

## **Why do you think financial literacy is important? What steps should be taken to improve the level of financial literacy, especially amongst young people?**

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Did you know that tax rebates are simply an interest-free loan to the government of a country? Neither did I, which is surprising considering I have spent a third of my life studying Economics and Accounts, in addition to enrolling as an ACCA student. It fascinates me how even young adults who have studied subjects which intertwine with finance, are still so financially illiterate.

Financial literacy can be described as having the know-how to personally manage your finances and budget your spending and savings. That being said, it involves being fiscally responsible in order to achieve, to some degree, financial stability.

A lack of financial literacy can wreak havoc on a person's financial standing and credit rating, and consequently on their lives. A google search reveals that a majority of young adults, termed millennials, are insecure about their finances and are not financially stable. These insecurities are said to lead to poor spending habits and anxiety in their lives. In addition to this, surveys show that an estimated €1279 were lost per person during 2019 due to financial illiteracy. Under the assumption that roughly 40% of the world is financially literate, this amounts to nearly €4 trillion lost for one year. That money could have been used to end world poverty, or to stop the spread of Australian wildfires, or even to minimize the growing national debts on a global scale.

Nowadays, people manage their own retirement accounts, trade personal assets online, and carry student, medical, credit card, and mortgage debts. Teenagers and adults alike have the right to be equipped with the financial education to be able to evaluate their monetary decisions, especially since as consumers we are shouldering more responsibility. Financial literacy is also becoming vital because of the wide range of financial products, which people are finding harder to interpret. Furthermore, the increasing life span means that individuals need more money than past generations for retirement, and poor spending habits only serve as a detriment to this.

All in all, the above reasons outline the severe importance of financial literacy in today's world. However, being aware of the problem is only the foremost step. How can we implement financial literacy modules in education systems? Who should have access to these modules, and should they be held against payment? What learning materials will be offered and what subject of financial literacy will the module specifically deal with?

In my honest opinion, financial literacy modules should be conducted during high school or secondary education, getting progressively harder as the student nears graduation. Youths are more likely to retain this information if the module is thought using a real-life element or simulation. This would integrate a financial component in their education which is necessary to proceed to subsequent levels of education. Financial literacy is becoming as important as Maths and English, so it should be treated in a similar manner. For young adults or millennials, external institutions should be set up online to facilitate learning, and a scheme similar to the Get Qualified scheme in Malta could be applied to financial literacy modules.

The modules should cover the basics, ranging from the different types of financial institutions, to obtaining a loan or credit card, different types of debt and personal budgeting plans. For older audiences, foundations of investing could also be proposed. However, the material used in the module should be objective and used for the sole purpose of informing people, as opposed to pushing an agenda.

There is no doubt that the modules will initially be far from perfect, which is why a survey should be conducted towards the end of the module to establish a feedback loop to educational institutes. Constant improvements in the module and its content will have a ripple effect; consumers would see signs of a recession coming before it hits. They will be able to manage their spending habits and budget accordingly, while being aware of abusive financial practices around them. After all, money makes the world go around.

Educating a mass population on financial literacy will not be easy. We will be faced with many challenges, and resistance from Finance giants, but we have to persevere. We could live in a future where people are confident with their finances and therefore focus their energy on family, hobbies and the environment; the parts of life which money does not buy.