THE MONEY MINDS

Guidebook

June 2024

AGENCY FOR MOBILITY AND EU PROGRAMMES

Co-funded by the Erasmus+ Programme of the European Union

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The training course was held in Zabok, Croatia from the 10th to the 17th of June 2024. There were 25 youth workers and volunteers from 7 partner organizations and 7 EU countries:

- Nezavisna udruga mladih, Croatia (hosting organization)
- Association of Citizens Cefe Macedonia Skopje, Macedonia
- Muhu Noortekeskus, Estonia
- Associação Mais Igual, Portugal
- Asociación Extremundo, Spain
- Stowarzyszenie YoWo, Poland
- PRISMS, Malta

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ABOUT ERASMUS+

Erasmus+ aims at boosting skills and employability and modernizing Education, Training and Youth work.

Education, training, and non-formal youth learning are essential to creating jobs and improving Europe's competitiveness. Over the last seven years, Erasmus+ provided €14.7 billion to strengthen education, training, youth, and sport in Europe, allowing more than 4 million young people to gain experience and skills by studying, training, or volunteering abroad.

The program also supported over 125,000 institutions and organizations to work with peers in other countries to innovate and modernize teaching practices and youth work. Together they helped ensure that young people and adults get the skills they need to succeed in today's world.

The general objectives of Erasmus+ contribute to the achievement of:

- *the objectives of the Europe 2020 Strategy, including the headline education target;*
- *the objectives of the strategic framework for European cooperation in education and training (ET 2020), including the corresponding benchmarks;*
- *the sustainable development of Partner Countries in the field of higher education;*
- *the overall objectives of the renewed framework for European cooperation in the youth field (2010-2018);*
- *the objective of developing the European dimension in sport, in particular grassroots sport, in line with the EU work plan for sport;*
- *the promotion of European values in accordance with Article 2 of the Treaty on the European Union.*

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INTRODUCTION

Success rarely happens just by luck.

Often times what we perceive to be luck is a result of hard work and putting ourselves into situations where we might get lucky. This worksheet helps you think about what other people have done to achieve financial independence so you have a better idea of what you should do.

Can I Achieve It?

You may think that financial independence is just for high earners, trust fund kids, and lottery winners, but there are tons of examples of people who have achieved financial independence on a regular income.

THE SURROUNDING TABOO MONEY

Discussing finances openly remains a significant taboo in many cultures around the world. This reluctance to talk about money, whether it stems from cultural norms, social etiquette, or personal discomfort, can have profound implications on financial literacy and personal financial management. Cultural and Social Roots: The perception of money as a private matter is deeply ingrained in many societies. In some cultures, discussing finances is seen as impolite or boastful, discouraging open conversations about financial successes or struggles. This attitude can perpetuate a lack of shared knowledge about financial management, investing, or saving, which are crucial for making informed financial decisions.

***Impact on Financial Literacy:** The taboo surrounding financial discussions often leads to a lack of education and awareness about financial management from a young age. When families avoid discussing finances, children miss out on early lessons in money management that are critical to their future financial health. This gap can lead to adults who are less confident in their financial decisions, potentially exacerbating issues of debt and financial insecurity.*

***Personal Finance as a Private Issue:** Many individuals view their financial status as a reflection of personal success or failure, which fuels the desire to keep financial matters private. Admitting to financial difficulties, or even discussing one's financial strategies, can be seen as exposing personal vulnerabilities. This stigma not only prevents individuals from seeking help or advice but can also lead to poor financial decisions made in isolation.*

***Consequences of Financial Secrecy:** The reluctance to discuss financial matters openly can have serious repercussions. Without open conversations about finances, individuals are more susceptible to fraud and scams due to a lack of shared knowledge about common pitfalls. Moreover, the stigma around discussing debt or financial challenges can delay or prevent people from seeking professional help, leading to situations where manageable financial problems escalate into crises.*

***Breaking the Taboo:** There are growing efforts to break down these barriers and normalize conversations about finances. Educational programs in schools, community workshops, and public awareness campaigns are increasingly addressing the importance of financial literacy. Financial advisors and counselors also play a critical role in encouraging open discussions about money and offering professional advice in a non-judgmental setting.*

THE IMPORTANCE OF FINANCIAL LITERACY TODAY

Financial literacy is crucial for several reasons, impacting individuals and the broader economy. Many people have heard about the term but do not so well understand what the term actually means and its importance. The following are some important factors on why financial literacy is so important.

