Essay

No matter what path they decide to take after high school, the vast majority of seniors are eventually faced with the reality of having to learn how to live life on their own. Accompanied with this reality is the fact that they are forced to accept financial responsibility for themselves. However, the fact-of-the-matter is that there are a limited number of students who possess the necessary knowledge and tools to support themselves during their transition to becoming financially independent. For this reason, I will focus my financial literacy class on the importance of becoming financially independent during college. I will break my financial literacy class into three sections: past, present, and future.

The past will consist of the importance of investment. I chose the label ‘past’ because the best time to invest was yesterday. The second best time is today. Investments are important because they provide an opportunity to accumulate assets to support personal financial growth which in turn facilitates financial security. There are a variety of investment options including college savings, bonds, stocks, mutual funds, and retirement. Each of these investments can yield large dividends for an individual if invested in properly. Careful consideration of the type and amount of interest rates available, maturity time, and probability of investment success should be taken. Special consideration will be given to retirement investments. With social security running out, our generation’s retirement future is entirely uncertain. Therefore, it is imperative to invest early and maximize employer contribution benefits.

The present will comprise of information about obtaining money from sources that do not include a regular salary or investment dividends. These external sources can be divided into two distinct categories: long and short term loans. Short term lenders generally offer two different loan options: payday or investment. In this portion of the class, I will stress the importance of avoiding payday loans and instead focus on credit card agreements. Owning and responsibly maintaining a credit card during college is important for building a personal credit history that can be utilized in the future to qualify for long-term loans. Long-term loans include college tuition loans, mortgages, and car payments. Consideration for a long-term loan depends on a variety of factors including whether the interest rate is simple or compounded and if the rate is fixed or floating. Another important consideration is your current financial status which will ultimately determine how long it might take to pay off a long-term loan. Additionally, it is crucial to acknowledge future ramifications when deciding on a specific loan option.

Finally, the future will feature the aspects of financial literacy that a student must utilize to maximize their financial growth potential. The first and most important tool for students is the development and utilization of a personal budget. Budgeting is important because it allows a student to record their personal finances in a way that can be analyzed to develop future financial goals. The development of which are vital to becoming financially independent. Additionally, debt will be a major topic of discussion. Debt is an important aspect of the class because it is something that many college students will ultimately experience. The focus will be on minimizing the potential for debt through smart investment. This could result from applying for tuition grants, scholarships or low interest loans.

Many students lack the financial literacy that is required to establish financial independence after high school. I have proposed a financial literacy class that will be broken up into three parts: past, present, and future. Through these parts I hope to facilitate the development of the financial tools and knowledge that will enable the student to become financially independent while in college.