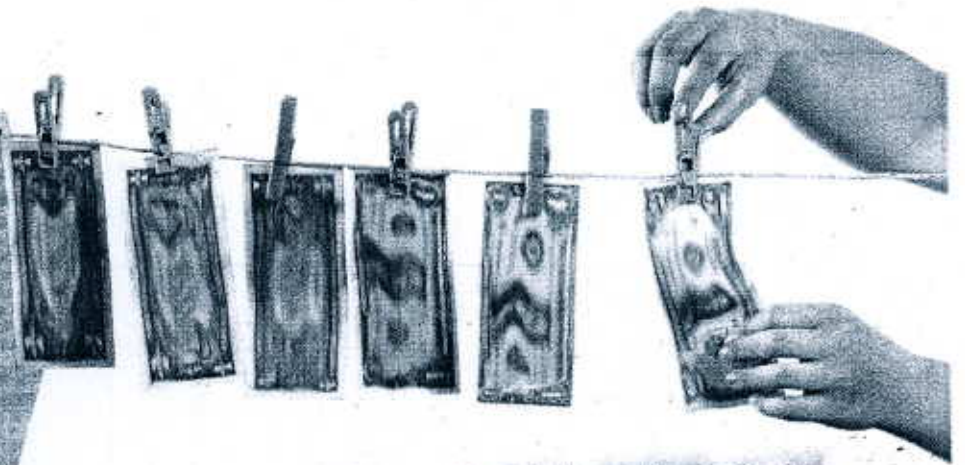


# MONEY



*It is never too early or too late to develop financial literacy. Here are some basic steps to help you get started*

# MATTERS



**O**NE of the reasons why people get into money trouble is due to lack of financial literacy. Financial literacy is the skill set you need to deal with money and financial matters in life.

A financially literate person is one who can keep track of his money and make decisions about how to spend it, and invest to accomplish his objectives.

To an average person, financial literacy means knowing how to maintain a simple household budget with a bank account and credit cards.

This includes knowing how to save for emergencies, save for special purchases, and save for retirement. Financial literacy also means knowing how to make decisions to spend money wisely.

**Become familiar with your household finances**

- Know how much money you have coming in, how much goes out, and where it goes. There are several things you can do to familiarise yourself with finances such as reviewing your monthly bank statement, monthly bills, credit card statements, loans, and investment accounts.

**Organise your files** - Creating a paper or electronic filing system will make paying your bills on time and meeting deadlines easier. Record keeping also helps avoid potential disputes - disagreements regarding whether the terms you agreed to with banks, stores, or friends have been upheld, including timing of payment and amounts. You will also want to keep records for tax purposes.

**Have a plan** - If you don't know what you are trying to achieve, it's quite hard to achieve it; so whether it's your wedding, a new car, or your first home, it is important to set some priorities and financial goals for yourself. If you already have a plan, then it is a matter of staying on the right path and adjusting as necessary.

**Set a financial goal** - Financial responsibility is easier when you are working towards a goal. Decide to remodel the bathroom, purchase a new vehicle, or upgrade your television set. It does

not matter what your goal is, just that it is something you want, for which you will have to save.

**Develop a budget and stick to it** - Once you know how much money you have coming in and going out, and you have a financial goal, you need to develop a budget that allows you to save towards your goal.

**Learn the difference between good debt and bad debt** - Debt, which creates value and helps you to build wealth is good debt. The most common example of good debt is a mortgage.

The value of the home increases as the amount of the debt decreases and you build equity in the home.

Debt, which continues to increase as the item purchased with it decreases, is bad debt. **Credit cards are the number one bad debt**

among consumers. The items purchased on the card decrease in value, while the interest you are charged on them increases each month you do not pay off the credit card.

Car loans are also bad debt because the value of the car decreases more quickly than the principle of the loan.

**Educate yourself about personal finance** - Look for organisations that can help you learn more about personal finance with articles, activities, and classes. Places to check for information include banks, and non-profit organisations.

**Maintain good credit** - Use your credit card responsibly. If you abuse your card, it may hurt your credit ratings which will be important in the near future when you look forward to buy a car,

or a home. It is important to learn this at an early age so that paying bills on time, and paying off debts become a habit.

**Start saving** - A few dollars here and there can make a big difference in your life. Save and invest your money to get your money to work for you. If you have a job, pay yourself first. Have your bank automatically deposit a set amount from your paycheck into your savings account.

**Keep life in balance** - Money management is important, but it is only a means to get you where you want to go in life. Strong values, good friends, and a solid education should all be part of your plan for success.

- Compiled by 1Klassifieds Team

