



Key Action 2: Cooperation among organisations and institutions

KA220-SCH - Cooperation partnerships in school education

FINANCIAL LITERACY FOR THE ECONOMIC DEVELOPMENT OF SOCIETY

№2022-1-BG01-KA220-SCH-000087865

“Financial Literacy Handbook”

Why to brainchild a project on Financial Literacy

The importance of acquiring financial literacy skills will only grow in the future

First

- Financial education will have a role, in conjunction with financial consumer protection and regulations, in equipping people with the skills needed to understand more complex products and services, choose those most appropriate for them, and protect themselves from financial scams.
- Technology (e.g. investment simulators or budgeting apps) has the potential to facilitate financial decisions and calculations; but here too financial education can help ensure that citizens understand how to use such tools responsibly.
- The spread of digital financial services may open up new opportunities for those who are excluded from the formal financial system to gain access to it; but those services can also expose consumers to new security threats and risks of fraud that are



compounded when low financial literacy is combined with poor digital skills and limited awareness of cybersecurity.

- The increasing availability of online credit, hidden fees associated with various service providers (such as mobile phone plans) and in-game or in-app purchases, which are often targeted to young and/or inexperienced consumers, will pose further challenges for financial consumer protection and education.

Second

- In some countries, future generations will probably bear more financial risks during their lifetime than the current adult population, due to factors such as increased life expectancy, less welfare protection and more uncertainty in retirement income due to *changing pension regimes*.
- Variable employment prospects and the potential for economic instability as a result of *digitalisation, technological change, climate change, pandemics, globalisation* and changes in the nature of work may also contribute to financial uncertainty.

Third

- Growing income and wealth inequality might mean that without strong financial literacy, socio-economically disadvantaged groups could fall further behind.
- Education, income and wealth have been shown to be strongly correlated with adults' financial knowledge, and parents with less education, income or wealth have been found to be less well-equipped than other parents to transmit financial knowledge to their children.
- Only parents who educate their children about money matters, inequalities not just in levels of financial literacy but also in wealth and financial well-being may be reinforced across generations.
- Providing youth with financial education in schools and via other programmes might help shrink disparities in financial literacy due to differences in students' current socio-economic status, and potentially reduce income and wealth inequality when these students become adults.

Course outline

Overview

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| Course title | Financial Literacy |
| Number of modules | 5+1 |
| Module duration/ allocation | Equally distributed time, resources |
| Target learners | 1. 9-10 years old pupils 2. 14-15 years old pupils (primary target group) |
| This course aim at | Youth Youth workers |
| Aim of the course | To provide an innovative easy-to-learn pathway for motivating and upskilling youths to increase their financial literacy. |
| Description | In this output, we will develop a Fin Lit training program, including exercises and activities for young people and their teachers to empower them with the knowledge and tools needed for making informed financial decisions, avoiding debt, building assets, and becoming more resilient. |
| Conceptual foundation | EU policies FINANCIAL LITERACY <ul style="list-style-type: none"> • European Union/OECD (2023), Financial competence framework for children and youth in the European Union • European Union/OECD (2022), Financial competence framework for adults in the European Union Towards a green, digital and resilient economy |



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| | <ul style="list-style-type: none">• Digital Single Market• Banking Union• Sustainable Finance• The European Green Deal• European Financial Stability and Integration |
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INTRODUCTION

Welcome to the Financial Literacy Handbook! In this program, we aim to provide adult trainers with the tools they need to motivate and upskill pupils to increase their financial literacy.

Through this program, teachers will gain a better understanding of financial literacy and be able to apply this knowledge and use this program as a tool to motivate and support pupils in their training courses.

The handbook consists of 6 modules:

1. Financial literacy for kids (primary school),
2. Managing and Planning Income and Expenditure,
3. Saving Investing and Credit,
4. Scams and Fraud,
5. External Influences - Sustainability Considerations,
6. Financial Institutions.

Each module contains theoretical foundation, pre and post assessment questions, useful sources, additional materials and lesson plan for “classroom implementation”.

What is this financial literacy? One might ask.

Well, financial literacy is a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing. If you want to learn more, go ahead and read on!

Best of luck on your financial literacy journey!

Module №1 – Financial Literacy for Kids

Sevgi Osman, PhD, VFU “Chernorizets Hrabar”

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| Aim | To help participants to take challenges and learn from them | |
| Target group | 9-10 years old pupils (secondary target group) | |
| Learning objectives | <ul style="list-style-type: none"> ● Understand what money is, why they are important, and how could we deal with them; ● understand what is budgeting and how to develop it; ● create awareness of saving, investing, banks. | |
| Topics & Learning outcomes | Topics | Learning outcomes |
| | Money and currencies | <p>Learners will</p> <p>1.1. Forms of money</p> <ul style="list-style-type: none"> - Know that money can take different forms, including banknotes, coins and electronic money - Distinguish and can name banknotes and coins used in one’s country or region - Confident to discuss everyday money matters with family and other trusted persons in real life situations <p>Role/purposes of money:</p> <ul style="list-style-type: none"> - Can use money to store and measure value as well as to pay for goods and services - Appreciates the value of money - Understands that money can be stored in different ways (at home, in a bank, etc.) and can be accessed in different ways (from ATMs, electronically, etc.) - Realizes that people have limited amounts of money at their disposal - Understands that giving money or donating is |



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| | | <p>different from lending money</p> <ul style="list-style-type: none"> - Foreign currency and exchange - Understands that countries and regions (e.g. Eurozone) have their own currency that can be exchanged for the currency of other countries <p>1.2. Income</p> <ul style="list-style-type: none"> - Know that there are different sources and forms of income - Understand that income differences exist between people - Realize that income contributes to financial well-being of oneself, one's family and the community <p>1.3. Prices, purchases and payment</p> <ul style="list-style-type: none"> - Differentiate between the price and value of a good or service - Compare similar products according to prices and understands that a product/service can be overpriced - List prices of basic items, including food - Understand that once one spends money to purchase a good/service, it is no longer available to spend on something else - Resists temptation to spend impulsively |
| | <p>Planning and managing finances</p> | <p>Learners will</p> <p>2.1. Budgeting/ Planning</p> <ul style="list-style-type: none"> - Understand the concept of a budget and living within one's own means <p>2.2. Managing and Planning Income and Expenditure</p> <ul style="list-style-type: none"> - Managing regular income and expenses - Consider different spending options for pocket money, gifts and other income |



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| | | <ul style="list-style-type: none"> - Understand the need to prioritise certain expenses especially when income is limited <p>2.3. Saving</p> <ul style="list-style-type: none"> - Saving goals and priorities - Know the benefits of starting to save and having saving goals from a young age - Develop the habit of saving some of one’s pocket money or other income received - Understand that saving money in a bank or other financial institution can bring interest - Choosing how to save - understands that money can be saved physically (e.g., at home) or in a deposit account at a financial institution - Managing of savings <p>2.4. Investing</p> <ul style="list-style-type: none"> - Understands the goals of investing, and that it is different from saving - Choosing investments |
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| <p>Module 1: Financial Literacy for Kids</p> |
| <p>Module Introduction</p> |
| <p>1. Money and currencies</p> <p>Information about the history of the money and introduction:</p> <p>A long time ago, before money was around, people used to trade in order to get the things they needed. This got very complicated as not everyone would always have something that the person they were trading with needed.</p> |



Money is what we give in return when we buy stuff like food, clothes, house, groceries, etc. We give money in return for purchasing anything. Money is a mode of payment accepted by both sellers and buyers for goods and services. Money is what people use to buy things and services.

2. Managing and planning finances

Start with asking a provoking question like:

You need to buy a jacket, but you also want to buy a new phone. How do you choose?

To make good decisions about how to spend your money, start by setting your money goals and work toward achieving them with a plan in mind. A personal budget is a plan that helps you put the money you've earned toward savings, expenses (lunch, bus or entertainment money) or paying off debt (money you may have borrowed). It's a balancing act!

When you're creating a budget, it is important to understand the difference between something you need to have and something you want to have.

- Need is something you must have to survive; like food, water and a home.
- Want is something that's nice to have, but you can actually live without; like an ice cream or a new skateboard.

Remember to take care of your needs first, so you can think about saving for what you want. A budget can not only help you consider your immediate needs and wants, but prepare you to achieve your long-term financial goals. You may have some short-term goals that you can achieve in a matter of weeks, or long-term goals that will take years to attain.

The goal of a budget is to have money left to save. Once you can see where you would like to allocate your money, you may be surprised by certain categories that add up more than you thought. These can be good opportunities to cut back. The money you spent on a trip to the mall might be better spent somewhere else, especially if you have \$0 in your total savings for the month.

PLANNING A BUDGET HELPS YOU MAKE CHOICES ABOUT WHICH GOALS YOU SHOULD PRIORITISE.

Every once in a while, something unexpected happens and you have to spend more money than you planned. Whether it's something small like stepping on your sunglasses and having to buy a



new pair or something bigger like needing a new smartphone, it's always good to have money saved for a rainy day.

Module 1: Financial literacy for Kids

Theoretical ground

1. Money and currencies

Money is what people use to buy things and services. Money is what many people take for selling their own things or services. There are many kinds of money in the world. Most countries have their own kind of money, such as the United States dollar or the British pound. Money can take many forms, including coins, paper currency, and electronic money.

How did people decide what to use for money?

Well, you could use anything, some civilisations have been seen to use sea shells as money! You really want to use something that isn't easy to find though. For example, if you used sticks then everyone would be rich after going for a walk in the woods.

People used to use things that were rare and valuable like gold and coins made from valuable metals.

They started as a way that you could spend your money in England without having to carry around a load of gold with you.

Many years ago, cultures worldwide used different items to represent money. These are usually items that were readily available to them.

When did people start using coins as money?

The earliest evidence of coins used as money can be found in ancient Greece. Soon after, many other cultures began making their own coins. These ancient coins were usually made of precious metals such as gold, silver, copper, bronze, and brass and often featured images printed on them, just like today, meant to display local pride or a great big ego. Coins later became associated with governments and nations. In the early Roman empire, for example, minted coins featured the images of Roman emperors (see, big ego). Minting refers to the process of making metal coins.

When was paper money invented?



It is believed that the Chinese were the first people to begin using paper money - sometime around the 7th century, Chinese merchants started using paper to represent the copper coin they had. These merchants would deposit their coins into the hands of other merchants, who would hand them a certificate made of paper that would verify the number of coins they possessed. Paper use made it a lot easier for the Chinese merchants to “carry” their money when making a large payment or when travelling. The paper could, in turn, be used to collect the coins that it represented. It would be a nicer way of asking instead of “Hey, you give me coins!”. We are still using paper money, also known as banknotes, and coins to this day

Let's explain some basic terms related to money:

- Income - The money you receive in exchange for selling a good or service. There are different sources and forms of income – you can earn from various sources, like a job, tips, or from your business. Unfortunately, income differences exist between people.
- Price of something is how much it costs. It's usually money, but sometimes not. Or it is the amount of money that a buyer gives to a seller in exchange for a good or a service.
- Payment is the process of either giving money to someone, or of receiving money from someone. There are different methods for paying and transferring money (e.g., cash, digital payments, in game purchases)
- Purchase – to obtain something by payment of its price. If once one spends money to purchase a good/service, it is no longer available to spend on something else.
- Currency is just the name of the money in a particular country. For example the UK uses pounds sterling (£), below are examples of some other currencies used in different countries. (For example in USA – Dollars (\$), in France – Euros (€), Japan – Yen (¥), Switzerland – Swiss Franc (Fr), etc.)
- Foreign exchange rate is a kind of price—the price of one country's currency in terms of another's.

2. Managing and Planning Income and Expenditure

What is a budget?

A budget is a plan for managing your money. It's created based on an estimation of your income and expenses for a set period of time, usually a month or a year. It is reviewed periodically and revised as needed.

What's in a budget?



A budget has all your income, whether it is income from a chores, job, freelancing, or a business; and all your expenses, whether they are essentials, like rent, utilities and groceries, or discretionary expenses, like eating out or entertainment. It also includes future large purchases you need to set aside or save money for. Like a vacation, game console, cell phone, etc.

Why should I create a budget?

A budget encourages people to live within their means and helps them make good financial decisions. When you write down your income and expenses, it helps you see your overall financial picture clearly. This way you can identify unnecessary expenses you can cut out, and instead use the money you've saved on other things that you truly enjoy. You could also invest the extra money, or use it to pay off debt.

“Budgeting only has one rule: do not go over budget.”

Successful money management includes keeping records of money spent. This includes having the skills to know how much money is available, how much money has been spent, and how much money must be saved for future needs.

- Start creating a budget by setting goals for how you would like to spend and save your money over a specific time period.
- Be sure to consider everything you may want or need to purchase and separate those into categories. A ride on the bus would go under transportation, and a slice of pizza would fall under food.
- Complete the budget below by filling out how much money you would like to spend in different categories each month. The goal of a budget is to have money left over for saving, so you should start by thinking about how much you earn.

2.1. Saving

Saving is when you take a portion of your earnings, and instead of spending it now, you park it away to use later. Your earnings could be from a job, freelancing, or a business. It could also be your allowance, or chore money. The money that you park away for the future is your savings.

How can I start saving?

The easiest way is to simply set aside a portion of your income before spending on discretionary expenses. But it's much easier to save when you have a specific goal in mind – whether that's a long term goal like college education or retirement, or a short term goal like taking a vacation or buying a bike. With a specific goal, you will be motivated, knowing you are saving for

something that you really want. If you can't think of a specific goal, you can save for a rainy day, or an emergency – like a health emergency or job loss.

Once you have a goal you want to save for, you can open a savings account at a bank and begin depositing money into the account.

Should I spend or save first?

You have to strike a balance between the money you spend, and the money you save, and this balance is different for everybody.

But as a general rule, after spending on essentials like rent, utilities etc., you should first save a portion of the remaining income and then spend on non-essentials.

Why is saving important?

Saving gives you peace of mind, teaches you to distinguish between needs and wants, fosters good money management habits, and most importantly, helps you achieve your goals faster.

For example, if you were saving to buy a gaming console, and happen to like some expensive shoes, you would be forced to weigh whether or not it's worth getting the shoes and delay getting the gaming console.

The habit of saving helps you make smart money choices by automatically reducing unnecessary purchases.

How much money should I save?

A good way to find out how much you can afford to save is by keeping a journal of all your expenses, and deciding which ones you are okay living without. Then, start cutting out some of these non-essential purchases, and instead save that money towards more meaningful goals.

It's important to save money for a rainy day, just in case you need it for any unexpected expenses like a broken laptop. Another portion of the money you receive should be set aside for your various goals. These goals can be categorised as short-term, medium-term or long-term.

You can reach your goals by saving your money over time.

It's tempting to spend all of your money as soon as you earn it, but you'll be better off in the long run if you save a portion of it. Think about a short-, medium- and long-term savings goal and determine how much you can save each month toward each goal. Remember, the amount that you contribute per month toward your goals can't be more than you earn that month. Then calculate the cost of your goal divided by your weekly contribution to find out how long it will take you to reach each goal.



THE TWO WAYS TO MAKE MONEY

There are basically two ways to make money.

1. You work for money. Someone pays you to work for them or you have your own business.
2. Your money works for you - You take your money and you save or invest it.

Example: Saving for a New Bike

"Imagine you really want a new bike, and it costs EUR 100. Right now, you only have EUR 20. If you get EUR 10 every week from your allowance or by doing chores, you won't be able to buy the bike today, but you can save for it!

Here's how you can save:

- 1. Step 1: Set a Goal**

You want a bike, and you know it costs EUR 100.

- 2. Step 2: Make a Plan**

You get EUR 10 a week, so if you save all of that money, in 8 weeks (2 months) you'll have \$80. You already have \$20 saved, so in 8 weeks you'll reach your goal!

- 3. Step 3: Stay Focused**

Along the way, you might see something else you want to buy, like a toy or some candy. But if you spend your money on those things, it'll take even longer to get the bike.

That's why saving means making choices about what's most important to you.

- 4. Step 4: Reach Your Goal!**

After 8 weeks, you'll have saved EUR 100, and you can finally buy the bike! Doesn't it feel great knowing you worked hard, stayed patient, and reached your goal?"

2.2. Saving and investing

As humans we have different ways of saving money. These are:

Traditional ways: like saving money in the hole, cu, container, giving someone to keep it for you, in a piggy bank.

Modern way: saving of money and valuable items in the banks

**bank - a safe place where money can be kept and withdrawn when needed*

WHY WE SHOULD SAVE MONEY IN A BANK?

1. To protect our money from being stolen



2. To buy food
3. To build houses
4. To get interest from bank
5. To meet future needs

What's an Investment?

An investment is something we put our money in to help it grow. If we just keep our money in a piggy bank or drawer, it won't earn any money for us.

Kinds of Investments

There are many different kinds of investments: savings accounts, bonds and stocks, etc. Each of these helps our money grow and work for us in different ways

The key difference between saving and investing is that money saved grows at a more predictable rate than money invested. An investment is an asset—something you can buy today with the expectation that it can be sold in the future for a higher price. Depending on what happens in the economic markets, the asset could grow to become worth much more in the future—but it can also lose value and be worth much less. Assets include stocks, bonds, mutual funds, real estate and collections like art or baseball cards.

