



By: *Emre Alkin*

# Financial Literacy: wise use of credit will generate more assets



A few months ago, the “financial literacy week” was launched under the auspices of the Credit Registry Bureau (KKB) of Turkey.

The event was aimed to raise the financial awareness of individuals, especially in terms of taking out and using personal loans.

The opening speech at the event was delivered by Turkey’s OECD Ambassador, Professor Kerem Alkin.

In his presentation, filled with remarkable survey data, he showed how financial literacy is compatible with the PISA Test results, and stressed that the educational system in Turkey and the scholastic performance of Turkish students are not that bad, adding that it is essential to raise financial awareness.

According to the data provided by Alkin, not all OECD countries have the highest possible financial literacy, knowledge, and behaviour rate.

For example, Italy’s both PISA scores and financial literacy rate are quite low, whilst Estonia seems to be getting stronger in both aspects.

The first panel of the event welcomed esteemed academics from prestigious universities, including Erhan Aslanoglu, Mehmet Levent Yilmaz and Ata Özkaya, who offered us a wonderfully precise and informative summary including both their personal experiences as well as theoretical and practical facts. “Using your loan wisely will help you grow financially”.

**If you are planning to buy a property, which you might decide to sell in the future, you should avoid making significant modifications to them**

Based on my personal experience, I also

humbly advised the correct use of personal loans that are usually taken out to buy a house or a car.

For example, if you are planning to buy a movable or immovable property, which you might decide to sell in the future, you should avoid making significant modifications to them that satisfy only your liking, as it might cause potential buyers to lose interest in purchasing them.

Here is another example: if you make too many modifications to your car according to your own taste, you may not be able to find potential buyers in the future.

When you try to sell it, a buyer might say, “I’m not interested. I do not like the music system you installed, nor other modifications you made.”

You can remove them all if you want, but I’m only interested in the car itself and its original accessories”.

Sadly, this would make the loan you had taken out to buy your car in the first place to go to waste.

**The money that became victim to vanity, not need, they fade rapidly**

Likewise, the changes you made to your house should not be of an irreversible nature. When you move to another house, you should at least be able to remove them and take them with you.

A worse version of this is spending too much money on a house you are renting, such as maintenance work, interior design, or decoration.

Because usually, it takes quite a long time for these additional investments to depreciate. Since people often move house, investments

made in a rental property are wasted money.

Imagine that these were done using personal loans! As money that became victim to vanity, not need, they fade rapidly.

## Don't throw away borrowed money

If you have invested more than 10% of its total value in a car or house you have purchased, this means that you have failed to make efficient use of your money.

Apart from comfort and security, which should also have their limits, every expense is like water leaking from a hole in your bucket.

Of course, the pieces of advice I offer above are for those who have enough money to buy themselves a car or a property.

Ensure that the money you spend on your car or your house, whether you rent it or not, does not exceed 10% of their total value, because when you sell it, your money will not return to you, and you will not have used your money properly.

Obviously, it is important to drive a car or live in a house you like. But it is equally important to act rationally while doing this.

**One must learn the difference between comfort and luxury; want and need**

That's why I do not understand people who constantly change their furnishing and decoration or the design or style of their house, especially if they are renting.

They spend serious money on major renovations, but trends quickly and often

change too. As technology and fashion evolves, it becomes necessary to keep up with these changes.

So, the more classic the design, the better. One must learn the difference between comfort and luxury; want and need.

Remember, the excessive investment you make on the goods we own will not return, and one day, when you need money, you will regret having spent so much on them.

Most of the time, people fail to save money, not because their incomes are low, but because they do not know how to manage the money they earn.

Or sometimes, because they succumb to their own passions, or to the wishes and desires of their family.

**There is always the possibility to end up in circumstances that will make you unhappy while trying to make your dependents happy**

Let me tell you a recent anecdote. An acquaintance of mine had taken out a bank loan and put the money in a deposit account to save for the future.

He had done that when the interest rates were very low, thus he had accumulated his future savings by repaying the loan in instalments.

However, he had not told his family about this saving scheme. Instead he said, "I have a loan payment".

This particular plan had both made me laugh and given me ideas to ponder. There is always the possibility to end up in circumstances that will make you unhappy while trying to make your dependents happy.

Besides, you have no guarantee that your children will take care of you in your old age.

Therefore, starting from today, set aside some portion of your money, and let no one touch it or try to force you into meeting their desires.

Or, if there comes a time when loan rates go down to reasonable levels - I hope they do, because such a possibility seems unlikely at present - you can use this method what my dear friend humorously called "hiding money from your loved ones".

Everyone has a desire for material growth. Perhaps, a car or a house they would like to buy one day.

So, you may want to start setting some money aside today in case prices go up in the future.

Of course, these are very important decisions. Saving is not about your financial strength. It can be done at any income level.

You just need to be willing to find a way to do it. Wise and efficient use of a loan can help you grow your savings.

Remember, you will never be able to save money if you fail to choose between your wants and needs.