International Labour Organization | PROSPECTS

SOCIAL FINANCE

Financial Education

FOR REFUGEES, IDPS AND HOST COMMUNITIES

MANAGE YOUR MONEY SMARTLY!

Ministry of Foreign Affairs of the Netherlands

Copyright © International Labour Organization 2021
First published 2021

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to ILO Publications (Rights and Licensing), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: rights@ilo.org. The International Labour Office welcomes such applications.

Libraries, institutions and other users registered with a reproduction rights organization may make copies in accordance with the licences issued to them for this purpose. Visit www.ifrro.org to find the reproduction rights organization in your country.

ISBN: 9789220341827 (Print)
ISBN: 9789220341834 (Web PDF)

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

Information on ILO publications and digital products can be found at: www.ilo.org/publns.

ACKNOWLEDGMENT

The development of this Trainee's booklet was led by Gustavo Prepelitchi under the overall guidance and supervision of Yousra Hamed of the ILO's Social Finance Programme. This endeavour has been largely supported thanks to the inputs of PROSPECTS colleagues in HQ and in the field (Kenya, Uganda, Ethiopia, Sudan, Egypt, Iraq and Lebanon).

It has also benefitted from the meaningful support and key inputs of all partners who participated in the stakeholders' validation workshop in October 2020, among which Bank of Uganda, DRC, Hand in Hand, Longitude Finance, Equity Foundation and many other private sector entities. The ILO Social Finance Programme would also like to thank all participants in the two pilot trainings of trainers in Nairobi, Kenya and in Addis Ababa, Ethiopia held in the first quarter of 2021 for their comments and suggestions that helped finalise the document.

Proofreading was done by Ines Bentchikou, cartoons and drawings by Samba Cisse and design by Michel de Jesus.

TABLE OF CONTENTS

Introduction 7

1. Background 7
2. Presentation of the trainee's booklet 8
3. Introduction of the characters 8
   - Mary's Identity Card 9
   - Joseph's Identity Card 10
   - Meshak's Identity Card 11
   - Jane's Identity Card 12

A) Set goals and communicate with your family 13

1. Set your goals 14
2. Talk to your family about your goals 16
3. Assess the costs of your goals and your priorities 18
4. Make a savings plan to achieve your goals 19

B) Manage your money smartly 25

1. Be a smart spender 26
2. Create your budget 31
3. Keep track of and stay within your budget 40
4. Keep your financial records 48

Annexes and key documents 49

C) Get to know financial products and services 51

1. Reasons to save 52
2. Choose a savings method 53
3. Select your savings products wisely 56

Annexes and key documents 63
Answers to exercises 64

D) Use credit products 67

1. Choose a method to finance your projects 68
2. Select your credit wisely! 72
3. Calculate the cost of your credit 75
4. Watch out! Do not get over-indebted! 85

Annexes and key documents 90
Answers to exercises 91

E) Choose means of payments and money transfer products 95

1. Use means of payment with security 96
2. Get to know money transfer operators 101
3. How to send and receive money 107

Annexes and key documents 111
Answers to exercises 112

F) Get to know financial institutions and use them with confidence 115

1. Get to know financial institutions 116
2. Use financial institutions with confidence! 123

Answers to exercises 137

G) Risk management and insurance 141

1. Manage risks 142
2. Tips to create your emergency fund 147
3. Understand your insurance policy 148
4. Use your insurance policy 152
5. Choose the right insurance product. 155

Annexes and key documents 157
Answers to exercises 158

Module Extra: Gambling , Will-making, Pensions and Investments 159

1. The dangers of gambling 160
2. Make your will! 163
3. Plan your retirement! 165
4. Get to know investments 167

Annexes and key documents 169

Comic strips 172

Mary's comic strip 172
Joseph's comic strip 178
Meshak's comic strip 182
Jane's comic strip 187

INTRODUCTION

1. BACKGROUND

The document you have in your hands is the Trainee's booklet on financial education. It targets primarily refugees, Internally Displaced Persons (IDPs) and host communities who wish to improve their money management.

This Trainee's booklet introduces basic knowledge, skills and tools related to earning, spending, budgeting and using financial services such as savings, credit, money transfers and insurance.

The purpose of the Financial Education training materials is to help organizations which support refugees IDPs and host communities: young people, women, and to teach them the fundamentals of personal and family finance. The materials cover the following topics: set financial goals, communicate with confidence, understand key financial products (savings, loans, payments, digital wallets, insurance), understand and negotiate with financial institutions, transfer money and manage risks. The training is also intended to remedy the low level of education and unequal power relationships - between men and women and between the older and younger generations - which often affect money-related decisions in poor and disadvantaged communities. This specific generic manual addresses the challenges and opportunities faced by refugees, IDPs and host communities.

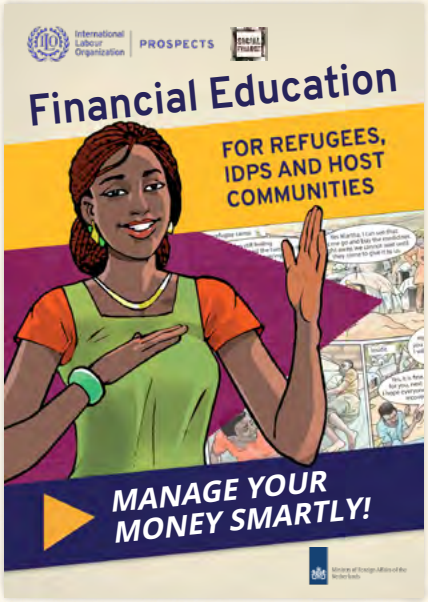
The training package was developed by the International Labour Organization (ILO) based on various ILO financial education tools created for different target groups. This specific booklet has been adapted for its use the Horn of Africa.

This Trainee's booklet is to be used hand in hand with the trainer's manual. It is developed for specific target groups. As a complement of the generic trainer's manual, the trainee's booklet provides all the information related to fictional characters, case studies, exercises and specific references to the target group. This booklet also comprises the key points of the training and the tools required for using and managing one's money wisely. It is written for the men and women participating in the training courses. It should be used as an exercise book during the course and as a reference guide subsequently.

This Trainee's booklet was developed in the framework of the ILO Project: Partnership for improving prospects for forcibly displaced persons and host communities (PROSPECTS), is a new partnership initiative that has been spearheaded by the Government of the Netherlands and brings together the International Finance Corporation (IFC), the International Labour Organization (ILO), the UN Refugee Agency (UNHCR), the UN Children's Fund (UNICEF) and the World Bank.

2. PRESENTATION OF THE TRAINEE'S BOOKLET

Financial education, what is it about?



Financial education is the knowledge, skills and tools that enable you to better manage your money. The training you are going to attend will enable you to plan and prepare for your projects in the future. It offers the opportunity to learn skills related to earning, spending, budgeting, saving, borrowing and ways to make the most of your resources.

It will also give you the opportunity to think about communicating better on money matters with your family, your relatives or people you work with.

You will learn or review some tools to manage well your money.

Financial services such as credit, savings, money transfers or insurance won't have any secret for you.

How to use this Trainee's Booklet?

You should use this Trainee's Booklet during the training on financial education. The order of the chapters follows the modules and sessions of the training. However, feel free to read any chapter as you please!

The comic strips included at the end of this booklet include all the relevant topics as per the experience of our fictional characters. You will meet them during the sessions and get to know them better. We encourage you to read them. You can read them independently.

This booklet includes many exercises and worksheets that you can fill for yourself.

3. INTRODUCTION TO THE CHARACTERS

The training programme uses the stories and experiences of four main characters:

Here are their profiles.

CHARACTER 1
MARY

NAME: Mary

Target Group: *Refugee*

Place of Residence: *Rents in nearby city*

Gender: *Female*

Age: *29*

Marital Status: *Married not long ago, 2 children*

Economic Activity: *She is a tailor. She sells very high-quality products but also provides training to other refugees. Since COVID-19 she also sells a lot of masks.*

Family:
- *She sends money to her parents on a regular basis*

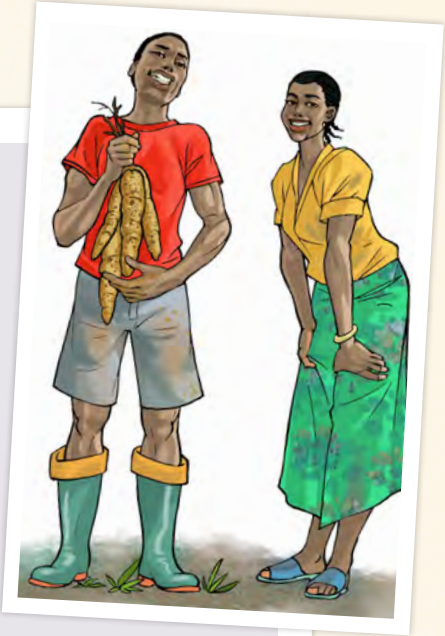
Level of educational attainment: *Finished Secondary School*

Attitude to money: *Very organized*

Financial Characteristics:
- *She always keeps her objetives first*
- *Uses semi-formal institutions (ROSCAs, VSLAs)*
- *She is interested in formal institutions*

Objectives:
- *Use formal financial products to expand her business*
- *Export her products*
- *Setting up an NGO for vocational training*
- *Take part in an entrepreneurship training*

Secondary Characters:
- *Her husband Moussa*
- *Her children*
- *Her parents.*



CHARACTER 2
JOSEPH

NAME: Joseph

Target Group: *Refugee*

Place of Residence: *Camp - Rural*

Gender: *Male*

Age: *32*

Marital Status: *Married, 5 children*

Economic Activity: *He takes part in a vegetable growing initiative for refugees. The pay is little but he also uses some food or his family. Still dependent on food rations, cash-based transfers by International Organizations and remittances*

Family:
- *Wife works as a daily worker for a refugee that has set up a poultry farm*

Level of educational attainment: *Primary school*

Attitude to money: *Thrifty. But they have little income*

Financial Characteristics:
- *Tries to save as much as possible*
- *He does not make a budget regularly*
- *Saves at home*

Objectives:
- *He wants to become a member of VSLA*
- *He and his wife want to have their own poultry farm*

Secondary Characters:
- *His wife Martha*
- *His children*
- *His friends Assad and Farid*

CHARACTER 3
MESHAK

NAME: MESHAK

Target Group: *Host Community*

Place of Residence: *Owns a house not far from the camp*

Gender: *Male*

Age: *48*

Marital Status: *Married, 4 children*

Economic Activity: *He has livestock in a big piece of land he owns. He hires refugees for daily work, including people with disabilities. He also owns a grocery shop next to the camp.*

Family:
- *Children are 10 (male), 13 (female), 16 (female) and 18 (male)*
- *Wife works wih him in the shop*

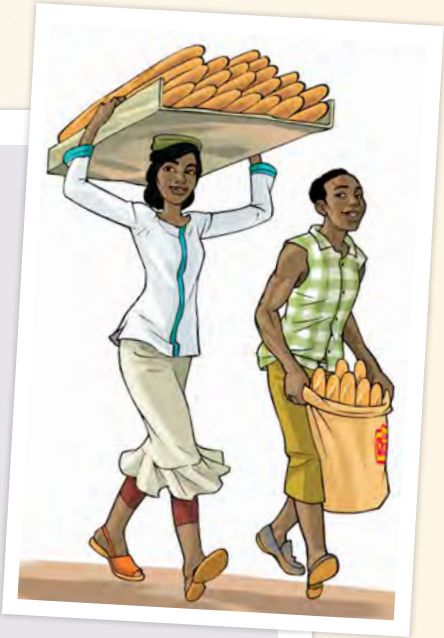
Level of educational attainment: *Finished secondary school*

Attitude to money: *Thrifty*

Financial Characteristics:
- *He has formal financial products from a local bank*
- *Also belongs to a Credit Union*

Objectives:
- *Expand his agricultural business*
- *Buy a bigger house*
- *Open a second grocery shop*
- *Send kids to university*

Secondary Characters:
- *His wife Sara*
- *His children*
- *His neighbours Miriam and John*
- *His nephew John*



CHARACTER 4
JANE

NAME: Jane

Target Group: *Internally Displaced Person (IDP)*

Place of Residence: *Rents in nearby city*

Gender: *Female*

Age: *24*

Marital Status: *She is a widow, single mother of one child.*

Economic Activity: *She bakes bread and sweets in her home and sells them door to door. Sometimes she is able to sell at a camp stall.*
Whenever she can, she sends money to her parents.

Family:
- *Parents stayed in hometown. Her cousin is also IDPs and they help each other*

Level of educational attainment: *Primary school*

Attitude to money: *Disorganized. Free spending*

Financial Characteristics:
- *Very difficult to organize her finances.*
- *She is always borrowing money.*
- *Is member of a ROSCA.*

Objectives:
- *She would like to continue studying.*
- *She would like to make her business grow.*
- *She wants to organize her financial life*

Secondary Characters:
- *Her cousin Hawwa who is also an IDP*
- *Her son*
- *Her parents*

A

SET GOALS AND COMMUNICATE WITHIN YOUR FAMILY

FINANCIAL QUIZ EDUCATION

A1. What does the following proverb mean? *"If a man does not know to which port he's steering, no wind is favourable to him."*

- ☐ **a.** You need to have wind to be able to sail.
- ☐ **b.** It is easier to realize your life projects if you know where you go and if you set concrete goals.
- ☐ **c.** It is easy to steer one's boat when there is wind.

A2. Do you have goals for the future?

- ☐ **a.** Yes, I have short-term and long-term goals and I save regularly to be able to achieve them.
- ☐ **b.** Yes, I have goals but there is no need to think about it as I will never have enough money to achieve them.
- ☐ **c.** I am too young to have goals for the future.

A3. Your parents call you to ask for money again for a ceremony in the village

- ☐ **a.** I send them money right away as you always do what your parents ask.
- ☐ **b.** I disagree strongly and refuse to send any money.
- ☐ **c.** I discuss with them to better understand their needs and see how I can help them keeping in mind my goals and my savings plan.

A4. What is a savings plan?

- ☐ **a.** A financial product.
- ☐ **b.** A plan where you can see your goals, their costs, the date by which you want to reach your goals, and the amount that you must save to reach them.
- ☐ **c.** A moneybox.

Answers: A1:b; A.2:a; A.3:c; A.4:b

1. SET YOUR GOALS

DEFINITION

A goal is something you want to do. Setting goals helps you to define what you want to do in life and hence to know what you need to do to make it come true.

Let's get to know Mary, one of our characters.

Case Study N°1

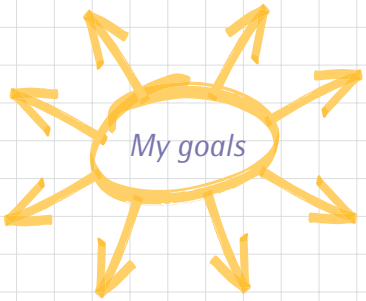
MARY'S STORY

Mary is 29 years old. She had fled her own country due to conflicts and has been living here for 5 years. She had married with Moussa right before the conflict back at home became very violent. They have two kids, Meshak and Zoe, who are 3 and 1 year old respectively.

Mary works as a tailor. She had learnt the profession from her mother, and she is very talented and quite successful. She specializes in high quality products, but also runs training courses for other refugees. Lately, during the recent pandemic, she had a lot of success selling face masks. Moussa works as an employee in a nearby carpentry shop. During the evening, when the kids are sleeping, they sit together in the living room to talk about their plans for the future. Mary has great ideas for her shop. She would love to find financing options to afford a brand-new sewing machine. She would also like to start exporting her dresses. As for the training activities, she likes the idea of continuing providing training for free for other refugees but also, she dreams about creating a small NGO that could provide vocational training programmes to international organizations. On top of this, she would like to join a course that helps small businesses to grow.

For a long time, they have also thought about Moussa opening his own carpentry shop. On top of that, for them sending money to Mary´s parents have always been an important priority and they would love to be able to help them improve their house, back in their home country. They would also like to buy a better phone for Mary, as her current one is quite old. They also dream of buying a plot of land and building a house of their own.

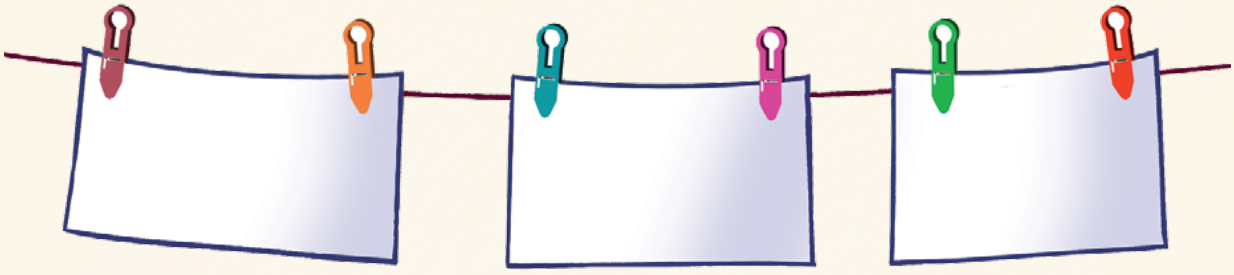
What are Mary's dreams? Write them here!

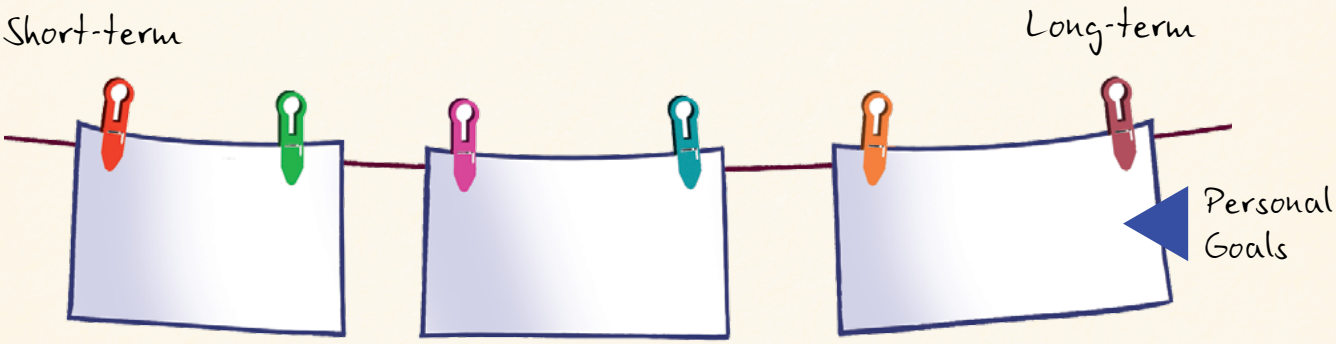


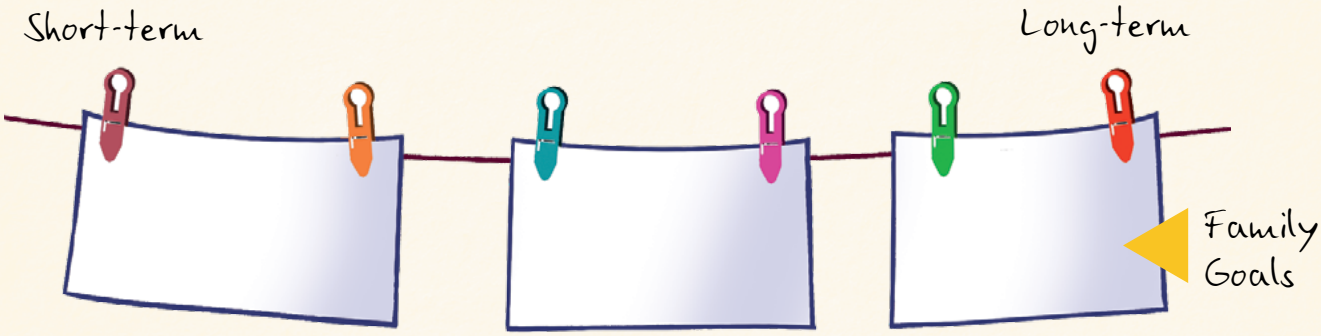
TRAINING AID A.1.1.

My goals

Have you ever thought about your goals?
If so, write or draw them here!







REMEMBER

All your objectives are important! Some objectives can be achieved faster than others.

2. TALK TO YOUR FAMILY ABOUT YOUR GOALS!

ADVICE TO DISCUSS YOUR GOALS WITH YOUR FAMILY

- *Think well about what you want (and the reasons why you want it) before you talk to your family.*
- *Don't be afraid to talk about your goals. All men and women – young or old – have a right to set their own goals.*
- *Find allies in your family: persons to whom you would have talked before and who could support you, persons who are respected in the family.*
- *To talk about your goals to your spouse and/or other family members, choose the right time, set a time when they are available.*
- *Be confident when you talk about your goals and listen to the opinions of the other people without interruption.*
- *Be respectful to your family members and flexible on your position.*
- *If there is a disagreement, examine the issue and look for compromise solutions that will benefit everyone in the family.*

DO...	DON'T
• Be self-confident • State clearly what you want • Listen to your partner • Acknowledge the other person's point of view • Show respect • Be flexible and calm • State your opinion, even though you owe the other person respect • Reframe your partner's ideas to move towards a solution	• Be passive or arrogant • Shout • Interrupt • Get angry • Be vulgar or insulting • Repeat the same point several times • Immediately reject the other person's ideas • Adopt a defensive posture • Show impatience • Lock yourself into one position • Allow yourself to get sidetracked

THE RULES OF ACTIVE LISTENING

- Look the other person in the face.
- Repeat or summarize what the other person has said to you before making your point.
- If you are not clear about what was said, reformulate what you have heard in other words and ask your partner to confirm that you have understood.
- Ask for clarification, to be sure you have understood, or put further questions, to elicit more information.

REMEMBER

Being able to communicate effectively with others is an important skill to have when you need to communicate personally with family members and friends or, in the workplace, with colleagues and superiors.

Prepare to negotiate

- Decide what you want to obtain from the negotiation.
- Collect information.
- Understand the interests and motivations of the other persons.
- Know ahead of time what outcome will be acceptable.
- Obtain advice from another.
- Decide what you will do if the negotiation is not satisfactory.
- Collect information and opinions from others to formulate a strong argument.
- Build good relations with the other person.
- Plan how you will communicate effectively with the other person.

NOTES

3. ASSESS THE COSTS OF YOUR GOALS AND YOUR PRIORITIES

Do you know the costs of your goals?

Do you know the costs of your goals? If you do, write the costs beside the goals you have written or drawn above. If you don't, it is very important that you find out. It is the only way to know how much money you need to achieve your goals. Meanwhile you can indicate an approximate cost that you can correct later.

Then, prioritize your goals indicating 1 for the most important, 2 for the second most important and so on.

NUMBER	PERSONAL OR FAMILY GOAL	GOAL	ESTIMATED COST

⚠ REMEMBER

Goals are generally easier to achieve if you think ahead and gather all the information you need to take a well-informed decision. It is vital that we assess how much it will cost to achieve our goals. Careful research is sometimes necessary (seeking information from suppliers, finding out about market trends, etc.).

Do not forget that prices rise over time! Therefore build in a margin, i.e. save a bit more, in case the costs of achieving your goals increases in the next few years.

4. MAKE A SAVINGS PLAN TO ACHIEVE YOUR GOALS

Case Study N°2

JOSEPH'S SAVINGS PLAN

Joseph works at a vegetable growing initiative for refugees. His wife Martha works as a daily worker for a refugee that has set up a successful poultry farm. They have 5 children and live at a camp. Joseph and Martha usually speak about their future. They have many goals but he knows it is not easy to achieve them all. Joseph has reviewed their projects.

He heard the people from the camp will provide some mattresses for each family, but he wants to make sure to have a new mattress for each member of his family. He also realized that the tools he is using at the vegetable growing initiative are pretty old and are hurting his hand. He would like at some point to buy at least a new shovel.

In the long run, he wants to set their own poultry farm and run a family business with Martha there. Joseph has assessed the cost of each project and set dates for when he would like to achieve his goals. He has calculated the amount he needs to save each month for this purpose. Joseph has drawn up what we call a savings plan. This has given him a clearer picture of what he needs to save each month to achieve his goals.

So, let's take a look at Joseph's savings plan!

MY SAVINGS PLAN

My goals	Date when I want to achieve my goal	Costs of my goal	Number of months before the date of achievement of my goal	Other sources of financing (if relevant)	How much I need to save each month to achieve my goal
Short-term goals (less than 12 months):					
To buy 6 matresses for all the family	*March this year*	*$90*	*3 months*	*Camp will provide a maximum of 3 matresses to each family*	*$15*
Medium-term goals (1 to 3 years):					
To buy a new shovel	*January next year*	*$60*	*12 months*		*$5*
Long-term goals (more than 3 years):					
To set up their own poultry farm	*January 3 years' time*	*$2980*	*36 months*	*Grant from NGO supporting refugees for up to $1000*	*$55*
Total amount I need to save every month to achieve all my goals (sum of the amounts in the right-hand column):					**$75**

IMPORTANT: Once Joseph reaches his short-term goal, he will need to adjust his savings plan and the money he needs to set aside each month to achieve his other goals

TRAINING AID A1.2

Savings plan

Now it's your turn!

Now let's summarize and fill the table below with all the information you have thought of: goals, priority, costs, date when you want to achieve your goal(s), and other sources of financing.

▶ Training Aid

A1.2

MY SAVINGS PLAN					
	Date by when I want to achieve my goals	Cost of achieving my goals	Number of months left to achieve my goals	Other sources of funding (optional)	How much I need to save each month to achieve my goals
My short-term goal(s) is/are:					
My long-term goal(s) is/are:					
The short-term goals I share with my family are:					
The long-term goals I share with my family are:					
Total amount I need to save every month to achieve all my goals (sum of the amounts in the right-hand column):					

YOUR TURN

I need to save

. . . . . .

per month to achieve all my goals.

Be careful! If it is not possible for you to save so much every month, you need to review your goals:

by reducing their costs, or by cancelling some of the goals now, or by postponing the date when you wanted to achieve some of your goals.

You can do that looking at how you prioritized the goals: for example, you won't change your goals 1 and 2 but you may need to change your goals 3 and 4.

Case Study N°3

JOSEPH DRINKS A TEA WITH ASSAD

While drinking tea with his friend Assad, Joseph says that he decided to explain his bosses at the vegetable growing initiative that he is not happy with his salary. He is therefore trying to save a bit more for the future, in case he decides to stop working there. It was difficult to tell Martha of this situation, as they are really tight with money, but she understood.

Assad, for his part, shared with him that he decided that he would not discuss his problems with his partner. He alone is taking on all the difficulties associated with the economic slow-down and has had to reduce his personal expenses to a minimum to be able to continue to contribute to the family budget.

Even after reducing all his personal expenses, he sometimes does not have enough money to buy the food they need. This situation weighs heavily on him and he is looking for a solution.

TRAINING AID A2.1

Role-play activity: conflict and negotiation

CONFLICT 1

Farid, Joseph's friend from the camp, is getting married soon. Joseph discuss with Assad and other friends in the camp about what should be their present. All the friends believe they should all contribute a lot of money because it is a wedding present and Farid needs it badly. Joseph wants to contribute as much as possible for him, but he believes the amount they are pushing for is too much for him. He is afraid his friends will think he is greedy. What should he do?

Work out a role-play showing the interaction between the people described and the solution you arrive at. At least one of the characters in your role-play must try to apply the rules for effective communication

CONFLICT 2

Mary has managed to set aside some money to expand her business. She is speaking on the phone with her mother, who asks her if she could lend some money to Mary's aunt who wants to start a new business. Mary does not want to lend her money because Mary needs all the money she has saved. She does not want to say no to her mother's sister and does not know what to do. What should she do?

Work out a role-play showing the interaction between the people described and the solution you arrive at. At least one of the characters in your role-play must try to apply the rules for effective communication.

CONFLICT 3

Meshak always puts money aside to cope with emergencies and to expand the family business. One of his daughters insists if he could give her some money to buy new clothes, as it has been a long time since she bought a new dress. Meshak knows she loves clothes but also thinks he should save as much as possible. What should he do?

Work out a role-play showing the interaction between the people described and the solution you arrive at. At least one of the characters in your role-play must try to apply the rules for effective communication.

CONFLICT 4

Jane works on baking her products. She puts some money aside every month, even if only a little. She also sends her family money when she can, telling them to save some of it for emergencies. When her mother falls ill, her father admits that he has not put anything aside and he has nothing left. She is very disappointed and angry. What should she do?

Work out a role-play showing the interaction between the people described and the solution you arrive at. At least one of the characters in your role-play must try to apply the rules for effective communication.

Advices to achieve your savings goals

- Decide what you want to save for and find out how much it will cost – whether it is buying a house, land, starting/ improving a business, studying or saving for your child's school fees, etc. Ensure that what you are saving for is realistic and not over-ambitious.
- Start saving now – the sooner you start, the sooner you'll get there.
- Put your savings in a safe and secure place where you earn good interest.
- Keep saving regularly and over a long period of time. It's only then that your money can accumulate.

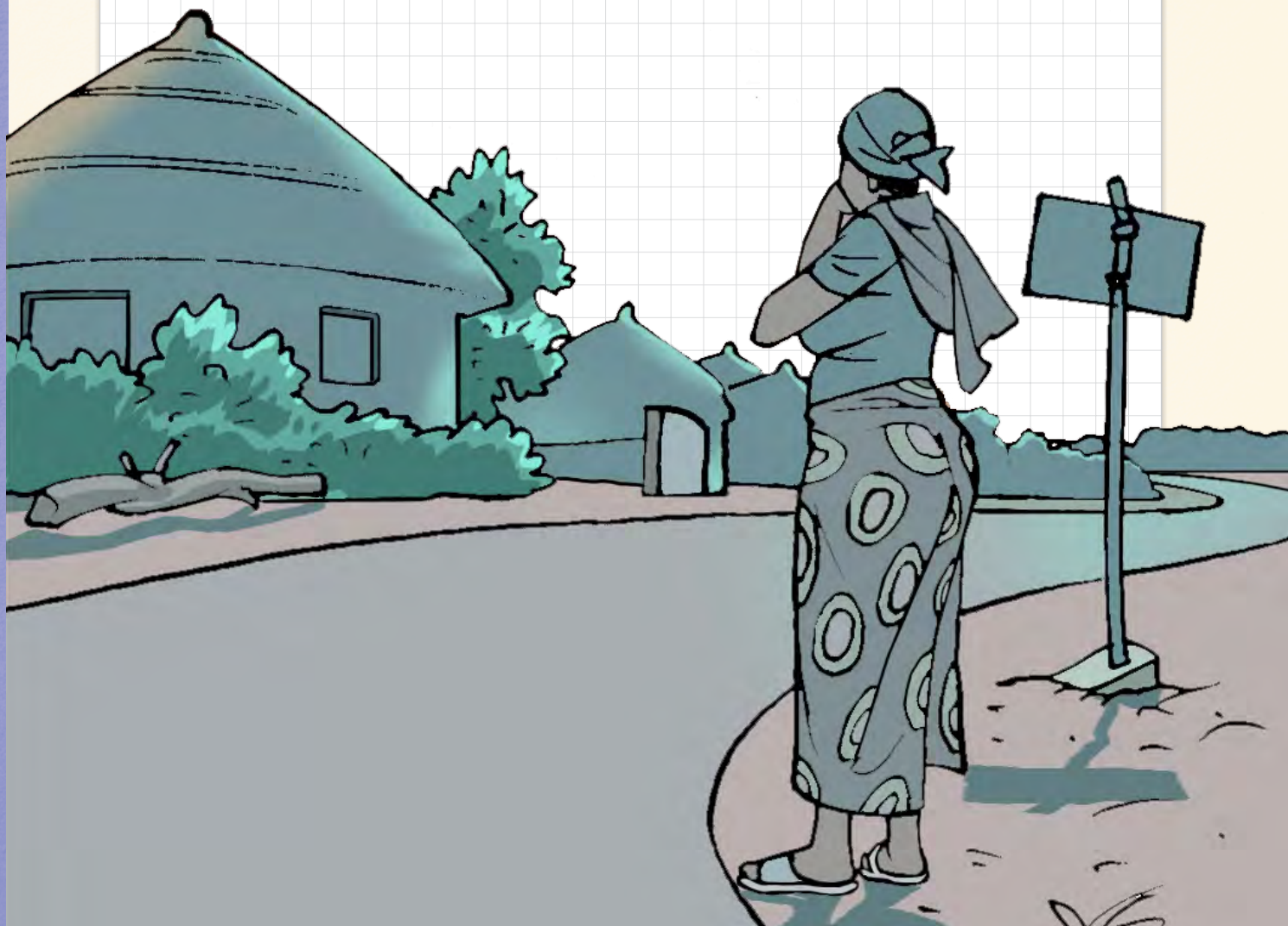
KEY MESSAGES

- It is easier to achieve your life plans if you know what you want and set yourself precise goals to achieve them.
- Some goals can be achieved quickly; others take years or even decades. Goals need to be classified as short, medium or long-term.
- People's goals change in the course of their lives and different family members will have different goals. It is important to make family members' different goals compatible with each other.
- Good communication is desirable in all families, especially in families with relatives living in a distant town, region or country.
- Defining one's goals and making the difference between myth and reality in setting goals makes it easier to reach them.
- It is important to seek reliable information in assessing the value and cost of achieving your goals.
- You also need to be able to readjust your goals if they are too costly, and to be flexible in doing so (in the event of a change in your financial or social circumstances).
- Keeping your goals in mind is a sure way to achieve success.
- Making a savings plan helps you to achieve them more easily.

TWO RULES OF SAVINGS

- Spend less than you earn
- Save something every day or week

NOTES



B

MANAGE YOUR MONEY SMARTLY

FINANCIAL EDUCATION QUIZ

B1. It is the end of the month; I've just received my salary:

- ☐ **a.** I rush to the market to buy this nice jacket I saw the other day.
- ☐ **b.** I set aside a part of my salary to achieve my goals.
- ☐ **c.** I buy a big present for my best friend's birthday.

B2. A budget is:

- ☐ **a.** A tool to decide, plan and use your money to achieve your goals.
- ☐ **b.** A sheet to record expenditures.
- ☐ **c.** A table.

B3. What are the three main parts of a budget?

- ☐ **a.** The date, the income and the expenditures.
- ☐ **b.** The income, the expenditures and the savings.
- ☐ **c.** The expenditures, the income and the signature.

B4. How shall I do to follow my budget?

- ☐ **a.** I have so many obligations that it is impossible to follow my budget.
- ☐ **b.** I don't do any budget because I believe in fate.
- ☐ **c.** I use tracking sheets to record my expenditures and income.

Answers: B1:b; B.2:a; B.3:b; B.4:c

1. BE A SMART SPENDER!

QUESTIONS

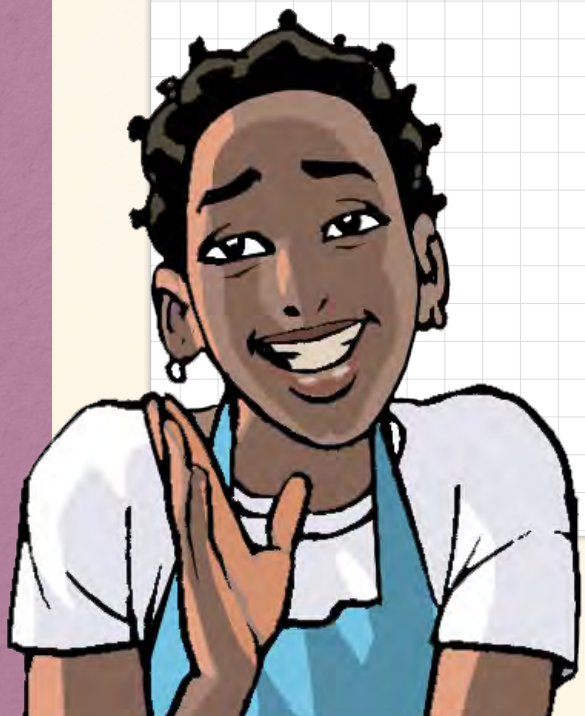
- Are you someone who likes spending or someone who likes saving?
- For example, do you often give up on things that you want?

DEFINITION

Saving means not spending all your money and setting aside a part for a specific goal in the future. It means setting aside small or large sums of money, regularly or from time to time.

EXERCISE

According to your own situation, choose between necessary expenses (we call them needs) and optional expenses (we call them wants)! Circle the images that correspond to needs for you to distinguish them from the wants.



TRAINING AID B1.1

Wants and needs picture cards

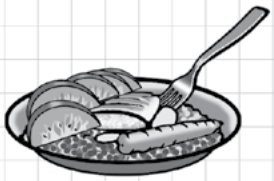
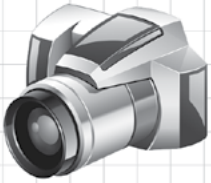
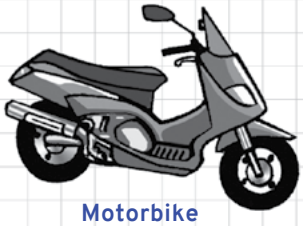


Plate of food



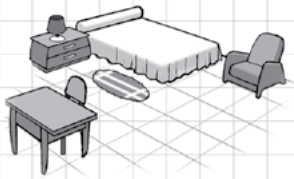
Camera



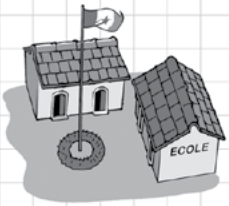
Motorbike

Cinema ticket

Cash withdrawal



An apartment



School

Water

Sim card

Doctor's visit

Electricity

Make-up

Expensive shoes

Smartphone

Soda can

Cigarettes

Lottery ticket

Ice cream

Debt repayment

Sports bet

I would like to buy...

My needs	How much does it cost?
Total needs	
My wants	**How much does it cost?**
Total wants	

ATTENTION!

Be careful! Sometimes, something can be a need for someone and a want for someone else. For example, the mobile phone, Joseph needs one for his business, while Meshak uses his mobile phone to call his friends and family.

Do I have enough money to buy all the things I listed?

☐ Yes ☐ No

If I don't have enough money, I decide to give up the following wants:

NOTES

Read the stories of these characters and reflect about what is happening to them. What could have they done differently?

Case Study N°1

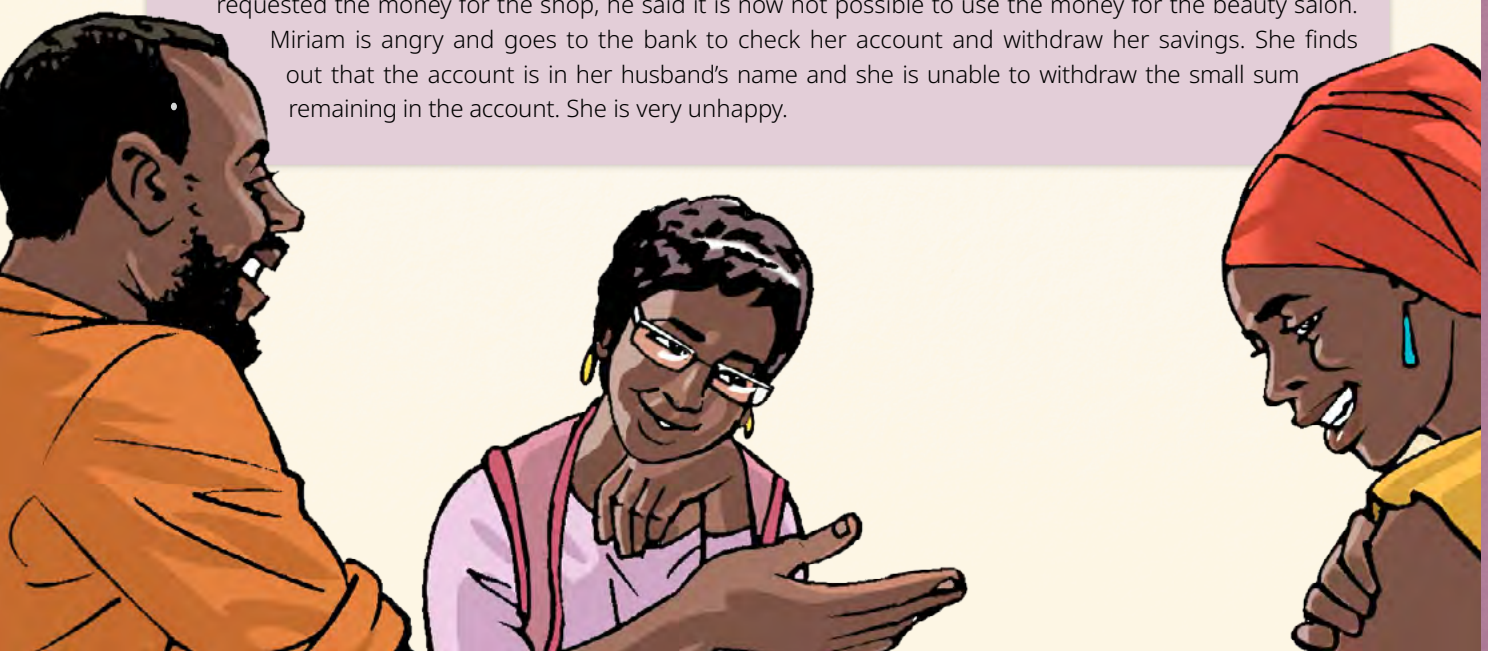
JOSEPH AND MARTHA FACE AN EMERGENCY

Joseph works at a vegetable growing initiative for refugees. His wife Martha works as a daily worker for a refugee that has set up a successful poultry farm. They have 5 children and live at a camp. They are thrifty but have little income and sometimes struggle to make end meets. Last week, Martha started feeling bad and so did 2 of their children. They could get the medicines in the camp but because they were worried and needed them urgently, they decided to go to a nearby pharmacy and paid for them to get them fast. As it was end of the month and they were short of cash, they needed to borrow money from an acquaintance from Joseph. Joseph will receive his salary next week. His friend lent him 5 dollars and Joseph agreed to pay him back 6 dollars out of his salary. He has used the money to buy the medicines from the pharmacy. They all recovered fast after taking the medicine.