(Appropriate for students 4. Grade*)

YOUR MONEY CAN WORK FOR YOU IN TWO WAYS

Your money earns money. When your money goes to work, it may earn a steady paycheck. Someone pays you to use your money for a period of time. When you get your money back, you get it back plus “interest.” Or, if you buy stock in a company that pays “dividends” to shareholders, the company may pay you a portion of its earnings on a regular basis. Your money can make an “income,” just like you. You can make more money when you and your money work.

You buy something with your money that could increase in value. You become an owner of something that you hope increases in value over time. When you need your money back, you sell it, hoping someone else will pay you more for it.



For instance, you collect comic books thinking they will increase in value over time. You expect to sell them in five, ten, or even twenty years when someone will buy them from you for a lot more money than you paid.

And sometimes, your money can do both at the same time— earn a steady paycheck and increase in value. Your “savings” are usually put into the safest places, or products, that allow you access to your money at any time. Savings products include savings accounts, checking accounts, and certificates of deposit. After paying off credit cards or other high interest debt, most smart investors put enough money in a savings product to cover an emergency, like sudden unemployment. Some make sure they have up to six months of their income in savings so that they know it will absolutely be there for them when they need it.

When you “invest,” you have a greater chance of losing your money than when you “save.” The money you invest in securities, mutual funds, and other similar investments typically is not insured. You could lose your “principal”—the amount you’ve invested. But you also have the opportunity to earn more.

The key difference between saving and investing is that money saved grows at a more predictable rate than money invested. An investment is an asset—something you can buy today with the expectation that it can be sold in the future for a higher price. Depending on what happens in the economic markets, the asset could grow to become worth much more in the future—but it can also lose value and be worth much less. Assets include stocks, bonds, mutual funds, real estate and collections like art or baseball cards.

What is a bank account?

When you want to keep your money in a bank, you open an account in your name with the bank. This way, the bank can tell that the money belongs to you.

You deposit money into the bank account when you want to add money, and withdraw money from the bank account when you need to use it.

A bank is a business that borrows and lends money. It borrows money from customers called depositors. It lends money to other customers called borrowers. It pays fees to the depositors and collects fees from the borrowers. The fees are called interest. The bank makes a profit by collecting more interest than it pays out. Modern banks do many other things as well.

Bank Accounts



A person who has money deposited in a bank is said to have a bank account. One kind of bank account is called a checking account. A person with a checking account can write checks to pay for things. A check is an instruction to the bank to pay out money from that person's account. People can also use a plastic card, called a debit or check card, to pay out money from their checking accounts. Checking accounts pay little or no interest to the depositor. People use them because they are a safe and convenient way to handle money.

Another kind of bank account is a savings account. People keep money in savings accounts in order to earn interest. The bank pays a certain amount of interest for every dollar that someone has in their savings account.

A bank keeps only part of the money in its accounts as cash. It uses the rest to lend to other people and to make investments. It keeps track of all this money in computers.

Lending and Other Services

People and businesses often borrow money from banks. The money they borrow is called a loan. They pay the loan back with interest. They usually pay in monthly portions called instalments. If the borrower does not repay, the bank may take away the thing—a car, for example—that the loan paid for.

Modern banks provide other services as well. Some banks sell insurance, provide help with taxes, and handle investments in stocks and bonds. Many banks issue credit cards and send monthly bills to the people who use them. Banks also maintain automated teller machines, or ATMs. Bank customers can use the ATMs to withdraw money from their accounts or to make deposits.

Types of Banks

The banks most people use are called commercial banks. Other kinds of banks do special things. Investment banks sell stocks and bonds. Credit unions make loans to workers. Savings banks and associations make loans to home buyers. **Central banks** are responsible for their country's money. International banks lend money to developing countries.

History

There was banking in ancient Mesopotamia at least 4,000 years ago. The first bankers kept gold and silver for people and also lent it out. In ancient Greece and Rome there were companies very much like modern banks. Florence and Venice, two cities in Italy, became banking centres in the 1400s. In England gold dealers served as bankers until the Bank of England was founded



in 1694. Many people in the United States did not want the U.S. government to control banking. The central Bank of the United States closed in 1836. But in 1913 the U.S. government set up the Federal Reserve System. This system oversees U.S. banks today.

Module 1: Financial literacy for Kids

Pre and Post Assessment Questions

Pre – assessment questions

- How can you describe money?
- For which purposes do you use them?
- Which foreign currencies do you know? In which countries do we use them? ·
- What is the budget? Do you have a budget?
- Do you like saving money or do you prefer spending it?
- Have you heard about investing?

Post – assessment questions

- What forms can money take?
- What is the money used for?
- In which country is the dollar used?
- What is the difference between needs and wants?
- When are you going to make a budget plan?
- What is the role of the banks? Have you ever been to a bank?

Module 1: Financial literacy for Kids

Sources, Additional materials, Tips and tricks



- Listening to the history of money and watching video (30min):
<https://youtu.be/mwSAuNb44IU>
- “European Union/OECD (2023), Financial competence framework for children and youth in the European Union”, ISBN 978-92-68-07150-2
- <https://www.practicalmoneyskills.com/en/teach/your-money-your-future/save.html>
- <https://www.incharge.org/financial-literacy/resources-for-teachers/financial-literacy-for-kids/>
- <https://www.easypeasyfinance.com/>
- <https://www.practicalmoneyskills.com/en>
- <https://www.twinkl.bg/>

Module № 2 Managing and Planning Income and Expenditure

Miglena Pencheva, PhD, VFU “Chernorizets Hrabar”

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| Aim | To help participants to take challenges and learn from them | |
| Target group | 14-15 years old pupils (primary target group) | |
| Descriptor | <ul style="list-style-type: none"> • Distinguishes between regular and irregular income, and between expected and unexpected expenses • Monitors and actively manages income and expenses | |
| Learning objectives | <ul style="list-style-type: none"> • Understand what is financial planning, why it is important, and how to practise it • understand what is a financial literacy and how to develop it • create awareness of their personal financial goals | |
| Topics & Learning outcomes | Topics | Learning outcomes |
| | Understanding Money | <p>Learners will</p> <ul style="list-style-type: none"> - understand the basic concept of money - learn about the different forms of money - get familiar with the evolution of money |
| | Managing and Planning Income and Expenditure | <p>Learners will</p> <ul style="list-style-type: none"> - understand the basic concepts of income and expenditure - learn the difference between the different types of expenditure - get familiar with the basic financial planning |
| | Understanding Why does Time Matters | <p>Learners will</p> <ul style="list-style-type: none"> - understand the concept of time span, goal setting and its components - learn about the importance of financial goal |



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| | <p>Setting Financial Goals</p> | <p>setting for success in achieving objectives in different areas of their lives</p> <ul style="list-style-type: none"> - gain a new perspective and insight into the development of their personal growth based on financial literacy - be able to practise financial planning that help develop long term approach and personal responsibility |
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Module 2: Managing and Planning Income and Expenditure

Module Introduction

Welcome to the Managing and Planning Income and Expenditure module!

This module is designed to give you skills and knowledge necessary to make informed choices about your money.

If we ask ourselves why young people need to be exposed to financial literacy, we can think of a few reasons.

- **Financial Responsibility:** Understanding money helps young people become responsible with their finances. It teaches them the value of money, how to manage it wisely, and the consequences of financial irresponsibility.
- **Budgeting Skills:** Learning about money early on helps young people develop budgeting skills. They learn to prioritise their spending, save for future goals, and make informed decisions about purchases.
- **Avoiding Debt:** Awareness of financial concepts can help young people avoid excessive debt. They learn about credit scores, interest rates, and the long-term impact of debt, enabling them to make smarter choices about borrowing.
- **Investment Knowledge:** Understanding money includes learning about investments. Young people can learn how to grow their wealth over time, understand the risks and rewards of different investment options, and plan for a more secure financial future.



- **Career Planning:** Knowledge of finance can influence career choices. Young people may become more interested in careers in finance, economics, or business, or they might simply use financial knowledge to better manage income from any career.
- **Economic Understanding:** A grasp of personal finance contributes to a broader understanding of the economy. This knowledge helps young people understand how economic events affect them personally and the society at large.
- **Self-reliance:** Financial education fosters independence. Young adults who are financially literate are better equipped to support themselves and less likely to rely on others for financial support.
- **Life Planning:** Financial knowledge is crucial for major life decisions like buying a home, saving for retirement, or starting a family. Early education in finance can prepare young people for these significant milestones.
- **Crisis Management:** Understanding money helps in managing financial crises. Young people can learn how to save for emergencies, how to cut costs when necessary, and how to recover from financial setbacks.
- **Global Perspective:** In an increasingly interconnected world, understanding finance includes knowing about global economies and markets. This knowledge can be beneficial for both personal finance management and in various career paths.

So, we hope this module will help you to expose youngsters to the basic concepts of financial literacy , to take small challenges and learn from them, and to gain new perspectives and insight into the development of personal and professional growth.

Enjoy the journey!



Module 2: Managing and Planning Income and Expenditure

Theoretical ground

Understanding Money

First things first.

What Is Money?

Dictionary format: (noun) a current medium of exchange in the form of coins and banknotes; coins and banknotes collectively.

Money is a complex tool that serves multiple roles in society and the economy. It is not just physical currency or digital numbers in a bank account; it represents a broader concept with historical, social, and economic implications. Let's delve into what money is, covering its functions, forms, and evolution.

Functions of Money

Money serves several key functions in an economy, which include:

1. **Medium of Exchange:** Money facilitates transactions by eliminating the inefficiencies of barter systems. It allows goods and services to be traded without the need for a coincidental want, making trade easier and more efficient.
2. **Unit of Account:** Money provides a common measure of value. This function allows individuals and businesses to compare the values of different goods and services in a clear, consistent manner, aiding in decision-making and price setting.
3. **Store of Value:** Money can preserve value over time, allowing individuals and entities to save and defer consumption until a future date. However, this function is affected by inflation, which can erode purchasing power over time.



4. **Standard of Deferred Payment:** Money facilitates transactions that are not settled immediately. It allows for the extension of credit and the making of future payments in a standardized form.

Evolution of Money

The evolution of money reflects changes in technology, society, and economic practices:

- **Barter System:** Initially, goods and services were exchanged directly for other goods and services without the use of money. This system had limitations due to the need for a double coincidence of wants.
- **Commodity Money:** Societies began using commodities as a medium of exchange. These were often items widely recognized for their intrinsic value.
- **Metallic Money:** Metals like gold and silver became popular as money due to their durability, divisibility, and intrinsic value. Coins were minted as standardized units.
- **Paper Money:** Initially representing deposits of precious metals, paper money evolved into fiat currency, which is backed by government decree rather than physical commodities.
- **Electronic Money:** The digital age introduced electronic transactions, where money can be transferred electronically without the need for physical cash.
- **Cryptocurrency:** The latest evolution in the form of money, offering decentralized and digital transactions without the need for traditional banking systems.

Money is a fundamental concept that facilitates trade, measures value, stores wealth, and extends credit. Its forms and functions have evolved alongside human societies, reflecting changes in technology, economic needs, and societal structures. From commodity and fiat money to digital currencies and cryptocurrencies, the nature of money continues to evolve, shaping and being shaped by the economic activities and innovations of the times.

PUPILS CORNER



Explaining the concept of money to a 15-year-old can be engaging by relating it to their everyday experiences and future aspirations. Let's break down the concept of money into parts that resonate with the interests and understanding of a teenager.

What is Money?

Imagine you're playing your favourite video game, and within this game, you earn coins or points by completing tasks or achieving certain milestones. These coins can be used to unlock special abilities, purchase gear for your avatar, or even trade with other players for different items. In the real world, money functions quite similarly to those game coins but on a much larger and more complex scale.

Functions of Money

- **Medium of Exchange:** Money is like the universal key that unlocks access to virtually everything you want or need. Want to buy the latest smartphone, download your favourite music, or grab a pizza with friends? Money is the tool that allows you to exchange it for these goods and services without having to trade items directly, like how in ancient times people would trade sheep for grains.
- **Unit of Account:** Think of money as the scoring system that helps you keep track of how much things are worth. Just like points in a game, money gives everything a value, making it easier to compare different things. How much is a new video game compared to a concert ticket? Money provides the answers.
- **Store of Value:** You can save money from a summer job or birthday gifts and spend it later on something big, like a car or college tuition. Even though money can lose value over time due to inflation (where prices of things go up), it's still a way to save and plan for future expenses.
- **Standard of Deferred Payment:** Imagine you want to buy a new bike but don't have enough cash right now. You might use a credit card (which is borrowing money) to buy the bike and agree to pay back the money later. Money allows for these kinds of agreements where you can get something now and pay for it over time.

Forms of Money



- **Cash:** Physical money, like bills and coins, is what you might use at a store or to give a friend for splitting the cost of a gift.
- **Bank Accounts:** Much of the money people use today is digital, represented by numbers in a bank account. You can access this money using a debit card, online banking, or mobile payment apps.
- **Cryptocurrency:** This is a digital or virtual form of money that uses cryptography for security. It's like having a special kind of digital money that operates independently of traditional banks. Bitcoin is a well-known example.

Evolution of Money

Money has evolved from bartering (trading goods directly without money), to using precious metals, to paper money, and now to digital forms. Each step made trading easier and more efficient. Just like how technology evolves (think of the transition from flip phones to smartphones), so does the way we use and think about money.

Why Does It Matter?

Understanding money is crucial because it impacts almost every aspect of your life. Whether you're saving up for something special, planning your future career, or just wanting to hang out with friends, money plays a role. Being smart with money means you can make informed decisions that help you achieve your goals and enjoy life to the fullest.

By relating the concept of money to a teenager's interests and experiences, it becomes more than just an abstract idea—it's a tool that empowers them to navigate the world more effectively.

Managing and Planning Income and Expenditure

Managing and planning income and expenditure is a fundamental aspect of personal finance that involves organising and controlling your financial resources to meet your life goals, both immediate and long-term. This process is critical for achieving financial stability, security, and eventually, independence. Let's break down what it entails, especially in a way that's accessible and relevant:



Income Management

Income management involves understanding and maximising your earnings from various sources, which could include:

- Salary/Wages: Money earned from working a job.
- Investments: Returns or dividends from stocks, bonds, or other investment vehicles.
- Savings Interest: Interest earned from money saved in a bank account.
- Gifts or Inheritance: Money received from family or as part of an inheritance.
- Other Sources: Any other income, such as freelancing, part-time jobs, or selling items online.

Managing your income effectively means tracking how much money is coming in, when it arrives, and how stable it is. For young people, this could involve budgeting their allowance, any money made from part-time jobs, or savings from gifts.

Expenditure Planning

Expenditure planning is about understanding and controlling where your money goes. This includes:

- Fixed Expenses: Regular, unchanged payments like rent, tuition fees, or subscription services.
- Variable Expenses: Costs that vary, like food, entertainment, and personal spending.
- Unexpected Expenses: Out-of-the-blue costs such as car repairs, medical bills, or emergency travel.

Planning your expenditures requires setting a budget that accounts for all these types of expenses, prioritizing necessary spending, and finding ways to reduce costs where possible.

Steps for Effective Management and Planning



- **Set Clear Financial Goals:** Define what you want to achieve with your money, both in the short term (like buying a new laptop) and long term (such as saving for college or a car).
- **Create a Budget:** A budget is a plan that shows how much money you expect to receive and how you intend to spend it. It helps you prioritize your spending on what matters most to you.
- **Track Your Spending:** Keeping an eye on where your money goes can help identify unnecessary expenses, adjust habits, and reallocate funds towards your goals.
- **Save Regularly:** Part of managing your income involves setting aside a portion for savings. This can provide a safety net for unexpected expenses and help fund future goals.
- **Invest Wisely:** For long-term growth, consider investing a portion of your savings in stocks, bonds, or other investment vehicles, understanding the risks and returns involved.
- **Review and Adjust:** Your financial situation and goals will change over time. Regularly reviewing and adjusting your budget and financial plans is crucial to stay on track.

Importance

Managing and planning income and expenditure give individuals an opportunity to make informed financial decisions, avoid debt, save for the future, and achieve financial security. For young people, developing these skills early on lays the foundation for a lifetime of financial well-being, enabling them to navigate life's financial challenges and opportunities more effectively.

Expenditure

Expenditure refers to the money you spend on various things in your daily life. For a 15-year-old, understanding expenditure is about recognizing the different ways you might use your money and how to make smart decisions with it. Here's a breakdown of what expenditure means and how it applies to you:



Types of Expenditures

Fixed Expenditures: These are costs that don't change much from month to month. For you, this might not include many things since you're likely not paying for rent or utilities, but it could include a monthly subscription to a gaming service or a phone bill if you're responsible for that.

Variable Expenditures: These costs can change based on how much you use something or how often you buy it. For example, spending money on movies, snacks, or going out with friends. The more you do these things, the higher your expenses.

Discretionary Expenditures: This is money spent on things you want but don't necessarily need. This could be the latest video game, fashion items, or anything else that's more about enjoyment rather than necessity.

Non-discretionary Expenditures: These are the must-haves, things you need to spend money on, like school supplies or maybe a bus pass if you use public transportation to get to school.

Managing your expenditure

Understanding your expenditures is the first step in managing your money wisely. Here's how you can do it:

- **Track Your Spending:** Keep a record of everything you spend money on. You can use a simple notebook, a spreadsheet, or a budgeting app. This will help you see where your money goes.
- **Set a Budget:** Based on your tracking, set a budget for yourself. Allocate certain amounts for your needs (non-discretionary) and wants (discretionary). This helps you control your spending and save money.
- **Prioritize:** Learn to differentiate between what you need and what you want. Prioritizing your spending on needs before wants can help you manage your money better.



