



Greater Bank Finance Academy

Introduction to
Financial Literacy



Many people will be unfamiliar with the term financial literacy, and may even think it's not relevant to them. However, when you go shopping or save to buy a new phone or house, you are using key financial literacy concepts such as cost comparison and budgeting. This lesson introduces you to financial literacy, and helps to provide a foundation for making responsible financial decisions. You will examine your current spending habits, explore the meaning of money and other key terms, and identify what aspects of money management you think are important.



Learning objectives:

Learn the meaning of financial literacy

Identify and learn the meaning of important financial literacy concepts

Explore your current spending habits and choices

Important points to note:

- Financial literacy is understanding what money is, and how it's spent and saved.
- Understanding money and how it works is important because it helps us to make better financial decisions.
- Before making a large purchase, alternatives should be researched (including product reviews and pricing), and a saving plan should be made. Spontaneously using the credit card to buy expensive items can get you into financial trouble!

What does financial literacy mean?

Finance

How money is managed

Literacy

Having knowledge of something

Financial Literacy

Having knowledge of how money is managed.
That is how money is made, spent and saved

What does that mean?

Money	Something used as a way to buy and sell things. Money is also seen as a way to store value.
Income	Money that you earn from working.
Expense	Money that you spend on things like food, phone bills, clothes, etc...
Budget	A plan of your income and spending habits. It can help you track where you are spending your money, and how much you could save.
Short-term goal	Something you would like to achieve soon, say within the next 12 months.
Long-term goal	Something you would like to achieve in the future. This could be in the 3, 5, or 20 years.
Savings	Money you have earned but not spent. You might keep your savings in the bank, in a moneybox, or under your bed!
Credit card	A card that can be used to pay for things using money that is not yours. It's like a mini-loan that you would normally have to pay back in 30 days. You might also have to pay interest on the balance that you owe.
Credit score	A score that is provided to people based on how good they are at repaying their loans. It's a number between 0 and 1,200, and a score above 622 is considered to be good.
Interest	A payment you make to the person you borrowed money from. It is normally calculated based on a percentage of the amount you borrowed and is paid regularly, say monthly.
Saving	Putting money that you don't spend aside. This could be in a separate bank account or in a moneybox.
Internet/Banking scams	A type of dishonest act that tricks people out of their money or belongings.
Investing	Putting money into something with the view that it generates income or increases in value in the future.
Employment	A relationship between two people where one works for the other in exchange for money.

Investigating your current spending habits

Answer the following questions

What was your last big purchase?

What research did you do before buying it?

What decisions did you make in the lead up to buying that item?

Are you still happy with the purchase?

Did you buy the item with money saved or did you use a credit card / AfterPay / ZipPay?

Then ask yourself and answer the following:

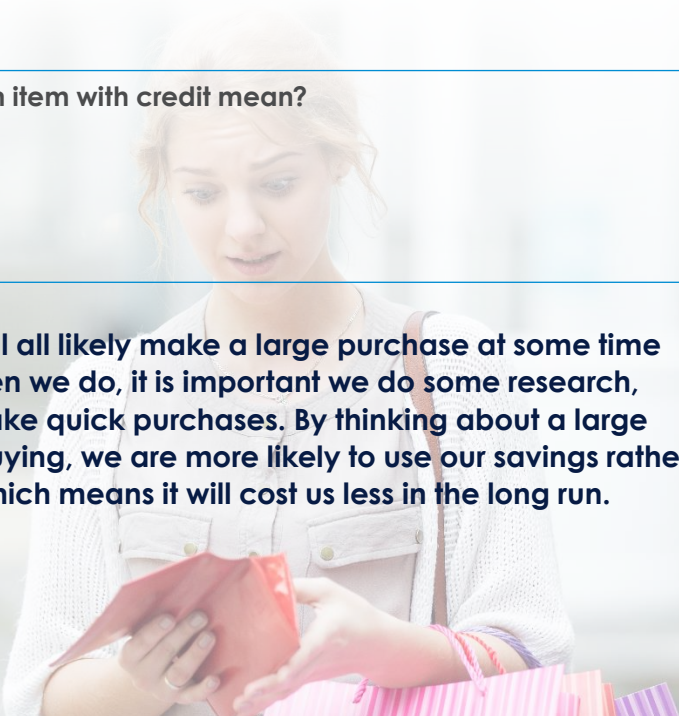
Why is it important to do research before making a large purchase? For example, comparing costs of one provider to another, or thinking about the long versus short term happiness of buying something.

Identify some of the decisions that went into the purchase.

Do you think it's better to make a large purchase spontaneously or to plan?

What does buying an item with credit mean?

Important: We will all likely make a large purchase at some time in our lives. When we do, it is important we do some research, plan and not make quick purchases. By thinking about a large purchase before buying, we are more likely to use our savings rather than credit which means it will cost us less in the long run.



Introducing Budget Betty and Spending Steve

We all think a bit differently about spending.

Throughout the rest of our Financial Literacy Program, we will regularly talk about Budget Betty and Spending Steve. These two profiles are opposite thinkers about money. Budget Betty likes to save, plan, and makes purchases methodically, while Spending Steve uses credit cards, has the latest gadgets and buys quite impulsively. We'll talk about them more in the coming lessons.



Budget Betty

- Likes to save
- Careful with money
- Thinks before spending



Spending Steve

- Uses credit cards
- Has the latest gadgets
- Buys impulsively

Reflection

1. Write down one reason why understanding the meaning of financial words will help you?

2. Write down three financial goals that you would like to achieve. For example, buy a phone, go to university, or eventually buy a house.



For more information call **13 13 86**,
visit greater.com.au/uon or come and
chat with us at your local branch.



Any advice in this Program is general and does not take into account your objectives, financial situation or needs. You should consider whether the advice is suitable for you and your personal circumstances.

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