

In Our World: A 360 Degree View of Financial Literacy

A White Paper Focusing on
Financial Literacy in America



THE SOCIETY FOR FINANCIAL AWARENESS

SOFA TEAM | WWW.SOFAUSA.ORG

SECTION 1:

What is Financial Literacy?



“Education is the most powerful weapon which you can use to change the world. ”

Nelson Mandela



Financial literacy is essential.

Everyone knows how to spend money; however most people do not know how to manage their finances. Managing money gives individuals and families the opportunity to exist in the present, make informed decisions, and plan for the future.

The knowledge of money management is also called *financial literacy*.

In our world, the ability to read is essential; financial literacy is no less crucial. Over 25% of the average American household's disposable income goes toward debt payments. Because of this drain on resources, it is difficult for working families to save for emergencies, retirement or education.

Payday lenders and credit card companies use misleading marketing to prey on low-income families, extending a cycle of indebtedness.

Financial literacy is the answer to both of these problems.



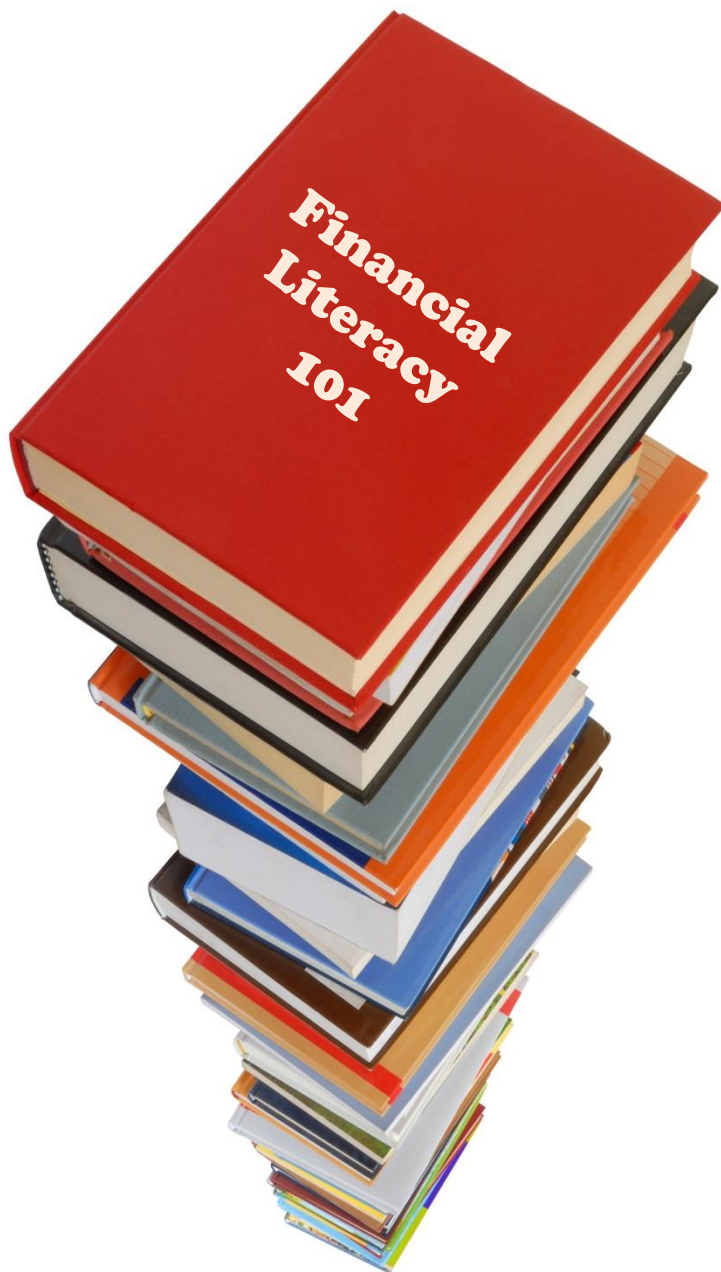


Definition of financial literacy:

Financial literacy gives an individual the ability to understand the basics of finance and use this knowledge to avoid making simple mistakes and/or being duped by scams.

Why is financial literacy imperative?

Unfortunately, using money wisely is not popular in our culture; going into debt is widely perceived as the only way to buy a car, get an education or go on vacation.





Many people may think that they have no need for financial literacy; they falsely assume that being smart with money is only for wealthy people. The truth is that many households lose with money by running up credit card debt, student loans and car payments so high that it is almost impossible to function and leave room for unplanned occurrences.

A family operating like this will be in real trouble when someone loses a job or has an unexpected medical need. Most people don't realize that they can win with money by investing wisely.