- **Save for Big Purchases:** Instead of spending all your money at once on a big purchase, plan for it. Set aside a little money each time you get some until you have enough for what you want.
- **Emergency Fund:** Try to save a bit of your money for unexpected expenses. This could be anything from replacing a broken phone to unexpected school expenses.

Example

Imagine you have €100. You might decide to save €20 for something big you want later, like a new bike. Then, you might have a fixed expense, like a €10 subscription service you pay for every month. That leaves you with €70. You decide to save €20 of that for any unexpected things that might come up, leaving you with €50 to spend on variable and discretionary expenses through the month.

Understanding and managing your expenditures is all about making choices that fit within your budget while still allowing you to enjoy the things you like. By being mindful of your spending habits, you can make your money work better for you.

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Let's imagine you're a 15-year-old named Fredo who's starting to think about money management due to a combination of allowance, money from additional jobs, and a keen interest in saving for a big purchase. Here's a practical, step-by-step approach to managing and planning your income and expenditure.

Step 1: Understanding Your Income

- **Allowance:** Fredo gets €30 a month from their parents.
- **Additional Jobs:** Babysitting and doing chores at home bring in an extra €70 on average per month.

Total Monthly Income: €100



Step 2: Define Your Financial Goals

Fredo has two main goals:

- Short-term Goal: Save up for a new gaming console priced at €300.
- Long-term Goal: Start saving for college.

Step 3: Listing Expenditures

Jamie's expenses could include:

- Recreational Expenses: Going out with friends, movies, etc., estimated at €40 per month.
- Savings for the Gaming Console: Jamie decides to save €50 per month towards this goal.
- College Savings: Wants to start with a modest €10 a month.

Step 4: Creating a Budget

Based on Jamie's income and goals, they draft a budget:

- Monthly Income: €100
- Allocated Spending:
 - Recreational: €40
 - Console Savings: €50
 - College Savings: €10
- Total Expenses: €100

Step 5: Spending Tracking

Fredo uses a notebook (or a budgeting app) to jot down every expense, ensuring they stick to the €40 limit for fun activities and don't dip into savings earmarked for other goals.

Step 6: Adjusting the Plan

After a couple of months, Fredo notices they're consistently spending only €30 on recreation. They decide to adjust their budget, adding the extra €10 to their console savings, bringing it to €60 a month.



Step 7: Review and Celebrate Achievements

- **Short-term Goal:** Within five months, thanks to budget adjustments and an unexpected birthday gift, Fredo purchases the gaming console.
- **Long-term Goal:** The college savings grow slowly but steadily, instilling a habit of saving for the future.

Key Takeaways for Fredo

- **The Importance of Budgeting:** Fredo learns the importance of tracking income and expenses, understanding that a budget is a living document that can (and should) be adjusted as circumstances change.
- **Setting Priorities:** Deciding to cut back on recreational spending to save for the console teaches Jamie about setting and sticking to financial priorities.
- **The Satisfaction of Reaching Goals:** Buying the gaming console through savings, not debt, offers a tangible sense of achievement and the motivation to tackle bigger financial goals, like saving for college.

Summary

For Fredo, managing and planning income and expenditure becomes a rewarding journey of financial discovery. They learn valuable lessons in budgeting, prioritizing, and adjusting financial plans to meet both immediate desires and long-term aspirations. This experience not only brings Jamie closer to their financial goals but also builds a foundation for responsible money management in the future.

Why Does Time Matter?

Time plays a crucial role in managing finances for several key reasons. Understanding these can help young individuals, like a 15-year-old, grasp the importance of starting early when it comes to financial planning and investment. Here's why time is so significant:

1. Compounding Interest



Compounding interest is often referred to as the eighth wonder of the world for a good reason. It means earning interest on interest. The longer your money is invested, the more time it has to grow exponentially. For example, if you start saving a small amount of money regularly at the age of 15, by the time you're 30 or 40, that amount could grow significantly more than if you started saving the same amount regularly at 25 or 30 due to the power of compounding.

2. Habit Formation

Starting early with financial management helps in forming good habits, such as saving, budgeting, and investing wisely. These habits, once ingrained at a young age, become second nature and can lead to a more secure financial future.

3. Risk Tolerance

Time affects your ability to take risks. The younger you are, the more time you have to recover from financial setbacks. This means you can afford to invest in higher-risk (and potentially higher-return) investments because you have time on your side to ride out the ups and downs of the market.

4. Financial Goals Achievement

Whether it's buying a car, owning a home, or saving for retirement, all financial goals require time to achieve. Starting to save and invest early gives you a longer timeframe to achieve these goals and can reduce the pressure of having to save larger amounts of money in a shorter period later in life.

5. Learning from Mistakes

The earlier you start dealing with finances, the more time you have to learn from your mistakes. Financial literacy improves with experience. Making financial decisions from a young age allows you to learn valuable lessons that can be applied throughout your life, leading to better financial decisions in the future.

6. Inflation Impact



Inflation reduces the purchasing power of money over time. Starting to save and invest early can help counteract the effects of inflation, ensuring that the value of your money doesn't diminish as much over time.

7. Opportunity Costs

Time also relates to opportunity costs—the benefits you miss out on when choosing one alternative over another. The sooner you invest your money, the less opportunity cost you incur because the money has more time to grow compared to if it were spent or invested later.

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Imagine you start saving €10 a week at the age of 15, and you invest that money in an account with an average annual return of 5%. By the time you are 65, you would have contributed €26,000 of your own money, but due to the power of compounding interest, your investment could grow to over €100,000.

Conversely, if you waited until you were 30 to start saving the same amount under the same conditions, your investment would grow to a significantly smaller amount by the age of 65 because it had less time to benefit from compounding interest.

In essence, time is a non-renewable resource in financial planning. Starting early maximizes the potential for growth, reduces the need for larger contributions later, and provides a cushion to absorb financial shocks, making it a cornerstone principle of effective financial management.

Setting financial goals

Setting financial goals is a critical step towards achieving financial stability and success. Here's a structured approach tailored for anyone looking to organize their financial aspirations effectively:

1. Reflect on Your Values and Priorities

Identify What Matters Most: Think about what you value in life, whether it's financial independence, homeownership, education, travel, or retirement. Your goals should reflect what is most important to you.

2. Perform a Financial Self-Assessment

Analyse your current financial situation: Assess your income, debts, expenses, savings, and investments. Understanding where you stand financially helps set realistic goals.

3. Set SMART Financial Goals

Specific: Define clear, concrete goals. Instead of "save money," aim for "save €5,000 for an emergency fund."

Measurable: Ensure your goal is quantifiable to track progress. In our case - 5000 euros.

Achievable: Your goal should be realistic, considering your financial situation. Is it possible to do it? The goal should not be too hard or too easy to achieve.

Relevant: Make sure the goal aligns with your long-term objectives and values.

Time-bound: Set a deadline to keep yourself accountable.

4. Categorise your goals

Short-Term Goals (1 year or less): These could include saving for a vacation, paying off a small debt, or building an emergency fund.

Medium-Term Goals (1 to 5 years): Such as saving for a down payment on a house or paying off significant debts.

Long-Term Goals (5 years or more): Retirement savings, funding a child's education, or paying off a mortgage.

5. Create an action plan

Break Down Your Goals: Divide each goal into manageable steps. For a savings goal, decide how much you need to save each month.

Adjust Your Budget: Find areas in your budget to cut back on or reallocate funds toward your goals.

Choose the Right Tools: Consider using savings accounts, investment accounts, or budgeting apps to help you stay on track.

6. Monitor and adjust your goals regularly



Review Progress: Schedule regular check-ins (monthly or quarterly) to assess your progress towards each goal. This will help you stay motivated and make necessary adjustments.

Be Flexible: Life changes, and so may your goals. Don't hesitate to modify your goals as needed.

7. Celebrate achievements

Reward Yourself: When you reach a financial goal, celebrate the achievement. This can motivate you to continue working towards other goals.

8. Seek professional advice

Consider consulting a financial advisor: If you have complex financial goals or need guidance, a financial advisor can provide personalized advice to help you navigate your financial journey.

By following these steps, you can set effective financial goals that are aligned with your values and life plans, providing a clear path toward financial well-being.

By following these steps, you can set effective financial goals that are aligned with your values and life plans, providing a clear path toward financial well-being.

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Setting financial goals at the age of 15 is a brilliant way to cultivate a sense of responsibility and forecast money. Here's a list of realistic and aspirational financial goals that a 15-year-old might consider, aiming to achieve them by the age of 30. These goals are designed to balance immediate rewards with long-term ambitions, encouraging both discipline and vision.

- Establish a Solid Savings Account

Short-term Goal: Start by saving a portion of any money you receive or earn, aiming to have a specific amount saved by the time you're 18.

Long-term Goal: By 30, aim to have an emergency fund that covers 6 months of living expenses.

- Invest in Education

Short-term Goal: Save for college, trade school, or any form of higher education to minimise or avoid student loans.



Long-term Goal: Complete your education with as little debt as possible, investing in your ability to earn a higher income in the future.

- Learn to Invest

Short-term Goal: Begin learning about the stock market, mutual funds, or other investment vehicles. Perhaps start with a small, manageable investment account to get hands-on experience.

Long-term Goal: Build a diversified investment portfolio that will grow over time, setting a foundation for wealth accumulation.

- Build good credit

Short-term Goal: Learn about credit scores and how they impact financial opportunities. As you approach 18, consider ways to start building good credit responsibly.

Long-term Goal: Achieve and maintain a high credit score by 30, ensuring you can access the best rates for any loans or mortgages you may need.

- Own a vehicle

Short-term Goal: Save enough money to buy a used car outright or make a significant down payment to minimise loan costs.

Long-term Goal: Own a reliable vehicle without a loan, or if a loan was necessary, pay it off as quickly as possible.

- Real estate investment

Short-term Goal: Educate yourself about the real estate market and what it takes to buy property.

Long-term Goal: Aim to own property, whether it's your primary residence or an investment property, by the age of 30.

- Start a retirement fund

Short-term Goal: As soon as you're eligible (usually by your first job that offers a 401(k) or through setting up an IRA), start contributing to a retirement fund, even if it's a small amount.

Long-term Goal: By 30, have a well-established retirement fund that you consistently contribute to, taking advantage of compound interest over time.

- Develop multiple income streams

Short-term Goal: Explore and develop skills or hobbies that could turn into side hustles or passive income streams.



Long-term Goal: Establish additional sources of income beyond your primary job to enhance financial security and independence.

- Achieve financial independence

Short-term Goal: Learn about and start practising the principles of financial independence, including living below your means and investing in assets.

Long-term Goal: Be in a position where you're not living pay check to pay check, with investments or savings generating enough income to cover your basic living expenses.

- Give back

Short-term Goal: Start with small acts of giving, whether donating a portion of your income to charity or volunteering your time.

Long-term Goal: Incorporate philanthropy into your financial plan, aiming to make more significant contributions to causes you care about by the age of 30.

Achieving these goals requires discipline, education, and a proactive approach to managing money. Starting at 15, with clear targets and a plan, can set the stage for a financially healthy and rewarding future.

Checking understanding

Case Study: Maria's Birthday Budget

Background:

Maria is a 15-year-old high school student who wants to host a memorable birthday party for her 16th birthday. She has been saving her allowance and money from Christmas cash presents and home chores for the past year. Maria's goal is to plan a fantastic party without draining all her savings, as she also aims to buy a new laptop for school.

Financial Situation:

Total Savings: €500

Laptop Fund: Maria wants to keep at least €300 towards her laptop fund.

Available for the Party: This leaves Maria with €200 to plan her birthday.



Planning and Budgeting:

Maria starts by listing all the expenses she anticipates for her party:

Come up with three scenarios for managing her birthday party.

One positive scenario:

Venue: Mia decides to host the party at her house to save money on renting a space.

Food and Drinks: Estimated cost - €100 for homemade snacks, a birthday cake, and drinks.

Decorations: Estimated cost - €30 for balloons, streamers, and DIY decorations.

Entertainment: Mia plans to create a playlist and use her family's sound system, costing €0. She also wants to rent a projector for an outdoor movie, estimated at €40.

Miscellaneous: Maria sets aside €30 for unexpected expenses or to add extra food or activities.

Total Estimated Costs: €200

Execution:

Maria gets creative with her resources. She enlists the help of friends to make decorations and prepare food, reducing costs. Maria also negotiates a better deal for the projector rental at €30 instead of €40 by comparing prices and finding a local vendor willing to offer a discount for a half-day rental.

Outcome:

Total Spent: €180

Savings Leftover: Maria successfully hosts her birthday bash within budget, spending less than anticipated. She even manages to save €20, which she puts back into her laptop fund, leaving her with €320 for her new laptop.

Lessons Learned:

Maria learns the importance of detailed planning and budgeting. By prioritizing her spending, researching to find the best deals, and leveraging her skills and resources, she achieves her goal without compromising her long-term financial goal of buying a laptop. Maria's experience



demonstrates that with careful planning and creativity, it's possible to enjoy memorable experiences while staying financially responsible.

Module 2: Managing and Planning Income and Expenditure

Pre and Post Assessment Questions

Pre assessment questionnaire:

1. What is money?

- coins and banknotes
- complex tool that serves multiple roles in society and the economy
- technology products like electronic transactions and cryptocurrencies

2. Paying 30 euros subscription for Internet is:

- fixed cost
- variable cost
- I am not sure

3. Do you feel confident to manage and plan your income and expenditures today and in a long run:

- not very confident
- moderately confident
- confident
- very confident

4. Why time matters from financial point of view:

- because of Inflation Impact
- because of risk tolerance
- because of compounding Interest
- all of the above mentioned



- none of the above mentioned

Post assessment questionnaire:

1. What is money?

- coins and banknotes
- complex tool that serves multiple roles in society and the economy
- technology products like electronic transactions and cryptocurrencies

2. Paing 30 euros subscription for Internet is:

- fixed cost
- variable cost
- I am not sure

3. Do you feel confident to manage and plan your income and expenditures today and in a long run:

- not very confident
- moderately confident
- confident
- very confident

4. Why time matters from financial point of view:

- because of Inflation Impact
- because of risk tolerance
- because of compounding Interest
- all of the above mentioned
- none of the above mentioned



Sources, Additional materials, Tips and tricks

If you would like to dig more:

Money - <https://www.forex.com/en/news-and-analysis/types-of-money/>

Research and resources - <https://www.consumerfinance.gov/consumer-tools/educator-tools/youth-financial-education/resources-research/>

Measurement Guide - [Building Blocks to Help Youth Achieve Financial Capability: Measurement Guide](#)

OECD Financial Education - [Financial literacy of students and young people](#)

Ideas for activities:

Financial literacy activities - [Find financial literacy activities](#)

Storing my savings - [Storing my savings | Consumer Financial Protection Bureau](#)

Financial games - <https://playmoneysmart.fdic.gov/games>

Module № 3 Saving Investing and Credit

Ass. Prof. Virginia Ivanova, PhD, VFU “Chernorizetc Hrabar”

| | | |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Aim | To help participants manage their money - to save and invest it, to learn how to properly use foreign money in the form of credits and loans. | |
| Target group | 14-15 years old pupils (primary target group) | |
| Descriptor | <ul style="list-style-type: none"> ● Understand what saving means in financial literacy ● To understand what investing means ● To understand what credit is | |
| Learning objectives | <ul style="list-style-type: none"> ● Understanding why it is important to save money, how to save money, where to save it, the types of savings accounts, understands the relationship between inflation, interest rates (nominal/real) and savings and etc. ● Create awareness about how to invest, where and in what to invest, types of investments, why the important role of investing in our lives, to understand what a stock exchange is and in general what capital markets are and can identify investment products (shares, bonds, investment funds) and etc. ● To understand why people use the opportunity to take a loan from a financial institution, why it comes to lending to the population, to understand what are your obligations, advantages and risks of obtaining a loan or credit, what is a credit and debit card, why are used in practice and other issues related to lending | |
| Topics & Learning outcomes | Topics | Learning outcomes |
| | Saving | <p>Learners will</p> <ul style="list-style-type: none"> - understand the basic concept of saving; - learn about the importance and benefits of saving; |



| | | |
|--|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | <ul style="list-style-type: none">- Understand the different savings options that can increase the value of money;- Consider alternative ways to help money grow through savings;- Apply simple math concepts to determine the future value of money.- Improve your financial knowledge and saving skills and other. |
| | Investing | <p>Learners will</p> <ul style="list-style-type: none">- understand the basic concept of saving;- learn about the importance and benefits of saving;- Understand the different savings options that can increase the value of money;- Consider alternative ways to help money grow through savings;- Apply simple math concepts to determine the future value of money.- Improve your financial knowledge and saving skills and other. |
| | Credit | <p>Learners will</p> <ul style="list-style-type: none">- understand the basic concept of saving;- learn about the importance and benefits of saving;- Understand the different savings options that can increase the value of money;- Consider alternative ways to help money grow through savings;- Apply simple math concepts to determine the future value of money.- Improve your financial knowledge and saving skills and other. |



Module 3: Saving, Investing and Credit

Module Introduction

Introduction

Financial Literacy is about having an understanding of how to spend, save, and invest money, making optimal use of available financial products and resources. It is the ability to make decisions in order to get maximum returns on our investments, based on proper knowledge about our finances, with appropriate skills that help us use money responsibly. We need money in our day-to-day lives, be it to buy our favourite clothes, food or to pay our bills. Thus, it is extremely important to save and invest money. Being financially literate helps in improving our standard of living while also fulfilling our goals in life. Further, having a proper understanding about money makes us less prone to financial frauds or debts, thereby helping us plan better for our future.