Case Study N°2

MIRIAM, MESHAK AND SARA'S NEIGHBOUR, HAVE A PROBLEM

Meshak and Sara have a very close relationship with their neighbours Miriam and John. They own agricultural land like them but also Miriam runs a small beauty salon in a commercial street nearby their house. Miriam's shop has been quite successful lately. She has learned to be disciplined with money and has been having profits for quite some time now. As she does not understand financial institutions, she has regularly given part of her income to her husband John, for him to deposit the money in the bank account. One day she returns home thinking of asking John some money from the business account as she wants to buy some new tools for her shop. When she arrives, she discovers that her husband has bought a car. When she requested the money for the shop, he said it is now not possible to use the money for the beauty salon. Miriam is angry and goes to the bank to check her account and withdraw her savings. She finds out that the account is in her husband's name and she is unable to withdraw the small sum remaining in the account. She is very unhappy.



TIPS TO SAVE

- *Set aside a bit of money every day or every week.*
- *Do not buy a new item if yours still works or if it can be repaired.*
- *Buy less presents for your family. Talk to them first and agree with them on your support.*
- *If possible, spend less on cultural or social ceremonies.*
- *Keep less cash in your wallet (and leave it in a safe place: at home, on a bank account...).*
- *If you send money to your parents or other family members, do not send all your money to them and keep part of it for your own needs and emergencies.*
- *Always keep in mind your long-term goals to remind you why you save!*

KEY MESSAGES

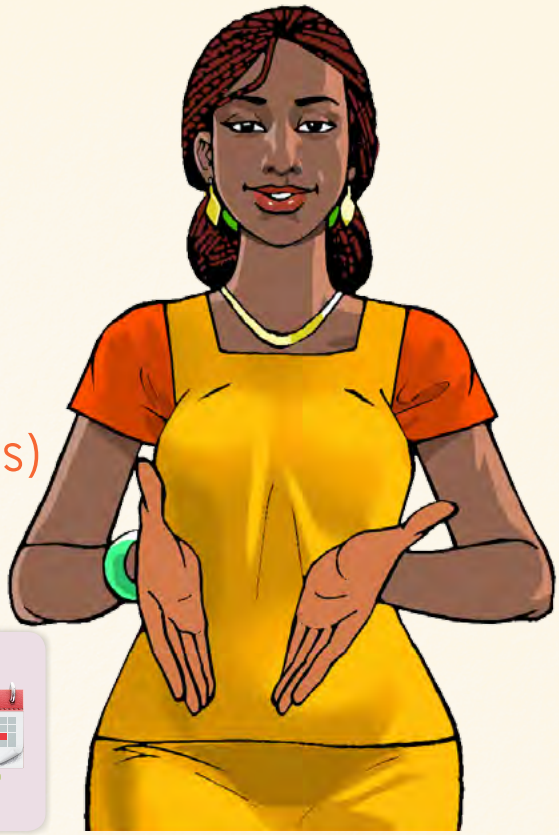
- You need to be able to distinguish between essential and optional spending.
- Saving for an emergency: saving is essential, an absolute need.
- "Manage well what has been earned by others".
- Saving means giving up an immediate want to invest and achieve a goal in the future.
- Saving makes for security.

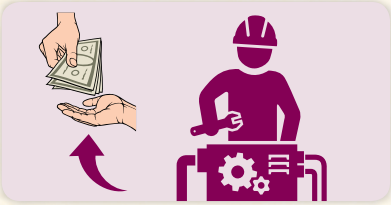
NOTES

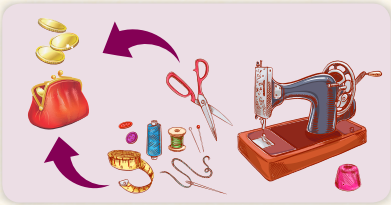
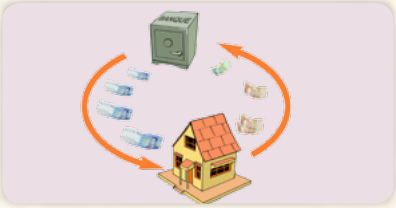
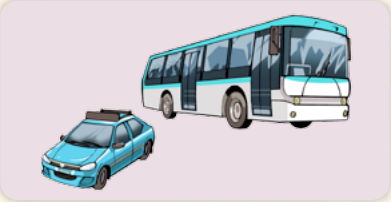
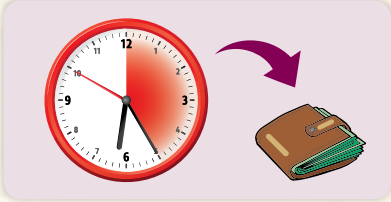
2. CREATE YOUR BUDGET!

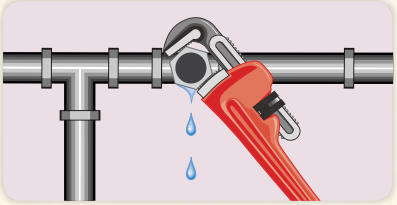
TRAINING AID B.2.1

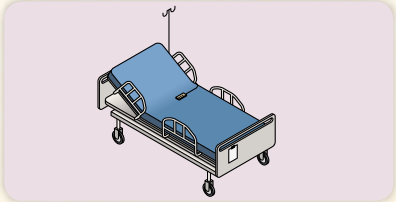
Images for budgeting
(for groups with poor literacy skills)









TRAINING AID B.2.2

Character's empty budget

Let's get to know a bit more about Mary and how she creates her budget.

MARY'S FAMILY BUDGET

SOURCES OF INCOME	Amount
Fixed income	
Moussa's salary (carpentry shop)	
Mary's contribution to family budget	
Sub-total fixed income	
Variable income	
Income from selling used furniture	
Sub-total variable income	
TOTAL INCOME	

EXPENSES	
Essential expenses (needs)	
Rent	
Gas, water, electricity	
Food	
Travel and transport (car or public transport)	
Health care / medicines	
Communication (telephone bills)	
Kindergarden fees	
Sub-total (needs)	
Optional expenses (wants)	
Sub-total (wants)	
TOTAL EXPENSES	

TOTAL EXPENSES (Needs and wants)	
INCOME MINUS EXPENSES (SAVINGS)	

Case Study N°3

MARY'S FAMILY BUDGET – PART 1

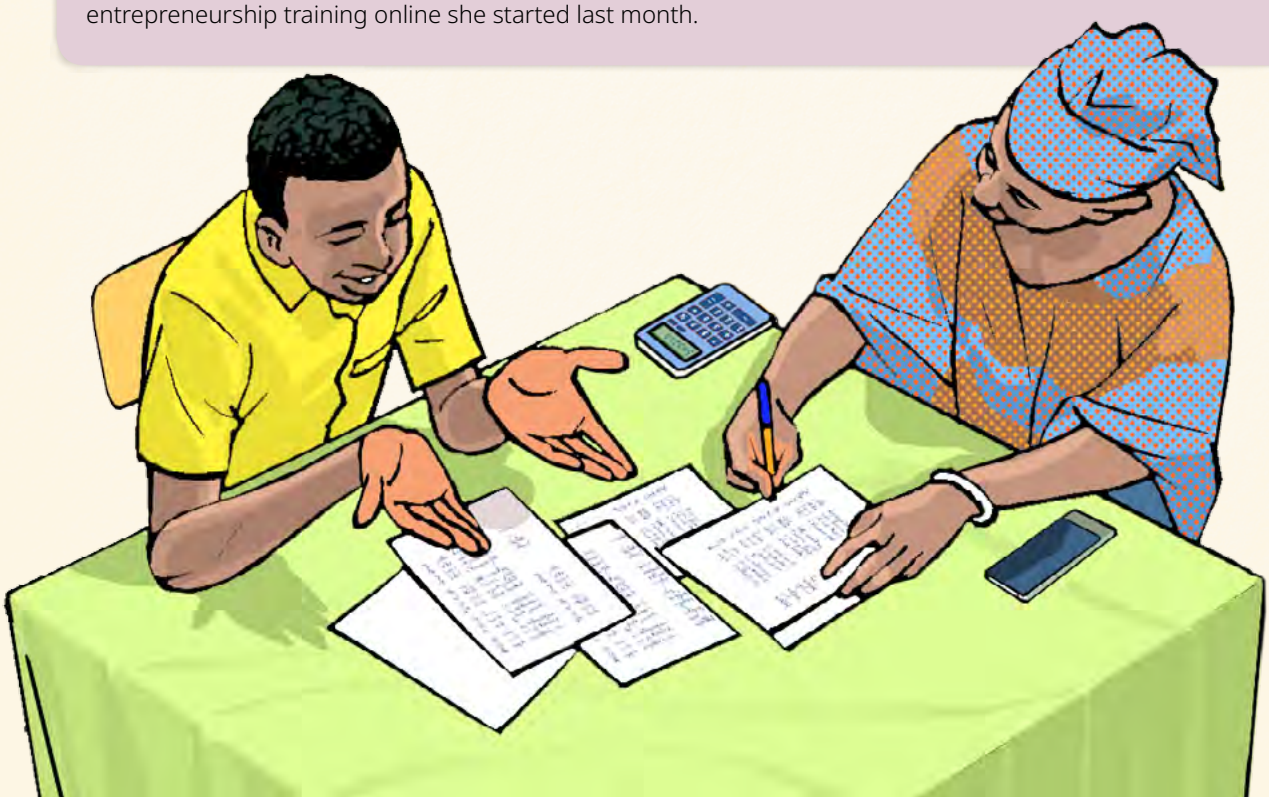
Yesterday was the last day of the month and Mary and Moussa decided to review their income. First, they have a look at the income and expenses of her enterprise. Mary came to the conclusion that her net income was 950 USD. Like the last months, Mary decided to contribute 800 USD for the family expenses, and kept 150 USD for her personal budget. Moussa´s salary in the carpentry shop was 600 USD. They have decided to sell an old wooden table Moussa repaired during his free time. A neighbour bought it for 70 USD.

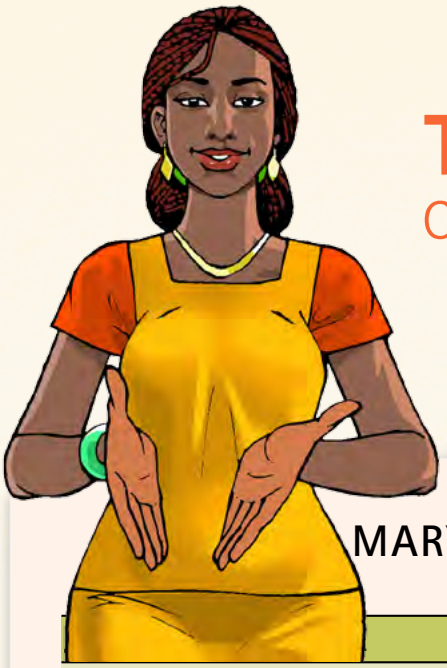
Case Study N°4

MARY'S FAMILY BUDGET – PART 2

Once Mary and Moussa have reviewed their income for the following month, they begin to plan how they will spend the money. First, they will pay their rent (220 USD). Then, for gas, water and electricity they reckon they will spend 80 USD. For food, they estimate 350 USD, for transport 90 USD and for medicines 50 USD. Their pre-paid cellphones charge comes to around 30 USD. The nursery where they look after their kids charge 100 dollars for both kids. They will send 100 USD to Mary's parents like every month. They also decided to upgrade Mary's phone to a newer one. It will cost around 120 USD.

Mary keeps a part of her net income. This month she calculates her personal expenses for the following month: 20 USD for a new fabric that she wants to use for making herself a new dress and 40 USD for a new entrepreneurship training online she started last month.





TRAINING AID B.2.3

Character's family budget

MARY'S FAMILY BUDGET

	Amount (Dollars)
Fixed income	
Moussa's salary (carpentry shop)	$600
Mary's contribution to family budget	$800
Sub-total fixed income	**$1400**
Variable income	
Income from selling used furniture	$70
Sub-total variable income	**$70**
TOTAL INCOME	**$1470**

EXPENSES	
Essential expenses (needs)	
Rent	$220
Gas, water, electricity	$80
Food	$350
Travel and transport (car or public transport)	$90
Health care / medicines	$50
Communication (telephone bills)	$30
Nursery fees	$100
Money transfer to Mary's parents	$100
Sub-total (needs)	**$1020**
Optional expenses (wants)	
New phone Mary	$120
Sub-total (wants)	**$120**
TOTAL EXPENSES	**$1140**

INCOME MINUS EXPENSES (SAVINGS)	**$330**

TRAINING AID B.2.4

Character's personal budget

MARY'S PERSONAL BUDGET

SOURCES OF INCOME	Amount (Dollars)
Fixed income	
Sub-total fixed income	
Variable income	
Mary's shop net income	950
Sub-total variable income	950
TOTAL INCOME	**950**

EXPENSES	
Essential expenses (needs)	
Contribution to the family budget	800
Entrepreneurship training fee	40
Sub-total (needs)	**840**
Optional expenses (wants)	
Fabric for dress	20
Sub-total (wants)	**20**
TOTAL EXPENSES	**860**

INCOME MINUS EXPENSES (SAVINGS)	**90**

QUESTIONS

- **Have you already created a budget?**

  ☐ **Yes** ☐ **No**

- **If you have, have you written it down or only kept it in mind?**

  ☐ **Written down** ☐ **Kept in mind**

DEFINITION

A budget is a tool to decide, to plan and to use your money to achieve your goals.

EXERCISE

You have seen during the training how Mary and her family create their budget. Now it is your turn! Create your own budget!

Be careful! The line « Income – expenditures » at the bottom of the table must be positive. If it is not, it means that you don't have enough income and not enough money for all your expenses. It also means that you don't have any money to save to achieve your goals.

If you're forecasting big expenses in a few months, start saving some money anytime you can, so that you can afford these big expenses and stay within your budget.

TRAINING AID B.2.5

My budget

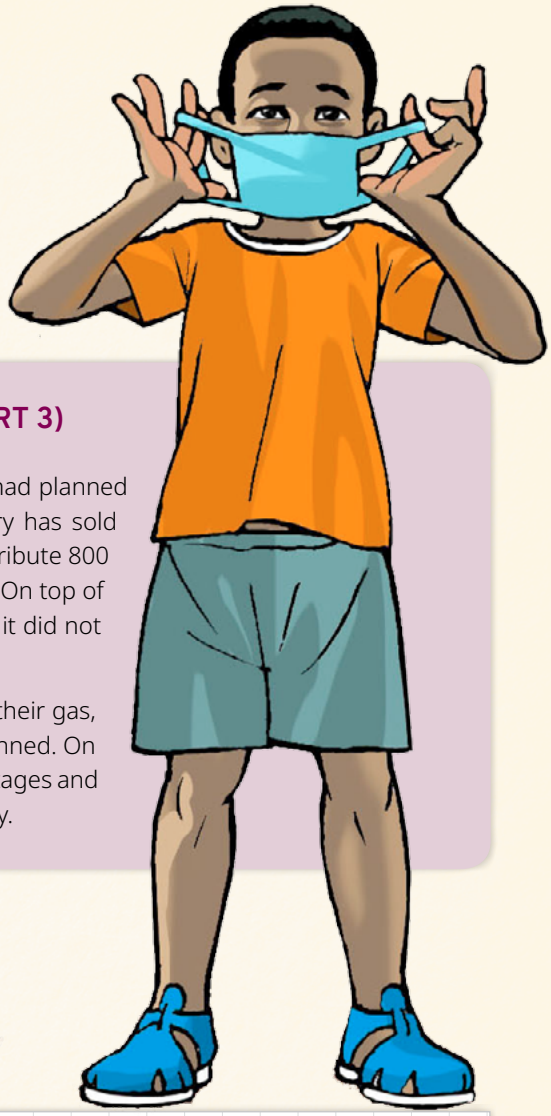
MY BUDGET

SOURCES OF INCOME	Amount
Fixed income	
Sub-total fixed income	
Variable income	
Sub-total variable income	
TOTAL INCOME	

EXPENSES	
Essential expenses (needs)	
Rent	
Gas, water, electricity	
Food	
Travel and transport (car or public transport)	
Health care / medicines	
Communication (telephone bills)	
School/Nursery fees	
Sub-total (needs)	
Optional expenses (wants)	
Sub-total (wants)	
TOTAL EXPENSES	

INCOME MINUS EXPENSES (SAVINGS)	

Let's continue with Mary's case



Case Study N°5

CHARACTER´S FAMILY BUDGET (PART 3)

It seems Mary and Moussa are facing some issues. Despite they had planned carefully their budget, the COVID-19 impact has been hard. Mary has sold considerably less than expected, and instead of being able to contribute 800 USD to the family budget, she will only be able to put up 600 USD. On top of that, the neighbour decided to give back the piece of furniture as it did not satisfy him, so they had to give him back the $70 he had paid.

At the expenses level, because of spending a lot of time at home, their gas, water and electricity bills increased to $120, instead of the $80 planned. On top of that, their food expenses also increased to $450, due to shortages and increased prices but also because the kids had to stay home all day.

NOTES

TRAINING AID B.2.6

Character's adjusted budget

MARY'S FAMILY BUDGET

SOURCES OF INCOME	Amount
Fixed income	
Moussa's salary (carpentry shop)	$600
Mary's contribution to family budget	$600
Sub-total fixed income	**$1200**
Variable income	
Income from selling used furniture	$0
Sub-total variable income	$0
TOTAL INCOME	**$1200**

EXPENSES	
Essential expenses (needs)	
Rent	220
Gas, water, electricity	120
Food	450
Travel and transport (car or public transport)	90
Health care / medicines	50
Communication (telephone bills)	30
School/Nursery fees	100
	100
Sub-total (needs)	
Optional expenses (wants)	**$1160**
New phone Mary	120
Sub-total (wants)	**$120**
TOTAL EXPENSES	**$1280**

INCOME MINUS EXPENSES (SAVINGS)	**-$80**

KEY MESSAGES

- There is a tool used to manage your income – a budget.
- To create your budget, you need to calculate your income and expenses. With this calculation, you can define your savings capacity, meaning how much you can set aside each month.
- In case of emergencies or changes in your financial situation, you will have to adjust your budget to be able to cover all your expenses and save for your goals.
- A budget can help you to decide how to spend your money and save to reach your goals.

3. KEEP TRACK OF AND STAY WITHIN YOUR BUDGET

Case Study N°6

MARY'S BUDGET MANAGEMENT

Last month Mary explained again to her parents how much money she would send them. She told them they had many plans with Moussa and they needed to save as much as possible. Yesterday, Mary received a phone call from her family: her parents asked her to send more money because there they were hit by a big storm and the roof of their house needed to be repaired immediately. Mary hesitated: she remembered that she had already sent her family the amount allowed for in their budget. She was disappointed but went to the money transfer operator and sent them the money they requested. Now, while talking with Moussa, they realize that they will not be able to have a balanced budget with this extra expense.

They spoke and decided to postpone the purchase of the phone but also to try to save as much as possible in expenses related to food and transport.

Case Study N°7

JANE'S BUDGET MANAGEMENT

Last month Jane realized that her numbers were very tight, and she should always keep an eye on her expenditures. Yesterday, Jane received a phone call from her cousin Hawwa. She asked to borrow some money as her daughter was seriously ill and needed expensive medicine. Jane hesitated: she remembered that she had no spare money in her budget. While thinking about this she remembered her cousin had helped her so many times that she could not refuse. Later that week, Jane's oven, which she uses for making the bread she sells, started having problems. Jane did not have enough money to repair it and Hawwa still did not have the money to pay her back. Jane had to borrow money from a neighbour.

QUESTIONS

- What did Mary do to stay within her budget?

There are many ways to make sure you stay within your budget. You can use a spreadsheet, like Mary, or an app, like a lot of people are starting to use!

Let's get to know a way to stay within your budget.

Easy ways to cut your spending

- Consume less of non-essential items (beverages, snacks, luxurious goods).
- Spend less on social events, parties and festivals.
- Buy items you need in larger amounts at lower costs.
- Buy less on credit.
- Carry less money or save money in a safe place.
- Keep the ATM card away.
- Be mindful of the expenditure on dependents.

TRAINING AID B.3.1

Income tracking sheet

INCOME TRACKING SHEET

Name:

Month:

Year:

DATE	DESCRIPTION OF SOURCE OF INCOME	AMOUNT OF INCOME

TRAINING AID B.3.2

Expense tracking sheet

EXPENSE TRACKING SHEET

Name:

Month:

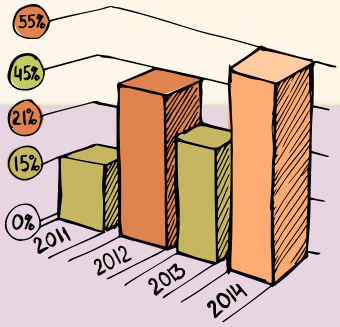
Year:

DATE	DESCRIPTION OF EXPENSE ITEM	AMOUNT SPENT	PLANNED OR UNPLANNED	
			YES	NO

TOTAL EXPENSES	
TOTAL INCOME	
SAVINGS (= INCOME – EXPENSES)	

TIPS TO STAY WITHIN YOUR BUDGET

- *Remind yourself often of what you planned to spend.*
- *Put in the budget something for unexpected spending needs.*
- *Keep savings out of reach so you do not spend them.*
- *Keep track of what you spend.*
- *Make sure you do not spend more than is budgeted.*
- *If you spend more on one item, spend less on something else.*
- *Make a list of ways to cut planned expenses.*
- *Get the family to participate in developing and sticking to the budget.*



TRAINING AID B.3.3

Transaction Cards
Mary and Moussa

MARY AND MOUSSA

On 1 February
Moussa receives his monthly salary.
The amount he receives is $500

MARY AND MOUSSA

On 1 February
they pay the rent to the landlord
for a total of $220

MARY AND MOUSSA

On 1 February
they pay the services bills
(electricity, water) for a total of $80

MARY AND MOUSSA

On 2 February
Mary contributes $800 in cash
to the family budget

MARY AND MOUSSA

On 4 February,
the neighbour pays $70 in cash for the
wooden piece of furniture

MARY AND MOUSSA

On 2 February
they separate $350 in an envelope
for food expenses

MARY AND MOUSSA

On 2 February
they separate $90 in an envelope
for transport expenses

MARY AND MOUSSA

On 10 February
they had to pay $50 for medicines
as both kids got sick

MARY AND MOUSSA

On 12 February
they have to recharge their cell phone
balance. It costs them $30

MARY AND MOUSSA

On 15 February
they pay the monthly fee
of $100 for the nursery

MARY AND MOUSSA

On 15 February
they send $100 to Mary's parents
through a money transfer operator

MARY AND MOUSSA

On 22 February
they decide to go to the market
and buy Mary a new phone for $120.

MARY AND MOUSSA

On 25 February
they need to repair
the water heater for $40

EXERCISE

You can use the two above sheets called "Income and expense tracking sheets" to monitor income and expenses. Let's check what happened with Mary and Moussa.

INCOME TRACKING SHEETS

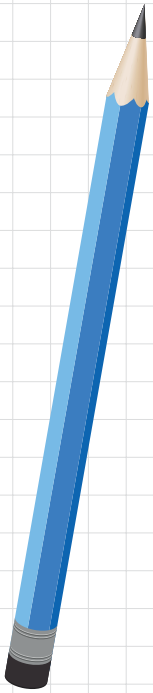
Name: Mary and Moussa
Month: February
Year: 2021

DATE	DESCRIPTION	AMOUNT OF INCOME
1.2.21	Moussa's salary	500
2.2.21	Mary's contribution	800
4.2.21	Neighbour pays for furniture	70
TOTAL INCOME		1370

EXPENSE TRACKING SHEET

Name: Mary and Moussa
Month: February
Year: 2021

DATE	DESCRIPTION OF EXPENSE ITEM	AMOUNT SPENT	PLANNED OR UNPLANNED	
			YES	NO
1.2.21	Rent	220	☒	☐
1.2.21	Services bills	80	☒	☐
2.2.21	Food	350	☒	☐
2.2.21	Transport	90	☒	☐
10.2.21	Medicines	50	☒	☐
12.2.21	Cell phones	30	☒	☐
15.2.21	Fees nursery	100	☒	☐
15.2.21	Remittance to Mary's parents	100	☒	☐
22.2.21	New phone Mary	120	☒	☐
25.2.21	Repair water heater	40	☐	☒
			☐	☐
			☐	☐
			☐	☐
			☐	☐
TOTAL EXPENSES		1180		
TOTAL INCOME		1370		
SAVINGS (= INCOME - EXPENSES)		190		



NOW IT IS YOUR TURN.

In Annexes and key documents at the end of this module you will find Income and Expense tracking sheets that you can use to track your own income and expenses. This way you'll stay within your budget and you'll ultimately reach your goals.

KEY MESSAGES

- Remind yourself often what you planned to spend.
- Put in the budget something for unexpected spending needs.
- Get the family to participate in developing and sticking to the budget.
- You need to know your total income. Knowing how much you earn is an important step to take control of your money and allows you to plan ahead for expenses. You also need to know the amount of your total expenses. It is important to control your budget. You can adjust your expenses when you see that you spent more than expected.

BE CAREFUL!

If you have irregular income, meaning that every month you earn a different amount, you can create your budget using an average income and then save when you earn more to balance the times when you earn less.

4. KEEP YOUR FINANCIAL RECORDS

Case Study N°8

MESHAK THROWS AN IMPORTANT PAPER FROM HIS BANK

Meshak has two separate bank accounts for each of his businesses. He receives statements from time to time from both accounts but never keeps them. He has been a customer of the same bank for more than two years and never had a problem before. He does not see the point of keeping the statements. One day he realises that 40 Dollars are missing from his grocery shop account. He is sure there must be an error but has no record to prove that he was not the person who withdrew the 40 Dollars. The bank cannot solve the problem without some evidence. He could start an official claim now but they usually take a long time. Meshak is upset about not keeping these important documents.

Case Study N°9

JANE'S BUDGET MANAGEMENT

When Jane receives the electricity bill for her apartment at the end of each month, she goes to the electricity company to make the payments. One day, she discovered that their power supply has been cut off! Very angry, she goes to the company office to complain. While there, an employee tells her that she has not paid for the past 2 months. She is sure she has paid the bills. However, when they asked her for proof of payment (the bill stamped "PAID"), she realizes she has thrown the document away. Jane however still insists that she has paid for the last two months, but the employee replies that sometimes the computer system fails, and the only solution is to produce the receipted bill (the bill stamped "PAID"). Now she has to pay not only for the past two months, but for the reconnection of the electricity supply. She had not made any provision for this additional expense. She's very worried and does not see any other option than borrowing money so she can pay this bill.

TRAINING AID B.3.1

Income tracking sheet

MY INCOME TRACKING SHEET

Name: _____

Month: _____

Year:

DATE	DESCRIPTION OF SOURCE OF INCOME	AMOUNT OF INCOME

TRAINING AID B.3.2

Expense tracking sheet

MY EXPENSE TRACKING SHEET

Name:

Month:

Year:

DATE	DESCRIPTION OF EXPENSE ITEM	AMOUNT SPENT	PLANNED OR UNPLANNED	
			YES	NO

TOTAL EXPENSES	
TOTAL INCOME	
SAVINGS (= INCOME – EXPENSES)	

GET TO KNOW SAVINGS METHODS AND PRODUCTS

FINANCIAL EDUCATION QUIZ

C1. What is in your view the best way to save?

- ☐ **a.** I keep my money home as it is more convenient.
- ☐ **b.** I deposit my money at the bank as it is safer.
- ☐ **c.** I put my money in the merry-go-round as I have many friends there.
- ☐ **d.** Each method has advantages and disadvantages. I review them carefully before choosing the method that is the most appropriate for my needs.

C2. You would like to set up your business in a few years, what savings account is the most appropriate for you?

- ☐ **a.** A regular savings account.
- ☐ **b.** A contractual savings account.
- ☐ **c.** A time deposit account.

C3. One of the criteria to consider when choosing a savings method is safety.

- ☐ **a.** True
- ☐ **b.** False

Answers: C1:d; C.2:c; C3:a

1. REASONS TO SAVE

What are savings?

- Money that is put aside in the present to be used in the future
- Investments in items like animals, land or gold that can be sold when cash is needed.
- It is a way of building assets
- Overall, savings is the practice of putting aside part of your current earnings for future use. It is not done once but over a period of time. You may have to sacrifice current wishes to save for a better future.
- Saving is a fundamental part of money management

People save money for different reasons. Some reasons can be classified as unexpected future events, expected future events, optional expenditures or building assets.

Unexpected future events	Expected future events	Optional expenditures	Building assets
• Sickness • Funerals • Emergencies • Theft	• Weddings • Education • Childbirth • Old age • Holidays/Festivals • Low-income season	• Vacation • Home improvement • Luxury items • Gifts	• House • Bicycle • Motorcycle • Car • Business

QUESTIONS

- What are the reasons for you to save?

NOTES

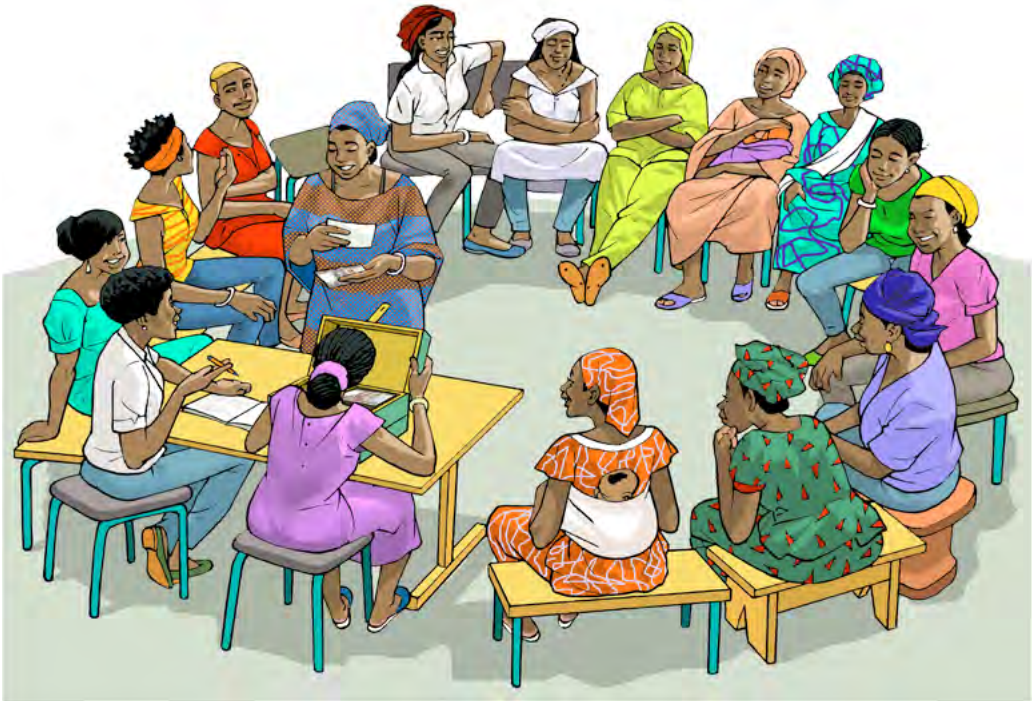
2. CHOOSE A SAVINGS METHOD!

Now that you have created your personal budget (or your family budget), you know how much you can save every month and how much you must save for each of your goals.

TRAINING AID C.1.1

Savings Methods

1



Mary has been a long-standing client of her local VSLA. She likes saving there and meeting the other women in her group regularly.

QUESTIONS

- What are the savings methods used by the characters above?
- Are they formal, semi-formal or informal?
- Each method has its advantages and disadvantages. At the end of this module, in the Section Answers to exercises you will find a table that summarizes the advantages and disadvantages of each savings method.

2

Meshak prefers to keep his savings at the bank nearby his house, so that he will not be tempted to spend the money he has put aside.

3

Joseph saves his money under the mattress in the camp.

4

Jane belongs to a Rotating Credit and Savings Association (ROSCA). She makes monthly contributions.

Remember that to include more characteristics in the table, you can think about:

- **The safety of your money there,**
- **The possibility to withdraw your money when you want,**
- **The possible delays to withdraw your money,**
- **The possibility to save a lot or just a little bit of money,**
- **The possibility to avail a credit against your savings,**
- **The possibility that your savings generate some money (interests).**

YOUR TURN!

I know the advantages and disadvantages of several savings methods. Looking at my goals and my budget again, I think the best savings method for my projects is:

My goals	Savings method

KEY MESSAGES

- Saving provides security in the event of an emergency.
- Some needs/emergencies can be foreseen, others cannot. Saving enables you to plan for future needs or projects.
- When everything is going well, saving also enables you to plan for things you would like to do or have.
- You need to be familiar with the different savings methods to choose the one best suited to your needs.
- People have different reasons to save. Saving helps us to protect against future unexpected events, plan for future anticipated events and build assets. It also allows us to enjoy the pleasures of life.

3. SELECT YOUR SAVINGS PRODUCTS WISELY

A savings product is for example, a regular savings account that generates 4% interest or a time (fixed) deposit account for five years.

DEFINITION

A savings product is a savings method for which we know the characteristics, such as:

- Interest rate
- Access to savings / flexibility of withdrawal
- Convenience and ease of use
- Requirements for opening a savings account
- Safety
- Cost of savings (fees to open, manage or close an account, to do transactions)
- Liquidity

Here are the three main savings products offered by financial institutions:

The regular savings account is adapted for when you want to make deposits or access your money any time.

The targeted/contractual savings account is adapted when you want to save a set amount each month for a specified period of time to reach a specific goal (housing, education, marriage, business...). Remember that early withdrawals are either prohibited or penalized.

The time (fixed) deposit account is adapted if you want to make your money grow for longer- term goals (you deposit a lump sum which you promise not to touch for a specific period of time).

Each type of product has advantages and disadvantages (for example, the different interest rates). In the next pages you will find three brochures, one for each of these products. At the end of this module, in the Section Answers to exercises you will find a comparative table that summarizes the information from each brochure.

TRAINING AID C.2.1

Regular savings account

REGULAR SAVINGS ACCOUNT

ACCESS YOUR MONEY
ANY TIME

An easy, simple and convenient way of keeping and withdrawing your money at any time when you need it. Our regular savings account offers flexibility in managing your money. There is no need to pre-inform the bank for deposit and withdrawal. Your capital is guaranteed. It enables you to build up your capital over time, at your own pace.

ADVANTAGES

- A risk-free product
- Your savings are safe
- Interest rate: 1%
- You can deposit money any time, the amount of times you want
- You can withdraw your money any time and without prior notice
- Zero fees in all your operations
- Free of charge for opening and closing your account
- Minimum deposit: 10 USD
- Adapted for emergencies
- Free card to deposit or withdraw from ATMs
- Use any ATM in the country (this might include costs)

TERM: open-ended

REQUIREMENTS

- Valid ID (national ID, passport or other legal and valid form of identification)
- Proof of residence

TRAINING AID C.2.2

Targeted/Contractual savings account

CONTRACTUAL SAVINGS ACCOUNT

IF YOU REALLY WANT TO SAVE MONEY

FOR YOUR FUTURE

This account makes your goal of savings much easier. It allows you to make deposits at your own pace, with the option to fulfil your monthly deposit commitments in advance. You can choose from 12 to 48 months with different interest rates.

MAIN CHARACTERISTICS

- Up to 3% yearly interest rate for a 48-month period
- Minimum deposit of 20 USD to open the account
- Free of charge for opening, transacting and closing your account
- Your savings are blocked until the end of the term
- After a certain time, you have automatically access to credits to finance your projects
- If you make anticipated withdrawals, you don't pay fees, but you lose part of the interests

REQUIREMENTS

- Good credit record
- You must show the mean to make the repayments
- Valid ID (national ID, passport or other legal and valid form of identification)
- Proof of residence

TERM: choose from 12 months to 48 months.

TRAINING AID C.2.3

Time (fixed) deposit account

TIME DEPOSIT ACCOUNT

MAKE YOUR MONEY EARN
MORE MONEY

This account helps you gain high interest rates. The money you invest in this account is blocked and it is perfect for your future investments and any substantial expenses you are planning for. The perfect account to not get tempted to use your savings while earning a good return on your capital.

TERM:
from 3 months to 5 years

MAIN CHARACTERISTICS

- Highest interest rate in the market – up to 4%. Rate is fixed and known in advance.
- Minimum deposit: 500 USD
- Free of charge for opening, transacting and closing account
- Flexible deposits: you put money whenever you can
- Penalty for early withdrawals
- Free certificate of deposit
- Build your savings history with us and access credit for your projects

REQUIREMENTS

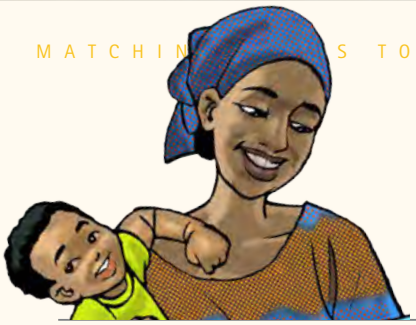
- Proof of funds origin.
- Valid ID (national ID, passport or other legal and valid form of identification)
- Proof of residence

Now that you know more about the different savings products, help our characters to decide which savings account they should open to help them reach their goals.

TRAINING AID C.2.4

Matching goals to savings products situation cards

MATCHING GOALS TO SAVINGS PRODUCTS SITUATION CARDS



SITUATION 1

Mary wants to expand her shop. She is sure that having a bigger shop would allow her to attract more clients and earn more money. She has accumulated some savings in the VSLA but also realises that she is able to save consistently every month. She wants to set aside a fixed amount each month for a period of one year. She does not want to be tempted to spend this money in other objectives and she is considering a formal savings account that would help her to achieve her business goal. She is not sure formal institutions will take her as a client, but she wants to give it a try, nonetheless.

What type of savings account can she opt for?

FINANCIAL EDUCATION

MATCHING GOALS TO SAVINGS PRODUCTS SITUATION CARDS

SITUATION 2

Joseph and Marta only save under the mattress. They have many objectives, the most important one being to save enough for having their own poultry farm. They do not want to get tempted to use their money for other purposes. If possible, they would like to earn the highest possible rate of interest.

What type of savings account can they opt for?

FINANCIAL EDUCATION

MA OALS TO SAVINGS PRODUCTS SITUATION CARDS

SITUATION 3

Meshak has been saving up consistently over the last year to buy an extra plot of land. He has finally agreed with a neighbour that he will sell them his land, but not before one-year time as the neighbour wants to work one last final crop season on his land.

What type of savings account can he opt for?

FINANCIAL EDUCATION

MATC GS PRODUCTS SITUATION CARDS

SITUATION 4

Jane would like to open a formal bank account. Despite she likes being part of the ROSCA and would like to continue saving there, her bread business is going well, and she would like to safely set a small sum aside each month that she could eventually use for expanding the business. She thinks she must avoid temptations to draw on these savings for other purposes.

What type of savings account can she opt for?

FINANCIAL EDUCATION

TIPS

Each type of product has its advantages and disadvantages (for example, a different interest rate). To choose a savings product, you must not only know the characteristics of different products. You should also know yourself well by asking the following:

- ***Your personal situation:*** *what is your income? Your expenses (including the repayment of a debt)? How much did you save? How much do you put aside when all is well? How much could you set aside by managing your money better? If you are an immigrant or a citizen living abroad, can you to open a savings account in a financial institution?*
- ***Your goals:*** *for what purpose do you want to save? For emergencies? To study? To invest in creating a business? For your return home? For accommodation? For retirement?*
- ***Your horizon:*** *for how long do you want to save / block your money?*
- ***Your behaviour:*** *do you want to take risks or not? Don't go into risky investments if you are not familiar with financial markets!*

⚠ *Beware of false advertisements! Remember that no savings product can assure you high returns without risk, especially in a short time.*

What questions to ask a financial institution before selecting your savings product?

- *Can I make withdrawals when I want?*
- *What is the interest rate?*
- *Do I need to pay taxes on the interest rate? If so, how much?*
- *May I take out loans against my savings?*
- *Is the savings schedule flexible? (In other words, do you have to deposit certain amounts at a fixed date?)*
- *Is there a minimum deposit when I open the savings account or a minimum amount that should always be on the account?*
- *Will I be charged for making anticipated withdrawals? If yes, how much?*
- *How would people normally use this type of account?*
- *As a citizen living abroad, can I open an account here? What documents do you ask for?*

KEY MESSAGES

- For every savings goal there is an appropriate savings product.

ANNEXES AND KEY DOCUMENTS

CHARACTERISTICS TO CONSIDER WHEN CHOOSING A SAVINGS METHOD

Ease of access / flexible withdrawals
This refers to how easy or difficult it is for a person to withdraw their savings. For example, how many withdrawals the account holder is permitted to make from his or her account each month, or whether the bank or financial institution has ATMs or branches in all parts of the country (making it easier for the holder to access his or her account).

Convenience and ease of use
Customers like convenience and want to be able to make a withdrawal as quickly as possible. Some people, for example, want their bank to be open at times when they themselves are not at work.

Requirement for opening a savings account
Many people think you need to be well-off to open a bank account. This is not always true. Some banks require only a very small deposit (or none at all) if you want to open a savings account. However, requirements might include national IDs, proof of residence and/or services paid by person that might not be easy to comply for many people, especially Financially Displaced Persons..

Safety
When people choose to keep their money at home, there is a danger of it being stolen or lost. Some State-regulated financial institutions provide guarantees for small savers. In other words, if they go bankrupt, you will not lose your savings.

