

# The basics of financial literacy, what it is and why it's important

Blog

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“Financial literacy” refers to the knowledge and skills required to make informed and effective decisions regarding your personal finance. Being financially literate is an essential skill that everyone should possess, irrespective of their financial status. It helps you manage your money better, plan for the future, and avoid falling into debt traps. In this blog series, we'll run through the basics of financial literacy and how you can become financially independent and on top of your money. Explaining why it is important, and how you can improve it. There are multiple tools and sites that can be extremely helpful for people either trying to manage their finances or debt repayments.

We will be covering each of the topics below, releasing one a month so make sure you've signed up for our newsletter so you don't miss the next article.

### **Benefits of being financially literate**

In this article, we will run through how being financially literate has advantages such as improving financial planning, managing debts, building a good credit score, and enhancing your financial well being. Financial literacy enables you to create a financial plan with goals and objectives, make informed decisions about credit usage and loans, pay off debts in a manageable way and avoid debt traps, which is when one becomes trapped in a vicious cycle of borrowing, struggling to repay and then possibly borrowing more to try to settle older debt. So, being financially literate can reduce related stress and anxiety and improve your quality of life.

### **Ways to improve your financial literacy**

In this piece, we will explain that improving your financial literacy and working towards your goals is an ongoing process that can help you make more informed decisions about money. There are many different ways to improve your financial literacy; for example, you could attend workshops and seminars, take online courses, or even speak with a financial advisor. Other ways which may be cheaper and more accessible include creating a budget, using financial apps/tools, and staying informed on the latest financial news and trends.

### **How can I pay off debt?**

We are going to cover the ways and methods that you can become financially stable. Being in debt is one of the biggest financial challenges many people face. To tackle this problem it is essential to prioritise debts based on interest rates and deadlines, create a budget plan that aligns with your financial goals, and avoid unnecessary expenses. Seeking help from a financial advisor is also an option worth considering as there are free services at hand to assist in managing debts. Sometimes it can seem as if you are on your own but there are people and services available to help you get through it, so ensure you keep your eyes out as we will be listing these in this instalment of the series.

## **Budgeting to live within one's income and avoiding debt**

Learning how to budget is an essential tool for living within one's income and avoiding debt. However, it can be unclear how to do so or where to start and in this article we will be running through exactly that. By creating a budget, you can track your expenses and ensure that you are not spending more than you earn. It allows you to prioritise your spending and identify areas where you might be able to cut back on expenses. Living within your means helps you to avoid accumulating debt, which can quickly spiral out of control and lead to financial stress. Additionally, by minimising reliance on debt you can maintain a good credit score, which is essential for obtaining loans or credit in the future, should you wish to do so, e.g. If you are taking out a mortgage on a home or trying to lease a car.

## **How can I build a credit score while managing debt?**

Maintaining a good credit score is crucial for obtaining loans and credit cards. To achieve this, ensure you make payments on time each month, keep your credit utilisation ratio below 30%, and regularly monitor your credit report to identify errors or fraudulent activity. It is essential to review your outgoings regularly to keep track of your payments and ensure that your credit score stays healthy. Being in debt doesn't mean you can't improve your credit score, following the steps above can help you build back that credit score. If this is something that is affecting you, definitely keep your eyes out for this instalment.

## **How to obtain student loans and mortgages**

If you are currently researching the best option for your student loan we recommend you read this article when it is released. Some of the initial steps you could take are to consider interest rates, repayment terms, and fees. Complete all paperwork and submit it on time. Additionally, you should enquire within your school/university for free advice and help. For mortgages, determine how much you can afford and research lenders for the best deal. Complete a thorough mortgage application with accurate financial information. Consider seeking the help of a mortgage advisor who can explain your financial situation and explain clearly what you can and can't afford.

## **How to identify fake financial schemes and scams**

In this article we will be delving into why it is important to identify fake financial schemes and scams by being cautious of offers that seem too good to be true, being wary of unsolicited phone calls or emails asking for personal information, avoiding pressure tactics to act quickly, researching the company or individual offering the opportunity for red flags or complaints, and seeking advice from financial professionals or regulatory agencies before investing any money. [Staying safe online](#) has never been more important, ensuring you are taking necessary steps to protect yourself and your hard earned money should always be at the forefront of your mind.

Being on top of your money is essential for everyone to manage their finances effectively. Being financially literate offers numerous benefits, including better financial planning, improved debt management, an improved credit score, and financial wellbeing. Within this blog series, we've identified some of our favourite tools that you can use to help you work towards your financial goals. This series is for your information only and does not constitute advice or a personal recommendation.

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