Topics related to saving, investing, using various financial instruments for saving and investing, using banking services and products for proper storage of money, investing are some of the most important and fundamental topics for the development of financial literacy in children, teenagers and people as a whole. These topics are closely related to the topics of Making spending decisions, family budget management, personal budget management, Spending money and other financial topics.

Saving money helps in making our future secure, makes us ready for emergencies and also helps us prepare for specific occasions.

Investing money involves putting savings into financial instruments (such as, mutual funds, stocks, etc.) to generate additional income. The module focuses on credit and lending as opportunities to use other people's money rather than one's own. Here is the role of the financial institution, for example the bank, how and why it can grant credit to a person, what obligations the client of the bank has when using credit and debit cards.

This module is prepared at the level of students in the age group of 14-15 years.



Keywords of the Modul 3: money, saving, needs, goods, services, types of saving, security of saved money, savings account, savings rate, nominal interest rate, real interest rate, investing, types of investing, stock market, shares, bonds, investment funds, bank, financial institution, credit, loan, expenses, debit card, credit card, customer credit history, interest.

Module 3: Saving, Investing and Credit

Theoretical ground

TOPIC 1: SAVING

What is saving?

Saving is when you don't spend all the money you have that you've earned. Because you "save" it. It is the process of setting aside money for future use rather than spending it right away.

Savings is the part of income that is not spent on current expenses. In other words, it is the money set aside for future use and not spent immediately. Why should we save money? Savings can be used to achieve short-term goals, such as buying a mobile phone, new clothes, and more, or longer-term goals, such as continuing education, or buying a car or house.

Saving money can also help us cover unexpected expenses, such as illness, replacing an appliance that cannot be repaired, or emergency travel.

Also, the savings can be invested and as a result you get a profit on the money you set aside.

This means that not only will you have funds available to spend later, but you'll also earn money in the process

Saving money.

What is money? Once you understand this fundamental question, then you will be closer to being able to control it and accumulate it. Money is simply a method of exchange. Instead of exchanging goods, you exchange money for them. When you realize that accumulating and saving money leads to the desire to accumulate more. That's why starting a basic savings



account is essential to building your wealth. This allows your money to be stored safely. Most often, this happens at the banks where you open a savings account.

An important aspect of saving is what needs you have and where you will direct the money to meet them. The more needs you have identified, the more money will go towards them. This is a very important aspect of finance to understand because monetary wealth only accumulates when the inflow of money exceeds the outflow (spending of money). What you define as your needs indicates the outflow of income. Arguably, those who accumulate wealth tend to be those who have less defined needs than their peers.

Why is saving money important?

Because saving is a good practice not only for families, businesses and entrepreneurship, but also for the economy as a whole.

Cultivating the habit of saving is beneficial for both individuals and groups. If you save money instead of spending it at a kiosk or store, you will achieve a bigger goal, like buying a pair of sports shoes, with less or even no effort! Plus, your family can use the money you've saved more effectively, such as making some home improvements or replacing an appliance.

Where can you save?

Where you save depends on how much and what type of saving you do. You can track your savings using different methods or accounts to achieve different goals. Some smaller savers keep their money in a box or piggy bank. They may work well for small amounts of money and short-term savings, but are not recommended for long-term saving.

You want your money to be safe. For your savings, you should consider deposit accounts, such as savings accounts, checking accounts, certificates of deposit, and money market accounts. It's a good idea to keep your money in a financial institution such as a savings bank, commercial bank, or credit union. These institutions offer financial services, including checking and savings accounts. Money saved in these institutions can be protected against loss, unlike money at home, which can be lost or stolen. In addition, you can also potentially earn interest, which is profit on your savings.

What is a savings account?

A savings account is an account that allows you to keep your money safe and earn interest.

Savings accounts are a basic bank account that allows money to be deposited. It allows you to



withdraw money when you need it. Savings accounts are offered by many banks, credit unions and other financial institutions.

A savings account is a type of deposit account that you can use to save money and not spend it right away. Savings accounts are focused on saving and allow you to save money for specific goals. For example, you can open a savings account for your emergency fund or just for general savings.

As an incentive to save money, many savings accounts offer interest. Deposited money earns interest, which is then deposited back into your account. Financial institutions use savings and other deposit accounts to fund loans for their customers.

How to open a savings account?

You can find savings accounts at almost every bank and credit union, including online banks. For those banks and credit unions that offer savings accounts, you can visit a branch or open an account online.

Very often, people compare the conditions for opening a savings account in several banks and choose the best for them, and in most cases the motive is the interest on the savings account and the fees for servicing it. To fund the account, some institutions require you to make a minimum deposit when you open an account. Others allow you to finance it later.

What is the cost of savings accounts?

Savings accounts are often free, but there are some limitations and potential costs. You will probably need to maintain a minimum account balance. If you don't maintain the minimum balance, banks may charge a monthly or annual fee. If your account balance drops below zero, additional charges are likely to be taken from your account, although some banks lower minimum deposits for students.

Savings accounts are a good idea for many reasons, including the ability to earn interest. Savings accounts are a safe place to store your money. You can make sure you have enough money to meet your savings goals by opening a savings account and then making regular deposits.

Defining and understanding the savings rate.

The savings rate is the ratio of personal savings to disposable personal income and can be calculated for the economy as a whole or at the individual level. Your savings is disposable income minus expenses, such as credit card payments, utility bills, taxes, and more.



How to calculate your savings rate?

The savings rate is the percentage of disposable personal income that is saved rather than spent on consumption or debt.

Here's an example. Let's say your net income is EUR 24,000 a year after taxes (i.e. your disposable income) and over the course of the year you also spend EUR 23,000 on consumption, bills and other expenses. Your total savings is EUR 1,000. Dividing savings by disposable income gives a savings rate of 4.1% = $(\text{EUR } 1,000 / \text{EUR } 24,000 \times 100)$.

Using this approach, if you have EUR 30,000 left over after taxes (disposable income) and spend EUR 24,000 on expenses, your savings is EUR 6,000. Dividing the savings by your disposable income gives a savings rate of 20% $(\text{EUR } 6,000 / \text{EUR } 30,000 \times 100)$.

Understands the relationship between inflation, interest rates (nominal/real) and savings.

Interest is the cost you borrow money at, as well as the money you earn from your savings. In other words, if you take a loan from the bank, the interest is what you will pay for it. When you put your money into a savings account, interest is the income you get from the bank for your savings.

Interest rates show this expense or income as a percentage of the amount you have borrowed or lent (since your savings are a form of lending money to the bank).

Nominal interest rate.

Nominal interest is the rate that is actually agreed upon and paid. For example, it is the interest rate that homeowners pay on their mortgages or that savers receive on their deposits. Borrowers pay nominal interest and savers receive it.

The nominal interest rate is the rate advertised by banks, debt issuers and investment firms for loans and various investments. This is the stated interest rate paid or earned to the lender or investor. So, if you, as a borrower, get a loan of EUR 100 at 6% interest, you can expect to pay \$6 in interest. The rate is marked up to take inflation into account.

Nominal interest rate = real interest rate + projected inflation rate



Inflation refers to the rise in prices of goods and services. As the rate of inflation increases (meaning these goods and services become more expensive), the amount we can buy with our money decreases. This is called a loss of purchasing power. Continued inflation can erode not only what we can afford to buy, but also our savings and investments. Loss of purchasing power and revenue can be problematic for consumers and businesses. That's why the projected rate of inflation is added to real interest rates for a nominal interest rate that will pay the lender or investor a rate high enough to offset what inflation will eat away at their actual return.

Real interest rate.

For both borrowers and savers, not only the nominal amount is important, but also how many goods, services and other things they can buy with this money. This is what economists call the purchasing power of money. It usually decreases over time as prices rise due to inflation.

Accounting for inflation reveals the real cost of borrowing and the real return on savings.

A real interest rate is the interest rate that is added to the projected rate of inflation to arrive at the nominal interest rate. Simply put, this interest rate gives an idea of the actual return received by a lender or investor after confirming the level of inflation. This type of rate is considered an estimate when the true rate of inflation is unknown or expected.

You can also calculate the real interest rate associated with a loan or investment product. To do this, you first need the nominal rate and the actual or projected inflation rate:

Real interest rate = nominal interest rate - projected inflation rate

The formula above is derived from the Fisher effect. Developed by economist Irving Fisher in the 1930s, it is the theory that interest rates rise and fall in direct relation to changes in inflation rates. This suggests that the real interest rate—or the return received by lenders and borrowers—falls as inflation rises, while nominal interest rates rise with inflation.

For example:

Suppose a bank lends €200,000 to a home buyer at a nominal interest rate of 3%. Let's assume inflation is 2%. The real interest that the borrower pays is 1%. The real interest that the bank receives is 1%. While this occupancy rate may be good for the home buyer, it may not be profitable for the lender.



Another example:

A saver who deposits €1,000 in an account over a period of one year can have a nominal interest of 2.5% and thus after one year receive €1,025. However, if prices rise by 3%, he will need €1,030 to buy the same goods or services that would have cost him €1,000 a year earlier. This means that the real yield is actually -0.5%. This is the real interest rate, which is calculated by subtracting the inflation rate (3%) from the nominal interest rate (2.5%).

Key Differences between Nominal Interest Rate and Real Interest Rate

| <i>Nominal Interest Rate</i> | <i>Real Interest Rate</i> |
|--------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|
| Rate advertised by financial institutions for loans, savings accounts, and investments | Shows the real cost of borrowing and real returns from investing |
| Equals real interest rate plus inflation | Equals real interest rate plus inflation |
| Is higher than the real interest rate to provide profit to lenders and investors, given inflation rate | Can be negative if inflation is higher than nominal rates |
| Often used more by borrowers and lenders | Often used more by investors and analysts |

Some recommendations to encourage the child to understand and apply the skill of saving. What is the role of the family or the financial literacy teacher in school?

1. Discuss with the child the difference between wants and needs.

Both children and adults can in theory distinguish products and services that are vital to our normal and healthy lives (i.e. Need) from those that we use to give ourselves additional pleasure, goods and services that we can and without them, but we satisfy our Desires. But to acquire the right financial habits and literacy, it is important not just to understand the difference, but to be aware of it as a consumer and human behaviour. This in adulthood helps children to allocate their expenses according to priority purchases and to properly plan their budget.



When the gratification of desire is postponed over time, a person learns patience, expediency, planning, and appreciation of the value of money. The ability to wait, to consciously postpone your request for the satisfaction of any desire, is especially valuable to realise and learn at an early age of children. Awareness and habits of saving direct attention to precisely these skills.

2. Help the child learn to set his financial goals.

Even in classical finance theory, setting the right financial goals is a difficult process to grasp. Financial literacy aims from an early age to direct a person's attention to believe and acquire skills to set financial goals that will bring results in the future. To discipline the child not to give up, to track the result of the set and realised financial goal. For this purpose, the child must be motivated, as well as the overall motivation of the family, to learn to save, monitor the progress of their savings and define their financial goal to which they will strive, for example, the dream and desired clothes, toy, technology, travel or other emotional experience.

In the first steps toward financial literacy, the role of the parent and teacher is to help the child set a goal that is realistic and age-appropriate. The younger the child, the more short-term the goal should be, and with increasing age, the goal can be more long-term and, accordingly, require more financial resources. The younger the child, the faster enthusiasm for long-term savings and the realisation of wishes and expectations is lost. As a person grows older, he begins to think more about how and what to direct his savings to.

When determining the goal for which we will save, the child should be guided carefully to different options, but necessarily be left alone to make decisions, and someone else for him. In order to have a real internal incentive to achieve their financial goal, the focus must be on an achievement desired by the child himself, so he does not lose motivation and give up.

3. Parents should monitor and discuss the child's savings progress together.

It is positive that the child is encouraged to monitor the progress of his money savings. This works as a stimulator of our work, when we see our progress and the results of our discipline and persistence, it motivates us to keep doing it.

With the youngest children, it is good that the piggy bank is transparent, so that the child can visually see his progress continuously. It should be large enough to collect the money for which it is intended, but not too large so that what is collected in it is not "lost" and prevents progress from being seen. For the little ones, the periodic monitoring and counting of the savings is also a kind of lesson in counting money, through which they learn the difference and the conversion



between pennies and levs. Parents should be in the role of financial consultants and work with the child to realise his goal from the funds he has saved.

4. Discuss different sources of funds for savings.

Along with the progress, discuss with the child where and from what he can save, what sources of income he can have. Provoke him to think and look for them. For example, for teenagers, this can be cash and gifts for the holidays, the rest of the money given to buy a product from the store, etc. For older children, such sources of savings can be, for example, money earned from their own work, scholarships, savings from pocket money, money received from holidays and gifts, etc.

5. Parents should set a good example with their savings.

Children learn mostly through action and imitation. Therefore, when parents give themselves as an example to save money, they should give correct messages to their actions, not misleading ones that confuse the child's mind. As an example, parents can tell their children what and how they saved at different ages, where they made progress, where they failed, where they encountered difficulties and how they overcame them. A positive impact on financial planning is sharing about the parents' current and future plans for the family's financial goals, savings options, and if the child is at the right age to understand and put forward financial issues, he can take a stand on his parents' issues.

6. Let the child try and make mistakes.

Parents, as the most closely related to their children and as their financial advisors in early and teenage years, can intervene, monitor, encourage, but not at all costs be in the role of judges of the funds spent from the savings. From a young age, a person must allow himself to make a mistake in a given area, sphere, activity, in order to be able to realise the error and difficulties in setting and achieving a corresponding goal. Mistakes are as important as successes in people's lives. When the mistake is realised and discussed with the child, he becomes more aware, responsible and begins to understand that from personal experience he can change his consumer behaviour and attitudes, his attitude to money, his personal budget and savings.

TOPIC 2: INVESTING

What are investments?



Investing is mainly based on the principle of investing money for the long term in anticipation of an increase in its value. Investing is the process of buying assets to generate income.

The word "investment" comes from the verb "to invest," which means using money in a way that is intended to bring income and higher returns in the future.

Main characteristics of investments.

Here are some of the key features of the investments:

- a means of using the capital;
- alternative source of income;
- presence of risk;
- the amount of potential profit changes;
- is influenced by liquidity and a number of other factors.

Types of investments.

When investing, different types of assets can be purchased, for example - stocks, bonds, real estate, currencies or other securities. In addition, it can be about short-term and long-term investments. Another distribution of investments divides them into real (purchase and possession of capital in various forms), as well as financial (securities, leasing, credit).

The role of investments in our life.

Unlike saving, investing money gives people a chance to increase their wealth. This chance is always accompanied by risk, which is usually directly proportional to the amount of potential return.

Attracting investment to a country can lead to its growth, increase in living standards, opening of new jobs and businesses.

Investing is a means of preserving wealth over time by purchasing assets that are expected to appreciate in value over time. Most investors gravitate toward lower-risk investments so they don't put their money into unexpected expenses. However, the basic principle in the financial world is that the greater the amount invested and the risk taken, the greater the potential return. Investments are part of our lives. They allow money to acquire value and use its full potential as a resource to realize profitability. It is important for any investor to follow a strategy based on a clear understanding of opportunities, assets, investment benefits and risks, potential profit, as well as financial forecasts, analysis and strategies.



Also, savings are highly liquid and available for immediate use (eg using a debit card to make a purchase). Investments, on the other hand, must first be sold for usable money. This may take some time and you may incur transaction costs. Investments, by definition, imply some kind of long-term time horizon that allows money to grow and appreciate.

The relationship of investing with stock markets.

What is the stock market?

A stock exchange is a place where securities such as stocks and bonds are traded. In fact, stock exchanges provide a gathering place for companies seeking capital to finance their business operations and investors who own capital and are willing to invest in a particular business to benefit from its potential success.

Exchanges allow companies traded on them to raise capital and investors to make informed investment decisions using real-time asset price information.

The sum of multiple stock exchanges in a country creates a stock market. Although the two terms stock exchange and stock market are often used interchangeably, you should still differentiate between them.

Officially, the first stock exchange in the world was established way back in 1653 in Amsterdam. But there were stock exchanges beginning centuries earlier in Venice and Verona, as well as in France and Belgium. Japan is also a country with a very serious, centuries-old history in stock trading.

Types of stock exchanges and stock markets.

Stock exchanges can either be a physical location or an electronic trading platform. It is quite normal for the digital age we live in that electronic trading of shares is much more common than trading on physical exchanges due to its accessibility. Stock markets can be divided into two main types according to their functions. These are:

- Primary stock market;
- Secondary stock market.

The primary stock market is a source of new securities such as stocks and bonds. In this market, companies sell stocks and bonds for the first time through a process called an initial public offering, also known as an IPO.

In practice, the primary market is the first opportunity for investors to buy securities, and the capital raised goes to the company that issued those securities (most often stocks or bonds).



However, you should keep in mind that the primary market is highly volatile, as it is where securities are listed for the first time and their exact market price has not yet been established.

low liquidity.

-a security can be sold only once.

In the secondary stock market, investors trade with each other already created securities. Here transactions are done between buyer and seller through the stock exchange. In secondary market trading, the company that issued the shares is no longer a party to the transactions.

