



# BASIC FINANCIAL COMPETENCES, SKILLS AND CONCEPTS

## Introduction

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The development of this Basic financial competences, skills and concepts set should be put in the context of a wider exercise launched by Parents International, and aimed at developing basic knowledge skills and competences, needed for the 21st century. Parents International, a global actor supporting parents in their duties, has decided to launch this initiative to support parents in the role of primary educators. The aim is to bring research and practice together and influence national and local education provisions. Financial literacy has been identified as a good first action area being essential for all, but not being traditionally embedded in formal education. WSBI and ESBG are two banking associations helping member savings and retail banks thrive globally. They support a diversified range of financial services to meet customer needs, favouring an inclusive form of globalisation that is just and fair. They support international efforts to advance financial access and financial usage for everyone. Against this background, they recognise the importance of promoting financial education for all citizens worldwide and continue to carry out a wide range of initiatives, with the aim not only to prevent social and economic exclusion, but also to contribute to the commitment of providing citizens with a better knowledge of financial issues. Which will enable them to make informed choices.

Both organisations believe that Financial Education does equal to empowerment in today's socio-economic context and with a view to successfully taking part in today's society. Following this premise and the multi-stakeholder spirit of financial education initiatives, both organisations have joined forces to come up with a set of **Basic financial competences, skills and concepts**, as part of a more ambitious long-term project. The organisations have worked with reputed experts on both sides, in order to reach an agreement on a set

of skills, knowledge and competences that could greatly support younger generations to successfully participate in society and ultimately lead a healthy economic life. Our shared goal is to continue to raise awareness in light of the current Global Learning Crisis, and here with a particular focus on the relevance of financial literacy.

## Basic financial competences, skills and concepts

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Dealing with money, understanding how it works, what services and tools are available to safeguard your earnings and make provisions for rainy days are essential for a content adult life. Making in-formed financial decisions is also closely linked to responsible active citizenship. Children need to be introduced to financial literacy in a gradual way, giving them age-appropriate, not extremely high stakes opportunities and responsibilities from early on are of utmost importance. Basic financial literacy and the skills are essential life skills in any country, especially first and second world ones. Some of the skills and competence areas listed below may not (yet) be relevant in all countries.

## Links to other skills and competences sets

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- 💡 Arithmetics
- 💡 Reading literacy
- 💡 Citizenship
- 💡 Digital

## Basic financial competences

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- 💡 Having a budget, considering and forecasting income (net and gross), fixed expenses and variable expenses. Knowledge about basic balancing, aiming for and achieving financial independence.
- 💡 Paying the utility bills including phone, internet and other memberships.
- 💡 Conscious shopping, understanding a receipt, the concept of VAT, being aware of consumer rights and knowing where to turn to for protection. Safe online shopping. Being aware of one's purchasing power.

- 💡 Having a saving account, being familiar with the concept of compounding interest. Being aware of the concept of pension, and the different ways one can save up for retirement.
- 💡 Being aware of the possibility to invest, being familiar with the concept of stocks and bonds. Understanding of calculating risk, interest, profit and loss with the help of a financial institution.
- 💡 Having a bank account, communicating with a financial expert/banker, being able to use online banking, using an ATM, making a deposit, writing a check and filling out a bank slip.
- 💡 Being aware of the difference between a debit card and a credit card.
- 💡 In case of owning a credit card, understanding the concept of interest and credit history. Understanding one's credit card statement.
- 💡 Understanding the concept of loan, debt, interest. Understanding the financial risk of taking a loan, the risk of foreign currency loans. Understanding the meaning of the annual percent-age rate, being able to calculate it for a given sum. Understanding the concept and the risk of taking a mortgage loan.
- 💡 Understanding health insurance coverage and options, understanding the difference between the options offered with a help of an insurance broker, or financial institution.
- 💡 Traveling safely with money, being aware of foreign currencies, understanding the exchange rates, being aware of the difference between sell, buy and central rate. Taking out a travel insurance. Being aware of customs, the possibility of having to pay extra when buying products abroad.
- 💡 Understanding the need and concept of taxation, common good. Being aware of the meaning of national debt and budget deficit. Understanding the concept of inflation and how it affects everyday life.
- 💡 Being aware of the dangers of gambling, the low possibility of winning at a lottery.
- 💡 Being able to make a donation.

## Skills to master

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- 💡 Creating a budget for one's household and adjust it if necessary
- 💡 Paying rent, and utility, phone, internet, insurance and credit card bills on time
- 💡 Engaging in a contract with a service provider
- 💡 Comparing prices (per unit)
- 💡 Finding and following through the procedure in case of customer rights violation
- 💡 Safe online shopping
- 💡 Choosing between pension forms available
- 💡 Establishing and managing different kinds of bank accounts and other forms of investment
- 💡 Risk assessment before financial decisions
- 💡 Transferring money
- 💡 Taking out cash from an ATM
- 💡 Writing a check
- 💡 Making a deposit
- 💡 Online banking
- 💡 Understanding a card statement
- 💡 Debt management
- 💡 Exchanging currency
- 💡 Filling out a tax declaration
- 💡 Purchasing an insurance
- 💡 Making a donation
- 💡 Understanding the dangers of gambling

## Concepts to understand

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- 💡 Net and gross salary
- 💡 Fixed expenses
- 💡 Variable expenses
- 💡 Balance
- 💡 VAT
- 💡 Purchasing power
- 💡 Compounding interest
- 💡 Investment
- 💡 Stock
- 💡 Bond
- 💡 Profit
- 💡 Loss
- 💡 Credit
- 💡 APR (Annual Percentage Rate)
- 💡 Mortgage loan
- 💡 Exchange rate
- 💡 Customs
- 💡 Tax
- 💡 Common good
- 💡 National debt and budget deficit
- 💡 Inflation
- 💡 Legal/full contractual capacity
- 💡 Overdraft
- 💡 Insurance

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