

Invest + Competition Entry

Putting “Financial literacy” and “youth” in the same sentence is like a glass of orange juice after brushing your teeth - they just don’t go together. The OECD defines Financial literacy as a “combination of awareness, knowledge, skill, attitude and behaviours necessary to make sound financial decisions and achieve individual financial well-being”. While I am sure there exist young individuals that are mindful of how they use their money, I believe that many are short-sighted and fall-victim to instant gratification. Instant gratification comes in many forms; it is that €5 cup of Starbucks coffee when you have perfectly good coffee at home, that holiday to Rome which is the second holiday this month, or that taxi-ride home instead of using the bus or car-pooling. Note my wording, a flight to Rome or an expensive coffee does not make someone careless with their money as a little bit of self-care is needed and well-deserved from time to time. What makes a person irresponsible with their money is lack of planning and treating money as if it was some type of spontaneous currency. According to a research project held in 2018, titled “Financial literacy in Malta”¹, which forms part of an international OECD study; a notable 21% of adults believe that money is there to be spent, 20% disagree with this statement and 59% neither agree or disagree with this statement.

It is evermore clear that work needs to be done in order to educate and better prepare the youth to meet the demands of tomorrow. There are many methods by which one can teach financial literacy. It can be taught by example, through a well-executed presentation, it can be self-thought, or it can be learned at school in class. The OECD's Principles and Good Practices for Financial Education and Awareness² state that, “Financial education programmes should be designed to meet the needs and the financial literacy level of their target audience, as well as reflect how their target audience prefers to receive financial information”. The self-thought method is only learned through experience and this is achieved through trial and error, and is generally not the best way for the youth to learn about financial literacy as they do not have a stable stream of income (apart from their parent’s, which they take for granted) to experiment with. Ideally, it is thought by example by one’s parents, however this method too has its flaws as not everyone comes from a family with sound money-management skills. The only way to give the youth a fair-chance at learning the skills needed to manage money is if it is learned at school, at an early age, and ideally through hands on exercises and assignments. It is imperative that we teach the right lessons to the youth, as learning about the history of money is fun, but when designing these types of lessons one needs to keep practicality in mind.

Having a set of study units that cover the fundamentals of financial literacy is the way forward, but this is no easy feat. Before one can teach the youth, we need to teach the teachers. Furthermore, not only do we need to teach the teachers, we must also ensure that there is an adequate supply of teachers, so that every school will be equipped to teach its students. Teachers must be given all the specific information and the tools they need to

¹ <https://www.slideshare.net/mfcsmalta/oecd-research-findings-presentation>

² <http://www.oecd.org/daf/fin/financial-education/35108560.pdf>

teach the subject, and there must be adequate policy in place that attracts, develops, and retains effective teachers. Thus, teachers should be the subject and core focus of Government public policy, and a lot of energy would need to be invested in developing policies that will strengthen the teacher work-force as this will eventually translate into a higher level of financial literacy amongst the youth. Financial literacy does not need to be a stand alone subject, it can be part of various subjects such as Mathematics, English and even Science. For instance, Financial literacy with English can be used to study the choice of words used by advertisers and how they can influence people to make purchasing decisions they would otherwise not make, and Maths can be used to question students how much an item would cost after a January sale discount of 35% is applied. There is also an opportunity to introduce an online portal that is regularly updated with material that needs to be covered and is made accessible by both teachers and students.

The path forward is clear as if we take care of the teachers, the teachers will take care of the students, and the students will make more financially sound decisions. The adults of tomorrow will know how to keep their spending on track and their days of seeking instant gratification will be long gone. They will set financial goals and they will be better-informed about the various financial instruments that exist and they will know how to use them to their advantage. Furthermore, they will carry on the knowledge and pass it on to their children and their younger relatives. The result of such effort is a society that makes more financially sound decisions as more people are aware and better informed of what it means to be financially literate.

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