

YOUTH FINANCIAL  
LITERACY PROGRAM

**THE BASICS OF  
PERSONAL FINANCE**

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# About

# Personal Finance

4 Key Personal Finance Principles:

- **Responsible Earning**
- **Responsible Spending**
- **Responsible Saving**
- **Responsible Borrowing**





# KEY ACTS OF CONSUMERS IN OUR ECONOMY

- Earning
- Savings
- Spending
- Borrowing





# ...

# EARNING

Earnings: To gain money by working, owning a business, or receiving returns on investments. The money that one gains from earning is known as their earnings.

A variety of factors influence one's earnings: One's career choice, ability to attain & retain employment, and ability to advance their expected earnings and standard of living.

# Factors Influencing Earnings



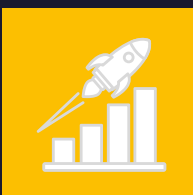
## Career Choices

- Type of Career / Job
- Location of employment
- Upside of one's career



## Ability to Find Employment

- Level of Education
- Skills that'll translate into employment
- Prior job performance & job history
- Workplace trends, economic conditions



## Ability to Advance

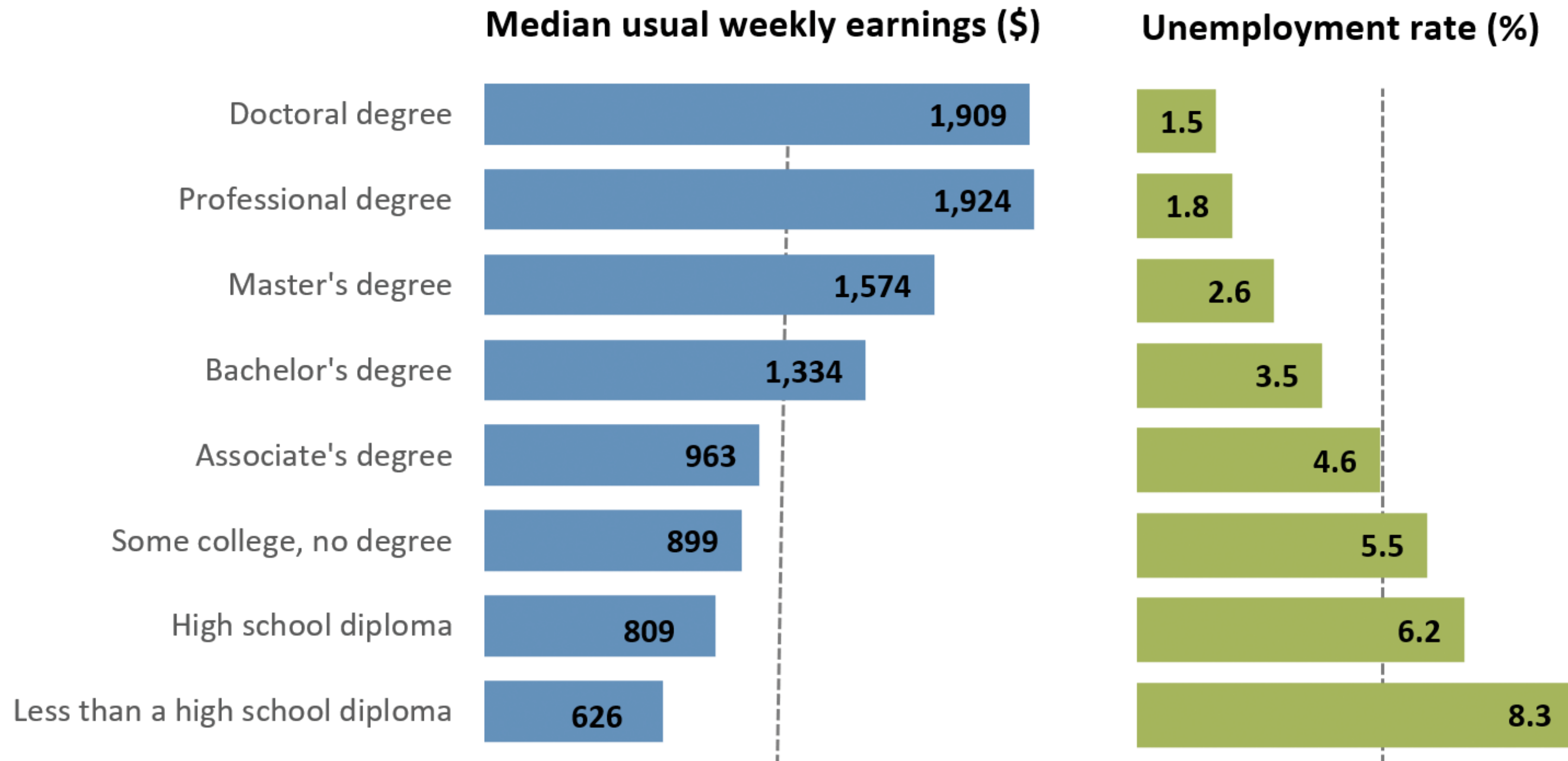
- Type of career / job
- Job performance
- Compensation progression
- Workplace opportunities
- Economic conditions, exit opportunities



