

THE IMPORTANCE OF FINANCIAL LITERACY IN QUICK MINDS

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Financial culture in today's developed and rapidly changing world has become another vital element in the system of skills and rules of conduct. Financial literacy will allow a person not to depend on circumstances, on the will of other people, the system. An educated person will begin to choose the paths in life that will be most attractive to him, creating a material basis for further development of society.

The concept of financial literacy goes beyond political, geographical and socio-economic boundaries, and the need for financial education of the population is growing exponentially. Financial literacy helps young people to change their attitude to money, manage it, make them think about the future, plan the needs of their life cycle.

It is critical because it equips us with the knowledge and skills we need to manage money effectively. It is already recognized in the world as a necessary skill in the 21st century as reading and writing.

Financial literacy is the ability to make informed judgements and effective decisions regarding the use and management of money. This is a set of knowledge and skills that are sure to be needed in everyday life. People who are financially literate are generally less vulnerable to financial fraud.

According to the USAID study "Financial Literacy, Financial Inclusion and Financial Welfare in Ukraine", the level of financial literacy of the population of Ukraine is 11.2 (out of 21).

The obtained results confirm the need to intensify work in the field of financial literacy at the national level, the acquisition of knowledge and skills by children and youth in personal finance management while studying at school and higher education institutions.

Despite the development of information technology and the efforts of public institutions, the level of financial awareness of Ukrainians remains unsatisfactory.

The lack of financial literacy can lead to a no of pitfalls. Financially illiterate individuals may be more likely to accumulate unsustainable debt burdens, for example, either through destitute spending decisions or through a lack of long-term preparation. This in turn can lead to destitute credit, bankruptcy, housing foreclosure, or other negative consequences.

To become financial literate involves learning and practicing a variety of skills related to budgeting, managing and paying off debts, and understanding credit and investment products. Basic steps to make better your personal finances comprise creating a budget, keeping track of expenses, being diligent

about timely payments, being prudent about saving money, periodically checking your credit report, and investing for your future.

Analysts at the The Organisation for Economic Co-operation and Development (OECD) say in official publications: "To date, everyone has recognized that financial literacy has become a vital skill as a result of financial markets, demographic, economic and political developments."

Developing financial literacy to improve your personal finances involves learning and practicing a variety of skills related to budgeting, managing and paying off debts, and understanding credit and investment products. Here are several practical strategies to consider:

1. Create a budget—Track how much money you receive each month against how much you spend. Your budget should include income, fixed expenses, discretionary spending, and savings.

2. Pay yourself first—this strategy called "reverse budgeting". It involves choosing a savings goal—say, a down payment for a home—deciding how much you want to contribute toward it each month, and setting that amount aside before you divvy up the rest of your expenses.

3. Manage your bill-paying. Stay on top of monthly bills so that payments consistently arrive on time.

4. Get your credit report. Once a year, consumers can request a free credit report from the major credit bureaus. Review it and dispute any errors.

5. Check your credit score. Having a good credit score helps you obtain the best interest rates on loans and credit cards, among other benefits. Monitor your score via a free credit monitoring service and be aware of the financial decisions that can raise or lower your score, such as credit inquiries and utilization rates.

6. Manage debt. Use your budget to stay on top of debt by reducing spending and increasing repayment.

7. Invest in your future. Consider opening an IRA and creating a diversified investment portfolio of stocks, fixed income, and commodities.

In recent decades, financial products and services have become increasingly widespread throughout society. As earlier generations may have purchased goods primarily in cash, today various credit products are popular, such as credit cards, mortgages, and learner loans. Other products, such as health insurance and self-directed investment accounts, have also grown in importance. This has made it even more imperative for individuals to realize how to them responsibly.

Although there are many skills that might fall below the umbrella of financial literacy, favorite examples comprise hold budgeting, learning how to manage and pay off debts, and evaluating the tradeoffs between different credit and investment products. Oftentimes, these skills require at minimum a working information of key financial concepts, such as compound interest and the time cost of money. Given the importance of finance in modern society, lacking

financial literacy can be very damaging for an individuals' long-term financial success.

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Financial literacy can also assistance defend individuals becoming victims of financial fraud, which is a type of crime that is, unfortunately, becoming more commonplace.

Managing your money is a personal skill that benefits you throughout your life – and not one that everybody learns. With money coming in and going out, with due dates and finance charges and fees attached to invoices and bills and with the overall responsibility of making the right decisions about major purchases and investments consistently – it's daunting.

You'd think that because the stakes are so high that this would be a skill that gets taught in high school (or even before), but that's not the case. Managing your own money requires a fundamental understanding of personal credit and a willingness to embrace personal responsibility. That is, you pay your bills in a timely manner and you don't drown yourself in debt. You accept the fact that sometimes you've to sacrifice immediate demands and desires for long-term gain. You realize the disagreement between excellent debt and horrible debt. And you constantly pay attention to your overall portfolio — earnings, savings and investments. You also realize what you don't know, and you ask for assistance when you necessity it.

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To be financially literate means having the ability to not let money – or the lack of it – get in the way of your success as you work hard and build your future.

How do you get started budgeting? Simple: you plunge right in. You need to see.

Some steps to see exactly how you're spending your money and identify where your financial holes are

1. Start tracking your monthly expenses

In a notebook or a mobile app, write in every time you spend money. This is the foundation for your budget.

2. Identify fixed and variable expenses

Fixed expenses are ones that you've every month: rent, mortgage, electric, bill, water bill, learner loan payment. Variable expenses are costs that go up and

down each month and ones that arrive and go – groceries, pet supplies, concert tickets, etc.

3. Add up the totals

After three months, compute how much you're spending, on average, per month. And see at the categories.

4. Study your variable expenses Determine what gives you the most pleasure these monthly expenses that you perceive these costs are worthwhile? And which ones can you really do without? Be honest, and start cutting. This is the beginning of the tough decisions.

5. Factor in savings A key portion of budgeting is that you should always pay yourself first. That is, you should get a piece of every paycheck and keep it into savings. This one practice, if you can create it a habit, will pay dividends throughout your life.

6. Presently set your budget Start making the required cuts in your fixed and variable expenses. Decide what you wish to rescue every week or every two weeks. The leftover money is how much you've to live on.

Effective budgeting demands that you're honest with yourself and keep together a map that you can actually follow. The more time and effort you keep into your budget today, the better you'll be able to support a life-long savings habit.

Without financial literacy, the actions and decisions one create or don't create with respect to savings and investments would lack a powerful foundation.

Financial literacy helps in understanding financial concepts better and enables one to manage their finances efficiently. Furthermore, it helps in effective money management, making financial decisions, and achieving financial stability. Moreover, financial literacy provides in depth information of financial education and various strategies that are indispensable for financial growth and success. Also, it enables one to be debt free by adopting the best debt strategies.

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