



# PENNSYLVANIA ASSOCIATION OF COMMUNITY BANKERS

THE VOICE FOR COMMUNITY BANKING IN PENNSYLVANIA SINCE 1876

## Consumer Tips April 2010:

### The Way to Financial Freedom is Through Financial Literacy



**Financial Literacy**—The ability to understand finance in order to make informed judgments and effective decisions about the use and management of money.

(Source: Wikipedia).

The month of April has been designated Financial Literacy Month. There is no better time to sit down and re-evaluate your financial needs and your plan to meet your financial obligations.

While the majority of poor economic decisions and greed by financial firms on Wall Street and the large megabanks led to our recent economic downturn, we consumers also shoulder part of the blame as well for poor financial decisions involving credit debt and living beyond our means in homes we could not afford.

Up until the last few years, few schools incorporated financial literacy as a component of their classroom curriculum. If our students are to make wise financial decisions as adults, we must do a better job of educating them in the fundamental elements of financial education while they are young.

Today's consumer needs to be equipped with the knowledge to make important financial decisions, whether it be saving, investing, credit debt or owning a home. We all need to understand that our financial decisions are our responsibility, not the government's or anyone else. If we make foolish financial decisions, it affects not only our economic situation; it ultimately affects the overall economic stability of our nation, as witnessed by the recent home mortgage meltdown.

Financial literacy begins at home. Sit down with your children and explain the basics of savings and credit decisions. While they may be looking forward to that trip to Disney World, they may need to understand that the trip needs to be postponed because the vacation money is needed for replacing the air conditioner, major repairs on the family car or putting on a new roof before the next downpour.

If you give your child an allowance, or if your teens earn their own money, encourage them to be financially responsible. You might consider raising their allowance significantly, but telling them that you expect

them to pay their entertainment, cell phone, gasoline and clothing expenses. Making their own financial decisions accelerates the learning. The earlier children learn financial responsibility, the less chance future generations will have to worry about a recession or worse, a major financial depression.

More importantly, be a role model to your children. Children imitate the actions of their parents. If they see you making wise financial choices, they will too. If they see you charging everything to a credit card and putting nothing in savings, they will probably imitate that as well. Parents are often reluctant to bring their children into financial discussions for fear of alarming the children or perhaps making them feel that you can't "keep up with the Joneses". It is far better to instill a sense of financial reality into your children's lives so that they will grow into financially responsible adults.

We all make mistakes, both in life and in our finances. If you find yourself in a financial predicament, you can find help by visiting your local non-profit consumer credit counseling agency. They can offer you advice and budget consultation for free. If you opt for a credit management and repair program, be careful of the fees. These types of programs are often scams and you'll find that they cannot do any more for you than if you were to call the creditor yourself.

To learn more about financial literacy, log on to [www.federalreserve.gov](http://www.federalreserve.gov). or [www.fdic.gov](http://www.fdic.gov). or visit with your local independent community banker.

*This information is provided with the understanding that the association is not engaged in rendering specific legal, accounting, or other professional services. If specific expert assistance is required, the services of a competent, professional person should be sought.*

**Provided as a public service by the  
Pennsylvania Association  
of Community Bankers.**