

Black Financial Literacy Flashcards PDF

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What is financial literacy?

Financial literacy is the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing.

Why is financial literacy important for individuals?

Financial literacy is important for individuals because it helps them make informed decisions about their finances, manage their money effectively, and achieve their financial goals.

What are some key components of financial literacy?

Key components of financial literacy include budgeting, saving, investing, understanding credit, and managing debt.

How can one improve their financial literacy?

One can improve their financial literacy by educating themselves through books, online courses, workshops, and seeking advice from financial professionals.

What is the difference between saving and investing?

Saving is setting aside money for short-term goals and emergencies, while investing involves using money to purchase assets with the expectation of generating a return over the long term.

What is a budget?

A budget is a financial plan that outlines expected income and expenses over a specific period, helping individuals manage their money effectively.

What is credit, and why is it important?

Credit is the ability to borrow money or access goods and services with the understanding that payment will be made later. It is important because it affects purchasing power and can impact financial opportunities.

What is a credit score?

A credit score is a numerical representation of a person's creditworthiness, based on their credit history and financial behavior.

What are the benefits of having a good credit score?

Benefits of having a good credit score include lower interest rates on loans, better chances of loan approval, and access to premium credit cards and rental opportunities.

What is debt, and how can it be managed?

Debt is money that is borrowed and must be repaid, typically with interest. It can be managed by creating a repayment plan, prioritizing high-interest debts, and avoiding unnecessary borrowing.