

# Growing Wealth Financial Literacy

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# What is Financial Education?

There are **four** aspects of financial education (capability) :

- **Financial Understanding**
- **Financial Competence**
- **Financial Responsibility**
- **Financial Enterprise**



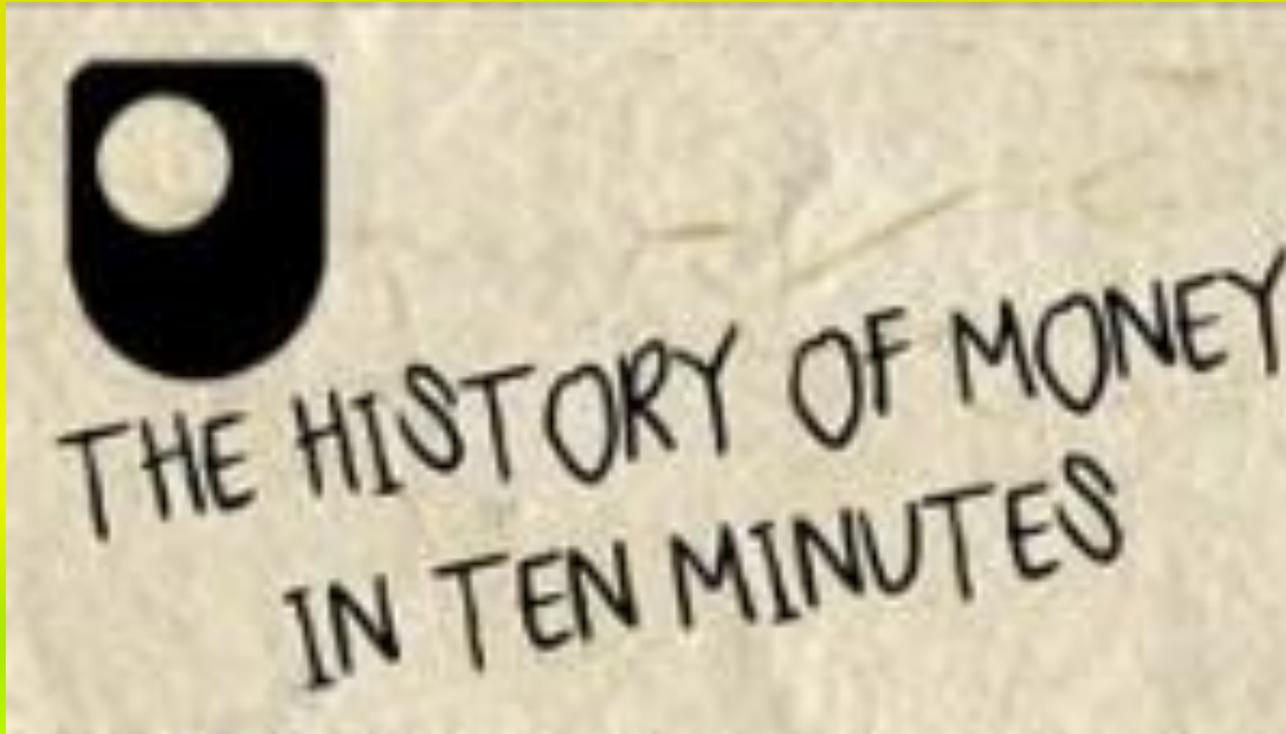
# What is **Financial Understanding**?

- Understanding the concept of money
- Where does it come from?
- Where does it go?
- The nature and role of money in society, including foreign currency
- Sources of income



# What is Financial Understanding?

Understanding the concept of money



# What is **Financial Competence**?

- Knowing how to look after and manage money
- How do we plan to look after our spending?
- Keep financial records
- Analyse financial information
- Assess value for money
- Prepare and use budgets
- Make informed financial decisions



# What is **Financial Competence**?

Knowing how to look after and manage money

1. Set up the right bank accounts
2. Take stock of your current financial situation
3. Make a plan for your money
4. Set the right financial goals
5. Check-in with your finances every day
6. Create a plan to pay off debt



# What is **Financial Competence**?

How do you plan to look after your spending?

