge and skills pertaining to credit cards, loans, retirement, investments and mortgages.

## **EXAM OVERVIEW**

The Center for Financial Responsibility Personal Financial Literacy Certification is hosted on the iCEV testing platform. The certification exam is a 100-question, randomized assessment. Exam questions are in the format of multiple choice, sort order, diagramming, matching, labeling and other question types meant to fully evaluate an individual's competency of the industry standards. The certification exam should be proctored within a controlled environment. The proctor of the exam must review and verify all exam procedures and provide electronic documentation through the exam platform.

More information about the certification exam and testing platform, including optional preparation materials offered by iCEV, can be found at <https://www.icevonline.com/finance>.

## **ABOUT THE CENTER FOR FINANCIAL RESPONSIBILITY**

The Center for Financial Responsibility is committed to enhancing the financial wellbeing of both individuals and families. The Center advances these causes by supporting multiple initiatives such as backing research surrounding important policy issues in the financial planning industry and hosting outreach programs to promote future financial success. Learn more at [https://www.depts.ttu.edu/hs/pfp/financial\\_literacy\\_certification.php](https://www.depts.ttu.edu/hs/pfp/financial_literacy_certification.php).

# INDUSTRY STANDARDS

The certification exam assesses knowledge and skills from the following weighted industry standards set by the Center for Financial Responsibility:



## BUDGETS- 20%

- Money Personality Identification
- Financial Foal Development
- Strategies fir Meeting Financial Goals
- SMART Goal Setting Techniques



## INVESTMENTS & RISK MANAGEMENT- 15%

- Investment Options
- Saving Techniques
- Investing Risk & Return Relationships
- Retirement & Estate Planning Methods
- Risk Management Strategies
- Insurance Overview



## LOANS- 20%

- Source & Types of Credit
- Credit Reports & Scores
- Borrow Processes
- Education & Training Costs



## BANKING OPTIONS & RECORDS- 10%

- Types of Financial Service Providers
- Products & Services Offered by Financial Institution
- Types of Banking Accounts
- Financial Record Maintenance
- Financial Statement Interpretation



## TAXES & PAYCHECKS- 20%

- Tax Types
- Tax Liabilities
- Tax Returns
- Tax Breaks, Dedications, Credits & Exemptions
- Employee Compensation & Benefits



## MAJOR PURCHASING DECISIONS- 20%

- Home-Buying Process
- Amortization/Mortgage Payment Structure
- Types of Mortgages
- Car-Buying Process
- Incorporating a Major Purchase into a Budget

# Industry Standard Overview

To pass the Center for Financial Responsibility Personal Financial Literacy Certification exam, certification candidates must have adequate knowledge of the industry standards. The following outlines an in-depth overview of the industry standards and sub-standards:

## Industry Standard: Budgets



- Creating a Monthly Budget
- Common Budget Strategies
- Assets
- Liabilities
- Calculating Net Worth
- Creating Financial Goals
- SMART Goals
- Personal Values
- Wants vs. Needs
- Courses of Action
- Financial Plans & Budgets

## Industry Standard: Investments & Risk Management



- Saving & Investing
- Interest
  - Simple
  - Compound
- Compounding
- Savings
- High-Yield Bank Account
- Money Market Fund
- Annuity
- Qualified Tuition Plan
- 401 K Plan
- Investing
  - Bonds
  - Stocks
  - Mutual Funds
  - Real Estate
  - Precious Metals
  - Collectibles
- Risk-Return Tradeoff
- Diversification

- Four Ways to Manage Risk
  - Risk Avoidance
  - Risk Reduction
  - Risk Retention
  - Risk Transfer
- Insurance
- Premium
- Deductible
- Common Insurance Policies
  - Auto Insurance
  - Health Insurance
  - Life Insurance
  - Property Insurance
- Retirement Sources of Income
  - Social Security
  - Retirement Accounts
  - Savings
  - Stocks
  - Home Equity
  - Rent
  - Pension
  - Part-Time Job
- Estate Planning
- Will
- Trust
- Medical Directive
- Health-Care Proxy

## Industry Standard: Loans



- Sources of Credit
  - Banks
  - Merchant Banks
  - Peer-to-Peer
  - Payday Loans
  - Title Loans
- Types of Credit
  - Revolving Credit
  - Installment Credit
  - Collateralized Credit
  - Unsecured Credit
- Debit & Credit Cards

- Credit Scores
- Credit Report
- Types of Loans
  - Student Loans
  - Mortgages
  - Auto Loans
  - Payday Loans
- Amortization
- Components of Borrowing Money
  - APR
  - Interest Rate Type
  - Length of Term
  - Grace Period
  - Additional Fees
- Borrowing Habits
- Post-Secondary Education Costs
- FAFSA
- Financial Aid Eligibility
- Cost of Attendance
- Financial Need
- Student Grants
- Student Loans
- Federal Work-Studies
- Military Programs

## **Industry Standard: Banking Options & Records**



- Bank Statement
- Personal Financial Statement
- Financial Institutions
  - Checking Accounts
  - Savings Accounts
  - Personal Loans
  - Business Loans
  - Other Loans
  - Debit Cards
  - Credit Cards
  - Trust Accounts
  - Financial Counseling
- Electronic Funds Transfer

# Industry Standard: Taxes & Paychecks



- Personal Income Tax
  - Earned Income
  - Unearned Income
- Tax Brackets
- Tax Liability
- Forms
  - W-2
  - W-4
  - W-5
  - Individual Tax Return
  - Form 1040
  - Form 1040A
  - Form 1040-EZ
- Tax Break
- Tax Deductions
- Standard Deduction
- Itemized Deduction
- Tax Credit
- Nonrefundable Tax Credits
- Refundable Tax Credits
- Partially Refundable Tax Credits
- Charitable Donation
- Compensations
- Wages
- Commission
- Salary
- Bonuses or Incentives
- Paid Leave
- Health Insurance
- Life Insurance
- Retirement Plans
- Disability Insurance
- Workers Compensation
- Paychecks
- Gross Pay
- Employee Withholdings
  - Mandated Deductions
  - Voluntary Deductions
- Net Pay