Interest rate and tax advantages
When you save with a formal (or semi-formal) institution, you are rewarded for depositing your money with the institution concerned. The reward, or interest, is generally a percentage of the amount you have deposited. There may also be tax advantages in saving with formal institutions.

Liquidity
Can you withdraw your savings from your account? How and on what terms? If you need money urgently, the method of saving you have chosen must allow you to withdraw all your money within a reasonable period of time. In the case of savings in kind (a property or livestock, for example), you may have to wait days or months before you can sell your asset and get your hands on the cash.

Cost of savings (fees)
Formal institutions may charge you for making transfers, withdrawing money from ATMs, etc. In need of quick access to money, it would be better to have a saving method that allows access to your money with a reasonable delay.

Purpose and goals of your savings strategy
Depending on your reason for saving, some methods will suit you better than others (e.g. to save for a house or apartment, where large sums are involved, a formal method will be more appropriate than a tontine scheme or keeping your money under the mattress).

RULES OF THUMB FOR SAVINGS

- Save as much as you can as soon as you can. The more you save, the better off you'll be.
- Save as you earn.
- Try to save 10% of your income even if you don't have yet a specific purchase or investment for which you are saving.
- Pay yourself first - put 10% of your earnings aside for savings before you do anything else. If you can't afford 10% right away, start with less, but save something.
- Calculate how your money can grow over time if you save regularly in an account that earns interest.
- Don't carry a lot of cash - avoid temptation to spend it!
- Spend carefully. If you purchase big items, consider how much you could resell them for. Look for opportunities to save money by bulk buying of non-perishables.
- Pay off your debts. Some people recommend paying down your debt before you start to save; others recommend saving even while paying down debt because it is important to begin building assets as soon as possible. This choice will depend on individual priorities, situation, and means.
- Keep money for living expenses in an emergency fund at all times. It can be used in case of job loss, unexpected illness, and to meet other emergency needs. An emergency fund will reduce your anxiety.
- Keep emergency funds in a separate account. Open two savings accounts - one for emergencies that is easy to access and doesn't have any penalties for withdrawal, and one for savings for other goals that is harder to access (and therefore less tempting to withdraw the money). Keeping some savings "out of reach" is important.
- Find savings products that match your savings goals.

ANSWERS TO EXERCISES

Savings method	Advantages	Disadvantages
Formal • Banks • The Post Office • Registered microfinance institutions • Registered savings and credit cooperatives • Insurance companies (for long-term savings products such as life insurance) • Mobile wallets	• The safest option • Privacy (no one except the holder of the savings product knows how much is in the account). • Less temptation to withdraw money (easier to refuse requests) • You may receive interest. • You can access other financial products (current accounts, retirement savings accounts, loans, etc.) • A better way of managing your money (savings account statements) • Speeds up the payment of bills.	• Not easily available for low income, illiterate people, forcibly displaced persons FDPs. • Might require IDs or proof of residence not easily available for FDPs. • Bank employees are often sales personnel aiming to sell products, so they may put the interest of the bank first rather than the clients'. • Remuneration rates vary from product to product. It can be very low. • Some products might have minimum deposit required for opening an account that may act as a barrier. • You may have to pay account charges.

Savings method	Advantages	Disadvantages
Formal	• When the bank operates internet or mobile banking services, you can check your balance and manage your savings 24 hours a day. • Many banks operate through Bank Agents that make their services much more accessible	• A waste of time queuing at the bank. • The different products and charges are complex; fear of making a mistake. • Restricted opening hours (closed evenings and during weekends). • The effects of economic or political instability: financial crises, currency devaluations, blocking of withdrawals, impossibility of getting money out of the country (exchange controls). • Bank agents may have no sufficient fund to serve you • Not easily available for low income, illiterate people, forcibly displaced persons
Semi-formal • Savings groups • Self-help groups • Village banks • Village Savings and Loan Associations (VSLAs) • Unregistered microfinance institutions • Unregistered savings and credit cooperatives • Unregistered loan institutions	• Easy access • The fact that you are saving often means you can get a loan. • You can earn interest on loans made with savings. • The savings group rules about the frequency and amount of deposits encourage saving. • Discipline • Makes for solidarity and strengthens social bonds among members.	• Few guarantees. • You cannot be sure of earning interest on your savings. • Limited or no access to loans. • Being able to save or withdraw money is subject to the approval of the members. • Danger that a member will not abide by the rules (e.g. someone might disappear after receiving money from the group). • Depending on the degree of formalization, it may not be possible to appeal to the police if there is a problem. • Danger of the death of a member of the savings group. • You need to be part of a network in order to join a savings group. • Savings groups run a higher risk of failing (no management supervision by the authorities).
Informal • At home (in cash, in a safe or money box. • In kind (gold, jewelry, livestock, land, property, etc.) • Entrusting money to a friend, relative or trader.	• Easy access. • The asset you have acquired may increase in value. • You have to sell your asset to get your money back (subject to the law of the market). • The friend, relative or trader is always available. • There are other advantages to saving in kind: production or sale of milk (in the case of cattle), jewelry can be worn for important events. • If you save in kind (livestock, property) you may be able to earn money (sale of meat/ milk, rent...)	• Not secure: value may fall over the years, risk of theft, sickness or death (in the case of livestock). • There may be a strong temptation to spend (if you keep money in the home). • Difficult to liquidate in case of emergency (selling an asset takes time). • Cost associated with savings in kind: food and veterinary costs for livestock, repairs to property.

Savings products offered by formal institutions

	Regular/passbook savings	Contractual savings	Time deposit
Is it possible to open it for everyone or are there restrictions for certain target groups? (i.e. refugee, IDP, informal entrepreneur, agricultural workers)?	It seems it is possible	No information provided	No information provided
Is there a minimum deposit when you open the account or whenever you want to pay money in?	10 USD	20 USD	500 USD
Can you make withdrawals at any time?	Yes, at no cost	Yes, but you lose interests	Yes, with penalties
What is the interest rate?	1%	3%	4%
Can you borrow money if you open a savings account?	No	Yes, after some time	Yes, after some time
Is the timetable for making deposits flexible? (In other words, are you obliged to pay in a certain amount on a fixed date or can you make payments whenever you please?)	Flexible	It has monthly deposit commitments	Flexible
Do you have to pay charges if you break the rules?	No	Yes. If you make anticipated withdrawals, you lose part of the interests	Yes. You have penalties for early withdrawals.
How much?	N/A	Part of the interests	No information provided
Are there loyalty bonuses if you save regularly?	No information provided	No information provided	No information provided
Does the institution possess an ATM machine?	Yes	No information provided	No information provided
If I deposit my money, can I also get a loan?	No information provided	Yes. After a certain time, you have automatically access to credits to finance your projects if you want so	Yes. Build your savings history with them and access credit for your projects if you want so

TRAINING AID C.2.4

Matching goals to savings products situation cards

ANSWERS SITUATION 1

A contractual savings account would allow Mary to make fixed monthly deposits and save for a set period.

ANSWERS SITUATION 2

First of all, they should try to open a normal bank account at a bank as they never had one. Once they become clients, they could check if a contractual savings account could be available for them.

ANSWERS SITUATION 3

As Meshak does not intend to spend this money for at least one year, a fixed term deposit account would enable him to earn the highest possible rate of interest and to protect his money from the temptation to spend it on other things (because penalties are imposed for early withdrawals).

ANSWERS SITUATION 4

Jane should try to open a normal bank account at a bank as she never had one. In that bank account she would be able to set aside some money each month she could use to expand her business.

D

USE CREDIT PRODUCTS WISELY

FINANCIAL EDUCATION QUIZ

D1. What do you think is the best way to finance a project?

- ☐ **a.** Borrow money.
- ☐ **b.** Use your savings.
- ☐ **c.** Borrow money and use your savings.
- ☐ **d.** Analyse your needs and resources and choose the best option accordingly.

D2. What is most important when choosing a loan?

- ☐ **a.** The interest rate.
- ☐ **b.** Refund conditions.
- ☐ **c.** No criteria is more important than others, we must study them all and choose the loan and the lender which correspond to our needs and our personal situation.
- ☐ **d.** The lender's geographic proximity.

D3. What is the term that does not belong to credit terms?

- ☐ **a.** Interest rate.
- ☐ **b.** Bail.
- ☐ **c.** Budget.
- ☐ **d.** Penalties.

Answers: D1:d; D.2:c; D.3:a

1. CHOOSE A METHOD TO FINANCE YOUR PROJECTS

Having studied various savings options in the previous module, we are now going to compare the different possible ways of raising money to achieve our financial goals and finance our projects.

TRAINING AID D.1.1
Stories of financing

S T O R Y F I N A N C I N G

MARY

Mary needs to replace her sewing machine. She cannot borrow from her VSLA because she is repaying her last loan. She decides to borrow money from another refugee at the camp. The consequence: she will have to pay back the loan with interest and make sure she does it on time as she has heard this informal lender is very severe with delays.

F I N A N C I A L E D U C A T I O N

S T O R Y F I N A N C I N G

JOSEPH

Joseph and Martha draw on their savings to buy new mattresses for their kids. The consequence is that part of their savings is used. However, they will not have to pay back a loan or pay interest.

F I N A N C I A L E D U C A T I O N

S T O R Y F I N A N C I N G

MESHAK

Meshak borrows money from a financial institution to open his second grocery shop, next to the new refugee camp. The consequence: he will have to pay back the loan and interest as part of a global repayment plan.

F I N A N C I A L E D U C A T I O N

S T O R Y F I N A N C I N G

JANE

Jane's oven finally broke and cannot be repaired. She needs to buy a new one in order to continue with her business. She has some savings but are not enough. She decides to sell her ring, that was the only valuable item she brought from her hometown. With that money she can buy a small used oven to continue working.

F I N A N C I A L E D U C A T I O N

There are generally four ways in which people raise money to fund a project:

1. Sell an asset, like Jane.
2. Use personal savings, like Joseph.
3. Borrowing money from family/friends and other informal sources of credit; like Mary.
4. Borrowing from a financial institution such as a bank, microfinance institutions, VSLAs or registered savings and credit cooperatives, like Meshak.

At the end of this module, in the Section Answers to exercises you will find Training Aid D.1.3, as a table describing the advantages and disadvantages of each financing method.

TRAINING AID D.1.2

The story of two businesses

JANE

You are Jane and you run a small business selling bread. Today you are going to visit your friend, Farida, who sells ready-made food.

You ask your friend a lot of questions about how she funds her business. Your friend also wants to know how you go about it.

This is how you have set up and expanded your business:

You started out with 500 Dollars you had saved up in your town. You also had 150 Dollars that your relatives gave you before you started your trip.

Although your business is very small, you have a plan to expand it little by little.

You try to put aside 30 Dollars each week in a savings account dedicated to your business, which you recently have opened at the national bank. In this way, every 3 or 4 months you have saved enough money to improve a bit your business (better kitchen utensils to work with, better packaging materials) and expand it. Now you can buy larger quantities of inputs and diversify your production purchases. You have also been thinking about opening a physical shop.

The more profit you make, the more you can save and the bigger the investments you can make in the business.

FARIDA

You are Farida and you run a small business selling ready-made food. Your friend Jane also has a similar shop. Today she is going to pay you a visit. You would like to know how your friend funds and expands her business. Your sister also wants to know how you go about it. This is how you have set up and expanded your business:

You started out with 1000 Dollars you had saved up and a loan of 1500 Dollars from your bank.

This loan enabled you to reform the shop you rent. As of this reform, you were able to receive more clients in your nice shop in a quiet street.

You paid all your weekly expenses on time each week, including the repayments on the loan. But you are able to save only 15 Dollars each week.

One day, a small shop came onto the market in the busiest avenue of the city. The shop was to rent.

This looked like a good business opportunity: you calculated that your turnover would double if you rented the shop. So, you took a quick decision, in case someone else rented it before you. You therefore borrowed 2,500 Dollars from your brother-in-law.

QUESTIONS

- How did Jane and Farida expand their business?
- Which of the two businesswomen is more likely to succeed? Why?
- Which person takes most risks?
- What advice would you give to Jane and Farida?

NOTES

YOUR TURN!

Looking at my goals and budget, I think the best option to finance my goals is:

My goals	Best financing option

KEY MESSAGES

- There are several options to finance your goals.
- Each option has pros and cons. It is important to understand and review them carefully to select the option that matches the best your needs and your personal situations.
- You can also combine several financing options (borrowing and savings).
- Talk about the financing options to your family, in particular the members of your family who are involved in your goals (spouse, parents, children, siblings...).

2. SELECT YOUR CREDIT WISELY!

There are several sources of credit. Some, such as banks, microfinance institutions or specialized loan companies, are part of the formal economy and lay down specific terms for any person or institution wishing to contract a loan. Some try to make it easier to get a loan, even for poorer people. Others require that you be part of a group, such as a tontine, or that you already have some money saved up.

DEFINITION

Loan: The act of giving money, property or other material goods to another party in exchange for future repayment of the principal amount along with interest or other finance charges.

Credit: A contractual agreement in which a borrower receives something of value now and agrees to repay the lender at some date in the future, generally with interest.

Interest: It is the price for the use of the money of the lender over a certain period.

GAME TERMS AND DEFINITIONS

Match each term credit with its definition. Do not worry if you are not that sure. At the end of the module in the section Answers to exercises you will find the right answers.

INTEREST

CREDIT BROKER

PENALTIES

PRINCIPAL

GUARANTOR/ COLLATERAL

GRACE PERIOD

RETHINK

EARLY REPAYMENT

MORTGAGE

PERSONAL CONTRIBUTION

Professional charged by his clients with finding them the most suitable and/or cheapest loans (generally mortgage loans) from banks and other financial institutions

The amount of money the borrower pays to the lender, in addition to repaying the loan itself, to be able to use the lender's money

The amount of the loan granted by the lender, net of interest

Person who will pay off your loan in the event of you failing to do so. This person may be asked to add his/her signature to the agreement with the lender. The guarantee may also be in the form of property

Sums the borrower will have to pay to the lender if he/she fails to repay the loan (e.g. seizure of property, a vehicle, savings...)

Repaying all or part of your loan before the term of the agreement

The proportion of the funding for your project which you possess before borrowing additional sums from the credit institution. This contribution will consist mainly of your liquid assets and savings

Period allowed between receipt of a loan and the first repayment (buy now, pay later)

Cancelling a credit agreement without penalty. A "cooling-off period" protecting you against impulse buying

Pledging a property you own as security to obtain credit from a financial institution. In the event of repayments not being made, the creditor may seize/repossess the property concerned and sell it in order to recover the sum originally lent plus charges. The owner does not lose ownership of a mortgaged property as long as he honours his repayment obligations

QUESTIONS

- In your opinion, what shall you analyse when selecting a lender?

IMPORTANT FEATURES TO CONSIDER WHEN SELECTING A LENDER

- Interest rate (fixed or variable)
- Annual Percentage Rate (APR), the true cost of taking the loan (including administrative charges, compulsory insurance)
- The amount you can borrow
- How easy it is to get the loan (e.g. how much you must have saved before a loan can be granted, the amount of the guarantee...)
- Requirements (papers I need to present, chances they would give me a credit)
- How quickly you get the money
- Penalties in the event of late repayment
- Distance from my home
- Methods of debt collection in the event of late payment (legal, intimidation, threats...)
- Grace period
- Obligation to use the loan for a particular purpose (housing, productive investment...)
- Possibility of extending the term or being given a grace period
- Possibility of accessing other financial services: current account, money transfer, debit card, mobile-phone or internet services...)
- Arrangements in the event of death, sickness or a change in the borrower's circumstances

KEY MESSAGES

- To use credit products successfully, you need to understand well the credit terminology.
- The borrower is responsible for repaying the loan according to the repayment schedule.
- Taking out a loan is a serious matter. Don't take it lightly.
- The rich man is the one who pays his debts (proverb)!
- To choose a loan and a lender wisely, you first need to know what products are available and who the lenders are, by gathering as much information as possible. With that information, you will be able to choose the product best suited to your needs.
- Which lender you choose will depend on the nature of your project, i.e. the goal you wish to achieve by taking out a loan.

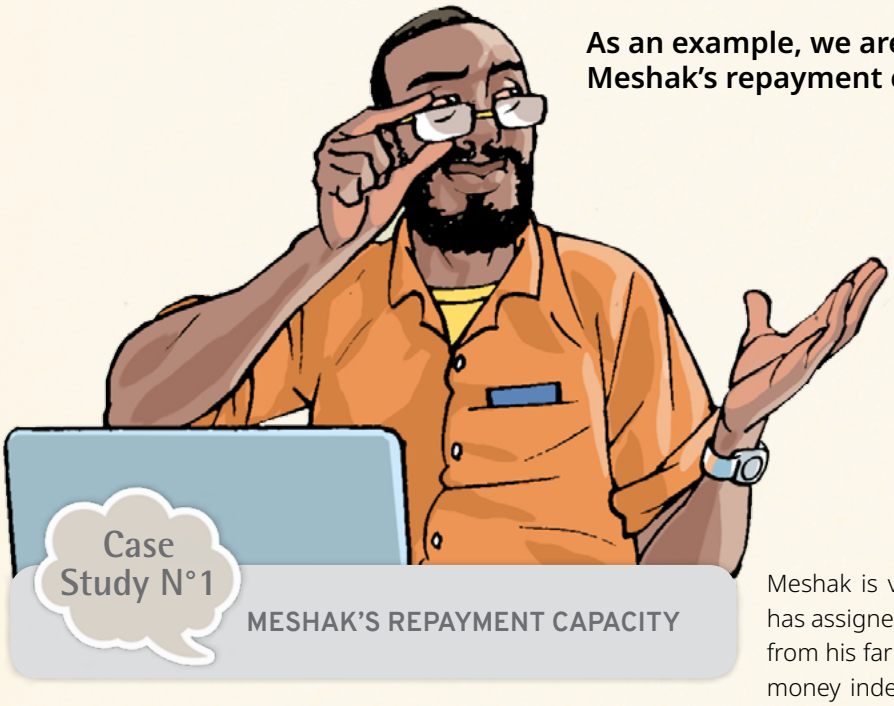
3. CALCULATE THE COST OF YOUR CREDIT

Repayment capacity

Suppose after thinking well, you decided to take a loan to finance your project. Congratulations! You know how much you need, and you feel ready to go and see the financial institutions to find the right product for you. Before you go to see them, you will need to take the time to calculate your ability to repay a credit.

According to the laws in force in many countries, a person cannot repay beyond a percentage of his/her monthly income. Depending on the country, this varies between 30 and 40% of the monthly income. If we exceed this percentage, there is a high risk of over-indebtedness. Moreover, a financial institution giving credit to a person who will have to pay back more than the percentage of his authorized income can be sued.

BUT BEWARE! This is the maximum percentage tolerated, it is not the advised percentage which is rather of 30%.



As an example, we are going to calculate Meshak's repayment capacity.

Meshak is very tidy with his numbers. He has assigned himself a fixed monthly salary from his farm of 1,200 Dollars. He gets this money independently from the income of the farm. Sometimes the farm runs really well, and they have extra income, that vary from month to month, but he has opted for always having a fixed sum, like if he would be an employee. This variable income is not taken into account for the purposes of this calculation.

Monthly income: 1,200 Dollars.

Monthly capacity to make repayments: 30% of monthly income › 360 Dollars.

On the basis of this calculation, then, Meshak may not undertake to repay more than 360 Dollars per month (on all the loans he may have contracted).

PERSONAL CAPACITY

Now, over to you! Calculate your own capacity to repay a loan.

Monthly income: 100%

Monthly capacity to make repayments: . . . . . 30% of monthly income

TRAINING AID D.3.1

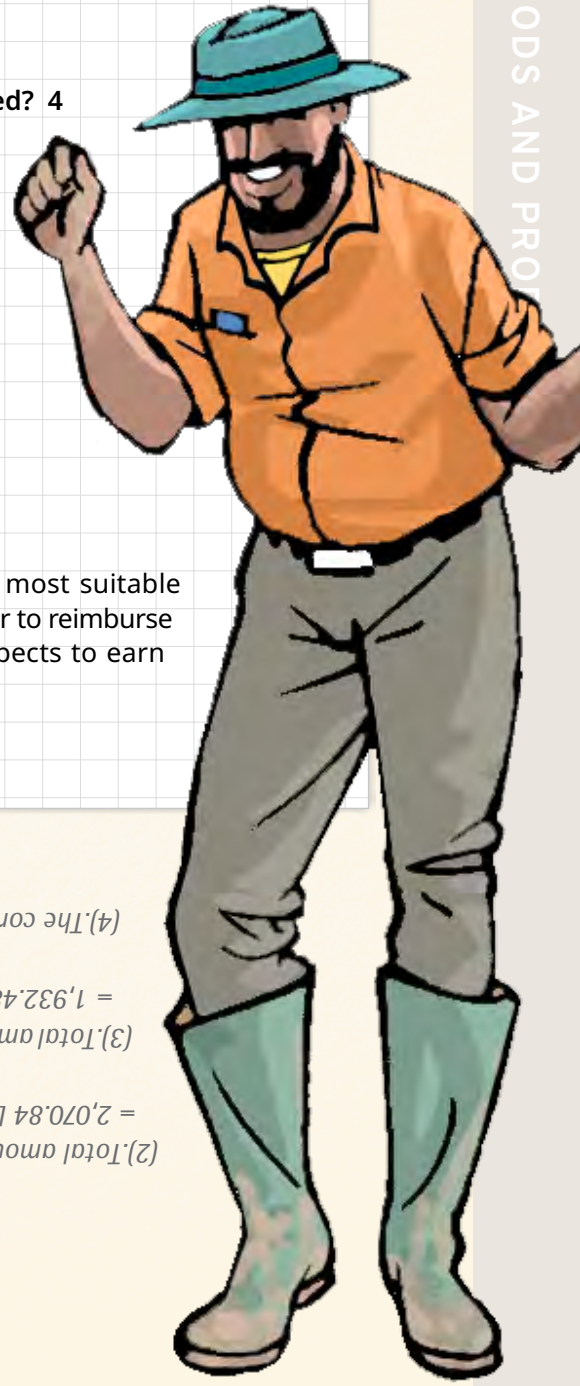
Meshak has calculated that he will need 10,000 Dollars to rent another shop and set a second grocery shop. He has the following financial products (loans) designed specifically for entrepreneurs. He is trying to work out which is the least expensive of the offers.

NAME OF PRODUCT	NATIONAL BANK	MICROFINANCE ASSOCIATION	YOUR BEST CREDIT BANK
Annual Percentage Rate (APR)	6% per annum	5.5% per annum	6% per annum
Term of the loan	5 years (60 months)	7 years (84 months)	6 year (72 months)
Amount repayable each month (monthly instalments)	193.33 Dollars	143.70 Dollars	165.73 Dollars
Total amount repayable (Term of a loan x monthly instalment)	193.33 x 60 = 11,599.68 Dollars		
Real cost of loan (Total amount repayable minus amount of capital requested by Meshak)	11,599.68 – 10.000 = 1,599.68 Dollars		

Over to you! What is the real cost of the loan offered by MICROFINANCE ASSOCIATION? 2

And the real cost YOUR BEST CREDIT BANK? 3

Which, then, is the least expensive loan Meshak is being offered? 4



⚠ **ATTENTION!** The cheapest credit is not necessarily the most suitable for Meshak's needs. For example, it may be more difficult and riskier to reimburse a large sum each month. It depends on how much Meshak expects to earn each month.

(2).Total amount repayable = 12,070.84 Dollars (143.70 x 84). Real cost of the loan = 2,070.84 Dollars (12,070.84 – 10,000).

(3).Total amount repayable = 111,932.48 Dollars (165.73 x 72). Real cost of the loan = 1,932.48 Dollars (11,932.48 – 110,000).

(4).The correct answer is the National Bank loan.

BE AWARE!

If you decide to take a loan, you know that there are some cost include like interest, mortgage fees, stamp duty, late penalties and insurance. These are direct cost.

But, sometimes we are not so aware of the other expenses that we face because of having a loan, such as lost business or money we pay for transportation to attend meetings or to go to the bank. Although these additional costs may not be part of the cash loan payment, they are real and should be considered when choosing a lender. They are called indirect costs.

DEFINITION

Direct costs: Money you pay to the lender for the loan. Includes interest, fees, insurance and late penalties. Usually these costs are included in your regular weekly or monthly payment.

Indirect costs: Expenses you may have to pay because you have the loan, such as bus fares to attend meetings or to go to the bank. Can include wages you pay a worker to keep your business open when you are attending a meeting, or income you lose if you close your business to attend a meeting.

TIPS

If you take out a loan you should consider whether the interest is fixed or variable.

- *If it is variable, this means that the rates can change during the period of the loan. A variable interest rate may go up or down but are usually more likely to go up. Therefore, you might end up paying more.*
- *Fixed interest is one where the interest rate doesn't change during the period of the loan repayment. This allows you to accurately predict your future payments.*

NOTES

TRAINING AID D.3.2

Fictional brochures advertising loans

NATIONAL BANK

- APR: **6.00%**
- Term of the loan: **5 years**
- Monthly repayments:
  193.33 Dollars
  (On a loan of 10 000 Dollars)
- Grace period:
  2 years
- Maximum amount of loan:
  50 000 Dollars
- Conditions:
  - Minimum personal contribution 10% of the cost of the project
  - You must have been a customer of the bank for at least 6 months
- No non-financial services or training courses for entrepreneurs
- The best loan for expanding your current business.
  CHANGE MAXIMUM AMOUNT TO: 20 000

- APR: **5,5%**
- Term of the loan **7 years**
- Monthly repayments: **143.70 Dollars**
  (On a loan of 10 000 Dollars)
- Grace period: **0**
- Maximum amount of loan: **12,000 Dollars**

  Conditions:
  - Minimum personal contribution 0.
  - You must be a customer of the microfinance association.
- Personal supervision throughout the repayment period
- Training courses for entrepreneurs in business start-ups and financial education
- The longest term of the market. The lowest rates. Come and visit us.

YOUR BEST CREDIT BANK LOAN

YOUR FINANCIAL PARTNER FOR GROWTH AND NEW PROJECTS

- APR: 6.00%
- Term of the loan: 6 year
- Monthly repayments: 165.73 Dollars
  (On a loan of 10 000 Dollars)
- Grace period: 0
- Maximum amount of loan:
  - 10 000 Dollars
- **Conditions:**
  - Minimum personal contribution 20% of the cost of the project
  - You must have been a customer for at least twelve months
- No non-financial services or training courses for entrepreneurs

TRAINING AID D.3.3

Table summarizing the arguments that influenced the character in choosing a lender and a loan (empty)

FACTORS	NATIONAL BANK	MICROFINANCE ASSOCIATION	YOUR BEST CREDIT BANK
APR / cost of the loan			
Ease of accessing a loan / conditions			
He/she amount she can borrow			
Repayment frequency			
Support and availability of non-financial services			

F I N A N C I A L E D U C A T I O N

YOUR TURN!

Looking at my goals, my budget, and my repayment capacity, do I need a credit product?

☐ **Yes** ☐ **No**

If yes, for what goal? . . . . . .

What amount? . . . . . .

. . . . . .

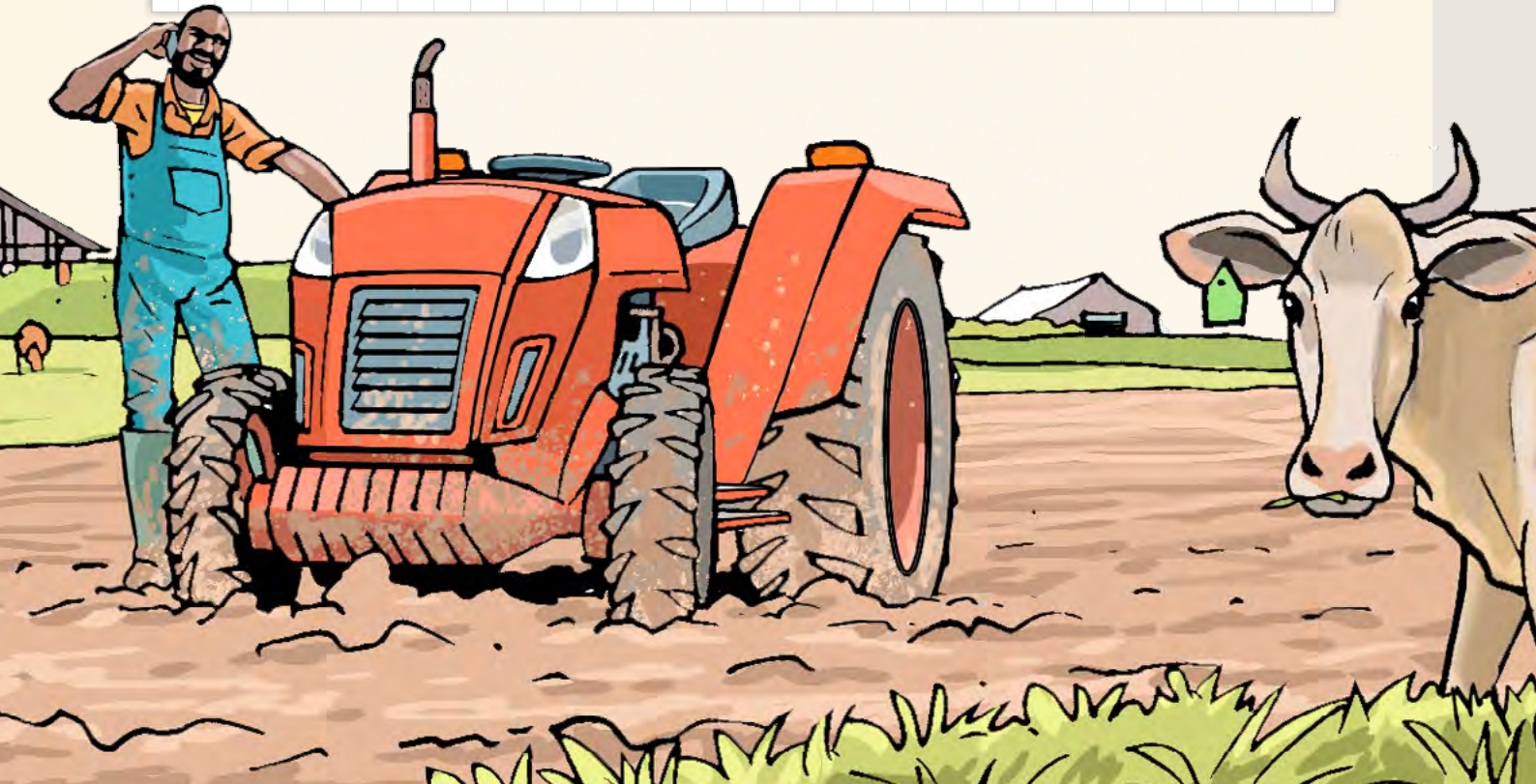
. . . . . .

Now, look for information at financial institutions around you and fill in Meshak's table, but for the goal you have decided you need a credit.

WARNING! To be able to compare credit products, you need to ask how much the loan will cost you overall (that is, how much you will pay back in addition to the amount that you borrowed). This includes the interest rate on the capital borrowed, but also the administrative costs, insurance, other services offered. Like Meshak, beware of low interest rates, which over a long period of time can actually be very expensive!

NAME OF PRODUCT			
Annual Percentage Rate (APR)			
Term of the loan			
Amount repayable each month (monthly instalments)			
Total amount repayable (term of a loan x monthly instalment)			
Real cost of loan (Total amount repayable minus amount of capital requested)			

The best product for my needs is: .....



TRAINING AID D.3.4

House-buying scenario using conventional finance and Islamic finance

CONVENTIONAL FINANCE

One woman from the host community wants to buy a property costing 100 currency units.

She takes out a loan from a bank and buys the property. She obtains the property immediately. She has to repay 120 currency units over 20 years. The cost of the loan is 20 currency units, calculated as follows: **(120 – 100 = 20)**

ISLAMIC FINANCE

One Islamic woman from the host community wants to buy a property costing 100 currency units.

Her bank buys the property for 100 units, taking on the associated risk (e.g. the possibility that the property might burn down). The apartment now belongs to the bank. The bank sells the apartment on to her for 120 currency units and transfers ownership of the property after 90 days. She has agreed to pay the money back to the bank over a period of 20 years. The cost of the loan is 20 currency units. **(120-100 = 20)**

KEY MESSAGES

- In order to use well a credit product, you should understand well all the credit terms.
- Borrowing comes with the responsibility to repay, and to repay on time.
- Borrowing is a serious business. Do not take it lightly!
- In order to select your credit product, you need to know the different products, gathering information on the characteristics of each of them. With the information, you will be able to select the credit product that is the most adapted to your needs.
- When you take a loan, you must calculate direct and indirect costs. Both are important to choose the best option for you.

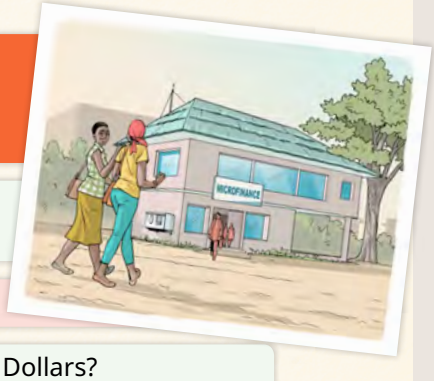
4. WATCH OUT! DO NOT GET OVER-INDEBTED!

TRAINING AID D.4.1

A tale of over-indebtedness

PART 1
Hawwa, Jane's cousin, and her husband David are having a discussion over breakfast

David	I say, Hawwa, isn't it today that your loan application is being decided on at the Microfinance institution?
Hawwa	Yes, the loans committee is meeting at 11 o'clock this morning. I'm not worried because, this time, we are only asking for 400 Dollars, less than we applied for the last time.
David	But, Hawwa, why are you borrowing only 400 Dollars? Have you forgotten that next week I have to pay back the money we owe our neighbour?
Hawwa	David, you told me you would find the money for the repayment!
David	I know, but I haven't been able to. You must borrow at least 1000 Dollars from the Microfinance institution.
Hawwa	But I'd never be able to pay back such a large a loan!
David	Don't worry about it. I'll give you the money you need later on. I must go now. See you later.



PART 2
Hawwa arrives with her friend, Sandra, at the Microfinance Institution meeting where her loan application is to be assessed

Hawwa	Hi there, Sandra. How are you? And what about your family? Are you well? Having a good day?
Sandra	Yes, everything is fine, thanks, Hawwa. What about you?
Hawwa	I am ok. I need to ask you a favour. Could you lend me 100 Dollars?
Sandra	(Trying to move away...) But, Hawwa, this is the second time you've asked me for money to pay back the shopkeeper. And you've never returned the 100 Dollars I lent you.
Hawwa	Hawwa: Don't worry! I'll pay you back. Today I'm getting some money from my cousin Jane and I'll let you have it straight away.
Sandra	Sandra: You're borrowing from your cousin, too?
Hawwa	Hawwa: Yes, I've needed to borrow from her, too, because my daughter was very ill, and I couldn't work for several weeks. I'm heavily in debt.

QUESTIONS

- What is Hawwa doing?
- Why is she borrowing from several lenders?
- What does Hawwa think of the different lenders from whom she is seeking loans?
- How is Hawwa supported by her husband?
- What do you think will happen to Hawwa?

DEFINITION

Over-indebtedness is the inability for a person to cope with his or her personal debts.

TIPS TO STAY AWAY FROM OVER-INDEBTEDNESS

- *Only borrow the amount of money that you can manage to pay back.*
- *Calculate your debt-to-income ratio. Calculate your total monthly income and the monthly payments you have to make to pay back your loans (monthly debt obligations). Compare these two figures and calculate the ratio. Usually, if your repayments reach 30 per cent of your monthly income, you should not take an additional loan.*
- *If you can't make the loan repayment on time, be honest with your lender and explain the reasons for such challenge.*
- *Listen to the advice of your lender, friends and family on how to pay back your loan.*
- *Reduce some of your daily life expenses in order to pay off the debt.*
- *Always keep some emergency savings so that you can cope with emergencies without affecting your loan repayments.*
- ***Take action!** Go and see your account manager at the financial institution. Do not wait until it is too late to ask or assistance.*

TRAINING AID D.4.2

ROLE-PLAY CARDS

ROLE-PLAY CARDS

CARD1

You are members of the Microfinance Association to which Hawwa also belongs. Hawwa is failing to repay her loan. Prepare a short sketch in which you discuss the situation and decide what to do about Hawwa.

FINANCIAL EDUCATION

ROLE-PLAY CARDS

CARD2

You are members of Hawwa's extended family and friends (husband, cousin, other IDPs that know her). You have all lent money to Hawwa and she has never repaid you. Prepare a short sketch in which you discuss the situation and decide what to do about Hawwa.

FINANCIAL EDUCATION

ROLE-PLAY CARDS

CARD3

You are the members of the loan committee of the Microfinance institution with which Hawwa has already contracted a number of loans. Prepare a short sketch in which you examine members' requests for loans and discuss the following points: to which members can you lend money, and which are not eligible for a loan.

FINANCIAL EDUCATION

YOUR TURN!

Are you over-indebted?

Are your monthly debt obligations over 30 per cent of your monthly income? ☐ Yes ☐ No

Do you often take revolving credits (renewable credit)? ☐ Yes ☐ No

Do you use your loans more and more to cover your daily living expenses? ☐ Yes ☐ No

Do you ask more and more frequently for a delay to pay for recurrent expenses (rent, electricity bills...)? ☐ Yes ☐ No

If you answered YES to at least one of these questions, you must pay attention! You may be over-indebted or at risk of becoming over-indebted. Act right away by making a budget and talking to your lenders to repay your debts as soon as possible and avoid falling into a vicious circle.

Some solutions

If you are already over-indebted, here are the solutions that can be offered by your credit institution:

- Reschedule the debt, i.e. reduce the amount repaid each month and lengthen the term of the loan.
- Interrupt payments for a given period.
- Sell an asset to pay off your most expensive debts (i.e. those that charge the highest rate of interest).

Do not hesitate to inquire about your credit institution's mediation services!

BEWARE OF AGGRESSIVE LENDERS!

- **Beware of anyone who comes to your door offering easy loan money.**
- **Beware of "special offers" which are good for a very limited time. If the lender is legitimate, the terms offered today should be valid tomorrow.**
- **Beware of lenders who discourage you from reading the loan agreement because it is just "standard"! Read every word of the loan agreement or have someone read it to you.**
- **Never sign a loan agreement that you do not fully understand. Ask questions until you get the answers you need.**

ATTENTION!

Lenders make money on each loan, and some of them are very aggressive in their search for borrowers and more loans. Sometimes they offer special rates and attractive terms in order to draw in new customers. They want the potential customer to believe that taking a loan is easy and affordable.

QUESTIONS

- Has anyone ever tried to “sell” a loan to you or someone you know?
- What tactics did they use?
- What terms did they offer?

KEY MESSAGES

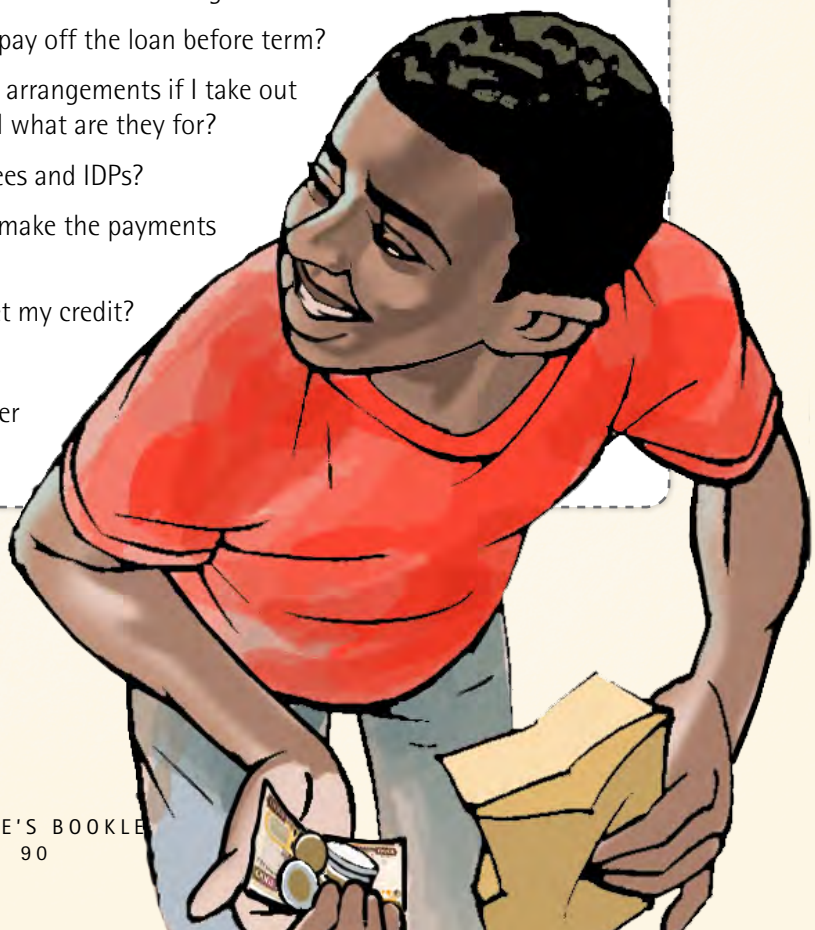
- Repaying is a decision that shall be taken when you decide to borrow.
- Avoid borrowing to repay a loan!
- Money from a credit is not yours!

