What They Don't Teach You In Schools About Money

Financial Education: The Way to Financial Empowerment

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Disclaimer

About the Book

Cash had always been the main source of a transaction for the past generations. However, nowadays, rarely would you see cash being used, especially among the younger generation. The economics and means of shopping have also changed with a range of choices available for the consumers – credit cards, debit cards, card-less transactions, online shopping, and so much more. With the advancement of technology came a number of convenient payment methods and financial services. However, it also brought with itself some financial problems and accumulated debt. With lack of financial literacy, more and more people are drowning in debt and suffering from financial issues. The main culprit in this scenario is the lack of financial education, especially among the current and the younger generation.

We all have heard about the financial crisis, which will not only affect us, but also the generations after us. It is not just a problem of a credit; it is a lack of financial education. This crisis increased the people's tendency to learn more about how to use the financial tools, about borrowing, saving, and investing.

According to the research conducted, there is a substantial link identified between financial awareness and financial stability. The studies infer that the individuals, who have more financial literacy, are making better and economically rational decisions in the areas such as real estate, insurance, investing, saving, and other similar context (Lusardi Annamaria and Olivia S. Mitchell, 2014). Financial education ultimately leads towards better financial decisions. If looked from the institutional perspective, it is evident that a person is able to attain more financial security and gain social performance target assessment if they have financial capabilities. Some of the recent studies, like that of "Klapper Leora F., Lusardi Annamaria, and Georgios A. Panos (2016)," indicate that people having financial literacy are more likely to instigate their own businesses and have a better performance than people who lack the financial knowledge and skills.

In this book, I want to arm you with the education and knowledge that will protect you and help you to increase your financial awareness so that you can achieve financial freedom. Education is a lifelong process. You do not have to be a genius to take part in this process; you have to be ready, willing, and able to learn. This book will not tell you what to do or advise you, it intends to help you become financially smarter so that you can process and find your financial path. In other words, becoming richer by becoming financially smarter. My purpose in this book is to simplify the financial basics, increase your financial understanding, financial awareness, and make better financial decisions.

Turn the page and start the journey towards financial freedom.

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Introduction

"The number one problem in today's generation and economy is the lack of financial literacy."

Alan Greenspan

Being financially literate is an essential skill in today's modern society. The new generation is being brought in a drastically competitive and challenging environment, which requires them to make sound financial decisions for a financially stable future. In order to lead an independent life as adults, they need to learn at least the basics of making right financial choices in their everyday activities; they need to learn the importance of saving, investing, reducing chances of increasing debt, managing risk, and planning for retirement.

Indeed, there are a number of financial services and products available in the market to make lives easier, but day-by-day these services and products are getting complex and selecting the right option gets difficult. The growing technological and economic developments bringing global connectedness as well as changes in financial transactions, consumer behavior, and social interactions have added to the complexity. Poor decisions related to finances can leave a lasting effect on individuals. Aside from the global financial crises, financial illiteracy has been one of the major reasons for increasing financial problems. Poor financial decisions, not only lower the living standards, but also result in a decrease in physical and psychological wellbeing of individuals.

The one thing that can change this is financial education.

Teaching students the basics of finances can help in empowering and equipping them with the confidence, skills, and knowledge they need to have better control in their life and to make their future more secure by making informed financial decisions. Financial education is a concern for all age groups, especially the current and younger generation, as they are facing and more likely to face even more sophisticated and complex financial products than the older generations ever had to face.

Therefore, financial education in schools and colleges has been determined as the most effective means of helping an entire generation to become more financially literate. This can help in creating strong financial behaviors and culture in adults, which will affect their well-being and their future, and consequently affects the economic well-being of their countries.

The main mission of this book is to equip you with the financial knowledge that will help you in making smarter and informed financial decisions. After reading this book, you would have the right knowledge to begin working on enhancing your financial situation and begin the lifelong journey towards financial freedom.

CHAPTER 1

Financial Literacy and its Importance

"If you want to be rich, you need to be financially literate."

Robert Kiyosaki

What Is Financial Literacy? And Why Is It Important to be Financially Educated?

According to National Financial educators' council, financial literacy can be defined as:

"Possessing the skills and knowledge in financial matters to confidently take effective actions, which best fulfills an individual's personal, family, and global community goals."

Financial literacy refers to the understanding of money and how it works, including how one earns it, manage it, as well as invest and grow it. In order to attain financial literacy, it is essential to understand the common principles of financial literacy, including savings, investments, budgeting, and financial goals.

Research conducted on financial literacy across countries has shown that a large number of individuals do not properly understand the concept of compound interest and they don't seek financial information or help before making important financial decisions. Individuals also lack the capability of selecting and managing their credit cards propals are responsible for their finances and have been for decades, but the new developments around the globe and the increasing debts has made financial awareness and education an integral element to lead a balanced life.

Proper financial education can help individuals of all levels of income, education, and age range. For adults, it can help in saving, managing, and planning for their retirement, and for young adults, it can offer tools to start budgeting, investing, and saving to better control their debts and expenses. Parents can plan for the education of their children and save up for their own home. Financial education can also assist individuals with low income to make the most of their earnings and avoid financial risks and pitfalls.

Nowadays, individuals are working hard to earn money, save up and invest. What happens next? They lose all their hard earned money due to wrong financial decisions made. This happens because of a lack of financial education. Most of us know at least one person who lost their money or faced major financial loss due to a bad financial decision or even fraud. Robert Kiyosaki said, *"What makes you lose money is not the asset itself, what makes you lose or gain is how much you know about this asset, how much is risky."*

If an individual is not financially literate, then there are higher chances that they will be poor for the rest of their life regardless of the amount of money they make. You would require someone to help you handle your finances because of lack of education, and you might end up trusting the wrong people and suffer financial losses. This shows that a lack of financial education will prevent you from making the right decisions and solve your own financial issues.

To start with, the increasing number of sophisticated financial products and markets show that individuals don't just have to choose between two saving plans or bank loans, but a wide range of complicated financial instruments for saving and borrowing. Simultaneously, the risk and responsibility for financial decisions also have a significant influence on the future of individuals.

The pension and retirement fund of individuals is particularly important since people need a source of income to enjoy their retirement. If they are not financially literate, they won't be able to select the right investment or saving plans and may also be at an increased risk of fraud; as a result, they would face financial issues once they retire. With proper financial education, they would be able to pick the right option for themselves as per their needs and requirements and enjoy a positive impact on both economic growth and investment levels.

With more and more complex financial products in the market for every aspect of life, it is getting more difficult for individuals to make the right financial decisions. This has paved the way to a larger number of individuals falling into debt and even facing bankruptcy since they are unable to weigh the pros and cons of their financial options to make the right decisions.

Even in countries where individuals are aware of financial instruments like private savings, pension plans, mortgage loans, credit cards, and more, there is still a high percentage of financial illiteracy, and they end up suffering financially. If people in developed and developing countries are financially educated, they can make sure that the financial sector is making a positive contribution towards poverty reduction and economic growth. Unfortunately, the rate of financial literacy, regardless of the country, is worrisome for many reasons. Not only are the individuals unable to make the right financial decisions, but they also fail to realize that they lack financial literacy.

Currently, the curriculum of educational institutions lacks numerous of essential things that an individual has to face in future. It is important to include approaches and strategies in the financial education that can help individuals in enhancing their overall life.

It is essential that you enhance your knowledge since the more you learn, the better equipped you are to perform better financially. Financial education is not just about getting a degree, but it is a lifelong process of attaining financial understanding and knowledge to help you in making the right choices and decisions. Knowledge and education is the only way an individual can make wise decisions, tackle any obstacle that comes their way and lead a better life.

There are countless more benefits that come with financial education and improved financial literacy. Being financially educated means living the life you desire, free up time to do what you love instead of stressing about money and finances, having financial freedom, be self-efficient and independent, as well as make a positive impact on your family, surroundings, and the world in general.

Difference between Money and Wealth

"Money is nothing more than a reflection of your creativity, your capacity to focus, and your ability to add value and receive back."

Tony Robbins

Wealth and money are concepts that have always been confused and considered as the same thing. But this, of course, is not true. In the dictionary, both of these have a similar meaning, which has further created the confusion. Typically, an individual who has plenty of money can afford wealth, but in certain cases, money can't lead to wealth. Indeed, this is confusing.

Let's go back in history.

The initial trading system was bartering. Then, came along the coins and those were used to represent the worth of items. Eventually, paper money was created. Initially, only a limited amount of dollar bills were made as per the gold reserves they had in order to support the bank. In the 1940s, however, governments around the globe decided to discard the gold standard system. From then on, there was a drastic increase in the amount of money being printed. Now, there is just a fraction of gold in reserve as compared to the massive amount of paper money out there. Plastic cards and online transactions are now starting to replace the paper money as well.

What does this teach us? Money is merely a symbol. Money can simply be considered as a form of confidence.

Let's clarify it for better understanding.

Money is an exchangeable commodity that is exchanged for items you want. Wealth has been defined vaguely as having possessions and money.

Wealth can be categorized into two meanings:

- An individual who owns plenty of money and possessions is wealthy.
- An individual who owns plenty of possession that can help survive and sustain themselves for the number of days is considered wealthy.

An example that can further explain wealth would be when a natural disaster hits a place, and numerous people are unable to survive what comes after the disaster – lack of food and clean water. They indeed have the money, but they are not able to purchase the basic necessities they need to survive because they are not available.

There are numerous people today who utilize money to project happiness, success, and power. But, money is not happiness since happiness is a state that comes from within. Throughout the history, we can see individuals, for whom money wasn't enough like Marilyn Monroe, Elvis Presley, Kristina Onasis, and so many more.

Many individuals think of money as far more than what it is. For some, money leads to power, self-esteem, security, and/or happiness. But, money itself is merely a paper. If you have one dollar, you can only purchase services or goods worth a dollar. It is generated on the basis of what you offer the world like an investment (money), creativity (intellect), or labor (time). Numerous millionaires generated this much money after investing plenty of creativity and hard work.

Money is neutral – it isn't bad or good. It is not money, but the beliefs that impact the way you perceive a situation or an event. People think if they have money they will be happy or their unhappiness is because of not having money. Money doesn't make you happy, but lack of money can indeed create fear.

According to Harv Eker,

"Money is important in the area where it works and unimportant in the areas where it does not. Of course, love makes life rosy, and the world go around, but it doesn't pay the bills or feed anybody. If you are not convinced, try to pay bills with love, go to the bank and try to deposit some love, they will surely call the security for you."

It is essential that you understand the fact that money is not the cause of happiness and unhappiness. Start changing your thinking and determine what the fear really is. It could be that you are not good with money or not good at saving money. Think positively. Begin learning ways to create saving plans and handling your money better. Write down what your biggest fear is when it comes to money. All you need to do is to create a plan to manage your money well. That fear is what is limiting you to tackle the problem. That fear is the reason for your unhappiness and is what's stopping you from managing, saving, and making more money.

Therefore, it is essential to understand the real purpose of money and not take money as something that is the answer for everything in your life. Money does three things for you, it:

1. *Offers you more control over your daily life as well as the future*
2. *Offers you plenty of options*
3. *Enables you to lead a life of contribution*

Have a proper balance and understand the difference between being wealthy and being rich. Becoming rich isn't always bad or good. If you understand the purpose of money, then all you need to do is determine ways to generate money, manage it, and save it so that you are financially stable for the rest of your life. According to Les Brown, the major step of becoming wealthy is that "you must be willing to do the things today that others won't do in order to have the things tomorrow that others won't have."

The Key to Becoming Wealthy

"The wealth creation starts with two words 'add value'."

Jim Rohn

So, how exactly can you become wealthy? By realizing your own value and adding more value to yourself. This is how you can add value to others.

Wealth can be attained by adding value to something in certain ways. According to Brian Tracy, there are two main resources of value in today's world – time and knowledge. You can get paid by your customers if you can provide them the services or products they desire in a short time. Moreover, people are always looking for interesting and useful knowledge. Knowledge is indeed power. The more knowledge you have, the more you would be able to earn. More knowledge in your field makes you more confident in your skills. This enhances your self-esteem as well as your personal power.

In today's world, information is everything! You can apply knowledge in different aspects of your life to grow. There isn't any limit or restriction in the things you can do except for the limits you set in your mind.

No matter where you are, who you are, or what your background is, you can start from this very moment to enhance your mental assets. You can begin working on improving your skills and the ability to perform any task to attain results that others would pay for.

Start where you are. Use what you have. Do what you can - "Arthur Ashe"

The smartest people today are those who are continually investing in learning and expanding their mental asset base. They allow their minds to open up to new ideas. A major mistake people make, especially after they graduate, is to think that everything you know is all that there is to know about a particular subject, and that is all what you need.

Brian Tracy called this an "intelligence trap" of a poor performer. This poor performer is the one who does not know, and does not know that he does not know.

The best way of adding value to yourself is to enhance your knowledge. You would worth more if you have specialized knowledge. Be an expert in whatever you do, the product you sell, or in the field you are working in. Bear in mind that an individual, who is knowledgeable spends hours researching and reading, as well as implementing, is an expert and have the right to charge higher rates for their services.

There is nothing that can value more than experience and knowledge in all fields. It makes a major difference.

An individual could spend five to ten years and more to learn their craft, willing to fail, try again, make mistakes, try once again and succeed. This is how you learn from experience, and this is how you get better, grow, and polish your abilities. And this is how you experience wealth in all aspects of your life, not just money. By learning, trying, failing, but not giving up, by having confidence in yourself and offering value to others.

The key is to learn the money game, attain financial education, understand that we have an unfair monetary system, learn the rules centered on the word money and utilize them to enjoy the benefits.

In order to become rich, it is important that you do things in a specific manner. This manner doesn't refer to having possession of various talents. There are numerous talented individuals who stay poor all their lives, and yet there are many individuals who are far less talented, but who manage to become rich.

Your financial situation can be changed by doing and changing simple things. It is natural not to know where to begin, but remember, everyone has the ability of thinking, but the important thing is to actually do the things you are thinking, which is certainly one of the hardest things to do.

According to Brian Tracy, the major source of value nowadays isn't labor, land, or other assets but ideas, information, and knowledge. The biggest wealth you own right now is sitting right between your ears. Your ability to think, to assess, to process, and to develop a plan is right in your head. You can tap into your brain power and channel it to energize your life and attract the things you always desired.

Ask yourself what is it that stops you from going after your financial dreams? What do you think about money? What is the added value you possess that you can offer to others?

The only way to head towards financial success is to determine a way to add value to yourself and which you can offer to a number of individuals; and to learn ways of managing the money you earn through that added value.

CHAPTER 2

Psychology of Money

"The real reason most of us are not able to overcome our financial struggles is NOT because of circumstances, uncontrollable expenses, or statue. It is all based on how we THINK about money."

Brian Tracy

Brain and Money: Which part of your Brain control money?

In his book: Increase your Financial IQ, Robert Kiyosaki wondered how the human brain works. His curiosity began when he started noticing and wondering how individuals say something but do the complete opposite of it. For instance, if you ask an individual if they want to be rich. Their instant answer would be, "Of course!" However, they don't actually do anything to get rich and instead happily spend their money on unnecessary things.

By taking a closer look at the human brain, it is found that it is made up of three parts – left brain, right brain, and subconscious brain. So, what exactly is the role of all these parts?

The left brain is mostly utilized for logic, speaking, writing, and reading. Children doing well in educational institutions generally have a well-developed left brain. For these people, teacher, accountant, lawyer, scientist, and writer are suitable professions.

The right brain is focused on the creative side and utilized for music, art, pictures, imagination, and creativity. For the people with a well-developed right brain make great musicians, architect, and designers.

The subconscious brain is the most powerful as it comprises of the 'old brain,' which is called a primitive brain. It doesn't think, but more focuses on fights, reacts, fears, freezes, or flees. For the most part, the subconscious brain has a control on your life, especially when it comes to money, there is usually a battle going on inside people. This is the conflict that leads to people living far below their means.

You start thinking differently when fear is controlling your subconscious mind. Fear makes you think that you can't perform a certain task; it makes you focus more on the risks associated with it, or how complex the task is, as well as the possibilities of failure. You would start thinking that you can never become rich since you have no money. This is not a problem coming from the left brain, but from the subconscious brain. Your mind starts receiving mixed signals – one saying you want to get rich and the other saying it is not possible and that you can't become rich.

This is considered as 'poverty thinking' when individuals feel at an unconscious level deep down that they are not worthy of acquiring wealth. Numerous people are programmed with negative financial restrictions.

We all have different thoughts that come to mind regarding money, such as, the more money you have, the greedier you get; money doesn't equal happiness, money can change my life, I can't get rich, money and wealth is not for me, rich people just make money by using poor people.

All these thoughts, a lot of them contradictory, keep going on in your subconscious mind, which instills fear, uncertainty, insecurity, and other negativity in you that prevents you from reaching your full potential and thinking logically. The subconscious mind always picks emotions, no matter how much logical thinking is all you need.

The hardest thing to understand and believe is that you are going to get what you want subconsciously, not what you say you want. It isn't enough to simply think or say what you want in life; it is essential that you are committed to attaining it.