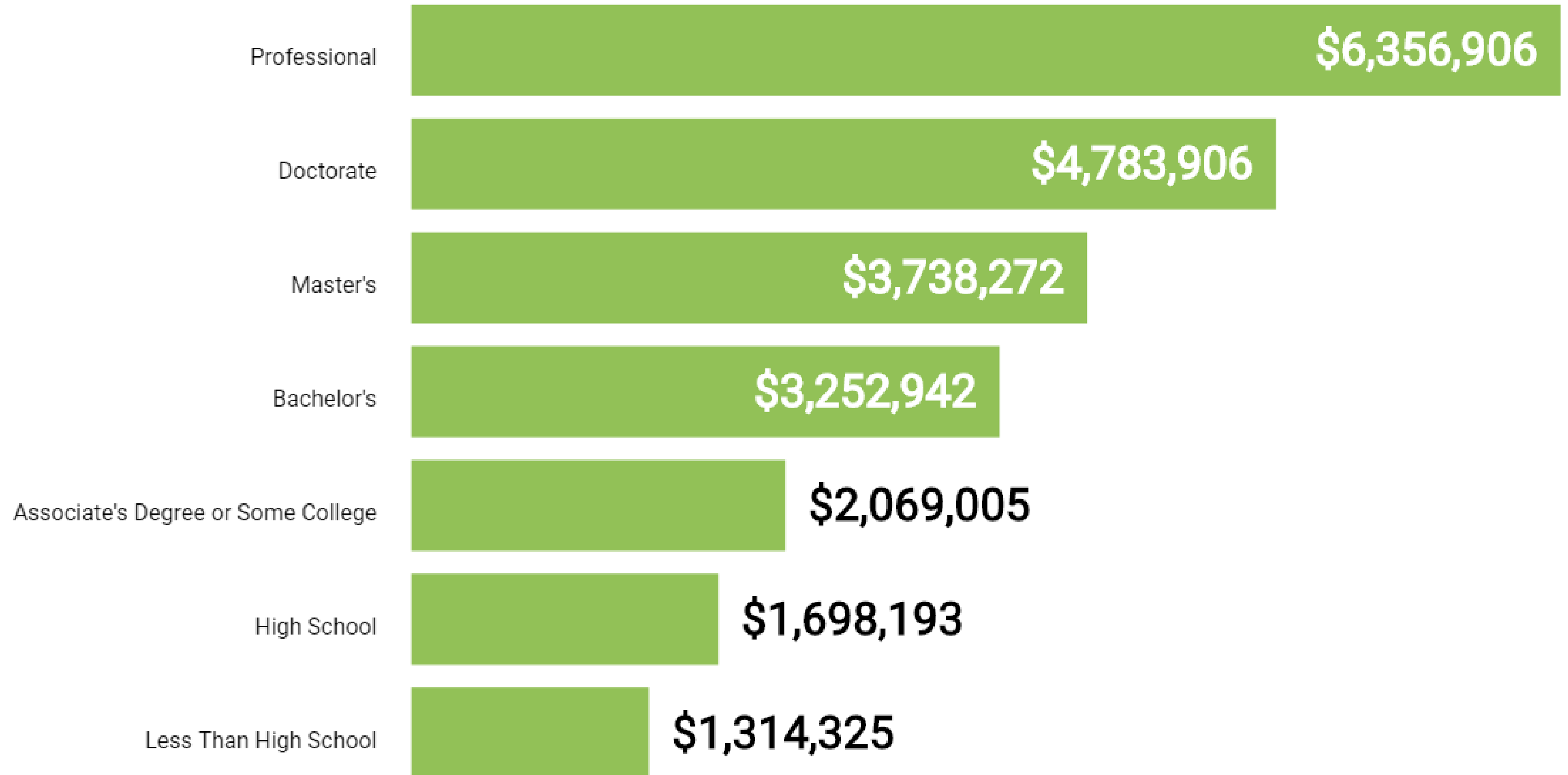
# EDUCATION IS WORTHWHILE

Education will increase one's income earning ability, and decrease their rate of

## Earnings and unemployment rates by educational attainment, 2021



# Cumulative Career Earnings By Education Level



# SPENDING

Spending - Using money to acquire services and goods

- The way one spends money determines the value received and influences the consumer economy.

- All consumer purchases contributes to the demand for the service or product that is acquired.





# The Law of Scarcity

Scarcity: An Economic system is unable to produce all goods and services that consumers want, and most consumers do not have the goods and resources to purchase everything that they want.

Therefore, choices must be made about how limited resources, such as time and money are distributed and used.



# TRADE-OFF AND OPPORTUNITY COST

Because of the law of scarcity, any time a choice is made, there are alternatives that are not chosen. This is the basics to a trade-off.

When one makes a choice, other alternatives must be sacrificed.

The highest valued alternative that must be given up when a choice is made is known as the opportunity cost of the choice.

The choice of one item while giving up another item is a trade-off.

Trade-off example: "you might take a day off work to go to a concert, gaining the opportunity of seeing your favorite band, while losing a day's wages as the cost for that opportunity."

- Vocabulary.com