Here are the main features of secondary stock markets:

- the securities here are already traded at a price that is determined on a market basis;

- high liquidity;

-securities can be bought and sold repeatedly.

Why do stock markets exist?

Stock markets have many different key characteristics, some of which are:

- discovery of market prices of securities. At the moment, no more effective method of determining the price of shares has been found.

- the validation of transactions for the purchase or sale of shares ensures that all participants are verified and comply with the necessary rules and regulations. In addition to connecting buyers and sellers, stock exchanges must therefore ensure that both parties comply with their obligations and that neither party is harmed.

-although the number of buyers and sellers of shares is beyond the control of the stock exchange, it must ensure that anyone qualified and willing to trade is given immediate access to place orders to buy or sell shares. This ensures liquidity. Liquidity is one of the biggest responsibilities of any stock exchange.

-easy access to buying and selling shares is one of the most proven ways to increase liquidity. In order to list their shares on a stock exchange, companies must be confident that the exchange will provide them with opportunities to reach as many investors as possible.

publicly traded companies are subject to strict regulations such as timely filing of quarterly financial statements and immediate reporting of any related activities, such as insider stock purchases for example. In this way, it is ensured that all market participants are equally informed about the events in the company.



-stock exchanges must protect the interest of every single investor, regardless of the capital at his disposal. For example, the stock exchange may decide that certain stocks are not suitable for smaller investors because they may not be fully aware of the characteristics of such investments.

- stock markets have become a barometer for the performance of a country's economy. The direction of the stock market reflects the direction of a country's economy for a number of reasons.

What is traded on stock exchanges?

The main assets that are traded on stock exchanges are:

- shares;
- bonds;
- derivatives;
- investment funds.

Shares (stocks).

Investments in shares (stocks) represent an equity interest in a publicly traded company.

Companies issue shares as part of a capital raising regime that funds the company's operations.

Equity investments have different growth prospects and are typically analyzed based on characteristics such as expected future earnings and price/earnings ratios. Shares can be classified into different categories and can also offer dividends, adding an income paying component to the investment.

A stock is a security that gives ownership of a company's assets and profits. Each share purchase increases your ownership stake in the company and makes you a beneficial owner of its business. Companies sell shares on stock exchanges to raise capital to finance their operations.

Why invest in stocks?

Before making an investment decision, ask yourself the question "Why?". For most investors, stocks are a very good and profitable asset. The main reasons for investing in stocks among analysts are:

- Shares are a profitable tool. This is because with a good development of the company, everyone wins - shareholders, management, employees, customers and others. In contrast, Forex trading, for example, is a zero-sum game, i.e. one must lose for another to win.



– High (non-fixed) yield. Stocks are the highest-yielding investments historically, and there are many examples of positions that have returned tens of thousands of percent in just one year (which is not advisable to look for such companies while you are a novice investor). The other attraction is that when higher risk is taken, higher profits can be made. Some investors look for fixed income financial instruments, others invest in stocks with higher risk and expected higher returns.

– Stocks have a basis. Unlike other investments, stocks are linked to underlying assets such as land, labour, capital and entrepreneurship. If a company is increasing its revenue and profits and has a good business model, even if its stock prices fall, sooner or later it will regain its position in the stock market. That's how the market works.

Before investing in stocks, the first question should be "What is our ultimate goal?". The best answer any of us can give is that stocks will help him achieve his long-term goals set out in his individual financial plan. It's exactly like that for me.

What are the risks of investing in stocks?

There is a direct relationship between the expected return and the level of risk. It always is, regardless of whether there will be people to offer us a "safe investment with high returns", which is not always the case. The only thing that reduces our risk when investing in shares is our knowledge of the company, the market, economic mechanisms and others, that is, our financial literacy, knowledge and skills.

Shares are a risky investment, but the expectations for their performance are also the highest. This yield is of course not guaranteed in any way. Even if the price of a stock has increased by 15% every year, it does not mean that this trend will continue in the future.

The possibility that the price of our shares will fall and we will lose money if we sell them at this time is known as "market risk". Selling when the price falls is usually not a very wise move, but in some situations it is advisable if there is no prospect of the company coming out of the crisis.

The other risk in investing in stocks is liquidity. It is related to the inability to sell our shares due to lack of demand or market constraints. In smaller exchanges around the world this is possible, but in developed countries there is enough liquidity and the risk is minimal.

Currency risk - there is a risk of losing money if we have invested in a currency other than the one in which our main expenses are.



Bonds.

A bond (debt security) is a loan that is issued by the issuer of the bond to be financed in the capital markets. A debt instrument (bonds) is a type of security through which the investor lends to the issuer (the one who issues the bond) for a certain period of time against a fixed income called a coupon.

The one who issues the bonds is called the issuer. This can be a company, municipality, country, etc. Bonds issued by companies are called corporate bonds, and those issued by countries are called State Securities.

Bonds are one of the most popular fixed income investment products. They can be offered by governments or corporations looking to raise capital. Bonds pay interest to investors in the form of coupon payments and offer full repayment of principal at maturity. Investors can also invest in bond funds, which include a portfolio of bonds managed by a portfolio manager for various purposes. Bonds and bond funds are generally classified by credit rating, which offers insight into their capital structure and ability to make timely payments.

Characteristics of bonds.

Bonds have some key characteristics to consider before investing in them:

- the nominal value - it implies the price of a single bond unit issued by an enterprise. Par value is alternatively used to denote the price of bonds. Issuers have a legal obligation to return this value to the investor after a certain period of time.

- interest rate or coupon - bonds charge fixed or floating interest rates throughout their term, which are paid periodically to creditors. Bond rates are also called coupon rates because of the tradition of charging interest on paper bonds in the form of coupons. The interest earned on bonds depends on various factors such as tenure (term of holding the bond), reputation of the issuer in the public debt market.

- bond tenure - tenure or term refers to the period after which the bonds mature. These are financial debt contracts between issuers and investors. The issuer's financial and legal obligations to the investor or creditor are valid only until the end of their term. Thus, they can be distinguished into - bonds with maturities of less than 5 years are called short-term bonds, while tenures of 5-12 years are attributed to medium-term bonds. Long-term bonds refer to those with a maturity of more than 12 years.

- Credit quality of a bond refers to the creditors' consensus regarding the long-term performance of the company's assets. It is determined by the degree of confidence that investors have in the bonds of an organisation. Credit rating agencies classify bonds based on the risk that the company will default on its obligations. These agencies assign risk classification to private market players and categorise bonds into investment grade and non-investment grade debt instruments. Investment grade securities are prone to lower returns due to constant market risk factors, while non-investment grade securities offer high returns with significant risks.

What is an investment fund?

An investment fund is a pool of capital belonging to multiple investors used to collectively purchase securities, with each investor retaining ownership and control of their own shares. An investment fund provides a wider choice of investment opportunities, greater management experience and lower investment fees than investors could get on their own. Types of investment funds include mutual funds, exchange-traded funds (ETFs), money market funds, and hedge funds.

An investment fund is a type of financial product that pools capital from multiple investors to purchase a portfolio of various securities, such as stocks and bonds. This is usually done in order to obtain a higher return than that offered by traditional investments.

Advantages and disadvantages of investment funds

| <i>Potential advantages</i> | <i>Potential disadvantages</i> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Professional management: Investment funds are managed by experienced professionals who have access to market analysis and in-depth research to make informed decisions. | Lack of control: When investing in a fund, investors are entrusting their money with someone else and their decisions. They do not have any control over how and when the money is invested. |
| Diversification: Investment funds enable investors to spread their money across multiple asset classes, sectors, and geographical regions. | Market risk: Investment funds can be very volatile as they are actively managed and can be affected by market changes. This means that the fund can lose value quickly or take longer to reach its target value. |



| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Flexibility: Investment funds provide investors with a range of options. Investors can choose funds based on risk, return and the type of assets they want to invest in.</p> | <p>Lack of liquidity: Some investment funds are not very liquid. They may impose restrictions on when and how investors can redeem their shares.</p> |
| <p>Transparency: Investment funds provide investors with full disclosure of their holdings and the fund's historic performance.</p> | <p>Fees and expenses: Investment funds will often have management fees as well as transaction costs associated with buying and selling securities.</p> |

In conclusion, investment funds may offer a range of potential benefits to investors, such as professional management, diversification, and flexibility. However, like any other investment vehicles, they also carry a number of risks, including the potential for losses and exposure to market fluctuations.

When deciding whether to invest in a fund, investors should do a thorough research and analyse its objectives, strategy, performance history, and fee structure, as well as consider their own financial goals and risk tolerance.

TOPIC 3 : CREDIT

Credit can be a powerful tool for achieving important financial goals. It allows you to make larger, higher-value purchases, such as a home, that you wouldn't be able to afford if you were paying in instalments. However, it is very important to understand how to make sound borrowing and money management strategies when using credit from financial institutions, such as a bank loan. Irresponsible use of credit products can have a negative effect on your financial well-being.

What is credit?

Credit is when you buy now and pay later. This always includes a fee that includes the bank's interest for using that foreign money and oftentimes fees for servicing the repayments on that loan. When you get a loan or use credit, you must pay back the amount you borrowed, plus the interest charged on it. The interest rate is always shown as a percentage of the borrowed money.



Interest is the amount you pay to use someone else's money. The higher the interest rate, the higher the total amount you pay to buy something on credit.

Credit cards, for example, are one of the options for using a bank product in the form of a loan. Some people (especially teenagers) borrow money from relatives or friends and may not be expected to pay interest on it. But when borrowing money from an institution such as a bank or other lending agency, interest is almost always a condition for borrowing that money. Other types of loans besides credit cards are bank loans (loans that have and are conditions of monthly payments), student loans (loans that always have an interest rate that starts after the student graduates, interest rates are usually lower with student loans loans than in instalments), mortgage loans (loans specifically using to buy a home) and others.

Why is credit used?

Because one does not always have the opportunity to satisfy a more expensive need in one's life with available cash. Then it can resort to making a decision to use a loan from a bank, for example. Most often, banks analyse your creditworthiness, whether you have enough financial resources (for example, your salary) to be granted a bank loan. Building a credit history as a user of your bank is also a very important condition. Your credit history provides information about how you have used credit in the past. Having a good credit history can help you in the following areas:

- lenders, such as banks and credit card companies, can use it to decide whether to give you a loan, credit card or mortgage loan;
- property owners can use it to decide whether to rent an apartment to you, for example;
- insurance companies can use it to decide whether to sell you insurance for your car or home;
- employers can use it to decide whether to hire you and others.

Your credit score shows how likely you are to repay the loan based on your credit history. A good credit score can help you get a lower interest rate when you need to borrow money from a bank, for example.

How to build a good credit history?

Pay your instalments on time. Late loan payments hurt your credit history. Keep track of your monthly payment deadlines and manage your available cash so you can pay your bank bills on time. Pay off your debt as quickly as possible and as much as you can in a shorter period of time. Sending the loan over a longer period will cost you more interest paid on instalments.



Application of credit and debit cards.

Credit and debit cards usually look pretty much the same, with 16-digit card numbers, expiration dates, magnetic strips, and EMV chips. Both can be used to make purchases easily and conveniently in stores or online, with one key difference. Debit cards allow you to spend money by withdrawing funds that you have deposited in the bank - your own money, salary, etc. Credit cards allow you to borrow money from the card issuer - the bank - up to a certain limit to buy items or withdraw cash.

What is a debit card?

A debit card is a card issued by your bank that allows you to access and use the money in your bank account. It's linked directly to your account, so when you use it, you're spending your own money, not borrowing like you would with a credit card.

Here's an example. Let's say you have 500 euros in your current account. You go to a store, pick up a pair of shoes that cost €50, and use your debit card to pay for the purchase. This €50 is deducted directly from your debit card account, leaving you with money available on it - €450 already because you spent €50..

Why use a debit card instead of carrying cash?

First, for convenience. Debit cards are easier and safer to carry than cash. They are accepted almost everywhere and you can use them to make purchases online, pay bills and withdraw cash from an ATM, pay bills at a store, restaurant, hotel, and more.

Second, you have some financial control over your money. With a debit card, you can only spend what you have in your account. It can be a great tool for managing your spending and helping you avoid falling into credit card debt.

However, like any financial instrument, debit cards have their drawbacks. One of the biggest problems is that if your card is stolen or your information is compromised, thieves can potentially drain your checking account. Most banks offer some protection for these events, but it may take some time to get your money back.

Another disadvantage is that unlike credit cards, debit cards do not help build your credit history. So if you plan to apply for a loan or mortgage in the future, responsible use of a credit card can benefit your credit score and again if you have a good credit record with the bank.

Here are some quick tips for using your debit card wisely:



- track your expenses. Use your bank's app or online service to frequently check your account balance and transactions.
- protect your card information. Don't share your card number, expiration date, or security code with anyone you don't trust.
- report a lost or stolen card immediately. The sooner your bank knows what's going on, the better it will protect your money.

What is a credit card?

A credit card is a thin rectangular piece of plastic or metal issued by a bank or financial services company that allows cardholders to borrow funds to pay for goods and services at merchants that accept credit cards. Credit cards require cardholders to repay borrowed money, plus any applicable interest, as well as any additional agreed-upon fees, in full by the billing date or later. Credit cards charge interest on spending money taken from the bank. A credit card forms the cardholder's credit history with a financial institution, such as a bank. If the owner of the credit card does not pay the interest on the borrowed money on the card, does not pay the installments on time or has problems with the bank, then he starts to accumulate a bad credit history and goes into debt.

Module 3: Saving, Investing and Credit

Pre and Post Assessment Questions

Pre – assessment questions

- What is income per person or family?
- What is a want or need and how to satisfy it?
- Do you have to think about which needs and wants are more important when deciding to spend money on something?
- Where you can keep the money saved
- Is there a difference between borrowing money from a friend and borrowing money from a financial institution such as a bank?



- Why do people decide to put their savings into a child's college education, buying a home, buying a car, health insurance, and other more expensive, long-term purchases? Can this be defined as an investment and a desire to invest saved money?
- When you have to borrow money, does the person who gives it to you require you to return it within a certain period, to return more than he gave you, for example 50 euros, in one month, and to return 60 euros, because you used other people's money, and the one who gave it to you could have invested it in something else at that time. Can this be said to resemble credit?
- Can you lend money to anyone in need or only to a very trusted or close person? Why do you think that giving loans requires a preliminary investigation of the person you are lending to. What would you research about it?

Post – assessment questions

- What is saving?
- Why is it important to save money?
- Where can you keep your savings?
- What is a savings account?
- What does investing mean?
- What is a saving rate?
- What are the differences between nominal interest rate and real Interest rate ?
- Which are the types of investments?
- What is a stock exchange?
- What is traded on stock exchanges?
- What is the difference between investing in stocks and investing in bonds?
- What is credit?
- Why is credit used?
- What is a debit card?
- What is a credit card?

Sample test questions to check knowledge of Module 3.

Circle the correct answer for each question.



There is only one correct answer.

The asterisk indicates the correct answer in the question.

1. Placing money into a savings account can increase my money.

True *

False

2. The longer my money is in a savings account, the more money it will earn.

True *

False

3. Different savings accounts pay different amounts of interest.

True *

False

4. If the price per share of stock increases, I can sell it for more money than I paid for it.

True *

False

5. Compound interest makes money grow faster.

True *

False

6. Which of the following increases the value of my money in stocks?

a. Increase in price per share *

b. Dividends

c. Stock splits

d. All of the above

7. Owning shares of stock:

a. can increase the value of my money

b. can decrease the value of my money

c. can provide income from dividends

d. all of the above *

8. Which of the following is the best way to increase the value of a savings account?

a. Make few withdrawals from the account

b. Make regular deposits into the account

c. Leave the money in the account for as long as possible



- d. All of the above *
9. The best way to grow my money is to:
- a. make a variety of investments *
 - b. save my money in a closet
 - c. loan it to a friend
 - d. buy new clothes

Module 3: Saving, Investing and Credit

Sources, Additional materials, Tips and tricks

Additional sources:

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14. <https://www.oecd.org/finance/financial-education/49319977.pdf>

15. [https://centralcarolinas.ja.org/dA/fc3cd4a46e/file/JAFP%20Saving,%20Investing%20and%20Risk%20Management%20Student%](https://centralcarolinas.ja.org/dA/fc3cd4a46e/file/JAFP%20Saving,%20Investing%20and%20Risk%20Management%20Student%20)

Video clips:

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3. <https://www.youtube.com/watch?v=4j2emMn7UaI>

4. <https://www.youtube.com/watch?v=NfurkrZEn3Q>

5. <https://www.youtube.com/watch?v=XYRvsMZF-zs>

6. <https://www.youtube.com/watch?v=6TEHmaJBTKw>

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10. <https://www.youtube.com/watch?v=MSN5WuxeTD4>

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Module №4 - Scams and Fraud

Miglena Pencheva, PhD, VFU “Chernorizets Hrabar”

| | | |
|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Aim | To create awareness about scams and frauds | |
| Target group | 14-15 years old pupils (primary target group) | |
| Descriptor | <ul style="list-style-type: none"> ● Can identify common financial scams and frauds (such as shoulder surfing, spyware, phishing, pharming, etc.) and the means to safeguard against these ● Can identify warning signs (“red flags”) of fraud (such as offers “too good to be true”, "risk-free" investment opportunities, pressure to buy right now, etc.) ● Confident to apply basic safety procedures online (for e.g. keep personal data and passwords safe, use strong and different passwords, regularly update passwords and refrain to share them, etc.) | |
| Learning objectives | <ul style="list-style-type: none"> ● Understand what scams and frauds are, why they is important, and how to deal with them. ● To be aware the teens are common scams and frauds targets and how to be alerted about that. ● To be prepared for the consequences of being victim of scams and frauds. | |
| Topics & Learning outcomes | Topics | Learning outcomes |
| | Scams and frauds | Learners will <ul style="list-style-type: none"> - understand what are scams and frauds - learn about the importance of scams and frauds - get familiar with the role of the social medias in scams and frauds - Improve alert skills |
| | How to protect | Learners will |



| | | |
|--|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | yourself from scams and frauds | <ul style="list-style-type: none"> - understand hoe scammers target teens - how to protect themselves from scams - be able to pectise case study |
| | - | - |

| |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <h2>Module 4: Scams and Fraud</h2> |
| <h3>Module Introduction</h3> |
| <p style="text-align: center;">Introduction</p> <p>"Today, we're going to talk about something really important that affects more and more people every day—financial scams and frauds. You might be thinking, 'I'm too young for that,' but the truth is, teenagers are often targeted by scammers, especially online.</p> <p>Think about all the time we spend on social media, texting, shopping online, or using apps. Scammers know this and are always trying to come up with new ways to trick people into giving away their money or personal information. Imagine if you clicked on a link thinking you're getting a free pair of shoes, but instead, your account is hacked, or your parents' credit card gets charged.</p> <p>It might sound scary, but don't worry! The good news is, there are ways to protect yourself. Today, we're going to learn how to spot different types of scams, understand how they work, and figure out how to stay safe online. By the end of this lesson, you'll be able to recognize when something just doesn't feel right and take steps to avoid being tricked.</p> <p>We'll also talk about why scams happen, share real-life examples, and have a bit of fun with role-playing to see how well you can identify a scam in action. Let's dive into the world of financial scams and frauds so that you can be prepared and confident to protect yourself!"</p> <p>Do you know that?</p> |



Teens and Young Adults are Frequent Targets:

According to the Federal Trade Commission (FTC), in 2022, **consumers aged 20-29 reported losing money to fraud more often than older adults**. While teens are part of this age range, this indicates that younger people, who tend to be more active online, are frequent targets of scams.