Personal Financial Management: *Understanding basic financial concepts helps individuals manage their money more effectively. This includes budgeting, saving, investing, and understanding debt. With financial literacy, people are better equipped to make informed decisions about their finances, avoiding common pitfalls like excessive debt, financial scams, and predatory lending.*

Investment and Wealth Building: *Knowledge of financial instruments and markets can open up opportunities for wealth accumulation through informed investment choices. Financial literacy helps individuals understand different investment options, such as stocks, bonds, and real estate, and the risks associated with each.*

Retirement Planning: *Effective planning for retirement is more crucial than ever with increasing life expectancy and the shift from employer-sponsored pension plans to individual retirement accounts. Financial literacy empowers individuals to make prudent decisions about saving for their retirement years.*

Economic Stability: *On a broader scale, a financially literate society is likely to be more economically stable. Financial literacy reduces the likelihood of financial crises that can occur when large numbers of individuals take on more financial obligations than they can manage.*

Consumer Protection: *Educated consumers are less vulnerable to financial fraud and scams. Financial literacy equips people with the knowledge to discern legitimate financial opportunities from deceptive offers.*

Supporting the Next Generation: *Parents who are financially literate are more likely to pass on important financial knowledge to their children, thus setting the foundation for a financially educated generation.*

THE REALITY TODAY

In 2023, financial literacy levels across the European Union show significant variation among its citizens and member states. According to the Eurobarometer survey, only 18% of EU citizens exhibit a high level of financial literacy, while 64% have a medium level, and the remaining 18% display a low level of financial literacy. Notably, countries like the Netherlands, Sweden, Denmark, and Slovenia have more than a quarter of their population scoring highly in financial literacy (Finance) (European Union).

These results also underscore the importance of targeted financial education, particularly for groups that tend to have lower financial literacy levels, such as women, younger individuals, those with lower incomes, and those with less general education (European Union). The European Commission emphasizes the role of financial education not only in enhancing individual financial competence but also in protecting individuals from financial risks like over-indebtedness and fraud (Finance).

Additionally, the OECD's findings suggest that there are disparities in financial literacy across different demographic groups within the EU. People with higher education levels, higher incomes, and those who are employed tend to manage their finances better. However, only a minority of adults have a solid understanding of complex financial concepts like compound interest, indicating a significant gap in critical financial knowledge (euronews).

These statistics highlight the ongoing need for robust financial education programs to ensure all citizens are equipped to make informed financial decisions, reflecting broader European efforts to improve financial literacy and inclusion (Finance).

FINANCIAL ILLITERACY
AND POVERTY

Financial illiteracy significantly contributes to poverty and economic inequality, affecting individuals' ability to make informed financial decisions and manage resources effectively. This relationship between financial illiteracy and poverty is evident through several key dimensions, including income management, access to credit, savings, and investment opportunities.

Income Management and Budgeting: *Financial illiteracy often leaves individuals without the necessary skills to budget effectively, leading to poor money management. Without understanding how to allocate income towards expenses, savings, and debt repayments, financially illiterate individuals are more likely to spend beyond their means or fail to prioritize essential expenditures. This can result in an increased likelihood of financial crises, as unexpected expenses cannot be managed within their financial planning.*

Access to Credit: *Individuals lacking financial knowledge are often excluded from formal financial services or end up choosing costly borrowing options. They may not understand the terms of credit agreements, leading to unfavorable borrowing conditions, such as high-interest rates and fees. This can trap them in cycles of debt and poverty, as they take on more debt to manage existing liabilities, deepening their financial instability.*

Savings and Investments: *Financial illiteracy impacts the ability to save and invest effectively. Without knowledge of saving strategies and investment options, individuals may not build the financial buffers necessary to protect against economic shocks or to improve their economic standing. Moreover, they often miss out on the benefits of compound interest and the growth potential of investments over time, crucial elements for long-term financial security and wealth accumulation.*

