



Edventurous
Leadership

GLOBAL CITIZENSHIP

Financial Literacy Module

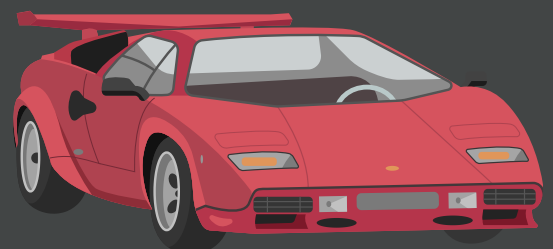
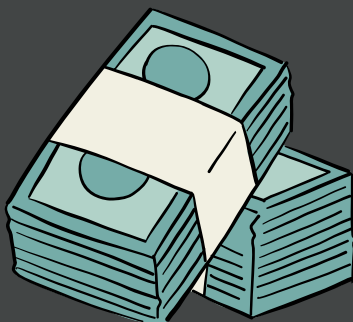
All resources download



How do I define financial success?

I would like to own my own home by the time I am 50, and have enough money to comfortably retire 5-10 years after that whilst maintaining an enjoyable lifestyle inclusive of holidays and spoiling loved ones.

Prior to that in the more medium term, I would like to have enough buffer (6 months) such that I am not reliant on any employer and therefore have the flexibility and comfort to know I could stop working for a period and not be immediately in trouble. Finally, I would like to work towards owning my dream car, a 'Ford Mustang Shelby GT500'.



The Benefit System Factsheet

There are various benefits and financial support available if you are looking for work, out of work, affected by redundancy, disabled or sick. Some of the key supports available are;

1. Universal Credit; is a benefit payment to help with living costs and is paid monthly. You may be able to get it if you're on a low income or out of work.
2. Jobseeker's Allowance (JSA) is to help you when you look for work. You may get Jobseeker's Allowance (JSA) if:
 - a. you're 18 or over (some exceptions if you're 16 or 17) and under State Pension Age
 - b. you're not in full-time education and
 - c. you live in England, Scotland or Wales and
 - d. you are available for work and you are actively seeking work and
 - e. you work (on average) less than 16 hours per week
3. Employment and Support Allowance is available if you are unable to work due to illness and/or disability.
4. Disability Living Allowance is a tax-free benefit for disabled people who need help with getting around outdoors, and/or personal care indoors, although this is in the process of being replaced by Personal Independence Payments.
5. New Enterprise Allowance could provide mentoring and a grant to help you start your own business. You may be eligible if you're over 18 and either:
 - a. you or your partner get Universal Credit, Jobseeker's Allowance or Employment and Support Allowance
 - b. you get Income Support and you're a lone parent, sick or disabled

For further details refer to the government website or citizens advice.

**Government
information**



**Citizen's
advice**



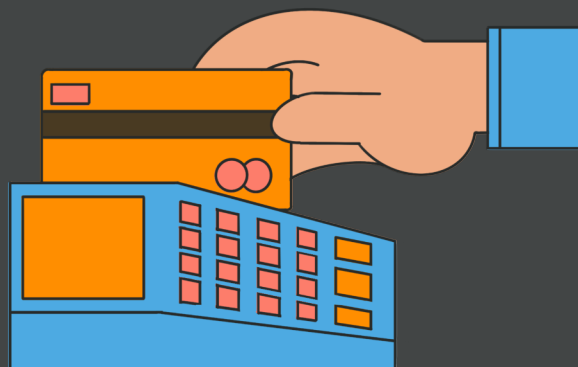
Spending

Spending sounds like the 'bad' category, but it is vital in our day to day lives.

Where we need to differentiate is between our **necessary spend**, which is things that we need (food, shelter, clothing and paying debt) and our **discretionary spend**, which is the things that we want (holidays, coffee, dinners at restaurants).

Again, of those, discretionary spending sounds like the 'bad' category – but its important that we enjoy ourselves and do buy things that we want – for our sanity as much as anything.

But how we go about doing that is important, and we'll cover that when we come to talk about budgeting.



Saving

Saving sounds like the 'good' category, but that's very dependent on how and where we save.

If we save everything in a current account which earns us 1% interest, but inflation is running at 2% or higher, the value of your savings is actually decreasing each year! Whilst your balance will of gone up 1%, the relative spending power will of gone down, as the average prices have increased 2%. So how and where we save is so important.

There is also liquidity to consider, ie/ how quickly we can access our money. Whilst a current account doesn't earn much in the way of interest, we can access our money immediately, which is important for emergencies, such as car trouble.

If all of our savings were locked into an ISA (individual savings account, a scheme allowing individuals to hold cash, shares, and unit trusts free of tax on dividends, interest, and capital gains) earning a nice 3-4%, this might be locked in for a period of time, which means we couldn't access that money in our time of need. Therefore again, differentiation is important.



Investing

When you have money available after all your needs are met, it's important that you put your money to work, and that's best done through investing.

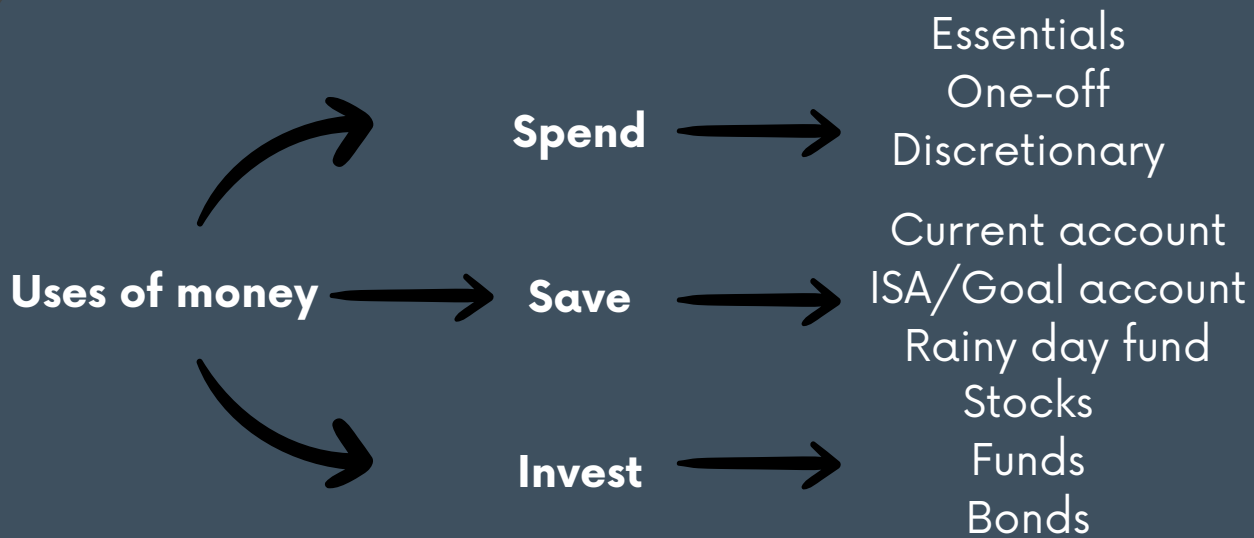
This can take the form of stocks, bonds or funds.

Ultimately, an advisor can invest your money for you, and you only need to advise on your risk appetite, ie/ low, where you'll get the lowest % return, but your money is safest, or high, where you'll get the highest % return, but your money is most at risk.

Investing can bring you many benefits, such as helping to give you more financial independence. The main benefits of investing likely to show over the medium-to-long term - before you are ready to invest it's worth making sure that your immediate financial circumstances are in the right shape.



Budget Cheat Sheet



Core concepts

Pay yourself first

Putting a portion of your pay into your savings, emergency or other goal-based savings before doing anything else. After a month or two, you likely won't even notice this sum is "gone" from your budget.

Emergency fund

A solid financial cushion is to have three months' essential outgoings available in an instant access savings account

24 hour impulse

If you really want to buy something, think on it overnight. If you still want it the next day, go for it! If the feelings subside - you've saved some money.

Debt spiral



Paying down debt

Avalanche Method

- Pay off your debt with the highest interest rate first and then the next highest etc.
- Pros
 - Saves you money
 - Can help you pay off debt faster
- Cons
 - Can be harder to stay motivated if you don't see quick progress



Snowball Method

- Pay off your debt with smallest balance first and then the next smallest, and so on.
- Pros
 - Get an immediate confidence boost
 - Quick reduce the number of accounts with balances
- Cons
 - Doesn't necessarily get rid of your most expensive debts first



Consumer rights and disputes

Consumer rights are what protect you when you buy goods and services, irrespective of the provider. They are very detailed, and can be read within the Consumer Rights Act 2015, but can be summarised as below. As consumers;

- We DON'T have the legal right to change our minds. Shops might have a policy that we can, but we do not have a legal right if we later decide we don't like the size, colour or performance, unless the goods are faulty. Online shopping is somewhat different, and in most instances we have 14 days.
- If items are faulty, we DO more often than not be entitled to a refund, or if not a repair or a replacement. Contrary to belief, you don't always need a receipt – but proof of purchase, which can include a bank statement.

Other considerations are that;

- We SHOULD consider paying for items over £100 by credit card, as that provides extra protection. The credit card company is then jointly liable with the retailer if something goes wrong.
- You can always ASK for refunds or replacements, either without legal rights. Companies reputations are important, so in the right circumstances they could be well inclined to help you.



Financial contracts

Every time you purchase something in the UK, you are creating a contract with the seller, who in turn has agreed to provide you your 'statutory rights'. Purchased goods must meet certain criteria in line with the Consumer Rights Act 2015, which can be helpfully summarised within the following acronym – 'SAD FART!', courtesy of Martin Lewis;

Satisfactory Quality

As

Described

Fit for Purpose

And last a

Reasonable length of

Time!

Other points of note include;

- The rules under the act are not as strong from private sellers
- When returning goods, if they refer you to the manufacturer, that is nonsense! Be persistent.
- If they are denying your request, if you reference the Consumers Right Act 2015, that can be quite powerful.
- When goods are faulty, you might have upto 6 months to return them, regardless of what the receipt or policy says.
- There are exceptions to the rules above, including fresh food, flowers, taxis, auction items etc, but they are in place for 90% of items.

Key budgeting takeaways

Check if you have any unused subscriptions

Create a food plan ahead of going food shopping

Sell your unwanted clothes and gadgets on ebay or vinted

Consider how much work time it costs you to buy an item of interest

Make a packed lunch for when you go out.

Organise nights in with friends and family

Walk/cycle instead of driving on shorter journeys

Block notifications from shops and takeaways

Eat the food you buy!

Pick up free or cheap items on facebook marketplace

Challenge yourself to come up with fun on a budget

Consider affordable alternative holidays like camping

Don't leave electrical goods on standby

Take advantage of free resources like libraries

