

Economic & Fiscal Literacy Resources

Special points of interest:

- The sub-prime mortgage crisis was brought on by the use of *Collateralized Debt Obligations (CDOs)* that were issued in investment-grade *tranches* (parts of a single security released at different times). CDOs are collateralized by various debt obligations such as bonds and loans of varying credit quality and maturity.
- Quite simply, *financial literacy* means that one has the ability to make reasoned judgments and appropriate, effective decisions about the management and use of their personal finances.
- *The Economist*, a leading newspaper, has opined that in future months and years, America will manifest very different economic patterns. These will include a gradual transformation into a saving and exporting structure rather than a continuation of a consumption and debt structure. This will be the largest change in decades.



Plainfield Public Library
800 Park Ave.
Plainfield, NJ 07060
908-757-1111 x112
ref@plfdpl.info
www.plainfieldlibrary.info

Plainfield Public Library Pathfinder

May 2010

Overview

It was recently deemed necessary by a bi-partisan Senatorial initiative that Americans would benefit from legislation which would increase the financial education and literacy of Americans of all ages in our schools and colleges. This legislation was introduced in March 2009 and is referred to as *The Financial Literacy Improvement Act*.



The decision that such legislation was deemed critical at this juncture of our national life was brought about by the realization of how a lack of such financial knowledge contributed to the current economic crisis. Many persons lacked the knowledge of financial products and systems and allowed themselves to be sold into debts they could not fulfill, such as in the *sub-prime lending mortgage fiasco* in recent times (involving risky financial structures such as *CDO tranches*).

This pathfinder can guide you to some of the hard copy and electronic resources we have at The Plainfield Public Library that can enhance your improved understanding of financial terms and topics.

Currently, China owns \$1 out of every \$10 of U.S. public debt. Previously, Japan held the title of our biggest foreign creditor. This changed in September 2008. This means that our Chinese creditors financed \$70 billion of the recent \$700 billion federal bailout!

The Washington Post opined that the more China invests in U.S. debt, the harder it will be for American companies to export products. Beijing is increasingly influencing the American economy!

Highlighted Resources

- www.fas.org/sgp/crs/row/RL34314.pdf
- www.investopedia.com/dictionary
- Dictionary of Finance and Investment Terms, by John Downes, call # R 332.03 DOW
- The Complete Idiot's Guide to Investing, by Ed Koch, call # 332.6 KOC
- Rescue your Money: Your Personal Investment Recovery Plan, by Ric Edelman, call # 332.6 EDE
- Personal Finance for Dummies, by Eric Tyson, call # CASS 332.024 TYS
- Dictionary of Economics, by Jae K. Shim, call # R 330.3 SHI

Books

$$\frac{(\text{Return} - \text{Capital})}{\text{Capital}} \times 100\% = \text{Rate of Return } \underline{\text{or}}$$

$$\frac{((\$110 - \$100) / \$100) \times 100\%}{100\%} = 10\%$$

Your rate of return is 10%

An Example of a Rate of Return

The **rate of return** on an investment is interpreted as the **increase of the investment's value, expressed as a percentage per year**. See the above illustration of this financial principle.

"The person who is going to best lookout for your financial well being does NOT live in the White House, he lives in YOUR house."

\$\$\$\$\$\$\$\$

Chris Gardner



Simply put, debt (or fixed-income) securities are any debts issued by a corporation or government which may be traded. The market buyer(s) who buy the securities (the holders) are entitled to receive interest on the investment, and at maturity, the principal from the issuer of the security.

- *The Housing Boom and Bust*, by Thomas Sowell, call # 332.72 SOW
- *Basic Economics: A Citizen's Guide to the Economy*, by Thomas Sowell, call # 330 SOW
- *The Everything Investing Book*, by Michele Cagan, call # 332.678 CAG
- *Consumer Math: A Comprehensive Review*, call # VHS 510.2 CON
- *The 21st Century Economy: A Beginner's Guide: With 101 Easy-to-learn Tools for Surviving and Thriving in the New Global Marketplace*, by Randy Charles Epping, 330.9 EPP

Articles

- *Sub-prime Was Always a Higher Risk of Cash Loss*. Stevenson, Sam. Geelong Advertiser; 2/27/08.
- *U.S. Reverses Course On Who's Top Creditor*. Norris, Michele. All Things Considered (NPR); 03/01/2010.
- *America's Financial Illiteracy*. Cooley, Thomas F. Forbes; 2/8/2010, Vol. 185 Issue 2, p6-6, 1/5p.
- *U.S. Senator Paul Sarbanes (D-MD) Holds Hearing on Financial Illiteracy*. U.S. Senator Paul Sarbanes (D-MD) Chairman. FDCH Political Transcripts; 02/05/2002.

Online Resources

- www.pine-grove.com/online-calculators/roi-calculator.htm
- www.moneychimp.com/calculator/compound_interest_calculator.htm
- www.simplejoe.com/moneytools/investment-calculator-calculate-future-value-periodic-compound-interest-rate-of-return.htm
- www.investopedia.com/dictionary/default.asp?viewed=1
- http://economics.about.com/od/whatis/economics/u/economic_basics.htm
- www.mcwdn.org/ECONOMICS/EconMain.html
- www.getobjects.com/Components/Finance/TVM/iy.html
- <http://cgi.money.cnn.com/tools/houseafford/houseafford.html>
- www.investorwords.com
- www.nytimes.com/library/financial/glossary/bfglosa.htm
- www.bloomberg.com/invest/glossary/bfglosa.htm