NOTES

ANNEXES AND KEY DOCUMENTS

QUESTIONS TO ASK A POTENTIAL LENDER

- What types of loan do you offer? What sorts of project are funded by these loans (house purchase, business start-up, buying a car...)?
- What is the interest rate?
- What fees and charges are charged?
- What is the APR (i.e. true cost of the loan, including fees)?
- Do I have to provide guarantees to be granted a loan? If so, what guarantees?
- Are guarantee conditions different if I am a refugee or IDP?
- How much do I have to contribute, if anything?
- What is the frequency of the interest payments?
- When does each repayment have to be made? (beginning of the month...)
- What penalties are levied in the event of late payment?
- Where do the repayments have to be made?
- How long does it take to be granted a loan and get the money?
- How many times will I have to come here to finalize the loan application?
- What documentation do I need to present to the lender to be granted a loan?
- Do I have to pay the remaining interest if I pay off the loan before term?
- Are there compulsory or optional insurance arrangements if I take out this loan? If so, how much do they cost and what are they for?
- Are your products also applicable for refugees and IDPs?
- How far away is the office where I need to make the payments from my place of residence/business?
- Do I need to attend meetings in order to get my credit?
- How long are these meetings?
- Do you check if I have other loans with other institutions?



ANSWERS TO EXERCISES

TRAINING AID D.1.3: Advantages and disadvantages of the different ways of raising money

ADVANTAGES AND DISADVANTAGES OF THE DIFFERENT WAYS OF RAISING MONEY

	Advantages	Disadvantages
Sale of assets/property	• Shopkeepers will let you buy back your assets after you have sold them	• Risk of the asset losing value • If it is a productive asset, the family may incur additional costs or have to spend more from day to day
Savings	• Fast access • Private resources • No interest to pay • You can do what you like with the money (no external interference)	• You deplete your savings • The money has to be saved over a long period, so will probably not cover all your needs • You may lack financial resources in an emergency
Borrowing from an informal lender (family, shopkeeper...)	• Fast • A local transaction • No implementation procedure	• Very expensive • Risky: if you fail to repay, the lender may adopt "heavy" methods, including intimidation • No legal protection in case of abuse by lender • Easy to get into debt
Borrowing from a formal financial institution (bank, microfinance institutions, VSLAs, SACCOs - Savings and Credit Cooperative Organizations)	• Fast • Accessible • Proximity • Registered in accordance with legal requirements • Part of a group able to give advice (social aspects/collective support)	• Will generally loan only small amounts • Might not have a product suited to your project • Interest rates sometimes high • Some providers might only finance me if I have a registered business

TRAINING AID D2.1

Credit terms and definitions cards (complete)

INTEREST	The amount of money the borrower pays to the lender, in addition to repaying the loan itself, to be able to use the lender's money
PENALTIES	Sums the borrower will have to pay to the lender if he/she fails to repay the loan (e.g. seizure of property, a vehicle, savings...)
CREDIT BROKER	Professional charged by his clients with finding them the most suitable and/or cheapest loans (generally mortgage loans) from banks and other financial institutions
PRINCIPAL	The amount of the loan granted by the lender, net of interest
GUARANTOR/ COLLATERAL	Person who will pay off your loan in the event of you failing to do so. This person may be asked to add his/her signature to the agreement with the lender. The guarantee may also be in the form of property
PERSONAL CONTRIBUTION	The proportion of the funding for your project which you possess before borrowing additional sums from the credit institution. This contribution will consist mainly of your liquid assets and savings
MORTGAGE	Pledging a property you own as security to obtain credit from a financial institution. In the event of repayments not being made, the creditor may seize/repossess the property concerned and sell it in order to recover the sum originally lent plus charges. The owner does not lose ownership of a mortgaged property as long as he honours his repayment obligations
EARLY REPAYMENT	Repaying all or part of your loan before the term of the agreement
RETHINK	Cancelling a credit agreement without penalty. A "cooling-off period" protecting you against impulse buying
GRACE PERIOD	Period allowed between receipt of a loan and the first repayment (buy now, pay later)

TRAINING AID D.3.1

Calculating the cost of Meshak's loan (complete)

NAME OF PRODUCT	NATIONAL BANK	MICROFINANCE ASSOCIATION	YOUR BEST CREDIT BANK
Annual Percentage Rate (APR)	6% per annum	5.5% per annum	6% per annum
Term of the loan	5 years (60 months)	7 years (84 months)	6 year (72 months)
Amount repayable each month (monthly instalments)	193.33 Dollars	143.70 Dollars	165.73 Dollars
Total amount repayable (Term of a loan x monthly instalment)	193.33 x 60 = 11,599.68 Dollars	143.70 x 84 = 12,070.84 Dollars	165.73 x 72 = 11,932.48 Dollars
Real cost of loan (Total amount repayable less amount of capital requested by Meshak)	11,599.68 – 10.000 = 1,599.68 Dollars	12,070.84 – 10.000 = 2,070.84 Dollars	11,932.48 – 10.000 = 1,932.48 Dollars

NOTES

TRAINING AID D.3.3

Table summarizing the arguments that influenced the character in choosing a lender and a loan (complete)

MESHAK'S CRITERIA FOR CHOOSING A LENDER AND A LOAN

FACTORS	NATIONAL BANK	MICROFINANCE ASSOCIATION	YOUR BEST CREDIT BANK
APR / cost of the loan	• Lower real cost of the loan	• Lowest APR, highest real cost of the loan due to the longer term.	• Average real cost of the loan.
Ease of accessing a loan / conditions	• Impossible, because Meshak has not been a customer of the bank for more than 6 months • Personal contribution acceptable for Meshak (for a project costing 10,000 Dollars, he would have to contribute 100 Dollars)	• Need to become a customer of the microfinance association	• Impossible, because Meshak has not been a customer of the bank for more than 12 months • Personal contribution acceptable for Meshak (for a project costing 10,000 Dollars, he would have to contribute 2000 Dollars)
The amount he/she can borrow	• Sufficient amount	• Sufficient amount	• Sufficient amount
Repayment frequency	• Monthly	• Monthly	• Monthly
Support and availability of non-financial services	• No	• Yes (it might be very important for Meshak to have support/ supervision)	• No
CONCLUSION	• The least expensive loan, but no support available, and Meshak would have to wait 6 months to be eligible	• The loan is fairly expensive, but support is available for entrepreneurs and there is no need to make a personal contribution	• Average priced loan • High level of personal contribution

F I N A N C I A L E D U C A T I O N

E

CHOOSE MEANS OF PAYMENTS AND MONEY TRANSFER PRODUCTS

FINANCIAL EDUCATION QUIZ

E1. A withdrawal card is a card with which I can

- ☐ **a.** Make withdrawals and payments.
- ☐ **b.** Make withdrawals only.
- ☐ **c.** Make withdrawals, even when I have no money in my account.

E2. Someone just stole my bank card, what should I do?

- ☐ **a.** The thief does not have my password, so I am not worried. I won't do anything.
- ☐ **b.** I immediately contact my bank to block the card.
- ☐ **c.** I immediately contact my bank to issue a new card.

E3. A money transfer allows

- ☐ **a.** To open a bank account.
- ☐ **b.** To move money from one place to another.
- ☐ **c.** To access a debit card to pay for your purchases.

E4. What is the safest method to send money?

- ☐ **a.** Ask a taxi or a minibus driver.
- ☐ **b.** Ask a formal money transfer operator.
- ☐ **c.** Ask a relative.

Answers: E1:a; E2:b; E3:b; E4:b

1. USE MEANS OF PAYMENT WITH SECURITY

In the previous modules, we explored how to choose loan and savings products suited to your needs. We are now going to explore how best to use the different means of payment, for example for paying for the things you buy.

If you want to pay for a purchase, what are the possible means of payment?

The different means of payment and payment operations

- Cash
- Bank card
- Payment via the Internet
- Bank transfers and direct debits
- Digital wallet
- Electronic mandate
- Payment via mobile phone (if the service is a vailable in the country concerned)
- Bartering...

At the end of this module, in Answers to exercises, you will find a table with advantages and disadvantages of each mean of payment.

Case Study N°1

JOSEPH'S FIRST CARD

It is the last Friday of the month and Joseph has received the family cash assistance by the international organization running the camp like every month. As of this month, something has changed: instead of receiving the assistance in cash, they gave him and all the other recipients in his camp a bank card. A few days later, Joseph stops by an ATM and remembers he has the card in his wallet and would like to try it. He follows the screen and he is able to check his balance. Afterwards, he decides to withdraw $50, as his wife asked him to bring some cash home to pay money they owed to another refugee. In his way back to the camp, he stops at a small supermarket. He buys some rice and bottled water. He decides to pay with his card as he sees the sign that they accept them. It all goes very smoothly, and he is very happy.

Case Study N°2

MARY USES THE CARD

After visiting several financial institutions many times and putting together all the requested documents, Mary is finally able to open a savings account. This account includes a bank card that Mary very slowly starts to use. Following her visit to the market where she bought some fabrics for her shop, Mary stops at an ATM to withdraw some money to pay for a provider that will stop by at the shop later. Walking towards the bus stop, she sees a very nice pair of shoes for her older son. She does not have enough cash with her, but she does have her card and decides to use it. She enters the shop, pays with the card and takes the pair of shoes. She is very happy about having this card.

Case Study N°3

MESHAK USES HIS CARD

Meshak has just received a call from the bank. Because of being a good client, the bank has just offered him a card that allows him to make payments even if he does not have money on his account. He is very happy because he knows that it is very useful to be able to pay with his card, especially now that he has a lot of expenses when setting the second grocery shop. The days pass by and Meshak uses his card without paying too much attention to all the expenditures he is doing. It is sales season and he takes the opportunity to buy clothes for all his kids. He always thinks he'll check his expenses on the weekend, but he never finds the time to do it. At the end of the month, he realizes he does not have enough money to cover all the expenses made with his bank card. He must pay very high interest. Meshak blames himself for being so careless.

DEFINITION

Pre-paid or cash cards

A pre-paid card allows you to withdraw money from your account by entering it into a device called an automated teller machine (often abbreviated as ATM). In addition to the possibility of money withdrawal, you can check the balance of your account. You can buy food, fuel, clothes and pay your rent with this card, provided the person you are paying to accepts cards. The money you use is deducted immediately from your balance. Some cards allow you to pay bills and recharge credit on your mobile phone. Each bank has its own network of ATMs but often you can use your bank card to withdraw from any ATM whether the ATM belongs to your bank or not. However, your bank may charge you a fee each time you use an ATM that is part of another bank's network. You can only use the money you have put in your balance. You can recharge it as many times as you want, through ATMs, bank transfers or even by use of network agents, depending on the country. If you receive this card through an organization, they might recharge it periodically (for example, each month) so that you can count on that money deposited in your account regularly.

Debit cards

A payment card allows electronic banking transactions. In addition to using it to withdraw money from ATMs, you can use a debit card to pay for the goods you buy in many stores.

You must have money in your account at the time of purchase. The amount of your purchase is deducted from your account immediately. You can regularly check your balance through the home-banking or cellphone. In some cases, you might receive a statement from the bank, indicating the total amount deducted from your account as well as your balance.

Credit card

In general, a credit card allows you to make the same transactions as a pre-paid/cash card and debit card. The major difference is that it allows, that it also allows to have access to instant credit. That is, if you do not have money on your account, you can still make a purchase in a store by taking a loan from the financial institution who sold you the credit card (financial institutions, department stores ...).

Under the terms of the credit card purchase agreement, the amount of your purchase/loan will be deducted from your account (in one or several times, at an interest rate often much higher than that of conventional credit products). You will regularly receive a statement from the financial institution that sold you the credit card, indicating the total amount deducted from your credit, the amount repaid and the interest rate. Nowadays you can also check all this information online.

DIGITAL WALLETS

Case Study N°4

JOSEPH PAYS A BILL THROUGH A MOBILE PHONE

Joseph needs to buy a new pair of shoes to work in the farm. He is walking on a commercial street in town and he sees a shop that sells shoes at a very good price. He enters the shop, tries a pair of work boots and decides to buy them. At the counter, the man from the shop tells him he can pay in cash and also using the digital wallet everyone is talking about. Joseph asks: "Do you I have any benefits by using the digital wallet?". The shopkeeper explains that the price is the same, but by paying with the digital wallet, no cash is used, and it is safer for everyone. Joseph, who has downloaded this digital wallet and deposited 30 Dollars, decides to try it for the first time. He scans a code following the instructions of the shopkeeper and a payment accepted message appear on his phone. He picks up the bag and leaves the shop happy about having tried this new payment method.

Case Study N°5

MOUSSA PAYS USING A QR CODE

Mary and Moussa decide to visit a new market that has opened in a bigger city nearby. They have heard it is a very nice modern building. They are walking there with the kids when Moussa remembers they need to buy new light bulbs for the house. They find a convenience shop that sells all kinds of electric appliances. After selecting the light bulbs, the woman at the cashier tells them that due to COVID-19 they have a special discount of 5% for any client paying with cards or digital wallets. Moussa remembers having this new digital wallet app in his phone. He asks the woman whether he can pay using his app, which she confirms and tells him to wait a little bit so she can generate a QR code for this. Moussa scans a QR image at the cashier and automatically the money is withdrawn for his digital wallet. Both Moussa and Mary are fascinated to use this mean of payment for the first time.

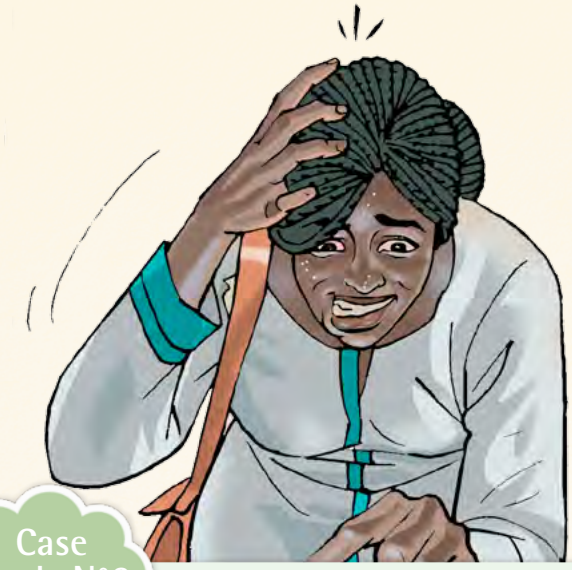
DEFINITION

By digital wallet we refer to an electronic device, online service, or software program that allows one party to make electronic transactions with another party bartering digital currency units for goods and services

	Advantages	Disadvantages
E-wallet	• You can withdraw money in shops: no need to queue at a cash point or bank. • You don't need to carry money around with you when paying bills or someone. • Your e-wallet is protected by a PIN; your money is safe. • You don't need to fill in any forms to withdraw or deposit money, as you do when you visit a bank. • It can be more convenient to withdraw money in a shop than from an ATM or at a bank counter. • Retailers are rarely short of money. • You do not need a bank account. • Transactions are made immediately.	• You may forget your PIN. • Your mobile phone might be stolen. • Difficult to stick to your budget.

SECURITY TIPS FOR DIGITAL WALLETS

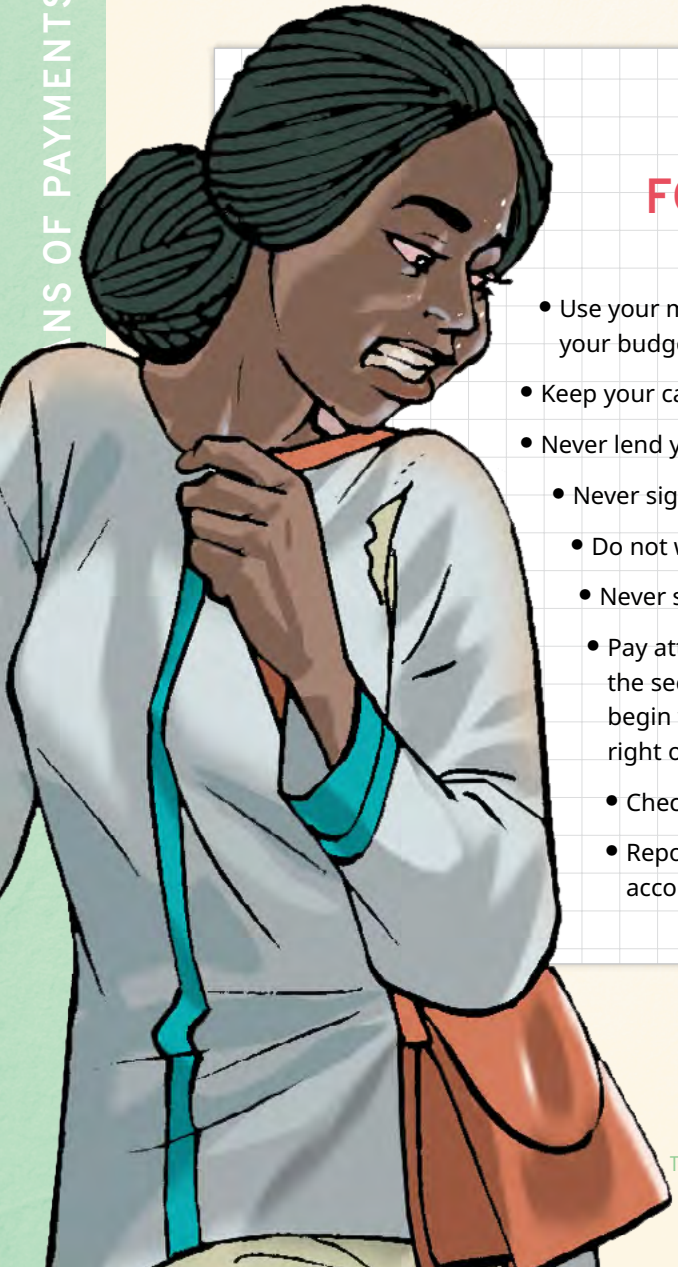
- Do not share your PIN with anyone.
- Never keep a record of your pin close or together with your sim-card.
- Do not save your PIN as a contact in your phone
- Always demand to look at the charges for the different transactions, especially when using an agent.
- When you are sending money to someone, double check the name and amount before inserting the PIN.



Case Study N°6

JANE FORGETS THE SECRET CODE

Jane must withdraw money to pay for a stand in the local market she will start using this weekend to sell her products. She is already late for her appointment with the market manager. She stops at the ATM and starts the money withdrawal process. She types her secret code as asked but the ATM screen indicates that the code is wrong. Surprised, Jane retypes her code but again the machine refuses the operation. She reflects for a second, but she is very confused. She tries a third time by changing a number in her code. The ATM refuses the operation and retains her card. Jane is very annoyed, she failed to withdraw the money and on top of that her card was retained by the machine!



SECURITY TIPS FOR MEANS OF PAYMENT

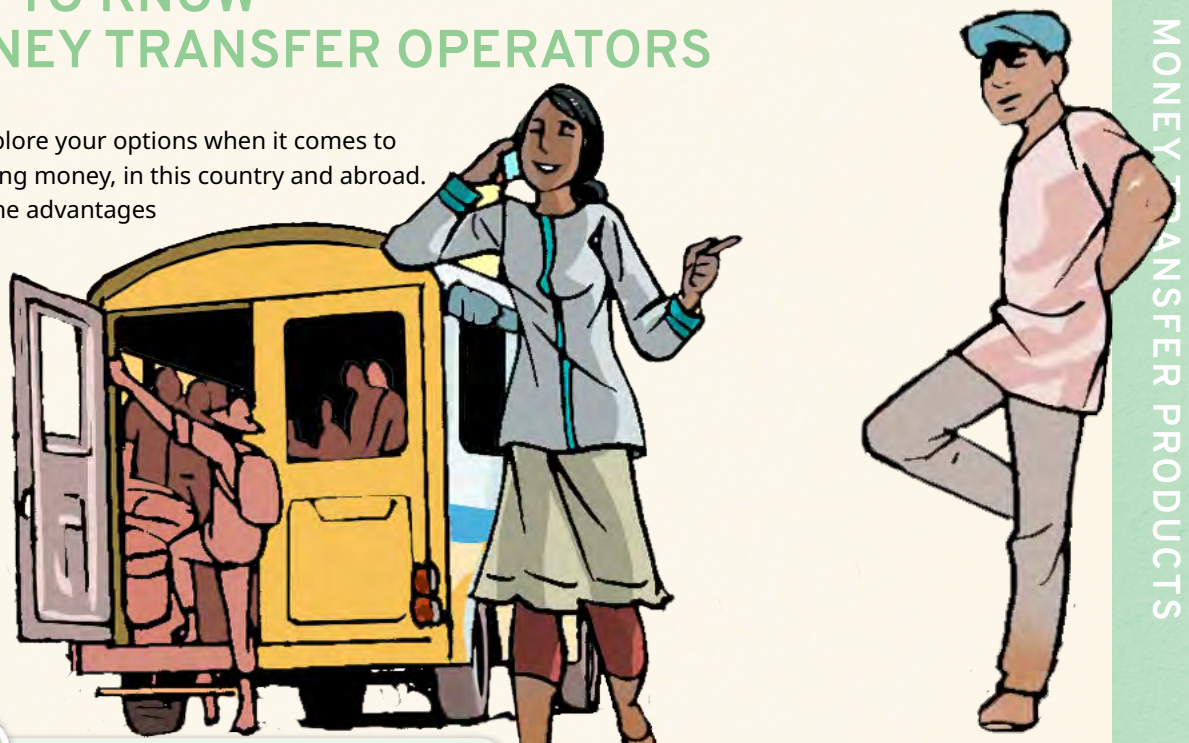
- Use your means of payment carefully, always thinking about staying within your budget.
- Keep your card, checkbook, wallet and mobile phone in a safe place.
- Never lend your credit card or checkbook to anyone.
- Never sign a blank check (without putting the amount).
- Do not write your confidential code on your bank card or leave it nearby.
- Never send your confidential information by e-mail, SMS, fax ...
- Pay attention when performing a transaction on the Internet. Check the security of the web site you are using (the web address should begin with “https”, there should be a padlock symbol in the bottom right of the screen...).
- Check your bank statements carefully and regularly.
- Report immediately to your bank of any sum debited from your account which you cannot explain.

KEY MESSAGES

- There are various means of payment: cash, payment card or payment operation: bank transfer, direct debit/standing order, payment by mobile phone or via the Internet...
- Each means of payment is different. As with all financial products, each involves costs and has advantages and disadvantages, which often depend on the type of expenses you want to pay for.
- A cash card enables you to withdraw money. A debit card can also be used to purchase goods from retailers (using the funds available in your bank account).
- As well as enabling you to withdraw money and pay for purchases, a credit card gives you access to instant credit (if the necessary funds are not available in your account at the time of purchase).
- The use of means of payment presents risks! Use your means of payment with care always thinking to stay within the limits of your budget.

2. GET TO KNOW MONEY TRANSFER OPERATORS

We are going to explore your options when it comes to sending and receiving money, in this country and abroad. We shall consider the advantages and disadvantages of each method.



Case Study N°7

JANE CAN'T FIND THE MONEY

Jane received an urgent call from her parents. A big storm had caused damage to their roof . They needed money to buy some materials to fix it. Jane had been saving up a bit of money for the shop but decides she cannot let her parents down and should help them. She goes to the bus station, where buses pick up passengers and boxes before heading south, where her village is. She asked a driver to take some money to her parents and paid him a small sum for doing it. Several hours later, her mother had still not received the money. Jane thinks the driver is an honest man, but she knew the road was dangerous. She has also heard that when buses break down they need to use the money in their pocket to pay for repairs. She hopes that it is not the case because that means the delivery will be delayed or the money may never reach her parents.

Case Study N°8

MARY USES A FORMAL PROVIDER

Mary knows it is the day of the month she needs to transfer money to her mother. She has always used the same provider, but one of her apprentices told her there was a new money transfer operator that just opened much cheaper next to the market. Sara decides to try it out and goes to the new provider. She filled in a money transfer application form. The man at the counter gave her a long list of agents where the mother could receive her money back at home. Mary called the mother and gave the address of one agent that was really close to her mother's house. Later on that day Mary's mother went to the agent. She showed her identity card and was given the money. Mary had to pay a small amount to send the money to her mother, and it was a bit less than with the other provider. Good news! Mary's mother has just called to say she has received the money.

DEFINITION

Informal money transfer operators
These institutions and individuals are not regulated or supervised by the State.

Formal money transfer operators
These institutions are regulated and supervised by the State.

FORMAL MONEY TRANSFER OPERATORS	INFORMAL MONEY TRANSFER OPERATORS
• The Post Office (via local office or Internet) • Enterprises specializing in money transfers (via agency or Internet) • Banks (via bank branch or Internet) • Mobile phone money transfer services	• Shopkeepers and traders • Taxi and lorry drivers • Friends and family

Whatever the provider you choose to make a money transfer, be it formal or informal, you need to look at a series of criteria before making your choice:

- Costs of sending money (paid by the sender).
- Costs to receive money (paid by the receiver).
- Geographic proximity (for the sender and the receiver).
- Safety.
- Speed.
- Money exchange commission (if relevant).

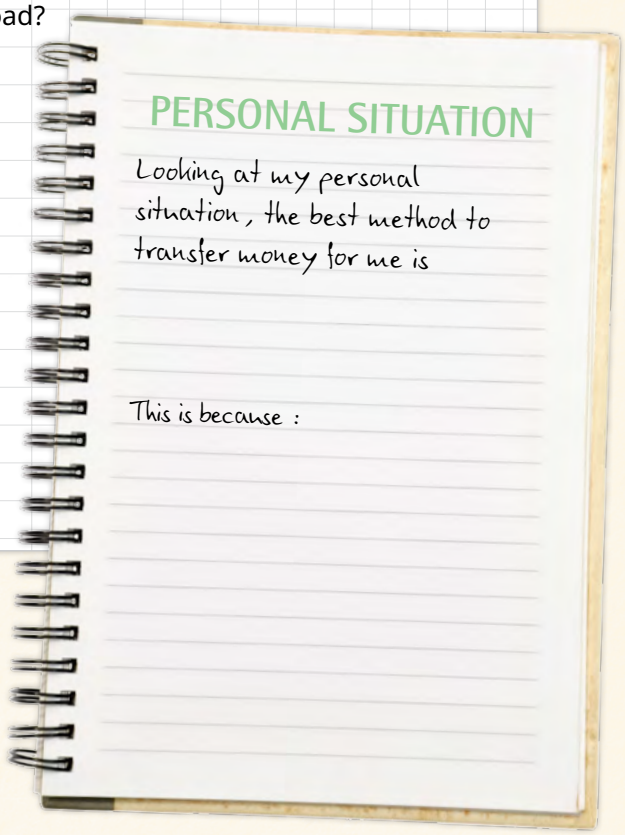
QUESTIONS

- And you? Do you send money to people, or abroad?

  ☐ **Yes** ☐ **No**

- If yes, for what reason?

- What method do you use?



KEY MESSAGES

- It is important to be familiar with the procedure for transferring money (documents to be provided, costs, operator's network ...).
- There are several ways to transfer money: cash to cash, bank account to cash, cash to bank account, bank account to bank account, cell phone to cell phone ...
- Choose your transfer method and your operator according to your situation and that of the person you are sending money to. Looking at characteristics such as the cost of sending, the exchange commission, the cost of receiving, the geographic proximity, etc.) enables you to take a decision that is best suited to your needs.
- Send money in a safe way, go for formal channels and facilitate the withdrawal for your relatives!

TRAINING AID E.2.1

TRAINING AID E.2.2

TRAINING AID E.2.3

Mary's method

Mary sends money to her mother using a money transfer operator

Joseph's method

Joseph sends money to friends via his mobile wallet; his friends receive it in the moment in their mobile wallet.

Meshak's method

Meshak sends money from his bank account to that of his provider.

Jane's method

Jane sends money to her parents via a transfer operator; her parents collect it in cash from the same operator's local agent

TRAINING AID E.3.1

METHOD 1: Through a money transfer operator

- Contact or visit a bank or financial institution (in person or online);
- Fill in a simple and quick money transfer form;
- Approach the clerk and give him/her the following information:
  1. The name and number of the payee's account (if the payee, i.e. the person you are sending the money to, has a bank account),
  2. The name and identity card number or other identity document number of the payee (if the payee does not have a bank account);
- Inform the payee of the amount of money you have transferred and, depending on the time period indicated by the bank/agency (which may range from a few minutes to several days), the payee will be able to collect the money from the bank or agency, in cash or paid into their account (as you would have specified).

- Go to the bank or agency and give the clerk the necessary information concerning the amount of money being sent to you and the name of the person sending.
- Show the bank clerk your identity card or other document proving your identity.
- After checking on the computer system, the clerk or agent will give you the money.

METHOD 2: Through my bank using home-banking

- Enter the website of your banking institution. Complete your username and password.
- Once inside the system, select the account from which you want to send money.
- Click on Make Transfers / Send money. Sometimes this functionality can be found under a tab called Payments.
- Once inside Transfers section, you will have to complete the following information:
  - Date of realization.
  - **Destination:** Here you will have to complete the Alias and/or Bank account number of the payee.
  - **Currency:** typically, local currency but can also be another international currency.
  - **Amount:** complete the value of the transfer.
  - **Concept:** choose the payment concept (Assets, Miscellaneous, Rent or another that appears in the drop-down panel).
  - **Description:** this is to send a message to the payee.
  - **Recipient's email:** so that a notification reaches the payee.
- Press Continue or Make Transfer and the money will be sent on the chosen date. Some banks might require an additional security step here (could be an SMS sent to your phone that you need to include for confirming the transaction, could also be an extra pin generated for these operations). Generally, you receive a confirmation on the same website or via email that the transfer has been made successfully.

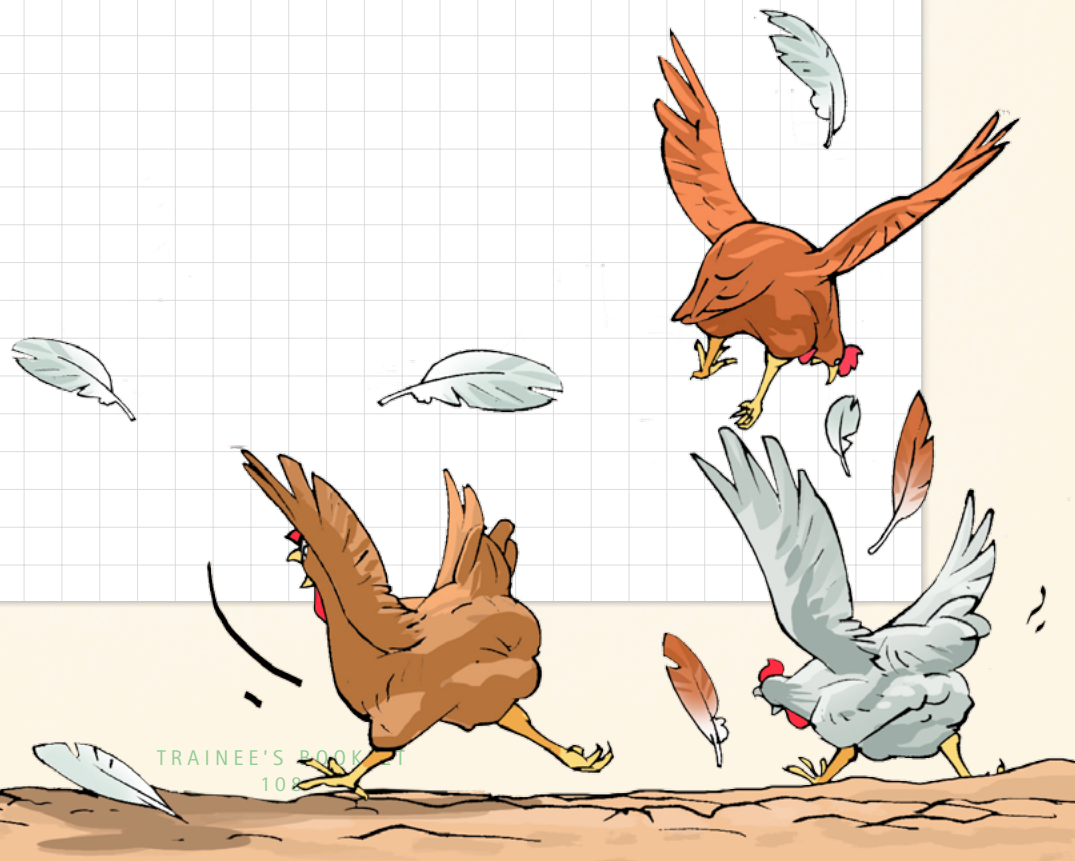
- Enter the website of your banking institution. Complete your username and password.
- Once inside the system, select the account to which you have been sent the money. When you enter when viewing the account details, you should have a new income for the amount sent and a detail that indicates who and when has sent you the money.

METHOD 3: Through my digital wallet

- Access the application from your phone. It must be the same application that the payee uses.
- Click on the menu and choose the option "Send Money".
- In the "To" field you can choose a contact from your phonebook, a cell phone number or an email address.
- Enter the value to send, choose the reason for sending the money (for example, return of the borrowed money or money for yesterday's dinner) and press the continue button.
- Select the payment method. It can be the balance of your digital wallet or also any of the payment methods that you already have linked to your digital wallet (debit card, credit card or bank account). In case you want to do it through a new card, the application will ask you for the card details. By pressing continue, the application will confirm the sending of the money.

- You may receive a notification by your app directly on your phone that you have received money.
- When you open the application, you will notice the payment instantly in your balance and last movements. The income of money is immediately available, that is at the same time as whoever send you the money completes the operation.

NOTES



TRAINING AID E.3.2

Form for transferring money (transfer operator's form)

MONEY TRANSFER FORM

Date

Amount

Currency

SENDER INFORMATION

Surname:

Name:

Address:

Telephone number:

Date and place of birth:

ID card or passport number:

RECEIVER INFORMATION

Surname:

Name:

Test question in case the receiver does not have a valid identification:

Optional services available at additional costs. Check services desired:

- ☐ I want a check delivered to the following address
- ☐ I want you to telephone the receiver
- ☐ Message to be sent

CUSTOMER'S SIGNATURE

TRAINING AID E.3.3

Form for transferring money (bank's international transfer form)

MONEY TRANSFER FORM

Date

Amount

SENDER INFORMATION

Surname:

Name:

Address:

Account number:

RECEIVER INFORMATION

Surname:

Name:

Address:

IBAN Number (International Bank Account Number, max 34 characters):

BIC Number (Bank Identification Number, between 8 and 11 characters) or SWIFT code:

CUSTOMER'S SIGNATURE

KEY MESSAGES

- It is important to be familiar with the procedure for transferring money (documentation required, costs, operator's network...).
- There are many different ways of transferring money: cash to cash, bank account to cash, cash to bank account, bank account to bank account, payment card to cash, bank card to bank account, bank card to bank card, bank card to mobile phone, mobile phone to mobile phone... The technology is evolving all the time. Keep yourself well informed about the new methods, as you might find them more convenient than the older ones.
- Considering your personal circumstances and those of the person you are sending money to when choosing your transfer method and operator (cost of transfer, foreign exchange commission, cost of receiving, geographical proximity...), will enable you to come to the best possible decision.

ANNEXES AND KEY DOCUMENTS

Questions to ask a formal money transfer operator

- *How can I send money to a relative?*
- *What forms do I need to fill in in order to send money?*
- *What forms will the receiving person have to fill in?*
- *What identity document is required for sending money?*
- *What identity document is required for receiving money?*
- *Do I need to have a bank account with your bank in order to send money?*
- *How long does it take for the receiving person to get the money?*
- *If I transfer through an app in my phone, the person that receives the money needs to have the same app?*
- *What is the cost of a transfer?*
- *Will the receiving person get all the money I send, or will they have to pay additional charges on receipt?*
- *How can I check that the receiving person has in fact got the money?*
- *How will the receiving person be notified that the money has arrived?*
- *Can I cancel or amend my transfer?*
- *What exchange rate is used in converting my money into the currency of the receiving country (if I am sending money abroad)? What are the exchange costs?*
- *If I send money in Dollars, in what currency will the receiving person get the money?*
- *Do I have to come to the bank in person or is there a remote service for transferring money (internet, mail...)?*
- *Do you have branches or agents of your bank in _____ (place of residence of the relative you are sending the money to)?*
- *Can I send money through my phone if the other person does not have a digital wallet? If so, where can they withdraw the money I send?*

ANSWERS TO EXERCISES

Advantages, disadvantages and use of means of payment

Means of payment	Advantages	Disadvantages	Use
Cash	• Simple to use • Very widely accepted (legal tender) • No charges • Immediate purchase possible	• Risk of theft or loss • No remedy in the event of theft or loss • Limits on the permitted amount of transactions (not everything can be paid for with cash, especially when large sums are involved) • It leaves no evidence on the transaction (could be problematic for budget management)	• For everyday purchases when small amounts of money are involved • To limit what you can spend during a particular period or on a particular occasion • To be able to buy something immediately
Bank card	• Security (generally speaking) • Leaves a trace of the place and amount of the transaction, and the item purchased • Protection against theft (secret PIN, the card can be cancelled if stolen) • Possible to make purchases involving large sums • They can be linked to bank accounts in other countries (not necessarily where I live) • May give access to secondary products: e.g. legal assistance, insurance when buying airline tickets Access to other financial services (insurances, legal assistance) • They can be linked to loyalty programmes that could lead to benefits/ discounts	• Sometimes significant charges: annual fee, charges for withdrawals, payments made abroad... • Risk of not keeping track of your expenses • Risk of forgetting when managing one's budget • Cannot be used everywhere: depends on the retailer having a working terminal	• For making everyday payments involving significant sums • For making occasional large purchases • For buying goods and services included related products" (e.g. paying for plane tickets if the card provides insurance)

Means of payment	Advantages	Disadvantages	Use
Bank transfers and direct debits	• No need to go anywhere or carry cash • Purchases can be made 24/7 • Often enables you to access good deals	• No one to refer to directly (if a problem arises) • Risk of scams if you buy from non-secure websites • Possible delivery problems with items purchased online • Risk of forgetting the expenses in the budget management • Risk of not keeping track of expenditure	• To access good deals • For quick purchases offering a comparative advantage (clothes, books, DVDs, tickets for shows, plane tickets...) • For rare items available only via the internet • For paying bills (mobile phone) if you don't have a bank account • Payment without physical contact (COVID-19)
Digital wallets	• No need to have a bank account, just a mobile number and sim card • Easy way to send money to someone else	• Risk of phone being stolen • Risk of forgetting pin/ password • Could create problems following your budget	• Transfer money to other people • Payment without physical contact (COVID-19) • Bills payment

COMPARATIVE TABLE BETWEEN DIFFERENT BANK CARDS

CARD	PRE-PAID/CASH	DEBIT	CREDIT
Where can you use this card?	• ATMs from your bank and other networks. • In shops that accept card payments.	• ATMs from your bank and other networks. • In shops that accept card payments.	• ATMs from your bank and other networks. • In shops that accept card payments.
What can you do with this card?	• Check your balance • Withdraw money. • Pay for goods as long as you have money in your balance.	• Check your balance. • Withdraw and deposit money. • Pay for goods as long as you have money in your account. • Transfer money to other accounts. • Recharge your phone.	• Check your balance. • Withdraw and deposit money. • Pay for goods as long as you have money in your account. • Pay for goods even if you do not have money in your account at that moment. • Pay for goods in instalments. • Transfer money to other accounts. • Recharge your phone.
Charges are immediate or deferred?	• Immediate	• Immediate	• Deferred, you will pay at the end of the month the total of your purchases. You will not face interest charges as long as you pay in time and do not finance the balance
Which are the costs/charges for using this card?	Depends on the offer of each provider. You should get all the information and compare.		

ADVANTAGES AND DISADVANTAGES OF MONEY TRANSFER OPERATORS

MONEY TRANSFER OPERATORS	ADVANTAGES	DISADVANTAGES
FORMAL	• Security (the money is safe, and the transfer is secure) • Long-term loans of large sums • Reliability • Confidentiality • Choice of products • Operates within the banking regulation framework, if declared officially • Enables you to build up a credit record and establish your solvency • Access to financial advice and other financial products • Speed (depending on the method) • Discretion (sometimes a mobile phone number is all you need to get the money)	• Remoteness, for people living far from towns and cities • Risk of being robbed as you leave the branch/agency • Restricted opening hours • Minimum amount requirements sometimes too high • Costs can be high • Having to wait at the counter • More difficult to use for people who are illiterate • Sometimes, lack of liquidity for transfers of large sums
INFORMAL	• Cost (depending on the method) • Access • Local availability • Speed (depending on the method) • Trust (you may be able to make the transfer via a local shopkeeper you have known for a long time) • No administrative procedures or forms to fill in	• No other financial services that your transfers of funds might entitle you to • Danger of receiver having to collect the money in an unsafe place (shop, public square...): risk of theft or assault • Illegality of taking large sums in or out of a country (risk of the person carrying the money being arrested) • Risks of being robbed • Counterfeit money

F

GET TO KNOW FINANCIAL INSTITUTIONS AND USE THEM WITH CONFIDENCE

FINANCIAL EDUCATION QUIZ

F1. A financial institution is a public or private service that deals with financial operations such as savings, credit and payments.

- ☐ **a.** True
- ☐ **b.** False

F2. I've noted that there are more and more banks in this region:

- ☐ **a.** I should go and ask information; they may have attractive savings or credit products for me.
- ☐ **b.** What is the use, these banks are only interested in rich people and large companies.
- ☐ **c.** I would like to go and check but I'm afraid they tell me off as I don't have a lot of money.

F3. What is the sentence that is not a principle of client protection that financial institutions are required to respect?

- ☐ **a.** Prevention of over-indebtedness.
- ☐ **b.** Fair and respectful treatment of clients
- ☐ **c.** Transparency
- ☐ **d.** Offering presents to the customers
- ☐ **e.** Responsible pricing
- ☐ **f.** Mechanisms of complaint resolution

Answers: F1:a; F2:a; F3:b

1. GET TO KNOW FINANCIAL INSTITUTIONS

DEFINITION

Financial institution: Public or private service that deals with financial operations such as savings, credit and payments.

DEFINITION

Banks are organizations approved by the State as credit institutions to perform banking operations: mainly receiving funds from members of the public, performing savings and lending operations, and providing payment services. Banks may be publicly or privately owned, specialize in deposits or investments, make products or act as cooperatives or mutual societies.

