

# 2023-24 Competitive Events Guidelines

## Financial Literacy



Financial Literacy provides members with the opportunity to demonstrate knowledge around competencies in various financial skills. This competitive event consists of an objective test. It aims to inspire members to learn about how to manage personal finances.

### Event Overview

**Division:** Middle School

**Event Type:** Individual

**Event Category:** Objective Test, 50-multiple choice questions (breakdown of question by competencies below)

**Objective Test Time:** 30 minutes

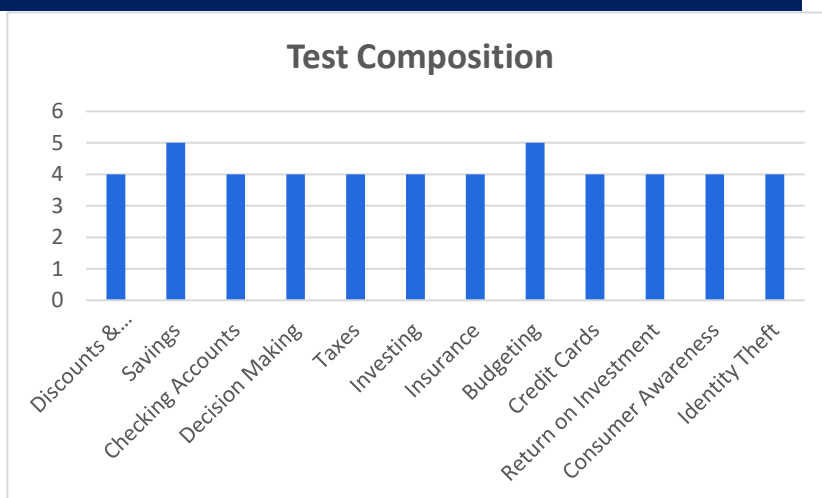
**NACE Connections:** Career & Self-Development

**Equipment Competitor Must Provide:** Pencil

**Equipment FBLA Provides:** One piece of scratch paper per competitor

### Competencies

- Discounts and Percentages
- Savings
- Checking Accounts
- Decision Making
- Taxes
- Investing
- Insurance
- Budgeting
- Credit Cards
- Return on Investment
- Consumer Awareness
- Identity Theft



### State

Testing will happen prior to the state conference. Check the Call to Conference for any other specific competitive events information and deadlines.

### National

#### Policy and Procedures Manual

- Competitors should be familiar with the Competitive Events Policy & Procedures Manual, found on the Competitive Events page on [www.fbla.org](http://www.fbla.org).

#### Eligibility

- FBLA membership dues are paid by 11:59 pm Eastern Time on March 1 of the current program year.

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- Members may compete in an event at the National Leadership Conference (NLC) more than once if they have not previously placed in the top 10 of that event at the NLC. If a member places in the top 10 of an event at the NLC, they are no longer eligible to compete in that event.
- Members must be registered for the NLC and pay the national conference registration fee in order to participate in competitive events.
- Members must stay in an official FBLA hotel to be eligible to compete.
- Each state may submit four entries per event.
- Each member can only compete in one individual/team event and one chapter event (Annual Chapter Activities Presentation or Community Service Presentation).
- If competitors are late for an objective test, they will be allowed to compete until such time that results are finalized, or the accommodation would impact the fairness and integrity of the event. Competitive event schedules cannot be changed. Competitive events start in the morning before the Opening Session of the NLC.

### *Recognition*

- The number of competitors will determine the number of winners. The maximum number of winners for each competitive event is 10.

### *Event Administration*

- This event is an objective test administered online at the NLC.
- No reference or study materials may be brought to the testing site.
- No calculators may be brought into the testing site; online calculators will be provided through the testing software.

### *Tie Breaker*

- Ties are broken by comparing the correct number of answers to 10 pre-determined questions on the test. If a tie remains, answers to 20 pre-determined questions on the test will be reviewed to determine the winner. If a tie remains, the competitor who completed the test in a shorter amount of time will place higher.

### *Americans with Disabilities Act (ADA)*

- FBLA meets the criteria specified in the Americans with Disabilities Act for all competitors with accommodations submitted through the conference registration system by the registration deadline.

### *Penalty Points*

- Competitors may be disqualified if they violate the Competitive Event Guidelines or the Honor Code.
- Five points are deducted if competitors do not follow the Dress Code or are late to the testing site.

### *Electronic Devices*

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- All electronic devices such as cell phones and smart watches must be turned off before competition begins.