Wanting can never result in having, it is pretty much useless. You need to commit and give all that you have to achieve whatever you want to achieve. You need to put in the effort, you need to learn, you need to be confident in your skills, strengthen your abilities and work on your weakness, devise a proper plan to reach your goal of being rich and wealthy.

Failure should be an opportunity to learn more and alter your plan accordingly.

To earn money and to get rich requires efforts, expertise, knowledge, courage, focus, and a rich mindset. It needs a belief that you have the ability to do it and you deserve it.

As mentioned earlier, the subconscious brain is most powerful as compared to the left and right brain. It also has complete power of controlling your addictions. For instance, there are so many individuals who want to quit smoking. Their logical brain is already aware of the harmful impacts of smoking on health, the creative brain is aware of the horrific images of lung cancer, but if the subconscious brain wants to smoke, the individual smokes.

Similarly, the subconscious brain fills you up with a different thought about how life is unfair, why you are poor, or why you can't get rich, and other worrisome thoughts. Indeed, you can't choose your circumstances directly, but you have the power to choose your thoughts, which can shape up your circumstances.

People have specific beliefs about money and even themselves, which hold them back. These are the beliefs that become mind blocks. However, these mind blocks are based on beliefs that are mostly untrue and starts working against you by slowly eliminating opportunities of financial freedom. Therefore, it is essential that you get rid of these mind blocks.

Start believing in yourself. You must believe that you are powerful enough to make a success. People start playing the role of a victim without even realizing it. This means they play small, which in turn means that they think they are not worthy enough or capable enough to change their life. And this is exactly what shapes up their lives. If you constantly believe that change will not happen or that you are not capable enough to change your life, then your life will never change, and you will continue living the life you are currently living.

Most people with such thinking are also the ones who play the blame game. They are more willing to blame their partners, their managers, their employers, their brokers, the stock market, the government, anyone but themselves.

Are You Letting Life Control Your Circumstances?

Now, how can you determine if you are one of those individuals who is letting your life control the circumstances instead of being in control of your life yourself?

Here are some of the signs that can help you in figuring it out:

- *You blame others*–when you are in control, then you don't find any reason to put the blame on others.

- *You regret your past*–your past is history! Focusing on your past should only be done to learn something from it. Regretting it is just an added stressor you put in your mind, which steers you away from focusing on the present.

- *You live in apathy*–having an uncaring attitude towards an outcome is not the same as apathy. It is when you do care about the outcome but don't do anything about it.

- *You get angry*–this indicates that you believe someone else can hurt you, but if you truly are in control of yourself and your life, then there is no one who can hurt you as you are capable enough to protect yourself.

You need to decide whether you want to be a victim or become rich. There is no way you can be both. Such thinking plays on defense instead of offense. It makes you more concern about security and survival instead of focusing on becoming rich and achieving wealth. The main aim of rich individuals is to attain massive wealth, not just plenty of money. This is what you should be focusing on to become wealthy and rich, not just to have loads of money.

According to Napoleon Hill, it is important to create prosperity consciousness. Meaning you have to reach financial abundance in your mind before you set out to achieve your goals. Let us have a closer look at prosperity consciousness.

The ways in which you utilize your mind is the key here. Whatever your mind conceives and believes, you can achieve without any limitations. You need to realize that life is an expression of your thinking. The minute you start improving the way you think is the moment you will start enhancing the quality of life, especially the financial aspect.

It all comes down to your thinking and financial knowledge. Lack of financial education and literacy is a major difference between financial freedom and poverty. Changing your thinking is the only way to begin your journey towards financial freedom.

How can this change happen? With financial education, this is the first step towards financial freedom. What you put in your mind is what's going to influence your actions and behavior. Individuals who are constantly worrying about money become poorer as they are more focused on losing it and fear failure instead of thinking about success.

"Life is not about money; life is about emotions. The goal is to have the lifestyle you want not the things. When you die, someone else will take your things anyway. They are not yours; you are just a caretaker of your money. Attaining possessions not a goal, money itself should not be a goal."

Tony Robbins

And this is the thinking that will help you in not just becoming rich but becoming wealthy. However, it's not just your thinking, but your actions that will help in changing your life.

You want to become financially free. You keep on telling everyone how you aim to achieve financial freedom. However, you are not taking any actions; you are not changing your thought patterns. How do you expect to move forward?

Changing your beliefs, your thinking process, forming a plan, and actually taking action is the way to achieve financial freedom. Here are a few things that can influence your journey to financial stability and becoming rich:

Procrastination

This is the thief of life and time. If you procrastinate a lot, you are preventing yourself from becoming wealthy. You will keep on finding excuses and reasons to put off actions you need to take – the industry is at a low point, you will start from next month or next year, today is not the right time, and so on. Year after year, you will keep telling yourself the reasons you shouldn't start till it gets too late to do anything about it.

Environment

The environment and surrounding can also make a major influence. Maybe you were born and raised in a low-income family, and generation after generation, your family has only witnessed poverty. This means there is no example or model that you can follow to start your journey towards financial freedom. Our beliefs are created and solidified in our childhood. If you have never seen wealth, you might never think of becoming wealthy, and as a result, you will never take any measures to change your situation.

Attitude

Another major factor that affects your journey towards financial freedom is your attitude. You only keep on praying, hoping and wishing to become rich and wealthy, but if you don't make any effort or spare any time in not even attending a workshop or seminar, reading a book, listening to a lecture or podcast, or educating yourself about finances, and about earning, saving, and managing money, nothing will happen.

Additionally, if you are investing in gaining the knowledge, you should keep a check on yourself too. I say this because at times, gaining more knowledge becomes a way to procrastinate and avoid taking action. Whatever you learn will not get you results unless you implement it.

Changing the Attitude towards Money

The very first thing that needs to be done in order to enhance financial literacy is to change the attitudes people have towards money. Begin from the start – what was the attitude of your parents towards money when you were young? Did your parents use pleasant words when discussing money? Or did you mostly hear about lack or scarcity of money and were used to hearing 'money doesn't grow on trees?' Finally, is your attitude and perception towards the money same as your parents? Let's discuss some common negative attitudes towards money and determine if they are a part of your belief system.

"Money Doesn't Grow on Trees"

How many times have you heard your parents telling you this whenever you asked for something as a kid? Or how many times do you tell your kids this? Often parents sarcastically claim "You think we are growing money in our garden?" Among all the negative attitudes regarding money, this is by far the furthest from reality. Your investment is similar to the trees and plants you grow in your garden.

"It Takes Money to Make Money"

You must have heard this even from some entrepreneurs. This is also a common thing individuals say about people who have a lot of money. They believe it is far easier for individuals with money to make more money as compared to individuals with no or lack of money. Many believe that rich people make it merely because their parents were rich or that they already had much money to invest. This is again another excuse for not stepping out of your comfort zone or your fear of failure. The longer you keep telling yourself this, the further away you will get from your goals.

“Everyone Can’t Be Rich”

Many people think that since everyone can’t become rich, there is no point in trying. People believe that there is a specific amount of wealth that can be obtained in an economy and it would be unfair if they get more than their share. It is essential for people to understand that wealth is not finite. Increasing your wealth certainly doesn’t mean that you would be taking from someone else.

“You Can’t Take Money with You”

This is mostly believed by individuals who have bad spending habits. It is essential to understand that the entire purpose of money is to spend it. Good investment habits are crucial to utilize your money well throughout your life and to leave behind for your successors.

“Money is the Root of all Evil”

This is undoubtedly one of the most negative beliefs regarding money. Some even believe that “Behind all great fortune is definitely a crime.” This is completely wrong!

These are the most common beliefs and attitudes towards money. What do such attitudes do to your subconscious mind? Are such beliefs healthy? Definitely not! It simply keeps you away from reaching your financial goals and fills your mind up with negativity. Not one individual from the Forbes 500 Rich List would ever relate to such negative attitudes towards money. There is nothing wrong or evil about money. If you really want to become wealthy, you need to focus on understanding the terms and concepts related to money and finances in order to make better decisions and eliminate these negative beliefs from your mind. The first thing that must be done is to identify the negative attitude you have towards money and the second step would be to start changing it and begin learning more about money and finances.

Overcoming the Budget Blockades

You have probably heard about the financial advice, "Earn more, spend less." Sounds rather simple, but if it really was, then no one would be in debt. This is because simple solutions only focus on covering up your symptoms instead of treating the actual problem. In order to succeed financially, you need to focus on finding the main issue and treating it. Bigger issues like worrying about money scarcity, fearing money, lack of commitment, not able to distinguish between wants and needs and so much more must be tackled before you begin to even think about earning more money, investing and becoming financially successful.

Realize that money is merely energy. When there is a disruption in energy flow, like with debt, then it is necessary to identify the cause of disruption, the reason of debt, instead of treating the symptom, debt. It is like a sleeping pill when you are unable to sleep. It is fine if you are having a temporary sleeping problem, but it isn't the solution if you are unable to sleep for days, the sleeping pill is merely treating the symptom, instead of the real problem.

These money issues are also referred to as blockades. They stop you from generating more money, saving your money and stir your focus on treating the symptoms. Here are a few ways of preventing these blockades and resolving the real issues:

Commitment

Lack of commitment is one of the major issues and blockade when it comes to money matters. Even when you start creating an action plan for improving your finances like a budget or saving plan, you never question your level of commitment. It is typically assumed if someone is asking for help or if they are making a plan, they are committed. This is not true.

When creating an action plan, there are bound to be a few bumps on the road along the way or even after it. Many times, people simply ignore the bump, focus only on the bump or just give up altogether. You have a choice. Whether you want to continue by resolving the cause of that bump, or you want to use it as a motivation to reinforce your action plan more effectively.

If you give up at the first sign of struggle, you are not ready to be successful.

Kevin Hart

The individuals not truly committed would simply give up believing they are not good with money at all or just keep on dwelling on the bump and lose focus, which eventually leads to giving up as well. When you just give up or lose focus on the first hurdle that comes your way, it may actually prove to be worse than not starting an action plan at all.

When you keep on reinforcing that you are not good with money, it acts as a blockade, which stops you from moving towards financial success. The more you reinforce this belief, the less committed you would be towards your aim.

Commitment is crucial in overcoming this blockade and overcoming the money issues. It is important that you are fully committed to your objectives and aims right from the start. Imagine yourself living a life of financial freedom. How different would your life be? Why do you want that life? Have a clear picture of your improved financial picture in your head. This will motivate you to become committed and stay committed throughout.

Goals Setting

Another major blockade is the lack of goals or setting unrealistic goals. Before you begin making your goals, ask yourself, what do you want? Why do you want it? Do you want to get out of debt, have a secure retirement, or go on vacation annually? While these are great goals, make sure you determine why you want to achieve them. When you are well aware of what you want and why you want, it increases your commitment and motivation levels to achieve that goal. Furthermore, you must set realistic and achievable goals. An unrealistic goal means you are setting yourself for disappointment.

Uniqueness

Many times, people try to follow an action plan that they see working for others. You need to understand that you have to find a plan that works best for you, not the one that is working best for others. One size doesn't necessarily work for all. Each individual has different needs and different goals. Some solutions might work for you, and others won't. Determine what your needs are, what your goals are, what you want to accomplish, and then figure out which plan would work best for you. Instead of giving up after one plan doesn't succeed, try a different plan.

Differentiating Between Wants and Needs

This is one of the most crucial things you must learn to do. There is a major difference between your wants and needs. Needs include the things you need to survive, including food, clothing, paying utility bills, and other basic things. While wants are the extra things you want to get - like a new phone when you already have one, more clothes when you already have what you need, furniture, a formal dress and more. Many individuals confuse needs and wants. True, clothing, food and shelter can also come under wants too when you aim towards getting something more or better than you already have. It is not wrong to have wants and spend money on them. It's when you start giving those wants a priority instead of fulfilling your needs is when it becomes a problem.

It is important that you learn to prioritize the things you spend on. Learn to differentiate between your needs and your wants and then further prioritize your wants as well. This will help you in managing your money well.

Practicing Gratitude

Gratitude would help you in being thankful for all that you have instead of feeling disappointed about the things you don't have and/or can't afford. Being ungrateful and eyeing things that we don't have leads to impulse buying and increase in the list of wants that you gradually start thinking of as needs.

Every week, prepare a list of things that you are happy to have. Also, write down the reasons why you are grateful for those things. This exercise will help you realize you have an abundance of things to be thankful of. This will further help you in improving your budget.

Monitoring

A major reason why budget blockades occur is because people are busy looking at the negative outcomes instead of focusing on the positive outcomes. Indeed, it is rather easy to view all the negativity in your life, like not having a sufficient amount of money to pay your bills, the increase in prices and more. This thinking prevents you from looking at the small accomplishments you are making, like saving more money just by cooking at home instead of eating out.

Monitor your review regularly, monthly and even weekly. This will help you in noting the positive things that are happening in your finances due to the changes you are making. Even though those changes might seem small, but when you monitor and assess your budget, you will see the major difference those small changes are making.

Overcoming Fear

One major blockade is the fear. The fear of realizing how much you are overspending, the fear of finding out the amount you need to pay back, the fear of realizing how much you are in debt, and so on. What you need to do is to understand that fear will forever be there. You can actually use this fear to your advantage. Recognize your fear, accept it, and make your way through it. You will come out stronger … and richer!

Creating a budget will help you identify where the problem lies, it will help you in determining what steps to take in order to resolve that problem. It will help you in taking control of the situation and changing it so you can benefit from it.

Managing Resistance

Resistance is one of the major budget blockades that also prevent you from setting up and following a budget. You keep making excuses about setting up a budget or not following it; like you don't have time, you don't know how to, etc. However, everyone is aware of the basics of making up a budget. Even when they are not aware of the strategies and techniques to use, they can still learn about those on the web, from a book, or from an expert.

There are so many individuals who would take on extra work to get money to pay the bills instead of making a budget to save money and avoid doing extra hours. In many cases, you can even save up more money than you can earn doing extra hours. So, why opt for extra work? This is because of resistance.

The solution to overcoming this blockade is to learn how much beneficial it would be for you. It is essential to understand that a budget can help you take charge of your earnings and help you make informed financial decisions. It shows that you have nothing to lose when it comes to making a financial plan or a budget and so much to gain in return.

Becoming Empowered

To stop becoming a victim of these financial blockades, it is important to become empowered. There are many programs out there that help you in managing your money and saving it. The advice 'Pay yourself first' has become rather popular, in which you have to save about 10% of your earnings. This is done automatically, which makes it easier for many individuals. This isn't a bad advice; however, it doesn't solve the root cause of the problem, self-control.

It doesn't help individuals to deal with their self-control issue since the money gets automatically saved. There is nothing wrong with using automatic saving systems, but only if you are also setting up a budget and following it, and choosing yourself the amount of money you want to set aside to save.

When you begin to set up a budget, you are in control of the money and not the other way around. This is how you would get empowered. You already know how to set a budget, and have learned to follow it, so even when life throws something at you, you would be able to rearrange your budget accordingly and easily.

Practice Discipline

Another major reason for a budget blockade is the lack of discipline. This is why many individuals are unable to live within their income and tend to spend much more than they can actually afford. Practicing discipline is a major key to succeeding financially. Without that self-control, you would never be able to achieve financial freedom. When you practice discipline, it enables you to gain that inner self-control, which is needed to prevent yourself from spending all of your money.

However, with self-control, you would be able to start a saving fund that you can take advantage of when the right opportunity comes along.

Make Lifestyle Changes

The reason you are unable to stay within your budget or unable to create an effective action plan is because you spend more than what you are earning. This is merely because of the lifestyle choices you make. Your lifestyle right now would be the one you would want to follow after your retirement as well. However, after retirement, you would only have your savings to tap into. This means that you will soon run out of money! Start adjusting your lifestyle. As soon as you get money, the first thing you should do is to take a certain amount out and add it in your savings.

Your savings should be your first priority. Secondly, look at your spending lifestyle. What can you change? What are the unnecessary things you are spending money on? Where can you cut back? Always try to get suitable and cheaper pricing for the things you need, for instance, a better quote for your car insurance, etc.

These are a few things that can help you escape the budget blockades and help you create a strong budget for yourself.

CHAPTER 3

What You Won't Learn In Schools

"College graduates spent 16 years, gaining skills that will help them command a higher salary; yet little or no time is spent helping them save, invest, and grow their money."

Vince Shorb, CEO, National Financial Educators Council

Since financial education is not the main focus of almost all educational institutions, the majority of individuals don't have the skills and knowledge needed to become financially literate and make good financial decisions. Even though some schools and educational institutions have started teaching students about finances, there are still many things that are needed to be done. The worst thing is that numerous individuals lack the confidence in their own finances. They are unsure what decision they must make in order to reach their financial goals. Their lack of confidence and fear even stop them from discussing about money, seeking professional help or trying to get better knowledge and information regarding money and finances.