Rising Losses Among Teens:

A 2022 report from the Better Business Bureau (BBB) found that **teens (ages 13-19) were highly disposed to online purchase scams**, with many losing money to fraudulent online stores, fake offers, and counterfeit products.

Social Media Scams on the Rise:

The FTC reported that **44% of people who lost money to scams in 2022 said the scam began on social media**—often through fake ads or messages. Teens, who spend more time on social media platforms like Instagram, TikTok, and Snapchat, are especially vulnerable to these tactics.

Average Financial Loss:

The average amount of money lost in scams by teens may seem smaller compared to adults, but it's still significant. According to the FTC, **teens lost an average of \$150 per scam incident in 2022**, which can be a lot for a teenager.

Fake Prizes and Giveaways:

One of the most common types of scams targeting teens involves fake giveaways or prize offers. Scammers promise things like new smartphones or gaming consoles in exchange for personal information, but these turn out to be fraudulent.

Online Shopping Scams:

Nearly **30% of reported scams involving teens were related to fake online shopping websites** or offers where teens paid for products they never received. These often take place on social media or sketchy websites.

Module 4: Scams and Fraud

Theoretical ground



At glance

What is scam or fraud?

- "A financial scam or fraud is a dishonest scheme designed to steal money or personal information from you."

Why it matters:

- Explain that teenagers are increasingly targeted through social media, online shopping, and even through text messages and phone calls. Understanding scams is important for protecting their money and personal data. As you go through statistical information in the intro you will conclude that teens are increasingly being targeted, especially through social media and online shopping scams.

Discussion suggestion:

- "Have you ever received a weird message or offer that seemed too good to be true? What did you do?"

What are Scams and Frauds?

Scams and **frauds** are both types of dishonest schemes that trick people into giving away money, personal information, or other valuables. Though the terms are often used interchangeably, they have subtle differences:

- **Fraud:** A broad term for any deceptive act intended to provide a benefit to the fraudster, such as money, goods, or services, by exploiting someone's trust or lack of knowledge.
- **Scam:** A specific type of fraud that often involves trickery or misleading communication, with the goal of persuading someone to part with their money or information voluntarily.

In essence, scams and frauds take advantage of a person's trust, inexperience, or emotional vulnerability, leading to financial or personal losses.

The Psychology Behind Scams

Scammers exploit common psychological principles to make their schemes more effective:

- **Trust:** Scammers often impersonate trusted institutions (like banks or well-known brands) or even friends and family.



- **Urgency:** They create a sense of urgency, making victims believe they need to act fast to avoid losing an opportunity or facing a negative consequence.
- **Greed or Hope:** Many scams promise something desirable, like winning a prize or getting rich quickly, to appeal to a victim's desire for gain.
- **Fear:** Some scams instill fear or anxiety by pretending there is a problem (like a hacked account or unpaid debt), urging victims to act immediately to resolve the issue.
- **Reciprocity:** Scammers might offer something (a free item or a reward) and make the victim feel obliged to return the favor by providing money or personal information.

Understanding these principles helps people recognize when they are being manipulated by a scam.

Types of Scams and Frauds

1. Phishing Scams:

- Phishing scams involve fraudsters sending fake emails or messages that appear to come from legitimate institutions like banks, online stores, or even friends. These messages typically ask victims to provide personal information such as passwords, credit card numbers, or social security numbers.
- **Example:** An email that looks like it's from a bank asking you to "confirm your account information" by clicking a link, which takes you to a fake website.

2. Social Media Scams:

- Scammers use social media platforms like Instagram, Facebook, and TikTok to launch fake giveaways, job offers, or impersonation scams. These scams are highly effective because they prey on the trust users have in social media connections.
- **Example:** A fake Instagram account promising a "free iPhone" giveaway, asking users to provide personal details or pay a shipping fee.

3. Online Shopping Scams:

- Fake online stores or fraudulent sellers list items for sale at great prices. After the victim makes a purchase, the item is either never delivered, or it's a counterfeit or low-quality product.
- **Example:** A website selling branded sneakers at 80% off. After paying, the buyer either receives nothing or gets a fake product.



4. Impersonation Scams:

- In these scams, fraudsters pretend to be someone the victim knows or trusts (e.g., a family member, a government official, or tech support). They might claim to need money urgently or demand personal information.
- **Example:** A text message from “your cousin” asking for money to deal with an emergency, but it’s actually a scammer using their phone number or pretending to be them.

5. Investment Scams:

- Scammers lure victims with promises of high returns on investments with little to no risk. Once the victim invests, the fraudsters either vanish or continue to ask for more money to keep the scam going.
- **Example:** A "crypto investment opportunity" that guarantees a high profit with no risk. Once money is transferred, the company disappears.

6. Lottery and Prize Scams:

- These scams tell victims they’ve won a large sum of money or a valuable prize (like a car or vacation), but they must first pay fees or provide personal information to claim it.
- **Example:** A message claiming you’ve won EUR 10,000 in a lottery you never entered, asking for payment of "taxes" or "fees" to receive the prize.

Consequences of Scams and Frauds

1. Financial Loss:

- Victims can lose substantial amounts of money. Even small financial scams can add up, especially for young people who may have less financial security.
- In some cases, scam victims are repeatedly targeted once scammers realize they are vulnerable.

2. Identity Theft:

- Scammers often use personal information, such as social security numbers, bank details, or passwords, to steal someone’s identity. This can result in long-term damage, including loans or credit cards being opened in the victim’s name.

3. Emotional Impact:



- Beyond the financial damage, victims often feel shame, embarrassment, and anxiety after falling for a scam. This emotional toll can be especially hard on younger victims who may feel they've let their family down.

4. **Impact on Trust:**

- Scams can lead to a loss of trust in online platforms, social media, and even friends and family. Victims might become overly cautious, which can affect their online and offline interactions.

How Scammers Target Teens

Teens are particularly vulnerable to scams due to their increased online presence and inexperience with recognizing fraudulent schemes. Some common reasons teens are targeted include:

- **Inexperience:** Teens are less familiar with financial systems and online scams, making them easier to trick.
- **Social Media Usage:** Since teens spend a significant amount of time on social media, they are frequently exposed to scam ads, fake offers, and impersonation attempts.
- **Desire for Quick Cash:** Scammers exploit the natural desire among teens to make money quickly or get the latest gadgets without understanding the risks involved.

How to Protect Yourself Against Scams

1. **Be Skeptical of Unsolicited Offers:**

- Whether it's a text message, an email, or a social media post, always be wary of unsolicited offers, especially those that promise free items, cash, or too-good-to-be-true deals.

2. **Never Share Personal Information:**

- Scammers will often ask for personal details like passwords, credit card numbers, or addresses. Always verify who is asking for information, and don't give out details unless you're absolutely sure it's safe.

3. **Verify the Source:**

- If you receive a message that seems suspicious or unexpected, don't click on any links. Instead, contact the company or individual directly to verify the information.

4. **Use Strong Passwords and Two-Factor Authentication:**



- Make sure to use strong, unique passwords for your accounts and enable two-factor authentication (2FA) to provide an extra layer of security.

5. Educate Yourself:

- Stay informed about the latest scams and frauds by reading trusted sources and learning about current scam tactics. The more you know, the better you can protect yourself.

Scams and frauds are ever-evolving, and they can happen to anyone, regardless of age. However, by understanding the different types of scams, recognizing the psychological tricks scammers use, and taking proactive steps to protect yourself, you can reduce the risk of falling victim to these schemes. It's essential to be vigilant, cautious, and well-informed to navigate the digital world safely and avoid financial fraud.

Case Study: The Fake Online Store Scam

Scenario:

Sarah, a 16-year-old high school student, loves fashion and frequently shops online for trendy clothes and accessories. One day, while scrolling through Instagram, she comes across an ad for an online store offering a huge sale—designer sneakers and jackets for 80% off! The ad looks legitimate, featuring professional photos and even customer reviews in the comments. Excited by the idea of getting her favorite brands at such a low price, Sarah clicks the link, which takes her to a store that looks well-designed and professional.

Sarah finds a pair of sneakers she's been wanting, originally priced at EUR 200, now being sold for just EUR 40. She adds the sneakers to her cart, enters her shipping information, and proceeds to pay with her debit card.

What Happens Next:

After completing the purchase, Sarah receives a confirmation email with her order number, which makes her feel like everything is legitimate. However, after a week of waiting, her sneakers haven't arrived. She checks her email and notices that the tracking link provided in the confirmation email doesn't work.

She tries contacting the online store through the customer service email provided but never gets a response. Meanwhile, she notices that her debit card has been charged the EUR 40, and an additional mysterious EUR 10 charge from an unfamiliar company has appeared. Realizing



something might be wrong, Sarah searches online for reviews of the store and discovers numerous complaints from other people who also paid for items they never received.

Outcome:

Sarah was a victim of an **online shopping scam**. The store was fake, set up to steal money from unsuspecting shoppers. Not only did she lose EUR 50 in total (the original Eur40 charge plus the additional EUR 10), but her personal and financial information may have been compromised. Thankfully, Sarah told her parents about the situation, and they helped her report the issue to her bank, who froze her card and started the process of disputing the charges.

Lessons Learned:

1. **Too Good to Be True:** The massive 80% discount on expensive designer items should have been a red flag. Scammers often lure victims by offering unrealistic deals to make them act quickly without thinking.
2. **Lack of Verification:** Before making a purchase from a new or unfamiliar store, Sarah should have done a quick online search to check for reviews and verify that the store was legitimate. Trusted online retailers usually have a known reputation and multiple ways to verify their authenticity.
3. **Suspicious Charges:** The unexpected extra charge from a different company indicated that Sarah's debit card information had likely been compromised and was being used for fraudulent transactions.
4. **Contact Information and Customer Support:** Reputable online stores usually have working customer service contact details and provide reliable tracking for shipments. The unresponsive customer service and broken tracking link were additional signs of a scam.

Discussion Questions

What were the warning signs that Sarah should have noticed before making her purchase?

(Examples: the extremely low prices, lack of verified reviews, unfamiliar store)

How could Sarah have protected herself from falling victim to this scam? (Examples:

researching the store before purchasing, using secure payment methods like PayPal, double-checking for red flags)



What steps should you take if you think you've fallen victim to an online shopping scam?
(Examples: report the scam to your bank, contact the retailer, change passwords, inform your parents or guardians)

How can teens protect themselves when shopping online or using social media? (Examples: avoid clicking on suspicious ads, verify websites before purchasing, use strong passwords and two-factor authentication)

Tip: You could ask students to come up with a short list with antiscam questions.

This case study highlights how scammers can use the appeal of great deals to trick teens into giving away their money and personal information. It emphasizes the importance of skepticism, research, and online safety practices, reinforcing the key lessons of your financial scams and frauds class.

You can use this case study to encourage students to think critically about their own online habits and help them develop strategies to stay safe in similar situations.

How to Protect Yourself from Scams? Tips for staying safe:

- **Never give personal information online:** Explain that things like their home address, phone number, or passwords should never be shared without asking an adult.
- **Be careful with links:** "If you get a message with a link that seems weird or from someone you don't know, don't click it!"
- **Ask an adult if unsure:** Remind them that they can always talk to a parent or teacher if they think something doesn't seem right.

Activity: Role-Playing Scenarios

- Divide students into pairs. One student plays the scammer, and the other plays the person being tricked. The goal is for the person being tricked to recognize the scam and say "No, thank you!"
- Example: One child pretends to be a scammer offering a fake prize. The other child must ask questions like, "How do I know this is real?" or "I need to ask an adult first."
- Required action: setting protection against unauthorized access from specific sites



Module 4: Scams and Fraud

Pre and Post Assessment Questions

Pre-Assessment Questions:

1. **What do you think a financial scam is?**
 - A) A way to earn money quickly.
 - B) A dishonest scheme designed to trick people into giving away money or personal information.
 - C) A type of business transaction.
 - D) A way to get free products online.
2. **Have you ever heard of someone getting scammed online? What happened?**
 - (Short answer)
3. **Which of the following is a possible sign that something might be a scam?**
 - A) The offer sounds too good to be true.
 - B) The website looks professional and well-designed.
 - C) You are being asked for personal information, like your bank details or password.
 - D) Both A and C.
4. **What would you do if someone you don't know asks you to click on a link in a text or email?**
 - A) Click the link to see what it's about.
 - B) Ignore the message.
 - C) Tell an adult or verify the source before clicking.
 - D) Enter your personal information if it looks important.
5. **True or False:**
 - If someone offers you free products or money, you should trust them and give them your information.
6. **When shopping online, how can you make sure that a website is safe?**
 - A) If the website looks professional, it must be safe.
 - B) If the website has a lot of discounts, it is trustworthy.



- C) You should look for “https://” and a padlock symbol in the address bar, and check reviews of the site.
- D) If the website has bright colors and exciting offers, it’s probably real.

7. What is phishing?

- A) A scam where someone pretends to be from a trusted company to steal your personal information.
- B) A sport you do on a boat.
- C) An online game you can play with friends.
- D) A type of email marketing.

8. How likely are you to share your passwords or personal information online?

- A) Very likely
- B) Somewhat likely
- C) Not likely
- D) Never

9. If you think someone is trying to scam you, what should you do first?

- A) Give them the benefit of the doubt and share your details.
- B) Block or report the person and tell an adult.
- C) Ask them to stop scamming you.
- D) Respond and see what happens.

10. Do you think scams and frauds can happen to teenagers like you? Why or why not?

(Short answer)

Optional Open-Ended Questions (For Discussion):

11. Have you ever received a message or email that seemed suspicious? What did it say, and how did you react?
12. If you won a big prize or free product online, what would be your first thought? Would you trust it? Why or why not?
13. Do you have well enough antivirus protection on the mobile device - phone, desktop and laptop computer, iPad, which your parents installed? Yes or not?

Post-Assessment Questions:



1. What is a financial scam?

- A) A legitimate business offer.
- B) A dishonest scheme that tricks people into giving money or personal information.
- C) A way to earn money quickly.
- D) An online shopping deal.

2. Which of the following is a sign that something might be a scam?

- A) You are being asked to act quickly and provide personal information.
- B) The offer seems too good to be true.
- C) You can't find reviews or any information about the company online.
- D) All of the above.

3. Explain what a phishing scam is. Provide an example of how it might happen.

4. What should you do if you receive a message or email from a company asking for your password or bank details?

- A) Provide the information immediately to avoid missing out.
- B) Click the link and enter your details.
- C) Ignore it and delete the message.
- D) Verify the sender by contacting the company directly using a known, trusted method.

5. Why is it important to use strong passwords and two-factor authentication (2FA) for your online accounts?

- A) It makes it easier to share your account with friends.
- B) It helps protect your account from hackers and scammers.
- C) It allows you to remember your passwords more easily.
- D) It gives companies access to your personal information.

6. You come across an online store offering huge discounts on expensive items. What should you do before making a purchase to make sure it's not a scam?

- A) Pay right away before the offer ends.
- B) Research the store and look for reviews.
- C) Click the "buy now" link to get the discount.
- D) Enter your credit card information to see if the deal works.