Impacts of Financial Education: *Research demonstrates that targeted financial education can alleviate some of these issues. For example, programs aimed at improving financial knowledge and skills can help individuals better manage their budgets, understand credit products, and make more informed investment decisions. Such education is particularly crucial for vulnerable populations who might otherwise remain on the peripheries of financial systems.*

The Role of Policy and Regulation: *To combat the effects of financial illiteracy on poverty, governments and NGOs often implement policies aimed at increasing financial inclusion. These policies are designed to provide more accessible financial services, reduce the cost of banking and borrowing, and protect consumers from financial fraud and exploitation. For instance, many countries have introduced mandatory financial education in schools, aiming to equip future generations with the financial knowledge needed from a young age.*

Conclusion: *The linkage between financial illiteracy and poverty is a complex interplay of individual capability and systemic accessibility. While improving financial literacy alone is not a panacea for poverty, it is a critical component in a broader strategy to enhance economic equity and resilience. Programs that address financial illiteracy can significantly contribute to breaking the cycle of poverty, offering individuals and communities a pathway to financial stability and empowerment.*
Addressing financial illiteracy is not just about providing information; it is about creating environments where people can apply new knowledge to make better financial decisions. This holistic approach can potentially transform economically disadvantaged communities, giving them the tools to build a more secure financial future.

THE IMPORTANCE OF TEACHING FINANCIAL LITERACY TO YOUTH

Teaching financial literacy to youth is crucial for several compelling reasons, fundamentally shaping their ability to make informed financial decisions throughout their lives. Integrating financial education into the early stages of learning can have long-lasting benefits, both for individuals and society at large.

1. Building Fundamental Skills Early: *Financial literacy education helps young people acquire essential money management skills such as saving, budgeting, and understanding credit. These skills are foundational for personal financial health. When young people learn how to manage money effectively from an early age, they are more likely to avoid debt, save for emergencies, and invest in the future. This early education helps cultivate a mindset oriented toward financial planning and foresight.*

2. Enhancing Decision-Making: *Educating youth about finance improves their decision-making capabilities regarding money. It equips them with the knowledge needed to navigate financial products and services, from understanding the implications of a loan agreement to recognizing the benefits of different savings accounts. This knowledge is critical in a world where financial products are increasingly complex and pervasive.*

3. Preventing Financial Problems: *Financial literacy is key to preventing young people from falling into common financial pitfalls, such as high-interest debt and predatory lending practices. Knowledgeable individuals are less likely to fall victim to scams or to engage in risky financial behaviors that can lead to significant economic hardship or insolvency.*

4. Economic Empowerment: *By understanding financial principles, young people are empowered to take charge of their financial future. This empowerment fosters greater independence and confidence in managing personal finances, contributing to overall economic stability and growth. Financially literate individuals are more likely to contribute positively to the economy through higher savings rates and more informed consumer spending.*

5. Reducing Socioeconomic Inequalities: *Financial literacy can play a role in leveling the socioeconomic playing field. By providing all young people with access to quality financial education, regardless of their background, there's potential to reduce economic disparities. This education ensures that everyone has the opportunity to build a solid financial foundation, regardless of their family's economic status.*

*6. **Supporting National Economic Health:** On a broader scale, financial literacy among youth contributes to the overall economic health of a country. A financially educated population is less likely to suffer from economic crises driven by poor personal financial management on a mass scale. Moreover, these individuals are more likely to invest in their local economies, support small businesses, and contribute to economic innovation.*

*7. **Adapting to Economic Changes:** The financial landscape is continually evolving with technological advancements and global market changes. Financial literacy equips young people to adapt to these changes, including the rise of digital currencies, online banking, and the increasing importance of global economic awareness.*

In summary, integrating financial literacy into youth education is not just beneficial—it's essential. It equips young individuals with the necessary tools and knowledge to navigate a complex financial world, enhances their personal economic prospects, and contributes to the broader societal goal of economic stability and prosperity.

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