Financial education must focus on the skills and knowledge one needs to make informed and effective decisions regarding money management. Learning the basics and skill development can help individuals to become financially literate. However, it is a lifelong process since there are numerous new and innovative financial products that are introduced year after year. Saving and budgeting should start from the childhood and keep evolving as one grows by adding more complex subjects like risks and investments.

What both young individuals and grown adults need to understand is that even if they don't have a rock solid knowledge regarding finances, it is never too late to start learning. People can also learn so much from their financial successes and mistakes. Furthermore, it is also crucial to share whatever you learn with your family, and even kids, in order to make them financially literate as well.

The following are a few essential things that individuals must learn in educational institutions in order to attain better financial education and become financially literate. These are basic concepts that everyone must know and fully understand so that they can make informed decisions and learn more about other advanced money concepts.

Savings

"If you cannot save money, then the seeds of greatness are not in you."

W. Clement Stone

You must have heard many times that you should first save and then spend the amount that is left. Every time, you must have done exactly the same, but it never works! You never have enough money; and always seem to be in a tight spot, especially at the end of the month. So, what's the use of saving first?

Let's get one thing straight. Many individuals believe that they are saving, but on the other hand, they are actually spending a good amount of money by using credit cards or through loans. Moreover, many individuals never stick to their saving habits, they start taking money from their savings, and tell themselves that they will add more the next month and so on. This never happens, and even when you are taking a smaller amount from your savings, it eventually adds up to a major sum.

Firstly, you need to understand the importance of savings and then create a plan that will help you not only to save, but also to reduce your debts. It is also essential to stick to the plan if you want to succeed.

Another thing you need to stop doing is procrastinating when it comes to saving. There are many individuals who find numerous reasons to delay the savings. They promise themselves that they will start saving once they start earning more. Even when they do start earning more, they increase their spending instead of saving that money.

One more thing to bear in mind is that saving is indeed a plan, but it is not the only plan towards financial freedom. It is not enough to simply spend your entire life-saving money. This might not be enough for your retirement. This is where investment comes in to increase the amount of your savings, but we will get into that later.

You first need to realize the significance of saving money. The best thing to do, as mentioned before, is to save first and then spend. And spend on things that you actually need and can afford. Even when this seems rather obvious, people still fail to do this. They don't just spend whatever they earn, but far more than that. This is the reason why they are never able to attain financial stability.

What you need to do is prioritize and learn to practice discipline.

If you make a budget plan, then you need to stick to that plan. You need to clear off all your debts before you start spending extravagantly on luxury items. Take major steps towards reducing the amount of your debt every month.

Understanding the Importance

There are many individuals who can't help but spend all of the money they earn every month. In most cases, this is a habit, which they form as kids. Parents tend to encourage the habit of their children to spend all their money they get as gifts or earn by doing chores. Many even enthusiastically ask their kids what they are going to spend their money on. They don't instill the concept of saving, and those kids grow up with the same attitude. They are unable to save even as adults. While it is a good thing that they motivate their children to buy things from their own money, it is equally important to teach them the importance of saving up.

It is crucial for individuals to understand why they need to save. Once you have your income and expenses figured out, you need to figure out a certain percentage of money that you can save. This surely doesn't mean that you have to stop spending on entertainment or fun activities, but you can limit them in order to save a small amount of money each month. This is how an individual can become financially responsible. Not just this, it is also essential to donate some money, if you have in surplus, for those in need.

You can allocate a percentage to each category as well. Like, 60% for expenses, 20% for entertainment, 15% for saving, and 5% for donating. You can even include a percentage for investment. Create a model or a budget that is more suitable for your needs; just ensure that you include a specific percentage for saving. You can also encourage your kids to spend and save wisely, even ways to invest. This way, they will grow up to become financially educated and would make informed decisions.

This is what educational institutions must also teach as well. Ways in which individuals can limit their spending or make wise spending decisions, and how one can save so that students can learn how they can make more money and make wise investing decisions. You would be able to effectively make short and long-term financial goals.

Furthermore, an emergency fund is another crucial element if you truly want to be financially independent. It helps you to cover your expenses in case of a break from work, like medical bills or unexpected money problems. You would be able to make any unexpected payments without breaking your monthly budget if you have an emergency fund. Even though many experts state that an emergency fund must have three months' worth of your expenses amount saved, this could be difficult for many, but this is what you should aim for.

How to Create the Right Saving Plan

The smartest thing you can do to initiate your journey towards financial freedom is to create a consistent and efficient savings plan. Try to aim towards saving a percentage of your income every month. You would attain a higher sense of control, confidence, and security when you have a cash reserve that is set aside in case of major setbacks or other emergencies.

If you don't have a saving plan or an emergency fund, this also means you would constantly be under stress about how you tackle an emergency that might come your way. Living insecurely when it comes to your financial resources is not the wisest thing to do. You may drastically worsen your situation and get drowned in debt in case of a financial emergency. Hence, the bottom line is that you need to start your saving plan and/or an emergency fund immediately.

In order to create a saving plan to enhance your financial situation, consider the following:

Changing Your Thinking Process

The investment and finance world changes constantly and the markets are becoming increasingly unstable with each passing year. You need to continuously assess about the possibility of your investment going bad and losing the entire amount you invested. It is essential to keep preparing yourself for the worst scenario so that you can take the necessary measures to protect yourself and your investment before the situation becomes worse.

The more the amount of time you invest in planning and thinking about your financial situation and money matters, the more likely you would be able to achieve financial independence. According to the thousands of interviews of self-made millionaires conducted by Dr. Thomas Stanley, the one major trait that is common among the successful people is that they think far more than an average individual about their financial matters.

Saving For Short- and Long-Term Goals

There are times when you can't make larger purchases because of lack of money. However, if you create short-term and long-term goals, it will enable you to prioritize your spending. This is an excellent money management skill. Whether it is a small purchase or large, if you set goals and prioritize everything, you would be able to purchase things you need the most.

While it can be pretty easy to save for short-term goals, you need the dedication to save for long-term goals. This might mean you have to save for several months or even a year to make a purchase. This can be made easy if you have a proper budget.

Students in educational institutions should be taught the importance of setting short-term and long-term financial goals. They must know how to determine their income, expenses, and how they should make a budget so that they can make sound financial decisions and buying decisions without breaking their bank.

Modifying your Expenses

You already know that when you spend less, you are saving more. How about you take a look at your expenses and ask yourself whether you can eliminate a few of them. Once you have a good look at your expenses and spending habits, you will realize that there are numerous things that you are unnecessarily spending money on. Furthermore, there are other useful ways of saving more cash, simply by evaluating your spending.

Note down all the services that you are paying for. If there are certain services that you haven't used for a while and may possibly not use in the near future, eliminate them from your expenses. Creating a budget and saving money doesn't mean you have to give up the things you love. You just have to become smart about it. There are plenty of cost-effective ways of enjoying the same things you are enjoying at a higher price. You can only find this out once you evaluate and modify your expenses.

Living within the Income

The skill of saving money by disciplining yourself to live within what you are earning is a major skill that can help you in succeeding in life. If you have the control to refrain yourself from spending more than you can afford, it shows that you have the discipline that is required to succeed in other elements in your life.

The biggest advantage of learning the discipline of saving money is that once your case reserve is big enough, you can avail a number of great financial opportunities. You can invest and grow that money further, whether it is real estate, saving bonds, or a business opportunity. However, with lack of money, even when amazing opportunities come knocking at your door, you are unable to do anything about it or even fail to see them as you are busy worrying about your financial matters.

Developing the Right Financial Habits

There are many individuals out there who are reluctant to invest in or even initiate a retirement fund simply because it comes with penalties for early withdrawals. This should not be the case. The main aim of developing the habit of saving is ensuring you are starting a few reserves, even if they are small, to tap into when the time comes.

This helps you in being better prepared for any financial instability that may come your way. Furthermore, when you start different savings plans for different goals, like a retirement fund for a better life after retiring, a house fund to become a house owner or other such plans, it helps you start focusing on your goals, helps you maintain better control of your finances, and improves your overall financial situation.

Understanding Your Purchasing Drive

This is the main key to improve your financial situation and maintain a budget. It is essential to understand what motivates or encourages you to buy things. There can be various reasons behind this. For instance:

- Buying gifts for family and friends.
- Purchasing things to distract yourself when you are upset, lonely, sad, or hurt.
- Buying lavish things after getting motivated by marketing and promotion of products.
- Making purchases to avoid feeling you don't have enough.
- Buying thing as you are unable to distinguish between wants and needs.

And the list goes on. You must take out a bit of time to think about your buying habits, the reason behind your spending, the drive that makes you want to purchase things you don't necessarily need.

Again, it is about identifying the root cause and treating it to improve the overall situation.

Tips to Start Saving

There are many effective ways of enhancing your habit of saving, including:

- **Creating a Budget** – this is the most useful strategy to make sure you are saving money, and managing it effectively. This is especially needed if you have a family or are about to start a family as that, of course, increases your expenses. Budget will be discussed in detail in the next section.

- **Planning** – this means creating financial goals, both short-term and long-term, which will help in influencing the buying decisions in the future. You must also determine the reasons behind the goals to keep them even more effective and to ensure that you stay right on track.

- **Practicing Self-Control** – no matter how many techniques you apply, if you don't have self-control, then you won't be able to improve your financial situation. Even if you have the best possible plan, a great budget but without self-control, you are bound to make slip-ups, which could eventually lead to debts.

- **Timing** – try to prevent yourself from going shopping when you are feeling low or even tired. You will only end up spending a hefty amount on purchasing items that you probably won't even use. Distract yourself with other activities, like reading a book, taking a walk or run around the block, cooking at home, going on a hike or other activities that interest you.

- **Wait a Day** – if you see an item you really want to buy, but it's not a need, try waiting a day or two before you make the purchase. There are high chances that you might not be as keen to get that item as it was merely a want.

- **Risk Management** – individuals typically drown in debts or go bankrupt after a major change, like disability, getting fired, medical emergency, or other such major incidents. This happens when they are not well prepared for emergencies. Severe damage can be avoided if you have an emergency fund to help you deal with major problems. Such funds or plans actually save people from filing for bankruptcies.

The sooner you begin the practice of saving, the more chance you have to create a bigger saving fund. There is no time like the present to begin saving, but make sure that you are consistent with your practice. This will take you a step forward towards your financial freedom.

Investments

For many people, investment seems like a daunting and complex thing to do. The main reason is that many individuals earn on a monthly basis due to which it appears impossible to invest any money.

Secondly, even when people want to invest, there are plenty of options available nowadays, which makes it difficult for them to choose from. Lastly, and most importantly, the majority of people aren't even fully aware of the way investment works.

This is because they do not teach us in schools the basics, and how it works. This is the main reason why many are not keen on investing or make the wrong investment choices due to which they end up losing their money.

It is important to learn, at least the basics of investing. This section will help you in understanding what investment is and how it works.

Basics of Investment

There are numerous ways of investing money, but the goal is only one – to increase the amount of your money. It is best to start by teaching the students basic facts of investments, which include the following:

Reward vs. Risk

Each and every investment comes with a certain level of risk. The rule is "the higher the risk, the higher the potential return." In order to completely understand this relationship between risk and rewards, it is essential that you find your own comfort zone so that you are able to measure the expected risk of a particular investment.

Typically, people only have one way of thinking when it comes to investment – how much chances are there to lose the money they invested. This is merely a small percentage of the entire picture. Indeed, this risk should be considered, but you must also consider other factors as well, like:

Would the investment's value decrease? – This is one of the most common risks that come with investment. Of course, you can aim for investments that guarantee no losses, but these only give you a smaller return. If you want to play it safe, then you would have to understand that the return would be rather low.

Would you be able to attain the goal of the investment? – The major factors that determine whether you would be able to achieve your goals are the rate of growth or return, duration of the investment, the amount of money invested, inflation, taxes, etc. As mentioned above, the lower the amount invested, the lower the return.

However, you can compensate this by increasing the duration and amount. Various individuals opt for a modest amount of risk, which gives them a steady return with minimum risk. Furthermore, other people opt for diverse investment options, including both high-risk and low-risk investment.

Are you willing to risk a higher amount in order to gain bigger returns? – This is something each investor has to determine themselves and then create an investment strategy. It is best to opt for an investment amount that won't cost you sleepless nights and massive stress. There is no wrong or right amount of money invested since it basically depends on the comfort level of the individual.

Investment Horizon

This is a major element in the process of investment as it involves the time duration for which investors want to hold their security or portfolio. It is utilized to determine the income needs of the investors as well as the risk exposure they desire, which is used to assist in security selection.

Typically, young individuals opt for a long investment horizon since they can comfortably invest their portfolios for a longer time and can offset the incurred losses. Usually, when it comes to long-term horizon, the investors are willing to take risky decisions for investments, but in case of the short-term horizon, it is best to avoid opting for risky investments to protect yourself from major losses.

When it comes to investments, there aren't any strict guidelines that can assist you in deciding which investments are right for different time duration. It mostly depends on personal preference and individual needs. However, one thing you must keep in mind is the importance of volatility.

If you have more time till your retirement, for instance 30 years, then the volatility of the market that might cause your investment's value to drop won't be a massive danger to you as there would be more than enough time for you to recover. However, if you have less than 5 years, that same volatility could derail your retirement plan.

Here is a guideline that can help you determine the right investment horizon depending on your requirements and needs:

Short Term – these are for five years or less. In this case, if there is a drop in the value, it would be difficult for you to recover from the loss. In order to reduce your chances of such losses, it is best to hold the investments in cash or similar mediums like savings accounts, certificates of deposit, money market funds, and more.

Intermediate Term – these are for 5 to 10 years. In this case, a certain degree of exposure to bonds and stocks can assist you in growing the value of your initial investment, since there is still time till your goal, you can overcome any losses that can occur. For this term, a mixture of bonds and stocks, as well as balanced mutual funds are a good option for investments.

Long Term – these are for more than 10 years. In this case, there is a higher risk, but that also means higher returns. Moreover, you also have more time to make a full recovery of the losses.

Diversification

If you are opting for investing in diverse investment options, then you are reducing the risk of losses. You can opt for various types of investments, like real estate, domestic and foreign stocks, bonds, and more. If you are thinking about investing in equities, then it is recommended that you invest in at least 12 stocks or in a broad ETF or mutual fund. It is best to avoid investing in a single sector since similar stocks are likely to move in a similar flow, which means there is little to no risk diversification. This is why it is better to invest in different unrelated stocks.

There is a certain risk involved in all investments; the important thing is that you ensure you are making wise decisions. The majority of individuals opt for the wrong type of investment and end up losing a hefty amount without having enough time to recover. It is significant to first familiarize yourself with the entire procedure, the pros and the cons, and determine the best course of action as per your needs. Unfortunately, all of this isn't taught in educational institutes. This is the major reason why the majority of individuals make unwise decisions and suffer major losses.

Types of Investment

There are various investments that you can opt for. The following are the most common ones:

Ownership Investments

These investments are the most common ones that the people generally opt for. These are also the most profitable and volatile types of investments. The following are some popular ownership investments:

- **Stocks** – this is when you buy a share of a company. A stock is a certificate showing you own a certain percentage of the company. All the traded securities, currency swaps to future swaps come under ownership investment, even though all you have is a contract.

- **Business** – the entire amount you spend on establishing a business is referred to as an investment. This is also known as entrepreneurship, and it is considered the hardest type of investment since you need to put in more than merely money. Hence, this is also an investment that offers massive potential returns. By introducing an innovative service or product in the market, entrepreneurs achieve massive fortune.

- **Real Estate** – apartments, houses, and other real estates that you purchase with the purpose of renting out or reselling in the future are also a popular investment. However, it is essential to bear in mind that the house you live in may not necessarily be an investment since it is fulfilling a basic need. Therefore, a house that you intend to live in shouldn't be viewed as an investment you can gain profit from.

- **Collectibles and Precious Objects** – this can include original paintings of famous artists, gold, merchandise of famous individuals, and other such valuables are also a type of investment, but only if these objects are acquired for the purpose of reselling in the future to attain a profit. However, these collectibles and precious metals might not prove to be a good investment as they come with potential risk.

Lending Investments

These investments enable you to become a bank and considerably come with lower risks as compared to ownership investments and also have lower returns. For instance, a company-issued bond is likely to pay you a specific amount of money in a certain duration of time. Whilst in the same time duration, that company's stock can double in value and pay you more than a bond. Of course, it means you might also risk losing more money as compared to the bond.

- **Savings Account** – if you only have a standard savings account, you are also an investor. Since in a savings account, a bank is basically borrowing money from you, which is then handed out in the shape of a loan. The return on this is rather low, but the risk is almost none.

- **Bonds** – this is a catch-all class for a broad range of investments from CDS (Credit Default Swaps), and corporate junk bonds to international debt and treasury issues. The associated returns and risks can greatly vary as per the type of the bond you are opting for, but generally, lending investments come with a comparatively lower risk and also offer a low return as compared to ownership investments.

- **CDs (Certificate of Deposit)** – this certificate is a bank-issued promissory note, which is given in exchange for money. Almost all the banks offer these certificates, and these are also one of the popular forms of investment. These are a kind of a savings account, but differ slightly. In the savings account, you can take the money out whenever you want, but in CDs, you are committing not to touch your money for a specified period of time. In exchange, the bank provides you a higher rate of interest as per the time duration you want to invest.

Cash Equivalents

These types of investment are considered "as good as money," which indicates that this investment is easier to convert into cash.

- **Money Market Funds** – in this type of investment, there is lower return, not more than 2%, but of course, there is lower risk involved as well. These investments are also more liquid in comparison to other investments, which means that you have the option to write checks from money market accounts just as you can with a checking account.

- **Commercial Papers** – these are utilized by bigger companies in order to attain funds to tackle their short-term debt obligations, for example, their payroll. This is supported by issuing companies and banks promising to pay back and fulfill the amount on a specific date of maturity.

- **Marketable Securities** – these are financial instruments and assets that can be converted easily into cash, which makes them liquid since they get matured in a year or even less; moreover, the rate of their trade might have a lower impact on prices.

- **ETFs (Exchange-Traded Funds)** – these funds are uniquely structured investments that track baskets, commodities, and indexes of assets. ETFs are similar to stocks, and their prices fluctuate all through the reading sessions as per the investor activity and market events.

- **Mutual Funds** – these are the investments that are made with funds collected from different investors for investing in securities, such as money market instruments, bonds, and stocks.

There are numerous terms, types, and conditions of investments, which means that it is of utmost importance that people at least have the basic knowledge about investment in order to make wise decisions. When your basics of investment are strong, you would be able to make better financial decisions and can achieve financial freedom.

So, where should one begin when it comes to investing? Firstly, understand that even though investing is a great means of building your wealth, it requires effort and time to make wise choices and expand your wealth. It is best to start with investments that are low risks like a certificate of deposit, bonds, and more. Once you start gaining experience, you can gradually begin expanding to investments that are higher risks, such as stocks. Remember, you don't need a lot of money when it comes to investing. Due to compounding, even a tiny investment can substantially grow with time.

A Light on the Stock Market

It is essential for the students that they know the basics of the stock market. It is a complex system in which publicly traded organizations' shares are issued, sold, and bought. For many individuals, it is a place where people gamble. This is where they have it wrong. It is far from gambling. Let's make it easier to understand. When gambling $100 on a dice, if you win then you get $X, but if you lose then you lose your $100. However, when you are investing in stocks, you either lose $Y or win $X, unless the company you invested in goes bust.

Basically, the stock market makes up millions of investors who have opposing views. When one investor is selling a certain security, there would be another willing to purchase it. In summary, one investor will gain profit while the other will suffer a loss. Hence, it is essential that one should make the right choice when considering investing in a stock.

How the Prices Fluctuate in Stock Market?

There are various elements involved that determine if the prices of a stock would fall or rise. These include abundance or lack of alternatives, demand and supply, risk, social and political unrest, natural disasters, opinions of famous investors and media. These factors merge with the information that is spread, create a specific sentiment, as well as a corresponding amount of sellers and buyers. In case the amount of sellers is bigger than buyers, then the prices of the stock would fall. However, if the amount of buyers is more than sellers, then the prices will rise.

How to Determine the Right Time to Sell and Buy?

These are the most crucial decisions investors make – when to sell and buy. Typically, the right time to purchase is when other people are pessimistic and the best time for selling is when other people are actively optimistic. Remember when you are buying, the possibility of getting a bigger return is higher when the stock's price has decreased instead of when it has increased.

However, it is recommended always to be cautious. For instance, if the stock of a company decreased by 40%

or more, then first ask yourself why that happened? Are the stocks of other companies in the same industry also falling? Is the decline in prices severe? Is the overall stock market falling? If other stocks or broader market stocks in the same sector or industry have been performing well, then there could be a problem with that company you are considering investing in.

According to Benjamin Graham,

"The buyer of common stocks must assure himself that he is not making his purchase at a time when the general market level is a definitely high one, as judged by established standards of common-stock values."

The stock market is a complex area, especially for a new investor. It is best not to get talked into investing in a particular stock or investing simply because others are also investing in that stock. Ensure that you are well versed with the stock you are considering to invest in. The prices fall and rise for complicated reasons. Educate yourself on the company you are about to invest in, and it is best not to put all of your money on one stock.

It is bound to take time for individuals to become well versed with the stock market. However, it is still recommended to have some basic knowledge about the stock market so that you can avoid unnecessary risks.

Active vs. Passive Investment Approach

There are two broad approaches to invest in the stock market - active approach and passive approach.

When you select a stock by yourself or when you let a mutual fund manager select stocks on your behalf, this is an active approach. On the other hand, the passive approach usually refers to index funds, which spread your money across a wide variety of companies on the stock market.

Investors who follow active approach think that they can outperform the market average; this is not to say they are right or wrong, but for every active investor who knows what they're doing, there are plenty more who don't.

On the other hand, passive investors admit that they're not experts and they can't predict which stocks are going to outperform the market. So, they choose to invest in everything, through an index fund. They will also pay the lowest cost because there is not as much management involved in an index fund than a mutual fund.

The active investors will take on too much risk and allow their emotions too much involvement. Because of this, many of them will suffer losses that the passive investors are protected against.

Is it better to follow an active or passive approach? If you are interested in stocks, it is safer and less expensive to follow a passive approach, such as investing in index funds. Still, don't put all of your "eggs" in the stock market.

The older you get, the less of your money should be in the stock market, and the more should be in bonds and cash. Older investors need more security and have less time on their side.

How Do You Create Passive Income?

According to Harv Eker in his book "The secrets of millionaires' mind," there are two ways to create passive income:

- One, your investments working for you, or
- Two, a business working for you.

The reality is that you want to have both investments and business always working for you.

1. Have Investments Working for You

This is one of the passive income ideas that require you to first save some money. Without saving any money, you cannot become financially free. After you save some of it, the next thing is you have to use some of it. Take at least 10% from your savings and invest it. In other words, people are paying you for the use of your money.

There are all kinds of vehicles: stocks, options, currency exchange, real estate, and a host of other investments.

He gives 3-Step Guide:

1. *Go with an investment vehicle that resonates with you, what feels good for you, and what you like.*

2. *Make sure that vehicle has a decent chance of working well. Ask friends or professionals, and do some research. The information is out there for those who really want it.*

3. *If you're going to do it yourself, you'd better be good at it or you're going to throw your money away.*

> *If you're going to invest yourself, choose a system that makes sense to you. Or maybe it's time for a portfolio manager.*

That's money working for you. What about a business working for you?

2. Have a Business Working For You

There are passive-income-based businesses. What can you do for your business or future business so that you aren't working in them for 10 hours a day forever?

The keyword is forever because when you first start a business, it takes a lot of energy and effort; 10 hours will be your minimum, but if you set it up correctly, you will be able to spend less time working in the business as you systemize it.

Bottom line, a business system is a repeatable process that produces a profit. You're trying to create a system where you build something one time, and it works for you on an ongoing basis, even when you're not there.

Writing a book and getting royalties, that's an ongoing thing. If you create an intellectual property and license it to somebody else to use, you get a royalty from that. That goes on without you.

You want to look for things that allow you to do something one time, or on one setup. It might take you a week, a month, a year, or more, however, then you don't need to do anything except for maintenance. You could be off on the beach or doing the things you love most and still make money!

Budgeting

"A budget, telling your money where to go, instead of wondering where it went?!"

Dave Ramsey

A budget is also known as a spending plan, and it is an outline of the anticipated expenses and income of an individual and families. A budget is used for tracking the flow of cash and setting spending goals. This is an ultimate financial tool that can assist in:

Planning for expenses – this includes short-term expenses that might occur in the next month, long-term expenses that can occur in a year or so, as well as midterm expenses that may occur between a month and a year.

Cutting your spending habits – this will help you determine where you are spending unnecessarily. Once you have a clear idea, it will enable you to take certain steps to start cutting back your spending.

Spending wisely – a budget gives you a picture of the amount of money you are earning and the amount you are spending. If you are spending more than you earn, then come up with a plan to cut back or earn more so that you can start saving and investing.

Saving for the future – a budget will also help you in maintaining a saving habit, which, in turn, will help you in saving for your future. You would be able to identify categories of extra spending, limit them and save the money for your future goals.

Developing skills for money management – creating a budget and following is the first major money management skill that will help you with your financial goals throughout your life. For numerous individuals, setting aside a large amount of money from their pay is not very easy. However, with a budget, they can learn to prioritize and make the right spending choices.

Creating a Budget

In order to create a good financial plan, the first step you have to take is to develop a budget. The base of creating the right budget is to make informed and conscious decisions. It is essential that you are fully aware of your spending habits and your expenses. There are many individuals who think that they don't have to stress over a budget since typically the actual spending is most likely to be different because of events beyond their control.

However, many experts highly recommend keeping a close watch on your spending and creating a budget. This is because developing a budget can actually work as a reality check to help you realize where you are unnecessarily spending money.

Without a budget, you are more likely to make unconscious and spur of the moment buying decisions. There are high chances that you would be able to figure out various areas you have been spending money unnecessarily without even realizing it. Creating a budget can actually help you in saving more money by cutting back those irrelevant expenses.

The Basics

In order to make an effective budget, it is important for individuals to make realistic and accurate projections regarding the amount of money they are earning and the amount they are spending. The important thing to note is that these estimations are based on the past two to three months of income and expenses.

It is a good idea to note down all the money they have spent throughout the month, even if it is a tiny amount, as well as all the money they have earned. This should be done for the initial few months before you make the budget. This way, the budget made will be a realistic one. There are various apps that are available nowadays to help you create a budget; however, you can always go old school and use a notebook and a pen.

Here are a few things to include:

1. *The income projections, which include the following:*
    - salary
    - non-employee compensation like freelance work
    - interest and dividends
    - gifts
    - bonuses
    - tips

2. *The expense projections. These should be accurate, and it is essential to note down each and every spending throughout the month. You can form different categories that can help you in being more specific. These categories might be modified or changed in the future. These may include the following:*

    - savings
    - rent/mortgage
    - personal – haircuts, clothes
    - food – dining out, snacks, groceries
    - entertainment – concerts, music, movies
    - mobile phone
    - car – maintenance, gas, insurance, loan payment
    - donations
    - health and other insurances

It is possible that an individual may have a fixed income every month, have added income through freelance or extra work, or their income might fluctuate throughout the months. In the same way, the expenses might differ every month too. For this, individuals can create a budget for every month so that they can effectively deal with the fluctuations in the expenses and income throughout the year.

Selecting the System for Money Tracking

In order to set up a budget, you need the right system and tools. The following are the main tools or systems you can use to track your money:

- *Pen and Paper* – this is the most basic option and is the most accessible to the majority of the people. You don't need a smartphone, a laptop, or any other technological devices to start creating your budget. This is a traditional way of making your budget, and the best thing about this method is that no electronic glitch or failure can erase your data.

  However, there is a possibility of the paper/notebook getting lost. Moreover, you won't be able to use any shortcuts with this as you can with other devices. If you have one account, a simple budget, pen and paper would work great for you. With multiple accounts, credit cards, and loans, it is best to opt for technological devices to make budgeting and tracking easier for you.

- *Spreadsheets* – this is one of the most effective ways to create a budget. Microsoft Excel is easily available and easy to use. It also has built-in formulas and templates you can use. All you have to do is select the formulas and just add in your expenses, and it will do the calculations. It will automatically update the amount spent and the amount left as you make new entries. There is almost no effort involved, and you can create a budget in no time.

- *Apps* – there are tons of apps available that you can download in your smartphone and use them on the go. The existing budgeting apps allow you to link the app to your credit cards and bank accounts and can automatically update the expenses and income.

  You can control your budgeting anytime and anywhere. These apps help categorize the expenses, tracking bills and payments, making reports like expenses vs. income, monthly spending rate, and spending categories.

It is understandable that many individuals are reluctant in sharing all of their information with an online service since you would have to import data from your credit cards, bank accounts, and other accounts. Even with the well-designed apps, there is still a risk of hackers.

However, many of the apps have controlled customer data access, traffic encryption, which is bank-grade, multilayer software and hardware encryption, multifactor authentication, as well as the ability to remove the access of smartphone to your accounts in a situation that your phone gets lost or stolen.

Steps to Use a Budget

When you finalize the system you want to use, you also need to determine how to use the system and a budget for your financial benefit. Here are a few ways:

- ***Tracking All Expenses***

It is indeed easy to keep a tab on the amount of money you paid for mortgage or rent, but what about the money you spent on lunch last weekend? Or the money you spent on buying coffee? These small costs might not seem important, but they all add up to a large amount. It is important to keep your receipts and add them up in your budget. Moreover, it is recommended that you keep one credit or debit card for purchases so that it is easy to keep a track of things.

It is best to update the list of expenses every day since most of the receipts aren't clear on the description of the item, which can utterly confuse you if you try to categorize and review it by the end of the week. Make a note in your smartphone or a notebook so that you remember to add the expense later, or better yet, if you are using spreadsheets or other apps, you can directly add the expenses through your smartphone right there and then.

If you find the task of adding up small expenses too tedious, there is another tip you can use. Always use cash when it comes to small expenses. Only withdraw a small and specific amount of money for the month to spend on small expenses. You can add this withdrawn sum in your budget under 'miscellaneous.' Although this won't help you identify what you are spending money on, at least this will stop you from overspending.

- ***Updating Everyday Budget***

If you update your budget every day, it will save you so much of the time and effort that you would have to spend updating your budget at the month's end. Doing it every day ensures you keep the right track of all the transactions you made without any confusion, and this means your budget would be accurate. You would also be aware of the amount of money you have spent, as well as the amount of money you have left. This will also prevent you from overspending.

- ***Making Monthly Budgets***

Making a budget every month helps you in focusing on the long-term instead of budgeting on paycheck-to-paycheck. Monthly budgets are also not as long-term, and they won't make you as overwhelmed as an annual budget would. You also get a chance to start fresh each month. Even after a bad financial month, you can do better in the new month.

It will help you to stay motivated and encourage you to start fresh each month. You will also start noticing a pattern; your expenses might be high in the months you have to pay for insurances but would be normal in other months.

If you feel that a biweekly or weekly budget works better for you, then it is best to go with that. The main thing is to keep track of all the expenses and incomes accurately.

- ***Planning for Expenses that are Both Variable and Fixed***

The fixed expenses include health insurance and rent, while variable expenses include other utilities. Other expenses like groceries can be added to either one of them, depending on the amount of self-control you have. When you have been budgeting for a few months, you would be able to examine the fluctuation in the variable expenses and identify the category your variable expenses fall under.

- ***Planning for Expenses that are Occasional***

Always ensure that you include a certain amount for occasional expenses that typically happen a few times a year, like a doctor visit, insurance payment, and gifts. If there is room in the budget, you would be able to make payments of these expenses as they happen.

However, if you have a tighter budget, it is better to set aside a small amount every month to save for these expenses beforehand. There is no excuse for overspending on special occasions when you already know when it comes yearly. Start saving beforehand so that your budget doesn't get messed up.

- ***Distinguishing Between Need and Nice-to-Have Spending***

The needs are the necessities for you to live; for instance, food, housing, insurance, utilities, and even transportation. Nice-to-have items are your wants, which you can eliminate from your budget if need be. These are the things you can sacrifice, dining out, entertainment, gifts, and travel.

Moreover, clothing should also be minimally spent on if you are on a tight budget. When you are able to distinguish between your needs and your wants, you would be able to adjust your budget the right way.

- ***Selecting the Right Categories***

The categories you make depend on your requirement and self-control. It is best to ensure you make the basic categories first and then move on to the rest. Should you put entertainment under miscellaneous or do you spend a hefty amount on dining out and/or movies that you need to keep these categories separate? It is essential to take a better look at your expenses and income in order to create the right categories.

- ***Achieving Long-Term Goals***

You can use your savings category to save for long-term goals like a down payment for a new house, creating an emergency fund, purchasing a new car or other similar goals. You can even save for retirement. Of course, your retirement savings are deducted from your salary, but in order to maintain a stable lifestyle, or if you plan to travel the world or open a business after retiring, then the savings category would be ideal.

There are numerous more ways you can create and maintain your budget. Make sure you find the strategies and tips that work best for you and ensure that you are on the road towards financial freedom.

Creating a Financial Plan

A financial plan is integral to ensure that you stay on top of your financial situation and is the first step in your journey towards financial freedom. Here are the main steps to create an effective financial plan:

Evaluating your Financial Situation

Before you start creating your financial plan and setting goals, it is important that you fully determine and evaluate your existing financial situation. This is the initial step in creating a personal financial plan. Have a detailed look at where you stand financially in order to get a realistic idea of what needs to be done to enhance your financial situation. This will help identify the problem areas, your weaknesses, and strengths, which, in turn, will help create and implement strategies to achieve your goals.

In order to attain insights about your existing situation, you first have to calculate your current net worth. This can be done by calculating your existing liabilities and subtracting them from the existing assets.

The assets are the things you own that have some value. Assets can include cash as well as the equivalents of cash, like personal property, savings account, checking account, other real estates you own, cars, pensions, bonds, and stocks. Whereas, liabilities include the amount you owe in bills, as well as your outstanding debt.