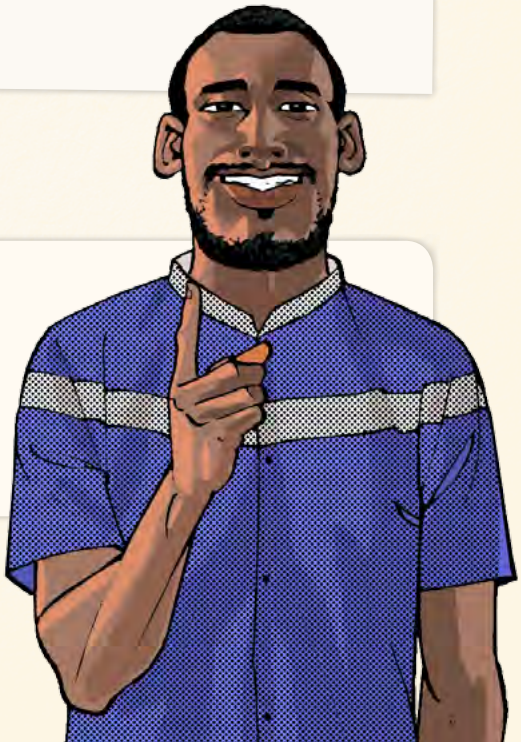
Microfinance institution: is a financial institution specializing in banking services for low-income groups or individuals. Microfinance institutions provide account services to small-balance accounts that would not normally be accepted by traditional banks, and offer transaction services for amounts that may be smaller than the average transaction fees charged by mainstream financial institutions.

Finance companies: are profit-making organizations approved by the State as credit institutions. They cannot take deposits from members of the public or offer savings products.

TIPS

To choose your financial institution well, you need to consider:

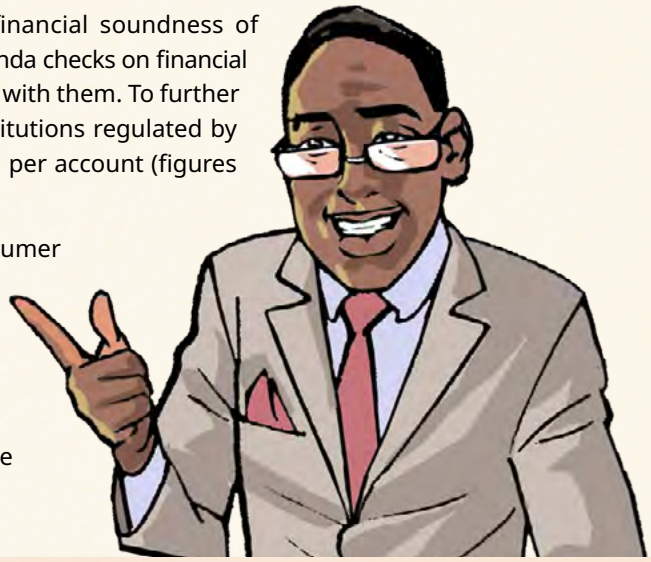
- *The financial institution's characteristics*
- *The characteristics of the products you need according to your goals that this institution might offer: type of account, payment methods, savings and credit products, transfer products...*



IMPORTANT!

There are different types of institutions in Uganda, some of which are regulated and supervised by the Central Bank (Bank of Uganda). These include: Commercial Banks (large financial institutions that offer loans and savings services), Credit Institutions (similar to commercial banks but smaller) and Micro Finance Deposit-Taking Institutions (MDIs - microfinance institutions licensed by Bank of Uganda to collect savings from the public). The advantages for you in saving and borrowing with these financial institutions are:

Bank of Uganda's objective is to ensure the financial soundness of financial institutions. This means that Bank of Uganda checks on financial institutions to make sure that your money is safe with them. To further protect your savings, all savings in financial institutions regulated by Bank of Uganda are insured up to UGX 3 million per account (figures in 2021).



Bank of Uganda has developed Financial Consumer Protection Guidelines to ensure that regulated financial institutions treat their customers fairly. For example, financial institutions have to explain to you everything you need to know about their services and products. In addition to regulated institutions, there are financial service providers not regulated by BOU. These include:

- **Microfinance Institutions:** These are not allowed by law to take savings or money from their customers but they give loans to help people start or grow small businesses.
- Savings and Credit Cooperatives (SACCOs) are formed, owned and operated by the members. They are usually organized around a specific region or an activity or profession.
- Voluntary Savings and Loans Associations (VSLA) are small member based community groups with up to 30 members that collect savings and give small loans to their members. You should only join a VSLA if you trust the other members.
- Rotating Savings and Credit Associations (merry-go-round, ROSCA's). These are groups where members meet regularly to make contributions that are given to a different member each month or week.
- Moneylenders that provide quick loans - but their interest rates are very high. The security they might ask for can be of very high value (up to two to four times the amount of the loan) and sometimes there are other costs which are not explained at the beginning.
- Forex Bureaus are used to exchange Uganda Shillings into foreign currency or vice versa. The exchange rate for different currencies can rise or fall any time. Make sure that the Forex Bureau you are dealing with has a valid license from Bank of Uganda hanging on its wall.
- Money remitters are licensed financial institutions that transfer money by a foreign worker to his or her home country or another country. They usually receive the money in the currency of the country in which they are located.
- **Mobile Money:** Money can now be remitted through your mobile phone. Ask your Mobile Phone Company, agent or dealer how to do it and about the charges involved.

TRAINING AID F.1.1

Questions to ask the financial institution

CHARACTERISTICS TO BE CONSIDERED IN CHOOSING A FINANCIAL INSTITUTION	QUESTIONS TO ASK
Characteristics of the financial institution • Geographical proximity • Reputation and trustworthiness of the financial institution • Provision and quality of non-financial services (business training, financial education...) • Remote services (balance enquiries via Internet, spending alerts via SMS, telephone banking...) and costs • Quality of service and staff (waiting times, respect for customers, languages spoken, speed of service...) • If needed, conditions of joining the institution (subscription, frequency of meetings, decision-making powers of members...) • Transparency regarding charges and terms and conditions, quality of the information given to customers • Products designed for specific groups of customers (students, salaried employees, pensioners...) • Charitable works undertaken (solidarity fund, sponsorships, foundations...) • (For people sending or receiving transfers to/from a relative), presence of the institution in the relative's region and geographical proximity to their place of residence	
Characteristics of the financial institution's products (in this case, savings) • Access to savings/flexibility of withdrawals • User-friendliness • Conditions for opening a savings account • Safety • Interest rate • Possibility of accessing other products and services provided by the financial institution • Costs of saving (charges, penalties) • Liquidity • Ethical values of the product (sustainable finance, environmental, Islamic...)	

TRAINING AID F.1.2

Questions to ask the financial institution (with suggested solutions)

CHARACTERISTICS TO BE CONSIDERED IN CHOOSING A FINANCIAL INSTITUTION	QUESTIONS TO ASK
CHARACTERISTICS OF THE FINANCIAL INSTITUTION	
Geographical proximity	• Is there a branch of the financial institution near me (near my house, my place of work or other convenient location such as my children's nursery)? • If I have a payment card, is there an ATM nearby (near my house, place of work or other convenient location, such as the gym...)?
Reputation and trustworthiness of the institution (question to ask yourself or your friends/family)	• Does this financial institution have a good reputation? • What does my family think of this institution? • Does this financial institution inspire me with confidence? • Have I heard of problems relating to the institution in the press or through friends and family? • Do I know anyone who has had a problem with this financial institution? What sort of problem? How was it resolved?
Provision and quality of non-financial services (business training, financial education...)	• Do you offer training services for customers/members? If so, on what topics? Who can take advantage of them? Are they free? • Are you involved in solidarity or sponsorship activities? • Are you involved in humanitarian activities? • Do you have advisors to help customers manage their investments and accounts?
Remote services (balance enquiries via Internet, spending alerts via SMS, telephone banking...) and costs	• Do you provide remote services? • Can a customer find out their balance online? • If so, is this service included free of charge when someone opens an account? If not, how much does the service cost? • Can I be notified of payments I have made by SMS?

CHARACTERISTICS TO BE CONSIDERED IN CHOOSING A FINANCIAL INSTITUTION	QUESTIONS TO ASK
CHARACTERISTICS OF THE FINANCIAL INSTITUTION	
Quality of service and staff (waiting times, respect for customers, languages spoken, speed of service...)	• What are the bank's opening hours? • What is the average waiting time before a customer is dealt with by a member of staff? • Do you have a nationwide ATM network? • Will I be charged if I withdraw money from another ATM (in another area, abroad, or belonging to another bank)?
TO BE DECIDED AT THE TIME OF THE VISIT	
If appropriate (mutual societies), conditions of membership	• Are there conditions for becoming a member of your financial institution? What are they? • How much is the subscription? Is it payable weekly, monthly, annually...? • How often do members' meetings take place? • Is one obliged to attend these meetings? If so, what penalties apply if someone fails to attend? • What are the decision-making powers of the members?
Transparency regarding charges and terms and conditions, quality of the information given to customers (questions to ask yourself)	• Are the charges and conditions displayed on the premises of the financial institution? • Does the institution provide explanatory brochures or other means of information (website...)? If so, did I get all the information I needed by reading the brochures/consulting the information? • Is the documentation provided easy to understand? • How does one open or close an account? How much does it cost?
Products designed for specific customer groups (students, salaried employees, pensioners...)	• Do you have any products or financial services designed especially for people like me? (young people, shopkeepers, employees, women, businessmen/women...)
Charitable works undertaken (solidarity fund, sponsorships...)	• Is your institution involved in charitable works? If so, what are they? Who are the beneficiaries (children with disabilities, the sick...)?
Presence of the institution abroad or in the region and geographical proximity to the place of residence of the relative sending or receiving money	• Is there a branch of the financial institution close to the place where my family lives (their home, place of work or other convenient location), as I will be sending and receiving money to/from them?

CHARACTERISTICS TO BE CONSIDERED IN CHOOSING A FINANCIAL INSTITUTION	QUESTIONS TO ASK
CHARACTERISTICS OF THE FINANCIAL INSTITUTION'S PRODUCTS (IN THIS CASE, SAVINGS)	
Access to savings/flexibility of withdrawals	• How often can I make withdrawals? • Is there a minimum amount per withdrawal? • Will I have to pay penalties if I make withdrawals from this savings account?
User-friendliness	• Do customers receive statements relating to their savings account? How often? • Do you offer a telephone and/or online banking service?
Conditions for opening a savings account	• What is the minimum deposit if I open a savings account? • What documents do I need to show you?
Security	• What insurance or guarantees are there for protecting customers' funds?
Interest rate	• What is the interest rate with this savings account? • How does the rate compare with that of other institutions? • How often is interest paid? • How is interest calculated? Is the rate fixed or variable?
Possibility of accessing other products and services provided by the financial institution	• By taking out a financial product, will I have access to other products and services? If so, what are they? At a more favourable rate?
Costs of saving (charges, penalties)	• What will it cost? (What charges are made for transfers, for withdrawals from ATMs) • What are the management charges for a savings account?
Liquidity	• Is it easy to withdraw funds? What is the procedure? • Can I withdraw the total amount if I want to? • Are there charges to pay if the funds are withdrawn before a certain date?
Ethical values of the product (sustainable finance, environmental, Islamic...)	• Does the financial product meet ethical standards? Which standards? • Does the product carry a label attesting to its compliance with these standards?

YOUR TURN

According to my goals, my personal situation, and my financial needs, I choose a financial institution with the following characteristics:

Example: close to my home

1. . . . . .
2. . . . . .
3. . . . . .

KEY MESSAGES

- To select a financial institution, you need to review its characteristics and products and choose those which best suit your needs.
- You can find the information on brochures of financial institutions and you can also ask questions to the institutions' employees.
- When you choose savings or credit products, keep in mind that the interest rate is the only one aspect to take into account among many others.

NOTES

2. USE FINANCIAL INSTITUTIONS WITH CONFIDENCE!

Case Study N°1

MESHAK AND HIS EMPLOYEES MARC AND GEORGE SPEAK ABOUT FINANCIAL INSTITUTIONS

Marc and George are Meshak's employees. Marc had a bad experience with a bank: he went in to ask for information and was persuaded by a staff member to open an account specifically designed for refugees, which charges high fees. In addition, he is paying for services he does not really use. He regrets having made a hasty decision. Meshak explains that before opening his first bank account, he went into several banks and just asked for information. It was difficult to say no to members of staff, but he was able to get a lot of information. In the end, he decided to open an account with one of the banks he had visited. He suggests they should do the same. Marc decides to find out how he can close his account and, like Meshak, do the rounds of the financial institutions to find one better suited to his needs. George says he thought there were no institutions serving refugees and decides to do the round of visits with Marc.

QUESTIONS

- **Why does Marc not trust financial institutions?**

You must know that as a customer of a financial institution, you have responsibilities, but you also have rights!

Let's learn about these rights!

TRAINING AID F.2.1

Descriptive cards

DESCRIPTIVE CARDS N°1

I have to be filled in if you want to open a bank account. After you have filled me in, you must present your identity documents to a member of staff to complete the process. When you have filled me in and presented the necessary documents, you can go to the counter and deposit money in your account.

DESCRIPTIVE CARDS N°2

I sit at a desk in the entrance hall of the agency. My job is to help customers to open bank accounts. I can give you an application form for opening a bank account. I can also help you decide which bank account best meets your needs. Ask me questions about the products we offer and the forms you have to fill. Ask me what documents you need to open an account. Don't ask me to take deposits or give you sums of money.

DESCRIPTIVE CARDS N°3

I supervise all the staff and make sure they are working correctly. As well as the staff members you can see, I supervise those who are working behind the scenes in their offices, managing people's accounts and doing other things. Come and see me if you have problems that the other members of staff cannot sort out. Don't come and see me to open an account.

DESCRIPTIVE CARDS N°4

My job is handling money and recording transactions. I take customers' deposits and issue them with cash when they make withdrawals. Customers must present proof of their identity and a correctly complete form before I can deal with them. You can ask me how much money you have in your account or whether a payment has arrived. Don't ask me to open a bank account for you.

DESCRIPTIVE CARDS N°5

My job is to protect the bank, the bank staff and our customers. To do that, I need to keep an eye on everything that goes on in the bank. Don't ask me for information on how to open an account of fill in forms.

DESCRIPTIVE CARDS N°6

I display information on the kinds of products offered by the bank and how much they cost.

DESCRIPTIVE CARDS N7

I hold all the forms required for performing transactions. You will need my forms if you want to carry out banking business with the counter staff.

DESCRIPTIVE CARDS N°8

You will need to complete me in every detail and sign me if you want to withdraw money from your account.

DESCRIPTIVE CARDS N°9

You can use me to pay someone without the need for cash (i.e. banknotes or coins). When you complete and sign me, you are giving the bank permission to pay the person whose name appears on me. The bank will pay the person with money drawn from your account.

DESCRIPTIVE CARDS N°10

You will need to complete me in every detail, including your account number, if you want to pay money into your account.

At the end of this module, you will find the right answers in Answers to exercises.

KEY MESSAGES

- In order to select a financial institution, you need to review its characteristics and its products and choose the ones that are the most adapted to your needs.
- To review the characteristics and the products of a financial institution, it is important to review the brochures, leaflets as well as ask the right questions to the staff: feel free, it is their job to answer your questions!
- Entering a bank or another financial institution does not mean you have to commit to open an account; you can start by gathering information.
- Everyone can, in theory, access services from financial institutions (if you can provide the required documentations!): you need to find the institution that meets your needs the most.
- As a customer of a financial institution, you have rights!

Now we are going to practice completing a form to open a bank account. We will use a generic application form.

TRAINING AID F.2.2

Application form for opening an account

YOURBANK

BOX RESERVED TO

APPLICATION FOR OPENING AN ACCOUNT

ACCOUNT HOLDER 1	ACCOUNT HOLDER 2
PERSONAL SITUATION	**PERSONAL SITUATION**
Civil status: ☐ M. ☐ Mrs. ☐ Ms.	Civil status:
Surname:	Surname:
Names:	Names:
Residence address: Zip-code:	Residence address: Zip-code:
Town:	Town:
Country:	Country:
Family situation: ☐ Married ☐ Separated ☐ Divorced ☐ Widow ☐ Single	Family situation: ☐ Married ☐ Divorced ☐ Single
Maiden name:	Maiden name:
Date and place of birth:	Date and place of birth:
Nationality:	Nationality:
Phone (home):	Phone (home):
Phone (mobile):	Phone (mobile):
Email:	Email:
PROFESSIONAL SITUATION	**PROFESSIONAL SITUATION**
Monthly net income: ⌊⌊⌊⌊⌊⌊⌊⌊⌋	Monthly net income: ⌊⌊⌊⌊⌊⌊⌊⌊⌋
☐ Active ☐ Job seeker ☐ Student ☐ Retired	☐ Active ☐ Job seeker ☐ Student ☐ Retired

ACCOUNTS

☐ Individual current account ☐ Joint current account ☐ Savings account

BANK CARDS AND SERVICES

☐ ATM card ☐ Internet banking
☐ Debit card ☐ Insurance for means of payment
☐ Credit card

SIGNATURES

ACCOUNT HOLDER 1	ACCOUNT HOLDER 2	BRANCH MANAGER

Date :

TRAINING AID F.2.3

Using an ATM for withdrawing money

Now we are going to practice using an ATM, simulating a cash withdrawal from a savings account

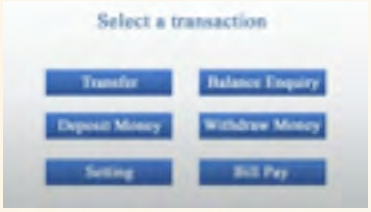
STEP 1: INSERT ATM CARD

Insert your ATM card in the ATM machine (You may see a green slot or any kind of slot).

STEP 2: ENTER 4 DIGIT ATM PIN

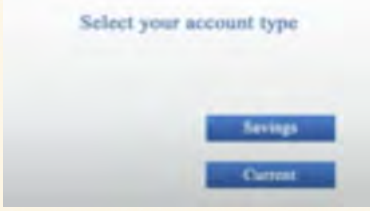
Using the keypad you have to enter your 4 digit password. But always remember that no one can see your password while you are entering a password and also do not share this password with anyone. More than 3 times the wrong password, your ATM card can be blocked.

STEP 3: SELECT YOUR TRANSACTION



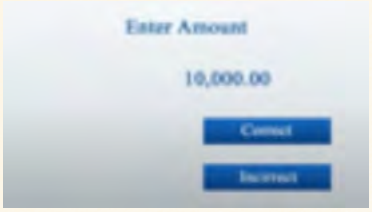
In this section, you can see many options on your display such as withdrawal money, transfer, Balance enquiry etc. In this case, you have to select withdrawal money.

STEP 4: SELECT YOUR ACCOUNT



In case your ATM card is connected to different bank accounts, you will need to select which bank account you want to make the withdrawal from.

STEP 5: ENTER THE AMOUNT



In this section, you have to enter your withdrawal amount and press enter.

But make sure your withdrawal amount does not exceed your balance in the account otherwise transaction will fail.

STEP 6: COLLECT THE CASH

In this section, you have to collect your money from the lower slot of the machine.

STEP 7: SELECT ANOTHER TRANSACTION OR FINISHING THE SESSION

In this moment you can select if you want to do another transaction or end your session. After pressing end your session make sure you take your ATM card.

You must know that as a customer of a financial institution, you have responsibilities, but you also have rights! Let's learn about these rights!

NOTES

TRAINING AID F.2.4

Descriptive cards - principles of customer protection

DESCRIPTIVE CARDS N°1

I own a chicken farm.

I have just contracted a farm loan with a nearby microcredit institution.

The amount is exactly the amount I needed. In three months', time, I shall be selling my chickens and shall have a large sum of money.

However, I now have to pay back the loan to the microcredit institution in monthly instalments and I have no current income from my business to make the payments. It now seems to me that the loan was not suited to my needs.

FINANCIAL EDUCATION

DESCRIPTIVE CARDS N°2

I have already contracted two loans with the bank: one for a house purchase, the other to cover the costs of a religious ceremony last year.

I'd now like to buy a small motorbike so I can get around more easily. My bank is refusing to give me a third loan.

FINANCIAL EDUCATION

DESCRIPTIVE CARDS N°3

I am a customer of a financial institution.

I have tried to make sense of the terms and conditions and charges associated with a savings product, but the brochure they have given me is in very small print and I do not understand all the terms used.

FINANCIAL EDUCATION

DESCRIPTIVE CARDS N°4

I have a current account and a savings account with a financial institution.

I am unhappy because I have to pay high management charges for my current account, whereas my deposit account pays only a very low rate of interest.

This seems to be unfair.

FINANCIAL EDUCATION

DESCRIPTIVE CARDS N°5

I am heavily in debt and unable to make further loan repayments because I've just lost my job.

I'm afraid of what the bank might do if fail to make the repayments.

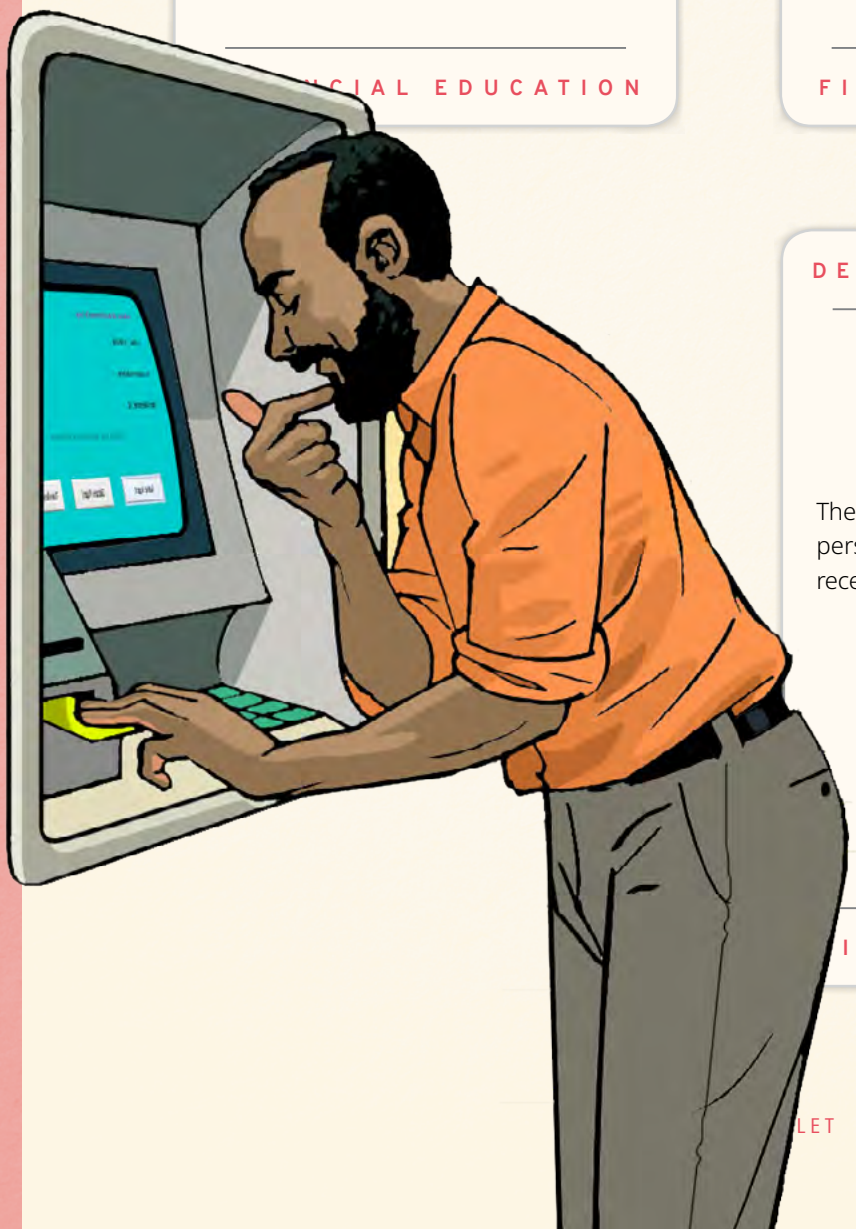
I have fears they will come to my home and take my possessions.

CIAL EDUCATION

DESCRIPTIVE CARDS N°6

I strongly disagree with my bank about something that has occurred.

FINANCIAL EDUCATION



DESCRIPTIVE CARDS N°7

The bank employee who looks after my personal current account knows that I received a large sum of money last month.

INANCIAL EDUCATION

LET

Appropriate product design and delivery

Financial institutions should ensure that their products and distribution channels are designed in such a way as not to harm their customers' interests. They should take into account their customers' characteristics when designing their products and distribution channels.

Prevention of over-indebtedness

Yes, it's perfectly normal. There is no such thing as a right to borrow money. By preventing its customers from getting heavily into debt, the bank is protecting you. This principle requires that financial institutions take measures to ensure that loans are granted only if borrowers can prove they are able to repay, and that loans do not put the borrowers at risk of getting heavily into debt.

Transparency

You should ask the bank staff for further information. This is your right, and financial institutions are bound to comply with the principle of offering a clear and responsible system of charges. In other words, the charges and conditions associated with financial products must be written clearly and communicated in a language that is easy for customers to understand.

Responsible pricing

Ask your advisor at the bank for more information. Financial institutions must ensure that their charges, conditions and procedures are affordable for customers, while enabling them as businesses to make a reasonable profit. Financial institutions should make every effort to ensure that funds deposited with them yield a fair rate of interest.

Fair and respectful treatment of clients

Financial institutions are bound to treat their customers fairly and respectfully. They must not practice discrimination in any form. They must ensure that adequate measures are in place to detect and remedy instances of corruption and any aggressive or abusive behavior on the part of their agents and staff, especially when making loans and recovering debts.

Mechanisms for complaint resolution

Financial institutions must have mechanisms for intervening in a timely manner in the event of problems and complaints on the part of their customers. They must use these mechanisms to resolve individual problems and to improve their products and services.

Privacy of client data

Confidentiality regarding a customer's personal data must be respected in accordance with the laws and regulations of individual countries' legal systems. Such data may be used only for the purposes defined when it was given and as legally permitted, unless agreed otherwise with the customer.

TRAINING AID F.2.5

Cards with scenarios of savings product needs

S I T U A T I O N C A R D S

SCENARIO 1

Mary would like to buy a computer in order to do some online training she has found. They are expensive but if she could put a little aside each month for a year, she would have enough to buy the computer by the end of the year.

So, she must avoid any temptation that would induce her to draw on her savings for other purposes. She has finally decided to open a regular savings account where to be able to save the money for this goal, at her own pace.

❯❯ What questions should you ask financial institutions to find the one that has the most suitable product for Mary?

F I N A N C I A L E D U C A T I O N

S I T U A T I O N C A R D S

SCENARIO 2

Joseph has just attended a financial education session organized by the voluntary association to which he belongs. The topic was "Saving some money for a rainy day".

He is now determined to put some money aside every month, if only a small amount.

He has decided jointly with Marta to open a flexible savings account.

❯❯ What questions should you ask financial institutions to find the one that has the most suitable and most attractive product for Joseph?

F I N A N C I A L E D U C A T I O N

S I T U A T I O N C A R D S

SCENARIO 3

Meshak has had lunch with his friend and they have discussed about their pensions. They have both decided to start saving for their own retirements so as to be sure they have enough to live on when the time comes.

Meshak does not want to be able to withdraw these savings and wants to get the highest possible rate of interest.

At first his friend is not very positive but, after a lot of discussion, they have agreed that Meshak should open a fixed-term savings account.

❯❯ What questions should you ask financial institutions to find the one that has the most suitable and most attractive product for Meshak?

F I N A N C I A L E D U C A T I O N

S I T U A T I O N C A R D S

SCENARIO 4

Jane's mother would like to put aside some of the money that Jane sends her to pay for new window s for her house.

She wants to save a fixed amount every month for one year. She doesn't want to be tempted to spend the money she receives and is thinking of a savings account that would enable her to achieve their family goals.

Her husband doesn't think they should open a savings account with a financial institution.

Nonetheless, after discussing the matter on several occasions with Jane, her parents have decided to open a contractual savings account which will enable them to make fixed monthly deposits to save for a given period.

❯❯ What questions should you ask financial institutions to find the one that has the most suitable and most attractive product for Jane's parents?

F I N A N C I A L E D U C A T I O N

YOU HAVE RIGHTS... AND ALSO RESPONSIBILITIES!

As client of financial institution you have rights and responsibilities:

RIGHTS	RESPONSABILITIES
• To be treated with respect. • To decide what products or services you want to use. • To receive clear, truthful and timely information. • To be listened to. • To complain through the right channels if aggrieved by service providers.	• To treat others with respect. • To assess the benefits of the various financial services available to you. • To comply with the terms and conditions of the product you are using. • To provide truthful and timely information. It is your r esponsibility to be honest with the financial institution.

You have certain rights as a consumer, as a bank customer and as a user of banking products. Don't forget this and remember, too, that you can move to another financial institution if you are not satisfied or simply if your needs have changed and are no longer met by the institution you first patronized. This is why, when you open an account, it is a good idea to ask about the conditions and charges involved in closing it!

NOTES

TRAINING AID F.2.6

Form for reporting on visit to financial institutions

INSTITUTION VISITED:

1 / 3

ROLE OF THE PERSON INTERVIEWED:

Complete the following table for each product offered by the financial institution you visited. .

PRODUCTS:

CHARACTERISTICS TO BE CONSIDERED IN CHOOSING A FINANCIAL INSTITUTION	ANSWERS RECEIVED DURING THE VISIT
CHARACTERISTICS OF THE FINANCIAL INSTITUTION	
Geographical proximity	
Reputation and trustworthiness of the financial institution	
Provision and quality of non-financial services (business training, financial education...)	
Remote services (balance enquiries via Internet, spending alerts via SMS, telephone banking...) and costs	
Quality of service and staff (waiting times, respect for customers, languages spoken, speed of service...)	
If appropriate, conditions of joining (subscription, frequency of meetings, decision-making powers of members...)	
Transparency regarding charges and terms and conditions, quality of the information given to customers	

F I N A N C I A L E D U C A T I O N

CHARACTERISTICS TO BE CONSIDERED IN CHOOSING A FINANCIAL INSTITUTION	ANSWERS RECEIVED DURING THE VISIT
CHARACTERISTICS OF THE FINANCIAL INSTITUTION	
Products designed for specific customer groups (students, salaried employees, pensioners...)	
Charitable works undertaken (solidarity fund, sponsorships...)	
Presence of the institution abroad or in the region and geographical proximity to the place of residence of the relative sending or receiving money	
CHARACTERISTICS OF THE FINANCIAL INSTITUTION'S PRODUCTS (IN THIS CASE, SAVINGS)	
Access to savings/flexibility of withdrawals	
User-friendliness	
Conditions for opening a savings account	
Security	

F I N A N C I A L E D U C A T I O N

CHARACTERISTICS TO BE CONSIDERED IN CHOOSING A FINANCIAL INSTITUTION	ANSWERS RECEIVED DURING THE VISIT
CHARACTERISTICS OF THE FINANCIAL INSTITUTION'S PRODUCTS (IN THIS CASE, SAVINGS)	
Interest rate	
Possibility of accessing other products and services provided by the financial institution	
Costs of saving (charges, penalties)	
Liquidity	
Ethical values of the product (sustainable finance, environmental, Islamic...)	

NOTES

ANSWERS TO EXERCISES

TRAINING AID F.2.1

Descriptive cards

ANSWERS DESCRIPTIVE CARDS N°1

Application form
for opening an account

ANSWERS DESCRIPTIVE CARDS N°2

Customer service agent

ANSWERS DESCRIPTIVE CARDS N°3

Branch manager

ANSWERS DESCRIPTIVE CARDS N°4

Bank clerk

ANSWERS DESCRIPTIVE CARDS N°5

Security guard

ANSWERS DESCRIPTIVE CARDS N°6

Display board

ANSWERS DESCRIPTIVE CARDS N°7

Document display shelves

ANSWERS DESCRIPTIVE CARDS N°8

Withdrawal slip

ANSWERS DESCRIPTIVE CARDS N°9

A cheque

ANSWERS DESCRIPTIVE CARDS N°10

Paying-in slip

TRAINING AID F.2.5

With solutions

DESCRIPTIVE CARDS N 1

I own a chicken farm. I have just contracted a farm loan with a nearby microcredit institution. The amount is exactly the amount I needed. In three months' time, I shall be selling my chickens and shall have a large sum of money.

However, I now have to pay back the loan to the microcredit institution in monthly instalments and I have no income from my business to make the payments. It now seems to me that the loan was not suited to my needs.

Is this normal?

FINANCIAL EDUCATION

CLIENT PROTECTION PRINCIPLES APPLIED

Appropriate product design and delivery.

Financial institutions should ensure that their products and distribution channels are designed in such a way as not to harm their customers' interests. They should take into account their customers' characteristics when designing their products and distribution channels.

DESCRIPTIVE CARDS N 2

I have already contracted two loans with the bank: one for a house purchase, the other to cover the costs of a religious ceremony last year.

I'd now like to buy a small motorbike so I can get around more easily. My bank is refusing to give me a third loan. Is this normal? What can I do about it?

What can I do about it?

FINANCIAL EDUCATION

CLIENT PROTECTION PRINCIPLES APPLIED

Prevention of over-indebtedness.

Yes, it's perfectly normal. There is no such thing as a right to borrow money. By preventing its customers from getting heavily into debt, the bank is protecting you. This principle requires that financial institutions take measures to ensure that loans are granted only if borrowers can prove they are able to repay, and that loans do not put the borrowers at risk of getting heavily into debt.

DESCRIPTIVE CARDS N 3

I am a customer of a financial institution.

I have tried to make sense of the terms and conditions and charges associated with a savings product, but the brochure they have given me is in very small print and I do not understand all the terms used.

What should I do?

FINANCIAL EDUCATION

CLIENT PROTECTION PRINCIPLES APPLIED

Transparency.

You should ask the bank staff for further information. This is your right, and financial institutions are bound to comply with the principle of offering a clear and responsible system of charges. In other words, the charges and conditions associated with financial products must be written clearly and communicated in language that is easy for customers to understand.

DESCRIPTIVE CARDS N 4

I have a current account and a savings account with a financial institution.

I am unhappy because I have to pay high management charges for my current account, whereas my deposit account pays only a very low rate of interest.

This seems to be unfair. Is this normal?

FINANCIAL EDUCATION

CLIENT PROTECTION PRINCIPLES APPLIED

Responsible pricing.

Ask your advisor at the bank for more information. Financial institutions must ensure that their charges, conditions and procedures are affordable for customers, while enabling them as businesses to make a reasonable profit. Financial institutions should make every effort to ensure that funds deposited with them yield a fair rate of interest.

DESCRIPTIVE CARDS N 5

I am heavily in debt and unable to make further loan repayments because I've just lost my job.

I'm afraid of what the bank might do if I fail to make the repayments.

Could they come to my home and take my possessions or those of my family, or worse?

FINANCIAL EDUCATION

CLIENT PROTECTION PRINCIPLES APPLIED

Fair and respectful treatment of clients.

Financial institutions are bound to treat their customers fairly and respectfully. They must not practice discrimination in any form. They must ensure that adequate measures are in place to detect and remedy instances of corruption and any aggressive or abusive behavior on the part of their agents and staff, especially when making loans and recovering debts.

DESCRIPTIVE CARDS N 6

I strongly disagree with my bank about something that has occurred. Whom should I turn to?

Is there someone at the bank who can help me?

FINANCIAL EDUCATION

CLIENT PROTECTION PRINCIPLES APPLIED

Mechanisms for complaint resolution.

Financial institutions must have mechanisms for intervening in a timely manner in the event of problems and complaints on the part of their customers. They must use these mechanisms to resolve individual problems and to improve their products and services.

DESCRIPTIVE CARDS N 7

The bank employee who looks after my personal current account knows that I received a large sum of money last month.

Can he discuss it with a member of my family without my permission?

NCIAL EDUCATION

CLIENT PROTECTION PRINCIPLES APPLIED

Privacy of client data.

Confidentiality regarding a customer's personal data must be respected in accordance with the laws and regulations of individual countries' legal systems. Such data may be used only for the purposes defined when it was given and as legally permitted, unless agreed otherwise with the customer.

G

RISK MANAGEMENT AND INSURANCE

FINANCIAL EDUCATION QUIZ

G1. Which of the following sentences is not related to a risk?

- ☐ **a.** Run into bankruptcy.
- ☐ **b.** Be sad.
- ☐ **c.** Have a work accident.
- ☐ **d.** Be victim of a fire.

G2. The list below shows protection measures against risks, except one, which one?

- ☐ **a.** Have savings.
- ☐ **b.** Subscribe to an insurance.
- ☐ **c.** Send money.
- ☐ **d.** Use a mosquito net.

G3. Insurance offers a protection against the possibility of a loss.

☐ **a.** True ☐ **b.** False

G4. What is an exclusion?

- ☐ **a.** A Document given to the policyholder by the insurance company that states the terms and conditions of the insurance contract.
- ☐ **b.** Specific condition, circumstance, or situation usually listed in a contract as being not covered.
- ☐ **c.** A request for payment for a loss that is covered by the policy.

Answers: G1:b; G2: c.; G3: a; G4:b

1. MANAGE RISKS

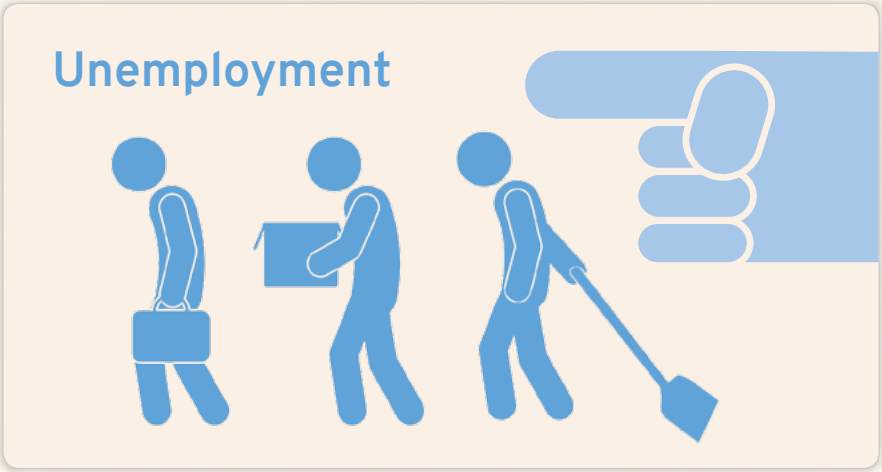
A risk is a more or less foreseeable danger that can have a damaging impact on us or on our family. Risks have different probabilities to happen and their consequences are different, from minor to very serious, depending on the nature of the risk and of the characteristics of the people or places that are affected.

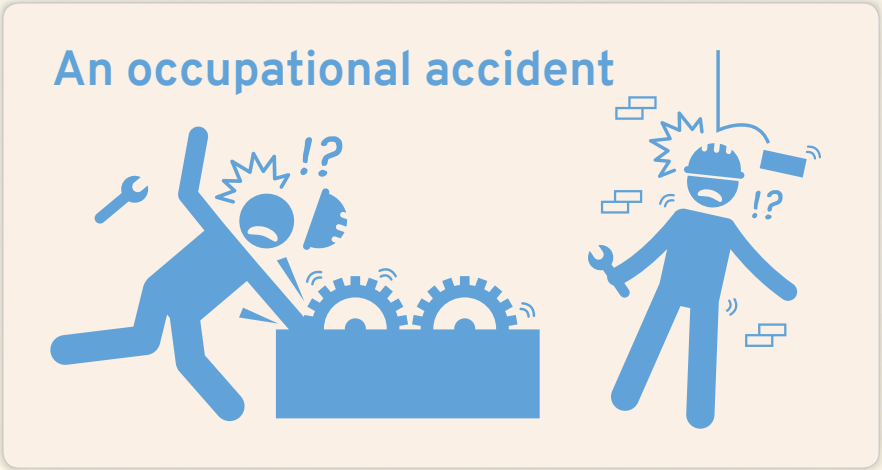
DEFINITION

A danger is a situation in which there is the possibility or threat that something unwelcome or unpleasant happen.

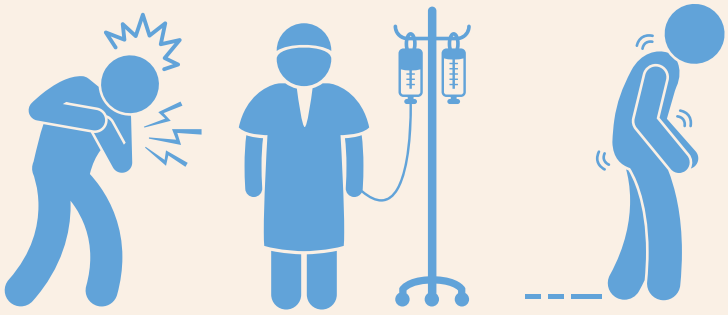
TRAINING AID G.1.1

Risk cards





Sickness



A death

Fire

Taking into account the risks that you and your family can face, write the risks in the boxes according to their frequency (probability to happen) and their costs. As an example, death is something that happens very rarely (once!) but it has very high costs for the family.

		COSTS		
		Not very significant	Fairly significant	Very significant
FREQUENCY	Rare			Example: death
	Medium			
	Frequent			

As you can see, the various risks are more or less likely and may have different consequences, from minor to very serious, depending on the nature of the risk and the characteristics of the person or places affected.

REMEMBER

There are different protective measures you can take to protect yourself:

- Eliminating/avoiding the risk (e.g. by brushing your teeth)
- Transferring the risk to a third party (a mutual benefit association or insurance company)
- Predict the impact of risk and prepare against it (by saving, for example).

There are different measures you can take to protect yourself and your family against this risk. Write these measures under an umbrella!

