

Healthcare Professionals' Financial Literacy



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Healthcare practitioners can face risks that are different to the many. Some issues include:

1. Traditionally healthcare practitioners have earned above average incomes and this can lead to a false sense of financial security as higher cash flow masks vulnerabilities.
2. Because of those traditionally high and relatively reliable incomes, banks and specialist lenders have often been more willing to lend to a higher level of the purchase price of a property. Unfortunately, this can lead to a greater risk of distress from increasing interest rates and/or reduction of income or increases in other financial liabilities.
3. The desire to make up for the study years when life was put on hold. This may be reflected in upgrades to accommodation, cars, holidays and other lifestyle elements ie where wants override needs.

Lack of appreciation of or attention to financial principles can lead to forgoing interest on cash deposits, poor choices in superannuation and retirement planning, overpaying for insurance, credit card debt or paying too much interest on a home and other loan.

Why is financial literacy so important?

Achieving higher levels of financial literacy leads not only to avoiding financial distress and the stressors associated with that but also helps with wealth creation. It also creates professional and personal opportunities and helps achieve financial security with improved physical and mental well-being. Financially literate individuals are:

- more likely to have a realistic and proactive approach to their current financial situation
- more likely to increase their ability to maximise savings and minimise financial risk
- more likely to make efficient financial decisions thereby increasing their likelihood of achieving financial goals.
- better able to save for retirement and plan for future financial contingencies

What is financial literacy?

Financial literacy is defined by the OECD as “the ability to make informed judgments and to take effective decisions regarding the use and management of money”. Financial literacy requires two key things:

- basic mathematical ability
- understanding of basic and advanced financial terms.

It is important to remember that financial literacy helps to empower individuals to make informed decisions but is of itself no guarantee of financial success.

MIPS wishes to provide members with insights into potential risks as well as the opportunity to improve their financial literacy so that they can become informed and critical consumers of financial products and services.

Visit ASIC's [moneysmart website](#) to hone your financial literacy further

Sources:

ASIC, [The financial literacy of young Australians: An empirical study and implications for consumer protection and ASIC's National Financial Literacy Strategy](#), 2014

Andrew C. Worthington, [Financial literacy in Australia](#), University of Wollongong, 2005

[Would you pass the global financial literacy test?](#), Sydney Morning Herald, 20 Nov 2015

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