### Study Guide: Competencies and Tasks

- A. Discounts and Percentages
  1. Define percent.
  2. Explain how to change a fraction to a percentage.
  3. Visualize percentage as a portion of the total pie.
  4. Explain how to change a percent into a fraction.
  5. Explain the formula for calculating percentage.
  6. Calculate an amount based upon a percentage.
  7. Explain the base as being the numerical value to which the part is compared.
  8. Explain how to change a percent into a decimal.
  9. Recognize the percent relationship to decimals, fractions, and ratios.
  10. Explain how ratios are associated with percentages.
  11. Understand the meaning of a ratio (proportion).
  12. Calculate the percentage of a given amount.
  13. Explain the reason for wholesale and retail discounts.
  14. Describe how increased sales are directly related to discounts.
  15. Define a seasonal discount.
  16. Explain the difference between a trade and cash discount.
  17. Explain terms for early payment discounts.
  18. Understand discount terminology (example: 2/10/n/30)
  19. Explain a trade discount.
  20. Describe the relationship between discounts and consumer action.
- B. Savings
  1. Compare consumer choices for saving.
  2. Explain the relationship between saving and investing.
  3. Define the time value of money.
  4. Explain the "Rule of 72" when calculating interest earned on savings.
  5. Define financial liquidity.
  6. Explain the discipline associated with saving money.
  7. Explain insured savings accounts.
  8. Explain the reasons for having a savings account.
  9. Explain the equation for simple interest (principal x rate x time).
  10. Explain the difference between simple and compound interest.
- C. Checking Accounts
  1. Explain the reasons for having a checking account
  2. Explain how to open a checking account.
  3. Describe the advantages and disadvantages of online banking.
  4. Define paperless bank statements.
  5. Describe three types of endorsements for checks.
  6. Explain overdraft protection.
  7. Explain how to reconcile a bank statement.
  8. Define the purpose of the FDIC.

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9. Explain the difference between a debit and a credit card.
  10. Explain the importance of maintaining a check register.
  11. Explain the importance of developing a solid relationship with your bank by taking good care of your checking account.
  12. Define direct deposit and advantages associated with direct deposit.
  13. Explain the convenience of automatic withdrawal for certain reoccurring expenses.
  14. Explain the checking account routing number.
  15. Explain the role of the drawer for a checking account.
  16. Explain the role of the payee for a checking account.
- D. Decision Making
1. Explain Maslow's Hierarchy of Needs when making decisions.
  2. Explain the process of gathering data before making a financial decision.
  3. Determine possible outcomes associated with different possible financial decisions.
  4. List the steps associated with decision making.
  5. Explain how changing financial situations impact decision making.
  6. Describe how financial decision making is impacted by long-term and short-term goals.
  7. Explain rational vs. emotional financial decision making.
  8. Explain why some financial decisions should be given more time to make.
  9. Explain how decision making requires flexibility due to unexpected events.
  10. Explain how financial decision making involves a system of prioritization.
  11. Describe how decision making differs for large purchases vs. daily purchases.
  12. Distinguish the difference between financial wants and needs.
  13. Explain how to choose the best financial planner for different circumstances.
  14. Explain the importance of a financial budget.
  15. Explain the importance of maintaining accurate financial documents to make the best decisions.
- E. Taxes
1. Define different types of taxes.
  2. Explain how taxes are used to encourage and discourage business.
  3. Explain how the government uses taxes.
  4. Explain property taxes.
  5. List the top expenditures that use property taxes.
  6. Define public goods and their relationship to tax dollars.
  7. Explain the role of the Internal Revenue Service.
  8. Define a progressive income tax.
  9. Explain sales taxes and the use of those taxes.
  10. Describe how different states compete for business with no sales taxes vs. sales taxes.
  11. Understand that income tax returns must be filed by April 15.
  12. Define a tax deduction.
  13. Define a tax exemption.
  14. Explain a tax holiday.
  15. Define excise taxes.
  16. Define a tariff and how it is used for trade deals.
  17. Explain FICA taxes.
- F. Investing
1. Explain different types of investments.