Identifying Financial Goals

Once you are aware of your financial situation, you can begin your financial planning. The second step you need to take is to create financial goals. Setting realistic financial goals will help you to create a pathway for your quest to achieve financial freedom. It will give you a clear direction towards your destination.

When you create financial goals, the obvious objectives you need to keep in mind are the monthly savings or the investments for retirement, etc. However, you would also have to consider other financial goals, which might not seem like immediate financial goals to you; for instance, taking a trip next year, purchasing your own car, or any other goals that you have in mind that you ultimately want to achieve. It is a good idea to start saving up for these goals from today, even if you are making just a tiny contribution from your monthly income. This small contribution will gradually multiply into a hefty amount in the next few years. When you anticipate your future expenditures and incorporate them into your financial plan, it would help you in getting yourself in a better position to afford those expenditures when the time comes. Most importantly, you wouldn't have to make any sacrifices in your budget if you are already saving up for these goals since the past few years.

When you are making your financial goals, you need to keep in mind the SMART goal strategy. This will help you in creating Specific, Measurable, Attainable, Realistic, and Time-based goals. It is recommended that you should divide your financial goals into three categories – long-term, intermediate, and short-term goals. Creating these three categories will help you in better planning your financial life and making it possible to achieve success early. These intermediate and short-term goals work as stepping stones to help you reach your short-term goals.

Keep in mind that when you create your goals, you must differentiate between wants and needs. You must create priorities after you determine your net worth, and determine ways to realistically align your goals with your existing situation. When you have successfully created your goals, set a target day and the time period of your goals to calculate the monthly saving you need to do in order to achieve your goals within the time you have specified.

Creating Alternative Strategy in Case of Emergency

The worst possible thing that can happen to a perfect budget is an emergency if you haven't been maintaining an emergency fund. Aside from a savings account, it is important that you create an emergency account. Set aside a small percentage of your income in this account and make sure that you don't use it except for emergencies. This will help you in times of need and will make sure that your budget doesn't get affected.

Moreover, once you start getting a better grasp of your financial situation and the amount you need to achieve your goals, you would find ways of alternative incomes as well. There are countless options out there that can help you earn more money to reach your goals faster. However, it is important that you are careful when it comes to selecting your alternative source of income. You need to thoroughly evaluate and examine the options available to you. Remember, what works for someone else might not work for you. This is the reason you need to research your options thoroughly and examine each and every aspect of those options.

You must consider all the advantages and disadvantages associated with all those options and how they can affect you. These options might include investing a certain amount of money in your savings account in a stock or bond. The changes in investment means might increase or decrease your rate of return, as you have already learned in the previous section. You need to ensure you safely invest, depending on your current financial situation to generate better means of revenues. You need to examine all the associated risks when it comes to investing your money, how much risk you can afford to take, whether you need to invest in options that guarantee no losses, or do you want to mix it up to open more options for yourself.

When you are assessing your alternative means of revenue, it is essential that you also determine the opportunity cost of things you will have to sacrifice in order to reach your goals. Thoroughly examining and evaluating all your options will help you in opting for the best possible strategy as per your financial situation to help you attain your financial goals and take you closer to financial freedom.

Finalizing and Implementing the Plan

This is the second last step in which you finalize your financial plan. The majority of your work has been done, and by now, you are in a better position to control your finances. The things you have learned by now would have made you far more financially literate than you were when you started out. Researching, assessing, and evaluation of your situation and all the scenarios help an individual in understanding money and finances better.

Now is the time when you finally put your plan into action. When you finalize your financial plan, you would have a bigger picture in your mind and would now understand how and what to do in order to reach your goals. At this stage, it gets easier to identify options and strategies that make it easier for you to head towards your goal without jeopardizing your current financial situation. You know which goals you need to pursue first and what your next course of action would be after that.

The most difficult thing to do right now would be to actually follow your financial plan. It is bound to get a bit difficult at first, especially if you are not used to having a budget or a financial plan. Gradually, it will become easier for you. Moreover, you would also be able to make predictions for the next coming months in order to maintain or even revise your goals, making them more obtainable and realistic as per your changing situations.

It is important to be conscious of all the financial decisions you make to ensure you don't go over your budget.

Revising the Plan

This is the final step in which you revise your plan as you make progress. This is one of the most crucial steps.

Once you have created a solid plan, there would be times when you might not be able to stay under budget, even with an emergency fund in place. You need to realize that life can get through any situation your way. This means you would have to adjust your finances accordingly.

You need to regularly review your plan and make adjustments. In case of emergencies, you need to further prioritize your goals and objectives to save yourself from debt. Moreover, it is also highly possible that, with time, your financial goals might change. This is also why you need to keep revising your plan and adjust your goals and savings accordingly.

Retirement Planning

Retirement planning refers to the plan you make to be financially well prepared to live a suitable life after you retire from work. This also includes non-financial aspects like whether or not to find some freelance or consultancy work after you retire, where to live, which goals to achieve and other such decisions. However, a major part of retirement planning revolves around your finances and how you manage them.

Typically, the significance of retirement planning changes at each stage of your life. At a younger age, individuals are not much concerned about retirement planning, but some do set aside a certain amount of money in their retirement account. When an individual reaches the middle of their career, they start looking at various sources of investment, assets, and other incomes to improve their retirement savings. They begin to realize the significance of retirement planning and take certain steps to ensure they enjoy a comfortable life after retirement. As one gets closer to their retirement age, individuals enter the distribution phase, in which they are not paying in anymore, but the savings they made are starting to pay out.

The best time to begin your retirement planning is today. The earlier you start, the better. Before we jump in to discuss the ways of planning, it is essential to first understand why you need to begin your retirement planning, even if you have a pension plan.

Significance of Retirement Planning

Here are a few major reasons you need to start planning for your retirement:

Pension Benefits and Social Security Uncertainty

Firstly, it is essential to completely understand the government-sponsored retirement plans. According to the annual report by The Social Security Board of Trustees in the USA, the costs of the social security program is expected to exceed its total income by the year 2020 because of demographic trends and other factors. The report shows that between the years 1974 and 2008, each beneficiary had 3.2 to 3.4 workers. However, this ration will drastically fall by 2035 to 2.2 workers per beneficiary. This means that the payroll tax is expected to increase for various workers in order to reduce this shortfall in the future.

This pattern exists in all pension programs in almost all countries. As more people retire every year, the burden is placed on the system. With an increasing number of individuals retiring year after year, it is putting a massive strain on the systems, which indicates that the government might not have any other option but to either suspend or reduce the benefits of the government-sponsored retirement plans.

Indeed, private pension programs are also not immune to such shortcomings. Business collapses like bankruptcies, might result in the employer-sponsored sticks to disappear within seconds. As for the defined benefit, pension programs that guarantee to provide a certain amount of pension every month throughout their retirement years might also fail in certain cases and may require reduced benefits or high contributions to maintain their operations.

All of these uncertainties indicate that it is unwise to solely depend on these retirement plans and opt for other investments and saving programs to make your retirement financially secured.

Unexpected Medical Costs

Whilst the government-sponsored retirement plans are a good way to have savings for your retirement, it is not the best option to only rely on funds that you have no control over. What you need to understand is that you wouldn't be able to enjoy the lifestyle you enjoy while you work once you retire if you solely depend on these government-sponsored retirement plans. It is because these plans aim to provide the retired individuals with basic security, which means only the bare minimum way of living your life. If you don't add your own savings in it, then you are in for an uncomfortable and even difficult life after retirement.

Moreover, it could get even worse in case of unexpected health issues.

You must factor in the medical costs that typically come with old age. Healthcare expenses are not cheap, and without your own savings fund, it will get rather difficult to cover both your medical and living expenses with the limited funds from the government-sponsored retirement plans. It will become a burden you might not be able to handle.

In order to prevent such situations, you need to take your retirement planning seriously and determine ways of investment or savings, which can help you live a comfortable and enjoyable life once you retire. This way, even with unexpected health issues, you would still be able to manage your expenses without burdening yourself.

Planning your Real Estate and Other Assets

You must also consider your family when it comes to retirement planning. You would be responsible to provide for your spouse, your children, and other members of your family. Your retirement savings may help with the education of your children. You can do this by sharing a certain amount of your savings with them or keeping assets that can help you and your family in the future, like investing in real estate or land.

If you don't properly plan your retirement saving, it is possible that you might have to liquidate the assets you own in order to cover your expenses. This means you won't be able to leave behind a financial legacy for your partner, your children, or any other dependant. In the worst case scenario, you may actually be a financial burden on your loved ones if you don't plan well.

You need to ensure that you create a well thought-out retirement plan that will secure your assets. Those assets can later be utilized in case of emergency or would be passed on to your loved ones to secure them financially after you are gone.

Dealing with Changes

Moreover, you must have realized by now that life is unpredictable. It will throw an unexpected curve ball at you at rather unexpected stages of your life. Sudden health issues, an accident, unforeseen financial needs of any of your dependents, uncertain pension benefit reductions, and more of such factors.

If you have a strong and secure retirement plan, you would be in a better position to manage these unexpected changes that come your way without making too many sacrifices.

Getting Started with Retirement Planning

You most definitely must have wondered about the right amount you need to save in order to live a comfortable life after your retirement. Even if you haven't, this is the ideal time to start thinking. In a nutshell, there isn't any right or specific amount of money you need to save since every individual is different and has a different idea or goal for their retirement.

A lot of individuals avoid planning for their retirement just because it seems confusing or they believe they might not be able to save up enough, so they opt not to try at all. Typically, an individual can expect 24% to 34% of life in retirement, which indicates it is not too early to begin your planning.

According to financial experts, you must aim to save somewhere between 5% and 15% of the total amount of your income for your retirement fund. But, you need to keep in mind that this advice or any other advice given by financial experts don't factor in the individuals' circumstances, like years left till retirements, a number of dependants, and/or the type of savings plan. This means that you need to determine your own requirements based on your unique circumstances in order to come up with a suitable amount for your retirement plan.

The right time to start saving for retirement, depending on your age group are specified below, to give you a better idea about your existing situation and how you need to get started:

- Between ages 20 and 34, you need to determine your goals after retirement and the lifestyle you want to enjoy. Through these goals, you would be able to calculate an estimate of the annual savings you need to meet in order to achieve your goals.

- Between ages 35 and 49, you need to modify and finalize your goals for retirement. This is the age when things will get clearer, and you can determine when you want to retire and come up with a more realistic number. Moreover, start conducting an annual evaluation to determine how you are doing with your retirement plan and whether you need to make more adjustments. During this age group, you can also start investing your money to gain better returns in your retirement. This can, of course, be done earlier as well.

- Between ages 50 till retirement age, start setting up and annually monitoring more complex decisions, like:
  - Safer investment plans,
  - Initiating an emergency fund, if you haven't already
  - Setting up health insurance, if you haven't already
  - Determining where you want to live and/or whether you want to downsize your house
  - Any further adjustments in your goals or annual expenses/savings
  - Initiating backup plan in case you are at a risk to run out of money
- After retirement, you need to create a budget for every month and keep monitoring your expenses to ensure you lead a secure and comfortable life.

This might sound like plenty of work, but there are numerous financial apps and software that can make it easier for you. All you need to do is add in your amount, and they will do the calculations for you every month. You only have to put in a bit of effort initially, especially if you are still in your twenties and early thirties. The section of investment will help you in better understanding how and when you need to invest and how much risk you should and shouldn't take.

Creating the Right Retirement Plan

Making a plan for your retirement might seem overwhelming, but it is not that complicated. Once you have the basic knowledge of finances, you can easily create a strong retirement plan for yourself. Here are a few useful tips that can help you understand and create the plan that can ensure comfortable living and financial security after you retire.

Determining Your Existing Situation

The first thing you need to do is to assess your existing situation. Indeed, it would be difficult to realize or admit that you are not prepared for retirement. Even if you have started planning for retirement, you might not be saving enough. It is best to first evaluate your entire financial situation to get a better idea of where you stand. You must perform an honest assessment so that you can create an effective plan.

Identifying All Income Sources

Your retirement savings offers a major chunk of income in retirement, but it shouldn't be the only source. Your additional income can come from various sources aside from your savings. The majority of workers can qualify for social security benefits, which are dependent on various factors like age, history of work duration, carrier earnings, and more. For those individuals who don't have existing retirement savings, this could be the only means of saving up for retirement. As for the individuals who have pension plans, their monthly income might also be added. Part-time job income can also be included.

Creating Your Plans and Goals for Retirement

This is one of the most important steps in creating a retirement plan. You can't properly save up when you don't have specific goals and a proper plan to follow. Determine the type of life you want to live after retiring. Where do you want to live? Are you hoping to relocate to another place or do you want to downsize your home for retirement?

Many people opt for downsizing their home and switch to a modest and quiet place. If you are planning to travel around more after retirement or want to stay close to family or are thinking of starting your own small business – whatever your goals and plans are, you need to finalize them and adjust/create your retirement plan according to those goals.

It is best to estimate the cost you might require to fulfill your goals and then calculate the total amount you would need to save to have sufficient retirement funds. However, ensure that you include the cost of food, housing, leisure activities, dinning as well, especially medical expenses since with age comes frequent doctor's visits and prescription drugs.

Figuring Out Your Retirement Age Target

There are many individuals who opt for early retirement while some wait till they reach the age of 60 or 70 to exit the workforce. For an individual who is 45 years old and is financially well prepared might be eager to get an early retirement and enjoy his/her life. Now, the life expectancies are growing with advanced medical technologies that cure diseases and prolong the life of individuals; moreover, many people are embracing the healthy lifestyle, which ensures that they are of sound health. Even in older age, the retirement age can last longer.

This indicates that you need to determine a reasonable retirement date so that you can save a sufficient amount of money to live a comfortable life after you finally decide to retire. Keep in mind that you might need a retirement fund to last for about 30 years or even more. Furthermore, you, of course, need to evaluate your spending habits and whether you can decrease your spending habits after retirement or want to maintain your spending habits. This is also another factor in estimating your required retirement fund. You need to ensure that you don't run out of money after retirement.

Confronting the Shortfalls

The most important question you need to answer after conducting all assessments and calculations is whether the accumulated funds of retirement exceeds the required anticipated amount to completely fund your retirement. If it does, then you must continue funding the retirement accounts to make sure that the pace is maintained and you keep on track. If it doesn't, then you need to determine ways to fill in the gap so that you fully fund your retirement.

If you have about ten years to go till you reach retirement, but you are behind schedule, it is of utmost importance that you start figuring out ways to save more money or include more saving accounts. You might also have to cut back on unnecessary spending and increase your saving rate to start making changes.

Consulting Financial Expert

The best thing that you can possibly do to ensure that you have a solid retirement plan and that you enjoy your retirement fully without the fear of running out of money is to consult a financial expert. Getting professional help can ensure that no matter how close you are to your retirement, you get the best possible retirement planning done. A financial expert will determine better ways of generating more income for your retirement fund and will make your retirement as secure as it possibly can. A good financial planner will make sure that your retirement portfolio includes risking appropriate allocations of assets, and may even offer tips and advice on real estate investment and issues as well in some cases.

Credit and Debt

Learning about credit and debit is crucial in order to make informed financial decisions and avoid debt issues. Credit is your capability of borrowing money. Once you get money through credit, it means you have received a loan, which you have to pay back with a certain amount of interest. If you have good credit, meaning you pay back on time, it becomes easy for you to do certain things like:

- Renting or buying a house or an apartment
- Qualifying for a loan to buy a car
- Getting better interest rates on loans and credit cards
- Getting a job
- Borrowing money
- Getting good rates on car insurance
- Getting approved for credit cards

With a good credit history, you have a better chance of getting approved for loans, get good insurance rates, and so much more.

Understanding Credit Scores

The creditworthiness of an individual is measured typically with credit score. This score affects their ability to qualify for various credit types and different rates of interest. Generally, the higher your credit score, the better the terms of loans you can get. Those lenders typically evaluate the following four Cs before deciding whether to grant the loan or not:

Collateral – the assets or property that secures the loan

Character – the history of payment

Capital – the individual's net worth and assets' value

Capacity – the current and future capability of an individual to make the payments

The loan officers usually ask certain questions to assess these four Cs. Questions like:

- Whether you are employed or not? The amount of money you earn every month?
- The amount of monthly expenses?

- Your savings and amount in all bank accounts?
- The number of credit cards you use?
- What would you offer as collateral?

In order to get a good credit score, you need time and effort. A young individual is most likely to have a lower credit score as compared to an older individual. This is because the credit history accounts for 15% of the credit score. This means that a young adult could be at a disadvantage because of not having length or depth of credit history.

CHAPTER 4
From Financial Education to Financial Success

"The single biggest difference between financial success and financial failure is how well you manage your money. It's simple: to master money, you must manage money."

Harv Eker

Financial Literacy: Who is Responsible?

Even though improving the financial literacy of the masses is not solely the responsibility of one organization or sector alone, for the majority of people, the financial literacy attainment is a lifelong process instead of one single course of study. We can't exactly argue that schools should be responsible for the development of financial literacy among students, but it goes without saying that it is one of the most integral steps towards starting the journey towards financial literacy.

