



German Institute for
Adult Education
Leibniz Centre for
Lifelong Learning



Debt Counselling as a
Starting Point for Basic Education –
Curricular Networking and Transitions

Project CurVe

The Financial Literacy Competence Model

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Introduction

Which basic competences are needed to deal adequately with money? What needs to be known in the field of financial literacy in order to manage everyday life? The Financial Literacy Competence Model structures and determines the requirements for managing everyday financial affairs, explicitly and exclusively on a basic educational level. The model was developed within the framework of the project: 'Debt Counselling as a Starting Point for Basic Education - Curricular Networking and Transitions' (CurVe) at the German Institute for Adult Education (DIE). The model is compiled in tabular format. Contained therein are six different financial literacy domains sub-divided into the dimensions of knowledge, reading, writing and numeracy including potential requirements for everyday life. The particular feature of this model lies in the fact that it is theoretically grounded as well as empirically founded. The competence requirements within the model are based on interviews with debt advisors as well as adult education professionals. Furthermore, data were collected in exploratory learning workshops with persons seeking advice in a debt counselling centre. All these empirical data were analysed and the resulting model was discussed and adjusted over and over again. Moreover, it was validated in communication with project partners and experts from the adult education sector as well as from the social work sector. The requirements described within the competence model can serve as a basis for the formulation of learning objectives and contents within different learning formats in basic adult education. Didactical applications of the competence model are described in a handout, targeted at curriculum planners and teaching staff.

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Competence domains financial literacy	Sub domains	Everyday requirements				
		Knowledge		Reading	Writing	Numeracy
		declarative	procedural			
1. Revenue	1.1 Income	knows terminology (e.g. wages, salary); knows about rights and responsibilities at work; knows about advice centres	can research; can seek advice	can read and extract the essential meaning of employment contracts and pay slips	can communicate in writing with employer (e.g. recording overtime)	can understand and double check pay slips, e.g. by subtracting tax and social security contribution from gross wage; can calculate bonus payments
	1.2 Welfare and benefits	knows the types and eligibility requirements of welfare and additional benefits; knows the structure and modes of behaviour when dealing with authorities (jurisdiction, processing time, processes etc.)	can research; can seek advice; can apply for additional benefits; can deal with authorities (e.g. submitting an application)	can read and extract the essential meaning of notices of performance	can fill in application forms; can communicate in writing with authorities	can add different income streams (e.g. unemployment benefits and family allowance)
	1.3 Assets	knows the significance and value of non-financial assets (e.g. valuables, property); knows the provisions for liquidation of assets	can use online sales-platforms; can negotiate prices; can research; can seek advice	can read and extract the essential meaning of tables of information	can formulate sales offers	can roughly calculate asset values
	1.4 Financial support	knows types and options of sources for accessing financial support (e.g. foundations and charities); knows about sources of debt counselling	can research; can seek advice; can make an application	can read and extract the essential meaning of a notification of approval or rejection	can write or fill in an application	can calculate a sum

Competence domains financial literacy	Sub domains	Everyday requirements				
		Knowledge		Reading	Writing	Numeracy
		declarative	procedural			
2. Money and payments	2.1 Monetary system	knows the basic economic functions of money within a society; knows the basics of a monetary system (e.g. the term currency); can identify all coins and bank notes	can change money	can pick out or read off appropriate values from conversion charts		can sort order and count coins and bank notes; can compare amounts of coins; can calculate exchange rates
	2.2 Payments	knows the possible means of payment (cash and cashless payment); knows the basics of bank accounts and account management; knows the processes for online banking	can pay with cash; can open up a bank account; can make a bank transfer; can withdrawal of money; can set up a standing order; can grant and/or recall a direct debit authorisation	can read and extract the essential meaning of account statements; can read transfer forms or vouchers; can read and extract the essential meaning of fee statements	can fill in bank and payment forms	can count money; can compare account fees
	2.3 Investment	knows different investment options (e.g. savings account, interest bearing current accounts, building society accounts)	can research; can seek advice	can read and extract the essential meaning of information material and contracts	can fill in contract forms	can compare interest rates; can roughly calculate interest gains
	2.4 Taxes	knows the terminology (e.g. gross and net, tax allowance, exemptions); knows the processes involved in tax declarations (e.g. deduction of costs)	can deal with authorities (e.g. observing deadlines); can research; can seek advice	can read and extract the essential meaning of tax declaration forms; can read and extract the essential meaning of tax assessments	can communicate with authorities in writing; can appeal against tax assessments	can calculate expenditures; can double check the calculation of tax assessments