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2. Describe the risks associated with different types of investments.
  3. Define liquidity of an investment.
  4. Explain how to buy and sell investments.
  5. Explain the relationship between risk and rate of return on an investment.
  6. Compare the difference between simple and compound interest.
  7. Explain what agencies regulate financial markets and protect investors.
  8. Evaluate professional financial advisors.
  9. Explain different types of stocks and how to invest by purchasing stocks.
  10. Define bonds and the interest earned.
  11. Explain real estate as an investment possibility.
  12. Define speculative investments.
  13. Explain how the level of risk is associated with the possible rate of return on an investment.
  14. Explain how broker and investment planner fees are calculated.
  15. Explain the importance of estate planning.
  16. Explain the need for wills to distribute investments of a deceased person.
- G. Insurance
1. Define insurance.
  2. Explain the role of the insurance agent.
  3. Describe an insurance policy.
  4. Explain the need for health insurance.
  5. Define the beneficiary.
  6. Explain the life insurance concept.
  7. Explain the need for liability insurance.
  8. Define homeowner's and renter's insurance.
  9. Explain the insurance deductible.
  10. Explain insurance premium and how it is calculated.
  11. Explain the difference between term and whole/universal life insurance.
  12. Define co-insurance.
  13. Explain the functions of insurance agencies.
  14. Explain the risk concept and its relationship to the premium charged by the insurance agency.
  15. Define collision insurance.
  16. Define medical payments insurance.
  17. Define automobile insurance deductible.
  18. Define an umbrella liability insurance policy.
- H. Budgeting
1. Define a budget and its important impact on a person's future.
  2. Explain the difference between fixed and variable (flexible) expenses in a budget.
  3. Explain the difference between active and passive income.
  4. Explain the reason for a budget.
  5. Define the categories in a budget.
  6. Explain why a percentage of income should be budgeted for savings.
  7. Define opportunity cost when making financial decisions.
  8. Define depreciation for automobiles, appliances, and other equipment.
  9. Describe the first step for creating a budget (monitoring and categorizing spending).
  10. Explain how careful maintenance of a checking account is related to successful budgeting.

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- I. Credit Cards
  - 1. Define credit and how it should be used wisely for large purchases.
  - 2. Explain the appropriate use for credit.
  - 3. List and define the C's (character, cash flow, capacity, collateral, capital, and conditions) of credit.
  - 4. Explain the dangers of using too much credit.
  - 5. Describe how credit has a major impact on life.
  - 6. Define different types of financial credit (installment, non-installment, revolving, mortgage, and line of credit).
  - 7. Explain how consumers who are classified as a greater financial risk pay higher interest rates for credit.
  - 8. List the major credit reporting agencies and the need to be aware of our personal credit report.
  - 9. Describe five influencers that are used to determine if an individual or business receives credit (debt usage, age of accounts, types of accounts, and credit inquiries).
  - 10. Explain the difference between secured and unsecured credit loan.
  - 11. Explain the tax advantage of a mortgage (deduction of interest paid on a mortgage).
  - 12. Explain how impulse buyers should take time before making purchases on credit.
  - 13. Explain the importance of paying credit cards on time.
- J. Return on Investment
  - 1. Define an investment and rate of return.
  - 2. Define a financial portfolio.
  - 3. Calculate rate of return by dividing dollar increase by amount of the original investment.
  - 4. Explain the importance of time when building a financial portfolio.
  - 5. Define the importance of diversification when making investments.
  - 6. Explain how greater financial risk can result in greater losses or gains.
  - 7. Differentiate between insured and uninsured investments.
  - 8. Describe how investment in the Stock Market works.
  - 9. Describe economic and other news events can impact the Stock Market.
  - 10. Explain the value of investing in real estate.
  - 11. Explain the importance of matching type of investment to the individual's financial philosophy and anxiety level.
- K. Consumer Awareness
  - 1. List the Consumer Bill of Rights.
  - 2. Explain how consumer awareness is directly related to make the best purchase decisions.
  - 3. List responsibilities associated with consumer awareness (stay informed, follow instructions, use products properly, speak out against wrongdoing, and lawfully purchase goods and services).
  - 4. Describe the importance of using Consumer Reports, other consumer publications, and consumer feedback on social media when making purchasing decisions.
  - 5. Define product recalls.
  - 6. Explain the importance of reading product labels for product content, expiration date, manufacturing location, warnings, and possible dangers.
  - 7. Define the importance of comparison shopping before making purchases.
  - 8. Seek opinions from satisfied/unsatisfied customers and product experts.
- L. Identity Theft

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1. Define identity theft.
2. Explain four types of identity theft (medical, criminal, financial and child identity).
3. Explain how identity theft has increased with increased use of technology.
4. Describe systems to protect individuals from identity theft.
5. Describe vulnerable populations (elderly, hearing impaired, etc.) who are targets of identity theft.
6. Describe procedures to avoid becoming a victim of identity theft.
7. Define credit card fraud.
8. Explain the importance of not sharing personal, financial, or social security information on the telephone or the internet.
9. Describe how to detect spam telephone calls.
10. Explain the importance of blocking unwanted telephone calls.
11. Describe scam schemes.