

Title:

Do You Know About Money?

Word Count:

579

Summary:

In a test of basic economic principles given to 2000 Americans, both adults and teenagers, the average grade was failing. Throughout the years, it has been proven by numerous studies that when high schoolers graduate, they leave with little understanding of personal finances.

Keywords:

money,finance

Article Body:

In a test of basic economic principles given to 2000 Americans, both adults and teenagers, the average grade was failing. Throughout the years, it has been proven by numerous studies that when high schoolers graduate, they leave with little understanding of personal finances.

I was never taught how to count back change, balance a checking account or understand compounding interest. But yet, I graduated with the highest math honors, having tackled calculus and physics courses at the neighboring college. But at no point, was I taught the basics of finances before I entered college. Nor were many other American teenagers.

And now credit card debt and financial troubles seem to be everywhere. It is surprising how many people don't really understand their finances. For example, one of my close friends recently told me that her credit cards had great rates once the 0% interest expires. I told her that her rates can go up at any time, but she didn't believe me.

So what do you and your children need to know about money?

You need to understand the basics of how to balance your checking and how to budget your income. These two practices will keep you financially grounded. If you can balance your account and stay within your budget, you are probably doing well.

What can throw you off track is debt. And it is coming at you from all sides.

You need to understand that there is good debt and bad debt, but that debt becomes fatal if you can't afford what you have racked up. For example, having a home mortgage is good debt. But if you can't afford the mortgage payment and risk defaulting on the loan, there is no good in it.

You have to know how debt works. Understand the advantages and disadvantages to using your credit. If you have or are thinking about taking out a credit card, I suggest that you learn all of the tricks of the trade. I would say that the one thing to remember is that debt costs you. All debt costs you. Credit cards, auto loans, mortgages and student loans aren't designed for your good. They are there to make the lenders money. Keep that in mind.

When you are thinking about taking out a loan, you should do main things:

Know your credit score and what your credit report says. Figure out the total cost of the loan. This includes all of the interest you will have to pay back. The number might surprise you. See how long it would take you to save for it versus paying off the loan. Shop around for the best interest rates and terms.

One of the most important things is understanding compounding interest. This can be slightly hard to get a grip on at first, so have someone show you how the numbers work. And keep in mind that though interest can cost you in debt, it can give to you in savings.

Finally, you need to understand that as an adult, there is more to finances than just money. It is about self-control, trust and other emotions. There are also many facets to managing your finances. You have insurance policies, investments and wills and trusts to consider. It's all about making the best future for you and your family. That's what money spent wisely can do for you. Take the few hours to learn how to get there. It will pay you back thousands and thousands of times.