TRAINING AID G.1.2

My umbrella

REMEMBER

There are some things that you can do against risks: one of them should happen before a crisis or emergency, these are protections steps; and the others happen after, these are reaction steps.

	ADVANTAGES	DISADVANTAGES
Protection steps • Savings • Savings/loan groups • Mutual aid groups (if they exist in your area)	• Having money saved to cover at least some of the costs is less stressful. • May avoid going to family and friends or to the moneylender for money. • Saving for emergencies before they occur is less expensive than paying interest on a loan after they occur.	• Requires discipline. • Requires sacrificing other needs and desires. • Requires having surplus income to save or pay for membership in a mutual aid group. • t is difficult to save enough to pay all the costs of a serious crisis. • If no emergency occurs, you may pay for nothing other than "peace of mind".
Reaction Steps • Borrow • Work longer hours • Find new ways to earn money • Reduce expenditures • Sell assets	• You pay only when and if something happens. • You can invest your surplus cash in other things like a business. • You do not have to make sacrifices in the present for something that might or might not happen in the future.	• Interest on loans is expensive. • Loan payments are another burden, on top of the struggle to recover from lost income. • If you do not have enough income to make loan payments, you may be forced to sell assets. • Reduces the ability to earn income in the future. • Reduces the ability to cope with future emergencies. • May reduce the ability to borrow in future if the assets sold could have been used for collateral.

KEY MESSAGES

- Risks are inherent to life.
- Some risks can be foreseen, and you need to take measures so that their impact will be lower.
- It is essential to have an emergency fund so that minor emergencies do not affect you too much; saving is key to reducing your vulnerability.
- For other emergencies, personal savings might not be enough: you need to use insurance.
- You need to take measures to protect yourself and your family.

NOTES

2. TIPS TO CREATE YOUR EMERGENCY FUND

- Start putting money aside for personal emergencies on a daily or weekly basis, even if the amounts are small. Little by little, your fund will grow.
- Keep your money in a safe place, preferably out of the house, so no one can get at it. Opening a savings account, if possible, could be a good idea.
- Save varying amounts, depending on how much you are paid on any particular occasion. It is not necessary that you always save the same amount.
- Do everything you can to cut out unnecessary expenditure. Everyone can save, however little they earn, if only a small sum

Case Study N°1

MARY'S EMERGENCY FUND

Mary has decided to build her emergency fund. To do it, she decides to create a table that indicates all her their family income during the last year. The table looks like this:

Mary's family's income over one year

Month	Amount (Dollars)
January	1470
February	1400
March	1470
April	1400
May	1550
June	1550
July	1550
August	1470
September	1400
October	1470
November	1400
December	1510
Total	**17840**

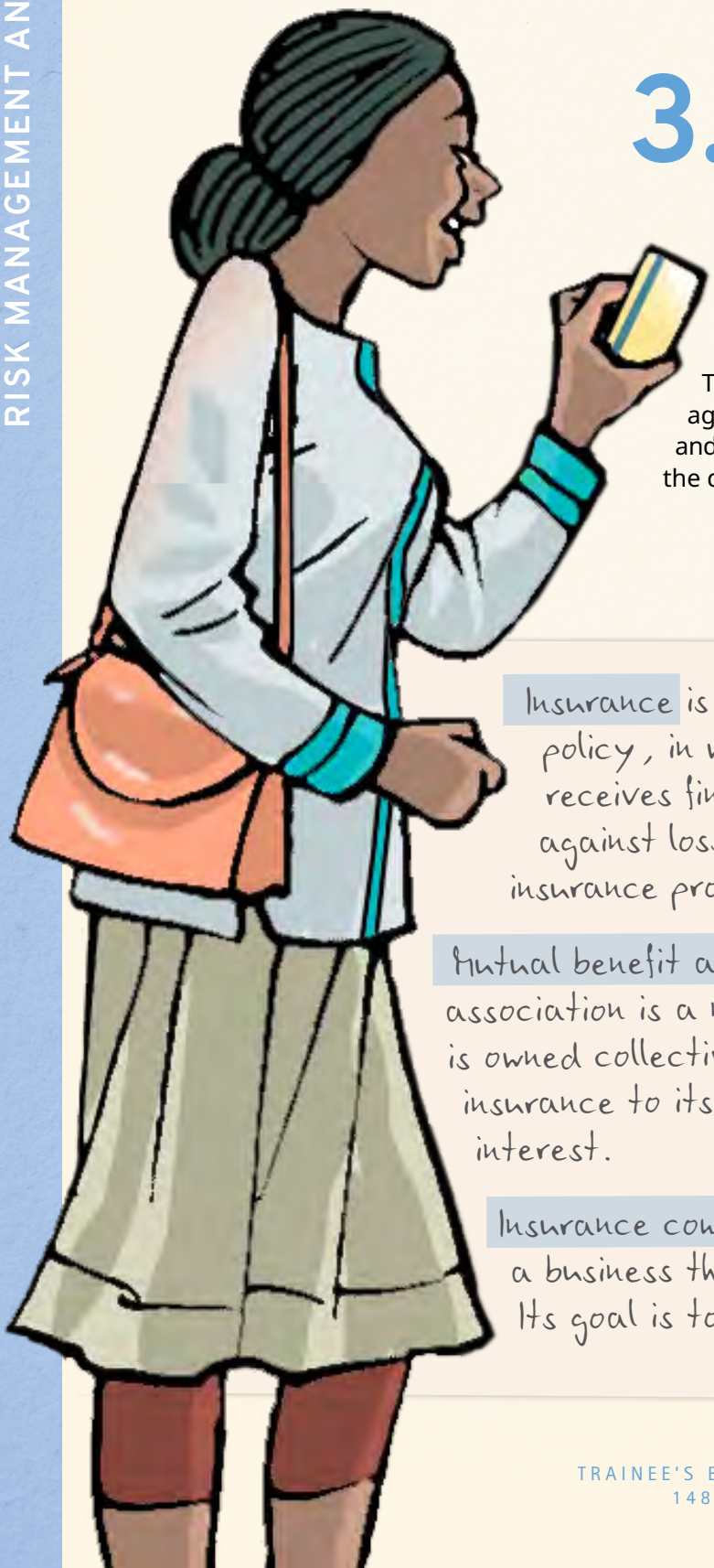
Questions about Mary and her family:

- What is the total amount Mary's family earns over a 12-month period (consider there might be fixed and variable income)?
- What is the family's average monthly income?
- What is the total amount they need to set aside in an emergency fund?

REMEMBER

Your emergency fund is intended to cover expenditure for relatively minor emergencies. Most of you will not be able to put money aside for major emergencies, such as a long course of medical treatment or a death in the family.

If you plan for emergencies, you are more likely to achieve your goals. If you have an emergency fund, you will avoid having to draw on the savings you have made for starting a business, making home improvements, investing in education (yours or your children's). And you will avoid having to borrow and pay a high rate of interest.



3. UNDERSTAND YOUR INSURANCE POLICY

INSURANCE: What is the idea?

The principle of insurance is to defend ourselves against a risk we may face (accident, illness, theft...) and to set aside some money to receive a compensation the day the event will occur.

DEFINITION

Insurance is a contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against losses from the provider offering the insurance product.

Mutual benefit association: a mutual benefit association is a non-for profit organization that is owned collectively by its members. It provides insurance to its members and acts in their best interest.

Insurance company: an insurance company is a business that provides insurance services. Its goal is to make profits.

Case Study N°2

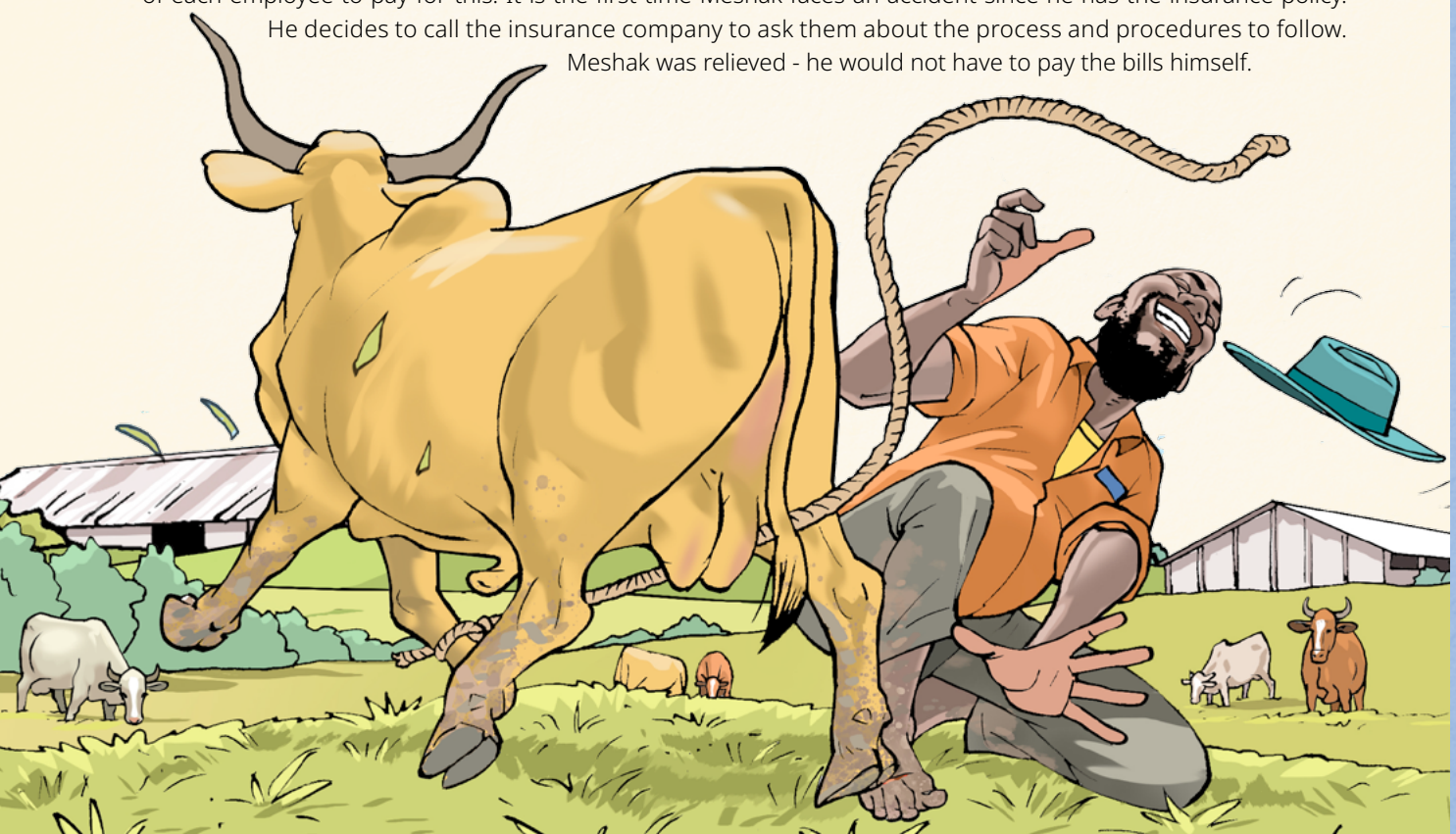
MARTHA INJURES HER HAND

One day at the poultry farm, Martha had an accident with the tools she uses to fix the chicken farm wire. She did her best to stop the bleeding and bound up the wound. She tried to ignore the pain, but that evening her finger was badly swollen. She went to work the next day but was in a lot of pain. She did not say anything to her boss for fear of losing her job (she usually gets very angry when workers ask for time off). She was also afraid that, if she had to go through expensive studies such as X-rays, bandages and medicines, she would not have enough money for this. She was sure there was no insurance policy at the poultry farm for employees like her. she was worried what would happen if he needed expensive medicines or had to pay to see the doctor? What should she do? She decided to wait some days and if need be, she would ask a colleague for some money to pay for these expenses and get treatment. She would like to avoid having to borrow money if something similar were to happen again.

Case Study N°3

MESHAK INJURES HIS FOOT

Meshak had an accident at his farm yesterday. While handling his cattle, one of cows step into his foot. At first, his foot did not hurt much, but that evening it was very swollen. For quite some time, himself and all of his employees are registered formally as employees of the farm. Following the advice of other farms, he hired an insurance policy that would cover accident-related expenses, such as medicines, consultations with the doctor and hospital visits. A small sum is deducted from the monthly salary of each employee to pay for this. It is the first time Meshak faces an accident since he has the insurance policy. He decides to call the insurance company to ask them about the process and procedures to follow. Meshak was relieved - he would not have to pay the bills himself.

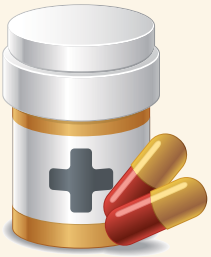


TRAINING AID G.2.1

The treasure pot game

TREASURE POT GAME

3 Tokens



MEDICINES

FINANCIAL EDUCATION

TREASURE POT GAME

7 Tokens

HOSPITAL

FINANCIAL EDUCATION

TREASURE POT GAME

GOOD HEALTH

FINANCIAL EDUCATION

TREASURE POT GAME

4 Tokens

DOCTOR

FINANCIAL EDUCATION

Game THE TREASURE POT

You never know when or how much you will have to pay for your health. Sometimes the health expenses are so large that they go beyond our financial capacity. This is the reason why it is important to pool risks through a subscription to insurance.

The secret of risk pooling lies on the fact that we all contribute with a part of our resources to a common pot. We do not need to draw from this pot all at the same time. However, insurance works only if all contribute together.

You need to pay in advance to be sure to have access to healthcare services, those covered by the insurance. The extent of the healthcare services you can access depends on the level of you contribution. The more you contribute, the more services you have access to.

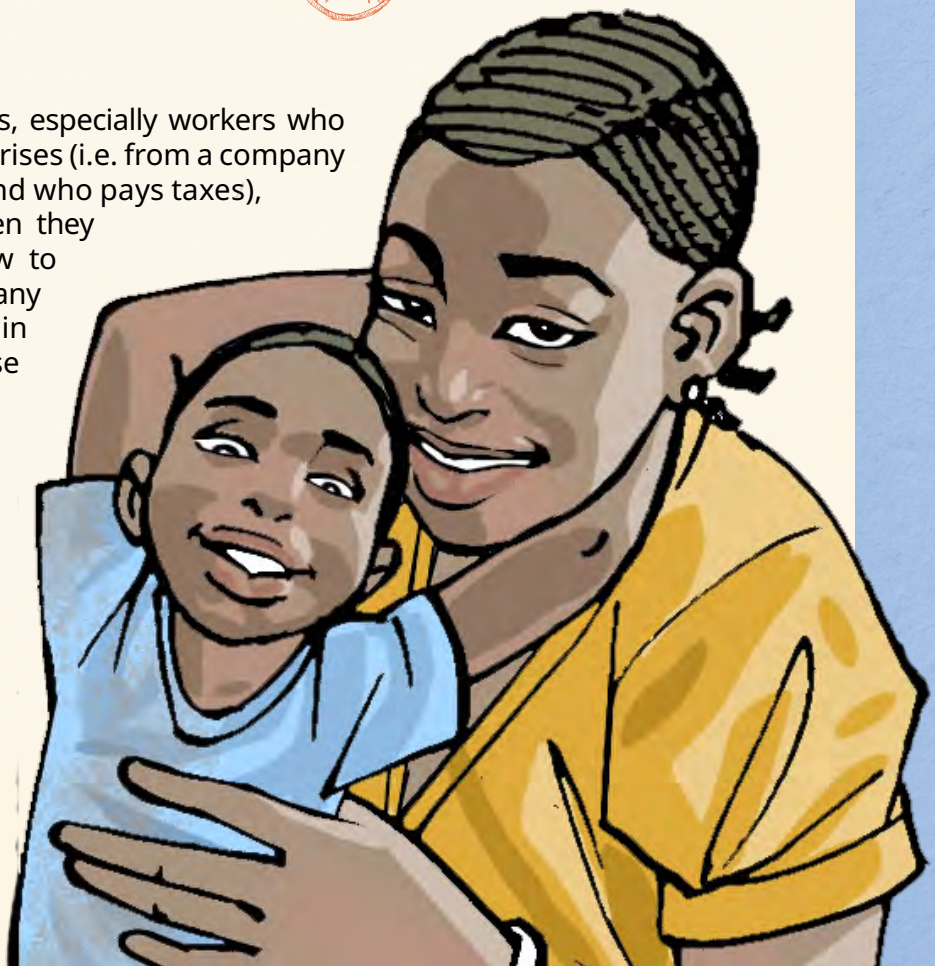
KEY MESSAGES

- Insurance: a tool for income preservation and social protection.
- To be insured is to prevent risks.
- Insurance: pooling of risks.

ATTENTION: Some workers, especially workers who receive a salary from formal enterprises (i.e. from a company registered with the State services and who pays taxes), have insurance coverage but often they don't know what it covers or how to use it. Sometimes, insurance company employees do not clearly explain insurance mechanisms, and they use complicated terms.

REMEMBER: knowledge is power. You should know what insurance is (events covered, payment, how to make a claim).

Always keep your insurance card with you, if you have one.

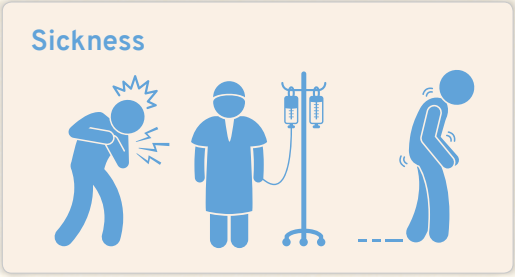


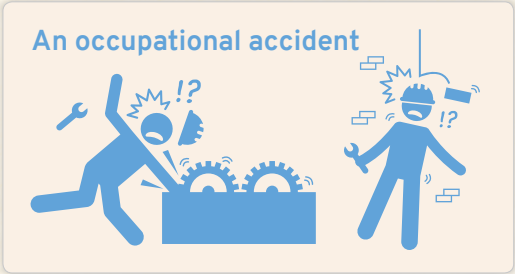
4. USE YOUR INSURANCE POLICY

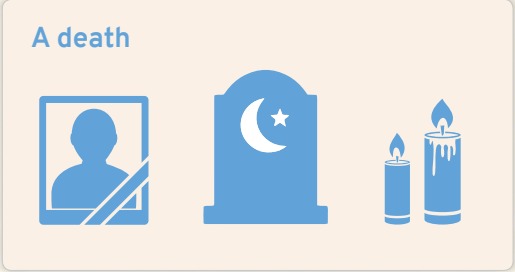
People face many different risks in the course of their life and each period of their lives come with a number of different risks. Some risks are general and may happen to anyone. Other risks may be specific to categories of people.

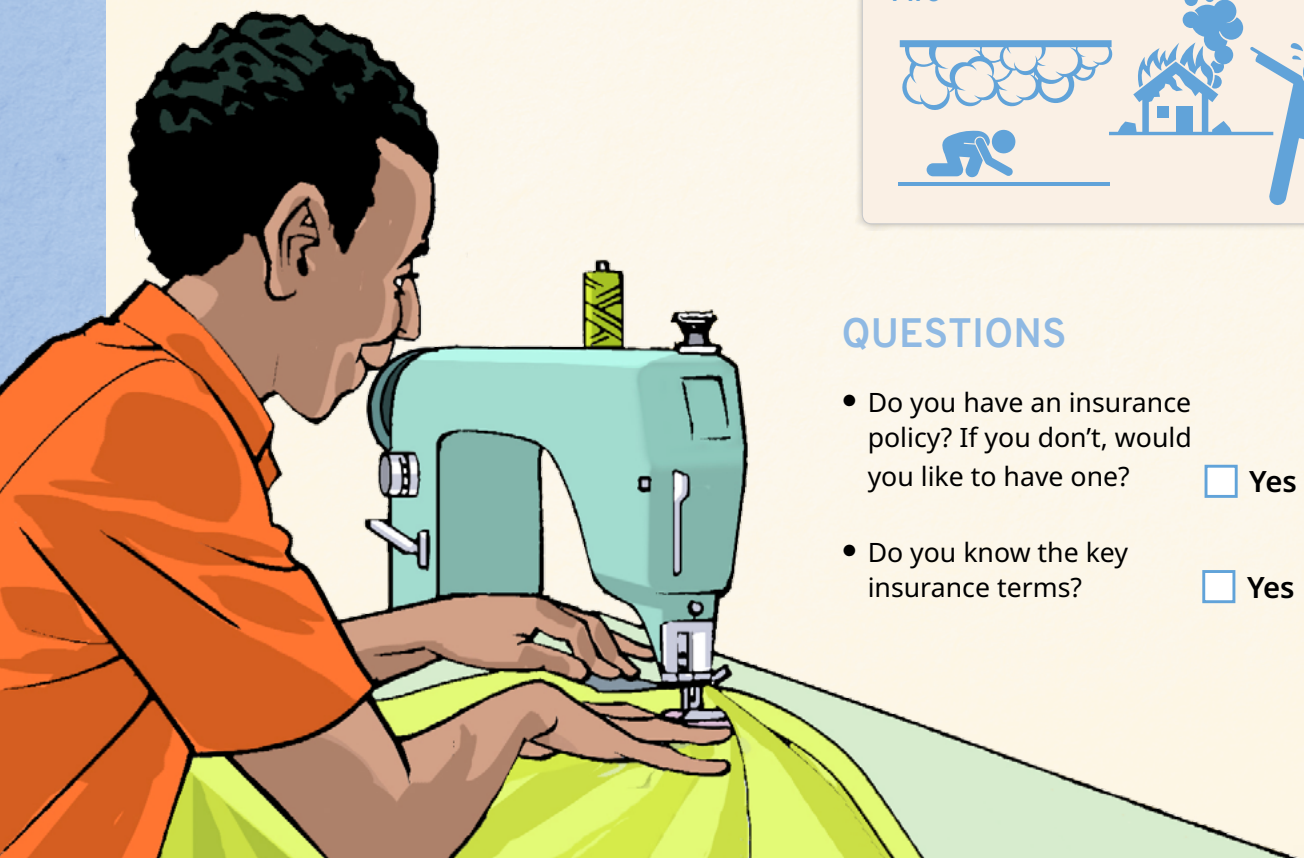
TRAINING AID G.3.1

Risk cards









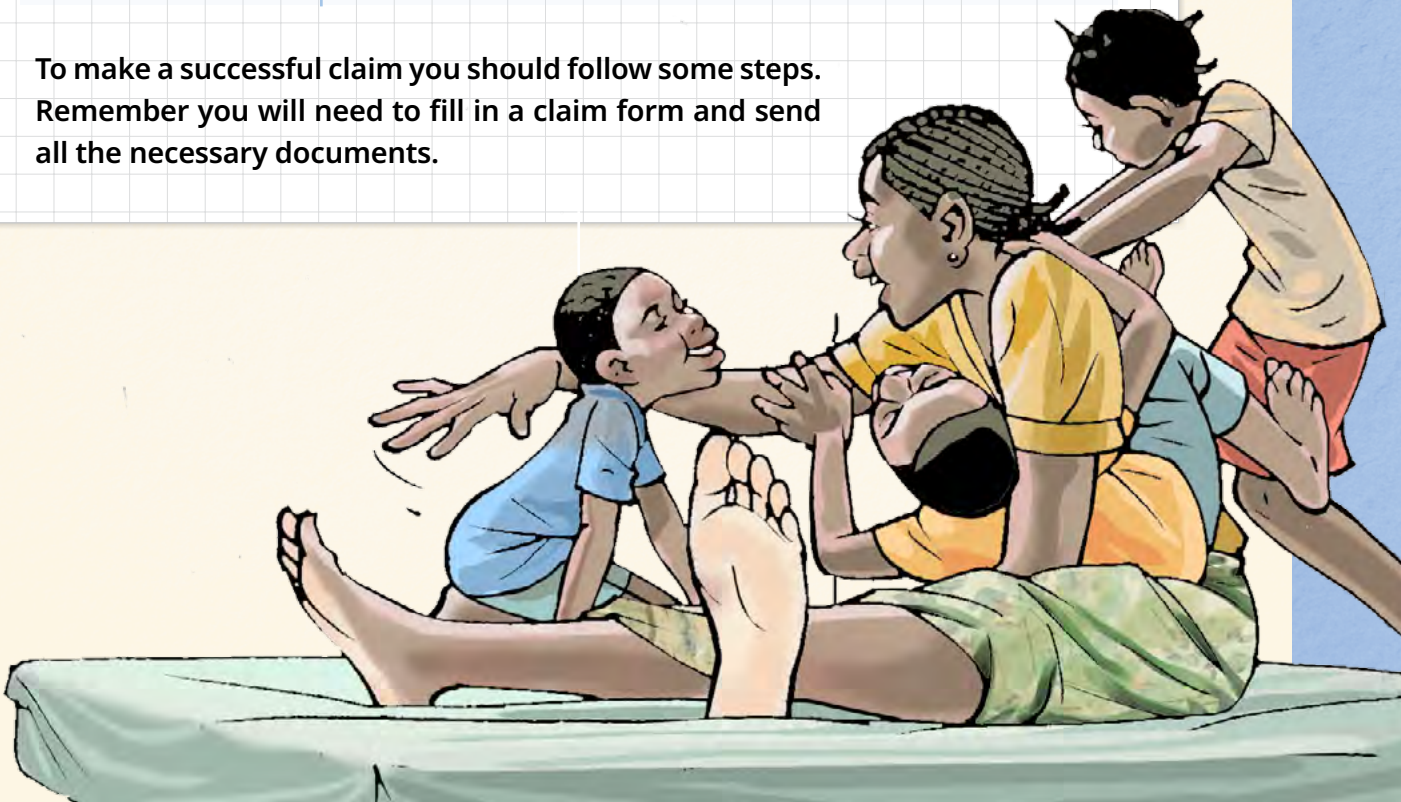
QUESTIONS

- Do you have an insurance policy? If you don't, would you like to have one? ☐ Yes ☐ No
- Do you know the key insurance terms? ☐ Yes ☐ No

Let's review the key terms and definitions

BASIC INSURANCE TERMS	
Compensation or pay-out	*The amount the insurance company pays to the insured person when the event against which they are insured (often referred to as the risk: accident, fire, illness...) has occurred, subject to presentation of a valid claim.*
Policy	*The agreement between the insured (the customer) and the insurance company. The policy sets out the terms, conditions, duration, risks covered and exclusions.*
Premium	*The price or cost of an insurance policy, often split into monthly or quarterly instalments.*
Insured (person) / member / beneficiary	*The person who receives the insurance pay-out when a risk covered by the policy arises.*
Claim	*Request for compensation following a loss covered by the insurance policy.*
Insurance card	*Request for compensation following a loss covered by the insurance policy.*
Exclusions	*Specific conditions or circumstances listed in the policy that are not covered and for which the insurance company will not pay any benefits.*
Eligibility	*The criteria that determine who can purchase an insurance policy (e.g. there may be age restrictions that prevent people above or below a certain age from buying an insurance policy).*

To make a successful claim you should follow some steps. Remember you will need to fill in a claim form and send all the necessary documents.



TRAINING AID G.3.2

Stages in making an insurance claim

STAGES IN MAKING AN INSURANCE CLAIM

Complete the claim form as soon as possible after the damage/loss occurred (within 12 months, depending on the terms of the policy).

FINANCIAL EDUCATION

STAGES IN MAKING AN INSURANCE CLAIM

Submit the required documents: letter of claim signed by the policyholder, membership card, photocopy of your identity document...

FINANCIAL EDUCATION

STAGES IN MAKING AN INSURANCE CLAIM

If you get paid less than you expected, make your complaint heard, find out why and try to address it.

FINANCIAL EDUCATION

STAGES IN MAKING AN INSURANCE CLAIM

Verify that the compensation paid matches the benefit you should be paid.

FINANCIAL EDUCATION

STAGES IN MAKING AN INSURANCE CLAIM

If you do not get paid within seven days (or the time set in the insurance policy), contact the insurance company again to check on progress.

FINANCIAL EDUCATION

KEY MESSAGES

- In order to find the insurance product that best meets your needs, you first need to identify the risks you and the persons you want to insure face.
- Insurance uses specific terms - You should learn them well in order to understand the available insurance products and make informed choice.
- Each insured risk may require different documentation when making a claim.

5. CHOOSE YOUR RIGHT INSURANCE PRODUCT

We are now going to help our characters to solve some doubts they might have about the health insurance policies they have hired.

TRAINING AID G.4.1

Health insurance case studies

CASE STUDY #1 Mary's father

Mary's father has signed up to a health insurance policy for him and his mother. He uses part of the remittances send by Mary to pay for the premiums.

During the first year, none of them suffered any health problems.
Mary's father thought he should get a refund of at least some of his premiums, as he had not used the policy to obtain health care.

- **Is Mary's father entitled to a refund? Why?**

CASE STUDY #2 Meshak

Meshak has taken out health insurance. During the winter, one of his cousins comes to live with them as he will help in the farm. His cousin gets a bad dose of flu and is hospitalized.

- **Will Meshak's insurance cover the costs of her cousin's health care? Why?**

CASE STUDY #3 Jane

Jane fears that he will not be able to pay the premiums for the new health insurance policy she has been offered.

But she knows she will need an operation on her knee next year as she has been struggling with it for a long time.

Even though the premium provides health coverage for a year, Jane wants to subscribe to the policy for just three months, beginning one month before her knee surgery and ending two months after the operation.

- **Can Jane purchase an insurance policy for just three months? Why?**

OTHER TYPES OF INSURANCE

Liability Insurance: Provides you with insurance protection if you cause damage to someone's health or property. It only covers the other person's losses. Your person and your property are unprotected, but liability insurance protects you from being held responsible for the other person's damages. For example, if your building collapses as it is being constructed and hits a person who gets injured; this type of insurance will take care of the medical costs of that person. In addition, the insurance coverage will pay for the person's belongings that were damaged at the time of the accident.

Disability Insurance: Provides protection to you in case you lose your job or are unable to work due to a disability as a result of an accident. If you are insured against disability, then the insurance company will compensate for your loss of earnings.

Travel Insurance: Provides protection during travel against unexpected situations, such as sickness, injury, if you miss a flight because of reasons beyond your control or if you lose your luggage.

Property Insurance: Provides protection those who own valuable assets such a house, a car or equipment they use in their business. Provide protection against fire, damage frem extreme weather, vandalism, disaster).

NOW IS YOUR TURN!

I know different measures and insurance to protect myself against the different risks I could face in my life. I think the best measures and insurance to protect myself and my family are...

Risks I could face	Measures / Insurance

KEY MESSAGES

- Insurance may look complicated. But, now that you understand the basics, you can evaluate if the protection your insurance offers is worth the cost.
- If you want to purchase a health insurance policy, you will have to decide which family members to include in the policy. Some policies charge extra premiums for each family member you add to the policy. Some offer a basic package for a family of four, and charge extra for any more family members.
- It is very important to learn the rules that each policy uses to calculate the premiums for insuring your family.
- Insurance policies are not all the same. It is important to understand the policy and its conditions before subscribing to it. Be confident to talk to an insurance agent, your employer or your trade union representative if you have any doubts.
- If you're interested in buying an insurance policy, or if you have any question, immediately talk about it to an insurance agent, your employer, or your union representative.

ANNEXES AND KEY DOCUMENTS

CHALLENGES IN PUTTING MONEY ASIDE FOR AN EMERGENCY FUND	ADVICE
I prefer to give all my earnings to my parents and family (family obligations particularly strong in the case of young people and migrants)	• Save for personal emergencies so you can take care of yourself when your family can't help you (especially for those living far from home). • Start putting money aside for personal emergencies on a daily or weekly basis, even if the amounts are small. Little by little, your fund will grow.
When I keep money in my room, I'm afraid it might be stolen or lost.	• Keep your money in a safe place, preferably out of the house, so no one can get at it. • Open a savings account (for an emergency fund, the best solution is a flexible saver, which means you can withdraw your money at any time).
My income is irregular (e.g. seasonal).	• Save varying amounts, depending on how much you are paid on any particular occasion.
I have to use all my disposable income to pay off debts.	• Draw up a timetable for paying off your debts, starting with those on which you pay the highest interest. • At the same time, start putting money aside for personal emergencies on a daily or weekly basis, even if the amounts are small. Your savings will grow.
I can barely cover my basic needs.	• Do everything you can to cut out unnecessary expenditure. • Everyone can save, however little they earn, if only a small sum (mention a small amount in the local currency that could put aside each day, week or month).

ANSWERS TO EXERCISES

TRAINING AID G.4.1

Health insurance case studies

SOLUTION CASE STUDY #1

Is Mary's father entitled to a refund? Why?

Mary's father is not entitled to a refund, because the purpose of his health insurance is to protect against a risk. Even if no one in his family falls ill or needs to see a doctor, his premiums will not be refunded.

SOLUTION CASE STUDY #2

Will Meshak's insurance cover the costs of her cousin's health care? Why?

No, Meshak's policy clearly does not cover his cousin. A policy of this kind typically covers only the immediate family (husband, wife and their children). The only exception would be if Meshak had paid an additional premium to insure his cousin when they took out the policy.

SOLUTION CASE STUDY #3

Can Jane purchase an insurance policy for just three months? Why?

The character cannot buy a cover for just three months because the premiums are set for one year. She cannot change the number of months; he must pay the insurance premium for a whole year.

EXTRA

FINANCIAL EDUCATION QUIZ

GAMBLING , WILL-MAKING, PENSIONS AND INVESTMENTS

Extra1. What is gambling?

- ☐ **a.** An investment
- ☐ **b.** A conscious, deliberate effort to stake valuables on how some event happens to turn out
- ☐ **c.** A safe way to make money

Extra2. Make your will give you and your family peace of mind.

- ☐ **a.** True
- ☐ **b.** False

Extra3. The list below shows ways for increasing your income in retirement, except one, which one?

- ☐ **a.** Work part-time
- ☐ **b.** Rent out part of your home
- ☐ **c.** Moving to help your money go further
- ☐ **d.** Review your will and powers of attorney
- ☐ **e.** Sell and downsize

Extra4. Which of the following sentences is not related to an investment?

- ☐ **a.** Livestock
- ☐ **b.** Business
- ☐ **c.** Farming
- ☐ **D.** Gambling

Answers: EXTRA1. b; EXTRA2. a; EXTRA3. d; EXTRA4. d

1. THE DANGERS OF GAMBLING

Let's get to know a story of gambling, two members of the host community near the camp.

TRAINING AID EXT.1.1

A story of gambling

David	Good Morning, how are you Robert?
Robert	Good Morning, what's up?
David	Do you know? There is a good deal for today in a place I know.
Robert	What deal is that?
David	I know you are struggling and looking for money for household financial needs. My friend, with this deal you can make money – a lot of money.
Robert	Are you sure? I am really struggling to get money. How can I get the money? How do I join? When do you take me there? Its sounds good and can help attain my financial freedom.
David	It's good, you will be happy. I have been there three times, though I have lost once but I have benefited a lot.
Robert	What if I lose everything , what happens?
David	You know it depends on luck and being smart. Losing is part of the game and business. It's either a profit or a loss.
Robert	You mean there is also making losses and you say it's a good business? Wait a minute! Could it be the business that made John lose his house? My friend let me advise you, that is what is called gambling and has never been a good business. Don't get excited. Think of better ways of investing your money in profitable ventures e.g. in a boda-boda business, buy land, set up a business or save it in a bank or any other financial institution. I advise you, don't put your money in such gambling business.

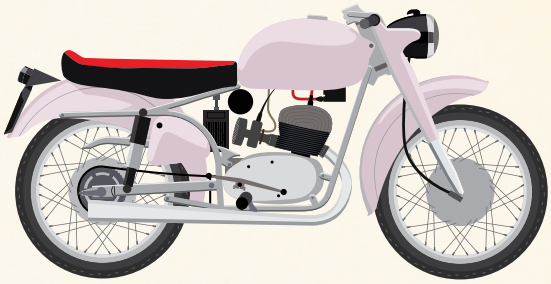
QUESTIONS

- What does David think about gambling? And Robert?
- What do you think will happen to David?

DEFINITION

Betting or wagering that must result either in a gain or a loss.

Gambling is "a conscious, deliberate effort to stake valuables, usually but not always currency, on how some event happens to turn out." Gambling is neither risk taking, in the sense of speculation, nor investing.



Case Study N°1

THE CHARACTER'S GAMBLING PROBLEMS

John, Meshak's nephew, is a 26-year-old boda-boda rider and a compulsive gambler at the sports betting outlet in Bwaise. He started gambling at the age of 19, not long after starting work. In the early days, he remembers that he had some good wins. After the initial wins, he started losing occasionally and gaining sometimes. One time, he didn't have money for betting and was forced to steal from his wife savings at home but lost all the money. His wife was very unhappy when she found out that he took the money for betting and a fight started. His wife had saved the money for school fees and emergencies in case their child falls sick.

John did not stop betting even, after the incident at home. He used all his daily income to bet in the evening after work, and most of the time he lost all the money he earned. The children stopped going to school, he sold his boda-boda motorcycle and used the money for betting – and lost all of it. As a last resort, he was forced to sell his house. Eventually, his wife left him and went to stay with her parents.

ADVANTAGES AND DISADVANTAGES OF GAMBLING	
ADVANTAGES	**DISADVANTAGES**
• Possibility of winning money in the short-run • Could be a fun distraction from problems and worries • It is a way of connecting with people from my group of friends/community	• Losses in the long-run • Affects personal relationships • Increases problems of over-indebtedness • Can lead to addiction problems • Can lead to health problems • Impossibility to keep financial goals and financial planning

REMEMBER

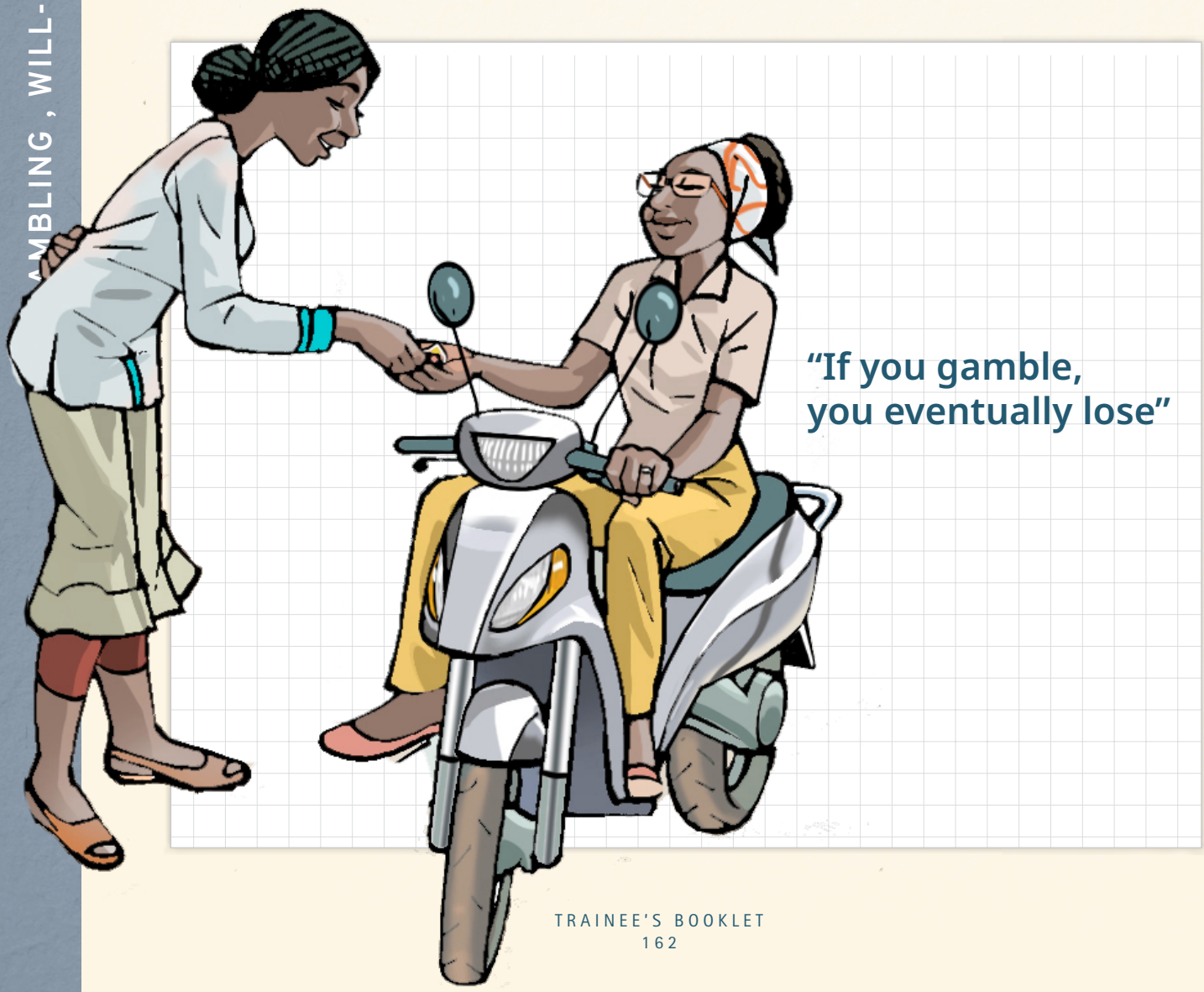
Gambling can take the form of betting on sports, games, playing cards and more sophisticated games like in casinos or online. Reckless business investments are also gambles. Sometimes gamblers win or benefit for a short period but, in the end, they always lose more than they have on or benefitted. Gambling has left many people financially strained with destroyed relationships and friendships and an unmanageable amount of debt.

QUESTIONS

- What is your experience with gambling?
- Do you know people that gamble?

KEY MESSAGES

- Gambling is a stake on how some events might turn out.
- Gambling is a key drive for over-indebtedness



2. MAKE YOUR WILL!

DEFINITION

A will is a legal document that sets forth your wishes regarding the distribution of your property and the care of any minor children. It is a signed document which spells out how, and by whom, you want your property to be managed after your death and who should benefit from it.

