



# Greater Bank Finance Academy

Fundamentals of  
Financial Literacy



This lesson will build on the previous lesson. You will learn more about how money has changed with technology and what this change has done to our feelings towards money.

This is important because even though we have more access to money than we ever have before, in general, we seem to be getting worse at controlling how we spend. That is why our financial literacy is declining.

The goal for this lesson is to give you some ideas or possible reasons as to why this might be happening.



## Learning objectives:

Identify how the increase in digital money has changed the way we spend money

Understand how we think about money and how this changes the way we spend money

## Important points to note:

- Different forms of money exchange affects behaviour differently.
- Cash makes people much more aware of their spending while using card makes people spend more.
- Your Money Mindset affects your spending behaviour.

# Recap Lesson 1:

Circle the answer to the following questions:

## 1. What is a budget?

- a) A type of credit card
- b) A plan of how you will spend your money
- c) A type of bank account

## 2. Why does financial literacy matter?

- a) It help you to understand what money is
- b) It's important to help make better financial decisions
- c) Both of the above

## 3. If you were planning on buying a house in the next 10 years what type of goal is this?

- a) Long term goal
- b) Short term goal
- c) Neither

## 4. What's the difference between a Credit and a Debit Card?

- a) A credit card uses the bank's money to pay for items which you pay off at a later date. A debit card uses your own money to purchase items.
- b) A debit card uses the bank's money to pay for items which you pay off at a later date. A credit card uses your own money to purchase items.
- c) They are the same.

## 5. Your Wage minus your expenses equals what?

- a) Credit
- b) Savings
- c) Debit

# Spending choices

But first, before we go any further, let's take a look at how we think about money.

Imagine you have two \$20 notes in your wallet at home. They are exactly the same – the same size, colour and design.

The first note you received from your Grandma on your birthday.

The second note you earned at your part time job, or by doing chores around the home.

Underneath the pictures of the \$20 notes, write down what you would do with each note, or what you would spend it on. For example, if you were out shopping and were hungry, which note would you spend? Or if you saw a cool t-shirt or sunglasses that you really wanted, which note would you spend? Think about why you have said this and write it down below.

**\$20 from Gran**



**\$20 you earned**




**Conclusion:**

There's no right or wrong answer here, but it's important to understand how we think about our money, especially when making choices on spending.

## What's your money mindset?

The next 4 questions pick the answer that you most agree with.

There is no right or wrong answer and everyone's money mindset can be different.

### Question 1:

*Which best describes you?*

I don't deserve a lot of money when others have less than me

You can never have enough money

I will not buy something unless it is new

You should always look for the best deal, don't rush

### Question 2:

*Which best describes you?*

Rich people are greedy

More money will make you happier

Poor people are lazy

It is important to save for a rainy day

### Question 3:

*Which best describes you?*

It is not okay to have more than you need

Money buys freedom

Your self-worth equals your net-worth

If you cannot pay cash for something, you should not buy it

### Question 4:

*Which best describes you?*

People get rich by taking advantage of others

Money would solve all my problems

If something isn't considered the best it isn't worth buying

I'd be a nervous wreck if I did not have an emergency fund

## Red: Money avoidance

Money avoiders believe that money is bad or that they do not deserve it.

They believe that wealthy people are greedy and corrupt, and that there is virtue in living with less money.

Avoiders may sabotage their financial success or give money away in an unconscious effort to have as little as possible.

Money avoidance is associated with ignoring bank statements, increased risk of overspending, financial enabling, financial dependence, hoarding, and having trouble sticking to a budget.

## Blue: Money worship

At their core, money worshipers are convinced that the key to happiness and the solution to all of their problems is to have more money.

At the same time, they believe that one can never have enough.

They are more likely to spend compulsively, hoard possessions and put work ahead of family.

They may give money to others even though they can't afford it or and be financially dependent on others.

## Yellow: Money status

Money status seekers see net-worth and self-worth as synonymous.

They pretend to have more money than they do, and as a result are at risk of overspending.

They believe that if they live a virtuous life, the universe will take care of their financial needs.

People with money status beliefs are more likely to be compulsive spenders or gamblers, be dependent on others financially, and lie to their spouses about spending.

## Green: Money vigilance

The money vigilant are alert, watchful, and concerned about their financial welfare.

They believe it is important to save and for people to work for their money and not be given handouts.

They are less likely to buy on credit. They also have a tendency to be anxious and secretive about their financial status.

While vigilance encourages saving and frugality, excessive wariness or anxiety could keep someone from enjoying the benefits and sense of security that money can provide.



## 20th century physicality

Back in the 20th century we had a very different relationship with things.

### Example 1: Music

Back then, one of the main ways to listen to music was with a record.

If you wanted to buy some new music, you had to go to the record shop, search through all of the records they had, and try to find the album you were looking for.

Once you found it, you took it up to the counter and used cash to pay for it.

Money. Now in those days people didn't have credit cards back then, so you had to carry around money in your wallet. Which meant, you actually had to plan to have that money before going to buy something.

Then, once you paid for it, you couldn't listen to it straight away, because you had to have a record player to play the record.



### Example 2: Information and Books

The Encyclopedia Britannica was a staple in a 20th Century household.

If you didn't know something, you would actually have to go to these books and search the pages to find it.



### Example 3: Money

Think about when was the last time you used cash. Last week? The week before that? Or you can't even remember?

In a previous era, when you wanted to buy something, you would only use physical money.

This meant that you always had to carry cash in your wallet. It also meant that you had to plan to have that money in your wallet. Having to go to the ATM before the shops was pretty typical.

But, as credit and debit cards became more popular, you were able to pay for some things using these cards.

