



Financial Literacy for Young Adults

Reading Worksheet — Level F | tahricteaches.com

For many young adults, the transition into financial independence arrives suddenly and without adequate preparation. Although schools devote years to mathematics and literature, few dedicate meaningful time to teaching students how to manage money responsibly. As a result, a significant number of graduates enter the workforce unable to construct a realistic **budget**, interpret a payslip, or distinguish between essential and non-essential spending.

Understanding the mechanics of borrowing is arguably the most urgent skill. Credit cards and loans can be valuable tools, yet they frequently trap the inexperienced. The concept of **compound interest** works powerfully in both directions: it can multiply savings over decades, but it can also cause a modest unpaid balance to balloon into an unmanageable debt within a few short years.

Equally important is the habit of living within one's means. A **frugal** approach does not require deprivation; rather, it involves deliberate choices about where money goes. By tracking expenses and prioritising needs over wants, young people can avoid the anxiety that accompanies chronic financial strain and gradually build a modest safety net.

Building wealth, meanwhile, depends on treating savings as a long-term **asset** rather than idle cash. Financial advisers routinely encourage clients to **diversify** their investments, spreading money across different instruments so that a single downturn cannot wipe out an entire portfolio. Even small, consistent contributions, invested early, can grow substantially over a working lifetime.

Ultimately, financial literacy is less about complex formulas and more about disciplined, informed decision-making. Young adults who learn to plan, question, and delay gratification position themselves for lasting security. Those who ignore these principles may find, too late, that ignorance carries a steep and enduring price. Cultivating these habits early transforms money from a source of stress into a genuine instrument of freedom and opportunity.

A. Vocabulary

- | | |
|---------------------------|--|
| 1. budget ____ | a. spread money across different investments to reduce risk |
| 2. compound interest ____ | b. able to pay all debts; owing more than one owes |
| 3. liability ____ | c. lose value gradually over time |
| 4. asset ____ | d. available to spend freely after essential costs are covered |
| 5. diversify ____ | e. plan for how to spend and save money over a fixed period |
| 6. frugal ____ | f. interest calculated on both the original sum and previously earned interest |
| 7. depreciate ____ | g. debt or financial obligation owed to someone else |
| 8. accrue ____ | h. item of value that a person owns and can convert to cash |
| 9. solvent ____ | i. careful and economical with money; avoiding waste |
| 10. discretionary ____ | j. accumulate or build up steadily, often over time |

B. True or False

- | | |
|---|---|
| ___ 1. According to the passage, most schools spend a great deal of time teaching students how to manage money. | ___ 2. Many graduates struggle to build a realistic budget or read a payslip. |
|---|---|

- ___ 3. Compound interest can only ever benefit a person and never harm them.
- ___ 4. A small unpaid balance can grow into an unmanageable debt because of compound interest.
- ___ 5. Being frugal, as described, requires living in constant deprivation.
- ___ 6. Tracking expenses can help young people avoid the anxiety of financial strain.
- ___ 7. The passage advises keeping all savings as idle cash rather than investing it.
- ___ 8. Diversifying investments helps protect a portfolio from a single downturn.
- ___ 9. Investing small amounts early can grow substantially over a working lifetime.
- ___ 10. The passage claims financial literacy depends mainly on mastering complex formulas.

C. Fill in the Blanks

Word Bank: budget, compound interest, frugal, asset, diversify, liability, solvent, discretionary

1. Before spending, she created a monthly _____ to track exactly where her money would go.
2. Thanks to _____, the money he invested at twenty had more than doubled by the time he turned forty.
3. Living a _____ lifestyle allowed the couple to save aggressively without feeling deprived.
4. A well-maintained property can be a valuable _____ that appreciates over the years.
5. Financial advisers urge clients to _____ their holdings so one bad year cannot ruin everything.



D. Comprehension Questions

1. Why does the writer consider understanding borrowing to be the most urgent financial skill for young adults?
2. How does the passage distinguish being frugal from being deprived?
3. What benefit does diversifying investments offer, according to the text?

E. Discussion Questions

1. Should financial literacy be a compulsory subject in schools? Explain your reasoning.
2. What is one financial habit you would like to develop, and what makes it difficult to start?



Answer Key

Financial Literacy for Young Adults

Teacher Reference Only | tahricteaches.com

A. Vocabulary: 1-e, 2-f, 3-g, 4-h, 5-a, 6-i, 7-c, 8-j, 9-b, 10-d

B. True/False: 1-F, 2-T, 3-F, 4-T, 5-F, 6-T, 7-F, 8-T, 9-T, 10-F

C. Fill Blanks: 1-budget, 2-compound interest, 3-frugal, 4-asset, 5-diversify

D. Comprehension:

1. Because credit cards and loans can trap inexperienced users, allowing compound interest to turn a small unpaid balance into an unmanageable debt.
2. It presents frugality as making deliberate choices about spending rather than doing without, so needs are prioritised over wants without hardship.
3. It spreads money across different instruments so that a single market downturn cannot destroy an entire portfolio.

© Tahric Teaches | tahricteaches.com | Source: tahricteaches.com