Competence domains financial literacy	Sub domains	Everyday requirements				
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3. Expenditure and purchases	3.1 Shopping	knows the regulations regarding cancellation of transactions, guarantees and return of goods; knows about different shopping options	can make payments (also online); can buy products online	can read and extract the essential meaning of product descriptions; can read and extract the essential meaning of general terms and conditions of purchase	can write shopping lists; can formulate or fill in orders	can calculate shopping expenditures
	3.2 Offers	knows sales and marketing strategies; knows customer pitfalls; knows the pros and cons of customer cards, coupons, special offers and sales	can request and compare quotes (amount, size, weight, quality criteria etc.); can compare, assess and change providers	can read and extract the essential meaning of content descriptions, promotional material and test results	can communicate in writing with providers (e.g. to get a quote)	can compare prices of quotes and/or products
	3.3 Spending decisions	can differentiate between needs and wants as well as fixed and variable costs (e.g. rent, utilities, food, personal hygiene products, school/ kindergarten, telephone/ mobile phone, clothing, leisure, medical expenditures, pets, fees, insurances, household expenditures); knows the sources of consumer advice; knows basic contract law	can make decisions based on selection criteria; can research; can seek advice	can read and extract the essential meaning of contracts; can read and double check bills	can communicate in writing with providers; can formulate cancellations of, terminations of and amendments to transactions	can calculate monthly fixed costs; can roughly calculate variable costs; can add up single costs (e.g. for a month); can calculate the overall monthly costs
	3.4 Benefits, bonuses and exemption	knows options and types of rebates (e.g. state benefits and rebates, family rebates); knows the rules on exemptions (e.g. radio and TV licences, National insurance contributions); knows sources of sound debt counselling/ advice	can research; can seek advice; can make an application; can deal with authorities	can read and extract the essential meaning of assessments (e.g. exemptions from requirement of TV and radio licences)	can fill in an application (e.g. for exemption from a radio and TV licence)	can calculate the level of savings based on discounts or exemptions

Competence domains financial literacy	Sub domains	Everyday requirements				
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4. Budgeting	4.1 Overview	knows the principles and practices for organising documents; knows the general assessment criteria for the organisation of documents (e.g. date, subject, etc.)	can categorise and sort documents; can create folders; can keep budget planners	can identify items of information from documents (e.g. subject, reference, sender, date, etc.)	can keep and maintain inventories and other records	can systemize time specifications
	4.2 Weekly and monthly planning	knows dates and amounts of monthly household income and outgoings; knows due dates of payments	can set priorities by taking into account various household income streams and outgoings; can make spending decisions depending on income; can evaluate expenditures; can research and find saving opportunities	can read account statements; can read and extract the essential meaning of contracts (deadlines, time and amount of recording, etc.)	can make entries in a cash book or ledger; can list income and expenditures	can calculate the difference between income and expenditures; can share money equally (e.g. among household members, weeks or months)
	4.3 Annual planning	knows recording dates and amounts of non-monthly income and expenditures; knows payment dates (e.g. insurance)	can research; can plan money for extra expenditures (e.g. gifts, vacations); can consider periods of notice (e.g. subscription)	can read account statements; can read and extract the essential meaning of contracts (deadlines, time and amount of recording, etc.)	can list income and expenditures	can calculate yearly and quarterly expenditures for each month
	4.4 Risk and crisis management	knows potential costs (e.g. retrospective additional costs, tax payments); knows the risk of loss or reduction of income (e.g. job loss, illness) and possible additional costs	can deal with potential incidents (e.g. planning subsequent payments; reducing expenditures in case of loss of income); can plan money for unexpected events; can seek advice	can read and extract the essential meaning of utility bills; can read information regarding subsequent payments for electricity and tax	can formulate objections; can make a request for payment in instalments	can roughly calculate potential costs; can double check calculations (e.g. for service charge statements)
	4.5 Saving	knows advantages and disadvantages of various saving options; knows where to find sources of sound advice	can put savings aside (e.g. by bank transfer, standing order, piggy bank)	can read and extract the essential meaning from information material		can calculate potential savings rates; can calculate interest gained

Competence domains financial literacy	Sub domains	Everyday requirements				
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5. Borrowing money and debts	5.1 Loans	knows types of financing; knows contract conditions (e.g. term of validity, risks) and/or rights and duties; knows where to find sources of sound advice	can compare providers; can seek advice; can use a comparison calculator	can read and extract the essential meaning of credit agreements	can fill in an application form for a credit agreement; can formulate the cancellation of a credit agreement	can calculate loan interest incurred and redemption costs (e.g. using an online-platform)
	5.2 Hire purchase	knows rights and duties of hire purchases; knows customer pitfalls	can compare offers	can read and extract the essential meaning of estimates or quotations	can fill in hire purchase forms (e.g. online forms)	can calculate instalments
	5.3 Borrowing money	knows trustworthy persons (acquaintances, friends and family), who might lend money	can appeal to people; can negotiate conditions		can fill in or formulate a promissory note or IOU	can calculate amount of debts; can calculate repayment rates
6. Making provisions and insurance	6.1 Pension plan	knows legal and private services of state pensions; knows (public and private) funding opportunities; knows sources of sound advice	can research; can evaluate individual options; can seek advice	can read and extract the essential meaning of a pensions statement	can communicate with authorities in writing; can formulate an application	can calculate or estimate pension amounts
	6.2 Insurance	knows compulsory insurance (e.g. vehicle liability); knows the difference between necessary and recommended forms of insurance; knows insurance conditions	can research; can compare offers; can make decisions based on selection criteria; can seek advice	can read and extract the essential meaning of test results and information material; can read and extract the essential meaning of insurance contracts	can fill in insurance forms; can formulate terminations; can formulate notifications of claim	can divide insurance fees into monthly rates; can calculate costs; can estimate insurance sums
	6.3 Reserves and capital investment	knows providers, options and types of investment and saving opportunities; knows long-term and short-term investment opportunities; knows the significance of reserves for times of crisis	can research; can compare offers; can seek advice	can read and extract the essential meaning of information material; can read and extract the essential meaning of contracts	can write terminations; can communicate in writing with banks and insurance organisations	can calculate saving rates or estimate profits