Why Financial Literacy Matters at Every Life Stage

Practical knowledge for everyday decisions and a more confident future

Grant Marshall Retirement and Wealth Planning, LLC
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Money decisions follow us through life

Money influences where we live, how we travel, the care we can afford and the choices we make for our families. Financial literacy means understanding basic money concepts and knowing how to use that knowledge: managing a budget, choosing financial services, comparing credit and preparing for retirement. You do not need to become an expert to make progress.

No matter your age or income, learning one useful skill can improve your next decision. CFPB research suggests that financial skills and confidence can support better financial behavior and well-being. Knowledge is one part of the picture; income, health and other circumstances also matter. Financial education can help you manage what you can control. [1]

Start with the decisions you make most often

Choosing a bank or account. Compare monthly fees, minimum-balance rules, ATM access, overdraft policies and customer service. An account that pays interest can still cost more than it earns in fees. For bank deposits, verify FDIC insurance and understand its limits: generally $250,000 per depositor, per insured bank, for each ownership category. Investments sold at a bank are not automatically insured. [2, 3]

Understanding credit and debit. A debit card generally uses money in your checking account; a credit card borrows money you must repay. Keep track of available funds, payment due dates, interest and fees. Using debit does not eliminate overdraft risk. Learning which tool you are using helps you avoid spending more than your budget allows. [4]

Reviewing loan terms. Compare financing options before signing. Look at the amount borrowed, APR, fees, repayment period and total cost, as well as the monthly payment. A longer loan may reduce the payment but increase total interest. Ask whether the rate can change and whether optional add-ons increase the amount financed. [5]

What deserves attention at each life stage?

Life stage	A useful focus	One question to ask
First job / starting out	Budget, banking and credit	Where is my take-home pay going?
Building a household	Debt, cash reserves and saving	Can I afford the full cost of this choice?
Midcareer / changing needs	Retirement progress and priorities	Does my savings plan still fit my goals?
Approaching retirement	Income needs and resources	What spending must my savings support?
Retirement	Withdrawals and ongoing costs	Is my income plan keeping up with my needs?

These stages are a practical planning guide, not age limits. A job change, caregiving responsibility or major purchase can make an earlier skill relevant again.

How much should you save for retirement?

There is no single dollar amount that fits everyone. Begin with your expected retirement spending and when you hope to retire. Compare that spending with anticipated Social Security, pensions and other income; the remaining gap helps show what your savings may need to provide. Your existing savings, time horizon, inflation and investment assumptions all affect the target.

The Department of Labor recommends starting early, saving consistently and understanding your employer's retirement plan. If a match is available, learn how much you must contribute to receive it and what vesting rules apply. Review the target when your income, family needs or retirement plans change. A personalized projection can help turn a broad goal into an ongoing savings amount. [6]

The benefits of strengthening financial knowledge

Stronger money management habits. Tracking income, bills and spending helps you plan deliberately instead of reacting to each expense.
Smarter credit and debit use. Knowing how balances, fees and borrowing work helps you choose payment methods thoughtfully.
Improved financial stability. Saving for unexpected costs and recognizing expensive loan terms can reduce avoidable setbacks.
Greater confidence. Understanding the questions to ask can make financial decisions less intimidating. Confidence works best when paired with reliable information and a realistic plan. [1, 4, 5]

Small choices can have a measurable impact

Consider a hypothetical checking-account fee of $12 each month. If you can move to a suitable account with no monthly fee and no new offsetting costs, you keep **$144 each year**. This is a simple illustration, not an offer from a specific bank.

Or consider financing a car. Two offers can have affordable monthly payments while carrying very different repayment periods and total interest costs. Asking for the full cost lets you compare the tradeoff between a smaller payment now and a larger expense over time. Financial literacy makes that tradeoff visible. [5]

A practical habit: learn, compare, then act

Learn one concept. Start with APR, an account fee or your employer's retirement match.
Compare real options. Use written terms and credible sources rather than an advertisement alone.
Make one useful change. Set a bill reminder, review spending or begin a manageable savings contribution.
Review after a life change. Update your plan when a job, household responsibility or financial goal changes.

One step today: Pick one account or financial decision you do not fully understand. Read the terms, write down your questions and get clear answers before acting. You can build financial knowledge one decision at a time.

Sources and notes

Sources accessed October 12, 2026. The life-stage guide and fee example are original educational illustrations. General education; individual account terms and personal circumstances govern specific decisions.

[1] CFPB. Explore Financial Well-being Findings.

[2] CFPB. Should I get a checking account that pays interest?

[3] FDIC. Deposit Insurance at a Glance.

[4] FTC / Consumer.gov. Using Debit Cards.

[5] CFPB. How do I compare auto loan offers?

[6] U.S. Department of Labor. Top 10 Ways to Prepare for Retirement.