REASONS WHY A WILL IS IMPORTANT

- A will gives you the possibility to decide how your property shall be distributed once you have died.
- If you have minor children, a will lets you provide for their care.
- If you have children from a prior marriage, even if they are adults, your will can dictate the assets they receive.
- Creating a will also minimizes tensions between survivors. Relatives battling over your possessions can weaken what may have otherwise been a strong family.
- If you are charitably inclined, a will lets you direct your assets to the charity of your choice. Likewise, if you wish to leave your assets to an institution or an organization, a will can see that your wishes are carried out.

YOUR TURN!

Looking at the reasons above and think why a will is important to you. Also compile a list of your assets and potential beneficiaries.

My assets are...	My beneficiaries are...

Now let's create your own real or imaginary will.

TRAINING AID EXT2.1

My will

My will

This is the last will and testament of ..... (Testators Name) in the City of ..... (Location)

I hereby revoke all previous wills and testamentary dispositions made by me.

I appoint ..... and ..... as executors of this will and direct them to pay my just debts, funeral and testamentary expenses.

- To ..... (beneficiaries), I leave ..... Ug shs in cash.
- To ..... (beneficiaries), I leave ..... Ug shs from my Bank Account ..... (number) in ..... (Bank and Branch)
- To ..... (beneficiaries), I leave my property located in .... (full address of the property)
- To ..... (beneficiaries), I leave my land located in .... (full address of the land)

All the residue and remainder of my property of any nature and description and wherever situated, I leave in equal shares between ..... (beneficiaries)

Dated this day of ..... 20 ...

SIGNATURE

Signed by the testator as and for her last will and testament in the presence of us, both present at the same time, and signed by us in the presence of the testator

SIGNATURE SIGNATURE

IMPORTANT

Creating your will is the first step in a two-step process. The second step is putting your will in the hands of your executor or professional advisor. Remember, your wishes can only be carried out if they are known. Putting your will in capable hands ensures that it will be available when it is needed.

KEY MESSAGES

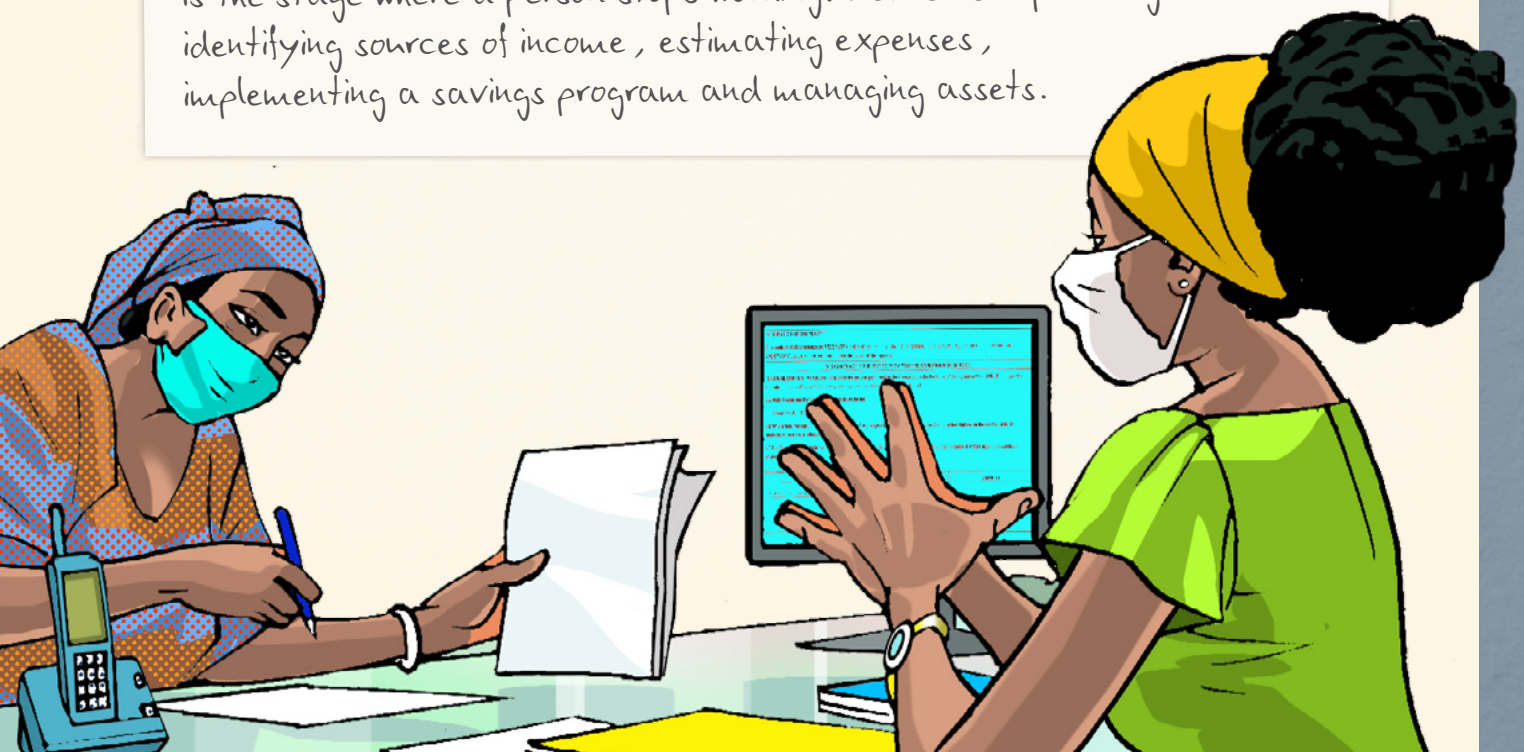
- To make sure that your money and property is going to the people you want to, when you die, write a will.
- When you are ready to prepare a will, compile a list of your assets and debts.
- Your dependents should know where to find your will.

3. PLAN YOUR RETIREMENT!

In our society people retire either voluntarily or are forced out of employment. Some people do not stop work completely because they do not plan early enough for their retirement. Transitioning from working life to retirement needs careful financial planning and decision- making, and this as early as possible in one's professional life.

DEFINITION

Retirement planning is the process of determining retirement income goals and the actions and decisions necessary to achieve those goals. Retirement is the stage where a person stops working. Retirement planning includes identifying sources of income, estimating expenses, implementing a savings program and managing assets.



Case Study N°1

THE CHARACTER'S APPROACH TO RETIREMENT

Hawwa has never planned for her retirement. Some time ago she was over-indebted, but she was able to recover from it thanks to the tips of her cousin Jane. Hawwa got her numbers in order and slowly started taking more care of her expenses. She never again took a loan to repay another loan. However, when it came to think about her retirement, Hawwa would never plan for it. She would always say: "It is far better to do only what you love and do not worry so much about the future". As time passed by, Hawwa started earning very good money in a poultry farm she set up with a partner. Now Hawwa is 65 years old and starts thinking she would like to start working a bit less. She never dared to think a about setting some money apart for when she gets old, and she is increasingly worried about this.

Different ways to prepare financially for retirement

1). Convert your savings into income
2). Pay off your debts
3). Calculate your monthly income
4). Make a budget
5). Review your insurance needs
6). Review your will and powers of attorney

REMEMBER

You have different ways to increase your income in retirement as finding part-time work, putting your house to work for you by renting out a room or sharing your home with a friend instead of living alone, moving to a less expensive home or region or selling your home and moving to a smaller place can reduce your living costs.

Your turn!

I think a good way to increase my income in retirement is:

- ☐ **Finding a part-time work**
- ☐ **Renting part of my house (or just a room, or sharing with a friend)**
- ☐ **Moving to a less expensive home or region**
- ☐ **Selling my home and moving to a smaller place**

Other ways to increase my income in retirement is: . . . . . .

. . . . . .

. . . . . .

DO'S AND DON'TS IN RETIREMENT INVESTMENT	
DO'S	**DON'TS**
• Put the money in the right account • Pick the right investments • Fixed income investments provide for certainty • Understand the fees you need to pay • Diversify your portfolio • Keep your goals always in mind • Ask for help if you are confused	• Change your investment on a whim: review in detail your portfolio at least once a year • Assume you can make up for lost time: do not delay your contributions • Ignore your personality and preferences • Ignore the effects of inflation of fixed income and financial assets • React emotionally to news stories or short trends in the market: always think rationally

KEY MESSAGES

- There are many ways to plan for retirement: savings, pension schemes, retirements plans, assets, insurance and investments.
- Always take into account your goals and your preferences when you think about your investments for old-age.
- Once you are retired, if you have extra sources of income might help you to have a more comfortable life.
- An early and diversified retirement plan is key for your financial independence once you retire.
- Saving for retirement is long term investing.

4. GET TO KNOW INVESTMENTS

DEFINITION

Investment: A financial or real asset or item that is purchased with the hope that it will generate income or appreciate in the future.

List of all possible forms of investment

- Livestock (cows, goats, pigs)
- Land/Read assets (rental apartments, buildings, productive land for agriculture)
- Business (grocery shops, boda-boda, tools and machinery)
- Finance (shares from companies, bonds, cryptocurrency)
- Farming (poultry, piggery, fishing, tree planting, processing and harvesting

IMPORTANT QUESTION BEFORE TAKING INVESTMENT DECISIONS

- **How does the investment work? Do you understand the investment well enough to explain it to someone else?**
- **What are your goals? Are you looking for safety, income or growth from this investment? Or both growth and income?**
- **What are the risks of this investment? Are you comfortable taking these risks?**
- **How much do you expect to earn on this investment? Is this realistic?**
- **How long do you plan to invest? Is this a short-, medium- or long-term investment?**
- **What are the costs to buy, hold and sell the investment? And will you pay taxes on the money you earn?**

REMEMBER

All investments have risk, but some investments are riskier than others – there's a greater chance you could lose some or all of your money. In general, higher-risk investments offer higher potential returns, and lower-risk investments offer lower returns.

KEY MESSAGES

- Investments make a difference if they can generate higher future cash flows than today.
- Before investing your money, calculate what you expect to earn in future from the investment
- Be careful in making an investment; flexibility may not be there or it may be very expensive to switch to another investment. An investment mix might be the best strategy.
- Take into account your personality when taking investment decisions.

Don't put all your eggs in one basket

ANNEXES AND KEY DOCUMENTS

DIFFERENT WAYS PEOPLE CAN PLAN FOR RETIREMENT

1. Savings

It's important to save for old age. There are various ways of saving that we have seen in Module C. The most significant way is to save in a formal financial institution. Savings can also be done in form of assets e.g. land, real assets and animals. It's important to save in a safe place. It's important to note that some savings may lose value over time especially in inflationary situations and at times the interest rate earned is not a lot.

TIP

While most retirement accounts allow you to access your money before retiring, you have a high opportunity cost when making that decision. Remember, the purpose is to save for retirement. As we have seen in Session C.2, a time-fixed deposit account could be a very good savings product for this. If you use the money now, you will not have it when you need it later on. The money you need now should be on your savings account - not on your retirement account!

2. Social Security

If you are employed formally by a private company or a Non-Governmental Organization (NGO), you will have a 5% deduction from your salary sent to the National Social Security Fund (NSSF). Your employer must also make a 10% contribution to the NSSF every month. It's a compulsory contribution by the laws of Uganda. It is always important to get your statement from NSSF to ensure that your money is being saved every month. You will have your savings paid to you when you:

- Retire at the age of 55
- Have an accident that causes you to stop working, or
- Have a terminal illness such as acute AIDS or terminal cancer.

This is most common for all employees in the private sector.

TIP

Relying only on social security for your retirement years can be limiting. In fact it may not be enough to pay for things you want to buy or the way you want to live once you retire. You have no control over your earnings. It's your responsibility to develop a savings and investment plan to have a financially complete and secure retirement and accomplish your personal goals.

3. Government Pension Scheme

If you work for the Government, you are entitled to public pension. If you are an employee of the Government (e.g. ministries, government hospitals, schools, security forces), you don't contribute to your pension scheme yourself. The Government will automatically pay you a certain amount of money every month for 15 years after you have retired. Make sure you fill in the pension form during employment and have the documents (such as your appointment letter) you need to get your pension processed. Your family can get your pension if you die – by presenting the letter of administration and appointment letter to the pension desk at the Ministry of Public Service.

4. Company Retirement Plans

These are part of the benefits provided by many employers and they vary greatly from company to company. In some cases, the employer pays into a retirement fund for you. Sometimes, you are required to pay into the retirement fund and at times you and your employer both pay into the fund. It depends on the plan and the employer.

The amount you receive when you retire is based on how much money is on the account. Most company retirement plans require you to make choices about how to invest your money because your employer is not allowed to do it for you.

Before accepting a job, it is always good to ask about the retirement benefits.

5. Annuit

This is a different kind of retirement account. Annuities are based on a contract where you pay a specific amount each month and receive a guaranteed amount each month when you retire. Individual Retirement Accounts (IRAs) provide another option for retirement planning with lower risks than other investment options. Before you open an IRA, you should find out exactly how your money will be invested and understand any potential fees for managing the account.

6. Assets

Most assets especially land appreciate in value over time. In Uganda this is the most highly trusted area for planning for old age or retirement. These can include for example real estate that can generate income in future. Most people invest in rental houses, animals, land etc. which generate income for retirement.

7. Insurance

Insurance is very important when planning for old age/retirement. There are various forms of premiums that you can consider. When you retire, your insurance needs will likely change. Review your existing insurance premiums and think about any new coverage you might need when you're no longer working. You can learn more about this in Module G.

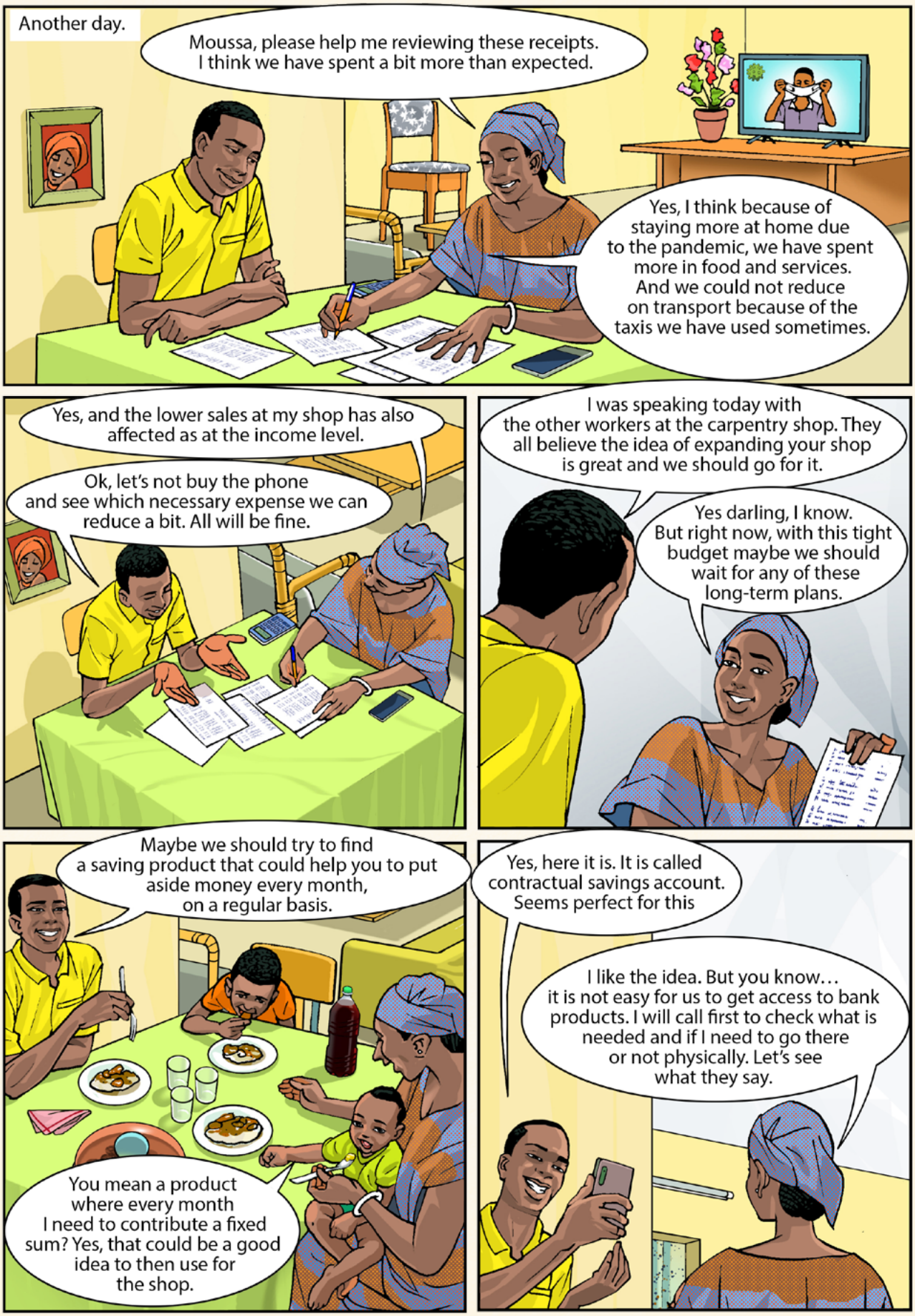
NOTES

COMMON INVESTMENT RISKS	
Market risk	It's the possibility that your investment will be worth less tomorrow than it is today because prices or values have dropped. Most people invest expecting the value to rise. However, this is not always the case. Investments can decline in value because of economic changes or other events that affect the entire market.
Liquidity risk	You can't easily sell your investment and get your money out when you want to. It also means failure to have cash when you need it.
Concentration risk	Concentrating your money in one investment or type of investment puts your money at higher risk. When you diversify your investments, you spread the risk over different types of investments, businesses and industries.
Financial risk	A financial risk is the potential that the business you invest in goes bankrupt or fails to make a profit, a shop can also close when it fails to operate, farmers may fail to sell their produce etc. While a private business may lose money and go broke, it cannot happen to a government. That explains why some people prefer buying government securities instead of stocks or bonds even though the rate of return is lower. This kind of risk is also called a business risk
Inflation risk	The price you pay for goods and services rise faster than the rate of return on your investment. If you continually earn less than the inflation rate, you are losing purchasing power with your investment and your money is worth less.
Fraud risk	Fraud Risk is the potential that someone either deceives or tricks you into investing in something where you get nothing in return. Although fraud is illegal, there are plenty of people willing to make promises, take your money and run. Anyone can write a fancy brochure with false information. The best way to protect yourself from investment fraud is to invest with highly regarded reputable companies. Avoid fake investment scams or opportunities.

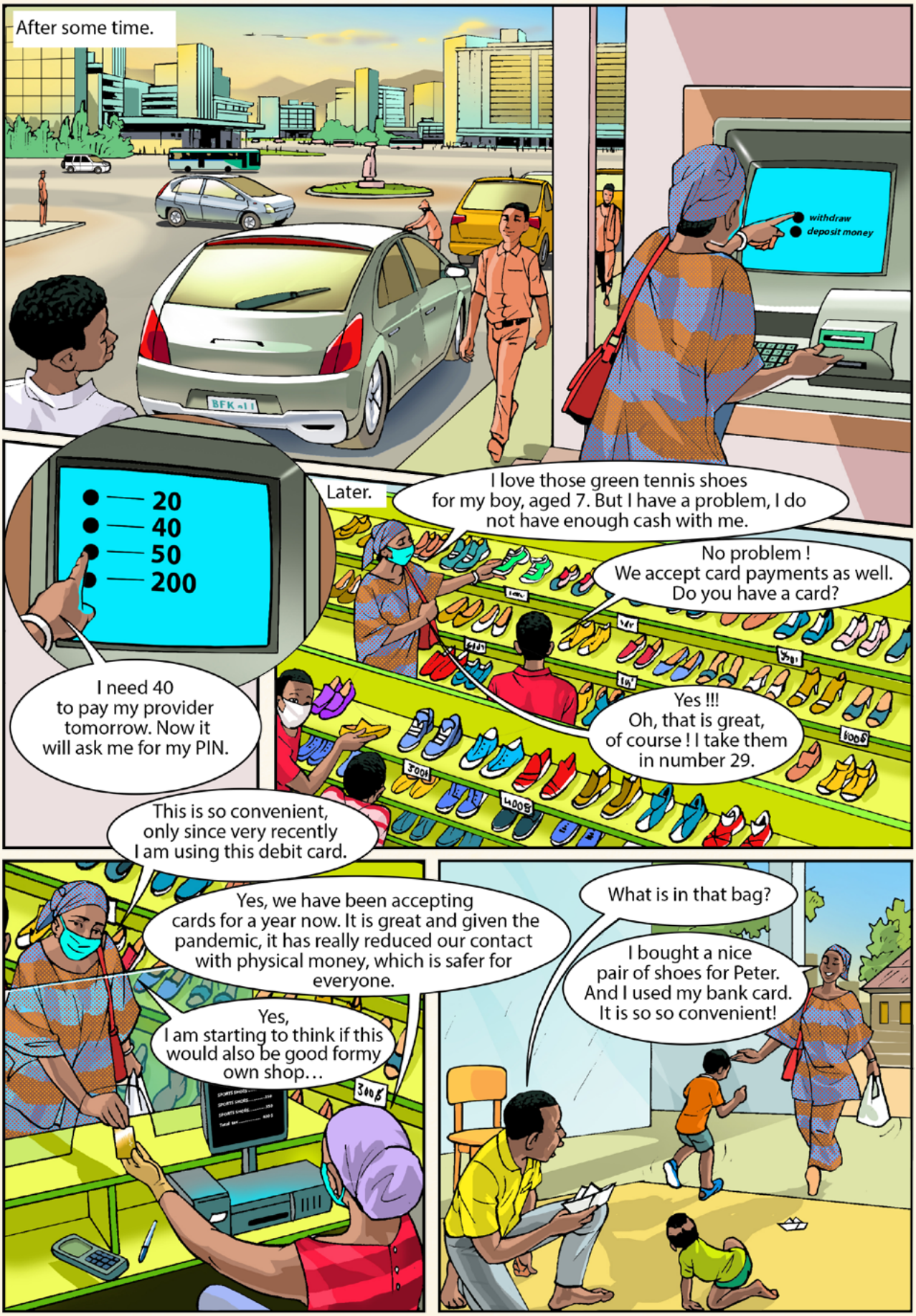
Mary & Moussa

Mary in her tailor shop.
Wow Mary ! Your products are so beautiful !
I am very glad you like them. I try my best to make beautiful products at the best price
In the evening, at home.
Moussa, welcome home. You are pretty late today.
Hi Mary. Yes, we are currently with a lot of work at the shop. Maybe one day I should have my own shop and my own schedule. How was your day?
I had a great day. Shop was very busy. I am more and more thinking on expanding the shop as I have told you.
Since the kids are sleeping, I was wondering if you we should look at our family budget again.
It has always helped us so much to understand and plan our finances.
So late? You never stop.
But yes, you are right, let's have a look at our budget, and we need to figure out if we have some extra money to help your parents with their roof.
Ok, here I have an empty budget form. Let's go for it and check where we are standing.
Well, let's start with our income. First comes fixed income. There we should put your $600 from the carpentry job. Then as variable income we will put my usual contribution of $800.
Don't forget the neighbour has agreed to pay us $70 for the wooden table. You should add that.

Ok, let's move to expenses. This part is harder, I have the feeling we are spending more and more.
We need to remember to include the money I send to my parents, that I have increased to a $100 since last month.
Remember you wanted to change your phone. I checked the price and it was about $120.
Ok, I include it but as optional expenses. Let's see if we can afford it this month
Ok, that would be it. We need to keep track of all income and expenses, as they can change.
Yes, of course. But I think it looks good. Let's try to stick to it.
Mary's family budget
SOURCES OF INCOME
FIXED INCOME
Moussa's salary (carpentry shop) $600
Sub-total fixed income $600
VARIABLE INCOME
Mary's contribution to family budget $800
Income from selling used furniture $70
Sub-total variable income $870
TOTAL INCOME $1 470
EXPENSES
ESSENTIAL EXPENSES (NEEDS)
Rent 220
Gas, water, electricity 80
Food 350
Travel and transport (car or public transport) 90
Health care / medicines 50
Communication (telephone bills) 30
Kindergarten fees 100
Money transfer to Mary's parents 100
Sub-total (needs) $1020
OPTIONAL EXPENSES (WANTS)
New phone Mary 120
Sub-total (wants) $120
TOTAL EXPENSES $1140
INCOME MINUS EXPENSES (SAVINGS) $330


Another day.
Moussa, please help me reviewing these receipts. I think we have spent a bit more than expected.
Yes, I think because of staying more at home due to the pandemic, we have spent more in food and services. And we could not reduce on transport because of the taxis we have used sometimes.
Yes, and the lower sales at my shop has also affected as at the income level.
Ok, let's not buy the phone and see which necessary expense we can reduce a bit. All will be fine.
I was speaking today with the other workers at the carpentry shop. They all believe the idea of expanding your shop is great and we should go for it.
Yes darling, I know. But right now, with this tight budget maybe we should wait for any of these long-term plans.
Maybe we should try to find a saving product that could help you to put aside money every month, on a regular basis.
You mean a product where every month I need to contribute a fixed sum? Yes, that could be a good idea to then use for the shop.
Yes, here it is. It is called contractual savings account. Seems perfect for this
I like the idea. But you know… it is not easy for us to get access to bank products. I will call first to check what is needed and if I need to go there or not physically. Let's see what they say.

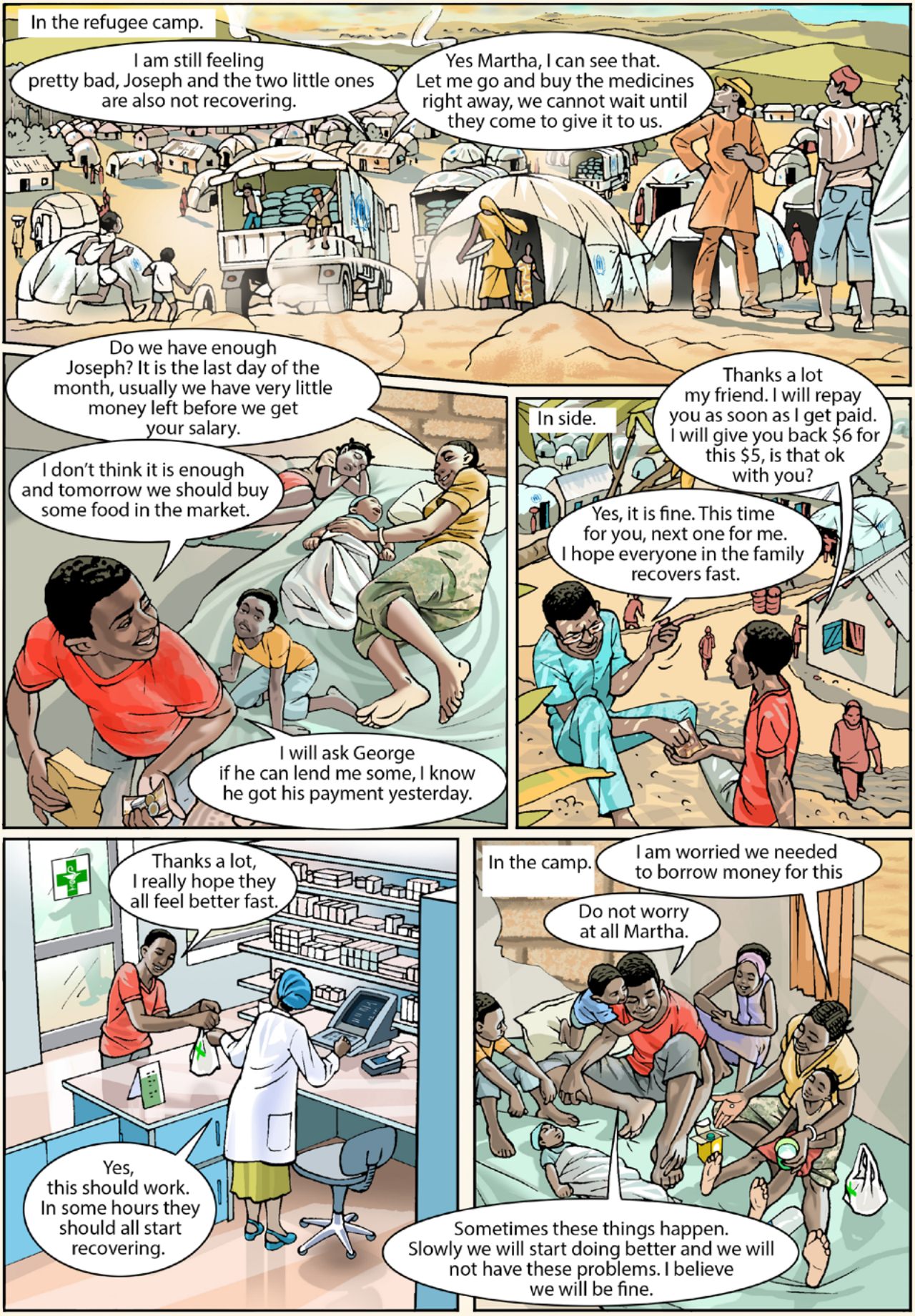
Ok, thanks for all the information. I understand that it is not so easy but I will stop by later this week so you can check...
all my documentation and see if I am entitled to open an account with you.
We wait for you.
BANK
Moussa, I just finished a call with the bank. They say it would be difficult to offer me a credit but most probably they will entitle me to open a savings account.
Oh, that is great news !!
Mrs. Mary given the documentation you have submitted I do not see any problem in opening you a normal savings account for you to start using our services. It has a very low fee and it will entitle you to a debit card.
That is great news, thanks a lot. I am willing to sign the papers now and get the process started.
What about contractual savings account? Is this something you offer? And credits? Because I am really interested in expanding my shop.
REDUCING POVERTY
I understand you. But for the time being we can only open this normal savings account. After some time, we can sit again and see if another service is accessible. Your shop looks very good so I think a credit in some months might be feasible.
Thank you so much !
Moussa, I opened a savings account in the bank ! A formal account ! This is such a big step for me, I am so happy !
I am proud of you, always getting what you want.

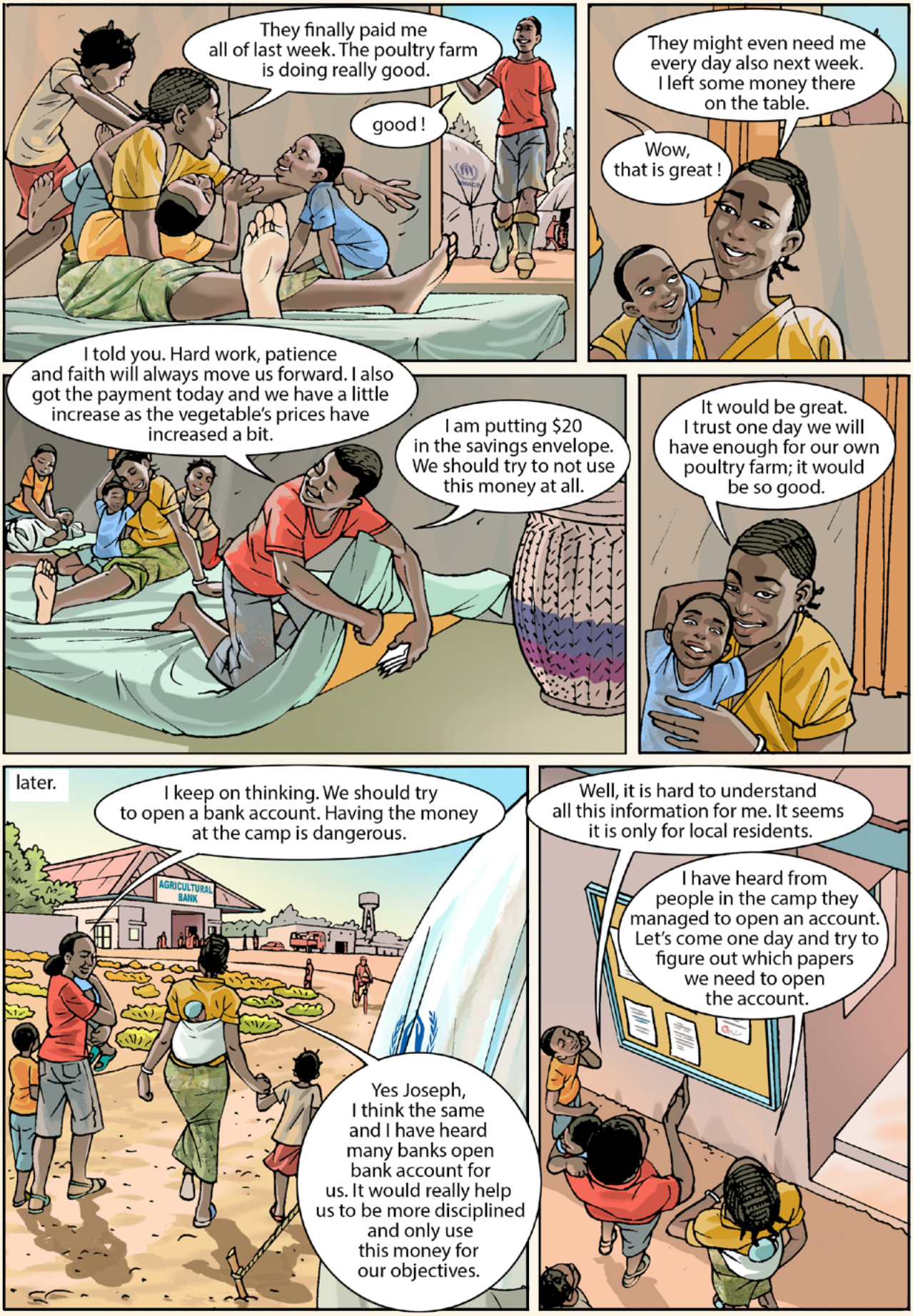

After some time.
withdraw
deposit money
20
40
50
200
I need 40 to pay my provider tomorrow. Now it will ask me for my PIN.
Later.
I love those green tennis shoes for my boy, aged 7. But I have a problem, I do not have enough cash with me.
No problem ! We accept card payments as well. Do you have a card?
Yes !!! Oh, that is great, of course ! I take them in number 29.
This is so convenient, only since very recently I am using this debit card.
Yes, we have been accepting cards for a year now. It is great and given the pandemic, it has really reduced our contact with physical money, which is safer for everyone.
Yes, I am starting to think if this would also be good formy own shop…
What is in that bag?
I bought a nice pair of shoes for Peter. And I used my bank card. It is so so convenient!

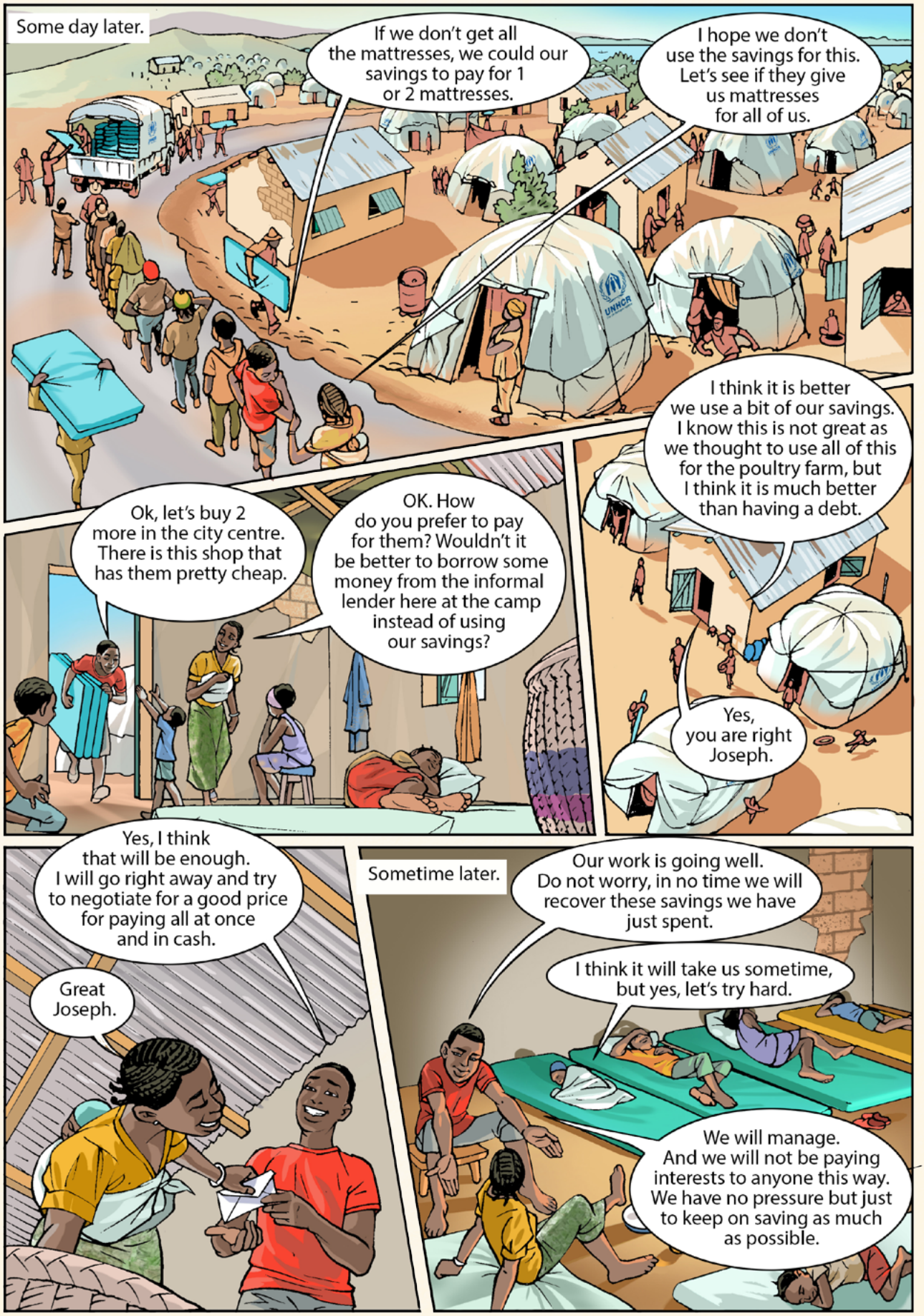
Mum, I will be going in a few minutes to send you the usual amount of money. But please wait until I tell you, because I will try a new money transfer operator.
Ok darling, I wait for your message. But please do it soon, we need urgently the money.
Please fill out this form, it is very easy and then go to the cashier there where they will make the transaction with you.
QUICK TRANSFER
5 minutes later.
Perfect, so if you are going to transfer $100, I need $105 from you as we have a fixed fee of $5 for this amount.
Ok, but then my mother will receive exacly $100, right?
Of course, no hidden fees here.
Mum, you should go to ABC supermarket, they work as agents and you can get your money there. There is one in the corner of your house.
Oh that is great !
Some time later.
I just got the 100 $. Very easy !
ABC Supermarket
I am glad it work mum ! We speak soon, take care.

END

Joseph & Martha



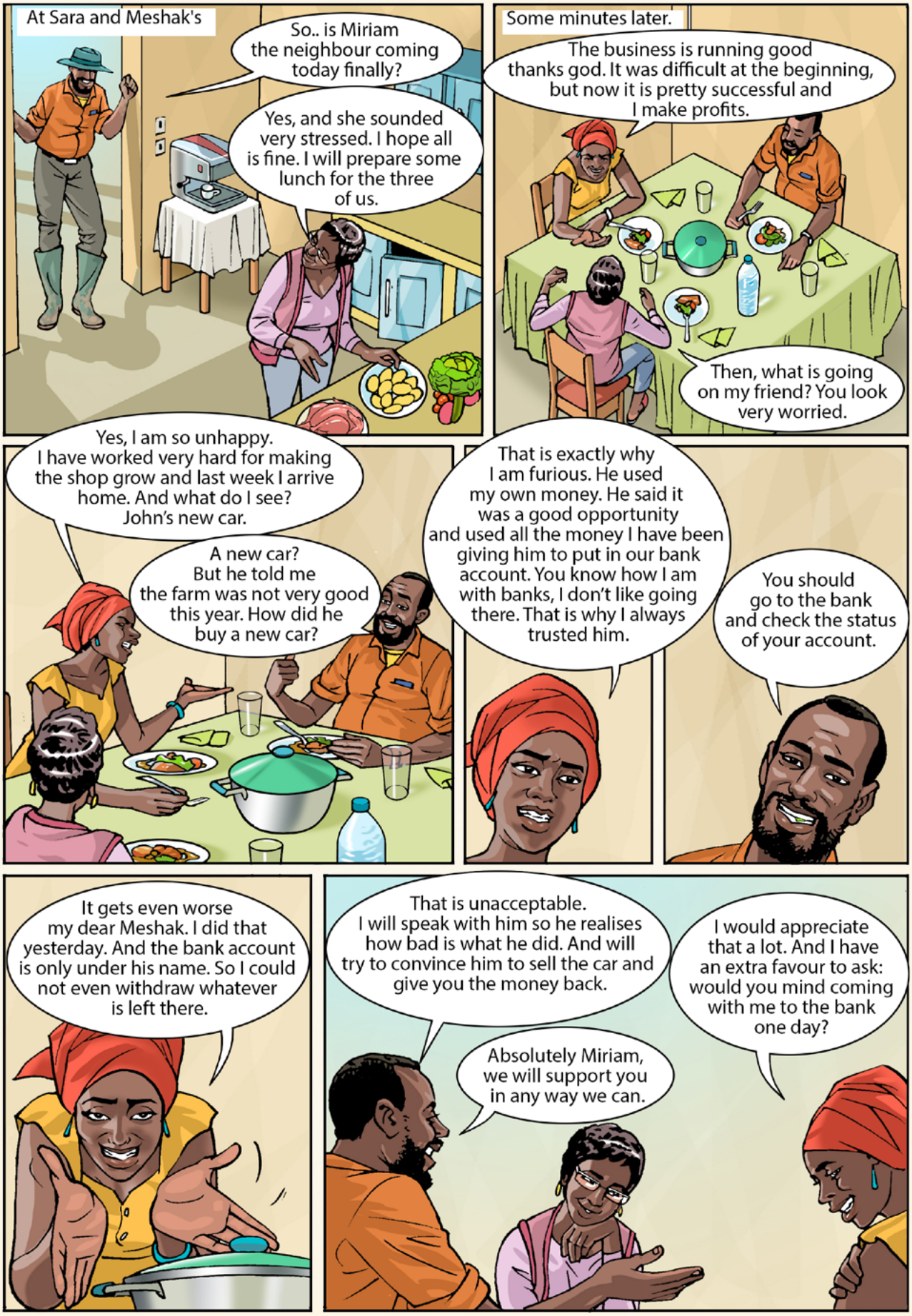

They finally paid me all of last week. The poultry farm is doing really good.
good !
They might even need me every day also next week. I left some money there on the table.
Wow, that is great !
I told you. Hard work, patience and faith will always move us forward. I also got the payment today and we have a little increase as the vegetable's prices have increased a bit.
I am putting $20 in the savings envelope. We should try to not use this money at all.
It would be great. I trust one day we will have enough for our own poultry farm; it would be so good.
later.
I keep on thinking. We should try to open a bank account. Having the money at the camp is dangerous.
AGRICULTURAL BANK
Yes Joseph, I think the same and I have heard many banks open bank account for us. It would really help us to be more disciplined and only use this money for our objectives.
Well, it is hard to understand all this information for me. It seems it is only for local residents.
I have heard from people in the camp they managed to open an account. Let's come one day and try to figure out which papers we need to open the account.

