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“The Importance of Financial Literacy”

Financial literacy is being smart about finances. It means having the knowledge and skills to make decisions about money. Money is something you may not think about very often, but without it your life would be in turmoil. Money determines what you eat, where you sleep, even your Christmas present. You can be smart about money by only buying things you need, saving the money you do get and not spending more than you earn. Following these three simple rules now will make a huge impact on the amount of money you have later.

Buying only the things you need is hard. Often we want things that we don't necessarily need. There's also a fine line between absolute necessities and luxuries that we don't often think about. For instance, we use spoons every day and probably don't even think about it. How would we have cereal in the morning or pudding at dinner? It's easy to tell when things are necessary. It's hard to tell when they're not. In winter, we do need boots to prevent frostbite, but it's not necessary to buy \$200 Uggs. Cell phones certainly aren't necessary for survival, but they *are* very helpful in the twenty-first century. When making a less obvious decision such as this, you would be better off with a more practical option and a basic plan. Knowing the difference between necessities and impractical things helps a lot while trying to save money.

As kids, money doesn't really worry us. We tell our parents we want something, and most of the time they buy it for us with *their* money. Personally, I don't have a job or an allowance, which means that I don't have a way of making or earning money. When I do get money, I put it in my savings account desperately hoping that I won't regret not buying the latest iPod. Saving money is important. If everybody spent the money they got the moment they got it, our economy would be ruined. Paychecks

only come once every couple weeks; that means surviving with no money for thirteen days (not good). Saving money is very important to financial literacy, especially if you buy things on a regular basis.

The reason debt exists is people buy things that they don't have the money for. The key to avoiding debt is to take what you earn, spend the majority of it on necessities, take a small portion for things you want and then save the rest. This way you never spend more than you have. If you do spend more than you have, work to pay it back fast. A lot of times banks and credit card companies charge you \$2 for every \$1 you've borrowed. The longer it takes you to pay it, the more interest they can pile on you. Spending more money than you have is an overall horrible idea.

As 12 to 13 year olds, a lot of us don't even know what financial literacy means. However, it's just as important as math or social studies because it will determine what we do with our lives. By spending your money on practical things, saving it and staying on top of how much you spend you can have both financial literacy and financial security. If you do these things, I'm almost positive that your life will be happier. I'm not saying that money can buy happiness, but I am saying that being smart with your money will dramatically decrease the amount of stress you have in your life, and less money related stress *will* take a load off your shoulders.