SPEAR

Sigma Public Education and Research Foundation

Wee-Savers and Investors Financial Literary

Introduction to Financial Literacy

Wee Savers and Investors Financial Literacy

Pillars of Personal Finance

Pillars of Personal Finance

Personal Finance is the financial management which an individual or a family unit performs to budget, save, and spend monetary resources over time, taking into account various financial risks and future life events. In this lesson we will discuss four major topics of personal finance:

- Banking
- College Choices
- Career Choices
- Spending Habits

Pillars of Personal Finance – Banking

Banking is an industry that handles cash, credit, and other financial transactions. Banks provide a safe place to store extra cash and credit. They offer savings accounts, certificates of deposit, and checking accounts. Banks use these deposits to make loans. These loans include home mortgages, business loans, and car loans.

Pillars of Personal Finance – Banking 101

- If you're serious about that car, college education, or other major goals, put your money where your mouth is and feed it to a **savings account**.
- Savings Account - An account that usually pays interest at a financial institution that holds money you want to keep for long-term goals or emergencies.
- Checking Account - Unlike savings accounts, checking accounts are accessible at any time. And you can access it in various ways—by depositing checks, using a debit card, or using your bank's Automated Teller Machine (ATM). It keeps your money safe while covering you in case your debit card gets stolen. The bank can deactivate it so someone else can't use it at will.

Pillars of Personal Finance – Banking 101

- **Bank statements:** help make life a little more comfortable, especially if you haven't kept consistent records of your transactions. This statement is a printed record of your account balance, including detailed lists of deposits and withdrawals. It helps to go through these with your parents in case specific terminology strikes you as odd, but these statements are straightforward and are either issued by mail or online.
- Once you have received your bank statement and read it over, take up your transaction book and check off all items that are also in the statement. Then it's time to make some additions and subtractions.
- Add interest your bank has paid you while also subtracting any fees the bank charged you and any bounced checks. If the numbers don't add up, make sure to call your bank and ask any necessary questions.

Pillars of Personal Finance – Banking Terms

- Automated Teller Machine (ATM CARD): A plastic card issued by a financial institution that gives you access to an ATM. It does not necessarily allow you to purchase items as a debit card would.
- Automated Teller FEE (ATM): A fee banks and banking networks charge when you use an ATM outside your bank's network.
- Money Market Account - You deposit money into an account, you earn interest on that account. The biggest difference is the fact that Money Market accounts earn significantly more in interest than traditional savings accounts.
- Mobile Banking - The process of accessing or using banking products and services through a mobile device. It's usually accessed through an app your financial institution provides.

Pillars of Personal Finance – Banking Terms

- Mobile Deposit - A way to deposit checks into your bank account using your mobile device. It typically requires you to take a picture of the check and send that picture to your bank through an app.
- Overdraft Fee - A fee incurred when your checking account doesn't have enough funds to cover a payment that is requested. The financial institution will pay what your account lacks, after which your account may have a negative balance.
- Overdraft protection - A service offered by financial institutions that allows you to pay for an item even though you don't have the total funds available in your account. This means your card will not be denied, but the service usually comes with a hefty fee.
- FDIC - The Federal Deposit Insurance Corporation. A government-run organization that insures customers' bank deposits up to $250,000 if the bank fails.

Pillars of Personal Finance – Banking Summary

Finances can be a blessing and a curse for young people but knowing the basics will prepare for what's to come.

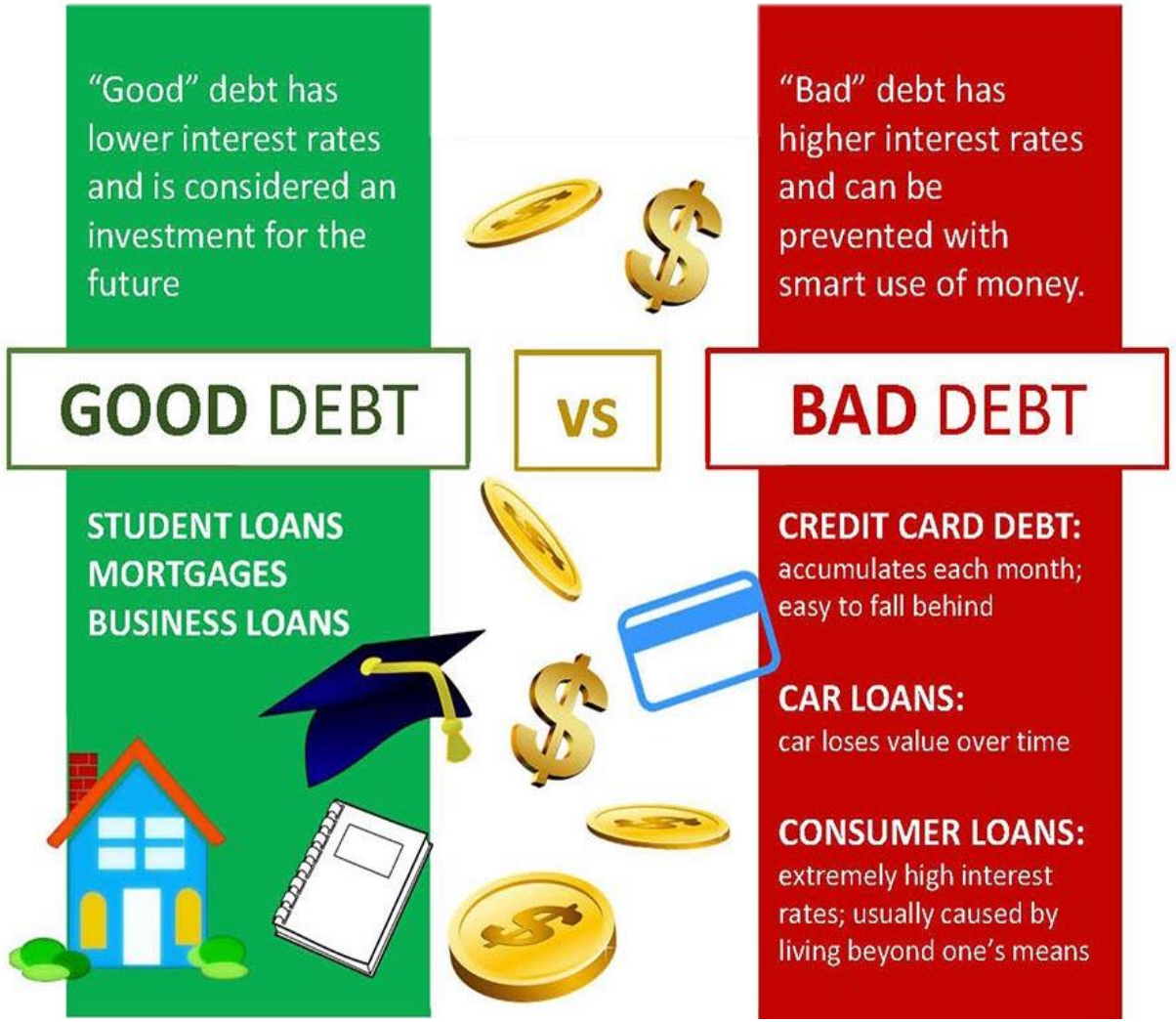
Banking gives you a chance to make a lot, even when you don't have a lot. Money can always grow over time. Once you have it saved in the right places, it'll come in handy when you need it most. Armed with this knowledge, you will fire your way to wealth you never knew you could achieve.

Pillars of Personal Finance – The Power of Credit

- Credit is really a powerful thing. When one maintains a good credit score, that means that they pay their bills on time, manages their credit card spending, and possess good debt.
- A decent credit score starts at 640
- A better credit score can lead to:
  - ✓ lower financing rates
  - ✓ more negotiating power
  - ✓ attractive mortgage and refinancing rates
  - ✓ higher credit card limits

Pillars of Personal Finance – Good Debt vs Bad Debt

- Good debt includes
  - ✓ Mortgages
  - ✓ Student loans
  - ✓ Business loans
  - ✓ Real Estate
  - ✓ Investing
- Bad debt includes
  - ✓ Credit card debt
  - ✓ Consumer loans
  - ✓ Car Loans
  - ✓ Cash Advances
  - ✓ Payday Loans



Pillars of Personal Finance – College Choices

- Find a college that is for you.
- Do not choose a scholarship because it is popular.
- Choose a college that fits what you stand for and where you will be comfortable.
- Do not be afraid of going to college out of state.

Pillars of Personal Finance – College Choices

- Look at the scholarships that are offered.
- Majority of schools offer scholarships.
- Look at the financial aid office to see what grants and scholarship they offer.
- Then look at what the colleges inside the university offer. For example, the school of business offers scholarships to business majors, the college of science offers scholarships to science majors, and etc.

Pillars of Personal Finance – Career Choices

- Find what excites you and you are good at.
- When most think of a career, they look for the ones that pay the most money.
- Careers are not based on money all the time. A career should be something that one can enjoy and make money off of.
- You want to be confident and comfortable in the career that you choose.

Pillars of Personal Finance – Career Choices

- Find a mentor that does what you like.
- Another way to gain an understanding about a career is to find a mentor.
- A mentor can be anyone that you know that is already in the career that you are interested in and can help you understand more about it.
- Mentors are also great because if you decide to take the career path of your interest, they can help get you in the door.

Pillars of Personal Finance – Spending Habits

- You're growing into a stage of your life where you will meet new friends, have eye-opening social experiences, and buy yourself things you've always wanted. But, while spending your own money for the things you dream of is a nice feeling, it can leave nightmarish effects on your financial future if mismanaged.
- Credit cards can be a gift and a curse at the same time. A credit card is a ready-made solution to help you pay for something when you're a little short on cash, but it also looks flashy. But know that you still have to pay them off, and if you aren't making a quality salary, it can be a tough task.
- If you don't need to use a card when going out, leave it at home. Credit cards are more for emergency purposes or significant purchases, not necessarily for those designer shirts or dresses you've been eyeing through shop windows.
- Having a card feels empowering, it can give you too much power, which can lead to you hanging your head in shame asking your parents for a bailout.

Pillars of Personal Finance – Spending Habits

- Necessary vs. Unnecessary Spending:
- Necessary spending includes bills and food.
- Unnecessary spending includes leisure shopping and spending excess money on fast food.
- A lot of times, we think unnecessary items are necessary.
- If we examined our unnecessary spending, then we will have the opportunity to save more and spend less.

Pillars of Personal Finance – Summary

1. Build A Buffer
2. Set Aside for Retirement
3. Get Rid of Bad Debt
4. Save For Emergencies
5. Invest What You Can
6. Create An Additional Income Steam

SPEAR

Sigma Public Education and Research Foundation

Wee-Savers and Investors Financial Literary

Financial Literacy Series