Financial literacy: Financial lessons for employees

Author: Milton Jack . August 2021

Financial education is the **process of building knowledge, skills, and attitudes** to become financially literate. It is meant to educate people on good money management practices concerning **earning, spending, saving, borrowing, and investing.** *Financial education* is meant to enable people to shift from reactive to proactive decision-making and work towards fulfilling their financial goals. By broadening people's understanding of financial options and principles, *financial education* builds skills to use financial products and services and promotes attitudes and behaviors that support more effective use of scarce financial resources.

Financial education is a key pillar of financial inclusion. Financial education should be able to assist the ordinary man to understand the need and benefits of the products and services offered by formal financial institutions. These include; ability to access affordable credit, reduced amount of financial risk, ability to budget and manage money or plan for the unexpected, and ability to make the most out of their money among others.

1. ***Financial Literacy*** is the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being (Clements, 2018). Improving financial literacy is a long-term behavioral change initiative. It requires a multi-faceted approach and sustained action over time to bring about gradual improvement.
2. ***Financial literacy*** is referred to as a "meaning-making process" in which individuals use a combination of resources, skills, and contextual knowledge to process information and make decisions with knowledge of the financial consequences of that decision (Basu, 2020).
3. ***Financial literacy*** is the ability to understand how money works in the world: how someone manages to earn or make it, how that person manages it, how he/she invests it (turn it into more), and how that person donates it to help others.
4. ***Financial literacy***: the ability to read, analyze, manage, and communicate about the personal financial conditions that affect material well-being (Integrity Data, 2019). The complete definition includes the ability to discern financial choices, the ability to discuss money and financial issues with no discomfort, ability to respond competently to life events that relate to everyday financial decisions, including general economy events and plans.
5. ***Financial literacy*** is an active process, in which communicating information is only the beginning: empowering employees to take action to improve their financial well-being is the ultimate goal (Queenie, 2020).

Negative Effects of Financial Stress (Research findings)

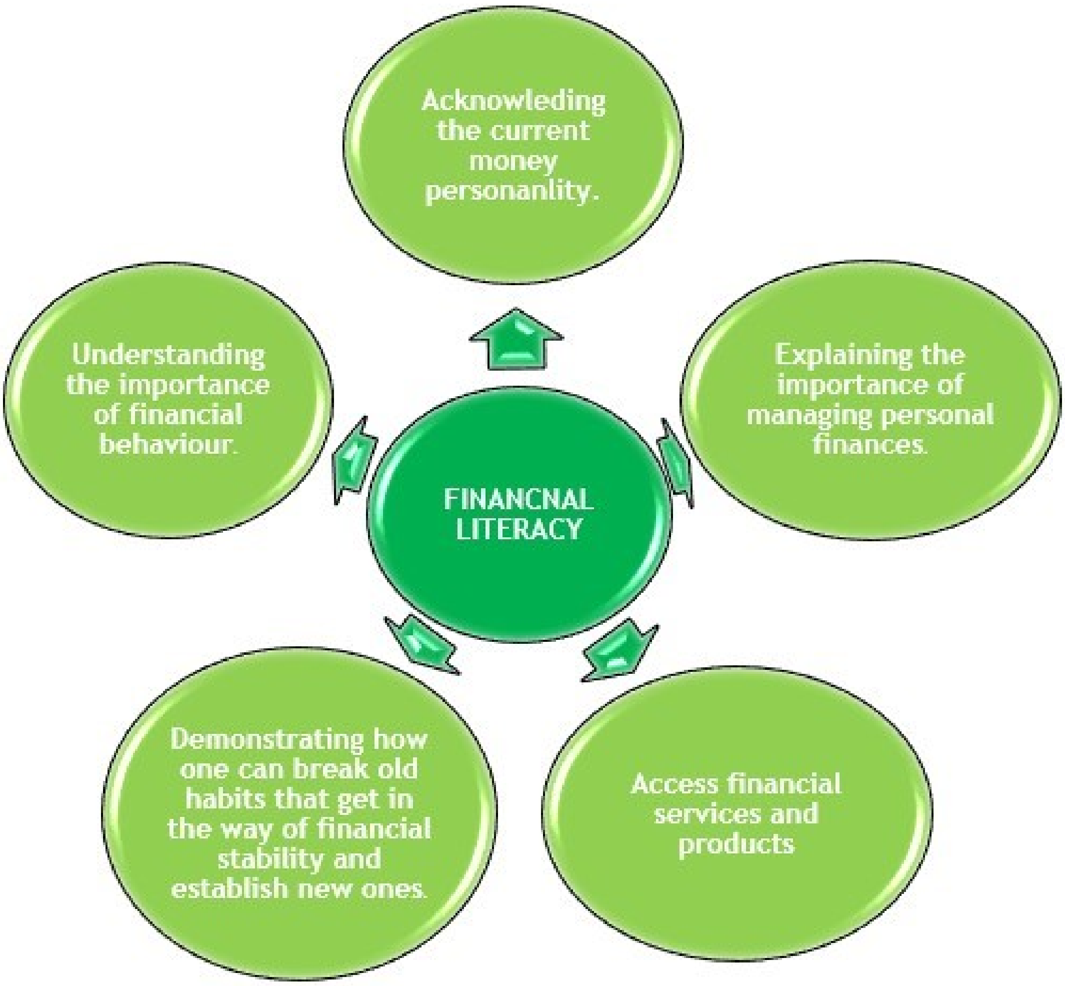
Financial stress, many times due to a lack of financial literacy, is currently affecting millions of people at home and work (Mohney, 2018). According to an SHRM study, 83% of HR professionals reported that personal financial challenges had a large impact or some impact on overall employee performance (Mohney, 2018). A study conducted by PricewaterhouseCoopers found that almost half of employees who are worried about their financial health are less productive at work, spending at least three hours each week dealing with personal financial issues (Mohney, 2018).