The people who are more knowledgeable about financial matters are the ones who were able to learn the basics of money and management early in their lives. This foundation can be built in schools and other educational institutions, which are currently not being taught. With useful financial courses, not just in schools but specially designed financial certification or short courses, individuals from all age groups can improve their financial education, which can further help them in making sound financial decisions.

Even though certain aspects of finances are being taught in the curriculum, it still needs improvements. Many educational institutions offer stand-alone financial education classes. For instance, economics class, which is typically a part of the department of social studies and incorporates certain concepts of financial literacy. Financial management or personal finance is offered in the department of business education, or finance and accounting, the concept of entrepreneurship concept is taught in marketing departments and so on.

Finance Is Not Intuitive

Financial ability is an aspect that most of the people clearly show a lack of understanding and mastery.

Moreover, this inadequacy has drastically increased in the past two decades due to the various changes in the financial landscape. In many countries, the government has intervened to create pension plans to which citizens can contribute. This has encouraged them to take steps towards saving for retirement. However, there are still numerous financial issues that are currently being faced.

The increasing number of complex financial options and products that range from credit cards, investment options, loans, mortgages, etc., means people need to become more knowledgeable in order to make the right decision.

Furthermore, credit cards have become a norm. They have altered the way people think of money, and how they use it. Now, personal loans (credit) can be taken far more quickly than ever before. This has led to an epidemic of people spending more than what they actually have. Hence, it is crucial that people develop the skills to manage credit and make better decisions.

Finance is not something intuitive in our brains. According to research, individuals are failing to understand the effect of uncontrolled or unmanaged ongoing expenses and compound interest in their lives. This results in continuous bad financial decisions, leaving a majority of the population in debt.

There is a major troubling picture of lack of financial stability not just in a few countries, but all over the world. The majority of individuals are not able to properly plan for predictable future events like the education of their children and their retirement. Furthermore, people are also unprepared for unexpected events, leaving them vulnerable to financial losses and shocks.

The unfortunate challenge is that people are not even able to create a budget for themselves. Hence, an increasing number of people struggle to manage their finances and make their payments and bills. With a huge number of people struggling to make ends meet, it is becoming difficult for the government and concerned authorities to determine the right course for the inclusion and improvement of financial education.

Financial literacy is not merely an added skill to have but has now become a necessity in order to survive and maintain a stable lifestyle.

Essential Lessons Required for Financial Literacy

Financial education might mean different things to different people. For some, it could mean teaching their children how to manage their money properly, use credit cards effectively, and balance their checkbooks. While for others, it could be learning how to manage their retirement funds and investing in the stock market. No matter what is your definition of financial education, one thing is clear: it is almost non-existing in educational institutions.

According to Robert Kiyosaki, the financial crisis in America will keep on lingering, and the gap between the poor and the rich will continue to widen as the middle class starts disappearing. A survey found that merely 13% of citizens learn about investing in schools. This goes to show the lack of financial education in schools and educational institutions.

It is essential for parents and the school system to encourage dreamers, visionaries, and creative thinkers who are bound to become future entrepreneurs. At the same time, they should avoid trying to mold them or push them into certain directions, which eventually stifle their creativity. The following lessons are essential to attain and enhance financial literacy:

Knowing the History

It is essential to understand the way money works. The one sure way of understanding that is to determine how money worked in the past. Throughout centuries, money has progressed from bartering to something complex. Money has moved from being an object (tangible and physical) to an idea, which means it is not intuitive and tangible. This is the reason why you must learn the history of money to understand the process better and benefit from it.

Understanding Financial Statement

No one is ever going to ask you for your report card; they will want to have a look at your financial statement. In order to get rich, you need to first understand and learn to read your financial statement, especially the three major elements: cash flow statement, balance sheet, profit and loss statement. This is how you will start getting a hang of financial management.

Differentiating Between Liability and Asset

The major reason why there are so many people going through financial issues is because they are unable to differentiate between assets and liability. For example, many individuals believe that their house is an asset when, in reality, it is actually a liability if they pay for it through a mortgage. The easiest and simplest definition that can help you distinguish between your liabilities and assets is that an asset is something that earns you money, whereas a liability is something that makes you spend your money.

Differentiating Between Cash Flow and Capital Gains

A large number of individuals invest in order to get capital gains, which means they bet on that particular thing's price to increase. When you invest for capital gains, you are basically gambling, which is definitely not fun at all. The wealthy people focus instead on investing for cash flow and in cases where capital gains occur, that is just an added advantage.

Differentiating Between Technical and Fundamental Investing

Technical investing is to measure the moods and emotions of the markets with the help of technical indicators; whereas, fundamental investing is a means to analyze the financial performance of a company, which of course initiates with the proper knowhow of your financial statement. Successful investment can be done through both of these, but they do require commitment as well as continuous financial education.

Figuring Out Which Asset is Best

The assets are divided into four classes: commodities, paper assets, real estate, and business. You must understand and examine all of these four assets in order to get rich. Determine which one can work best for you and start the process of becoming a master for that particular asset(s).

Determining the Right Time to Diversify and To Focus

The ideal thing to do is to diversify your four classes of assets. But ensure that you are focusing on mastering your assets one by one. Jumping in on all your assets at once will only lead to confusion, wrong decisions, and increase your chances of setting yourself up for a financial loss.

Minimizing Risks

Some people think it is risky; the fact is that most people do not differentiate between risk and being risky, everything in life is risky, traveling is risky, getting married is risky, having children is risky, setting up a business is risky, investing money is risky. Being a smart investor means learning the ways of minimizing risks. There are many ways of doing that for each of your assets. Again, it requires being financially literate.

One of my favorite discussion about investing, saying, *"Investing is like driving a car. Risk is involved, but when you follow the rules, take some lessons, fasten your seatbelt, there is less chance to make an accident, but still, there is risk; the same thing with investment."*

Here are a few general rules if you want to be a rational investor:

Rule 1: Calculate your Return on Investment

When you invest in any type of investment, always know your expected returns. If you don't have those numbers on paper, but you're just hoping for the best, you're taking a risk.

You must know from the beginning, with some level of confidence, how much money you'll make over the forthcoming years.

Rule 2: Take Calculated Risk

The second rule is that you must know about the risk profile of your investment. You have to be aware of and familiar with the worst case scenario. What's the maximum you could possibly lose with this investment?

Too many people buy just because others are buying and sell because others are selling. They go chasing the money and the dream of a quick rich scheme with total ignorance about how much they could lose.

Rule 3: Don't Believe Everything In Media

Most people buy their investments at the peaks, and sell at the troughs. If you're one of those people, you are reliant on the economy trending upward to make a profit on your investment.

Instead, buy at the troughs and sell at the peaks.

"Be fearful when others are greedy, and be greedy when others are fearful,"

- Warren Buffett

Rule 4: Choose Liquid Assets

Finally, most of the time, choose investments that are liquid, which can be converted into cash quickly without loss in value. This gives you more control over your investment because you can sell whenever you want.

If you are buying an asset and you need to wait for someone to make you an offer before you can sell, you have an illiquid investment. Whatever the valuation, it's somewhat meaningless if you're not able to turn it into cash.

Instead, choose investments that you can easily and quickly liquidate, when you need to.

Differentiating Between Credibility and Debt

There is bad debt, and then there is good debt. The key to utilizing your debt is understanding the ways of wisely borrowing money and paying it back. Without having a strong plan of repaying your debt, you don't have any credibility. A good financial education includes getting a better understanding of debt and effective ways of paying it back.

Principles of Financial Success

It has been well established that the way of financial success, the means of building a strong financial foundation is through financial literacy. Something, which is gravely lacking in today's world. Kiyosaki, in his book ***Rich Dad, Poor Dad***, emphasizes the fact that financial education is the way to financial success. He establishes that your thinking process, your way of managing your money and learning to save it plays an integral role in helping you attain financial freedom. It is the major difference between the poor and the rich, as well as their philosophy, habit, and mindset.

The following are some of the major principles you need to attain financial success:

Want to Be Rich? Avoid Working for Money

Many successful people will tell you that money worked for them and not the other way around. You have to put in the effort to learn the workings of money and other financial products and services so that you can make them work for you. However, in order to master that, you need to eliminate the fear that holds you back.

Fear is the major element that is often felt while discussing the matter of money. Fear is the reason why people force themselves to stay at their jobs they are gaining nothing from, the fear of not having money and not being able to pay the bills.

Second comes greed. Once you start getting more money, you also start spending more. In order to avoid becoming a slave to money, it is important that you train yourself to think with logic instead of emotions.

Financial Literacy is Integral

No matter how much money you manage to accumulate, if you don't have financial literacy and don't know how to manage it, that money will be gone soon. This is why financial education is emphasized so much, and that is the reason it is also important to start early. The only thing that is taught in schools and educational institutions is that they only teach you ways to work for money. The curriculum is designed in a way that produces efficient employees instead of producing employers. Financial attitude is the main thing that is lacking in the existing curriculum. It is essential to learn the right steps of money management once you earn it, preventing others from stealing it, and ways to make money work for you. This is the only thing that will lead you towards financial freedom.

Keep to Your Business

Your business and your profession are two different things. According to Kiyosaki, for becoming financially secure, a job is not the thing to rely on. You need to start focusing on your own business and looking for ways to develop your assets.

Obtain your assets, and utilize them for purchasing real assets that are income generating. Real assets can be anything that has value, including intellectual property royalties, real estate that generates income, mutual funds, bonds, and stocks.

'The Rich Invent Money'

Do you know what is that one major thing that holds everyone back? It is self-doubt. There are countless people who simply wait for their luck to change or for the right opportunity to come along their way. But what do the rich individuals do? They create their own opportunities and change their own luck from the obstacles and hurdles that come their way. In reality, the smart people are not the ones who are ahead, but the bold ones who are not afraid to step out of their comfort zone and take risks.

If you are not thinking big and willing to take risks, you are simply going to spend the rest of your life in wait for something that is not going to happen. This is where financial education changes your thinking and behavior. The rich don't believe they are going to make more money just through hard work; they also aim to become more financially literate so that they have the ability and knowledge to start exploring more options to attain more control over their financial situation.

Focus on Learning Instead of Money

The things you learn at school about finances are not exactly up-to-date since there are numerous innovative financial products being offered today, which you won't find in the curriculum of any educational institute. Aside from the right financial education, it is also essential to learn appropriate skills that can help you attain financial success. Rich individuals aim for work that would help them learn skills and attain knowledge more than the amount of money they earn.

The major areas one must focus on are communication and management. Marketing and sales skills are also rather important. Attaining knowledge in these areas can help individuals to reach their financial goals and attain financial freedom.

Money is perceived by rich people differently. They believe making money isn't enough, it is important to grow it and determine ways to manage it. Becoming financially independent is one thing, and becoming financially literate is another. Having the right knowledge about money matters is important for everyone, not merely for investors. The financial decisions that people have to face every day can have a major effect on their future, which is why the right informed financial decisions must be made to avoid losses and future financial issues.

Barriers and Challenges Faced

Even though educational institutions, governments, and other stakeholders understand the importance of financial education to enhance financial literacy in order to attain financial freedom, there are numerous challenges that prevent them from making financial freedom for everyone a reality. The following are some major barriers and challenges that are being faced:

Low Prioritization of Financial Literacy

The most crucial barrier being faced is the low financial literacy priority among the leaders when it comes to adding financial education in the curriculum. In contrast to the teachers and parents believing that financial education is integral, the priorities of the leaders of the schools and even concerned government officials are different. The courses, which have lower importance than financial education, are considered as more important by the leadership.

Financial education isn't perceived as of more importance than Mathematics, either for school leadership or the lives of students. There is a considerable mismatch between the significance level among different courses that can assist individuals in becoming financially literate and the courses on which the educational institution focuses more on.

This is because there is little to no external pressure on educational institutions for delivering or focusing more on financial education. Even the few educational institutions that are offering it are doing so mostly due to the staff member's passion or perceived needs for financial literacy instead of parental wishes or statutory obligations.

This indicates that the issue lies with the requirement of independent actions within the educational institutions, for teachers to recognize the value and importance of financial skills for students and to have the authority to urge and argue for it in order to make it happen.

Lack of Financial Literacy in Families

Due to the lack of financial education and financial literacy among families, the majority of parents, as well as individuals, don't understand its importance in life. Therefore, they don't demand educational institutions to allocate time and resources to deliver financial education. However, there are numerous ways in which families, especially the parents, can be provided financial education to show them the importance of financial literacy in life. Once they start understanding how financial education can change the way they handle their finances and learn to manage their money well, they would begin demanding financial education for their children as well.

In order for this to be successful, it is important for the education ministries as well as management of educational institutions to offer courses that can help individuals of all levels and ages to attain financial literacy. Holding seminars, workshops, and other such educational programs can help individuals learn about the importance of financial literacy and encouraging educational institutions to start focusing on financial education.

Currently, even when such programs are implemented in educational institutions, they are mostly considered by the teachers as added burdens on them instead of considering the benefit the students can have from them. This is all due to the lack of understanding of the importance of financial literacy in our daily lives.

Resistance to Change

Since these habits have been formed over the years and with psychological and emotional factors indicating that old habits and patterns can't easily be changed, it prevents individuals from making this change even when they have the skills and knowledge. These are the factors that make it even more challenging, especially when there is a lack of resources and skills. This goes to show how crucial it is to start making these changes right now in order to start helping and encouraging individuals to change their habits and begin changing their financial situations.

Behavior change is not just a barrier, but it is also a key to include financial education. The main premise is that once individuals start attaining financial education, they will start realizing how it can positively change their overall lives for the better. Hence, they will begin demanding the financial literacy as well as the usage of right financial products to enhance their financial stability and freedom. The more financially excluded individuals are, the more support they would need to change their behavioral patterns to move towards the path of financial freedom.

These are the major barriers and challenges that are being faced currently that prevent individuals from attaining financial education. Financial education doesn't have to be limited to high schools and business schools; there are various programs that can be offered to offices, teachers, and other professions to help them attain more knowledge about finances and ways to improve their current financial situations. However, it is also essential to make sure that such programs and courses are designed properly to prevent the creation of any further problems that would actually become harmful for individuals instead of helping them.

CHAPTER 5
Baseline for Comprehensive Financial Education

Foundations of a Good Baseline

In order to ensure a solid baseline is created for the financial education curriculum, students should have a strong understanding of the basic concepts. The following are the five foundations that can be a good baseline:

1. Utilizing Debt to Get Rich

You would have heard from everyone that debt is bad. However, rich individuals know that debt can be utilized to enhance their wealth. Let's look at debt further. There are two types of debts – good and bad. If your financial advisor advises you to stay away from debt, they are referring to the bad debt. Bad debt is when you borrow money to pay off liabilities, like buying a TV or going on vacations through credit cards, borrowing credit on your personal home or other such things. Indeed, you should stay away from bad debt.

However, your financial advisor or any other people in your life wouldn't tell you or would know about good debt. A good debt is when you use the money for purchasing assets like a rental property. Using the money of bank to buy a rental property that will keep bringing you cash, means you would be using little of your own money for securing your asset as you would be making a down payment instead of the full cost. Your tenant will pay off the debt whilst you would be the owner of your asset and would be pocketing your profit.

Make your Own Financial Decisions

If an individual is not confident in their financial knowledge and money matters, they are more likely to allow others to make financial decisions for them. They either let their broker determine where they should invest their money, their bank tells them the amount of interest rate worth their money, and/or they follow whatever the latest investing trend is online or in the news.

What you must keep in mind is that rich individuals never follow the crowd. They are the ones who set trends and move on to other things by the time those trends become popular. Their secret is that they don't let anyone else think for them. They are the ones making their own financial decisions as they are financially literate.

Again, the key to becoming rich and gaining wealth is to acquire knowledge, take actions, and to determine which path is the right way to go. This wisdom and knowledge can only be achieved through higher financial literacy, which is achieved through gaining financial education.

2. *Understanding Risk*

This is one of the most essential concepts one must learn in order to gain financial literacy. Risk is dealing with the likelihood that your investment might lose its value. The investments that come with major risk are the ones that also come with the biggest returns. Whereas, the investments with low risks, offer lower returns. To find the right balance between reward and risk is integral in creating an investment portfolio or strategy. This balance can be different for each individual as it depends on various factors like age, account size, and risk tolerance.

3. *Diversifying the Investments*

A great way of reducing the overall risk of your investment is by diversifying them. Ever heard of the phrase "Don't pull all your eggs in one basket?" This also applies to investments. Diversifying risk management strategies by mixing a number of different investments, like cash savings, bonds, stocks, can be a great technique. The main aim of diversifying is balancing out the high-risk investments with low-risk investments so that you restrict the overall risk whilst also offering your money an opportunity to grow.

4. Technical vs. Fundamental Analysis

Many investors utilize technical and fundamental analysis in order to make selling and buying decisions for stocks, bonds, and other investments. Most of them opt for one method instead of other while some investors use both of these methods for evaluating their potential investments.

