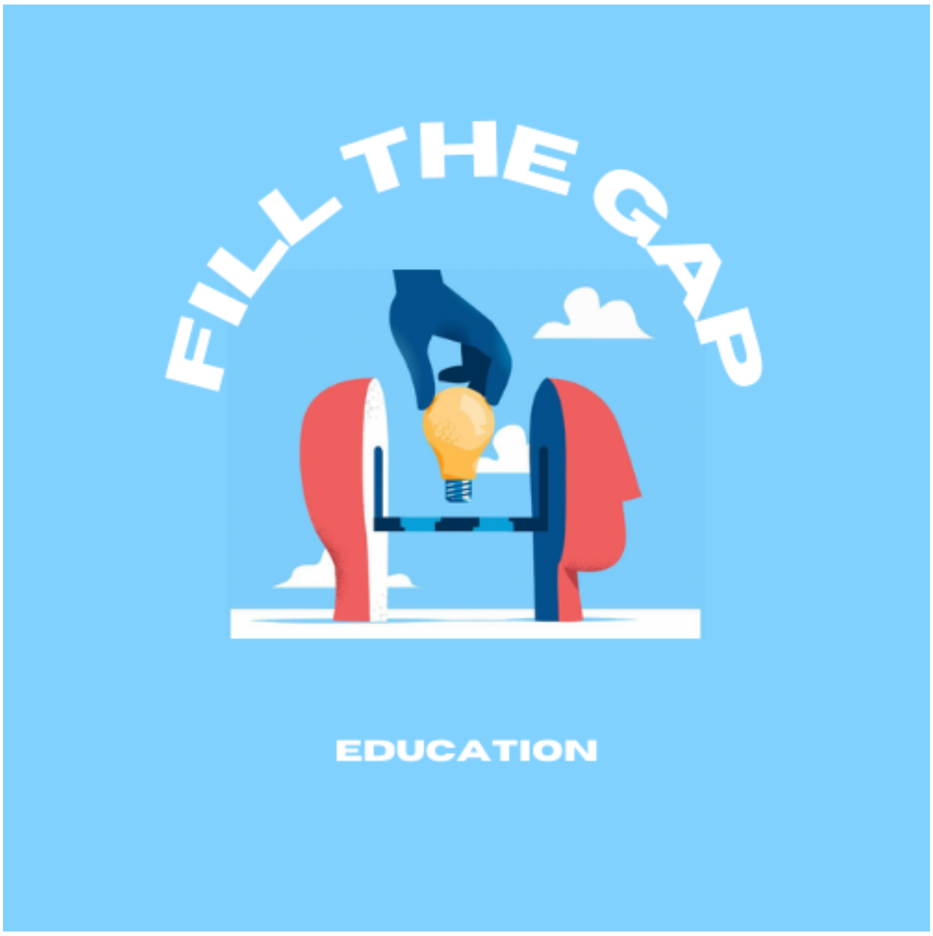
Core Introduction To Personal Finance

A Fill The Gap Resource



The Importance of Financial Literacy

Understanding finances is not just about money–it's about securing mental peace, personal empowerment, and ensuring a brighter future for the next generation.

Consider these startling figures from the UK:

- 48% can't explain what an ISA is.
- 33% admit money *negatively* affects their mental health.
- A vast majority *lack confidence* in personal finance (88%), ISAs (89%), and investing (90%).

Whilst we are talking about personal finance more as a society, solid education on the topic is still a rarity.

In fact, most financial wisdom circulates within closed circles, or is discussed over family dinners.

This creates a knowledge divide, deepening the chasm between those that know - who become confident and comfortable - and those that don't know - who become anxious and insecure.

The need for widespread financial literacy has never been more pressing.

A New Paradigm in Financial Education

In this brief document, we aim to introduce the essentials of personal finance.

Let's journey from feeling uncertain about our finances to exuding confidence and feeling comfortable.