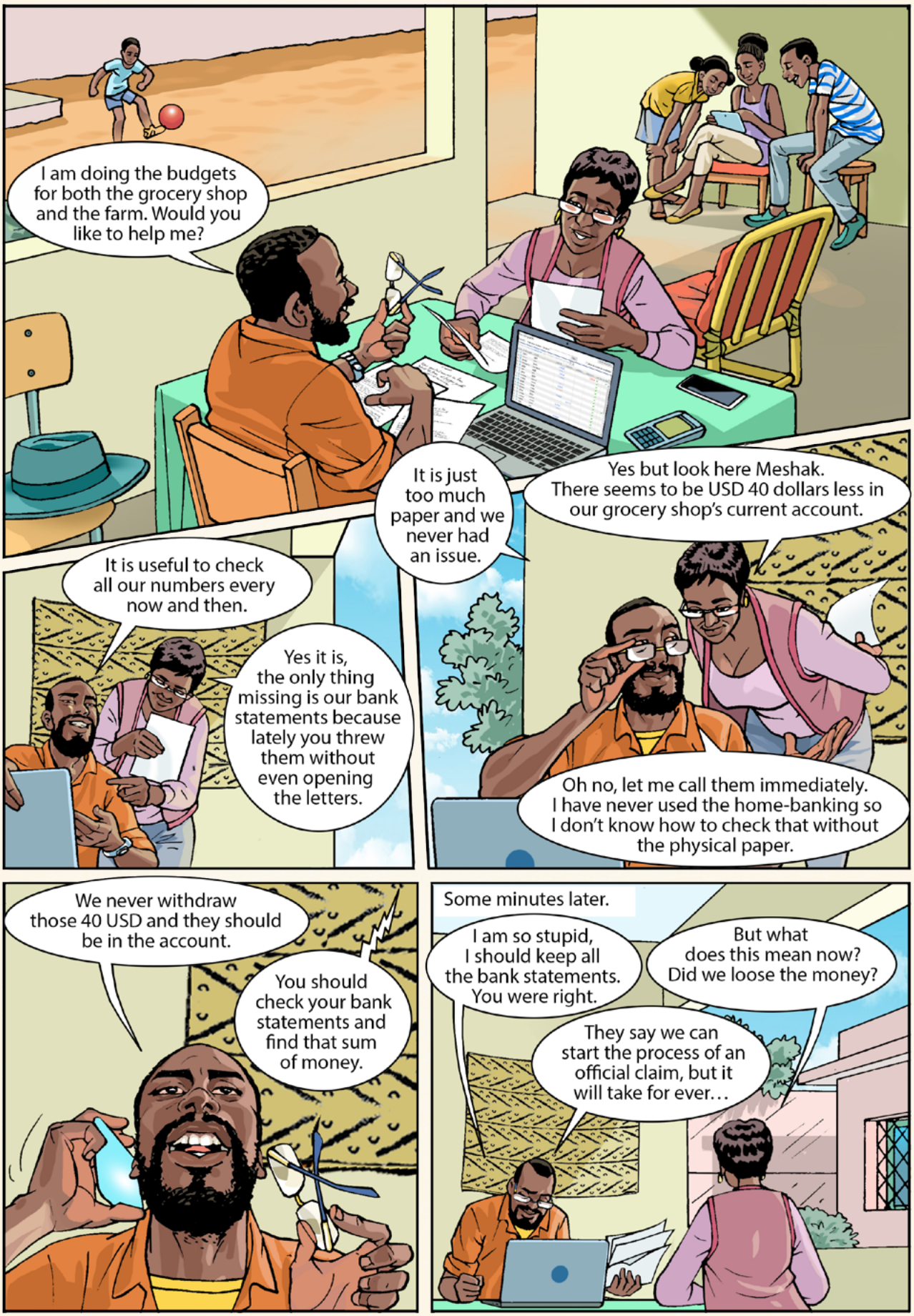

Some day later.
If we don't get all the mattresses, we could our savings to pay for 1 or 2 mattresses.
I hope we don't use the savings for this. Let's see if they give us mattresses for all of us.
I think it is better we use a bit of our savings. I know this is not great as we thought to use all of this for the poultry farm, but I think it is much better than having a debt.
Yes, you are right Joseph.
Ok, let's buy 2 more in the city centre. There is this shop that has them pretty cheap.
OK. How do you prefer to pay for them? Wouldn't it be better to borrow some money from the informal lender here at the camp instead of using our savings?
Yes, I think that will be enough. I will go right away and try to negotiate for a good price for paying all at once and in cash.
Great Joseph.
Sometime later.
Our work is going well. Do not worry, in no time we will recover these savings we have just spent.
I think it will take us sometime, but yes, let's try hard.
We will manage. And we will not be paying interests to anyone this way. We have no pressure but just to keep on saving as much as possible.

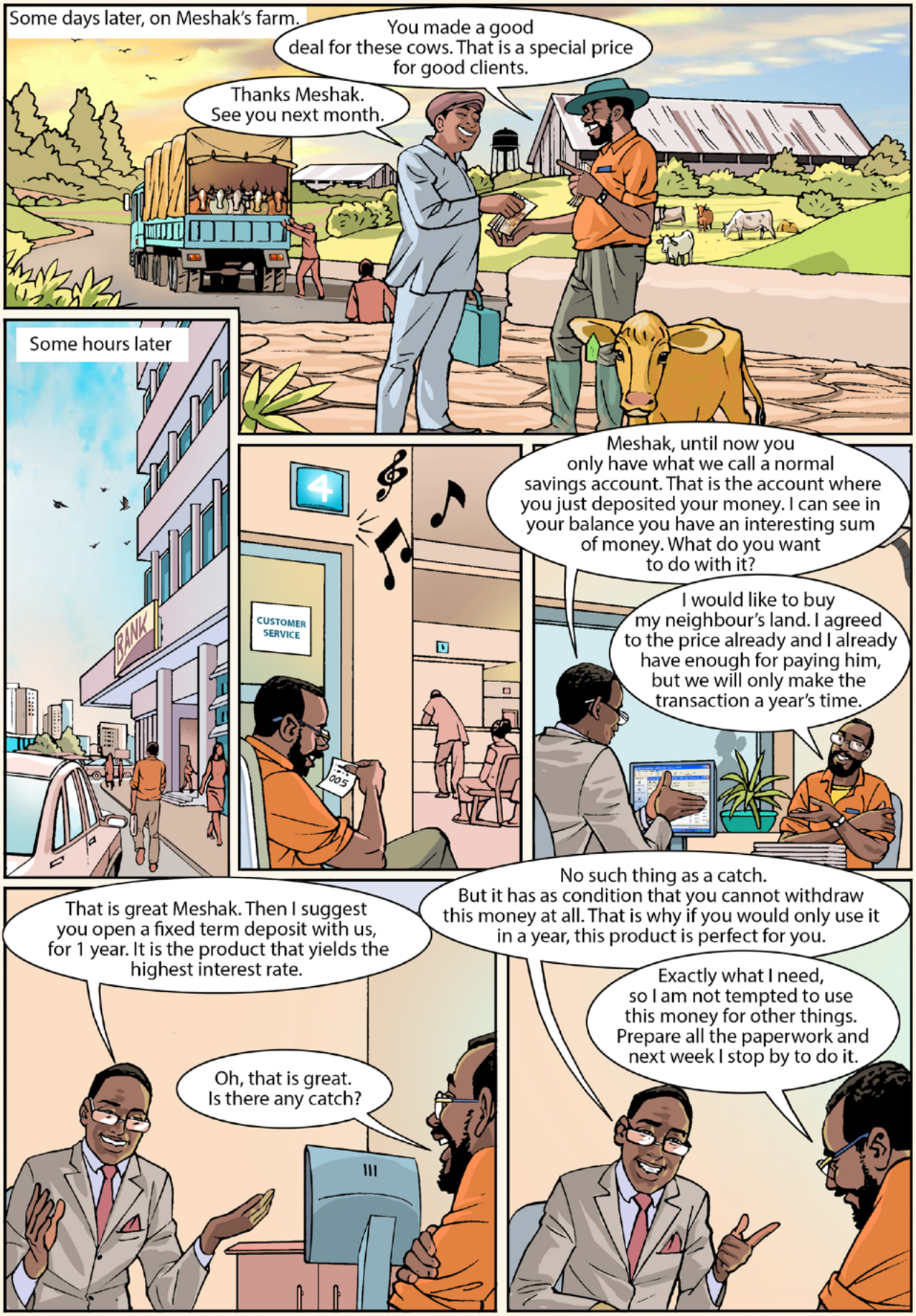
In the farm
You need a new pair of boots Joseph. Those have holes already and you know the management does not like that.
Yes, luckily, I have put apart some money each month for this kind of expenses. I will try to find a new pair in the next days.
Ok, I will take these ones in size 43.
Great. Will you pay in cash or with QR Code using the digital wallet?
Do I have any benefits using the digital wallet?
No difference in price sir, but we do not need to touch cash and that is best for both of us.
Ok great, I will try my digital wallet then.
Some day later.
Pay here with QR Code
Please scan this QR code and the money will automatically deduct from your wallet.
Ok… just like this?
Yes !
That's it sir. I received your money. That was easy, it is great.
Wow that is fantastic. I will use it more often. So simple.

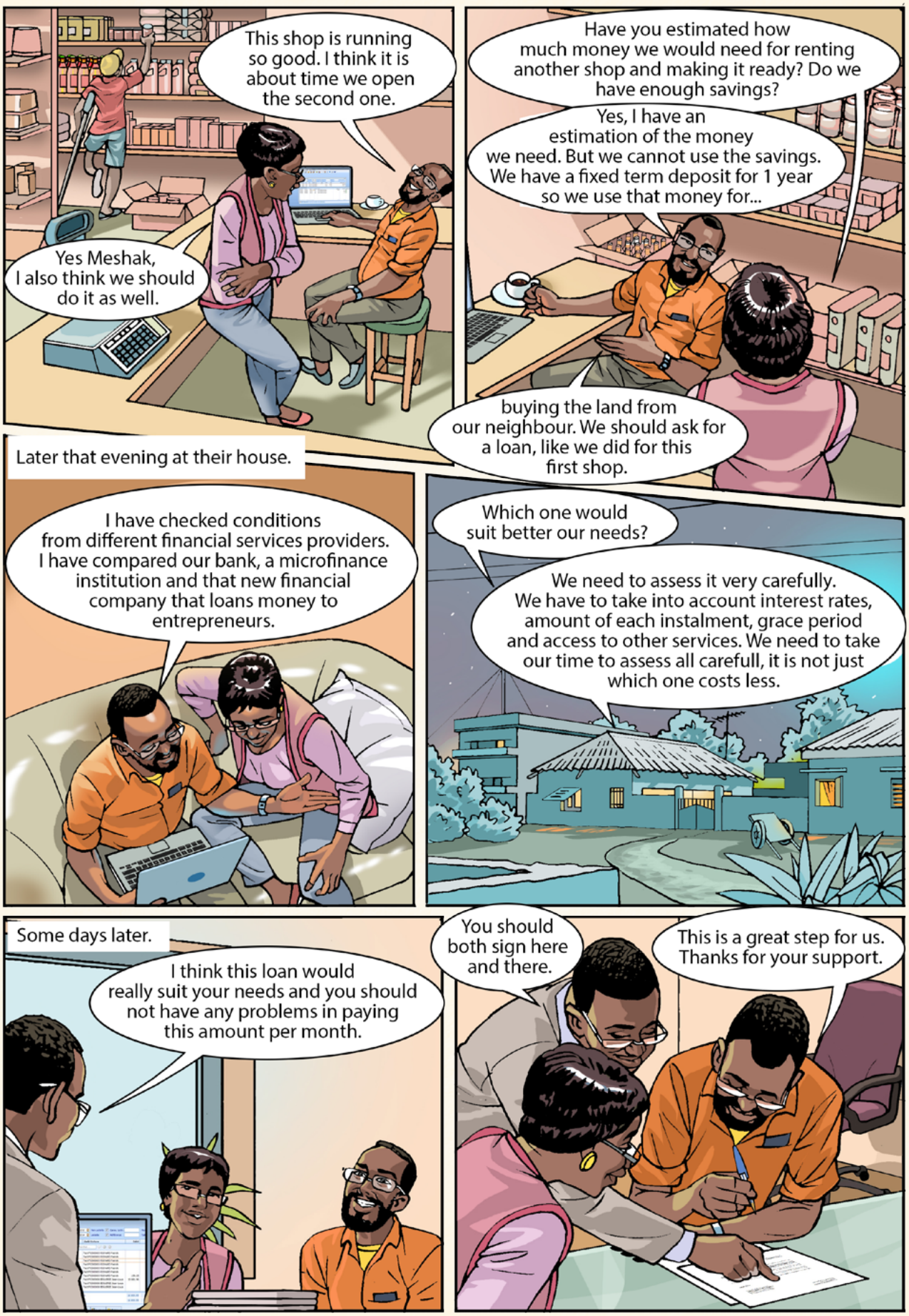
END

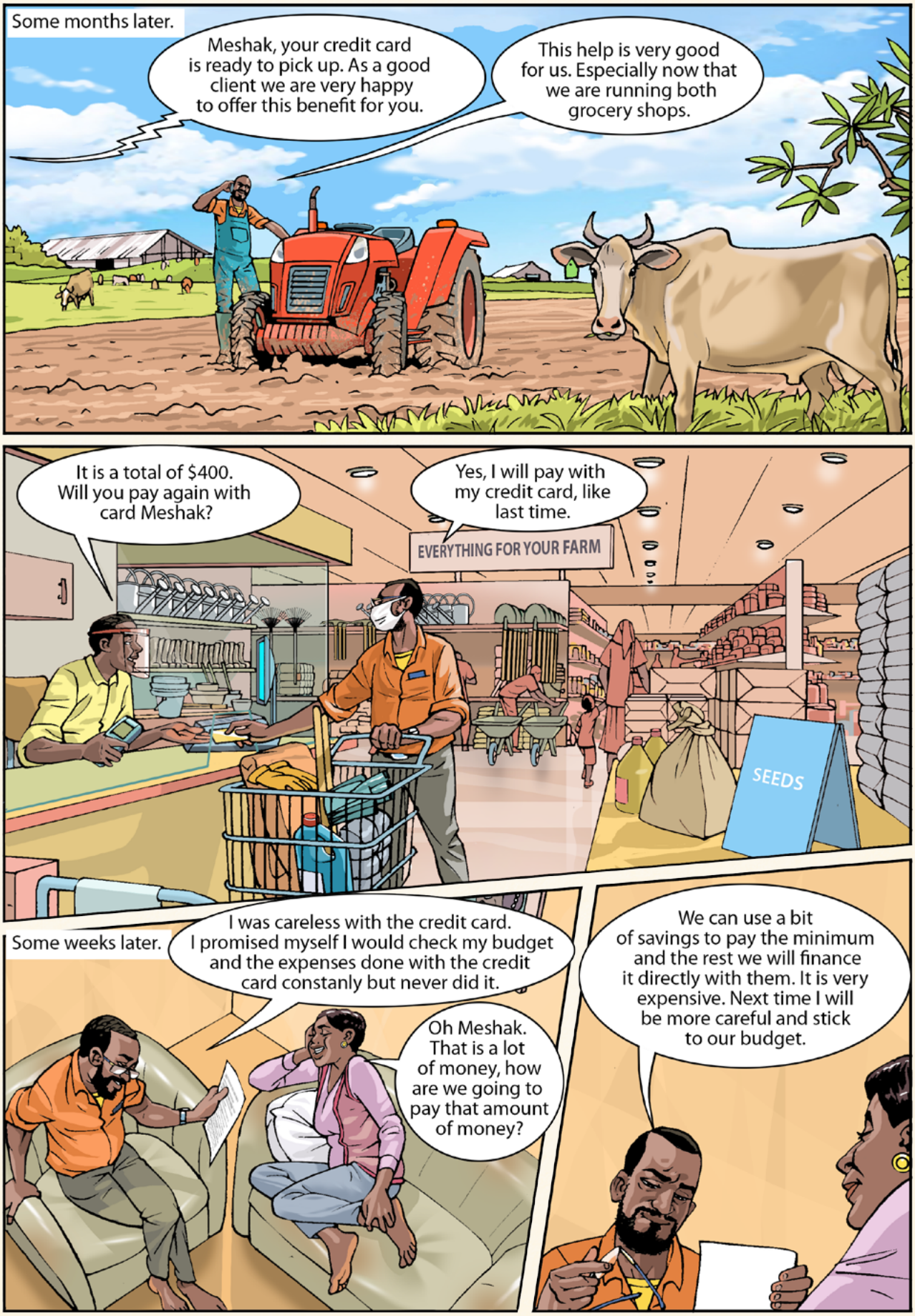
Meshak


At Sara and Meshak's
So.. is Miriam the neighbour coming today finally?
Yes, and she sounded very stressed. I hope all is fine. I will prepare some lunch for the three of us.
Some minutes later.
The business is running good thanks god. It was difficult at the beginning, but now it is pretty successful and I make profits.
Then, what is going on my friend? You look very worried.
Yes, I am so unhappy. I have worked very hard for making the shop grow and last week I arrive home. And what do I see? John's new car.
A new car? But he told me the farm was not very good this year. How did he buy a new car?
That is exactly why I am furious. He used my own money. He said it was a good opportunity and used all the money I have been giving him to put in our bank account. You know how I am with banks, I don't like going there. That is why I always trusted him.
You should go to the bank and check the status of your account.
It gets even worse my dear Meshak. I did that yesterday. And the bank account is only under his name. So I could not even withdraw whatever is left there.
That is unacceptable. I will speak with him so he realises how bad is what he did. And will try to convince him to sell the car and give you the money back.
Absolutely Miriam, we will support you in any way we can.
I would appreciate that a lot. And I have an extra favour to ask: would you mind coming with me to the bank one day?


I am doing the budgets for both the grocery shop and the farm. Would you like to help me?
It is just too much paper and we never had an issue.
Yes but look here Meshak. There seems to be USD 40 dollars less in our grocery shop's current account.
It is useful to check all our numbers every now and then.
Yes it is, the only thing missing is our bank statements because lately you threw them without even opening the letters.
Oh no, let me call them immediately. I have never used the home-banking so I don't know how to check that without the physical paper.
We never withdraw those 40 USD and they should be in the account.
You should check your bank statements and find that sum of money.
Some minutes later.
I am so stupid, I should keep all the bank statements. You were right.
But what does this mean now? Did we loose the money?
They say we can start the process of an official claim, but it will take for ever…


Some days later, on Meshak's farm.
You made a good deal for these cows. That is a special price for good clients.
Thanks Meshak. See you next month.
Some hours later
BANK
4
CUSTOMER SERVICE
005
Meshak, until now you only have what we call a normal savings account. That is the account where you just deposited your money. I can see in your balance you have an interesting sum of money. What do you want to do with it?
I would like to buy my neighbour's land. I agreed to the price already and I already have enough for paying him, but we will only make the transaction a year's time.
That is great Meshak. Then I suggest you open a fixed term deposit with us, for 1 year. It is the product that yields the highest interest rate.
Oh, that is great. Is there any catch?
No such thing as a catch. But it has as condition that you cannot withdraw this money at all. That is why if you would only use it in a year, this product is perfect for you.
Exactly what I need, so I am not tempted to use this money for other things. Prepare all the paperwork and next week I stop by to do it.


This shop is running so good. I think it is about time we open the second one.
Yes Meshak, I also think we should do it as well.
Have you estimated how much money we would need for renting another shop and making it ready? Do we have enough savings?
Yes, I have an estimation of the money we need. But we cannot use the savings. We have a fixed term deposit for 1 year so we use that money for...
buying the land from our neighbour. We should ask for a loan, like we did for this first shop.
Later that evening at their house.
I have checked conditions from different financial services providers. I have compared our bank, a microfinance institution and that new financial company that loans money to entrepreneurs.
Which one would suit better our needs?
We need to assess it very carefully. We have to take into account interest rates, amount of each instalment, grace period and access to other services. We need to take our time to assess all carefull, it is not just which one costs less.
Some days later.
I think this loan would really suit your needs and you should not have any problems in paying this amount per month.
You should both sign here and there.
This is a great step for us. Thanks for your support.


Some months later.
Meshak, your credit card is ready to pick up. As a good client we are very happy to offer this benefit for you.
This help is very good for us. Especially now that we are running both grocery shops.
It is a total of $400. Will you pay again with card Meshak?
Yes, I will pay with my credit card, like last time.
EVERYTHING FOR YOUR FARM
SEEDS
Some weeks later.
I was careless with the credit card. I promised myself I would check my budget and the expenses done with the credit card constanly but never did it.
Oh Meshak. That is a lot of money, how are we going to pay that amount of money?
We can use a bit of savings to pay the minimum and the rest we will finance it directly with them. It is very expensive. Next time I will be more careful and stick to our budget.

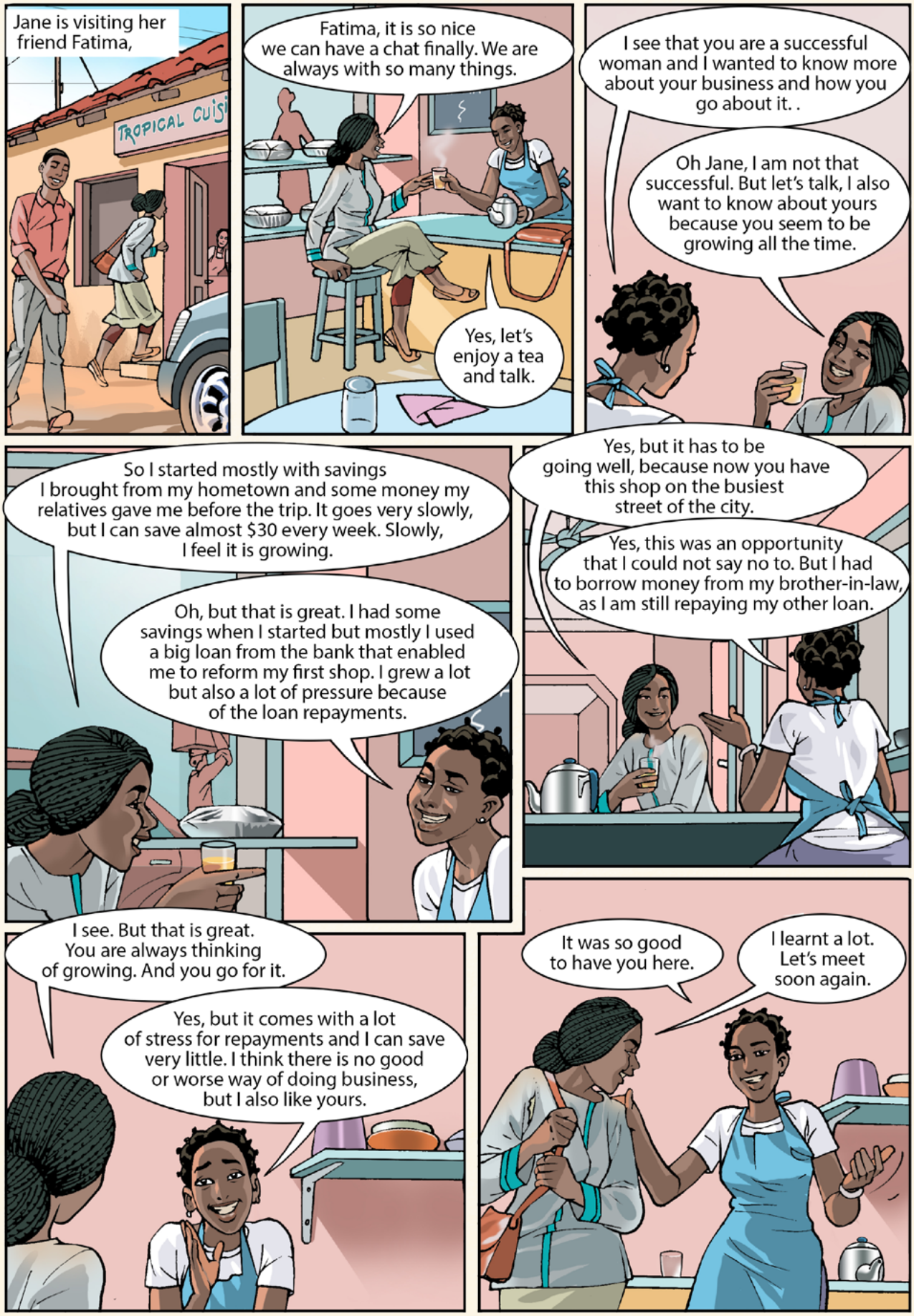
END

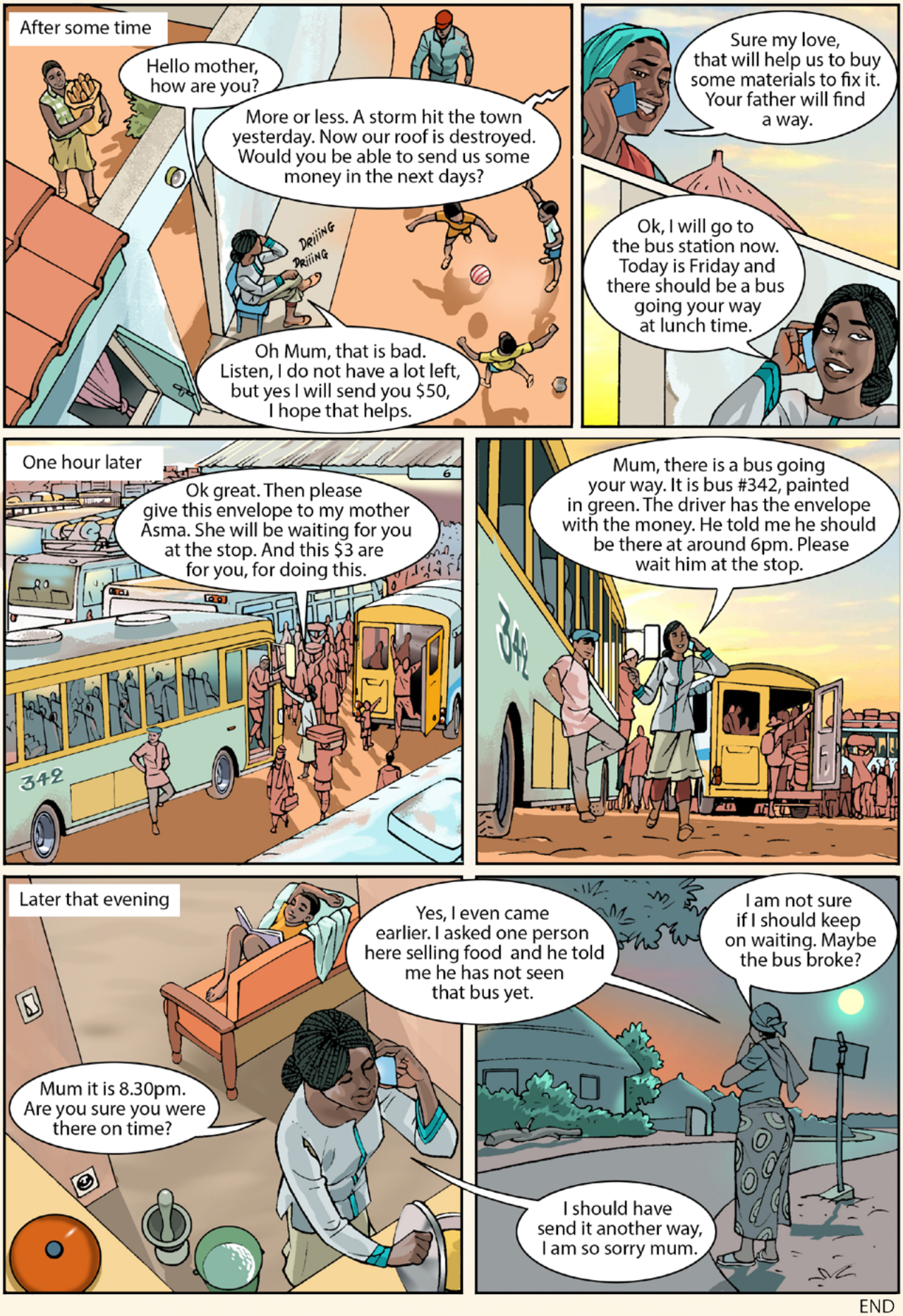
Jane

At Jane's
Darling, as soon as I finish with these calculations, I will prepare dinner for us.
Hi Hawwa, nice to hear your voice.
I am in an emergency. Could I borrow money from you ? I need to buy antiobiotics for Anita, she is very sick and I don't have any cash left.
I don't have much, but yes come. I can give you $30 that I will not need in the next days.
Thanks, your are my saviour. I will stop by in some minutes
Here you go. Please buy the medicines as soon as possible so Anita recovers.
Yes, thank you. I promise next week I give it back
Yes, it is the gas burner. I will need to change it. It will cost approximately $25.
Ufff, so much ! Give me a minute I need to call someone to get the money.
Hawwa, darling. I need the money back. My oven broke.
Uh, I am afraid I still do not have the money Jane. I need a bit more of time.
Oh, this is really bad for me. I will check if the neighbour can give me some.

Jane is a group with the other women at the ROSCA.
Does anyone have a savings account at a bank apart from saving here ? I am interested.
I do Jane, and I am pretty happy about it. It is quite convenient.
More and more I am thinking of having an account where I can separate some money for my shop. Also to have a bank card would be very useful.
Yes Jane, that is exactly for what I use my bank account. I am very happy with it.
And do you think they will open a bank account for me?
Sure, just try to check their website or directly call them to check which papers they need. It is not as difficult as you think.
Ok, I have already submitted the digital form on your website. So I understand now I should go there and present my documentation, right?
Exactly. Just come next week with ID and some service under your name and we will work it out.
It was relatively easy. After filling in the online form, I went there with some papers and two weeks later I could pick up my card and all the papers related to my account. I am so happy.

Same days later
I am in a hurry. I hope this goes fast.
TAKE YOUR MONEY PLEASE
Uhh, I think it is Amine´s birth date.
To confirm your withdrawal, please enter your PIN
Ohh, no, it was my year of birth !
INCORRECT PIN. Please try again.
Oh, which one was it ! I cannot do it wrong again.
!?
I can't believe what is happening to me
INCORRECT PIN. FOR SECURITY REASONS YOUR CARD WILL BE RETAINED BY THIS ATM. PLEASE CONTACT YOUR BANK


Jane is visiting her friend Fatima,
TROPICAL CUISI
Fatima, it is so nice we can have a chat finally. We are always with so many things.
Yes, let's enjoy a tea and talk.
I see that you are a successful woman and I wanted to know more about your business and how you go about it. .
Oh Jane, I am not that successful. But let's talk, I also want to know about yours because you seem to be growing all the time.
So I started mostly with savings I brought from my hometown and some money my relatives gave me before the trip. It goes very slowly, but I can save almost $30 every week. Slowly, I feel it is growing.
Oh, but that is great. I had some savings when I started but mostly I used a big loan from the bank that enabled me to reform my first shop. I grew a lot but also a lot of pressure because of the loan repayments.
Yes, but it has to be going well, because now you have this shop on the busiest street of the city.
Yes, this was an opportunity that I could not say no to. But I had to borrow money from my brother-in-law, as I am still repaying my other loan.
I see. But that is great. You are always thinking of growing. And you go for it.
Yes, but it comes with a lot of stress for repayments and I can save very little. I think there is no good or worse way of doing business, but I also like yours.
It was so good to have you here.
I learnt a lot. Let's meet soon again.


After some time
Hello mother, how are you?
More or less. A storm hit the town yesterday. Now our roof is destroyed. Would you be able to send us some money in the next days?
DRIIING DRIIING
Oh Mum, that is bad. Listen, I do not have a lot left, but yes I will send you $50, I hope that helps.
Sure my love, that will help us to buy some materials to fix it. Your father will find a way.
Ok, I will go to the bus station now. Today is Friday and there should be a bus going your way at lunch time.
One hour later
Ok great. Then please give this envelope to my mother Asma. She will be waiting for you at the stop. And this $3 are for you, for doing this.
342
Mum, there is a bus going your way. It is bus #342, painted in green. The driver has the envelope with the money. He told me he should be there at around 6pm. Please wait him at the stop.
342
Later that evening
Mum it is 8.30pm. Are you sure you were there on time?
Yes, I even came earlier. I asked one person here selling food and he told me he has not seen that bus yet.
I should have send it another way, I am so sorry mum.
I am not sure if I should keep on waiting. Maybe the bus broke?

END

DEFINITIONS

GENERAL

GOAL

- A goal is something you want to do in the future.

FORMAL/INFORMAL

- In general, something that is formal respects the forms, meaning that it fits into a framework, a structure, or a law. It is also something that is legitimate and recognized by an authority.
- Unlikely, something that is informal will not be subject to strict and official rules or framework. For example, the informal sector gathers businesses that are not registered and do not pay taxes.

BUDGET

- A budget is a tool to decide, to plan and to use your money to achieve your goals.

EMPLOYMENT CONTRACT

- A (legal) agreement between employer and worker that specifies the duties and responsibilities and benefits for both parties.
- A contract should include a description of duties, responsibilities and rights. It specifies employment and working conditions, such as pay, hours of work.
- A contract is an agreement between two parties that both parties sign of their own free will. An employment contract should preferably be in written form, in a language understandable to both parties, signed by both parties and a copy given to each party.

FINANCIAL INSTITUTION

- A financial institution is a public or private service that deals with financial operations such as savings, credit and payments.

SAVINGS AND CREDIT COOPERATIVE

- A Savings and Credit Cooperative is a democratic, unique member driven, self-help cooperative that strive to meet the financial needs of its members. It is owned, governed and managed by its members.

SAVINGS ACCOUNTS

A REGULAR SAVINGS ACCOUNT

- A regular or passbook savings account (also known as demand deposit account) in a financial institution allows the account holder to make deposits or withdrawals at any time. The amount and timing are not set in advance. The savings are remunerated according to an interest rate (usually annual). This savings account usually cannot be used to make direct payments.

CONTRACTUAL SAVINGS ACCOUNT

- A contractual savings account in a financial institution allows the account holder to link his/her deposits with the achievement of specific goals. The account holder deposits a set amount on a regular basis for a specified period of time. After the maturity date the client can withdraw the entire amount plus interest (interest rate is set in advance). Early withdrawal is either prohibited or penalized.

TIME DEPOSIT ACCOUNT

- A time deposit account in a financial institution allows the account holder to deposit a lump sum, which he/she promises not to touch for a specific period of time. The client can choose from a range of possible terms. Since this type of account presents constraints (duration and amount blocked) for the client, it usually pays the highest interest of any savings product.

CREDIT

INTEREST RATE

- The amount of money that the borrower pays to the lender, in addition to the loan amount, for use of the money of the lender.

PRINCIPAL

- The original amount of the loan, without interest.

LOAN TERM

- The period of time that the borrower has to use the loan money and repay it.

COLLATERAL

- An item of value that the borrower will have to give to the lender in case the borrower is unable to repay the loan (could be land, vehicle, savings, etc.).

GRACE PERIOD

- Period after receiving a loan and before the first payment is due.

RETHINK

- Cancellation of the credit contract. In some countries the loan agreement is not legally binding until several days or weeks after signing. During this period no payment can be made from the lender to the borrower. It ensures an efficient protection against impulse buying.

EARLY REPAYMENT

- The borrower is always free to repay all or part of his/her debt before the expiration of the loan agreement, and that without incurring penalties.

GUARANTOR

- A person who will repay your loan in case you cannot pay; this person may be required to co-sign your loan agreement with the lender.

OVER-INDEBTEDNESS

- The inability for a person to cope with his or her personal debts.

PAYMENT METHODS

CASH CARD

- A cash card is given to you by your bank and allows you to get cash from your account using a special machine called an Automated Teller Machine (ATM) or cash dispenser. In addition to withdrawing cash from your account, you can use an ATM to find out your account balance, transfer money from one account to another, and make deposits into your account. Some ATMs also sell postage stamps or airtime credits or allow you to pay some invoices (electricity...). Each bank has its own network of ATMs but often you can use your bank card to withdraw from any ATM whether the ATM belongs to your bank or not. However, your bank may charge you a fee each time you use an ATM that is part of another bank's network.

DEBIT CARD

- A debit card is another way to make banking transactions electronically. In addition to using it to withdraw money from ATMs, you can use a debit card to pay for goods you purchase in many stores. You must have the money in your account at the time of purchase. The amount of your purchase is deducted immediately from your account. You will regularly receive a regular statement from the bank, showing the total amount deducted from your account and your remaining balance.

CREDIT CARD

- In general, a credit card allows you to carry out the same transactions as cash and debit cards. The major difference is that it also enables you to access instant credit. In other words, if you do not have money in your account, you can still make the purchase by taking out a loan from the institution that sold you the credit card (financial institutions but also supermarkets, department stores, others).
- Depending on the features of your credit card contract, the amount of your purchase will be deducted from your account (in one or more instalments, at an interest rate that is often much higher that standard credit products...). You will receive a regular statement from the institution that issued the credit card, showing the total amount to be repaid, the amount already paid off and the interest rate.

MONEY TRANSFERS

INFORMAL MONEY TRANSFER SERVICE PROVIDERS

- These organizations are not regulated or supervised by the government. This type of provider includes retail shops, friends and couriers.

FORMAL MONEY TRANSFER SERVICE PROVIDERS

- These organizations are regulated or supervised by the government. This type of provider includes money transfer operators (MTOs), banks, microfinance institutions, savings and credit cooperatives, and mobile phone providers.

RISK AND INSURANCE

RISK

- A risk is the possibility of a loss or injury.

INSURANCE

- Insurance is a contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against losses from the provider offering the insurance product.

INSURANCE COMPANY

- An insurance company is a business (profit oriented) that provides insurance services.

MUTUAL BENEFIT ASSOCIATION (COOPERATIVE)

- A mutual benefit association (cooperative) is a non-for-profit mutual organization, which provides insurance to its members.

POLICY

- Document given to the policyholder by the insurance company that states the terms and conditions of the insurance contract.

PREMIUM

- The money a policyholder pays to the insurance company to activate the insurance policy and keep it valid.

BENEFITS

- The money that the insurance company pays to either the person who submits the claim or to his or her beneficiary.

BENEFICIARY

- The person who receives the insurance money when an insured event occurs.

CLAIM

- A request for payment for a loss that is covered by the policy.

INSURANCE CARD

- Card issued by the insurance provider as proof that the policyholder has paid a premium.

EXCLUSION

- Specific condition, circumstance, or situation usually listed in a contract as being not covered.

TRAINEE'S BOOKLET

ILO FINANCIAL EDUCATION FOR REFUGEES, IDPS AND HOST COMMUNITIES

This Trainee's booklet was developed in the framework of the ILO Project: Partnership for improving prospects for forcibly displaced persons and host communities (PROSPECTS). PROSPECTS is a new partnership initiative that has been spearheaded by the Government of the Netherlands and brings together the International Finance Corporation (IFC), the International Labour Organization (ILO), the UN Refugee Agency (UNHCR), the UN Children's Fund (UNICEF) and the World Bank.

This Trainee's booklet on financial education targets primarily refugees, Internally Displaced Persons (IDPs) and host communities who wish to improve their money management. This booklet covers the following topics: set financial goals, communicate with confidence, understand key financial products (savings, loans, payments, digital wallets, insurance), understand and negotiate with financial institutions, transfer money and manage risks.

It provides all the information related to fictional characters, case studies, exercises and specific references to the target group. This booklet also comprises the key points of the training and the tools required for using and managing one's money wisely. It is written for the men and women participating in the training courses. It should be used as an exercise book during the course and as a reference guide subsequently. It includes comic strips that include all the relevant topics as per the experience of the fictional characters. This booklet includes many exercises and worksheets that training participants can fill for themselves.

ISBN: 9789220341827 (Print)
ISBN: 9789220341834 (Web PDF)

International Labour Organization

Financial Education

Ministry of Foreign Affairs of the Netherlands