In the beginning this was limited to larger items but, as time went on, this form of payment became more and more common, and is now the most widely used form of payment.

In fact, it is now so common to pay using cards, that some countries, such as Sweden and Denmark, are actually considering abandoning cash altogether (Synder, 2015; Russell, 2015).

So you can see how much extra work you have to do if you only have physical money to pay for things. You have to plan ahead, and carry cash around. This takes away from the immediacy and instantaneousness of our modern lives.

You also had to have money before purchasing something.

So, with the way of the world needing physical objects to work, what you tended to have was a lot of stuff. Like a physical record collection, a physical collection of books on the bookshelf, and paper money in our wallets.

Now fast forward to the 21st century and things have changed!



## 21st century digitised

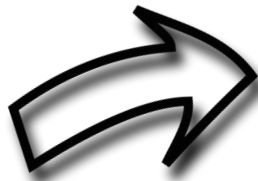
Things like books, music, and money is still around, but they've become digitised.

For example, to listen to new music now, we just go to our phone and with a few taps, we can be listening to whatever music we want straight away. No need for record players, or the inconvenience of walking to the shop, or having to wait for anything. We can get it immediately.

Today, many books have gone digital. We still use them, but in a different way.

One reason why this is happening is because we're reading books differently. For example, we can now download books from the internet and read them on our computer, iPad, or kindle devices.

So now we're able to read a book immediately, whenever we want to, in an electronic format. And this is how we're doing it!



# 21st century digitised

Money has been around for a long time in various shapes and sizes.

Valuable items, like gold and gems, have been used for thousands of years as a way to exchange goods.

Then we moved into paper (or fiat) money. This is the money that we are probably most familiar with. For example, the Australian \$20 dollar note or \$2 coin.

Next, credit and debit cards become more and more common to use to pay for things instead of physical money.

And more recently money is shifting towards a digital format, such as cryptocurrencies like Bitcoin.

Cryptocurrencies are basically a digital form of money. And credit and debit cards are similar, in that they charge you when you buy something using electronic transfers.

Naturally, this has led to a decrease in the amount of physical money we carry, and an increase in money that we can hold in our phone, or on the internet.

Now the money we hold, like books or records, is not actually physical anymore, it's digital!



# Introducing our two spending personas... Budget Betty and Spending Steve!

The below tables outline a week in the life of each character.



## Budget Betty

<b>Salary</b>	<b>\$200</b>
<b>Food</b>	Breakfast: \$10 Lunch: Canteen \$20 Dinner: \$10
<b>Clothing</b>	Netball Dress: \$20
<b>Transport</b>	Walks to School: \$0
<b>Activities</b>	Netball: \$10 Movies: \$10
<b>Subscription Services</b>	Uses Parents Netflix: \$0 Spotify \$5 Xbox Live: \$5
<b>Phone</b>	\$10
<b>Total Spent per Week</b>	\$100
<b>Savings (Salary-Expenses)</b>	\$100



## Spending Steve

<b>Salary</b>	<b>\$200</b>
<b>Food</b>	Breakfast: \$20 Lunch: Buys lunch \$30 Dinner: \$20
<b>Clothing</b>	School Shirts \$40
<b>Transport</b>	Catches Bus \$30
<b>Activities</b>	Golf: \$20
<b>Subscription Services</b>	Netflix: \$5
<b>Phone</b>	Phone: \$25
<b>Total Spent per Week</b>	\$190
<b>Savings (Salary-Expenses)</b>	\$10

What money mindset do you think Betty and Steve fall into?

Betty:

Steve:

## A week in your life...

Think about your last week. Fill in the below table with everything you purchased throughout the week. Then compare your current spending to see if you could only use physical cash.

Item	\$ per week	Would you still buy if only physical cash available?
Salary	\$200	Answer the following yes or no and explain why to this
Food		
Clothing		
Transport		
Activities		
Subscription services		
Phone		
Total Expenses		
Savings (salary - expenses)		

## Answer the following questions

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1. Would any of your purchases change if you could only spend physical cash?

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2. What was the difference spent in a week between using all forms of payment and just cash (if any)?

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3. Would you not buy something due to the inconvenience of getting money out? If so what is it?

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4. Would you be more likely to plan your spending using physical cash?

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5. Is there anything you can think of you couldn't buy with physical cash?

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6. Overall would you spend more or less money using physical cash?

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## What has the research found

### **Different forms of money exchange effects behaviour differently (Vohs, 2015)**

Firstly, it's been found that different ways of exchanging money, can have a different effect on the way people behave. For example, it's been found that using credit cards to pay for things, increases how much spending people do. It's just so easy to wave a card to pay for something when it just looks like numbers on a screen!

### **Credit cards increase spending habits (Roberts and Jones, 2001; Tong et al., 2013)**

Another interesting finding has been that physical cash makes people much more aware of their spending. This could be because people have a physical object in their pocket that gets less and less with each thing they buy, or maybe they associate more value to something they can actually touch.

### **Cash makes people much more aware of their spending (Tong et al., 2013)**

Either way, the research so far is pretty clear...Cash makes it easier to understand a very important concept of financial literacy, that spending now means having less to spend later!

When it comes to modern times, there seems to be a real disconnect between digital forms of money and the value we place on that money. In other words, our association of the relationship of digital money and it's value, is broken.

And we think that this relationship might be broken because of the loss of the use of physical money.



## Reflection

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1. How does physical cash affect the way you spend money?

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2. Now you know your money mindset, is there anything you would change about the way you spend money?

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### Summing Up

In this lesson you have learnt about how different forms of money change the way you spend.

As you have seen everyone has a different money mindset and hopefully now you know what yours is and how you can use this to make better financial decisions.







For more information call **13 13 86**,  
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