7. **Describe a situation where a scammer might impersonate someone you know. How would you recognize and avoid falling for this scam?**
8. **If you think you've been scammed, what is the first step you should take?**
 - A) Do nothing and hope it goes away.
 - B) Contact the scammer and ask for your money back.
 - C) Inform your bank or financial institution and report the fraud.
 - D) Delete all messages related to the scam.
9. **True or False:**
 - If a website has "https://" and a padlock icon, it is always safe to give your personal information.
10. **What advice would you give a friend who is about to make an online purchase from a website they've never heard of?**

Additional Open-Ended Questions (Optional):

11. Reflect on the case study of Sarah and the fake online store. What were the key mistakes she made, and how could she have avoided them?
12. Have you ever encountered a suspicious message or offer online? How did you handle it, and what did you learn from that experience?
13. Create a list of three tips that someone your age can use to avoid falling for scams and frauds.

Module 4: Scams and Fraud

Sources, Additional materials, Tips and tricks

Additional resources:

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<https://bankingjournal.aba.com/2024/10/bank-community-engagement-protecting-teens-from-financial-scammers/>

Module №5 - External Influences - Sustainability considerations

Miglena Pencheva, PhD, VFU “Chernorizets Hrabar”

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| Aim | To help participants to take challenges and learn from them | |
| Target group | 14-15 years old pupils (primary target group) | |
| Descriptor | Considers how environmental or social considerations may impact one’s personal financial situation (e.g. cost of organic products, reduction of waste, etc.) | |
| Learning objectives | <ul style="list-style-type: none"> • Understand how environmental issues (like climate change, sustainability) and social factors (like inequality, education) can affect their personal financial decisions. • Identify how changes in the environment and society influence their everyday spending, savings, and long-term financial planning. | |
| Topics & Learning outcomes | Topics | Learning outcomes |
| | Introduction | Learners will <ul style="list-style-type: none"> - understand the basic concept of environment and society influence on personal finances - get aware of the impact of these issues |
| | External Influences - Sustainability Considerations | Learners will <ul style="list-style-type: none"> - be aware of the environmental and social issues - be able to understand how these issues affect their choices - explore these concepts via case study |
| | - | - |



Module 5: External Influences - Sustainability Considerations

Module Introduction

"Have you ever thought about how the world around you—things like the environment and the society you live in—could affect your finances? We often think of personal finance as something within our control, like budgeting, saving, or spending. But in reality, many outside factors influence our financial decisions, and two of the biggest influences are **environmental** and **social changes**.

For example, imagine you live in an area prone to floods due to climate change. This could mean higher insurance costs for your home or the need to spend more on repairs. On a broader scale, government policies aimed at reducing pollution might make energy more expensive, which could increase your household bills.

On the social side, think about education. The better the access to quality education, the more likely you are to get a well-paying job. But what happens if access to education is unequal? This can affect not only your career options but also how much debt you might take on in student loans.

Today, we'll explore how these **environmental** and **social issues**—from climate change to income inequality—play a big role in shaping your financial future. By understanding these forces, you can make smarter, more informed financial decisions .“

Module 5: External Influences - Sustainability Considerations

Theoretical ground

External Influences - Sustainability Considerations in numbers.

Environmental Impact on Personal Finance:

1. Climate Change and Energy Costs:

- According to the U.S. Energy Information Administration (EIA), energy prices are projected to rise by up to 25% by 2030 due to climate change and policies to



reduce carbon emissions. This will impact household utility bills significantly, especially in areas dependent on fossil fuels.

- A 2021 report from the Insurance Information Institute revealed that homeowners in areas prone to natural disasters, like wildfires or floods, have seen insurance premiums rise by as much as 25% in the past five years.

2. Extreme Weather Events and Personal Finances:

- A study by Swiss Re found that the economic losses from natural disasters globally totaled \$270 billion in 2022, with individuals bearing a significant portion of these costs through property damage and rising insurance premiums.
- Natural disasters increase out-of-pocket expenses for individuals, with the average cost of flood-related damage to a household being around \$39,000, according to FEMA.

3. Eco-Friendly Choices and Long-Term Savings:

- Electric vehicles (EVs) may cost more upfront, but consumers can save around \$1,000 per year in fuel costs, according to the U.S. Department of Energy.
- Households that install solar panels can save up to \$1,500 annually on electricity costs, depending on location and usage patterns, based on data from the Solar Energy Industries Association (SEIA).

Social Impact on Personal Finance:

1. Income Inequality and Financial Stability:

- OECD data shows that in countries with high income inequality, individuals are 30% more likely to experience financial instability. This is reflected in the U.S., where the top 10% of earners control over 70% of the wealth, leading to higher costs for housing and education for lower-income families.
- A report by the Economic Policy Institute noted that rising income inequality has led to significant increases in student debt for lower-income households, with the average student loan debt per borrower rising to €37,693 in 2021.

2. Access to Education and Future Earnings:

- A study by Georgetown University found that individuals with a bachelor's degree earn 84% more over their lifetime than those with just a high school



diploma. However, the cost of higher education has increased by over 200% in the last 20 years, making it a significant financial burden for many families.

- According to The College Board, the average annual tuition and fees for a public four-year in-state university were €10,740 in 2021-2022, while for private universities, the figure jumped to €38,070. This rise in tuition costs has contributed to the increasing burden of student debt, particularly for middle- and low-income families.

3. Healthcare Costs and Financial Impact:

- The Kaiser Family Foundation reports that average annual family health insurance premiums increased by 4% to €22,221 in 2021, with many households bearing additional out-of-pocket healthcare expenses. Households in areas with fewer healthcare resources face even higher costs.
- Individuals without health insurance or with high deductibles are twice as likely to experience financial hardship due to medical bills, according to a 2019 Gallup poll.

As teenagers, you might not yet be managing bills or earning a full salary, but the world around you—like the environment and society—already affects how you and your family make financial decisions. Whether it's rising energy costs due to climate change or how much money you might need for college, understanding these factors can help you make smarter financial choices as you grow older.

So, what factors we need to keep into consideration.

1. Environmental Issues and Personal Finance

1.1 Climate Change and Your Family's Bills

Climate change is not just about the weather; it affects how much you pay for things like electricity and insurance. For example, as governments try to reduce carbon emissions to fight climate change, the costs of electricity and gas might go up. According to experts, energy prices could rise by 25% by 2030, which means higher utility bills at home. Your family might need to use less energy or switch to renewable options like solar power to save money.

Also, extreme weather events, like floods or wildfires, can cause serious damage to homes. This can increase the cost of home insurance, making it more expensive for your family to protect



their property. In areas prone to natural disasters, insurance premiums have gone up by 25% in the last five years.

1.2 Eco-Friendly Products and Savings

Though eco-friendly products, like electric cars or energy-efficient appliances, might cost more upfront, they can save you money over time. For instance, if your family buys an electric vehicle (EV), they could save around €1,000 a year on fuel costs compared to using a gas-powered car. Installing solar panels can also reduce electricity bills by up to €1,500 per year, depending on where you live.

2. Social Issues and Personal Finance

2.1 Income Inequality and Opportunities

Where you grow up and your access to education can play a big role in your financial future. People from lower-income families often have fewer opportunities, which can make it harder for them to save money or invest in their future. For example, students from lower-income backgrounds tend to take on more student debt, with the average student loan debt being over €37,000 per borrower.

Income inequality also affects how much people can save. For instance, in countries with high income inequality, people are 30% more likely to face financial difficulties. This means that if someone grows up in a low-income household, they might need to borrow more money for things like college, housing, or healthcare.

2.2 Education and Future Earnings

Getting a good education can greatly improve your chances of earning more money in the future. On average, people with a college degree earn 84% more over their lifetime than those without one. However, the cost of college is rising fast. For example, public universities charge about €10,740 per year in tuition, which makes it harder for families to afford higher education without taking on debt.

3. How Environmental and Social Issues Affect Your Choices

3.1 Gentrification and Cost of Living

As cities improve their infrastructure and attract higher-income residents, housing costs often go up, which can force lower-income families to move away. This is called **gentrification**. As a



result, people from lower-income backgrounds may find it harder to afford rent in good neighborhoods or access better job opportunities.

3.2 Jobs and Green Economy

The shift toward eco-friendly industries is creating new jobs in renewable energy, but some traditional jobs—like those in coal or oil—are declining. This means you may need to think about future careers that are in growing sectors, like solar power or electric vehicle manufacturing. People who do not get the right education or training might find it harder to get jobs in these new industries.

Both environmental and social factors play a big role in shaping your personal finances, even if it's not always obvious. Whether it's the rising costs due to climate change or the opportunities you get from education, understanding these forces can help you make better financial decisions for your future. By learning how to adapt to these changes, you can prepare yourself for the challenges and opportunities ahead.

Case Study: Emma's Financial Choices in an Eco-Friendly World

Background: Emma is a 17-year-old high school student. She's starting to think about her future—college, career, and her financial responsibilities. Lately, Emma has noticed how much the world is changing, especially when it comes to the environment and society.

Her family recently experienced rising energy bills because of new regulations aimed at reducing carbon emissions, and her school is talking a lot about sustainability and the need to protect the environment. She's also noticed how some of her friends' families are struggling with the cost of healthcare and education. As Emma plans for her future, she starts thinking about how these issues will affect her financial decisions.

The Dilemma:

Emma is faced with two decisions:

1. Should she buy a car or invest in public transportation?

- Emma wants to buy a car, and she's been saving money from her part-time job. However, she's aware of the environmental impact of using a gas-powered vehicle and the rising fuel costs due to stricter environmental laws. Her other option is to use public transportation, which is more eco-friendly but less convenient for her daily schedule.



- **Questions for Discussion:**

- What are the financial implications of buying a gas-powered car versus using public transportation?
- How could environmental changes, like rising fuel costs or government incentives for electric vehicles, impact Emma's decision?

2. Should she attend an expensive private college or a more affordable public university?

- Emma has been accepted to both a prestigious private college and a more affordable public university. While the private college has a strong reputation, it would require her to take on significant student loans. The public university offers a similar program at a much lower cost. Emma is also concerned about the rising cost of living in the city where the private college is located, as well as the potential for higher healthcare costs if she needs to rely on student health services.

- **Questions for Discussion:**

- How does the cost of education impact Emma's long-term financial health?
- What role do social factors, like income inequality and the cost of living, play in Emma's decision-making process?

Outcome and Reflection:

After careful consideration, Emma decides to opt for public transportation and the more affordable public university. By choosing public transport, she reduces her carbon footprint and saves money on fuel and car maintenance. Attending the public university allows her to graduate with less debt, giving her more financial freedom to invest in her future. She feels confident that these decisions are better for both her wallet and the planet.

Discussion Questions:

1. How do Emma's choices reflect the impact of environmental and social considerations on personal finances?
2. What would you do if you were in Emma's situation? Would you prioritize convenience or long-term financial savings?
3. How can you apply the lessons from Emma's case study to your own future decisions, such as career planning or big purchases like a car?



This case study encourages teenagers to think critically about how broader environmental and social issues impact their everyday financial decisions. It also promotes the idea that small, thoughtful choices today can lead to better financial health in the future.

Module 5: External Influences - Sustainability Considerations

Pre and Post Assessment Questions

Pre-Assessment Questions:

- 1. What are some ways the environment (like climate change) could impact your family's spending?**
 - A) Rising energy costs.
 - B) Lower grocery bills.
 - C) Cheaper gas prices.
 - D) None of the above.
- 2. Have you ever thought about how social factors, like income inequality or access to education, might affect someone's ability to save money?**
 - (Short answer)
- 3. Which of these factors could increase a family's household expenses?**
 - A) Increased costs due to climate change, like insurance or energy bills.
 - B) Government incentives for eco-friendly products, like electric cars.
 - C) Access to free healthcare and education.
 - D) A and B.
- 4. True or False:**
 - Choosing to buy eco-friendly products, like energy-efficient appliances or electric cars, always costs more in the long run.
- 5. How might the rising cost of education affect your future financial plans?**
 - (Short answer)
- 6. If you had to choose between buying a car or using public transportation, which would you pick and why?**



- A) Buy a car because it's more convenient.
- B) Use public transportation because it's cheaper and better for the environment.
- C) I'm not sure.

7. How do you think climate change might affect job opportunities in the future?

- (Short answer)

8. Which of these social factors could impact your personal finances the most?

- A) Access to higher education.
- B) Income inequality.
- C) The cost of healthcare.
- D) All of the above.

9. Do you think the environment should play a role in personal financial decisions, like where to live or what to buy? Why or why not?

- (Short answer)

10. What are some financial benefits of investing in eco-friendly products?

- (Short answer)

Optional open questions

11. Can you give an example of a social or environmental issue that could affect your family's financial situation?

12. How do you think governments or companies should help people deal with rising costs caused by climate change or social inequalities?

Post-Assessment Questions:

1. How can climate change affect household expenses?

- A) By lowering insurance costs in high-risk areas.
- B) By increasing energy bills and home insurance premiums in areas prone to extreme weather.
- C) By making food and clothing more affordable.
- D) None of the above.



2. **What are some financial benefits of investing in eco-friendly products like solar panels or electric cars?**
 - A) Reduced long-term energy and fuel costs.
 - B) Increased initial expenses without savings.
 - C) Higher insurance costs.
 - D) None of the above.
3. **Explain how income inequality can influence someone's ability to save money and invest in their future.**
 - (Short answer)
4. **True or False:**
 - Rising education costs only affect people while they are in college and do not impact their long-term financial health.
5. **How might rising energy costs due to environmental regulations influence your family's financial decisions?**
 - (Short answer)
6. **If you were planning for your financial future, how would the possibility of climate-related risks, like floods or hurricanes, affect where you decide to live?**
 - A) I would avoid areas prone to natural disasters, even if housing is cheaper there.
 - B) I would live wherever is affordable, regardless of the environmental risks.
 - C) I would rely on insurance to protect me from any climate-related risks.
 - D) I wouldn't consider climate-related risks in my decision.
7. **What are some social factors that can affect personal financial stability?**
 - A) Access to quality healthcare.
 - B) Access to higher education.
 - C) Income inequality.
 - D) All of the above.
8. **True or False:**
 - Gentrification can make housing more affordable for lower-income families in urban areas.



9. Why is it important to think about environmental issues when making big financial decisions, like buying a car or choosing where to live?

- (Short answer)

10. How can changes in job opportunities due to the shift toward eco-friendly industries affect your future career and financial planning?

- (Short answer)

Optional open questions

11. Reflect on a recent purchase or decision your family made. How might environmental or social factors have played a role in that decision?

12. Imagine you're planning for the future. How would access to education and healthcare influence your financial goals and choices?

Module 5: External Influences - Sustainability Considerations

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Module № 6 Financial institutions

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| Aim | To create awareness about financial institutions and their role in the functioning of the economy | |
| Target group | 14-15 years old pupils (primary target group) | |
| Descriptor | <ul style="list-style-type: none"> ● Can identify different financial institutions and the services each offers ● Can make decisions about the quick orientation to the necessary place where he will find an answer to a specific investment problem ● Gain confidence that they will receive useful advice, as well as implement an effective solution | |
| Learning objectives | <ul style="list-style-type: none"> ● Make better financial decisions: By understanding how different financial instruments, institutions and markets work, we can make informed choices about our investments, savings and loans. ● Assess risks: Knowledge of the structure of the system helps us identify potential risks and predict how they may affect our financial security. ● To actively participate in the economy: Understanding how the financial system works allows them to participate more actively in economic processes and make informed decisions as voters and consumers. ● Navigating the global economy: Financial systems are highly interconnected at the global level. Knowing the structure helps to understand how events in one country can affect other countries and the world economy as a whole. | |
| Topics & Learning outcomes | Topics | Learning outcomes |
| | Financial institutions | Learners will <ul style="list-style-type: none"> - understand what are financial institutions |



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|--|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | <ul style="list-style-type: none"> - learn about the importance of financial institutions - get familiar with the role financial institutions - Improve financial decisions skills |
| | How to choose the financial intermediary they need | <p>Learners will</p> <ul style="list-style-type: none"> - understand how financial institutions work - how to protect the themselves - to be able to propose a specific case study |
| | - | - |

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| Module 6: Financial institutions |
| Module Introduction |
| <p>" Today I suggest that we discuss an important issue that affects you and your families, your decisions, namely, what types of financial institutions exist and which of them can really be useful to us. The first thought you will have: "I am too young to be interested in this problem, you have probably already convinced yourself that the right choice of financial intermediary helps increase security, investment protection, receiving qualified advice and making the right investment decision. This is of particular importance because the majority of financial services are already received online and the authorization of operations also guarantees their security. Let's analyze - all the money we have available in our wallets has reached us through a banking institution, the bank cards with which we pay are also issued by banking institutions, when we lose or destroy our bank card, it is necessary to notify the bank immediately, from which we bought the bank card, if we have a trip coming up we will need to meet with a currency dealer to buy available , with which to make the first payment abroad, we know how to properly store our bank cards and never write a pin the card access code.</p> <p>Indeed, there are many threats, but if we follow the rules when using the services that banks offer us, we will not have problems."</p> <p>Do you know that?</p> |



Teenagers and young people are a desirable target for financial institutions: It starts with the opening of a bank account by parents and older family members for savings to finance education, to buy a new home or an expensive electronic game

According to the Daily Telegraph, seven out of ten children under the age of 15 use bank cards. At the same time, they report a significant group of citizens who do not have bank accounts. While teenagers are part of this age group, it shows that younger people who tend to be more active customers of banking institutions.