Fundamental analysis utilizes information for evaluating security's value, like stock. The analysts assess financial ratios and figures, including dividend yield, price earnings ratio, earnings per share and earnings, whereas, technical analysis evaluates the security's value through analyzing statistics that is generated by the market like volume and past prices.

These are major foundations that should be a vital part of all financial education curriculums so that individuals can become financially literate and can make informed financial decisions.

Barriers to Financial Planning

Financial literacy is, without a doubt, a major challenge that is increasing in many developing and even developed countries around the globe with the increase in innovation and the availability of financial services. The access to financial services is rapidly increasing with the elimination of national, technological, and geographical barriers being eliminated. Urbanization, enhanced cell phone technologies, and remittances prevalence have ensured that even rural and poor populations have easier access to bank accounts via the internet and cell phones. Even though this encouragement of financial participation among the masses is a great initiative, but with lack of financial literacy, it has created numerous financial problems for the users as they are unaware of ways of budgeting and investing.

For the promotion and implementing of the right financial education planning and curriculum, numerous barriers must be eliminated. According to reports, the following are the major three barriers that are currently being faced:

- Individual level issues
- Social level issues
- Institutional level issues

Let's discuss these in detail.

Individual-Level Issues

The following are some of the main barriers at an individual level:

Little to no knowledge – numerous individuals lack the knowledge and experience of financial planning, and many don't even understand what financial planning is. Therefore, they are not even aware of the fact that they need to seek help or gain knowledge regarding it. When people don't even know what financial planning is and how it can help them, it is not possible for them to make efforts in getting informed or seeking education.

Lack of awareness about the process of financial planning – even when some individuals know a bit about financial planning, they still don't understand the way in which the process works. Without proper financial education and knowledge, people don't know how to take the right steps. They are not even aware of the steps, strategies, and processes that can actually help them in earning more money, saving it and investing in the right products. Lack of knowledge and education means that even if they manage to save, they can lose their money by investing in the wrong products, or utilizing the financial services in the wrong manner.

Lack of trust in financial advisors – many people find it difficult to trust financial experts and advisors. This is understandable as there are plenty of financial advisors and experts who provide commission-based services and are more worried about getting more money than helping their clients.

These are the reasons it is essential for individuals to get proper financial knowledge and education so that instead of relying on others or making uninformed financial decisions, they can make the right decisions themselves.

Social-Level Issues

The following are some of the main barriers at a social level:

Opinions of family and friends are valued more – research has shown that people rely more on the advice and opinions of their family and friends when it comes to making financial decisions. Even when a financial expert is giving them the right advice, they go with the advice of the people they know even when those people have limited financial knowledge.

Financial experts are not well connected to common individuals – financial professionals typically don't have the community and social connection with numerous individuals, especially the ones who are not financially literate. Therefore, even when they want to help, they are unable to access such markets.

Advisors and individuals are unable to form a connection – as mentioned earlier, there is a certain mistrust towards financial experts and advisors. This is why it is difficult for them to form a balanced relationship with financially illiterate individuals.

It is crucial to address these social barriers in order to promote financial literacy among the masses.

Institutional-Level Issues

The following are some of the main barriers at an institutional level:

Financial companies simply target wealthy individuals – majority of the financial advisors and firms only focus on the already rich individuals since they are considered more profitable. Indeed, they would have to invest more money and effort, as well as commitment, to create services and products, set them up and distribute them to the other segments of the market. The majority of the firms and advisors that offer financial knowledge and advice either don't have the funds or don't want to take the risk of developing and cultivating this market segment.

Financial services and products are misused – with the lack of financial education and knowledge, mistrust in financial advisors and experts, people don't know how to properly utilize the products and services. The firms only focus on maximizing their profits and neglect educating their consumers the right way of using them or helping them understand which product or service is right for them. This often results in the disadvantage of the consumers, and they suffer financial losses.

These are the main reason why people generally don't trust financial experts and firms. Even when they do trust them, they don't get much advantage from them. Therefore, the solution is again offering financial education in educational institutions so that people learn to make their own financial decisions and make the right ones that are beneficial.

Possible Solutions to Barriers

The following are possible solutions to eliminate these barriers and increase the financial literacy among the masses so that individuals are able to make informed decisions:

Public Education

This is of utmost importance. In order to bring an effective change, it is crucial to offer financial education to the public. This should include not just the basics of money and finances, but also knowledge about the latest services, products, and ways people can benefit from them. Educational institutions must offer financial education at all levels – children, teenagers, young adults, and adults. There are barely a handful of schools and other educational institution that offer financial education that can actually help individuals in making the right financial choices. However, the majority of students graduate with little to no knowledge and with an additional load of education loans. This burden stays with them well after retirement if they are unable to make the right choices.

Private Education

Aside from educational institutions, other institutions like churches and community centers should offer financial courses or workshops for individuals. They can hire a financial expert to conduct a special course that covers the basics of finance, strategies for setting financial goals, ways to achieve them, as well as educating them about the latest financial services and products. They can even offer a course on investments. This will offer individuals proper knowledge, motivation, and resources to better understand their financial situation and take steps towards attaining financial stability and freedom.

Self-Education

No matter how educated you are, one requires continuous education and knowledge in order to be financially aware. There are plenty of books, blogs, and other resources that are available online through which individuals can gain more education and information to stay updated about the recent changes in trend and launch of new services and products. Still, when it comes to self-education, you must already have the basic financial education so that you can determine which information is the right one.

Financial Technology

When an individual has the right financial education, they can utilize the right financial tools and apps to further improve their financial situation. This also enables them to start figuring out the right way of saving and selecting the investment options. There are various apps that can help you in getting more organized in your financial matters, doing your taxes online, creating a savings plan, and so much more. This leads them towards improving their financial goals, figuring out strategies, examining their assets and investments. At this level, you would be able to take steps towards financial freedom and initiate your journey towards achieving wealth.

By attaining financial education, individuals can start moving towards the right path that would leave them towards financial freedom. Even if they require a bit of professional help, they would still be well aware and equipped with knowledge and would be able to tell if a financial expert or advisor is simply trying to maximize his/her own profits.

Introducing Entrepreneurship

How many times do you read about individuals with an innovative idea and the confidence to take the risk of turning that idea into a successful business? Don't you wish you had that confidence as well? Entrepreneurs are an integral part of the economy, and they also play a vital role in inspiring other aspiring entrepreneurs. It is a good idea to inspire the students to dream big, think creatively, and to be confident enough in their idea to make it big.

Parents and teachers should always encourage creativity in students, especially the kids as they are ambitious, excited to learn new things, and are naturally creative. Entrepreneurship helps an individual to become self-sufficient, productive, financially stable, and also attain fulfillment and personal growth. When this energy and creativity is fostered, especially from a young age, it enhances the entrepreneurial spirit of the individual.

Have you ever come up with any creative idea? Try to expand it, play around with it. Figure out how you can help others with it, how others can benefit from it, and ways you can develop it, as well as promote it. The more you think it over, the easier it would be to turn it into reality. Start small if you don't want to take a major risk. Test your idea to see if it would work. Ask your family, friends, and colleagues what they think. Modify it, test it, and maybe change it a bit more to make it better.

However, one thing to keep in mind is that once you have a creative idea that you feel could be successful, it is best to act on it as soon as you can before someone else. There are numerous individuals who often come up with amazing ideas but never do anything about it, yet they eventually witness someone else becoming rather successful with the similar concept. A good idea is not worth much if you don't do anything about it.

These are the most basic elements of finance that are not taught in educational institutions, but are significant to understand in order to achieve financial freedom.

Reasons Students Must Learn Entrepreneurship in Schools

If we really want to ensure prosperity and innovation in future generations, then teaching them entrepreneurship is necessary. It is important for young individuals and even the adults to be knowledgeable about entrepreneurship, startups, and innovation. This is how countries can progress and how an individual can grow personally and financially. Understanding how to establish a business successfully is a great way of ensuring financial stability and contributing towards the country's economy.

Unfortunately, all of this is not the main part of a financial curriculum. The following are some reasons why entrepreneurship should be taught to all the students:

- Students require additional skills that can enable them to make it on their own, especially since the high cost of living, high competition, and lack of financial education has made the future uncertain. Entrepreneurship will equip them to identify problem-solving opportunities, take calculated risks, think outside the box, not be afraid of failures, and work hard to achieve success.

- It encourages collaboration, innovation, and creative thinking, which can assist in numerous aspects of their life.

- It would teach students ways to identify needs and issues before learning problem-solving skills and determining the right way to solve that issue or meet that need.

- The world needs creative thinkers and innovators. Entrepreneurs, whichever field they are in, make a major difference and the world needs such individuals. Entrepreneurs help in solving problems, meeting needs, coming up with effective ideas, and making the world better in general.

There are numerous more reasons why it is essential to include entrepreneurship education in the curriculum. This can highly benefit the students, especially the ones who already are in or are interested in the fields of education, health care, social work, mission work, technology, and science. The future belongs to creators and innovators, and the education of entrepreneurship serves as a major incubator of innovative and creative ideas.

Important Concepts in Entrepreneurship

The following are the important concepts of entrepreneurship that must be added to the curriculum:

Business

For basic education, it is essential that the students understand what a business is and how is the activity of supplying, selling, buying, and making services and goods can earn them money. It is important that they realize how crucial it is for a business to earn good revenue in order not just to stay ahead of the competition.

Revenue

This is the money that is earned by the business through its activities. The students must learn how this revenue is generated and calculated. Moreover, they must also understand the strategies that can assist businesses in generating more revenue.

Profits

The more revenue the business earns, the better their profits would be. This is the main goal of businesses, aside from solving a problem or fulfilling a need. Once all the expenses are accounted for, the extra earning is the profit earned by the company.

Entrepreneur

First of all, in order to truly understand the concept of entrepreneurship, it is important to understand what an entrepreneur is. An entrepreneur is an individual initiating the business and is taking a risk so that he/she can attain more money. Moreover, the qualities and skills required to become an entrepreneur should also be included in the curriculum. Most importantly, to be an entrepreneur, you have to invest in your own business.

Vision and Interest

In order to truly succeed as an entrepreneur, the students must understand another major factor – interest. It is essential to get involved in an area that is of interest to you if you want success in your new venture. To prosper, a business requires time and effort. This interest converts into a vision that the entire business is based on. If you are not interested, then it is highly doubtful that you would be able to succeed.

Organization and Delegation

Successful entrepreneurship can be characterized by stable and quick growth. This indicates an entrepreneur must recruit others to complete specified tasks. Indeed, numerous businesses initiate with a one-person show, but as it grows, it's important to hire more people. This means that entrepreneurship education should also include strategies of delegation and organization. If you want to achieve success, you must learn how to delegate tasks, determine who is good for the job, monitor all the employees and productivity, train and coach, support and appreciate the work being done by all the hired individuals.

Rewards and Risks

Entrepreneurship means risk. The risk measurement equates to the money and time you put into the business. But, these risks also directly relate to the involved rewards. If you are investing in a franchise, then you are paying for a business plan someone else made, and in return earn a good income. If you have come up with innovative services or products and want to risk it all because you believe in them, then the risks are higher. You might introduce something revolutionary to the world and in turn become extremely wealthy in no time, but if those services or products don't work, then you would lose everything.

These are some of the major concepts that must be learned and understood by students so that they can become future entrepreneurs. As the level of education increases, more advanced concepts must be introduced in the curriculum to better prepare the students in this field. This subject can be rather exciting and thrilling for the students of all age groups as it helps them learn crucial things required to become successful.

CHAPTER 6

Framework for Effective Financial Education

Guidelines for Educational Institutions for Implementing Financial Education

1. *Framework for Implementing of Financial Education in Curriculum*

The best thing to do in order to ensure a higher percentage of financial literacy is to integrate financial education in the curriculum of schools. When children are exposed to financial education at such a young age, they will grow up to be highly financially literate. Introducing financial education must be based on and preceded by an analysis and assessment of the level and status of financial education being offered currently in schools, as well as the existing financial literacy rate among children and teenagers.

By identifying the right public leaders on a national level, it can ensure the sustainability and relevance of the curriculum for the long term. These leaders can be from a government ministry like education or finance, the central bank, financial regulators or other such authoritative figures at local, regional, and national levels, who can ensure the designing, implementation, and continuity of this program.

Quantifiable, Tailored, and Appropriate Goals

Firstly, it is essential to set the right goals to effectively introduce financial education in the school curriculum on the basis of relevant principles of education. Detailed outputs and objectives must be created to aim towards the dedicated learning frameworks to introduce financial education.

The content of established framework might vary as per the local, regional, and national situations, gaps and aspiration, requirements, needs and structures of educational systems, religious or cultural considerations, along with the approach utilized for introducing financial education in educational institutions at different levels.

Ideally, the learning framework must include understanding and knowledge, behaviors and skills, as well as values and attitudes. Furthermore, the framework should even include entrepreneurial skills. Generally, the financial education frameworks in schools must also offer proper guidance for teachers and schools' management on:

Learning outcomes – what content and topics regarding finance must be included as per the grade and age of students, as well as pedagogical methods and approaches, rewards and risks, managing and planning finances, transactions and money, and the overall landscape of finances.

Resources – the effective monitoring and assessment criteria, the time duration of the course, hours per year or per week as per the age and grade of the students.

Flexibility of Implementation

Introducing financial education in educational institutions must include a flexible approach and should be easily adaptable at local, regional, and national levels as per their respective circumstances. It is ideal to introduce the course of financial education as statutory or mandatory part of the curriculum to make sure that all students can learn from it during their time in their school.

By including financial education as a module or stand-alone course, it would be ensured that sufficient resources and time are devoted towards teaching this course. But, since there are a number of barriers in the majority of the educational systems, including financial education in certain subjects like history, literature, citizenship, home economics, social sciences, economics, or mathematics in classes would also be able to work effectively.

Without a doubt, including financial education via cross-curricular methods might help in overcoming problems caused due to the overloaded curricula. It will also enable the development of diversified, engaging, and innovative means of linking financial literacy to known subjects for both the students and teachers. When this method is utilized, more importance must be given towards the development of mechanisms for monitoring the teaching methods of financial literacy. Furthermore, it would also be essential to identify, within the financial education's learning frameworks, the certain connections to other courses as well as to offer teachers the right examples and case studies to use in relevant classes.

It is ideal for schools to introduce financial education as soon as they can; for instance, from primary school or at a maximum high school. This way, by the time students are about to enter college, they would have the financial knowledge to make informed decisions about education loans, savings, and managing their money well. It would be preferable to ensure that the learning framework is adaptable to different levels of grades and ages so that sound competencies of financial education are effectively developed throughout the school years.

Sustainability and Suitability of Resources

Long-term, commensurate and appropriate financial resources and sources must be identified to guarantee the credibility and sustainability of the implementation, as well as the development of financial education's learning frameworks in educational institutions. These resources can be derived from private or public sources, but it must be ensured that appropriate mechanisms are placed to enhance the quality and objectivity of the program. In-kind services and involvement or private funding can be attained in this regards, in order to secure the right amount of financial support and benefit from private stakeholders' financial expertise.

Monitoring

Criteria and methods for evaluating the impact and progress of these financial education learning frameworks in educational institutions, as well as to evaluate the effectiveness of approaches must be established and planned. Preferably, this should include monitoring of every stage of implementation, and the long-term and short-term impact through qualitative and quantitative measurement so that the accountability and efficiency of the program and stakeholders involved can be improved with time.

To enhance the efficiency and relevance of financial education framework, pilot exercises should be conducted, which includes introducing the curriculum of financial education in a specific number of educational institutions before this curriculum is implemented on a wider scale.

Different evaluation and monitoring methods must be included, like:

Monitoring the process and implementation, this can include:

- Assessing the teaching of this curriculum in various educational institutions at a national, regional, and local level.

- Assessing the impact and relevance of the curriculum, teachers' training, resources and materials, and learning framework of financial education by utilizing different means like the feedback of main stakeholders – parents, students, trainers, school teachers, educational institution management, as well as teachers.

- Assessing the competencies of students in financial literacy all through the course by utilizing effective assessments in classes regularly, national contests, or through formal examinations.

Monitoring and determining the impact in the long-term:

- Including examination of financial education at the conclusion of each curriculum

- Creating surveys of financial skills and financial literacy of students, which covers financial values and attitudes, behaviors, skills, understanding and knowledge, setting benchmarks and establishing more needs and gaps. These surveys must be regularly repeated in order to effectively measure the progress.

These methods of monitoring will assist the relevant stakeholders to improve the overall program to maximize the financial literacy rate. This will also help in determining and pointing out the problems being faced or gaps experienced in the curriculum, and appropriate measures could be taken to address those issues.

2. *Involvement of Major Stakeholders*

To enhance the effectiveness of the financial framework, financial education must be incorporated on a broader regional, national, and community initiatives. Furthermore, this also needs the involvement and commitment of a wide range of crucial stakeholders from diverse scopes – students, community, parents, teachers, educational institutions, central banks, financial regulations, and government in order to make it beneficial. It might also be appropriate and relevant to take help from the private financial organizations, experts, and business leaders from international organizations, local networks, and nonprofit companies.