Becoming Comfortable:

Income

- Most people think that your salary (or monthly wage) is the only form of realistic income you can get.
- This is false and puts you in an insecure and uncomfortable position.
- You could lose your job at any moment and lose all of your income.
- Therefore, we need to aim for multiple streams of income. Ideally, 3-5 streams.
- Some ideas for other streams of income = investing in stock market, starting a side hustle, selling old clothes & investing in property.
- Multiple streams of income aren't a luxury, they're a strategic necessity to becoming comfortable with money.

Investing

- Investing in the stock market is needed to ensure your money retains its value.
- If you leave £1000 under the mattress for 10 years, it will buy less and have depreciated in value when you take it out and want to spend it 10 years later.
- Most people have their money in savings accounts with high street banks that earn *low-interest rates.*
- This, in effect, is storing your money under the mattress. It will not be worth as much in 10 years.
- Therefore, you must invest your money in the stock market to get better returns and outpace inflation.
- So, every month, make sure you put as much as you can into an investment account (start with your ISA).
- Invest into a mixture of safe tracker funds and corporate bonds.
- Example portfolio = FTSE250, S&P500, World Index, Global Corporate Bond ETF
- Use simple platforms like Trading 212 ISA.
- Then, leave your money alone and allow it to compound over time.
- Keep adding to it on a monthly basis!
- Don't take it out! Allow it to grow!
- The real power of your money lies in investing, not just saving.

Spending

- Understand that the true treasures of life can't be bought. Spend wisely.
- If you're always spending more than you earn, you will never be comfortable with money.
- You will be in debt - which you never want to be.
- You will be living pay check to pay check, and that is very stressful.
- Reduce spending by realising that most external things (newer clothes, a newer car, a bigger house, a deliveroo) won't make you happy or fulfilled.
- The things that will make you happy or fulfilled (family, friends, growth) can all be achieved for free.
- And if you are going to spend, prioritise experiences with loved ones over material goods.

Borrowing

- Only borrow from reputable institutions, ensuring you're privy to the lowest interest rates.
- Don't borrow for anything that isn't an appreciating asset that will *pay you back* over time.
- e.g., education or a house

Becoming Confident:

This section is all about *putting into action* the content above. So that after you read this, you don't go back to your old habits but actually change your behaviour from today onwards.

Habits:

- Change Your Environment; surround yourself with positive influences and resources.
- Stack Your Habits; bundle a new habit with an existing one. If you have a morning coffee ritual, for instance, pair it with five minutes of a personal finance podcast or checking your spending for the month.
- Monitor Your Progress; regularly review and adjust. Progress, no matter how minimal, propels you forward.

Self-Discipline:

- Prioritise the future over instant gratifications.
- This mental shift, of prioritising the future you over the present you, will pay dividends in the long run.
- Of course, the younger you are, the more this is relevant.
- But when it comes to money, you will need to have a degree of caution.
- Remember: a disciplined today can lead to financial freedom tomorrow.

Golden Rules to Live By:

Stick these up on your walls!

Income: Aim for diverse streams.

Investing: Prioritize long-term growth; the market rewards patience.

Spending: Cherish experiences and memories over materialistic gains.

Borrowing: Trust banks and seek low interest rates.

Self-Discipline: The future holds the key. Be patient.

Habits: Shape your surroundings, build on existing habits, and track your journey.

Conclusion

Let's redefine the narrative around money.

Financial literacy isn't an exclusive club–it's a right, and with the right guidance, it's within everyone's grasp.

This resource is a primer.

Dive deeper, ask questions, and remember: knowledge isn't just power, it's freedom.

My biggest piece of advice for financial education (and life in general) is to be curious.

Read, watch and listen to content around personal finance.

The Fill The Gap Website has a great Resources page. Start there and expand beyond.

It’s high time we democratised financial literacy.

With the right resources and a touch of determination, it’s within everyone's grasp.

The journey to financial wisdom is ongoing.

Keep learning, stay engaged, and never hesitate to reach out to us for a chat.