1. Create a budget
  2. Understand your expenses
  3. Understand your income
  4. Consolidate your debt
  5. Slash or remove unnecessary expenses
  6. Create an emergency fund
  7. Save 10 to 15 percent for retirement
  8. Review and understand your credit report
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# What is **Financial Competence**?

## Keeping financial records

1. Get the right bookkeeping system for your business
  2. Have a schedule
  3. Get the right advice
  4. Reconcile your bank statements
  5. Take advantage of digital tools
  6. Take advantage of any training
  7. Use the data in your accounts to understand your spending
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# What is **Financial Competence**?

Analysing your financial statement

## **What is your cash flow?**

- Salaries
- Interest from savings accounts
- Other income

## **What is your cash outflow?**

- Rent or mortgage payments
- Utility bills
- Groceries
- Gas
- Entertainment



# What is **Financial Competence**?

## Prepare and use budgets

1. Update budget assumptions
2. Review bottlenecks
3. Available funding
4. Step costing points
5. Create budget package
6. Issue budget package



# What is **Financial Competence**?

## Make informed financial decisions

1. Weighing the pros and the cons is helpful
  2. Ask yourself if this is something you really 'need' or 'want'
  3. Guard against emotional purchases
  4. Don't put off making a financial decisions
  5. Be aware of your financial risks
  6. Consider your FOMO (fear of missing out) index
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# What is Financial Responsibility?

- Making personal life choices, and thinking about the ethics of money
  - Do the choices you make impact on others – and if so, how?
  - Take increasing responsibility for making decisions with respect to yourself
  - The potential impact of financial decisions made by others on society and the environment both locally and globally
  - Analysing the potential impact of your financial decisions on other people and the environment both locally and globally
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# What is **Financial Enterprise**?

- The use of financial resources in an innovative and confident manner.
- How well you evaluate risks and returns
- How you use financial and other resources in an innovative and confident manner
- Apply knowledge and skills creatively in a range of situations.



# Why is Financial Education so Important?

- 13.2% of UK households have no savings
  - 4% ( 2.1M of 54.1m) of UK households do not have a bank account
  - 23% of UK households do not manage financially – 40% 'get by'
  - 27% of UK households are not covered by home contents insurance
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# How can we break this cycle?

- The average person in the UK owes £8,000 (over and above mortgage debt)
- 50% of the UK population is regarded as financially vulnerable
- 24- to 34-year-olds are most likely to be in debt
- 4+ million people in the UK are thought to be in serious financial difficulty
- 6+ million Britons don't believe they will ever be debt free
  
- A study from 2018 revealed that England and Northern Ireland have one of the lowest levels of financial literacy compared to other developed countries.
- 33% of adults are unable to work out the correct change from a shopping trip
- 40% of adults cannot correctly apply a simple discount to an everyday household product they may purchase

# Vision for Financial Education

- All children and young people to develop the personal finance skills they need to prosper, through a planned and coherent programme of financial education.
- All staff will promote partnership working to enhance financial capability of its young people and address financial disparities.
- **All Schools and early years settings to ensure good quality financial literacy is embedded in their Representative Curriculum; Coherence of numeracy across all subjects provides a relevant context to develop skills for learning, life and work.**



# Links to resources an online training

- [Money Games and Online Financial Resources | MoneySense \(mymoneysense.com\)](https://mymoneysense.com)
- [Resources and Tools - Young Enterprise & Young Money \(young-enterprise.org.uk\)](https://young-enterprise.org.uk)
- [Financial Education | Learn About Money – HSBC UK](https://www.hsbc.co.uk/learn-about-money)

## References

<https://www.accountingtools.com/measuring-financial-capability-in-children-and-young-people.pdf> (moneyandpensionservice.org.uk)

Making Informed Financial Decisions:  
<https://creditcounsellingcanada.ca>