The level of involvement and the role of all stakeholders would vary as per the educational systems, national and international situation, and other factors. Nevertheless, the definition of the accountability and responsibility of every stakeholder throughout this process should be created at the beginning of the process. Central and major functions would be fulfilled by the key coordinating body with the support of students, parents, teachers, educational systems, and the community as a whole.

Education System, Public Authorities, and Government

The government and other authorities, like central banks, financial supervisory, or regulatory authorities have the most major role to play in various areas, including:

- Determining the gaps and needs,
- Evaluating and mapping our current and possible initiatives,
- Spreading awareness regarding the importance of financial literacy,
- Creating the standard and framework for financial education,
- Leading, as well as offering, their guidance for introducing the financial curriculum and best practice methods,
- Outlining the complete program structure by goal

setting, handling responsibilities, evaluating the procedure and monitoring the outcomes,

- Managing and organizing the actions and role of other stakeholders through the implementation period and afterward.

Aside from the government and public authorities, the educational institutions, with their main management and local stakeholders at different stages, must also play a crucial part. It is essential to ensure that these stakeholders are actively involved in the:

- Promotion of successfully including the financial curriculum in educational institutions,

- Identifying and elaborating on the most effective tools and strategies to reach the goals.

With the major stakeholders committed and dedicated towards this cause, the rest of the stakeholders would be able to effectively follow suit.

Parents, Teachers, and the Community

Due to their close relationship with the students, as well as their expertise, the teachers must be the ones mainly responsible for introducing this curriculum in classes. Appropriate measures must be made for involving teachers at different stages of the implementation process. However, firstly, they must realize the importance of financial education for not only their students, but also for themselves. They must understand how financial education can eventually lead to financial freedom and attainment of wealth. It is also essential that teachers are provided with the right training and resources to ensure that they are prepared and confident enough to teach the subject of finance effectively.

After teachers, the local community and the parents must also be actively involved in this process through the right initiatives and programs that must be designed specifically to make sure the parents and the entire community understand how important it is to include financial education in the curriculum. They must be aware of how the enhancement of financial literacy enhances the interaction and overall wellbeing of individuals.

The leaders in educational institutions, like the management, administration, and head of the institutes, should also play an important role in encouraging and instilling the importance of financial education throughout the system.

Other Stakeholders

Stakeholders, like nonprofit organizations, expert consultants, and financial and business sectors may also have a major role in the promotion of financial education in educational institutions. The financial organizations and experts can be included in this process in numerous ways. For example, these experts can offer financial support or in-kind services to design and create relevant materials, train volunteers and teachers to effectively teach and interact with the students. However, it is crucial to keep in mind that this involvement must not include commercial activities. It must be properly managed and monitored so that potential conflict of interest can be prevented.

Non-profit organizations, as well as financial consultation organizations, can also play an integral role. For instance, they can help in developing the content and material of the resources to create the right framework or can work on training the teachers to help them effectively implement the curriculum in the classes.

Bottom-Up and Top-Down Approach

The participation of relevant stakeholders, more significantly the ones who are a part of educational institutions, must be secured from both bottom-up and top-down approaches. It is ideal to enhance the interaction and communication between all associated stakeholders to form a strong relationship and understanding among all parties involved. This will help in facilitating the efficient and smooth implementation of the financial curriculum and make each and every stakeholder accountable for their roles and responsibilities.

Support and Involvement of Education Systems

The participation of government and educational institution to introduce financial education in all educational institutions at each level must be promoted and encouraged by relevant policy stakeholders like central banks, public and government financial supervisory and regulatory authorities, and other relevant parties in numerous manners.

Firstly, the stakeholders must, as per the situations and at maximum extent, take benefit from as many teachable moments as possible in order to promote the significance of financial knowledge and literacy and convince individuals that it is for their advantage and wellbeing.

Due to the financial crises and their aftermath, there is a dire need for such awareness to be spread among the population through the world at local, regional, and national levels of education. Recent times have clearly shown that it is high time such financial curriculum and programs are integrated and taught to the masses to enhance the situation.

Other ways of creating the evidence of need are to develop a survey to determine the level of financial skills and literacy of young individuals, as well as adults, and make it public so that educationalist and the general public can see the needs and gaps regarding financial knowledge among the society and how it is negatively affecting their lives.

With the lack of expertise, time, and resources in the educational institutions related to financial education, interested stakeholders must be encouraged to play their parts in supporting and developing the curriculum of financial education and implementing them in the educational institutions.

Steps Public Authorities Can Take

The following are some of the steps that financial authorities can take:

- Promoting the incorporation of financial education in educational institutions using a graduated method. For instance, they can initially suggest the integration of financial education as a voluntary subject in schools and eventually make it mandatory. This approach would be effective in introducing the students to financial education and reduce the resistance that can delay its execution.

- Assisting in the development of the learning framework of financial education, while taking into consideration the educational system requirements.

- Supporting the provision and development of materials for teachers and for training.

- Developing partnerships and collaborations with the ministry of education and other relevant educational systems to promote the importance of educational systems and ensuring the part is being played by major stakeholders, all the while establishing clear timescales, outputs, goals, and responsibilities.

Incorporating the OECD recommendations and guidelines, which are internationally recognized, can offer a strong base for taking policy actions and implementations.

Management of Potential Conflicts In terms of Financing in Educational Institutions

Various methods can be established and considered for monitoring and managing the funding and finances in order to stay on top of any potential conflicts of interest, for instance, involved financial institutions initiating commercial activities for their gains. The following measures can be taken:

- Independent, nonprofit institutes or public authorities can monitor and channel the funding usage.
- Public money and private funding can be combined.
- In-kind, private funding and other resources, such as organizing and developing training or resource materials, must be subjected to accreditation or certification by independent nonprofit or public authorities.
- Standards and rules must be established to make sure that the objectivity of all steps taken is maintained in all educational institutions, like no usage of brands and logos.

- Direct intervention, if any, from private volunteers must be conducted under the supervision of professional instructors and teachers or the management of the educational institution.

These measures will assist in maintaining better control of all the finances and funding involved in the implementation of financial education in educational institutions.

Creating and Marketing Proficient Methods and Means

Appropriate means and tools must be devised, identified, and made available for the major stakeholders in the educational institutions for facilitating the best possible introduction of financial education in the curriculum.

The following are effective methods and means that must be considered:

Adequate Training and Information Must Be Provided to Teachers and Staff

The right training must be provided to all instructors, teachers, and other staff so that they are properly equipped, competent, and confident in teaching students of all ages and levels better financial competencies. Training must be placed for those instructors and teachers who would be responsible for providing financial education in the class, either through different subjects or as a stand-alone subject. This must be an integral element of the initial training of the teachers and must be offered regularly to ensure they stay updated with the latest trends and products available in the market.

These pieces of training must target:

- Developing the financial literacy of the teachers and instructors
- Offering them instructional means of utilizing the available resources
- Enhancing the awareness of teachers on the significance of financial education in everyday life

These training sessions must be offered by an expert trainer who must follow a predesigned outline and guidance. These trainers must have strong knowledge and understanding of the education system, as well as command over the learning framework of financial education. They must also be proficient in utilizing the available resources and tools.

Ensuring the Availability of Effective Tools

Availability and access to effective and good quality tools must be ensured. These tools must be promoted actively for the teachers so that they have the best possible financial education resources.

For this, it would be crucial in the majority of the states or countries to:

- Assess and map out the quality of resources and materials available, like instructional methods, surveys, games, case studies, online tools, guides, brochures, and books.

- Opting for the relevant materials and tools to offer the educational institutions.

In some cases, it could be essential to create these materials and tools from scratch.

Principles and criteria for developing and identifying relevant tools must be created. The resources of financial education must also be examined properly by independent public bodies or government to ensure the material is relevant and of high quality.

The right materials and tools must also be accessible easily by all educational institutions and teachers via a trusted source or public authority like local network, education system, independent, public or well-known website, financial regulators, government, etc. One or more sources must be responsible for providing materials of financial education to educational institutions. A central source would be ideal as it would be well organized and would be able to identify easily relevant tools as per learning outcomes, contents, grade, and age.

That particular source should be promoted actively among the teachers, so they know that support exists and is readily available to them.

Setting Criteria for Developing and Identifying Appropriate Resources

The most significant thing in ensuring that financial education is successfully introduced and the high quality is maintained throughout the coming years is to provide relevant resources for the teachers and educational institutions so that they are properly equipped to pass on important knowledge to the students. In order to successfully implement financial education in the educational institution, appropriate resources must include the following elements:

- Should be designed as per the local/regional/national learning framework requirement, as well as according to guidelines of national curriculum of the jurisdiction or country.
- Must be adapted to all the students as per their background, aspirations, needs, talents, level, and age, while also being gender and culturally inclusive.
- Should be relevant to the learners and must take into consideration their interest, as well as their likelihood of using or getting access to the financial products.
- Must highlight the advantages and importance of financial literacy in the future well-being of the students.
- Ought to be marketing free and objective, for instance, not utilizing any promotion or logos of financial firms or marketing of any of their financial products.

- Should be engaging, diversified, and high quality so that students can utilize whatever they learn in real-world context. The curriculum must include real-life examples, case studies, and must incorporate activity-based and problem-solving learning activities.

- Must utilize the advantages of cross-curricular methods wherever necessary.

- Should include the regular monitoring and evaluation of progress and its outcomes throughout the course and at the end via exams.

Most importantly, all the steps must be first put on trial for the initial period in a few educational institutions to examine its efficiency and relevance with students, teachers, and parents. Due to this, the appropriate modifications and changes can be made to make the curriculum better and more effective.

Promoting of Suitable Incentives

For the encouragement of better motivation and involvement of students and teachers in financial education courses, suitable incentives must be incorporated, for instance:

1. *Their achievements must be recognized by:*

    - Regularly conducting exams to monitor their progress
    - Designing and implementing national and community outcome goals for evaluation of the performances
    - Organizing special contests and competitions at national, regional, local, and school level with prizes and awards

2. *Furthermore, financial matters must be made more attractive and visible by:*

    - Organizing events on financial education by inviting well-known stakeholders. For instance, workshops or seminars on savings, etc.
    - Creating training for teachers, which is viewed as a major part of their personal development and as a means of improving their own financial situation.
    - Aside from that, the financial literacy must be focused on immediately to determine the positive outcomes for not just the students, but also for the community as a whole.

Promoting and Exchanging Global Good Practices

Developing practices and guidelines that are internationally recognized, strengthening policy corporation and dialog on good practices are integral for the successful and effective implementation of financial education in educational institutions. These practices and guidelines can assist the stakeholders and policymakers involved in the creation and implementation of strategies that the educational institutions can build on and tap into.

Regulation on Financial Education's Learning Frameworks

To regulate and provide the right guidance for the learning outcomes of financial education, it is essential to make sure all involved stakeholders have a basic understanding of everything.

Definition

The main element of learning frameworks is the definition of a financial education program's overall objective. In the majority of the cases, as per the culture of the jurisdiction and countries, this is known as either the financial literacy or financial capability, but includes the same content.

These definitions include the students' competencies required for the development to make responsible and effective financial decisions in their lives. These competencies cover financial abilities, behaviors, attitudes, skills, understanding, and knowledge, as well as the means of using all of these the right way.

The definition might solely focus on the personal management and usage of money, the effect of their financial decision on their lives or might include a wider perspective, which also includes the communication between the broader environment and society and personal decision making regarding the finances.

Framework's Goals and Purpose

Purpose

The learning framework of financial education can be defined as the coherent and planned method of financial education in a formal educational institution at local, regional, or national level. This learning framework must be operated at meta-level, offering learning standards or outcomes for the curriculum. This learning framework must be incorporated in the classroom, school, local, regional, or national level in ways it is relevant to the context. The framework must start with the explanation of the purpose, which must include the following:

- Introduction of the individuals involved in creating the development process and the framework
- The time that framework was created
- The framework's major aims and objectives
- Ways in which that framework supports the curriculum objectives' achievement at local, regional, and national levels
- Explanation of the endorsement of the framework and how many have endorsed it till now.

It is also essential to offer this framework on a platform that is web-based so that it makes it easier to access and distribute, as well as links provided to the appropriate supporting resources like curricular materials, assessment tools, and teaching resources.

Goals

The main objectives and goals of the framework must reflect in comprehensive descriptions of the financial literacy dimensions. These might incorporate the explanation of certain outcomes that are expected to be developed by the students and which will be covered throughout the financial education curriculum. The following are some of the main dimensions that must be included:

- Entrepreneurship
- Values and attitudes
- Behaviors
- Competencies and skills
- Understanding and knowledge

The explanation of all these dimensions must be reflective on the collective and/or personal aspects required to be consistent with the financial literacy definition in learning framework. These explanations are integral in creating an understanding of the teachers or instructors regarding financial literacy.

Creating Learning Outcomes

The learning framework must also include the description of the anticipated learning outcomes of the financial curriculum. These outcomes must relate to all the financial literacy dimensions.

These learning outcomes might be statements of the entire outcomes for all dimensions or could be portrayed as learning progression throughout the course levels or years. The former indicates how certain financial literacy dimensions are developed progressively as students move on to the next levels.

Creating Courses

The learning framework must include a suggested list of topics. However, these shouldn't only be based on the development of understanding and knowledge, but must encourage exploration and developing the right financial behaviors, skills, attitudes, and values among the students.

- The framework can include topics and subjects, which include:
- Landscape of finance (including special and

economic system, consumer responsibilities and savings)

- Rewards and risks
- Managing and planning finances (including decision making, debt and credit, spending and saving)
- Transactions and other money-related knowledge

It must be ensured that all the topics must be relevant as per the levels of the students, but should also prepare them for adult life.

Educational Tools and Resources

It is also important for the framework to include the right teaching guidance to enhance the effectiveness of financial literacy among the students. This can include an explanation of the recommended teaching approaches, inquiry-based learning, relevant examples, and/or real-life scenarios.

The teaching guidance must be focused on knowledge development, but must also offer an engaging context that can encourage students to develop behaviors, attitudes, and skills. It must provide students with the opportunities to practice their skills.

Professional development of administrators and teachers should be provided through an appropriate authority in order to efficiently support the framework of financial education and to enhance the capabilities of teachers to teach financial education. The framework must offer guidance for quality assurance indicators, as well as means to avoid biased materials.

Students Assessments

Another essential thing is the guidance regarding the recommended ways through which the students can be assessed about their knowledge of financial education. These methods must be consistent with assessment approaches of other learning years and the grade level of the students. The assessments that evaluate the real world problem-solving contexts are highly recommended as this provides an effective way they can demonstrate their skills.

Evaluation and Monitoring

The framework must regularly be evaluated and monitored to determine whether it needs improvements and modifications at national or regional level. The learning outcomes, the assessment criteria, the course outlines, and the topics handled must be regularly updated to ensure that the financial education outline stays up to date.

The most crucial thing in enhancing financial literacy is to ensure that financial education is successfully introduced and the high quality is maintained to provide relevant resources for the teachers and educational institutions so that they are properly equipped to pass on important knowledge to the students. With the lack of expertise, time, and resources in the educational institutions related to financial education, these guidelines can assist government officials, school management, and other stakeholders to efficiently support and develop the curriculum of financial education and implementing them in the educational institutions. These practices and guidelines can result in the creation and implementation of strategies that the educational institutions can build on and tap into.

Final Words

Financial education is a concern for all age groups, especially the current and younger generation, as they are facing and more likely to face even more sophisticated and complex financial products than the older generations ever had to face. The pension and retirement fund of individuals is particularly important since people need a source of income to enjoy their retirement. If they are not financially literate, they won't be able to select the right investment or saving plans and may also be at an increased risk of fraud; as a result, they would face financial issues once they retire.

With the advancement of technology came a number of convenient payment methods and financial services, but the new generation is being brought in a drastically competitive and challenging environment, which requires them to make sound financial decisions for a financially stable future. With lack of financial literacy, more and more people are drowning in debt and suffering from financial issues.

Increasing number of financial scams is also something one needs to look out for. Poor decisions related to finances can leave a lasting effect on individuals; it can not only lower the living standing, but also result in a decrease in physical and psychological wellbeing of individuals.

With financial literacy, individuals can learn how to attain a life that is financially responsible, ethical, sustainable, and balanced. Individuals should understand the psychology of money and finances, about how it all works, the current financial products in the market and how it can help them, the latest changes and innovations in the financial world, what the government is doing and also about the nature of humans, as well as how and what they think about money.

Financial education in schools and colleges has been determined as the most effective means of helping an entire generation to become more financially literate. However, there are a number of challenges faced by the schools, including commitment, little to no quality material and resources and insufficient expertise.

This book has highlighted numerous ways in which educational institutions can include or improve the financial education to increase financial literacy among the masses.

Moreover, individuals can also learn the basics of financial planning and money matters with the help of this book. Self-education, which is continuous, can help individuals stay updated with the latest financial trends and in making informed financial decisions. Proper financial education can help individuals of all levels of income, education, and age range.

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