# Responsible Consumer Spending

Responsible spending includes researching and planning purchases in advance and making intelligent choices in light of opportunity costs and trade-offs that apply.

**Be organized and diligent!**



# SAVING

Saving - To put currency aside for later use.

This currency may be stored / saved in a bank account, wallet, retirement account, etc.

The form of savings used determines the financial return of each dollar saved. I.e: keeping money sitting in a bank account vs. investing in an ETF.

Uses for Saving:

Emergencies, Recurring Expenses, Future Purchases, Financial Goals, Retirement



# Benefits of Saving

- Provide capital for future purchases
- Can be used to earn capital gains income
- Helps produce a healthy economy
- Increase one's personal financial security / safety net
- Provide growth opportunities for business ventures, and help stimulate the economy via investment

Responsible saving is forming the **habit** of saving on the regular and finding forms of saving that allow for high yield returns on your invested capital



# Borrowing

Borrowing – Obtaining money, services, or goods at present in exchange for the promise of future repayment. I.e: "Buy now and pay later"

## Examples of Borrowing:

- Buying with a credit (not debit) card
- Buying on installment of a good
- Payday loans
- Cash advances
- Layaway items for purchase



# Reasons For Borrowing

- Major Purchases
  - Emergencies
  - Insolvency
  - Convenience
- Preparing for future goals
- Take advantage of good deals

Responsible borrowing means to borrow only what can be paid back when the debt / service is due for repayment

