

MODULE 1 - FINANCIAL LITERACY

UNIT 1.1 - The meaning of financial literacy

<p>LESSON INTRO</p>	<p>What are we doing today? > Today we are learning what does financial literacy mean, what is personal finance and especially why do you have to learn about financial literacy in your everyday life.</p> <p>What soft skill am I going to acquire today? Critical Thinking; Decision making; Risk assessment and empowerment through knowledge.</p>
<p>PREVIOUS ASSIGNMENT(s) CHECK</p>	<p>N/A</p>
<p>INTRODUCTION TO THE TOPIC</p>	<p>Financial literacy is a fundamental skill encompassing the knowledge and capabilities to comprehend the workings of money, manage personal finances, and make informed financial decisions. This proficiency is vital for informed financial decision-making, reducing financial stress, and achieving financial goals.</p> <p>The initial step in financial literacy entails grasping the essentials of personal finance, such as establishing a budget, monitoring expenses, and distinguishing between necessities and desires. Budgeting forms the cornerstone of personal finance, entailing the creation of a spending plan. Expense tracking ensures that spending aligns with the budget. Necessities encompass vital items like food, housing, and clothing, while desires encompass non-essential yet desirable items like entertainment and vacations. Recognizing this distinction aids individuals in prioritizing spending.</p> <p>The subsequent step in financial literacy revolves around comprehending the array of financial products and services available, including checking and savings accounts, credit cards, loans, and investments. Understanding the mechanics, fees,</p>

	<p>and benefits of these products is essential for informed decision-making. For example, evaluating the benefits and risks of investing in stocks enables individuals to determine their suitability for the stock market. Familiarity with credit card fees and interest rates aids in selecting the most suitable card.</p> <p>In summary, financial literacy is an indispensable skillset involving grasping the fundamentals of personal finance, including budgeting and expense tracking, as well as comprehending diverse financial products and services. This skill empowers individuals to make informed financial decisions, alleviate financial stress, and attain financial objectives, fostering confidence and control over their financial futures.</p>
<p>GENERAL THEORY</p>	<p>Financial literacy encompasses a multifaceted set of skills, knowledge, and behaviors that empower individuals to make well-informed and effective decisions concerning their finances. It involves an understanding of fundamental financial concepts and risks, as well as the cultivation of skills, motivation, and confidence necessary to apply this knowledge across a spectrum of financial situations. These capabilities enable individuals to make sound financial choices that enhance both their personal and broader societal financial well-being.</p> <p>Financial literacy equips individuals with the ability to navigate the intricacies of the financial system, make prudent financial decisions in various life contexts, and effectively manage their financial resources. This includes the capacity to discern and evaluate financial choices, plan for future financial objectives, allocate resources wisely, and skillfully address the financial challenges that life may present, such as job losses, retirement savings, or funding a child's education.</p> <p>Moreover, financial literacy extends beyond individual competence, encompassing a broader capability known as 'financial capability.' Financial capability not only comprises skills, knowledge,</p>

	<p>and tools for making individual financial decisions but also encompasses the accessibility and utilization of financial products and services to achieve one's financial goals.</p> <p>In essence, financial literacy reflects an awareness and comprehension of financial matters that empower individuals to confidently and competently take effective actions aligning with their personal, familial, and societal financial objectives. It is a vital skill set that fosters financial well-being, facilitates participation in economic life, and supports the achievement of both individual and collective financial goals.</p>
<p>REGIONAL THEORY</p>	<p>In Italy Financial literacy is measured by a summary indicator that aggregates three dimensions: knowledge, behaviors and attitudes. Elementary data for the 2017 and 2020 editions of the survey are distributed anonymously by the Banca d'Italia for research purposes; those for the 2023 edition will be released in the coming months.</p> <p>The survey for 2023 involved a sample of just under 5,000 individuals aged 18-79 years residing in Italy. The survey was conducted in February and March using telephone interviews (Computer-Assisted Telephone Interviewing). The main results are presented in the Report 'Surveys on financial literacy and digital finance skills in Italy: adults, edited by S. Lamboglia, M. Marinucci, M. Stacchini and P. Vassallo Statistics, Bank of Italy. Methodological aspects are published on the OECD website. The results of the international comparison will be released in the coming months.</p> <p>Source: https://www.bancaditalia.it/pubblicazioni/indagini-alfabetizzazione/2023-indagini-alfabetizzazione/statistiche_AFA_20072023.pdf</p>
<p>EXAMPLES (BOTH REGIONAL AND NON-SPECIFIC)</p>	<p>Some examples of why is it important to be financially literate</p> <p>1. Creating and managing a budget: A person with financial literacy may track their monthly income and expenses, set aside a specific amount for savings, and make strategic decisions about where</p>