When young people first become clients of the financial system is a question that has no single answer, as it depends on many factors, such as:

Cultural differences: In some cultures, children start participating in family finances from an early age, while in others it happens later.

The family's economic situation: Families with higher incomes may introduce their children to financial tools earlier.

The education system: Some schools offer financial education, which can encourage young people to open a bank account or invest.

Access to financial services: In some regions, access to financial services may be limited, delaying the first interaction with the financial system.

During the global crisis of 2008 and 2009, he saw clearly the importance of financial institutions to the economy. Businesses, for example, depend on financial institutions for money. When it can't get it, unemployment rises, mortgage and other credit defaults rise, people and businesses stop spending money, which reduces income for other people and businesses, and it reduces tax revenue for the government, which causes them to cut spending, which leads to more unemployment, and so on. That is why governments around the world injected trillions of dollars into their financial institutions during credit crunches to prevent their collapse and after the collapse of the economy.

Financial intermediaries are institutions that connect individuals who have excess financial means (savers) with those who need financing (investors). They play a key role in the functioning of the financial system by facilitating the movement of capital and ensuring the exchange of information between creditors and debtors.

The main types of financial intermediaries are:



Banks: These are the most common financial intermediaries. Only they accept deposits from citizens and businesses and grant loans. Banks also offer other financial services such as payment services, asset management, etc.

Investment funds: These are collective investment schemes that pool the funds of multiple investors to invest them in various financial instruments (stocks, bonds, real estate, etc.). The goal is to achieve higher returns than could be achieved by investing on your own.

Insurance companies: They offer protection against various types of risks (life, property, liability, etc.) by collecting premiums from the insured and paying benefits when the insured event occurs.

Pension Funds: These collect contributions from working people and invest these funds to provide pensions on retirement in case of loss of working capacity due to old age or illness.

Leasing companies: They provide their customers with the opportunity to use fixed assets (machinery, equipment, cars, etc.) against the payment of periodic lease installments.

Factoring companies: They buy the short-term receivables of businesses for a certain commission.

Brokerage houses: They mediate securities transactions in the financial markets.

Microfinance Institutions: They provide financial services to poor and unbankable individuals and small businesses.

Fintech companies: PayPal and other electronic payment systems: These allow payments to be made electronically.

Module 6: Financial institutions

Theoretical ground

At glance

Financial intermediaries play a key role in the functioning of the economy. They connect those who have excess money (the savers) who have no idea what they can do with it, and those who need money (the investors) and have a specific investment idea.

Their main functions are:



Connecting savers with investors: Financial intermediaries collect money from multiple people and channel it to projects that need funding. For example, when you deposit money in a bank, it uses it to make loans to other people or companies.

Maturity transformation: These convert short-term savings (such as bank deposits) into long-term investments (such as home loans).

Risk Transformation: Financial intermediaries divide the risk among multiple investors. For example, when you invest in a mutual fund, you share the risk with other investors.

Specialization: Financial intermediaries have expertise and experience in the evaluation of investment projects and risk management.

Liquidity: They provide their customers with easy access to their money. For example, you can withdraw money from your bank account at any time.

Discussion suggestion:

- “Do you think financial institutions are important to all of society?”
- ”Why?”

What are the financial institution?

Financial institutions in an ecosystem connect institutions, businesses, and people with their money. They play an extremely important role in our society and economy, performing several basic functions:

Collecting the two-point money: People and companies deposit their savings in banks, which in turn pool them and can use them for other purposes.

Lending: When someone wants to buy a car, a home or start a business and doesn't have enough of their own, they usually need a loan. Banks and other financial institutions provide these loans, thereby stimulating the economy.

Risk Management: Financial institutions offer various products such as insurance that help people protect themselves against unforeseen events.

Ensuring payments between people and businesses: Banks allow payments to be made in different ways – with debit and credit cards, through electronic transfers, etc.

Facilitating investment: Through various financial instruments such as stocks and bonds, people can invest their money and participate in the growth of companies.

Pooling of spare cash: People and companies deposit their savings in banks, which in turn pool them and can use them for other purposes.



Lending: When someone wants to buy a car, a home or start a business and doesn't have enough of their own, they usually need a loan. Banks and other financial institutions provide these loans, thereby stimulating the economy.

Risk Management: Financial institutions offer various products such as insurance that help people protect themselves against unforeseen events.

Ensuring payments between people and businesses: Banks allow payments to be made in different ways – with debit and credit cards, through electronic transfers, etc.

Facilitating investment: Through various financial instruments such as stocks and bonds, people can invest their money and participate in the growth of companies.

Types of Banking

7. Commercial banks:

- Financial institutions, which are registered as joint stock companies work for the benefit of the shareholders and seek to make a profit, that offer a wide range of services, much like supermarkets, to both individuals and legal entities - deposits, loans, leasing, insurance, currency transactions, storage of valuables, banks debit and credit cart.
- **Example:** Do you have a bank office in the neighborhood or town you live in?? Have you visited it by any wire??

8. Savings bank

- A savings bank is a financial institution that offers services for the storage and management of savings. Key features and functions of a savings bank include: Savings banks provide a safe place where customers can deposit their cash, offer easy access to funds allowing customers to withdraw money when needed, offer financial education and advice helping clients to better manage their finances. They are often linked to local communities and offer specific programs to support local initiatives.
- **Example:** Why are savings banks preferred institutions for keeping deposits?

9. **Specialized banks** - banks that carry out only certain operations - to credit the construction of buildings and commercial areas, to finance the work of agricultural associations, to finance import-export operations:



- This specialization is necessary because this type of banking operations is more complex and requires better training.
- **Example:** in order to make a decision to finance the creation of a garden of fruit trees, you need to ask how they are grown, when they begin to bear fruit, is their additional insurance necessary, etc.

10. Central Banks:

- A special financial institution created by the state that has a key role in managing a country's monetary system and economy. It has the main task of issuing money, of controlling other banks, of licensing new ones, as well as other functions. The Central Bank is developing the necessary mechanisms to guarantee citizens' deposits in banks in the amount of up to 100,000 euros.
- **Example:** No one has the right to print new banknotes except the central bank, if anyone does it is a crime.

11. Pension funds :

- Pension funds are financial institutions that collect contributions from working people in order to provide pensions in retirement. Those who cannot work due to illness also receive from these funds. They represent an important component of the financial system of many countries. The state is obliged to provide such supervision over these funds that the long-term pension contributions are preserved and bring profitability.
- **Example:** Anyone who, according to impaired health, is unable to work must be supported by the state to finance some basic needs - for food, clothing and a home. For this purpose, everyone who wants to receive a pension needs to save in a pension fund.

12. Investment funds:

- Collective investment schemes, where the money of many investors is pooled to be invested in a variety of financial instruments – shares, bonds, real estate, etc. This is one of the most popular ways to invest, especially for people who want to diversify their portfolios and invest with smaller amounts. Depending on the risk they are willing to take, the fund's clients choose which securities to invest in.
- **Example:** If you have free funds, you deposit them in an investment fund in order to purchase investment instruments and receive income from the operation.



Income depends on many factors - for example, the type of investment, who issued it, how these amounts are invested.

13. Leasing company:

Leasing companies are financial institutions that offer a specific type of financing called leasing. In leasing, instead of buying an asset (eg a car, equipment, building), you rent it from the leasing company for a fixed period, paying monthly installments.

- Example: Car leasing is a popular alternative to a traditional bank loan for buying a car. With a lease, instead of buying the car outright, you rent it from a leasing company for a period of time, paying monthly installments.

14. Insurance company

Insurance company are a financial institution that offers insurance products and services. It raises funds from multiple clients (insureds) by collecting premiums. In the event of an insured event (for example, a car accident, fire, illness), the insurance company pays compensation to the insured person according to the terms of the contract.

Insurance companies collect money from insured persons in order to form an insurance fund, assess the probability of the occurrence of insured events and determine the amount of premiums, upon the occurrence of an insured event, pay compensation to the insured person according to the terms of the contract, Invest the funds from the insurance fund to generate income and cover future benefits.

Example: To protect themselves against losses due to accidents, natural disasters, fires, thefts and other possibilities of loss, the customers of the insurance company pay premiums and thus a common insurance fund is formed.

In addition to the above classification, we should point out that financial institutions, according to their importance, are:

1. International - such are the International Monetary Fund, the World Bank, the European Central Bank and others - institutions whose operations are carried out globally and play an important role in global financial security. International financial institutions coordinate and develop international rules for the operation of financial markets.

2. National - financial institutions for which the operations of the national financial market are a priority and play an important role in the development of the national economy. Such are the national central bank and commercial banks.



Case Studies: Financial Institutions

Objective of the case stage:

To assess participants' ability to analyse complex financial situations.

To test their decision-making skills under conditions of uncertainty.

To identify the strengths and weaknesses of participants in the field of financial analysis and risk management.

Scenario:

Situation:

A large commercial bank is experiencing difficulties as a result of a sharp deterioration in the economic situation in the construction industry. The bank has given out too many loans to build homes, and as a result of the glut, the homes cannot be sold. The bank cannot fulfil all payment requests made to it. Customers begin to withdraw their deposits in masse, and loans are not serviced on time. Outside the doors of the bank's offices are people standing, probably its customers, who want to withdraw their deposits from it. This situation is shown in electronic media and there is general uncertainty. There is a great threat that this bank panic will spread to other banks, and the bank itself faces the risk of bankruptcy.

Task:

Participants in the case stage must put themselves in the role of a team of financial experts who are called upon to save the bank. They must:

1. To analyse the created complex situation:
2. To identify the main reasons for the financial difficulties in which the bank found itself.
3. To assess the severity of the problem and the potential consequences for its customers.
4. To search various internet sources for information about the bank's previous difficulties.

Formulate and propose solutions:

1. To develop short-term and long-term measures to stabilize the bank's financial condition.
2. To propose strategies to restore the confidence of customers and investors.
3. To assess the impact of proposed solutions on various stakeholders (customers, employees, shareholders, regulatory authorities).
4. Diversify the types of loans they provide to other industries besides construction in order to limit the impact of the crisis situation in a certain sector

Assess the risk:



1. To identify the main risks associated with the proposed solutions.

2. Develop risk management plans.

Possible discussion questions:

What are the main causes of the financial crisis in the bank?

What are the most important financial indicators to analyze in this case?

What are the possibilities for increasing the bank's capital?

What measures can be taken to reduce costs?

How can the bank restore customer confidence?

What are the potential consequences of not taking action?

Evaluation criteria:

Analysis: Ability to identify underlying issues and analyze data.

Creativity: Ability to generate new ideas and propose non-standard solutions.

Practicality: Ability to propose realistic and workable solutions.

Teamwork: Ability to work effectively in a team and reach consensus.

Communication Skills: Ability to present ideas clearly and persuasively.

Additional items:

Case Study: A detailed case study can be developed with financial statements, schedules and other information provided to help participants analyze the situation.

Role playing: Participants can play different roles (eg bank manager, analyst, regulator) which will make the case stage more interesting and realistic.

Simulation: Simulation software can be used to model different scenarios and evaluate the consequences of different decisions.

Note: This scenario can be adapted for different levels of complexity and for different financial institutions.

This case from practice emphasizes that when we choose a bank in which to store our free funds, we must first inform ourselves about its condition, the number of branches in the town where we live. It is very important to be informed about its advertising messages to customers, because the traditionally attractive offers for high yield hide banks with a bad or threatened condition aggressively looking for additional resources for their recovery.

Role-Playing Scenario: Students and Financial Institutions



Scenario 1: Opening a Bank Account

Characters:

Student: A young adult looking to open their first bank account.

Bank Representative: A bank employee tasked with assisting the student.

Situation:

The student has recently graduated from high school and received a part-time job. They want to open a bank account to save their earnings and start building a financial foundation.

Questions for the bank representative:

What are the different types of bank accounts available to students?

What are the fees associated with each type of account?

Are there any special offers or promotions for students?

How can I access my account online or through mobile banking?

What are the benefits of having a debit card?

Questions for the student:

What are your goals for the bank account? (Saving for college, purchasing a car, etc.)

How often do you plan to use the account?

Are you interested in online or mobile banking?

Do you have any experience with budgeting or financial planning?

Scenario 2: Applying for a Student Loan

Characters:

Student: A college student in need of a student loan to cover tuition and living expenses.

Financial Aid Officer: A representative from the college's financial aid office.

Situation:

The student has been accepted to college and needs to secure a student loan to help pay for their education.

Questions for the financial aid officer:

What are the different types of student loans available?

What are the interest rates and repayment terms for each type of loan?

Are there any scholarships or grants I may be eligible for?

How can I apply for a student loan?

What documents do I need to submit?



Questions for the student:

What is your expected cost of attendance for college?

Do you have any scholarships or grants already?

What is your credit history like?

Do you have a cosigner for the loan?

What is your plan for repaying the loan after graduation?

Scenario 3: Investing for the Future

Characters:

Student: A young adult interested in investing for their future.

Financial Advisor: A financial professional who can provide guidance on investing.

Situation:

The student has a surplus of income and wants to start investing for their long-term financial goals.

Questions for the financial advisor:

What are some good investment options for beginners?

What are the risks and rewards associated with different types of investments?

How can I diversify my investment portfolio?

What is the role of a financial advisor?

How much should I be investing each month?

Questions for the student:

What are your long-term financial goals? (Retirement, buying a house, etc.)

How comfortable are you with risk?

Do you have any experience with investing?

What is your investment horizon? (How long do you plan to invest?)

Do you have any specific preferences for types of investments?

Module 6: Financial Institutions

Pre and Post Assessment Questions

Pre-Assessment Questions:



1. What do you think financial institutions doing?

- a) A way to earn money quickly.
- b) A dishonest scheme designed to trick people into giving away money or personal information.
- c) A type of business transaction.
- d) A way to get free products online.

2. Do you have a bank account?

- a) true;
- b) False.

3. Do you have a bank card?

- a) true;
- b) False.

4. Do you participate in the family council to make important decisions?

- a) true;
- b) False.

5. Do you know your family's investments?

- a) true;
- b) False.

6. The state has nothing to do with guaranteeing bank deposits

- a) true;
- b) false.

7. Do you think school students should be insured? Justify yourself

Optional Open-Ended Questions (For Discussion):

- 1. Do you need to keep up to date with the status of your personal bank?
- 2. Why should we save in pension funds ??



3. Do you think it is necessary to discuss the future management of your savings with a financial expert?

Post-Assessment Questions:

1. Which of the following institutions offers savings storage services?

- a) Investment fund;
- b) Savings bank;
- c) Insurance company;
- d) Trading company.

2. What is the main function of banks?

- a) They produce goods;
- b) Provide loans and mediate money transactions;
- c) Organize events;
- d) Offer tourist services.

3. Who issues cards for cashless payments to their customers ?

- a) Investment funds;
- b) the central bank
- c) The pension company
- d) Savings bank.

4. What is the role of financial intermediaries for the development of the national economy:

- a) carry out payments between companies;
- b) organize charity actions to help victims of natural disasters;
- d) stimulate the national economy.

5. Pension companies have priority in their activity to:

- a) to issue consumer loans;
- b) to accumulate funds from contributions for the purpose of insurance in case of loss of working capacity for various reasons;



c) to realize income for their main shareholders.

6. The national currency is issued by:

- a) Savings banks;
- b) central banks;
- c) International Monetary Fund.

7. The World Bank is a public service bank:

- a) True;
- b) False.

8. There is a message in the mass media about a banking panic:

- a) you will immediately go to withdraw your bank deposit;
- b) you will wait for the intervention of the central bank;
- c) you will wait for the opinion of the competent authorities.

9. Where the student will invest the money given to him on any occasion for university studies:

- a) In a bank deposit;
- b) In a portfolio of securities in an investment fund;
- c) in the purchase of a shop hall.

10. Analyze an advertising brochure of a bank and answer the following questions: What products does the bank offer? What are the advantages and disadvantages of these products? Which customer group are these products aimed at?

Module 6: Financial institutions

Sources, Additional materials, Tips and tricks

Additional resources:

https://en.wikipedia.org/wiki/Financial_institution



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https://www.ecb.europa.eu/stats/financial_corporations/list_of_financial_institutions/html/index_en.html

<https://www.fincen.gov/financial-institution-definition>

<https://www.sciencedirect.com/topics/economics-econometrics-and-finance/financial-institution>



Closure

As teenagers prepare to navigate adulthood, understanding personal finance is more important than ever. Financial education empowers teens to make informed decisions about saving, spending, and investing. It helps them recognize the long-term consequences of their choices and avoid common financial pitfalls like debt and poor budgeting. Additionally, by understanding how external factors like environmental changes and social inequalities influence their financial landscape, teens can better adapt to future economic challenges.

Learning about personal finance early equips teens with the skills they need to manage money responsibly, fostering independence and confidence as they plan for their futures. As our world becomes more interconnected and complex, being financially literate is crucial for making smart choices that will benefit them in the long run.

Dear students, as you get on your journey toward financial independence, remember that the knowledge and skills you build now will shape your future. Being financially educated empowers you to make smart decisions, whether you're saving for a dream, investing in your future, or navigating life's challenges. Grab this learning as a tool to create the life you envision, full of security, opportunities, and growth. May you confidently face every financial decision, knowing that with each step, you're building a stable and fulfilling future. Here's to your bright, prosperous tomorrow!

All the best,

FINANCIAL LITERACY FOR THE ECONOMIC DEVELOPMENT OF SOCIETY TEAM