# Industry Standard: Taxes & Paychecks



- Equity
- Appreciation & Depreciation
- Mortgages
- Additional Payments
- Pre-Approval Letter
- FHA Loans
- VA Loans
- Balloon Mortgages
- Reverse Mortgages
- Government Sponsored Enterprises
- Fannie Mae & Freddie Mac
- Real Estate Purchase Agreements
- Real Property & Personal Property
- Earnest Money
- Appraisal
- Seller's Disclosure
- Car Buying Process
- Cost Associated with Car Buying



# Optional Preparation Materials Overview

The preparation materials offered by iCEV for the Center for Financial Responsibility Personal Financial Literacy Certification was specifically created to prepare candidates for the certification exam. While it is not required to complete the preparatory materials before accessing the certification exam, the Center for Financial Responsibility recommends certification candidates complete some form of training. The following outlines the lessons scope and objectives:

## Lesson 1: Creating a Personal Budget

1. To learn to identify current financial situations.
2. To investigate various money personalities.
3. To develop short-, medium- and long-term financial goals.
4. To learn to separate needs from wants.
5. To examine budgets which incorporate short-, medium- and long-term financial goals.

## Lesson 2: Creating a Family Budget

1. To learn to identify current financial situations.
2. To investigate various money personalities.
3. To develop short-, medium- and long-term financial goals.
4. To learn to separate needs from wants.
5. To examine budgets which incorporate short-, medium- and long-term financial goals.

## Lesson 3: Borrowing Basics

1. To analyze and evaluate sources and types of credit.
2. To understand the importance of a credit scores and read a credit report.
3. To examine the components of the cost of borrowing.
4. To differentiate between debit and credit cards.
5. To evaluate the basic borrowing process.

## Lesson 4: Saving & Investment Strategies

1. To identify reasons for saving and investing.
2. To evaluate costs and benefits of various saving options.
3. To evaluate risk and return of various investment options.
4. To design a plan for saving and investing.
5. To analyze the relationship between risk and return.
6. To interpret the role of goal setting in saving and investment.

## Lesson 5: Financial Statements & Recordkeeping

1. To learn to interpret and reconcile bank statements.
2. To learn to maintain financial records.
3. To learn to construct a balance sheet.
4. To evaluate personal and family financial documents.

## **Lesson 6: Understanding Personal Taxes**

1. To define personal income taxes.
2. To analyze the importance of taxes.
3. To interpret tax liabilities and related forms.
4. To explain tax return and related forms.
5. To describe tax brackets.
6. To examine the consequences of failing to pay tax.
7. To investigate tax breaks, including deductions, credits and exemptions.

## **Lesson 7: Banking Products & Services**

1. To compare and contrast products and services available from financial service providers.
2. To compare types of banking institutions and processes.
3. To explore the process of opening and managing different types of accounts.

## **Lesson 8: Cost of Education & Training**

1. To analyze the relationship between education, training and earnings.
2. To define and provide examples of post-secondary education.
3. To understand the various sources of funds for post-secondary education and analyze their advantages and disadvantages.
4. To understand different career pathways and their requirements.

## **Lesson 9: Employee Compensation Components**

1. To identify employee benefits.
2. To analyze various types of income deductions and how they impact take-home pay.
3. To describe work related forms.

## **Lesson 10: Personal Financial Planning**

1. To describe the family life cycle.
2. To formulate a personal budget.
3. To describe the various tools available to invest extra funds.
4. To associate the risks involved with various types of investments.
5. To compare traditional IRAs with Roth IRAs.
6. To examine how economic conditions affect personal finance.

## **Lesson 11: Personal Risk Management**

1. To identify risk management strategies, including avoiding, reducing, retaining and transferring.
2. To evaluate various types of insurance, such as auto, health, life and property insurance.
3. To examine types of identity theft situations and scams.
4. To develop a plan to protect oneself from identity theft.

## **Lesson 12: Retirement & Estate Planning**

1. To identify costs of retirement such as living expenses and health care expenses.
2. To explain sources of income during retirement such as Social Security and employer-sponsored plans.
3. To provide details of estate planning, such as a will, trust and medical directive.

## **Lesson 13: Home-Buying Basics: Understanding the Language**

1. To define and explain equity.
2. To discuss the concepts of appreciation and depreciation.
3. To define amortization and analyze typical mortgage payment structure.
4. To investigate types of mortgages.
5. To examine the role and function of Fannie Mae and Freddie Mac.
6. To interpret language commonly used in home purchase agreements.

## **Lesson 14: Home-Buying Basics**

1. To examine the pros and cons of homeownership versus renting.
2. To discuss steps involved in preparing to buy a home, including hiring reliable professionals and getting pre-approved.
3. To investigate factors to consider when looking for a home and methods of house hunting.
4. To analyze the process of making an offer to purchase a property.

## **Lesson 15: Car-Buying Basics**

1. To summarize the car-buying process.
2. To describe types of vehicles and the advantages and disadvantages of each type.
3. To list transportation needs which should be considered when looking for a vehicle.
4. To analyze costs associated with a car and how to determine a car-buying budget.
5. To explain leasing and its benefits and drawbacks.
6. To discuss various sources of vehicle ratings, reviews, valuations and advice.
7. To investigate methods of examining and test-driving vehicles and strategies for negotiation.