	<p>to allocate their money. For example, they might budget a certain amount for groceries, entertainment, and transportation expenses, and adjust their spending accordingly to meet their goals.</p> <p>2. Saving for financial goals: An individual with financial literacy might set a goal to save for a down payment on a house. They would research different saving strategies and set aside a certain amount each month to contribute towards their goal. By understanding the importance of saving and how it helps them achieve their desired outcome, they are practicing financial literacy.</p> <p>3. Investing wisely: Someone with financial literacy might research and understand various investment options, such as stocks, bonds, and mutual funds. They would consider factors such as risk tolerance, time horizon, and diversification when deciding how and where to invest their money. By making informed investment choices, they are demonstrating financial literacy.</p> <p>4. Managing debt responsibly: Financially literate individuals understand the implications of borrowing money and actively manage their debt. They may calculate the interest rates on loans, prioritize paying off high-interest debts first, and avoid taking on excessive debt. By making informed decisions about borrowing and paying off debts, they showcase their financial literacy.</p> <p>5. Making informed financial decisions: Financially literate individuals research and understand financial products and services before making decisions. For example, they compare credit card interest rates and fees, read the fine print of loan agreements, and compare different savings accounts to find the one with the highest interest rate. By taking the time to gather information and make informed choices, they exemplify financial literacy.</p>
<p>HANDS ON EXPERIENCE</p>	<p>Financial Literacy Quiz</p> <p>What is the primary focus of financial literacy?</p> <ul style="list-style-type: none"> a. Earning more money b. Managing personal finances c. Investing in stocks

d. Owning a home

Which of the following is a soft skill acquired through financial literacy?

- a. Ability to invest
- b. Make money transfers
- c. Critical Thinking
- d. Problem solving

What is the first step in financial literacy according to the lesson plan?

- a. Investing in stocks
- b. Creating a budget
- c. Opening a savings account
- d. Paying off debt

What is the main purpose of budgeting in personal finance?

- a. Increasing debt
- b. Tracking income only
- c. Planning how to spend money
- d. Ignoring expenses

Which of the following is considered a financial necessity?

- a. Vacation
- b. Entertainment
- c. Food
- d. Designer clothing

Financial capability includes:

- a. Only financial knowledge
- b. Access to financial products and services
- c. Saving money in a piggy bank
- d. Personal investment in stocks

What is the purpose of financial literacy in Italy?

- a. To track credit card spending
- b. To encourage borrowing money
- c. To measure knowledge, behaviors, and attitudes
- d. To promote excessive saving

Why is it important to be financially literate, according to the examples provided?

- a. To accumulate as much debt as possible
- b. To invest in high-risk stocks

	<p>c. To make informed financial decisions d. To avoid saving money</p> <p><i>Answers:</i></p> <p><i>b. Managing personal finances</i> <i>c. Critical Thinking</i> <i>b. Creating a budget</i> <i>c. Planning how to spend money</i> <i>c. Food</i> <i>b. Access to financial products and services</i> <i>c. To measure knowledge, behaviors, and attitudes</i> <i>c. To make informed financial decisions</i></p>
DISCUSSION	How much do you feel financially literate? How and where did you gain previous knowledge?
FEEDBACK AND OTHERS	Remember to leave room for questions not strictly pertaining the discussion topics!!
ASSIGNMENTS	Develop a brief roadmap, in a format of your choice, describing your level of financial literacy and set 3 goals for yourself in order to improve it. Try to match those goals with the expectations you have towards this course.