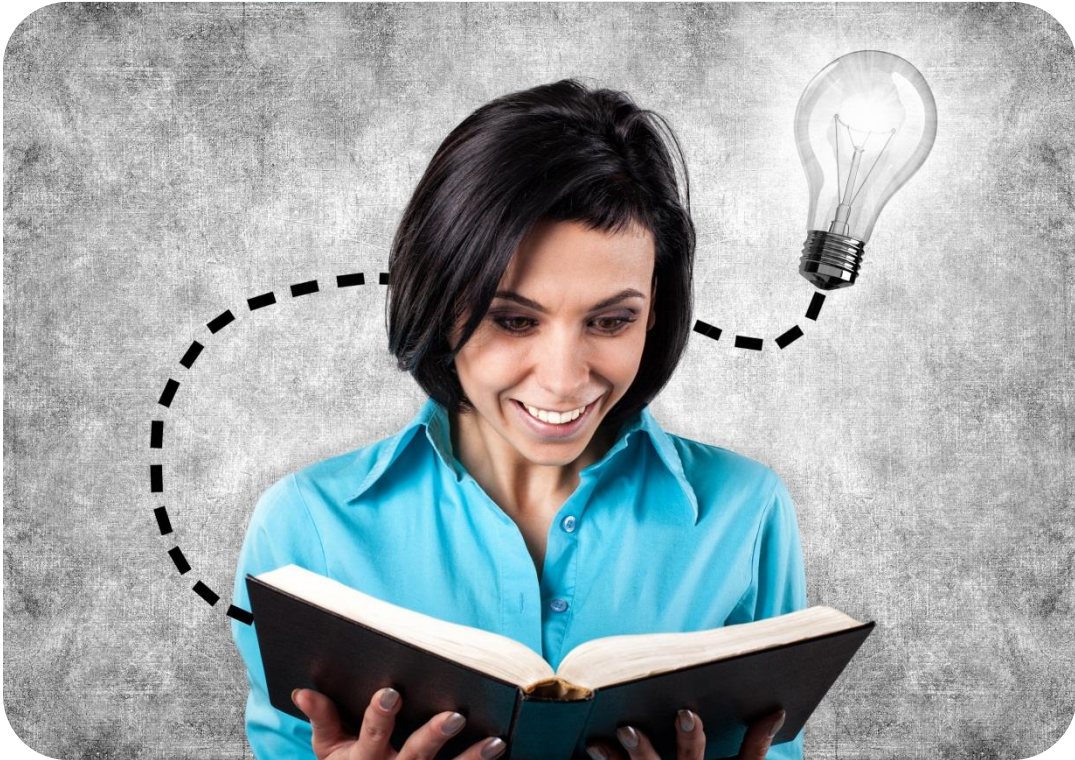
If someone in his or her twenties began to invest \$400 per month in a 6% return mutual fund, he or she would have over \$2.5 million dollars in 40 years, when it was time to retire. At retirement, the interest on this sum alone would give an income of \$150,000 per year.

Unfortunately, this type of planning is not often acted upon at a young age. Many in their twenties believe that retirement planning can only exist when the individual has a career or is of a more mature age. It literally pays to think ahead!



SECTION 2:

How to Achieve Financial Literacy



“ A big part of financial freedom is having your heart and mind free from worry about the what-ifs of life. ”

Suze Orman



Since finances will always be a topic of high relevance in our society, **financial literacy is crucial to each and every one of our lives.**

Knowing where and how to obtain this knowledge then becomes increasingly significant to our success and well being. Many individuals are so overwhelmed or embarrassed with “money talk” that it may be difficult to know where to start, but here are a few paths to consider.

Although it takes some personal effort, self-study is one option. Anyone can go to the local library and pick up a number of books about household economics, budgeting and saving tactics. While it is possible for an individual to devise his or her own system for using money wisely from these sources, this is probably not the best option for most people. Reading about saving and budgeting methods is one thing, but it may take more experience to learn how to apply the concepts learned during self-study.





Another self-study strategy is to listen to the advice of professionals on the media circuit. Getting advice from radio and TV personalities such as Dave Ramsey, Suze Orman and others is helpful to many listeners. While these individuals are indeed experts in their field, very few people can truly receive enough time and attention from them to genuinely learn anything further than basic financial principles.

Similarly, internet articles and sources with budgeting tips, saving ideals, and planning advice are not custom to each individual person. Many are written with the intention of reaching a broader audience and might not be appropriate for each individuals unique financial situation.





Another option, that has proven to be successful for many years is for people to take financially themed classes or workshops.

These classes are often sponsored by companies, churches and other community organizations who want to provide an enriching experience for their communities.

Although, the information and concepts presented in these classes are meant to appeal to a larger audience, the instructor or content expert at the class or workshop is tasked with bringing a level of understanding to each participant.

Questions can be asked during the class or event, and the instructor can generally be followed up with for a more personal approach and understanding.

"Workshops and seminars are basically financial speed dating for clueless people."

Doug Coupland





While there are classes that require a small tuition, there are also free options to gain this invaluable information. Organizations such as SOFA, The Society for Financial Awareness, provide free financial education workshops for all communities across the United States. There is no selling at these workshops and zero cost for the employer/host or the attendees.



The speakers at these events are trained professionals and have experience mentoring participants as they set out towards financial literacy.





Financial literacy is the key to long-term financial success.. Learning to be smart with one's finances can prevent people from making mistakes with their money or being taken advantage of in the various potholes on the road of life.

The challenges and pressures on the working-class have never been greater. Because of economic slowdowns and the decline of U.S. based manufacturing, millions of people are jobless or under-employed. With so much uncertainty, households are forced to get by with less money.

Instead of allowing outside forces to determine an individuals financial freedom, it is important to take control and become educated.



**Now is the time to
start down the path
to financial literacy!**



SECTION 3:

Conclusion



“The great difficulty in education is to get experience out of ideas. ”

George Santayana



Far too many people assume that the Government will take care of their needs once they retire. They assume that Social Security will supply the money they need to live a full life. This is a dangerous assumption to make.

The Federal Government is currently running an enormous deficit, and the Social Security program is not immune to this problem. In addition, there are only about three current workers for each beneficiary, placing an enormous drain on the already strained resources of this program.

Even in the best-case scenario, the amount of money supplied by Social Security is lower than the federally recognized poverty level. This is a difficult situation for a retired couple or individual to end up in, and it is a reality that can often be avoided by making lifestyle changes sooner rather than later.

"I know at last what distinguishes man from animals; financial worries."

Romain Rolland





Financial literacy is for everyone!

Children as young as three years old can begin to be taught the principles of saving and spending wisely.

The concept of delayed gratification is unpopular in the US; teaching children the benefits of this approach to purchasing is one way to help the adults of tomorrow be in a better financial position than the current generation.



Education is the key to helping all find financial comfort.

