



A GUIDE TO UNDERSTAND ABOUT FINANCIAL LITERASI



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PREFACE

The authors say the praise and gratitude to God Almighty, for all thegraces and blessings that provide health and wisdom to the author that this study can be completed properly in accordance with the planned time. The authors also express his gratitude to fellow lecturers and students who have played a major role in the writing and publication of this reference book. Meanwhile, the title of this book is **A Guide to Understand About Financial Literacy**, this has been completed by the author to the best of his ability and as well aspossible so that it will be of benefit to readers who need informationand knowledge on various matters related to Financial literacy. In this book, written any theory and practice related to financial literacy.

Regards

The Authors Team

TABLE OF CONTENTS

Preface.....	iv
Table Of Contents	v
Financial Literacy	1
Discusion	5
Financial Planing.....	6
How To Make Financial Planning	10
Discussion	12
Dont's On Financial Planning.....	13
Budgeting Method On Financial Planning.....	15
Discussion	20
General Knowledge Of Investment.....	21
Investment Instruments	25
Discussion	32
Investment Income	33
Investment Tips.....	36
Illegal Investment.....	44
Condition Of Financial Literacy	48
Conclusion	51
Reference	53
The Author's Profil	57

FINANCIAL LITERACY

Financial literacy is a basic need for everyone to avoid financial problems. Financial difficulties are not only a function of income alone (low income), financial difficulties can also arise if there is an error in financial management (miss-management) such as misuse of credit, and the absence of financial planning. Having financial literacy is vital to get a prosperous and quality life. It was further explained that financial literacy together with reading and math skills is the key to being a smart consumer, managing credit, and funding higher education, saving and investing, and being a responsible citizen.

Inclusive finance is defined as “Everyone’s right to have access and full services from financial institutions in a timely, comfortable, informative and affordable manner, with full respect for their dignity (Davoli & Rodriguez, 2022). Financial services are available to all segments of society with special attention to the poor, productive poor, migrant workers and residents in remote areas” (Bank Indonesia, 2014).

Lin and Bates (2022) show that personal financial literacy is defined as knowledge of financial concepts. Based on another definition, financial literacy or commonly called financial literacy

is a person's ability to understand knowledge. Various aspects regarding finance, which include savings, loans, investments, financial planning, and having expertise in managing their financial resources to make effective decisions about finances for the sake of prosperity (Kumar et., 2023).. Financial literacy is very closely related to financial intelligence. Someone who is financially literate will lead the individual to a certain level of financial intelligence. This is because financial intelligence is generally always supported by sufficient knowledge about financial aspects (Khan et al., 2022).

Financial literacy covers several aspects of finance, namely basic personal finance, money management, credit and debt management, savings and investment, and risk management.

- **Basic Knowledge of Personal Finance (Basic Personal Finance)**
Basic knowledge of personal finance includes an understanding of some of the most basic **things** in the financial system such as the calculation of simple interest rates, compound interest, the effect of inflation, opportunity costs, the time value of money, the liquidity of an asset and others
- **Money Management**
This aspect includes how a person manages their money and

the ability to analyze their personal income sources. Money management is also related to how one prioritizes the use of funds and makes a budget.

- Credit and Debt Management

There are times when someone experiences a shortage of funds so they have to take advantage of credit or debt. The increasing needs and demands of life have resulted in not all expenses being able to be financed with income, such as housing and vehicles, as well as educational expenses. Using credit or debt can be a consideration to overcome this. With funding sources in the form of credit or debt, individuals can consume goods and services at this time, and pay for them in the future. Sufficient knowledge which includes factors that affect creditworthiness, considerations in making loans, characteristics of consumer credit, loan interest rates, loan terms, sources of debt or credit.

- Savings

Savings is the part of people's income that is not used for consumption. People who have income greater than consumption needs will have the opportunity to save.

- Investment

Investment (investment) is part of the savings used for

economic activities to produce goods and services (production) that aims to gain profit. If the savings are large, they will be used for activities to re-produce goods and services (production). In investing, there are many instruments that individuals can choose, both in real assets such as land, property, gold, and financial assets such as stocks, bonds, certificates of deposit, and mutual funds.

- Risk Management

Risk can be defined as the uncertainty or possibility of financial loss. Each individual's response to risk is different, depending on past experience and psychological motivation. Most individuals tend to avoid situations that create feelings of insecurity or inadequacy. Therefore, it is important to be able to deal with risks in a logical and controlled manner.

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Dr. Syarif Saddam Rivanie S.H., M.H comes from the Law Study Program at Universitas Hasanuddin. The purpose of making this book is so that people's financial literacy knowledge can increase and be implemented in everyday life. This book can be used by the general public and serves as a guide in determining financial needs.

This book is a book that comes from thoughts that are obtained in doing community service. The purpose of this book is to increase financial literacy in society and to avoid illegal investment. In addition, people can also apply financial plans in everyday life. The main benefit of financial literacy is to raise awareness in society to make smart financial decisions. Skills such as how to manage money effectively, establish a good budget, control savings and loans, and investments are the benefits of financial literacy



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