

Financial Freedom Through Financial Literacy



Financial literacy, according to *Wikipedia*, is “the ability to understand finance in order to make informed judgments and effective decisions about the use and management of money.”

The month of April has been designated Financial Literacy Month. It’s also Teach Children to Save Month, sponsored by the American Bankers Association Education Foundation, and Community Banking Month, sponsored by the Independent Community Bankers of America.

There is no better time than now to re-evaluate financial needs and to make plans to meet financial obligations. While poor decisions and greed on the part of certain Wall Street firms led to the recent economic downturn, consumers also shoulder part of the responsibility for excessive credit debt and for living beyond their financial means.

Until recently, few schools incorporated financial literacy into their curricula. If today’s students are to make prudent financial decisions as adults, we must educate them in the fundamentals of financial decisions.

Today’s consumer needs to be able to make sound financial decisions, whether it involves saving, investing, credit debt or owning a home. We all need to understand that our financial decisions are our own responsibility, and that foolish financial decisions affect not only our own economic situations, but ultimately the overall economic stability of our nation ... as witnessed by the recent home mortgage debacle.

Financial literacy begins at home. Sit down with your children, and explain the basics of savings and credit decisions. While they may be looking forward to a trip to Disney World, they may need to understand that the trip is being postponed, because the vacation money is needed instead to replace the air conditioner, make repairs on the family car or invest in a new roof.

If you give your child an allowance, or if your teens earn their own money, encourage them to be financially responsible. You might consider raising their allowance significantly, but clarifying that you expect them to pay for all of their entertainment, cell phone, gasoline and clothing expenses. Making their own financial decisions accelerates their learning. The earlier children learn financial responsibility, the less chance that future generations will face a recession or depression.

Most important, be a role model to your children. Children imitate the actions of their parents. If they see you making wise financial choices, they will, too. If they see you overcharging your credit card and neglecting to build savings, they likely will follow suit. Parents are often reluctant to bring their children into financial discussions, for fear of distressing them. However, instilling a sense of financial reality into your children’s lives will help them grow into financially responsible adults.

We all make mistakes. If you find yourself in a financial predicament, you can find help by visiting your local nonprofit consumer credit counseling agency, which can offer budget consultation for free. If you opt for a credit management and repair program, be wary of the fees. These types of programs are often scams, and you may find that they cannot do any more for you than if you were to call the creditor yourself. When in doubt, you can always rely on your local banker for guidance.

For more information about financial literacy, log on to www.federalreserve.gov or www.fdic.gov, or visit your trusted banker.

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