Ineffective organizations, the HR and finance departments work closely together to try and create opportunities with the organization's assets—its employees as well as its investments. HR professionals are in a position to partner with finance professionals to have a direct impact on improving financial literacy among employees at every organizational level (Mohney, 2018).

But improving employee financial literacy and wellbeing is not just about teaching staff how to budget better, or save more. It is a more complicated task that needs multi-faceted action if effective, long-lasting results are to be reaped. Here are some lessons employees can implement to tackle poor employee financial literacy.

The Big Secrets of Money Management – *Financial Literacy*:

1. **Eat first** ahead of the pack like a lion by **saving money first and live off the rest.** Saving must become a priority. Take at least 10% of your income into a savings account, piggy bank, or invest. The earlier you start, the more wealth you create.
2. The Leopard never lets its prey out of sight, likewise **never let your money out of your pocket without creating a financial plan.** Have a vision for the future by making concrete and achievable goals. Have short, medium, and long-term goals that you want to save for. Create a financial plan first before spending and stick to it!
3. Learn what you earn, know what you owe, and comprehend what you spend. Be like the African elephant which never forgets. **Knowledge is power!**
4. **Debt is the worst financial enemy one can have,** it poses the greatest threats to a financially stable lifestyle. Instead of being in debt rather be like the Rhino, she often has to weigh her options. The only option she does not have is not to deal with the threats. However, when threatened the Rhino charges down the predator to protect itself, thus when in debt charge down your debt quickly with the most expensive fastest.
5. **Protect your assets, make your money work for you.** One can do this through investing. Ensure you invest your money in a particular investment partner after you have done a risk assessment, AVOID GET RICH QUICK SCHEMES. Be patient after an investment to allow your money to grow. Learn from the Buffalo, it steadily grows and protects its heard, knowing its strength and future are in numbers.



Source: P Kasinamunda *(Presentation on The importance of financial literacy, 2019)*.

Importance of *Financial Literacy*

1. *Financial Literacy* will help you achieve your goals whether they are to own your own business, raise a family, or retire to a desert island (Clements, 2018). Making thoughtful and informed decisions about your finances is more important than ever.
2. It can help employees both to develop the skills to compare and select the best products for their needs and empower them to exercise their rights and responsibilities in the consumer protection equation.
3. Properly designed, financial education is tailored to the employee's specific context, helping

them to understand how financial instruments, formal or informal, can address their daily financial concerns, from the vagaries of daily cash flow to risk management.

4. Its power lies in its potential to be relevant to anyone and everyone, from the person who contemplates moving savings from under the mattress to a community savings group, to the saver who tries to compare account choices offered by competing banks.
5. It spans the informal and formal financial sectors, supporting clients' access to, and more importantly, the use of, diverse financial services.
6. Improving financial literacy has a beneficial flow-on effect on the broader economy, increasing levels of enterprising financial behaviour and greater participation in financial services and markets by confident and informed consumers and investors.
7. Financially literate consumers (employees) and investors are more likely to make effective financial decisions and less likely to choose unsuitable products and services (Mohney, 2018). Strengthening the 'demand' side of the market contributes to a sustainable business for financial service providers and helps reduce the incidence of poor consumer outcomes.
8. If individuals do become financially educated, they will be more likely to save and challenge financial service providers to develop products that truly respond to their needs, and that should have positive effects on both investment levels and economic growth. Individuals will be able to choose the right savings or investments for themselves, and avoid being at risk of fraud, if they are financially literate.

Conclusion

When it comes to money, most people are still quite conservative and prefer to be discreet. The reluctance to discuss their financial matters and the urge to manage it all by themselves lead to financial stress in many people. This is why you must integrate some methods into regular work to inculcate the basics of financial literacy among your employees. A good way to do this is to introduce a financial literacy program for your employees. Financial literacy is so critical in determining the overall success, wellbeing, and productivity of your employees. As an organization, you have the opportunity to unlock financial resources that they might not have access to otherwise. Start with one or two of our recommendations to help improve your employees' financial wellbeing.

Milton Jack is a Business Consultant at Industrial Psychology Consultants (Pvt) Ltd, a business management and human resources consulting firm.

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