FINANCIALLY LITERATE: HOW TOS

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With the World Health Organization (WHO) declaring that the ongoing pandemic will not end anytime soon, how has people all over the world responded to it financially? When the COVID-19 pandemic broke, the Philippines is one of the many countries that was badly hit, and up until today, a lot of companies, big and small, are closing due to financial incapacities which, then, resulted to people losing their bread and butter. Are you part of those people who are struggling to make ends meet or are you part of the other half who are thriving?

Financial literacy, consistent with Investopedia, is “the ability to know and effectively use various financial skills, including personal financial management, budgeting, and investing.” What does one do when once you receive your monthly salary? Do you treat yourself to fries and iced coffee every day or do you save half of it right away? Why chose when you can do both? Being financially literate is a personal journey and the inclusion of financial education in the basic education curriculum would be of great help in this journey. Financial Education would be a great tool to build a solid foundation for the young ones to utilize as earlier as they can.

Working in the government for several years now, I saw other employees struggling with their finances. Net take home pays not yet earned already promised to creditors. ATM Cards are held as collaterals for loans. Loans paid with loans paid with loans. Even in their retiring age! Some retirees receive their terminal leave pay to pay for loans accumulated. I was thinking to myself I didn’t want that to happen to me when I get old, so, I started to look for ways to protect my income and increase it through savings
and investments at a young age. Here are a couple of things to assist you in your journey to financial literacy:

Pay yourself first

Truly, being financial literate starts with oneself. Paying yourself first does not mean buying everything all at once. It means, paying off debts, saving, and investing to give yourself peace of mind. I, for one, personally have invested in education. Different seminars regarding financial literacy have been widely available, books about investments are within easy reach, research and study of different financial markets are up, and with this pandemic right now, a lot of financial advisors and mentors have switched to several social media platforms like YouTube and TikTok and even conduct Zoom classes which makes it easily accessible for everyone. Keep improving yourself.

The Money Jar System

Money is emotionally charged and how you spend it reveals what your priorities are. With this system, you get to enjoy the present while preparing for the future. It is a non-restricting budgeting system to track where your income and expenses go. The Money Jar System consists of 6 different jars, namely, Necessities Jar, Financial Freedom Jar, Long-term Savings Jar, Education Jar, Play Jar, Give Jar. These jars can be customizable depending on your current money situation. Insurance premiums and emergency fund belong to the Necessities Jar; Emergency fund is just as important as your savings and investments.

Increase Cash Flow

It is nice to have a stable source of income but with the rapidly increasing inflation rate, it is difficult to maintain even just an average cost of living nowadays. Find side hustles you have adequate knowledge of, take action, then, execute. It is better to increase
your income than to cut down on your expenses. Your relationships are just as important in increasing your cash flow.

The Power of Compounding

Saving and investing at a young age is the best time to do so as it gives you a greater leverage for possible blunders if done later. When money is put at work earlier, it gets the chance to grow bigger overtime.

Practice Gratitude

What you have right now can be multiplied a thousand-fold if you are grateful for it.

Being financially literate is choosing what truly matters, by setting your REAL priorities. It’s exposing your biggest WHYs, your beliefs around money. Pandemic or not, the importance of being financially literate should never be taken for granted. Being financially literate starts with YOU.

References:
