Fiduciary Pension Partners

Empowering Employees through Financial Literacy

In the modern era of numerous investment options and economic challenges, understanding the concept of money, known as financial literacy, holds significant importance. Defining financial literacy can vary slightly among retirement experts and negatively affect their financial decisions. Some fundamental components of financial literacy include gaining knowledge regarding effective management of money and debt, such as Budgeting, Investing, Borrowing, Taxation, and Personal Financial Management. Now, where can you gain this knowledge? An article published by the Corporate Finance Institute (CFI) listed a few tools an individual can use to obtain literacy. EconEdLink (EconedLink) has online financial lessons, and Money Smart has free financial tools such as podcasts and lesson plans. However, there are unlimited ways and resources that provide beneficial financial knowledge.

While 401(k) plans remain one of the best options for retirement planning, research shows that fewer than 60% of eligible workers contribute to one or even have the option to through their workplace. Therefore, not enough people know how beneficial they can be if educated correctly. Employers and Plan Sponsors to step in and implement participant education days. Doing this would lead to overall financial wellness and independence within a retirement plan and knowledge of participants.

According to the provided statistics from CFI, attaining this literacy is underscored by real-world facts such as the high percentage of Americans living paycheck to paycheck (78%), the widespread ownership of credit cards (189 million), and the significant levels of debt; credit card debt, student loans, and overall debts totaling out to $12.58 trillion in today's financial climate. These statistics should enable individuals to make better financial decisions, effectively manage money and debt, achieve financial goals, and reduce expenses through better regulation. This will alleviate financial stress and give the knowledge to make ethical choices when dealing with loans, investments, and credit cards. Additionally, having this education facilitates the creation of a structured budget and can contribute to overall stability.

To conclude the summary of these articles, by gaining knowledge and skills, individuals can improve their standard of living with increased financial stability. By understanding unique individual challenges and starting off small and achievable, anyone can create a stronger relationship with money, which is a lifelong journey of learning.

Sources:https://www.benefitnews.com/news/how-can-employees-save-more-money-for-retirement-it-starts-with-financial-literacy
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