

What is Financial Literacy?

Informational Article

Finances have to do with using money. **Literacy** means to be skilled and knowledgeable. Therefore, **financial literacy** means to be skilled and knowledgeable about using money. People who are financially literate make smart decisions with their money and they manage their money well. Since earning and spending money affects our lives so greatly, it's very important we learn the skills to be financially literate.



We live in a **capitalistic** society. **Capitalism** allows the people to make their own businesses and decide what items to buy and sell. The people control how they make money and how they spend it. Because the government doesn't control how money is earned or spent, people are free to make their own money decisions. That makes it very important that people have the knowledge and skills necessary to manage money.

People who have ideas and start their own businesses are called **entrepreneurs**. Starting and running a business is challenging. Owners must find products or services that people want. Sometimes the businesses fail. If they succeed, they can grow and the owners can make even more money. This is the concept behind **capitalism** and our **economic system**.

The cost of goods and services in the **marketplace** depends on **supply and demand**. If there is high demand for a product or service but low supply, the product or service will have a higher price. If there is low demand and high supply, then prices will be lower. If many businesses or people offer similar products or services, that results in **competition**. Competition can affect prices as well.

Not only do people need to know how to make money but they need to know what to do with the money they make. They need to balance their **income** with their **expenses**. Being financially literate helps with that.

Your Name: Date Completed:

Financial Literacy Questions

1. Read this sentence from paragraph 2 of the article.

*We live in a **capitalistic** society.*

What are some main features of capitalism?

2. People who run their own small businesses are called what?

- (A) financially literate
- (B) entrepreneurs
- (C) competitors
- (D) economists

Answer Letter:

3. Sellers that have similar products or services can result in what?

- (A) wealth
- (B) cooperation
- (C) competition
- (D) failure

Answer Letter:

4. Read this sentence from paragraph 4 of the article.

*The cost of goods and services in the **marketplace** depends on supply and demand.*

How does supply and demand affect prices?

5. What does it mean to be “financially literate?”

- (A) having great wealth
- (B) never owing money
- (C) becoming an expert in capitalism and economics
- (D) having knowledge and skills for using money

Answer Letter: