



FINANCIAL LITERACY TRAINING



FACILITATOR'S GUIDE

@2025

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Adaptations: This Manual is *an adaptation of an original work by the International Labour Office (ILO). Responsibility for the views and opinions expressed in the adaptation rests solely with the author or authors of the adaptation and are not endorsed by the ILO. Its adopted from the International Labour Organization (ILO) financial education tools created for different target groups in the Horn of Africa which includes Kenya*

ABOUT THIS GUIDE

The purpose of this Financial Literacy trainers guide is to help service providers and staff of Micro Enterprises Support Program Trust (MESPT) who support Small Holder farmers and Agricultural SMEs by teaching them fundamentals of financial literacy. The guide comprises the training sessions and detailed instructions on how to organize and deliver financial literacy training. It is intended for use by the training personnel of organizations supporting Small Holder farmers and Agricultural SMEs.

The Guide provides practical information on how to implement the financial literacy training to target group including small Holder farmers and agricultural SMEs. The farmers training manual should be used hand in hand with the trainer's guide since it provides all the information related to fictional characters, case studies, exercises and specific references to the target group. The farmer's manual also comprises the key points of the training and the tools required for using and managing one's money wisely. It is written specifically for participants in the training courses. The farmers training manual is actually a workbook and a reference guide.

This Trainer's guide has two main parts:

Part 1 includes an introduction to financial literacy, the training materials and preparation for the course, and presents the structure and content of the Trainer's guide. This part offers advice on how to apply participatory techniques and organization of the training.

Part 2 provides a stage-by-stage session plan, learning goals, activities, key points, generic teaching aids which can be prepared and handed out during the session, and references to use the case studies and carry out the different exercises included in the farmer training manual.

1. Session plan

Each module comprises between two (2) and four (4) learning sessions on specific topics. Each session is between 45 and 130 minutes and is structured as follows:

- Module (letter and title)
- Session (letter, number and title)



AIMS

Aims: indicates the goal of the session



DURATION

Duration: indicates the recommended time to allocate to the session



MATERIALS

Materials: indicates the equipment required for the various exercises



KEY MESSAGES

Key messages: indicates the concepts and ideas to be conveyed during the session



TRAINING AIDS

Training aids: lists the training aids provided at the end of the section



SESSION PLAN STEPS

Steps: includes advice on how to conduct the session, in terms of content and process

2. Types of heading

Five categories of headings are used to make the text easier to read and to help the trainer distinguish between different types of content:

Category 1: For the trainer

INSTRUCTIONS to prepare for and conduct the session (these instructions are printed in italics).

NOTE FOR THE TRAINER: points of importance for the trainer, but not necessarily on how to conduct the session. These notes often refer to activities the trainer needs to prepare for in advance of the session, such as collecting brochures from financial institutions.

Category 2: Introduction and summing up

INTRODUCTION: for paragraphs introducing a session or activity.

RECAPITULATION: to indicate all the points tackled in the discussion, to which the trainer may need to add further ideas if they have not already been raised.

COLLECT THE ANSWERS: when the trainer has to ask questions and note the answers on a flipchart sheet or on a summary page.

CONCLUSION: when the trainer has to conclude an activity or session.



Category 3: Discussions

The “correct” answers to the questions you ask the participants are generally indicated [in square brackets].

- **INTRODUCTORY DISCUSSION:** when the purpose is to introduce a session, a topic or one or the stages of the session.
- **GROUP DISCUSSION:** to signpost “open” questions which do not necessarily require a precise answer but are intended to encourage the participants to exchange ideas and think carefully.
- **DISCUSSION OF A CASE STUDY:** to signpost a discussion based on a personal story or cartoon strip.
- **DISCUSSION OF THE OUTCOME:** for questions posed after an activity, and intending to get the participants to draw conclusions.



CATEGORY 4: ACTIVITIES

» ACTIVITY No.: for activities or games.

CASE STUDY: for activities based on a story or cartoon strip.

ROLE PLAY: for games in which the participants have to enact a story or perform a sketch.

► **INSTRUCTIONS TO BE GIVEN** to the participants in relation to activities or games. This part should be read out in full by the trainer.

► **ALTERNATIVES** for variants of the activities.

► **RULES OF THE GAME** explanations of how a game is played.

Category 5: Characters' activities

Case Study

For activities and information related to the fictional characters. These case studies are included in the Trainee's booklet.

Training Aids

Related to training aids that are specific to the characters, included in the Trainee's booklet.



Category 6: Important points

POINTS TO EMPHASIZE: for one or more points the trainer needs to highlight to the participants.

KEY POINTS: the key ideas to be remembered from the session.

DEFINITIONS: clear and simple definitions of concepts related to financial education.

EXPLANATIONS: when the trainer needs to explain particular points to the participants.

The modular structure allows course organizers and trainers to adapt the content to the specific needs of their groups and to select the subjects and exercises most appropriate to each course.

The sessions can be shortened by discarding the exercises and concentrating on the explanatory material. This has consequences on the effectiveness of the training, particularly where adult participants are concerned.

Some learning sessions include exercises which require careful and lengthy preparations. In such cases, the details are explained in the session plans and the trainers must plan and decide in advance how they intend to organize the activities.

ADULT LEARNING PRINCIPLES AND TRAINING METHODS

Good communication and the free exchange of information through dialogue are at the heart of all training and human resources development. All learning is, in the final analysis, an individual process of self-development, and adults are responsible for their learning. Each person learns differently: by reading, by listening, by involvement in activities.

Taking this perspective into account, the manual was conceived in such a way that the participants can learn from the experiences of the group through the use of participatory techniques and various exchanges. A high level of interaction, participation and dialogue between trainers and adult participants makes for a more effective learning.

The role of the trainer is to facilitate sessions and help participants identify their needs and priorities, as well as individual and collective potential. Trainers are above all knowledge acquisition facilitators.

The trainees must be regarded and treated as adults. A large number of different methods may be used during the course. No one method is better than another.

Each has its advantages and disadvantages, and may be appropriate at different stages, as indicated on the following page. Regular changes in the method used and the pace of delivery help to maintain the participants 'attention, interest and motivation.

1. Adult learning principles

When facilitating the financial literacy training, it is important to remember that your participants are adults. Participants will have a lifetime of personal experiences behind them that will inform how they evaluate, retain, and use the information provided to them in the training. To connect with an adult audience, the training must be immediately useful, relevant, welcoming, engaging, and respectful.

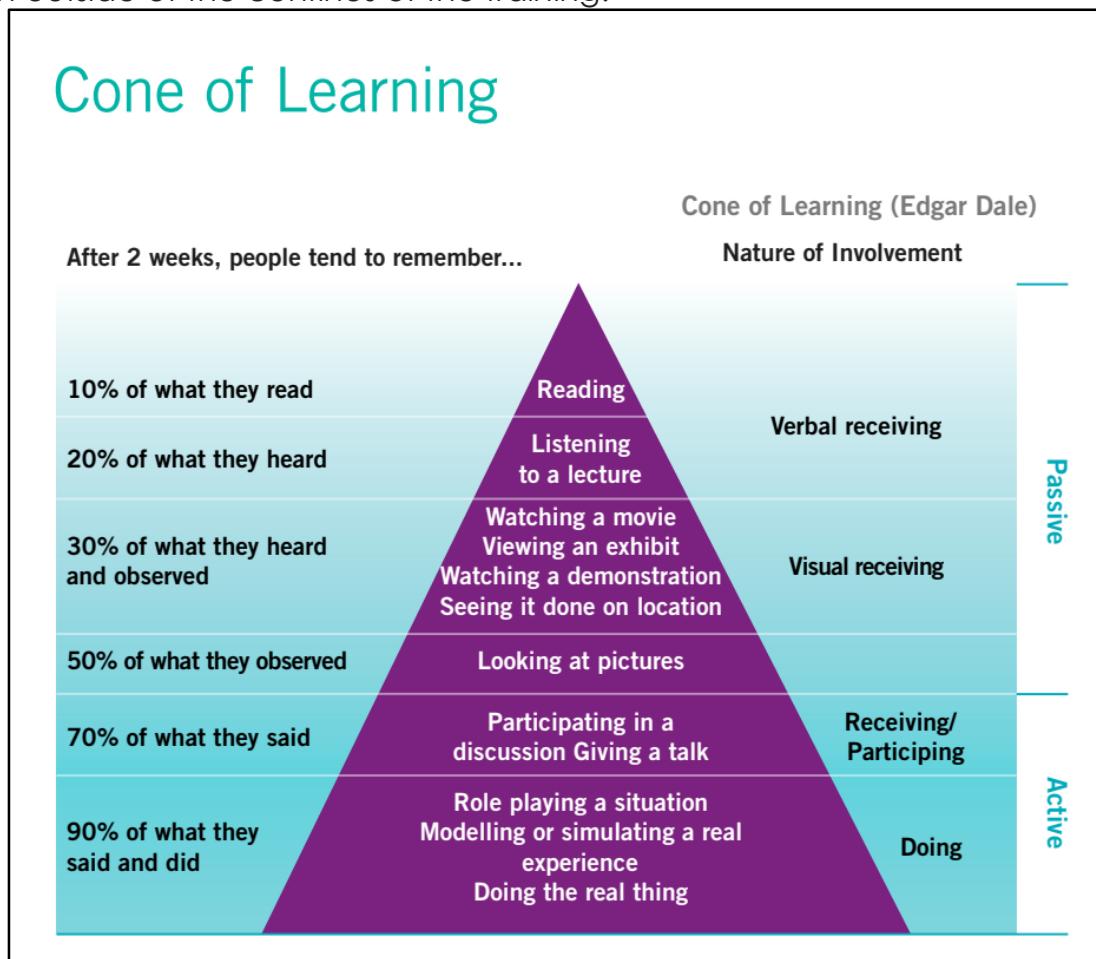
Adult Learning Principles: Description and Application in the financial literacy training		
Principle	Description	Application
Self-direction	<p>Adult learners must have some control over what they are learning. They are motivated to learn if they can:</p> <ul style="list-style-type: none">• Take charge of their learning.• Contribute to the learning of their peers.• Have some degree of independence in the learning process.	<ul style="list-style-type: none">• Actively involves participants in the learning experiences.• Frequently asks questions to encourage active thinking, problem-solving and decision-making.• Helps focus their self-directed efforts to learn and discern the answers to questions.• Provides opportunities for participants to direct their own learning through self-facilitated small-group discussions.

Life experiences, respect, and self-pride	<p>Adult learners need to be respected for their experience. They are motivated to learn if the learning:</p> <ul style="list-style-type: none"> • Involves them in sharing what they know in a safe and respectful environment. • Builds on what they know. • Validates their expertise. 	<ul style="list-style-type: none"> • Builds on the participants' own experiences by frequently asking for input and sharing. • Relates theories and concepts to the participants and their experiences. • Allows participants to feel safe to express their confusion, anxieties, doubts, and fears. • Provides opportunities for “small wins” and little victories in the learning process – to build competencies incrementally.
Goal-oriented	<p>Adult learners must be able to see how the learning satisfies a need they have. They are motivated to learn if the learning:</p> <ul style="list-style-type: none"> • Solves or avoids a problem for them. • Provides an opportunity or increased status. • Leads to professional or personal growth. 	<ul style="list-style-type: none"> • Includes training objectives that are clear and help participants to see how elements are inter-related. • Shares examples and stories that relate the learning content to participants 'current challenges or opportunities and asks participants to share their own examples to make this linkage. • Engages participants in identifying the challenges and opportunities they face and the value of learning to address these challenges.
Application and action	<p>Adult learners are busy, practical, and learn by doing. They learn best when:</p> <ul style="list-style-type: none"> • There is immediate application of the learning. • They participate actively in the learning process. • They can practice new skills or test new knowledge before leaving a learning session. 	<ul style="list-style-type: none"> • Helps participants to apply learning immediately. • Follows theories with practical examples and applications to demonstrate the relevance of the learning. • Includes exercises and content that can be applied to real-life situations of the participants.
Multiple learning methodologies	<p>Adult learners learn in a great variety of ways, from hands-on to using logic to anchor new skills and knowledge. They learn best when:</p> <ul style="list-style-type: none"> • The learning taps into a mix of learning styles that fit 	<ul style="list-style-type: none"> • Uses training methods that require active participation. • Allows participants to learn in the style that best suits them by using small group work, discussions, and individual activities.

	<p>their preferences and stimulate their intelligences.</p> <ul style="list-style-type: none"> Multiple means are used to represent the material being learned. 	
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Edgar Dale theorized that learners retain more information by what they “do” as opposed to what is “heard”, “read” or “observed”. This has become the basis of what is known now as “experiential learning” or “action learning”. The least effective method involves learning by listening to spoken words (e.g., lectures). Listening is an essential learning tool, but, used on its own, is not nearly as effective as when used in conjunction with other learning modalities, senses, and activities.

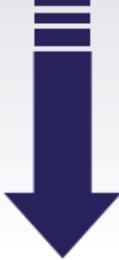
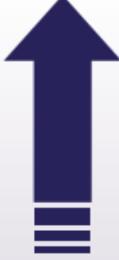
The most effective methods involve direct purposeful learning experiences such as hands-on or field experience. These actions call for the harmonious interrelationship with multiple senses (speaking, performing, analyzing, simulating, and designing) and rely on a synthesis of the learning modalities. Essentially, the cone of learning shows the progression of experiences from the most concrete (at the bottom of the cone) to the most abstract (at the top of the cone). Actively engaged training participants are more likely to recall and use the information outside of the confines of the training.



2. Training methods and level of participation.

Traditional training is generally based on exposition (the trainer talking/explaining to the class), often combined with visual aids and question-and-answer sessions. Over recent decades, a range of training methods have been developed to stimulate adult learner's interest by posing open questions and taking their personal experiences as a starting point. This engages them in feeling, thinking and acting, thus encouraging them to apply the new content to their personal and working lives. This approach is known as participatory learning or education-through-dialogue. It covers a range of interactive methods, from discussions and brainstorming's through to case studies' analyses as well as roles plays and games involving results' analysis.

Teaching method and level of participation

APPROACH	METHOD	ACTIVITY	PARTICIPATION	LEARNING
Trainer-centred Top-down approach 	Reading	Listening	Low	Receiving (Passive) 
	Exposition using visual aids (pictures, films...)	Seeing and listening	Low	
	Questions and answers	Asking questions and getting answers	Low to moderate, depending on the individual	
	Brainstorming and discussion	Sharing ideas and discussing them	Low in large groups; moderate to high in small groups	
	Analysis and presentation (case studies or problem-solving)	Reading, analysing, problem-solving, writing/drawing, reporting back	High	
	Role plays, games and exercises	Using one's imagination and analytical and relational skills	High to very high	
	Action-based activities, e.g. placing the learner in an employment-type situation	Making the activity real or applying knowledge or skills acquired in a real-life situation	Very high	
Learner-centred Bottom-up approach 				

The recommended participatory training methods are: brainstorming, discussion, written exercises, case studies and role plays.

1. Brainstorming

What it is:

- Brainstorming is a method used to generate ideas. Its objective is to stimulate participants into finding different ways to address a given problem. You pose a problem or a question which can be tackled in a number of different ways and ask the participants to think of such different ways. The objective of brainstorming is to produce a list of alternative solutions and then discuss the merits and demerits of each solution.

When to use it:

- Brainstorming is used when finding numerous ideas or multiple ways to solving a problem. Participants are asked to do so by relying on their experiences.

What it will achieve:

- Participants learn by building on their own experiences. Furthermore, they are forced to think out of the box and also learn to choose from alternative solutions.

Advantages:

- Brainstorming produces a high degree of participation. It makes the session livelier and it stimulates creative thinking.

Disadvantages:

- Participants may spend time repeating their ideas until they get sufficient attention;

- Processing and classifying the ideas can become a complex procedure. This depends on the number and types of the generated ideas.

Points to watch:

- The focus should be on generating ideas and not on discussing the ideas;

- No critical remarks should be allowed. Evaluation of ideas comes later;

- Focus your attention on getting as many ideas as possible;

- Make sure everyone participates by asking those who are quiet for ideas.

• Discussion

What it is:

- Knowledge, ideas and opinions on a particular subject are freely exchanged between the participants and the trainer. In an open discussion, the trainer facilitates and controls the discussion while everyone participates. In a group-discussion, the participants are divided into small groups. The subject is freely discussed by each group. The trainer circulates among the groups as an observer and makes appropriate inputs wherever/whenever necessary. The groups are then brought together and the conclusion of each group is presented and discussed in an open forum.

When to use it:

- Discussion is ideally used to analyse a given situation and reinforce the concepts and understanding of the participants through exchange of views with others. It is used when participants have background knowledge of the issue.

What it will achieve:

- Discussion brings about changes in the attitudes of participants as they share

experiences.

Advantages:

- Discussions provide feedback to the trainer about the way in which the participants may apply the knowledge learned.

Disadvantages:

- The participants may stray from the subject or fail to discuss it usefully.

Points to watch:

- The participants may become persistent and determined to stick to their attitudes and/or opinions rather than be prepared to change them;
- You need to control the structure and direction of discussion to avoid this.

• **Written exercises**

What it is:

- Participants are asked to undertake a particular task, which leads to results. A written exercise is usually a practice or a test of knowledge learned prior to undertaking the exercise and may be done in small groups or individually. Since the level of absorption of knowledge varies from person to person, a group written exercise helps to reinforce the knowledge through peer instructions. An individual exercise helps to practise the knowledge gained.

When to use it:

- A written exercise is used after the participants have acquired a specific piece of knowledge or after a topic has been covered.

What it will achieve:

- A written exercise is an active form of learning as the entrepreneurs practise the techniques taught to them and try to apply the knowledge learned to get solutions. Written exercises also help the trainer to concretely find out how much the entrepreneurs have absorbed the new data.

Points to watch:

- Some entrepreneurs may be seen to struggle during the written exercise. In such case, you need to provide them with appropriate hints, but not the solution;
- The training environment should allow participants to openly clarify their doubts

• **Case studies**

What it is:

- A case study is an event or a set of circumstances with appropriate details, which the participants need to examine and understand. The participants are required to analyse and diagnose the causes of a particular problem set out in the case study. They may further be required to solve the problem.

When to use it:

- A case study is ideally used to demonstrate the application of various techniques in real life situations, which participants are likely to face.

What it will achieve:

- A case study simulates situations, which the entrepreneurs may face in their day-to-day business dealings. It therefore, prepares entrepreneurs to face similar or related situations in real life.

Advantages:

- The case study method helps the participants to look at a problem or set of circumstances free from the pressures of the actual problem/event. It provides opportunities for exchange of idea and generation of alternative solutions to problems, which they will face in their businesses.

Disadvantages:

- It might be difficult to find a case study that suits all the participants and their business needs or problems.

Points to watch:

- You need to emphasize that decisions taken in the training situation may differ from those that have to be made on the spot in real life situations.

• Role plays

What it is:

- A role play is a dramatization of what may happen in real life situations. Participants are asked to enact specific roles in a given situation. The objective is to practise dealing with face-to-face situations in real business life. The dramatized event is then discussed by all participants in an open forum to bring out how the situations could be dealt with differently.

When to use it:

- A role play is ideally used when learners are familiar enough with the topic and have been told how they are supposed to enact.

What it will achieve:

- The participants practise near-to-life situations in a protected training environment and receive advice or constructive criticism and opinions from their colleagues. This helps participants to learn the finer points through practise and to obtain guidelines on how to react appropriately in real life situations.

Advantages:

- Role plays help to give the participants confidence in facing actual business situations.

Disadvantages:

- In real life, the situations/events will differ from those set out in the role play. The entrepreneurs may get the wrong impression of the real life situations and may fail to realize that decisions taken in the training situation are different from those that have to be made on the spot in a live situation.

Points to watch:

- Trainers should reflect the trade-offs between the usage of role plays and the discomfort and anxiety it might create for some participants;
- Some participants may be carried away in enacting their roles, making the whole role play look like a charade and something that may not be taken seriously;
- As a trainer you need to moderate the role play to avoid this happening.

Remember that a participatory training method does not relieve you of the task of being the decisive source of expertise on the subject. The participants can ask you to clarify a particular point at any time during the training session. Mentally project the likely course of events when preparing a participatory training session, anticipate these questions and prepare the right answers.

3. Outlining training agenda

Each training will differ depending on the priorities and resources of the training organizers and participants, the training objectives, the size and needs of the target group.

- **Develop session plans**

You have already customized the structure of the training intervention and the contents of each session module at an earlier stage when marketing the training intervention to your customers; you also fine-tuned the training structure and chose session contents after having analyzed the results of the TNA. The remaining task is to develop session plans for each of the various SIYB sessions you will conduct. Session plans will help you to structure the SIYB training intervention

You will itemize the timing for each session of the training intervention with the date and hour, and you will decide on the following:

- Which topic you will address in which session;
- What learning objective you plan to achieve during each session;
- What activities you are going to conduct during the session, in chronological order and roughly how many minutes you plan to spend on each activity;
- Which training method and training tools you intend to use;
- Which supporting training materials you intend to refer to during the session.

TITLE OF THE WORKSHOP Date and venue					
Time	Sessions/topic	Exercise/activity	Layout of the room	Equipment	Person responsible
8.30 9.00	Registration		Table at the entrance to the training room	1 course folder per participant/ participants' name badges	Assistant
9.00 9.30	Opening ceremony	Introductory remarks (What is financial education?)			Directors of the organizing bodies
9.30 10.30	Introducing the participants and presenting the training programme and expectations	Introduction of the participants (ex.1) Presentation of the participants' objectives and of the programme	Round tables	Flipchart, flipchart sheets, cards of two different colours, exercise-books, pencils, markers	Trainer 1
10.30 11.00	BREAK				
11.00 12.30	Session A.1: Set short and long-term goals	<ul style="list-style-type: none"> • Identifying short and long-term goals Discussion • Compare goals - Exercise • Harmonise one's own goals and those of one's family • Individual exercise 	Round tables	Flipchart, sheets of paper, sticky tape, markers, string, scissors, glue sticks, sheets of coloured card, clothes pegs	Trainer 2
12.30 14.00	LUNCH				
14.00 15.30	Session A.2: Communicate with confidence		Round tables	Flipchart, flipchart sheets, sticky tape	Trainer 1
15.30 16.00	BREAK				
16.00 16.45	Session A.3: Set financial goals and make plans to achieve them	<ul style="list-style-type: none"> • Set a timescale • Costing objectives • Prioritization • Savings plan 	Round tables	Images of desires and needs	Trainer 2
16.45 17.00	Daily assessment	Individual exercise		Photocopies of assessment forms	Trainer 2

4. Facilitation techniques.

The facilitator is key to making the peer-to-peer activity-based learning work by helping the participants to engage and work together effectively, and guiding the learning process when participants have difficulties in understanding the concepts and the activities. Below are some techniques that facilitators can use to assist participants in accomplishing their objectives.

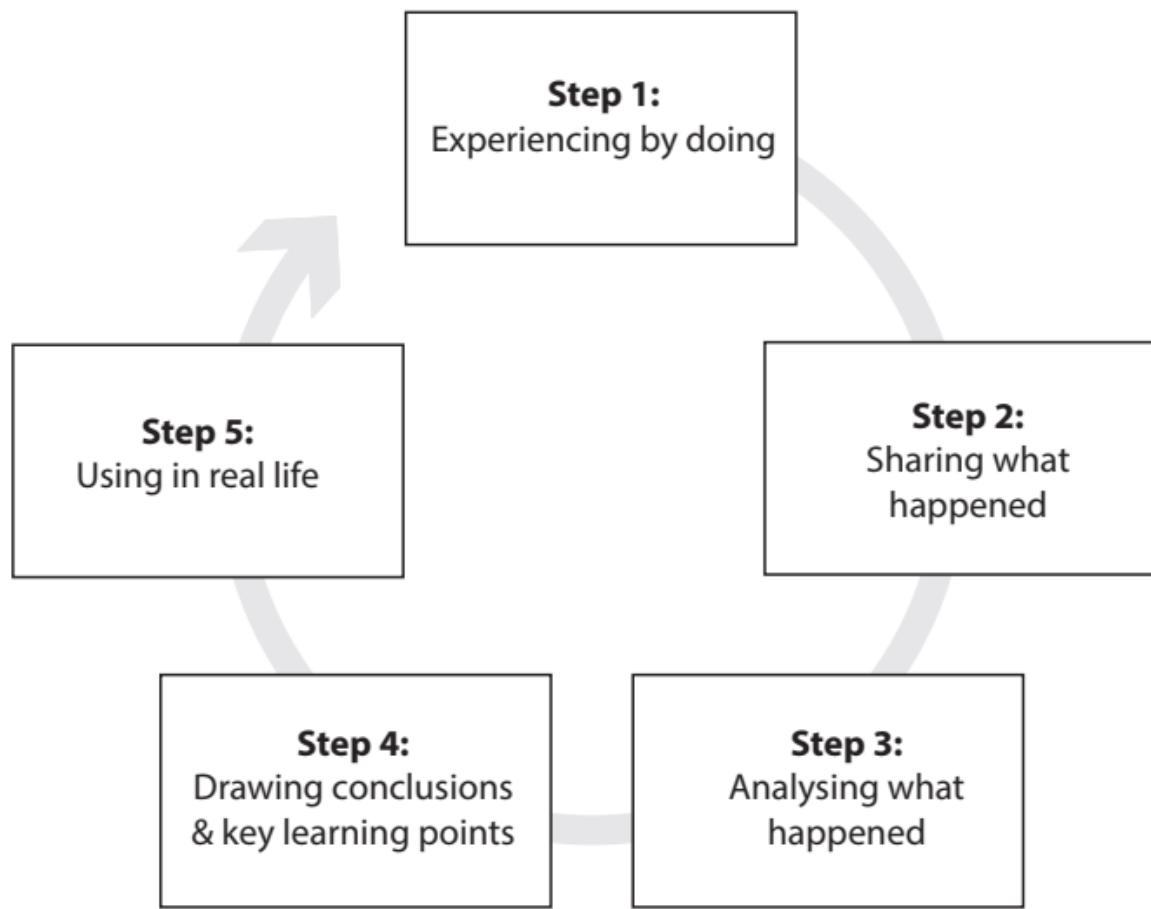


5. Experiential learning cycle

Experiential Learning Cycle (ELC) is centered on participants 'learning by doing' rather than 'being told' or lectured. Thus it combines the principles of participatory and action learning methodologies. In this way, it promotes adult learners to learn by asking them open questions and finding their own answers with their own experience as a starting

point. This engages them to feel, think and apply the new content in their own life and work. ELC builds on a natural process, which people go through in their daily lives, where they experience an event, reflect on it and internalize the lessons for generalized use. In a training situation, the ELC means doing individual or group activities – such as role plays, simulations, case studies – and then drawing the key learning points for application in the future, rather than passively receiving messages from the trainer.

The cycle consists of the following steps:



Experience by doing	Inviting participants for role play or another practical exercise.
Sharing what happened	Inviting participants to discuss what happened in Step 1 and exchange information on what they have done. All results are shared with everyone before interpreting them.
Analysing what happened	Reviewing and processing the experience in order to grasp what happened during the first step of 'doing' something.
Drawing conclusions & key learning points	Drawing learning points, findings and conclusions from what happened.
Using in real life	Discussing how the participants can use the learning points, findings and conclusions in their own lives.

An Example:

Trainer opens the cycle by explaining the subtopic: “Now we would like to talk about how to deal with an angry client. We will do this through a role play. I will ask the volunteers (I met over break) to come to the front.” (**Opening**)

The role play actors demonstrate a bad way of dealing with an angry client. There is lots of laughter in the room as the angry client plays up and throws a tantrum. Finally the Branch Manager (in the role play) approaches the angry client and takes her to his office. (**Experience**)

Trainer: “How did you feel?” asking role play participants – each narrate their feelings, frustrations etc.

Trainer: To the whole class, “What worked out well?” – everyone roars out laughing and indicate that nothing went well. All was bad. Trainer, “What was bad?” Allows participants to express their feelings and then asks, “What should have been done?” (**Processing/reflection stage**)

Trainer: “Ok, so from what we are all saying, we could make the following conclusions...” Trainer reveals slide with WHAT TO DO when dealing with an angry client”. The trainer presents a framework for dealing with an angry client. (**Generalization**)

Trainer: It’s fine when we talk about it, but can we try to use this framework and see if it helps clam down an angry client. Participants work in groups and in each group one is an angry client, the other is the BM, while 2 are observers. Participants have a chance to try out the framework. (**Application**)

Trainer: “How did it go? Was the framework helpful?” Trainer repeats the key message and closes the session. (**Closing**)

6. Session Planning

A session guide is rather like a recipe: it tells you about the content and the documents you will need for each stage of the training process and for how long. Even the most experienced trainers need a “recipe” and time to study the documentation in advance, especially if the subject matter is new to them.

When preparing the course content, it is useful to ask yourself: “what do the participants need to know, what should they know, and what can they know?” It is always tempting to give participants as much information as possible. However, people cannot absorb an overload of information and will stop listening if presentations are too long. Intelligent

trainers construct their session plan around what the participants need to know and deliver the training stage by stage in a logical sequence.

There are three basic components to a typical training session:

- 1.** Welcome, presentation and goals: explain, always briefly, the goals of each session.
- 2.** The proper training:
 - Choose an exercise with which to begin each session or to be used throughout the session. Bear in mind that people generally remember 20% of what they hear, 50% of what they hear and see, and 90% of what they say and do.
 - Ensure that everyone has an equal opportunity to take part in the exercises. Encourage shy and quiet individuals to participate, and tell those who are too assertive to give others the opportunity to express themselves.
- 3.** Conclusion – Always end the session with the key points (what the participants need to know), and begin each session with a short summary of the key points of the previous session.

A.SETTING FINANCIAL GOALS AND COMMUNICATING WITH YOUR FAMILY.

1. Setting your financial goals

AIMS

- To enable individuals and members of their families to set short, medium and long-term goals.
- To determine the different goals within a family.
- To understand the need for planning and for managing money properly in order to achieve financial goals.
- To learn to assess the cost of financial goals.
- To learn to prioritize financial goals.
- To make a savings plan to achieve their goals.

ESTIMATED DURATION: 45 minutes

SESSION PLAN STEPS

1. Identify short and long-term goals
2. Compare goals
3. Why is it important to plan and manage money?
4. Assess how much your goals cost?
5. Make a savings plan

1. IDENTIFY SHORT AND LONG-TERM GOALS



Plenary discussion

Listen to this proverb by Seneca:



If a man does not know to which port he's steering, no wind is favourable to him.



NOTE FOR THE TRAINER

If these sayings are not really used where you are providing the training, you can use some other proverb. The main idea to convey is this: you can only complete your projects if you fix specific goals, if you know where you're going.

Ask the following questions:

- Do you know this proverb? Do you know its equivalent in your language?
- What do you think it means? [It is easier to achieve your life's goals if you know what you want and set yourself precise goals to achieve them]
- Do you agree? Do you apply this principle in your daily life?

Explain

Everyone has dreams for the future. The best way to make dreams come true is to transform them into goals. A goal is something concrete that you want to achieve in the future. Success begins when you set yourself a concrete goal. Today we shall be identifying goals and learning to place them in the short or long term.

Case Study N°1

Let's begin by reading a story together. This story speaks about one of our characters and their future plans. First, look at Character 1 identity card in your Trainee's booklet.

If the participants do not have Trainee's booklet or if some of them have poor literacy skills, ask for a volunteer to read the story or read it out aloud yourself.



Discussion on the case study

Ask the following questions:

- What are the character's goals? [It is possible to distinguish between material goals and immaterial. To get them to make this distinction, note down the goals reported by the participants in two columns: one column for material goals, the other for immaterial ones.]
- Which of these goals can be achieved in the short term?
- Which goals will take longer to achieve?

INSTRUCTIONS FOR THE TRAINER

Note the characters' goals in the form of a mind map, as shown below. Draw the characters, use different colours and write in key words.



Explain

As in this character's case, some goals can be achieved relatively quickly. Others lie further in the future and may take a lifetime to achieve. These are lifetime goals.



Plenary discussion

Let's talk a bit more about our own goals:

- How many of you have a dream or a plan for the future?

Encourage the participants to put up their hand if they have a dream. Invite some of them to briefly share their dream in plenary, if they are happy to do so.

2. COMPARE GOALS AND IDENTIFY OBSTACLES AND SOLUTIONS TO ACHIEVE THEM



ACTIVITY

Set up:



INSTRUCTIONS FOR THE TRAINER

Attach two five to ten meters of string to four different places in the training room. Try to attach the strings at eye level (so that the participants can read easily). These strings represent the timeline.

Knot one end of the strings to indicate the short-term and the other end will indicate long-term. The first string symbolizes the personal goals; the second string the family goals. Ensure that the locations provide sufficient space for participants to move.

Distribute several copies of Training aid A.1.1. *My Goals* or (uninflated) balloons to each participant.

Ask the participants to blow several balloons and to indicate on the balloons if they are a woman (W) or a man (M). The participants are not necessarily obliged to attach balloons or papers to the strings.



Explain:

The string represents a timeline for your goals. Think about all the things you want to achieve in the next few years – these are your goals. Some will be short-term goals, which may require only a few weeks or months to save the money you need to reach the goal. Others may be long-term goals, and might require a year or more of saving. Some goals can be strictly personal, some can be for the family, and others can be business goals.

Write or draw with a marker one goal on each balloon. When you have finished, place the balloons along the timeline strings with clothes pegs. The knotted end of the string represents the short-term, while the other end represents the long-term. The first string represents personal goals, the second string family goals, the third string business goals.

INSTRUCTIONS FOR THE TRAINER

Give the participants five minutes to write on and attach their balloons or pieces of paper to the strings. Ask them to read the goals of the other participants. Encourage them to move freely around the classroom.

Hand out several balloons (uninflated) or copies of Training Aid A.1.1 "My goals" to each participant or, if you prefer, give out single sheets of paper that the participants will be able to attach to the string with a clothes peg. If you do not have any clothes pegs, the participants may fold their sheets of paper in half and simply hang them over the strings.



Discussion on the outcome

- Are there more personal or family goals?
- How many of you have discussed your goals with your family?
- How many of you have an accurate knowledge of your family's goals?
- Do you think the members of your family are aware of your own personal goals?
- How can these goals be compatible?
- On each string, are there more short-term or long-term goals?
- In your opinion, are women's goals the same as men's?
- In your opinion, are young people's goals the same as those of their elders' within a family?
- In your opinion, are migrants', refugees' and IDPs' goals the same as those of their family who have remained at home?
- What was the most difficult thing about identifying your goals and placing them on the timeline?

Summary ➔

Summarize their answers and say:

1. Goals are often different at different stages in life. In other words, the goals we set to ourselves often reflect where we are in our life cycle. Our life cycle is made up of all the events we can anticipate in our lives, such as studying, finding a job, getting married, starting a family, buying a house, bringing up children, sending our children to school or university, and retiring from work...
2. There are also unexpected situations or events that lead us to set new goals that until now we had not considered, and now they are part of our goals. A crisis in my country of origin can change all my objectives, for example leaving the country as the only and most important objective. Or as another example, the impact of COVID-19 might have caused many of the people here to have new goals.
3. The goals of husbands and wives, mothers and fathers, sons and daughters, brothers and sisters may be the same or different, depending on how men and women are educated and what families and society expect from both sexes. In other words, if the roles of men and women are different and they are expected to do very different things in their private lives and at work, some family goals may be the same, while others may be different.

2. Talk to your family about your goals.



ROLE PLAY

NOTE FOR TRAINER

This activity requires participants to play roles in conflict situations. Training Aid A.2.1 describes conflict situations involving our characters and their families. Select the 4 role-plays best suited to your target group. Divide the participants into four groups and give them 10 minutes to prepare their role-plays, which should last for between three and five minutes.

Introduction

Training Aids

► TRAINING AID A2.1 – Roleplay on conflict and negotiation

Explain: →

People often disagree on issues relating to money. As you begin to earn your living, and if you have a dependent family with you or back home in the village, you will have more responsibilities in your family and in relation to your home and work situation. This means you will probably have more frequent discussions, and maybe more conflicts, about money.

Today you are going to practice using the listening and communication skills we studied in the first session, this time applied to conflict resolution.



Divide the participants into 4 groups. Explain: →

Each group is going to choose a card describing a conflict. Each group must decide how to solve its conflicts. Create a sketch showing the interaction between the people described and the solution you have arrived at. At least one of the characters in your role-play must try to apply the rules for effective communication.

Allow 10 minutes for the presentation of each role-play and for the discussion following each "performance".



Discussion on the role-play

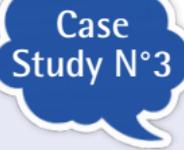
After each group has performed its role-play, ask all the participants:

- What did you think of the communication skills of each character in the role-play?
- What was the solution they presented?
- What other solutions might there be to this conflict?
- What would you have done differently in this situation?

Introduction

Say:

Some people live far away from their families, in another town or another country. It is sometimes difficult for them to tell the truth and for their family to hear such truthful language. Let us read the story of four people facing this problem.



THE CHARACTERS' PROBLEMS

Read or ask a participant to read from the Trainee's booklet the CASE STUDY NO 3.



Discussion on the case study

Explain:

- What are the difficulties experienced by the characters?
- What have been the advantages and disadvantages of speaking truthfully for one of the characters?
- What have been the advantages and disadvantages of not speaking truthfully for one of the characters?
- How would you advise the characters?

Collect the answers

Put a fresh sheet of paper on the flipchart and write the participants' answers on cards. Stick the cards to the flipchart. Here are some possible answers:

Introduction

Explain: →

Good communication is desirable in all families as it enables you to understand one another, solve problems, and maintain good relationships with all family members. When people have migrated (nationally or internationally), good communication becomes even more important because distance can give rise to misunderstandings. With distance, there may be reduced contact, and this will depend on family members learning to use new forms of communication with which they may not feel at ease (telephone, internet...). Today, we are going to identify and practice how we should behave, and how we should not behave, to foster good communication.

Collect answers

In your opinion, how should you behave, or not behave, when discussing something with a person who doesn't share your point of view? Think of someone who is listened to in your family; what are their personal qualities?

Do...

- Be self-confident
- State clearly what you want
- Listen to your partner
- Acknowledge the other person's point of view
- Show respect
- Be flexible and calm
- State your opinion, even though you owe the other person respect

Don't

- Be passive or arrogant
- Shout
- Interrupt
- Get angry
- Be vulgar or insulting
- Repeat the same point several times
- Immediately reject the other person's ideas
- Adopt a defensive posture
- Show impatience



POINTS TO STRESS

Explain: →

Attention! Showing respect does not mean you have to keep your opinion to yourself. You are entitled to express your opinion and to disagree with other members of the family, even with your father, your mother or someone older than you. Say what you think, to avoid misunderstandings later on.



What other ideas about money are held by your family, community or town/village?

Summary

Say: ↗

As you can see, anyone who earns money can learn how to manage it, whatever their personal, family, social or financial circumstances. Managing money of course requires certain skills (which will be taught during this course), but these skills are accessible to everyone. The first step in managing your money is to know what you want to do with it. That's what we are going to look at now.

Notes

3. Assess the cost of your goals and your priorities



Discussion in pairs

Say:

» You need money to achieve your goals and you need to be able to assess how much they will cost to achieve. We are now going to think about the costs of achieving our goals. With the person sitting next to you, review your short, medium and long-term goals and decide how much each will cost to achieve.

NOTE FOR THE TRAINER

It is important that the participants understand the difficulty involved in determining the cost of achieving some goals (starting a business, building a house...). After 5 minutes, invite one or two volunteers to share their experiences.



Group discussion

- How did you work out the cost of achieving your goals?
- Have you already sought information about the cost of achieving your goals? If so, how did you go about it?



KEY MESSAGES

- Goals are generally easier to achieve if you think ahead and gather all the information you need to take a well-informed decision.
- It is vital that we assess how much it will cost to achieve our goals. Careful research is sometimes necessary (seeking information from suppliers, finding out about market trends, etc.).
- It is also important to assess our goals in terms of the time we plan to take to achieve them (short, medium or long term).
- Do not forget that prices rise over time! Therefore build in a margin, i.e. save a bit more, in case the cost of achieving your goals increases in the next few years. This is especially true for medium and long-term goals.

4. Making a Saving Plan to achieve your goals.

Introduction

Ask:

As you can see, achieving your goals may well cost a great deal. You will certainly have to make choices, and know how to establish priorities, to realistically reconcile your goals with your budget. With this in mind, we are going to help our fictional character to make choices and establish priorities. It is important to give our objectives a hierarchy as most probably we will not have money to achieve all of them.

Case Study N°2

Now we will discover the story of another character. First, look at Characters' 2 identity card in your Trainee's booklet. After reading the identity card, read or ask a participant to read from the Trainee's booklet the CASE STUDY NO 2.

Training Aids

INSTRUCTION FOR THE TRAINER

Now ask the participants what they think of the savings plan. Explain the calculations, if necessary. If you have doubts about their understanding, you can ask if they understand what the last line in the savings plan represents.

Now ask them to complete their own savings plans, individually, in their Trainee's booklet on the Training Aid A.1.2).

Explain that financial goals often change and that they can fill in the table with modest goals in the first instance.



Discussion on the outcome

On this foundation, ask the participants to decide what their priority goals are, or if some goals should be discarded for the time being. Then ask the participants to readjust the table by removing some of the goals, if necessary.

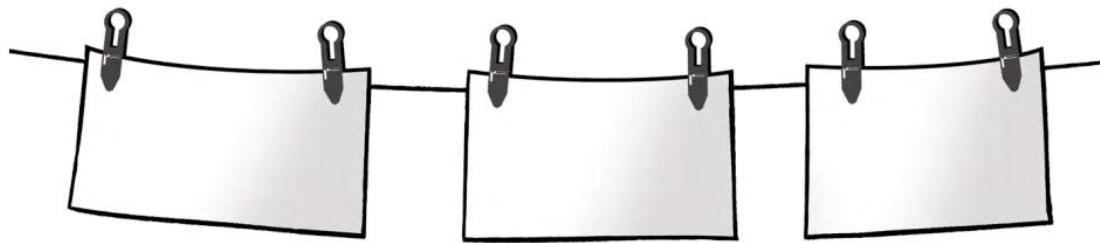
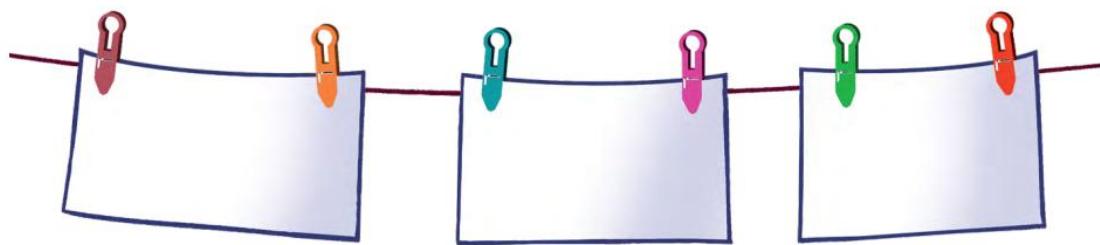
Ask participants:

- If you are not able to set aside such a large sum, what can you do? [You need to work on some columns in the table and adjust your goals: by reducing what they cost, removing some goals for the time being, postponing the date by when you hope to achieve certain goals, or sharing your goals with others (cooperatives, group purchasing...) You can work on your goals without changing the order of priorities: i.e. without making any changes to goal 1, since this is the most important, nor perhaps goal 2, but rather goals 3 or 4...]

Say:

» Be carefu!! Taking out a loan, rather than changing what is in the columns, is not a valid solution: if you are not able to set aside the sum you need, how will you be able to repay the loan? [If their income is fixed and is not going to be increased by the loan, for example]

Training Aid A1.1



Training Aid A1.2

► Training Aid

In the Trainee's booklet you will also find Training Aid A1.3

MY SAVINGS PLAN

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

B. MANAGING YOUR MONEY SMARTLY.

1. Be a smart spender.

AIMS

- Distinguish between needs and wants in making spending choices.
- Identify the importance of personal savings.
- Learn tools to prioritize spending decisions.

DURATION: 75 minutes

SESSION PLAN STEPS

1. Distinguish between needs and wants – 20 minutes
2. Debate whether personal savings is a need or want? – 15 minutes
3. Identify obstacles to making spending decisions – 30 minutes

1. DISTINGUISH BETWEEN NEEDS AND WANTS

20
MINUTES

Training Aids

NOTE TO THE TRAINER

Prior to the session, cut out the images to be found on Training Aid B.1.1 – Wants and needs picture cards. Remember that all Training Aids are also in the Trainee's booklet.

You can stick them onto pieces of coloured cards, so they can be used again. Prepare at least one card per participant. Remove cards that do not match the local context and add further cards if necessary. Please make sure the cards presented apply to most of your target audience. Be creative and use magazines or images from the internet to prepare cards which suit your participants' circumstances and way of life. You can also adapt the key messages to match the rural or urban background of your group (different attitudes to saving).

Introduction

Say:

Very few people in the world have sufficient income to be able to afford everything they want to have or want to do. Most of us have to make difficult choices and compromises, especially at times when our incomes do not cover all our expenses.

There is no perfect answer to the issue of prioritizing expenses, but there are helpful principles and guidelines. Today we are going to examine how we take decisions generally, and how we can establish priorities in financial matters.

ACTIVITY

Let's begin this session with a game called needs and wants.

INSTRUCTION FOR THE TRAINER

Place the cards from the training aid or the ones you have prepared on a table and spread them out so that the images are clearly visible.

On one wall, stick a card with the heading Needs.

On the opposite wall, stick a card with the heading Wants.



INSTRUCTIONS

Explain to the participants:

- » These cards represent different items, each of which has a price. Together, you must decide which items are needs, as far as you are concerned, and which are wants. If a card represents something you need, stick it to the «Needs» wall. If the card represents something you want, stick it to the other wall. Now each of you is going to pick a card and place it on the wall.

NOTE FOR THE TRAINER

When everyone has put his/her card on the wall, ask the participants whether they all agree with what is posted on the wall. If there is a debate about whether a picture is a want or a need, explain that needs and wants may be different among individuals and families.



Discussion on the outcome

- As you see it, what is the difference between a need and a want? [A need is a basic necessity, without which you cannot live.]
- What expenses can be reduced or eliminated? [It is possible to reduce spending on wants. You can also change your habits and reduce your needs, e.g. the amount of electricity you use each day.]
- What can you do with the money left over, after you have reduced or eliminated your spending on certain items? [Pay off your debts more quickly, use it to invest in something important such as education, save for the future, etc.]



POINTS TO STRESS

As soon as you begin to earn or receive money, you are responsible for the way you spend it.

Earning money means you will have more money in your pocket and therefore more choice as to how you spend your hard-earned cash. If you spend this money on things you don't really need, you risk not having enough to achieve your goals.

2. DEBATE WHETHER PERSONAL SAVING IS A NEED OR A WANT?

15
MINUTES

Introduction

Dites : →

People with an income are often approached by others wanting to borrow or be given money.

You may wish to help them as a matter of social and/or family solidarity. It is nevertheless important to consider your own needs and plans, or those you have decided on with your family.

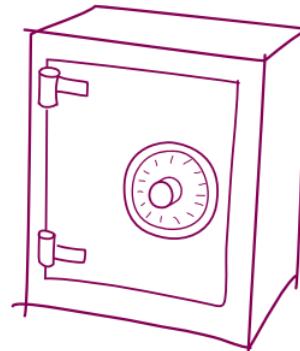
You have to be able to reconcile the two: your social obligations (or moral obligations, depending on your individual beliefs) and your own personal and family aspirations. This is particularly relevant for people who have been displaced or have migrated.

» We will analyze now two cases to put into perspective this situation

Case Study N°1

THE CHARACTER'S STORY

» Read or ask a participant to read from the Trainee's booklet the CASE STUDY NO 1.



Ask:



- What happened to the character?
- In your opinion, why didn't s/he save money in her/his own account?
- What could the character have done differently?

NOTE TO THE TRAINER

If you are dealing with families who receive money from relatives living in other parts of the country or abroad, it is vital they understand that, while saving is important for everyone, it is even more important for people living far from their family, as they may not have anyone to help them if they experience a problem. If there are no such families in the group, go straight on to the discussion about saving.

Important

Sometimes some people (whether they are with their family, in another part of the country or abroad or even in the same city) give or send almost all the money they earn to their family.

They do so because they want to help their families to repay their debts, buy necessities and invest for the future. Sometimes people feel guilty about saving money for their own needs and planning for their own futures.

Case Study N°2

THE CHARACTER'S STORY

» Now we will discover the story of another character. First, look at Characters' 3 identity card in your Trainee's booklet. After reading the identity card, read or ask a participant to read from the Trainee's booklet the CASE STUDY NO 2.

Ask:



- What happened to the character
- In your opinion, why didn't s/he put any money aside for her/his own needs?
- What could the character have done differently?
- Are there any people here who receive money from their family? If so, do you use the money earned by your relative as if it were your own, or do you manage it differently? [Beware! Don't fall into the trap of thinking that the money you are sent has been easily earned and therefore you can spend it heedlessly!]



3. IDENTIFY OBSTACLES TO MAKING WISE SPENDING DECISIONS



Introduction

You sometimes feel pressure when making spending decisions because your family has certain expectations. At other times, the opposite is the case, and you urge people to lend you money.

Collect the answers

Ask:

- Who tries to influence you when you make spending decisions?
- What are their expectations? Why?

List the participants' answers on the flipchart. Take the composition of the group into account (entrepreneurs, young people, women, migrants and their families) in guiding the discussion.

For example, here are some possible answers:

Influences on spending decisions

Expectations

- Give all your money to your family.
- Send all your money back home (for migrants).
- Spend it on your family's daily needs.
- Lend to family/friends: to set up a business, pay school fees.
- Spend it on unnecessary luxuries.
- Spend to affirm higher social status/show you are wealthy.
- Spend it on a ceremony (community, brotherhood, family...)
- Spend it on health care (surgery, birth of a baby, medicines...)
- Buy presents for family and friends.

Who

- Parents, children, brothers and sisters, uncles and aunts, cousins.
- Extended family, neighbours.
- Friends, work colleagues.
- Shopkeepers, suppliers.

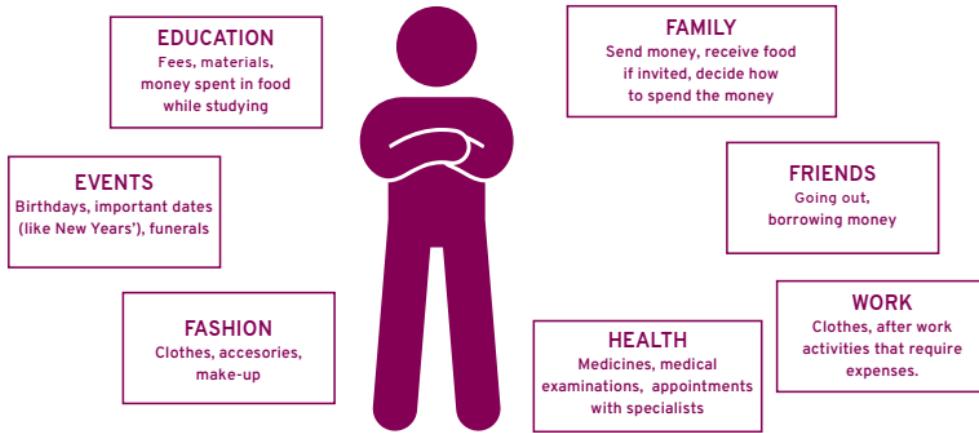
» Alternatively, you can also present it in a graphic way like the one below:



Activity No1

INSTRUCTIONS FOR THE TRAINER

Divide the participants into three or four groups. From the above list, allocate one spending expectation to each group. Ask each group to consider whether this expectation is legitimate or not, based on their personal values. If they decide the expectation is not legitimate, or that they cannot satisfy it for the time being, think of two or three ways in which they can postpone answering or resist the pressure. Encourage them to be creative.



Sum up the main points. Emphasize any further points that did not come up in the course of discussion.

Collect the answers

After ten minutes, ask each group to share their answers. Do not forget to thank them when they have finished.

Influences on spending decisions

Expectations

- Give all your money to your family.
- Send all your money back home (for migrants).

- Spend it on your family's daily needs.
- Spend it on with «healthcare (surgery, birth of a baby, medicines...)

- Lend to family/friends: to set up a business, pay school fees.

- Spend it on unnecessary luxuries.
- Spend to affirm higher social status/show you are wealthy/enhance your prestige.
- Spend it on a ceremony (community, brotherhood, family...).

- Buy presents for family and friends.

Solutions/tips

- Have a spending plan and a savings plan.
- Agree with your family how much you will give them and how often.

- Include in your budget an expenditure item for requests of this kind and do not give more than you have planned.
- Establish a substantial emergency fund for unforeseen expenses.

- Have a budget
- Agree in advance with your friends and family on how much you are able to lend.

- Ask them to wait a bit, until you are in a stronger position financially.
- Spend less on celebrations and ceremonies.
- Be self-confident and say that one saves to achieve one's goals
- Be convinced that saving is more important than impressing people.
- Carry less money around with you, or deposit your savings in a safe place to avoid the temptation to spend it.

- If you must buy presents, buy items that are smaller or less expensive, or at least buy useful items.

4. LIST WAYS TO BE A SMART SPENDER



INSTRUCTIONS FOR THE TRAINER

Ask all the participants to stand up and form a circle.

This is a "fill the gap" game. You can play it in different ways: by throwing the ball to another person, passing it as in football, passing an object from hand to hand... The main thing is that the game should be fun and that the object is passed around quickly. Ask the first person to whom you throw the ball to repeat a sentence and complete it. The first person should then throw the ball to someone else and repeat the exercise. Ask the last person to throw the ball back to the trainer.

Say: →

» Let's try with the following sentence:

- My favourite song is _____.

» Now let's try another question.

- In order to be a smart spender, I should _____. [e.g. cut out spending on things I don't need].

Begin yourself, giving an example to make sure the participants understand the game.

Throw the ball to another person. Ask them to repeat and complete the sentence. This person can now throw the ball to someone else and repeat the exercise, and so on.

After a few turns, ask the last person to throw the ball back to the trainer.



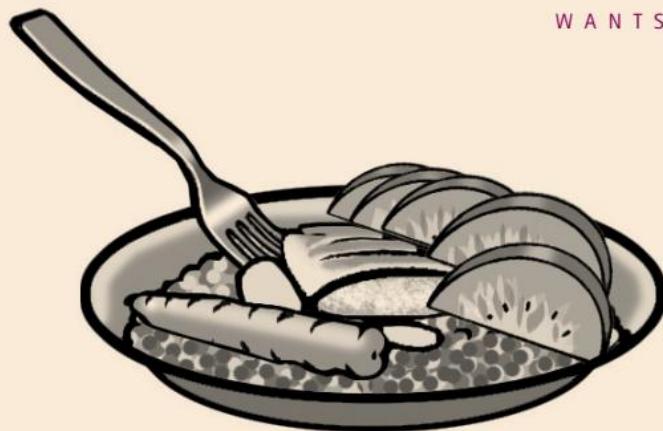
Discussion to conclude

At the end of the session, ask the participants: →

- What is the most important lesson you have learned during this session?
- Do you have any questions?

B.1.1

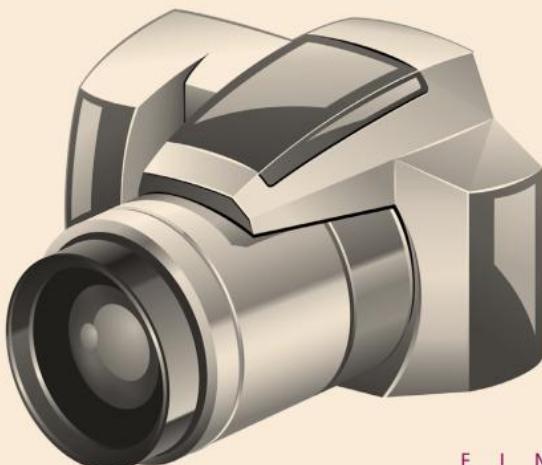
WANTS AND NEEDS PICTURE CARDS



Food

FINANCIAL EDUCATION

WANTS AND NEEDS PICTURE CARDS



Camera

FINANCIAL EDUCATION

WANTS AND NEEDS PICTURE CARDS



Motorbike

FINANCIAL EDUCATION

WANTS AND NEEDS PICTURE CARDS



Cinema Ticket

FINANCIAL EDUCATION

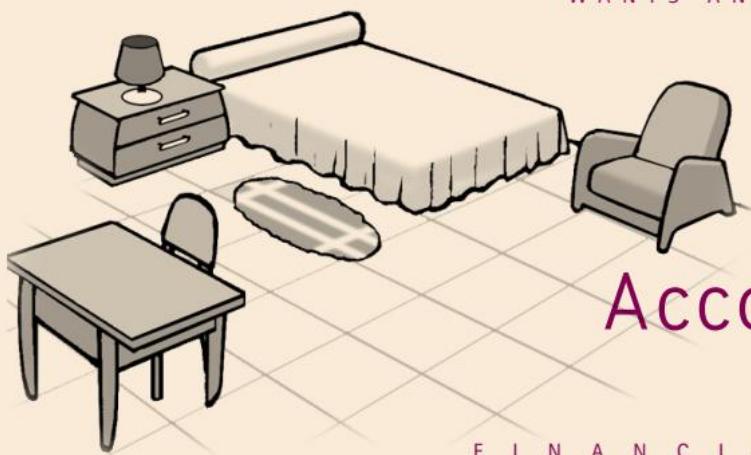
WANTS AND NEEDS PICTURE CARDS



Cash withdrawal

FINANCIAL EDUCATION

WANTS AND NEEDS PICTURE CARDS



Accommodation

FINANCIAL EDUCATION

WANTS AND NEEDS PICTURE CARDS



School

FINANCIAL EDUCATION

WANTS AND NEEDS PICTURE CARDS



Water

FINANCIAL EDUCATION

WANTS AND NEEDS PICTURE CARDS



SIM Card

FINANCIAL EDUCATION

WANTS AND NEEDS PICTURE CARDS



Healthcare

FINANCIAL EDUCATION

WANTS AND NEEDS PICTURE CARDS



Electricity

FINANCIAL EDUCATION

WANTS AND NEEDS PICTURE CARDS



Make-up

FINANCIAL EDUCATION

WANTS AND NEEDS PICTURE CARDS



Shoes

FINANCIAL EDUCATION

WANTS AND NEEDS PICTURE CARDS



Smartphone

FINANCIAL EDUCATION

WANTS AND NEEDS PICTURE CARDS



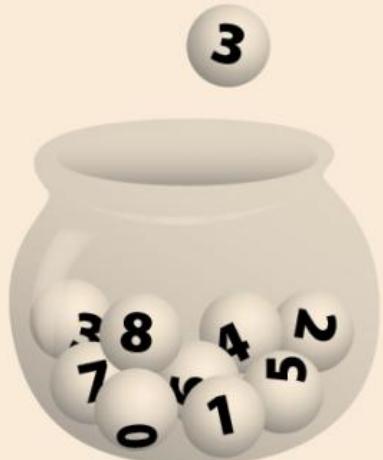
Soda

FINANCIAL EDUCATION



Cigarettes

FINANCIAL EDUCATION



Lottery ticket

FINANCIAL EDUCATION



Ice-Cream

FINANCIAL EDUCATION

WANTS AND NEEDS PICTURE CARDS



Tablet

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

WANTS AND NEEDS PICTURE CARDS



TV

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

2. Create a budget

AIMS

- Create a budget with a view to achieving goals.

DURATION: 90 minutes

SESSION PLAN STEPS

1. Introduce the concept of a budget – 5 minutes
2. Define the term “budget” – 15 minutes
3. Estimate the total income of the character and his family – 15 minutes
4. Calculate the expenses of the character and his family, and the portion to save to achieve their goals – 15 minutes
5. Adjust a budget to cover a deficit – 15 minutes
6. Identify ways to increase your savings capacity – 25 minutes

1. INTRODUCE THE CONCEPT OF BUDGETING



ACTIVITY

Begin the session with a warm-up exercise.

Give the following instructions:



INSTRUCTIONS

- » I am going to read a number of statements. If a statement is true for you, please stand up. If it is not true for you, remain seated or sit down quickly.

Check whether they have understood the exercise using the following three examples, speeding up as you go. Take part yourself to make the procedure clearer for the participants.



Stand up if _____.

- You like to eat ice cream
- You are wearing blue today
- You have spent money today

Read the following statements quickly:



Stand up if _____.

- You have some money saved up at the moment
- You have saved for something in the past
- You would like to have some money set aside
- You know how much money you have in your pocket at the moment
- You really like spending money
- You plan in advance how you are going to spend your money
- You know how much you need for the week
- You know how much you need for the month
- You planned carefully how much money you will send to your family this month
- You know exactly how much money your family will send you this month
- You are confident that you will achieve your goals



Discussion to conclude the activity

Having read these statements, ask them:



- What was the purpose of this exercise?

Puis dites :



All these statements should make you think about the way you manage the money you earn or receive. In this session, you are going to learn more about a tool you can use for managing your money: a budget.

2. DEFINE THE TERM “BUDGET”



Introduction

Explain:

In this session, we are going to examine a tool that will help you in making spending decisions and in saving to achieve your goals.



Plenary discussion

Ask:

- In your opinion, what is a budget?

Encourage the participants to think individually, then to share their ideas. Try to get the shyer ones involved. When they have given some answers, offer the following definition and write it on your flipchart.



DEFINITION

A budget is a tool for making decisions, planning and using your money in the best possible way to achieve your goals



CASE STUDY (1ST PART)

INSTRUCTIONS FOR THE TRAINER

In the following exercise, you will be drawing up a budget for a character and his/her family by using Training Aid B2.1

Training Aids

Say:
»

We are going to help them draw up their monthly budget.

Display the following budget:

FAMILY BUDGET	
SOURCES OF INCOME	
Fixed income	Amount
Sub-total fixed income	
Variable income	
Sub-total variable income	
TOTAL INCOME	
EXPENSES	
Essential expenses (needs)	
Sub-total (needs)	
Optional expenses (wants)	
Sub-total (wants)	
TOTAL EXPENSES	
INCOME MINUS EXPENSES (SAVINGS)	



Plenary discussion

Ask the group:

- What are the 3 main parts of this budget? [Income, expenses and savings.]
- What are the different sources of income? [Usually a salary, some variable income and remittances if it is the case].
- Why do you think it is important to enter variable income as a separate source of income? [Because it enables you to reduce your dependence on ad hoc income of this kind, i.e. income that is not guaranteed each month, and keep track of how you spend this additional income.]
- What kind of expenses can you identify in the budget? [needs and wants]
- Do you have any questions about the main parts of the budget?

3. CALCULATE THE TOTAL FAMILY INCOME



NOTE TO THE TRAINER

For groups unable to read and write, you may read the story out loud and, instead of filling in the budget entries on the flipchart, he or she may:

- Use cardboard boxes with drawings representing each budget item (a box with a picture of an income generation activity to represent the character's income, another with a drawing of a house for the rent or the mortgage repayment, or another with a school to represent school fees, for example). All the drawings are on Training Aid B.2.1, for you to photocopy.

- Use fake money.

This may take the form of:

- different coloured post-it notes to represent bank notes, e.g. a yellow note for 10 Dollars, a green note for 50 Dollars, etc.),
- toy banknotes (of the kind that come with board games, e.g. Monopoly),
- sweets of different colours (each with its own value).

You may then pick teams and read the story out loud. The participants place their fake money in the boxes and count how much money there is in each box. If you think it is useful, you can fill in the budget entries on the flipchart.

For groups able to read and write, pick five groups and hand out the first part of the story and a budget sheet to each group.

Case Study N°3

THE CHARACTER'S FAMILY BUDGET (PART 1) TRAINING AID B2.2

Training Aids

Collect the answers:

- Why do the character and his/her family prepare the budget jointly?
- When exactly does the character and his/her family draw up their budget? [At the end of the month or at the beginning of a new month, they review their income and decide how they will spend it during the month. But other people, shopkeepers or seasonal workers for instance, may draw up a budget week by week or at different intervals.]
- How much is the character's/couple fixed income?

- How much is the net income of the character/couple?
- What does net income mean? (Make sure the participants understand that this is the benefit from the activity, not the total revenue. All costs are already deducted).
- Do they have any other variable income? Which one?
- How much is their total income based on their previous month?
- How did you calculate this amount?

» PERSONAL BUDGET

The character might decide not to include all his/her earnings in the family budget. For example, overtime earnings or extra sources of income could be part of his/her personal budget.



MY BUDGET	
SOURCES OF INCOME	
Fixed income	Amount
Sub-total fixed income	
Variable income	
Sub-total variable income	
TOTAL INCOME	
EXPENSES	
Essential expenses (needs)	
Sub-total (needs)	
Optional expenses (wants)	
Sub-total (wants)	
TOTAL EXPENSES	
INCOME - EXPENSES =	

If you have members of your group who send or receive money regularly, say: ↗

N.B. You may decide to plan the transfer, or encourage your relative living abroad or elsewhere in the country to plan the transfer, of a fixed amount at regular intervals (monthly, quarterly...). Planning in this way has many advantages for you and/or your relative (possible reduction in the cost of the transfer, budgetary planning, stability...).

4. CALCULATE FAMILY EXPENSES AND THE PORTION TO SAVE TO ACHIEVE THEIR GOALS



NOTE TO THE TRAINER

If the participants are able to read and write, form the same groups as for the previous exercise and hand out part two of the story. Ask the groups to read the story and fill in the budget entries.

Characters' activities

Say: →

Now we are going to see how the character and his/her family plan to spend their family income during the coming month.

Case Study N°4

THE CHARACTER'S FAMILY BUDGET (PART 2)

Training Aids

Ask the groups to read from the Trainee's Booklet Case Study No 4 and continue completing the results in the budget included in Training Aid B2.2.

Collect the answers

Move around the room to check that the participants are answering the questions correctly. After 5 minutes, invite volunteers to answer the following questions. Record their answers on the flipchart.

- How much do the character and his/her family plan to spend in the coming month?
- How did you calculate this amount? [By adding together all the items of expenses]
- How much do they plan to spend for their needs as a family?
- How did you calculate this amount? [By adding together all their essential items of expenses, the things they really need]
- How much does the family plan to spend on wants?
- How did you calculate this amount? [By adding together all their optional expenses]
- What is the amount the family earned minus the amount they plan to spend? [This is the last line of the budget]
- How did you calculate this amount? [Total Income – Total Expenses = X]
- How much money can the family put aside in order to achieve their financial goals? [X]

PERSONAL BUDGET

- Now, where the character's personal budget is concerned, what are his/her total expenses (essential and optional)? And his/her savings?

Training Aids

- ▶ TRAINING AID B2.3
- ▶ TRAINING AID B2.4

Ask the groups to check their Trainee's booklet Training Aid 2.3 and Training Aid 2.4 to have a look at how does the overall family and personal budget looks.



Plenary discussion

Ensure that all participants managed to calculate this amount. Then, ask:

- What are the specific needs of the different family members in the family budget?
- Are there differences between men and women, young people and their elders?



EXPLANATION

The item before last is one of the most important in a budget, as it represents the difference between income and expenses.

If this amount is positive, it means there is a surplus, in other words money left over. If this amount is negative, it means there is a deficit, in other words not enough money coming in.



Plenary discussion

Ask:

- How can a surplus be achieved? [This would mean that there is money left over after all expense items have been paid for. This often happens if income is greater than expected, thanks for instance to overtime earnings or a bonus.]
- How may a deficit arise? [Not enough income to pay all expenses, which creates a deficit. This may occur when income is less than expected, or when a family spends more than it earns in any particular month.]
- How do you calculate the amount to be entered in the last line of the budget? [You subtract total expenses from the total income. A positive amount represents a surplus, a negative number a deficit.]

Show the calculation, subtracting the total expenses from the total income, and ask the participants:



- Is this budget in surplus or in deficit?
- Why is it important to keep track of your income and expenses?



ACTIVITY

Now, over to you! Create your own budget. This task is to be done individually and is confidential. No one will know the amounts you have entered under each heading.

Training Aids

INSTRUCTIONS FOR THE TRAINER

They can work on the Training Aid B.2.5: My Budget included in their Trainee's booklet. Allow them ten minutes. Once they have completed their budgets, ask them if it was easy or difficult and sum up by saying:

Summary

Keeping track of your income and expenses helps you to know where your money is going. If you have money left over, i.e. a surplus, you can save to achieve your goals. If your budget shows that you will not have enough money to pay for all your expenses, i.e. a deficit, you must reduce your spending. A good budget helps you to pay for the things you need and set money aside to fund your goals.

5. ADJUST A BUDGET TO COVER A DEFICIT



NOTE TO THE TRAINER

You are going to continue with the results obtained previously.



Plenary discussion

- What can the character and his/her family do with the money left over - the surplus? [Save it, pay back a debt, spend it...]



INSTRUCTIONS FOR THE TRAINER

After the participants have discussed the various options, make the following activity.

► INSTRUCTIONS

Say:

» It looks as if the character and his/her family have had a problem and don't have enough money to cover their expenses this month.

Case Study N°5

THE CHARACTER'S FAMILY BUDGET (PART 3)

Training Aids

► TRAINING AID B2.6
CHARACTER'S ADJUSTED BUDGET

Ask the groups to read from the Trainee's booklet Case Study No 5. Based on this story, ask them to complete the results in the budget included in Training Aid B2.6.



EXPLANATION

As their income is lower than expected and their expenses have increased, now the character's family has a budget with a deficit



ACTIVITY

- » Get back in your groups and discuss possible solutions to the family's deficit. The group that comes up with the most solutions in three minutes will win a prize!

Collect the answers

After three minutes, invite a volunteer from each group to present the results of their discussions. Write their ideas on a flipchart with two columns (one for adjustments to income, the other for adjustments to expenses), as follows:

Budget adjustments		
Group	Adjustments to income	Adjustments to expenses
Example	Increase income from sewing work	Eliminate all optional expenses
Group 1		
Group 2		
Group 3		
Group 4		

Count the ideas of each group to determine which group has won the prize. You can reject unrealistic ideas.



POINTS TO STRESS

Say: →

You also need to know that it is sometimes necessary to adjust your budget because of ups and downs in income. These income variations can happen to anyone, to you personally or to your family.

6. IDENTIFY WAYS TO INCREASE YOUR SAVINGS CAPACITY



Collect the answers

Ask:

- What are the challenges to saving part of your income?

Write the participants' answers on a flipchart. Here are some possible answers:

Challenges to saving

- My income varies each month so it is impossible for me to plan.
 - The money I earn is barely enough to feed my family and pay for basic needs (electricity, transport...).
 - I have to use all the money I earn to pay my debts.
 - My friends and family ask me for money.
 - Every month I have unforeseen expenses which prevent me from saving.
- For participants with a relative who transfers money to them:
- The remittances are irregular.
 - I have no other income apart from the money I am sent.



ACTIVITY

Divide the participants into four or five groups.



INSTRUCTIONS

Explain:

- » For this last activity you will work with your group to come up with a list of solutions or tips to overcome one of the challenges we have mentioned. After making your list, your group must produce a drawing or write something to illustrate one or two ways of overcoming the challenge.

You have ten minutes for this exercise.

Hand out a sheet of paper and a marker to each group. After ten minutes, ask them to stick their drawings to the wall and move around to view the different drawings.

INSTRUCTIONS FOR THE TRAINER

If there is no wall on which the drawings can be stuck, place them in a circle on a table. Ask the participants to form a circle round the table and to move around viewing the different drawings/written contributions.

Here are some possible solutions:

Ways to save

- Adjust your budget, by increasing your income or reducing expenses.
- Change your habits to spend less (fewer phone calls, buying cheaper clothes...)
- Subscribe to a mutual fund to pay for healthcare expenses.
- Have money set aside for unforeseen expenses.
- Draw up a saving and debt repayment plan.



Discussion to conclude

- What is the most important lesson you have learned during this session?

MY BUDGET

SOURCES OF INCOME	Amount
Fixed income	
Sub-total fixed income	
Variable income	
Sub-total variable income	
TOTAL INCOME	
EXPENSES	
Essential expenses (needs)	
Sub-total (needs)	
Optional expenses (wants)	
Sub-total (wants)	
TOTAL EXPENSES	
INCOME - EXPENSES =	

3. Keep track and stay within your budget

AIM.

- Discuss ways of staying within your budget.
- Practice monitoring income and expense by using simple tracking sheets.

DURATION: 80 minutes

SESSION PLAN STEPS

1. List tips for keeping track of a budget – 30 minutes
2. Present an income tracking sheet – 15 minutes
3. Present an expense tracking sheet – 15 minutes
4. Practice using income and expense tracking sheets – 20 minutes

1. LIST OF TIPS TO STAY WITHIN YOUR BUDGET



Introduction

Say:

It is one thing to create a budget, but it is even better if you keep to it. Let's hear two stories about our characters that show how they were able to stay within their budgets

Case Study N°6

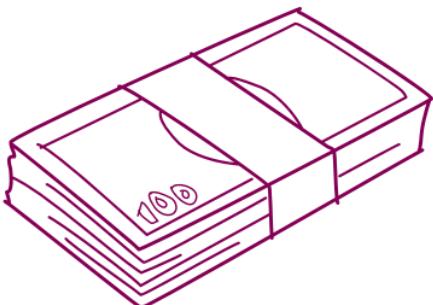
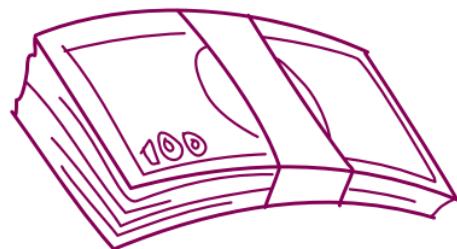
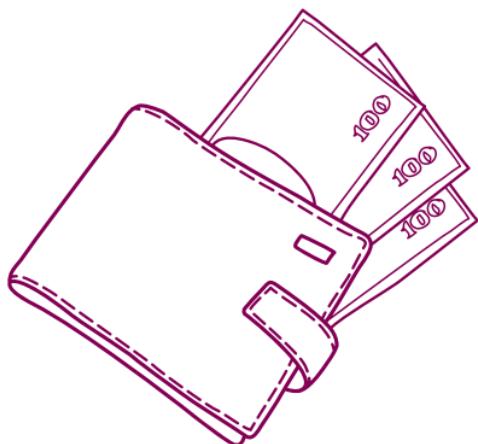
THE CHARACTER'S STORY

After reading the identity card, read or ask a participant to read from the Trainee's booklet the CASE STUDY NO 6.

Case Study N°7

THE CHARACTER'S STORY

Now we will discover the story of another character. First, look at Character 4 identity card in your Trainee's booklet. Read out the story or ask one volunteer to do so from the Trainee's booklet CASE STUDY NO 7.





Plenary discussion

Ask:

- Whom of the characters is more committed to keeping to their budget?
- How did the character stay within his/her budget? [The character kept track of their expenses to make sure he/she did not spend more than budgeted. When s/he spent more than planned, s/he reduced her/his expense on other items.]

Ask the participants to discuss the following question with the person on their right:



- What can you do to stay within your budget?

Summary

Ask the participants to share their ideas. Sum up and emphasize the following points:

How to stay within to your budget

- Remind yourself frequently how much you have planned to spend.
- Include in your budget some provision for unforeseen expenses.
- Keep your savings where you cannot easily get to them, so you are less likely to spend them.
- Keep track of what you spend.
- Make sure you don't spend more than you budgeted for.
- If you overspend on one purchase, spend less on another.
- Make a list of ways of reducing your expenses.
- Involve your family in drawing up your budget and helping you keep to it.

2. INTRODUCE THE INCOME TRACKING SHEET



Explanation

Say: -

To keep within the limits of your budget, it is important to monitor your income and expenses, and to calculate how much you earn and how much you spend each month. This is called an income tracking sheet.

INSTRUCTIONS FOR THE TRAINER

Present the following table (Training Aid B.3.1).



Plenary discussion

Ask: →

- When are you going to use this income tracking sheet? [Every fortnight, every month, or when you receive a bonus or tip]
 - If you are self-employed (as a shopkeeper, or buying and selling products, for example), how can you calculate how much you have earned? [Calculate your total receipts at the end of the day/week/month/season, and subtract your total costs.]
 - If you receive financial help by the state, international organizations, donors, private people, family abroad or any other source, how can you estimate this income? [Every time you receive funds by an external party you should include it as income. It is very important to know for how long this financial aid will last to plan accordingly.]
 - If you are in employment, how does your employer pay you? [Bank transfer to a current account, cheque or cash each week or at the end of the month or contractual period...]
 - Should you use this tracking sheet even if you are not paid in cash? [Yes, you should use it in all cases, whether you are paid in cash, by cheque or by bank transfer, in one or more instalments...]
 - If your employer gives you cash in an envelope, should you check the amount of money in the envelope? [Yes, it is not impolite to check how much is in the envelope. You are entitled to be paid the agreed amount. Do not enter the amount on the spreadsheet until you have checked the amount. If the amount in the envelope is not correct, tell your employer.]
 - If your employer pays you by bank transfer, how can you check that the transfer has gone through? [Go to the bank and check your account position or, if you can access your account on the Internet, connect to your bank's website. You can also ask your employer for evidence that the transfer has been made.]

INCOME TRACKING SHEET

Summary

Say:

An income tracking sheet is an important tool because it enables you to check and know exactly how much you have earned each week or each month. It can be used for all transactions, performed in cash, by cheque, by bank transfer or by other means.



Plenary discussion

Ask:



- What are the benefits of using an income tracking sheet?



Points to stress

Ask:



- It is very important that you know exactly how much you have coming in. An income tracking sheet is a tool to help you know exactly how much you earn each month. Knowing how much you have coming in is an important aspect of managing your money and planning your expenses.
- Sometimes an employer may be late in paying you. Some employers forget to pay their employees' wages. By keeping a written record, you will be able to remind your employer that your wages are due.
- When a contract comes to an end, employers sometimes pay less than the amount due. By keeping a written record, you will be able to show your employer how much is owed to you.

3. INTRODUCE THE EXPENSE TRACKING SHEET

INSTRUCTIONS FOR THE TRAINER

Start this activity with a dynamic exercise to help the participants reflect on the topic.



INSTRUCTIONS

Say: →

» We are going to play a short game.

- Stand up if you know how much you spent last month on credit for your mobile phone.
 - Stand up if you know how much you spent on transport last month.

Observe how the group responds and say:

» Though we all spend money, few of us know exactly how much we spend on individual budget items.

Let's look at a tool that can help us to monitor exactly how much we spend.

INSTRUCTIONS FOR THE TRAINER

*Present Training Aid 3.2
Expense tracking sheet
also included in the
Trainee's booklet.*

Training Aids

Present the tracking sheet. Make sure that everyone knows how to fill in their sheet to reflect how they spend their money.



Plenary discussion

- When are you going to use this expense tracking sheet? [Every time you spend money. You can complete it every evening or whenever you have time to update it.]
- Should you use the tracking sheet for minor expenses? Why? [Yes, because minor expenses are important. For example, if you spend a small amount on a cup of coffee or tea every morning, you will have spent 30 times that amount by the end of the month! Here you can give an example using the currency of the country where the course is taking place.]
- If you are far away from your family, should you use this sheet when you send money to your family? (Yes, regardless if the transfer was planned or not, it is important that you register every money transfer you send to your family as an expense)
- How can you use the expense tracking sheet in the future?



POINTS TO STRESS

Summarize:

It is very important that you know exactly how much you are spending. An expense tracking sheet is a tool to help you know exactly how much you spend each month. It can be used for all transactions, big or small, paid for in cash or using other means. Knowing how much you are spending is essential, enabling you to adjust your expenses if you find you have spent more than planned.

4. PRACTICE IN USING INCOME AND EXPENSE TRACKING SHEETS



NOTE TO THE TRAINER

Prior to this activity, you should prepare transaction cards (Training Aids B.3.3). The transaction cards are designed in such a way that the main characters have a surplus each month. If you change the figures, make sure that the total income is still greater than total expenses.

INSTRUCTIONS FOR THE TRAINER

Place the income and expense tracking sheets side by side on two flipcharts making sure all participants can read clearly. Volunteers will come to post the cards on the flipcharts.

Training Aids

- ▶ TRAINING AID B3.3.
TRANSACTION CARDS

In the Trainee's Booklet you will find Training Aid B3.3: Transaction Cards. The trainer should cut out the cards to make the activity.

► INSTRUCTIONS

Say:

Now let's try using the income and expense tracking sheets. For this activity, we are going to track the income and expenses of one of our characters.

Explain:

There is a pile of cards in the centre of the room. Each card represents a different transaction. Our task is to identify what type of transaction is involved and record it either on the income tracking sheet or on the expense tracking sheet.

INSTRUCTIONS FOR THE TRAINER

Fill the tracking sheets with the participants as follows:

- Invite a volunteer to start by filling in the name of the character, and the month and date, on both tracking sheets.
- Invite volunteers to choose cards from the pile and record the transactions concerned.
- When all the transactions have been recorded, ask the participants to make calculations.
- Ask them to calculate the total figures for income and expenses.
- The first person to have performed the calculation correctly is awarded a prize.

In the Trainee's Booklet you can find the correct results of how the income and expense tracking sheets should look.

Explanation

There are computer softwares and mobile phone or tablet apps to help you monitor your income and expenses. Some of you are now going to fill the character's income tracking sheet using a sheet of paper, others can use a mobile phone app.

Explain:

» Now we are going to calculate our character's surplus or deficit for this month.

- What is our character's surplus/deficit?
- How did you work it out?
- What can the character do with the surplus? [Put the money aside with a view to achieving his/her goals.]



Conclude as follows

Say:

Now we are all going to try to complete our own income and expense tracking sheets for the current month. Off you go!

- Was it easy to complete the tracking sheets? Why/Why not?

B.3.1

INCOME TRACKING SHEET

Name: _____
Month: _____
Year: _____

B.3.2

EXPENSE TRACKING SHEET

Name: _____
Month: _____
Year: _____



SUMMARY

Conclude: ↗

- Insurance may seem complicated. But now you've got the basic idea, you can work out whether the protection provided by the insurance is worth the premiums you have to pay. You also know that not all insurance policies are the same. It is worth making the efforts to understand their different features and exclusions, and make sure you have understood and agree with all the conditions. If you are interested in taking out insurance, go and talk to an insurance agent about it.

Notes

C.GETTING TO KNOW SAVING METHODS AND PRODUCTS.

1. Comparing Saving Methods.

AIMS

- Describe the features of the different savings accounts offered by formal financial institutions.
- Match savings goals with specific savings products.
- Identify how best to use each type of savings accounts..

DURATION: 90 minutes

SESSION PLAN STEPS

1. What savings product for what goal?
2. Introduce and discuss the savings products offered by formal financial institutions
3. Choose a savings product on the basis of non-financial criteria
4. Select a product that corresponds to specific savings goals
5. Decide what type of account would be most useful

1. IDENTIFY THE DIFFERENT SAVINGS METHODS AVAILABLE LOCALLY



Introduction

Say:

Each person has different needs at different times in their life. This means that your financial needs depend on the goals you want to achieve at different stages in your life. There are different financial products corresponding to these different needs.

It is essential to understand your own financial needs (which often become clear when you create your own budget, as we saw in the previous module). At the same time, it is very important to know what financial products are available on the market so that we can look for the financial products that best meet our financial needs.

In this module, we are going to learn more about one of the most widely used financial instruments: savings products.

NOTE TO THE TRAINER

Attention! This session must be adapted to your audience and the financial environment as experienced by the course participants. It is very relevant that the trainer researches the regulatory restrictions in terms of access to these services when the target group includes migrants, refugees, IDPs and host communities. It is particularly relevant also that the trainer gets information about current semi-formal and informal saving schemes used by the target group.



Discussion in pairs

Now ask the participants to pair up and to note down or draw their answers to the following question:

- How can you save or put money aside?

Hand out a sheet of paper and markers to each pair. After five minutes, ask each pair to display their list or drawing on the wall.



Plenary discussion

Invite a few volunteers to read out one or more of their answers.

- Are you aware of other ways of saving?
- Are these savings methods a possibility in your area/community?
- For those that are not from here, are these methods similar to the ones you used back at home?

Training Aids

► TRAINING AID C1.1: SAVINGS METHODS

In the Trainee's Booklet you will find Training Aid C1.1. The trainer should display the different images included and explain:

As you can see, there are many ways of saving. As our characters show, each one can opt for a different method of saving. One character prefers to keep his/her savings in a bank account, so s/he will not be tempted to spend the money he/she has put aside. Another one belongs to a savings club, in which each member set aside a small sum of money each month. Similarly, one character belongs to a self-help group and they save following the rules of the group. Another character does not trust anyone to manage his/her money and prefers to keep it in a hiding-place where s/he lives.

INSTRUCTIONS FOR THE TRAINER

Display three sheets of paper next to each other on the wall with the headings "Formal", "Semi-formal" and "Informal".

Now ask the group to decide under which heading to place each of the images depicting the savings methods of our four fictional characters. When the participants have correctly determined that the character method is "formal", read out the following definition:



Definition No1

A formal savings institution is regulated by a public body to ensure that people's savings are safe. Normally, formal savings institutions pay interest on the money deposited with them. Some establishments provide guarantees. This means that if the institution loses your money, the State will pay back your losses, up to a certain amount. Formal institutions include banks, the post office, microfinance institutions, loan and savings cooperatives and insurance companies. Sometimes they might have requirements to become a client that are difficult to comply for some specific groups, such as migrants, refugees and IDPs, especially in terms of IDs and proof of address.

When the participants have correctly determined that the character method is "semi-formal", read out the following definition:

! Definition No2

Semi-formal savings methods represent a middle way between formal and informal strategies. Semi-formal institutions offer savings services organized by the community, but not supervised or regulated by the State. They also include unregistered microfinance institutions. These methods are under the social control of the local community. They can provide a great alternative for some groups that cannot access formal services.

When the participants have correctly determined that the character method is "informal", read out the following definition:

! Definition n° 3

An **informal savings method** is a method of saving you manage yourself, generally at home. You can keep your savings in cash or in kind, in the form of jewellery, land, buildings or livestock, or by entrusting your money to a friend or family member. This kind of saving is not supervised by the State or the community.

Explanations

⚠ Be aware! Buying a house or plot of land may well be a formal transaction but as a method of saving it is informal because, should a problem arise (loss of value, fire, etc.), your savings are not guaranteed or regulated by the State or the community.

INSTRUCTIONS FOR THE TRAINER

Now return to the list of savings methods used by the participants (previous list). Invite the group to classify each of the savings methods under one of the three headings: formal, informal or semi-formal. Reorganize the drawings or words in such a way that each is under the correct heading. The following table may be helpful.

Formal	Semi-formal	Informal
<ul style="list-style-type: none">• Banks• The Post Office• Registered microfinance institutions• Insurance companies (for long term savings products such as life insurance)• Registered savings and credit cooperatives• Mobile wallet	<ul style="list-style-type: none">• Savings groups (comprising friends, workmates, neighbours)• Unregistered microfinance institutions• Self-help groups• Village Savings and Loan Associations• Village banks• Unregistered savings and credit cooperatives	<ul style="list-style-type: none">• At home (in cash, in a safe, money box or under the mattress)• In kind (gold, jewelry, livestock, land, property, etc.)• Entrust money to a friend or relative, trader.

INSTRUCTIONS FOR THE TRAINER

A common term that is often used when we speak about savings is investment. You can give the definition of investment by saying:

Investing means using or placing money in a sector of the economy, in an enterprise or in a house/apartment as a way of generating an income.

Once they have understood you can ask the participants for some examples.



Plenary discussion

- In which column of our table would you put investment? Is it a formal, semi-formal or informal method of saving? [An investment can be made in two ways: 1) you entrust your money to a bank, which invests on your behalf (in shares, bonds...). This is a formal method as it is State-regulated. On the other hand, 2) you can invest on your own behalf, i.e. you entrust your money directly to an entrepreneur, or you buy an asset. This is an informal method of saving as it is not State-regulated. N.B. Even if you invest through a bank (a formal, State-regulated method of saving), your savings are not necessarily guaranteed. It depends on the individual product and bank.]

Participants' testimonies

For each of the three categories (formal, semi-formal and informal), ask the participants to raise their hands if the answer to the following question is yes:

- Who has used one of the structures in this category (e.g. those listed in the first column)?
- How did you get on? What did you like or dislike about it?

INSTRUCTIONS FOR THE TRAINER

! Be aware! In the case of formal services, check that the people who raised their hands really understood the question, i.e. they have used a savings product provided by a formal institution (not another product, such as a loan or current account). Tell the group that those who raised their hands are resource persons for this category. The resource persons are to come and sit in an inner circle, while the others will sit in an outer circle. This is the "fish-bowl" technique. Only the people in the inner circle are allowed to speak. If they wish, when they have finished speaking, they can go back and sit in the outer circle and others can join the inner circle.

The people in the inner circle must discuss among themselves, informally, as among friends, their experience with this method of saving: security, rules concerning deposits...

For each category of savings services, repeat the fish-bowl technique. At the end, clarify the answers, if necessary, and note which questions have not been answered.

2. DISCUSS THE ADVANTAGES AND DISADVANTAGES OF THE DIFFERENT SAVINGS METHODS



Training Aids

In the Trainee's Booklet you will find Training Aid C.1.1. Prior to this activity, make a copy of Training Aid C.1.1 and place the different images in a bag, hat, basket or other container. Each image depicts one method of saving.

INSTRUCTIONS FOR THE TRAINER

Divide the participants into 4 smaller groups and ask one person in each group to pick a text or image from the container in which you have placed the 4 images/texts.



▶ INSTRUCTIONS

Say:

» Each group has a text or image depicting one savings method.

Now you must create a short dramatic sketch concerning the advantages and disadvantages of this savings method. For example, your sketch might tell the story of someone who, convinced of its advantages, decides to use a particular savings method. He or she mentions it to a friend who is totally opposed to this form of saving and explains why. You will be performing your sketch in front of the group and it should be no longer than three minutes.

Give the groups 5 minutes to prepare for this exercise.

INSTRUCTIONS FOR THE TRAINER

While the groups are preparing, reproduce the following blank table on a sheet of flipchart paper.

Savings method	Advantages	Disadvantages	Level of safety (/10)
Formal			
Semi-formal			
Informal			

In answers to exercises in the Trainee's booklet , you will find the full comparative table ADVANTAGES AND DISADVANTAGES OF THE DIFFERENT SAVINGS METHODS

INSTRUCTIONS FOR THE TRAINER

When the groups have finished preparing, bring them all back together. Ask each group in turn to introduce their method of saving by showing their image and performing their sketch. As the activity proceeds, ask one of the groups in the audience to pay careful attention and write down the advantages and disadvantages identified in the sketch in the corresponding columns of the table.

The result should look something like this: ➔

Savings method	Advantages	Disadvantages	Level of safety (/10)
formal <ul style="list-style-type: none">• Banks• Registered microfinance institutions/banks• Registered savings and credit cooperatives• Insurance companies (for long term savings products such as life insurance)• Mobile wallets	<ul style="list-style-type: none">• The safest option• Privacy (no one except the holder of the savings product knows how much is in the account).• Less temptation to withdraw money (easier to refuse requests)• You may receive interest.• You can access other financial products (current accounts, retirement savings accounts, loans, etc.)• A better way of managing your money (savings account statements)• Speeds up the payment of bills.• When the bank operates internet or mobile banking services, you can check your balance and manage your savings 24 hours a day.• Many banks operate through Bank Agents that make their services much more accessible.	<ul style="list-style-type: none">• Not easily available for low income, illiterate people, forcibly displaced persons• Might require IDs or proof of residence not easily available for FDPs.• Bank employees are often sales personnel aiming to sell products, so they may put the interest of the bank first rather than the client's.• Remuneration rates vary from product to product. Many times it is very low.• Some products might have minimum deposit required for opening an account that may act as a barrier.• You may have to pay account charges.• A waste of time queuing at the bank.• The different products and charges are complex; fear of making a mistake.• Restricted opening hours (closed evenings and at weekends).• The effects of economic or political instability: financial crises, currency devaluations blocking of withdrawals, impossibility of getting money out of the country (exchange controls).• Bank agents may have no sufficient fund to serve you	

Savings method	Advantages	Disadvantages	Level of safety (/10)
Semi-formal <ul style="list-style-type: none"> • Savings groups/esusu • Self-help groups • Village banks • Village Savings and Loan Associations (VSLAs) • Unregistered microfinance institutions • Unregistered savings and credit cooperatives • Unregistered loan institution 	<ul style="list-style-type: none"> • Easy access • The fact that you are saving often means you can get a loan. • You can earn interest on loans made with savings. • The savings group rules about the frequency and amount of deposits encourage saving. • Discipline • Makes for solidarity and strengthens social bonds among members. 	<ul style="list-style-type: none"> • Few guarantees. • You cannot be sure of earning interest on your savings. • Limited or no access to loans. • Being able to save or withdraw money is subject to the approval of the members. • Danger that a member will not abide by the rules (e.g. someone might disappear after receiving money from the group). • Depending on the degree of formalization, it may not be possible to appeal to the police if there is a problem. • Danger of the death of a member of the savings group. • You need to be part of a network in order to join a savings group. • Savings groups run a higher risk of failing (no management supervision by the authorities). 	Level of safety (/10)
Informal <ul style="list-style-type: none"> • At home (in cash, in a safe or money box). • In kind (gold, jewellery, livestock, land, property, etc.) • Entrusting money to a friend, relative or trader. 	<ul style="list-style-type: none"> • Easy access. • The asset you have acquired may increase in value. • You have to sell your asset to get your money back (subject to the law of the market). • The friend, relative or trader is always available. • There are other advantages to saving in kind: production or sale of milk (in the case of cattle), jewellery can be worn for important events. • If you save in kind (livestock, property) you may be able to earn money (sale of meat/milk, rent...) 	<ul style="list-style-type: none"> • Not secure: value may fall over the years, risk of theft, sickness or death (in the case of livestock). • There may be a strong temptation to spend (if you keep money at home). • Difficult to liquidate in case of emergency (selling an asset takes time). • Cost associated with savings in kind: food and veterinary costs for livestock, repairs of property. 	

Conclusion

Ask the participants if any of them have experienced the advantages or disadvantages of these savings methods.

3. DECIDE WHICH SAVINGS METHOD IS MOST SECURE



Plenary discussion

Ask:

- What can go wrong where savings are concerned? [Savings can be stolen or lost. They can lose their value. They may have to be used to meet an urgent need or pay off a debt contracted unwisely (i.e. a debt contracted in a hurry, for something not really needed, at a high rate of interest or with someone you cannot trust...) or someone else's debts. They can be used by family members without permission. Gold can lose its value if the gold price falls. Animals such as cattle or sheep may fall ill or die...]

The participants may have stories of their own to tell (like the true story of a person who buried his money before going on a journey and found, on his return, that a house had been built on the same spot).



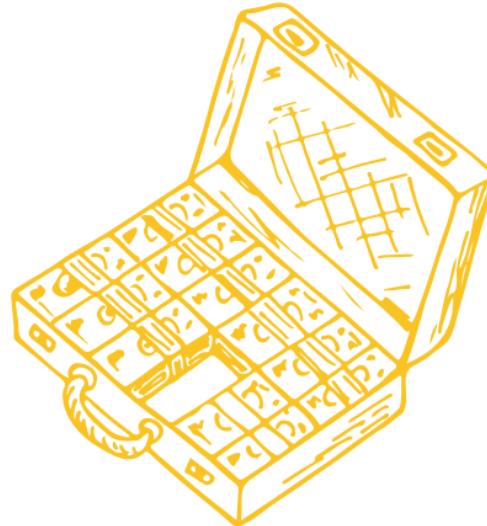
ACTIVITY

Say:

Consider all the savings methods we have discussed and answer the following question:

- Are some savings methods more secure than others?
Which? Why?

Invite a few volunteers to express their ideas, then explain:



- » We are going to assess the degree of security of each method of saving in our table. We shall use a scale of 1 to 10 to rate each method. "1" signifies a low degree of safety, "5" an average level and "10" a high degree of safety.

INSTRUCTIONS FOR THE TRAINER

Return to the table displayed on the wall and complete the third column headed "safety". Ask the participants to think about each method and give it a mark (between 1 and 10, depending on the level of security they think the method provides). For each method, invite three volunteers to explain to the group the marks they would give, and to enter their marks in the third column of the table. If the participants disagree, encourage discussion and examine the different points of view.

NOTE FOR THE TRAINER

The safest are normally the formal methods of saving (though some participants may cite cases in which the State failed to guarantee people's savings, currency devaluations, etc.). It is therefore advisable to speak of a method as being "safer" (in relation to others), rather than its being "100% safe" (in an absolute sense). Even the safest methods are not infallible. It may therefore be wise to save in different ways, rather than "put all one's eggs in one basket".

PROVERB

Whoever does not have
savings, does not sleep

4. IDENTIFY FEATURES THAT MIGHT INFLUENCE OUR CHOICE OF SAVINGS METHOD



Introduction

Say:

- There are many ways of saving money and several savings methods, each with its advantages and disadvantages. Choosing a method may depend on a number of factors: safety, a relatively high interest rate, time-saving and ease in accessing your account, social ties with other people, how local the service is...



Plenary discussion

Ask the following questions:

- Most of you save in one way or another (formal, semi-formal, informal). What were the factors you saw as essential when you decided on your particular savings method?
- What factors would make you NOT choose a particular savings method?

Collect the answers

Let the participants give a number of answers to both questions and list their answers, as shown below. If some of the items in this table are not mentioned by the participants, add them to the bottom of the list. Make sure that all the terms used are understood by the participants.

Characteristics to consider when choosing a savings method

- Ease of access / flexible withdrawals
- Convenience and ease of use
- Requirements for opening a savings account
- Safety
- Interest rate and tax advantages
- Liquidity
- Cost of savings (fees)
- Purpose and goals of your savings strategy

2. Choosing a saving Product.

AIMS

- Describe the features of the different savings accounts offered by formal financial institutions.
- Match savings goals with specific savings products.
- Identify how best to use each type of savings account

DURATION: 90 minutes

1. WHAT SAVINGS PRODUCT FOR WHAT GOAL?



NOTE FOR THE TRAINER

As it was mentioned in the previous session, this session must be adapted to your audience and the financial environment as experienced by the course participants. It is very relevant the trainer researches the regulatory restrictions in terms of access to these services when the target group includes migrants, refugees, IDPs and host communities. Even if the forcibly displaced part of the target group currently does not have access to the formal products described below, it is important to highlight the importance of knowing how they work in case they become available for them in the future, in case of repatriation (to their own country) or relocation (to another country). The trainer should be sensitive about the differences in access across the target group and try to manage the frustrations that might be expressed by those without access

Introduction and reminder

Say:

We are now going to talk about the different types of savings products that are available and correspond to different savings goals. With this in mind, let's remember some of the things we learned in the earlier sessions.

Ask the participants:

Firstly, let us review the most important characteristics of savings products. Can you remind me of them?

Let the participants answer as a full group. You should end up with the following list.

- Ease of access / flexible withdrawals
- Convenience and ease of use
- Requirements for opening a savings account
- Safety
- Interest rate and tax advantages
- Liquidity
- Costs of savings (fees)
- Purpose and goals of your savings strategy



Then say:

Now let's try to remember our short-term and long-term goals

Ask the participants:

- Can you give us an example of a short-term goal?
- And an example of a long-term one?

Continue:

Thank you for these examples. As you will remember, a short-term savings goal is when you intend to make a purchase within one year or less. Similarly, a medium-term goal is when you intend to make a purchase in between one and three years. A long-term goal is one that will take more than three years to achieve.

Whether you are saving for your future studies, a car, improvements to your house, your children's school fees or your retirement, you put money aside and resist the temptation to spend it straight away.



Plenary discussion

Ask a question:

- How do you think your savings goal will influence the way you save? [For short-term goals, you put aside as much money as you can in a given time period. When the time is up, you withdraw your savings to achieve your goal, e.g. to pay the cost of a training course. Then you start saving again, if you have another short-term goal. For longer-term goals, you need to save a small amount regularly over a long period. You hope not to have to withdraw this money and continue to save until you achieve your goal.]



EXPLANATIONS

Say:

Banks and other financial institutions want you to deposit your money with them: they need it to lend to others, for example to people setting up a business or wanting to buy an apartment. This is why they encourage you to deposit your money with them for as long as possible, offering you rewards and advantages, such as interest payments. The interest is a sum of money that the bank pays to you. The amount payable depends on how much money you have entrusted to the financial institution and for how long. This percentage is called the "interest rate". The longer you leave your money in the bank, the more interest the bank will pay you. If you need to make frequent withdrawals, you will probably have an account that pays a low rate of interest.



Plenary discussions

Ask a question:

- What features of a savings account will help you save when you are saving for the long-term? [high rate of interest - limited withdrawals]

Say:

- Now, let's imagine you want to save to pay for a course of training, for which you have to pay fees every six months.
- What features do you want your savings account to have to help you save in the short-term? [unlimited deposits and withdrawals - frequent access]



POINTS TO STRESS

Say:

Attention, a savings product of this kind (unlimited deposits and withdrawals, frequent access) is necessary for everyone, as a way of keeping funds for an emergency. We will look at the issue of emergency fund in a more detailed way in the module on risk management and insurance, but it is important, as of now, to see it as a financial goal (for those who have not yet made any provision).

As you will have realized, every savings goal calls for an appropriate savings product. Let's try to find out more about the savings products most commonly available from financial institutions.

Notes

2. INTRODUCE AND DISCUSS THE SAVINGS PRODUCTS OFFERED BY FORMAL FINANCIAL INSTITUTIONS



Training Aids

NOTE FOR THE TRAINER

During this session, you will be helping the participants to compare the three main types of savings account, i.e. regular savings account, contractual savings account and time deposit account. You will be giving out sample brochures for three types of savings accounts. You are recommended to visit several formal financial institutions prior to the course to pick up brochures for these three types of savings products. N.B. Make sure you present several financial institutions, not just one, otherwise you could be accused of advertising, which would shatter the participants' confidence in you as an impartial financial advisor!.

Remember that you should be aware of the regulatory restrictions in terms of access to savings products by specific target groups, such as refugees and IDPs.

Otherwise, even though it may be less effective from a teaching point of view, you can use Training Aids C.2.1, C2.2 to C.2.3, included in your Trainee's Booklet. These are based on advertising material used by formal financial institutions.

INSTRUCTIONS FOR THE TRAINER

Explain that one of the advantages of saving with a formal financial institution, like a bank, is the diversity of choice where savings accounts are concerned. Tell the participants they are going to learn more about the most commonly used savings accounts. Divide the participants in 3 groups. Each group will work with one of the brochures provided.



DEFINITIONS

DEFINITION # 1: A regular or passbook savings account is a demand deposit (that is, which can be withdrawn without notice or penalty) in a financial institution. It allows the account holder to make deposits or withdrawals at any time. The savings are remunerated according to an interest rate (usually annual). This savings account usually does not allow to make direct payments.

DEFINITION # 2: A contractual savings account links the savings made to the achievement of a specific project. In this kind of account the holder commits to make regular payments and / or that the funds are frozen for a given period. The remuneration rate pay is usually fixed in advance. Examples of contractual savings accounts include housing savings plans intended to finance a real estate investment.

DEFINITION # 3: The time deposit savings account principle is to place a sum for a predetermined period of time and at a remuneration rate known from the start. A time deposit account involves blocking the amount placed during a sometimes quite long period. As it is quite restrictive for the saver, this type of account offers a generally higher remuneration.

► INSTRUCTIONS

Ask each group to examine its brochure and consider the questions in the table below.

- Is it possible to open it if you are refugee and/or IDP?
- Is there a minimum deposit?
- Can you make withdrawals whenever you want?
- What is the interest rate?
- Can you borrow money if you open a savings account?
- Is the timetable for making deposits flexible? (In other words, are you obliged to pay in a certain sum on a fixed date?)
- Do you have to pay charges if you make an early withdrawal? If so, how much?
- How do customers normally use this type of account?
- Are there any tax advantages in having this savings account?

Savings products offered by formal institutions

	Regular/passbook savings	Contractual savings	Time deposit
Is it possible to open it if you are refugee and/or IDP?			
Is there a minimum deposit when you open the account or whenever you want to pay money in?			
Can you make withdrawals at any time?			
What is the interest rate?			
Can you borrow money if you open a savings account?			
Is the timetable for making deposits flexible? (In other words, are you obliged to pay in a certain amount on a fixed date or can you make payments whenever you please?)			
Do you have to pay charges if you break the rules?			
How much?			
Are there loyalty bonuses if you save regularly?			
How do customers normally use this type of account?			

After five minutes, invite a volunteer from each group to present the group's answers.
Congratulate all groups for their excellent work.

In Answers to exercises in the Trainee's booklet , you will find the full comparative table.

Collect the answers

Ask a question : ↗

- What are the similarities and differences between these different savings accounts?



POINTS TO STRESS

Say: ↗

These accounts differ from each other and any of them may be right for you, depending on your savings goal:

- A **flexible (regular/passbook) savings account** is suited to your needs if you want to be able to access your money at any time.
- A **contractual savings account** is right if you want to save a fixed amount every month to achieve a clearly defined goal (education, house or apartment, setting up an enterprise, wedding, pilgrimage...).
- A **time deposit account** is appropriate if you want to earn interest on your money over a longer period, without necessarily having a clear goal in mind (i.e. your money earns a good rate of interest, but you are committed not to use it for a pre-defined period of time).



Plenary discussion

I will suggest three different savings goals and I want you to say which of these products is best suited for each purpose:

- Emergencies [regular/passbook-type account, available from all banks and State-regulated]
- Particular needs, such as housing, children's education, religious celebrations or family projects [contractual savings account]
- Retirement [time deposit account]

3. CHOOSE A SAVINGS PRODUCT ON THE BASIS OF NON-FINANCIAL CRITERIA



Plenary discussion

Say:

We have seen a number of criteria to be taken into account when choosing a savings product. These criteria were linked to financial issues. You can also think about non-financial criteria before making your choice.

- In your opinion, what non-financial criteria can be important when choosing a savings product?



INSTRUCTIONS

Collect the answers of the participants and explain:

In addition to the criteria we have discussed, you may also choose a savings product for non-financial reasons, e.g. for reasons based on your personal values and the use you want the bank to make of your money. There is such a thing as "ethical" finance. This means that, as a customer, you can ensure that your money is used in accordance with certain values and standards. For example, your money might be used to finance the social and solidarity economy, or you might choose to support a cause and have part of your interest paid automatically to voluntary associations that work with projects targeting FDPs, or that protect the environment or help marginalized people find employment...

There are two options:

- Ethical financial institutions (i.e. the way they operate and all their financial products are "ethical");
- "Ethical" products offered by traditional financial institutions.

One of the branches of ethical finance is Islamic finance, sometimes called participatory finance.

Islamic finance

According to some Muslim scholars, Islamic finance is in keeping with Muslim and sharia law. It is based mainly on the following principles:

- a ban on interest (riba): money should not be used to generate more money.
- a ban on uncertainty (gharar) and speculation (maysir): when an agreement/contract is concluded, all the terms must be known.
- building up of capital (hoarding): a fund of money may be accumulated only for emergencies. Otherwise, it must be given to charitable institutions or invested.
- a ban on investing in illicit activities (gambling, alcohol, drugs...).

Islamic Finance savings products

Sharia compliant savings products do not offer interest on savings. Instead they are designed in a way in which the financial institution which offer the products undertakes ethical and Sharia compliant activities with the intention of generating profits which are then shared with the clients. In technical terms, Islamic finance providers rather than paying an annual equivalent rate of interest on savings, like traditional financial institutions, pay an Expected Profit Rate (EPR). Therefore, what savers earn depends on the profit the bank makes.

The EPR describes the profit that the bank expects to make; it's a target. In most countries where Sharia compliant providers operate, Islamic finance providers are required to advertise the EPR as a percentage so that you can gauge what the account offers in comparison to interest rates you could receive or be charged by conventional banks.

- » If you are interested in products of this kind, be sure to ask financial institutions if the type of savings product you need does in fact comply with these ethical principles. You can also check with your community if they know any provider offering these types of services.

Notes

4. SELECT A PRODUCT WHICH CORRESPONDS TO SPECIFIC SAVINGS GOALS



ROLE PLAY

INSTRUCTIONS FOR THE TRAINER

This activity requires the participants to act out a dramatic sketch. You will need to divide them into four groups and give them two minutes to prepare their role-plays, which should last around two minutes. When planning your session, allocate five minutes for each "performance" and subsequent discussion.

Divide the participants into four groups. Give them only the information describing the situation (not the answer).



INSTRUCTIONS

Training Aids



Each group will be given a card describing a situation (Training Aid C.2.4). The group must then decide what type of account the principal character should open.

Make up a role-play illustrating the relationships between the people involved and the solution you have opted for. The solution will be one of the three savings account options. It is possible to open more than one account, if necessary.



Plenary discussion

At the end of the role play, ask: →

- Which savings product have you chosen?
- Why did you choose that product (or those products)?
- How could you convince your family of the merits of the product you have chosen?

5. DECIDE WHICH ACCOUNT WOULD BE MOST USEFUL



INSTRUCTIONS

Say:

To choose the right savings product, you need to understand not only the characteristics of the various products, but also your own situation and needs. Ask yourself the following questions:

- Your personal circumstances: how much do you earn? how much do you spend? how much do you have in savings?
- Your goals: for what purpose do you want to save? For emergencies? For your studies? To set up a business? To return to your country? To buy a house/apartment? For your retirement?
- The timing of your future plans: for how long do you want to save / tie up your money?
- Your character: are you prepared to take risks or not? Avoid making risky investments, unless you have a good understanding of how financial markets work.

Watch out for misleading advertising! Remember there is no such thing as a savings product that gives you a high yield without risk, especially in the short term.

Summary

Now it is your turn! Take a few minutes to think about your goals and products which would be best suited to your needs and personal circumstances.

After a few minutes, ask several volunteers to share their thoughts.

If they have any other questions about the savings products offered by financial institutions. When you have dealt with any issues, ask the question:

- Will you share what you have learned today with your family? And your friends?

Listen to contributions from two or three volunteers, then thank the participants for their hard work.

D. USING CREDIT PRODUCTS WISELY.

1. Comparing Financing Options.

AIMS

- To discover different financing options.
- To compare the advantages and disadvantages of each option.
- To decide between borrowing and using your own money

DURATION: 90 minutes

SESSION PLAN STEPS

1. Prepare and introduce stories on the topic of "How to finance my project?"
2. Borrow or use your own money
3. Compare the advantages and disadvantages of financing options - 20 minutes

1. PREPARE AND INTRODUCE STORIES ON THE TOPIC OF “HOW TO FINANCE MY PROJECT?”

30
MINUTES

Introduction

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

NOTE FOR THE TRAINER

*As it was mentioned in the previous session, this session must be adapted to your audience and the financial environment as experienced by the course participants. It is very relevant the trainer researches the regulatory restrictions in terms of access to these services when the target group includes migrants, refugees, IDPs and host communities. Even if the *Forcibly displaced* part of the target group currently does not have access to the formal products described below, it is important to highlight the importance of knowing how they work in case they become available for them in the future, in case of repatriation (to their own country) or relocation (to another country). The trainer should be sensitive about the differences in access across the target group and try to manage the frustrations that might be expressed by those without access. A special emphasis should be given to semi-formal and informal financing mechanisms as in many cases these are the only sources available.*

Training Aids

- ▶ TRAINING AID D1.1 - Four stories telling how our fictional characters financed their projects

In the Trainee's Booklet you will find Training Aid D.1.1. Form four groups and assign one story to each group. They can read them from the Trainee's booklet.

► INSTRUCTIONS

Say:

- » Each group will be assigned a story from Training Aid D1.1. Each text illustrates one method of raising money to finance a project. Your task is to create a 2 or 3-minute story based on this text. You need to imagine the consequences of adopting this method of raising money. I will give you 5 minutes to prepare your story. You can choose 1 or 2 members of your group to present the story in plenary session.

INSTRUCTIONS FOR THE TRAINER

Make clear which story is assigned to each group. Go around all the groups to make sure they have understood the instructions.



Plenary discussions

After 5 minutes bring them all back together and invite each group to present its story. Following each presentation, ask the following questions:

- What is happening in this story?
- How did the character concerned raise money for their project?
- What were the consequences of selecting this financing option?

Summary

Summarize and emphasize the key points:

Four ways of raising money to achieve a financial goal or fund a project

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

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

If you think it is necessary, you can summarize each story and the main consequences of choosing that method.

NOTE FOR THE TRAINER

The informal lender is generally thought of as a local lender with very high rates and extreme collection methods. If you identify that this is the thinking of your audience, explain to them that an informal lender is precisely one that is neither formal nor semi-formal, and as we saw previously, not only the neighborhood lender falls into this category, but also the family or friends who can lend us money.

2. BORROW OR USE ONE'S OWN MONEY?



NOTE FOR THE TRAINER

This stage includes a role play, for which you will need two volunteers.

Before the session begins, pick out two "volunteers" and give them a copy of Training Aid D.1.2.

Training Aids

Collect the answers

Ask:

- People borrow money: for what reasons?

Write up their answers on the flipchart and summarize them using the following classification:

Three main reasons for borrowing money

1. **To invest:** in a business in a business (purchase of materials, purchase of goods for reselling, equipment, land, etc.), in education/training (for oneself or one's family: courses, university fees, the cost of vocational training...)
2. **To respond to personal or family needs,** e.g. to buy an asset which the person or family cannot at present afford (housing...), to be able to finance migration related expenses or in preparation for ceremonies/festivals (organizing a marriage or other religious ceremonies, traditional or social...)
3. **To respond to an unforeseen event or emergency** (sickness, natural disaster such as a fire or flood, theft or loss of property, death of a family member...)*

* But we have seen in earlier sessions that, if you have managed to keep to your budget and put a sum of money aside for emergencies, you will not normally have to borrow money for daily living or emergencies (except in exceptional circumstances).

ACTIVITY

Say:

Now we are going to examine two major financing options: borrowing money or using your own resources.

Training Aids

► TRAINING AID D1.2 – The story of two businesses

In the Trainee's Booklet you will find Training Aid D.1.2.

You can invite the two volunteers you have selected to tell the stories included in the training aid. The rest of the participants can follow the text from their own booklets or just hear the role play.



Discussion on the role play

Following the role play, ask the participants:

- How have these characters expanded their businesses?
- Which of these two businesswomen is more likely to succeed? Why? [In the short term, the character that finances herself through loans will grow faster because she has more money to invest in it. In contrast, the other character is investing small amounts, so her business is developing a little at a time. In the long run, this business will undoubtedly be more stable and secure because she does not have to repay expensive loans and can save for both emergencies and future investment.]
- Which of the two women is running the greater risks? [The first character is taking more risks. She has two loans at the same time and not much in the way of savings to protect her if a problem arises]
- What advice would you give to these characters?
- If you were one of these two characters, what would you do differently?

Summary

Say:

Now let's use a table to sum up the advantages and disadvantages of borrowing or using your own money

Advantages and disadvantages of borrowing money or using your own money

	Advantages	Disadvantages
Borrowing	<ul style="list-style-type: none">• Access to a larger amount of money• Speed in obtaining the money and carrying out the project	<ul style="list-style-type: none">• The costs of borrowing (interest...)• Obligation to repay the loan and you may suffer penalties if you fail to meet the repayment deadlines• If the loan is made by a group of people (VSLA, tontine, etc), obligation to comply with the membership rules and regulations• Repayment schedule might not match the cashflow of IGA.
Drawing on one's own assets or savings	<ul style="list-style-type: none">• Avoids the costs of a loan (interest...)• Gives you the freedom to use your money as you wish• Less risk in investing if you are self-funded, as you have access to less money in one go• No need to make future loan repayments• Avoid conditionalities and/or requirements	<ul style="list-style-type: none">• You might not get hold of all the money you need• The project will develop more slowly• Not possible to react to certain business opportunities• Risk: you should not draw on your emergency funds, even if you are using your own resources

Notes

3. COMPARE THE ADVANTAGES AND DISADVANTAGES OF FINANCING OPTIONS



ACTIVITY



INSTRUCTIONS

Explain:

- » We are now going to compare in greater detail the advantages and disadvantages of the two different categories of ways of financing we examined earlier: on the one hand, using your own money or selling assets; on the other, borrowing from a formal or informal institution. Each group will be given two pads of different coloured post-it notes to write on.

The first set of cards will be _____ (Name a colour, e.g. red).

The other will be _____ (Name another colour, e.g. green). There are some markers for you to use.

Training Aids

- *TRAINING AID D1.1 - Four stories telling how our fictional characters financed their projects*

In the Trainee's Booklet you will find Training Aid D.1.1. Form four groups and assign one story to each group.

- » Your task is to discuss the advantages and disadvantages of each of the ways of raising money presented in the various stories. For example, if your group is required to work on the "Loan from an informal lender" option, you must discuss all the advantages of using this way of raising money. After discussing the matter, write up to 5 advantages on post-it notes of the same colour. Write just one idea on each note. You have five minutes to do this exercise.

When the five minutes are up, say:

Now your task is to discuss all the disadvantages you see in this particular way of raising money. You must write these disadvantages on post-it notes from the other pad, i.e. those of a different colour. Do not forget: just one idea per note. You have 10 minutes for this exercise.

Collect the answers

When the participants have finished, ask them to stick their post-it notes on the flipchart. If one flipchart sheet is not big enough, place two or three sheets side by side to form a large table on the following model.

Advantages and disadvantages of different ways of raising money		
	Advantages	Disadvantages
Sale of assets/ property		
Savings		
Borrowing from an informal lender (family, shopkeeper...)		
Borrowing from a financial institution (bank, microfinance institution or Sacco (Savings and Credit Cooperative Organisation)		

When each group has posted its notes and explained its reasons to the rest of the participants, congratulate them on their work.

In Answers to exercises in the Trainee's booklet, you will find Training Aid D1.3 "Advantages and disadvantages of different ways of raising money" that summarizes the most relevant points of this activity.



Advantages and disadvantages of different ways of raising money

	Advantages	Disadvantages
Sale of assets/ property	<ul style="list-style-type: none"> Shopkeepers will let you buy back your assets after you have sold them 	<ul style="list-style-type: none"> Risk of the asset losing value If it is a productive asset, the family may incur additional costs or have to spend more from day to day
Savings	<ul style="list-style-type: none"> Fast access Private resources No interest to pay You can do what you like with the money (no external interference) 	<ul style="list-style-type: none"> You deplete your savings The money has to be saved over a long period, so will probably not cover all your needs You may lack financial resources in an emergency
Borrowing from an informal lender (family, shopkeeper...)	<ul style="list-style-type: none"> Fast A local transaction No implementation procedure 	<ul style="list-style-type: none"> Very expensive Risky: if you fail to repay, the lender may adopt "heavy" methods, including intimidation No legal protection in case of abuse by the lender Easy to get into debt
Borrowing from a financial institution (bank, microfinance institution or SACC (Savings and Credit Cooperative Organisation))	<ul style="list-style-type: none"> Fast Accessible Proximity Registered in accordance with legal requirements Part of a group able to give advice (social aspects/collective support) 	<ul style="list-style-type: none"> Will generally loan only small amounts Might not have a product suited to your project Interest rates sometimes high Some require that you be constituted as a company

Conclusion

Say: →

There are several possible ways in which you can fund your projects.

- Each has its advantages and disadvantages. It is important to understand and assess these with the other people involved in the project, for instance the members of your family.
- You can also combine different ways of financing. Try to choose the least expensive. Try to avoid loans with a high interest rate and consider formal financial institutions, which are able to offer lower rates than those charged by informal lenders...
- Once you have decided how to finance your needs, discuss it with those around you and ask questions in order to find the solution that suits you best. Do not forget that information is power: the better informed you are, the better placed you will be to make the right choice.

2. Borrow- Choose a credit product.

AIMS

- Learn about credit terms and definitions
- To identify the responsibilities associated with borrowing money
- To identify the factors to consider when selecting a lender
- To identify the different types of lenders
- To list the questions one needs to ask a lender

DURATION: 90 minutes

SESSION PLAN STEPS

1. Learn about credit terms and definitions [20 minutes]
2. Identify the responsibilities associated with borrowing money [10 minutes]
3. Identify the different types of lenders [20 minutes]
4. Identify the factors to consider when selecting a lender [30 minutes]
5. List the questions one needs to ask a lender [20 minutes]

1. LEARN ABOUT CREDIT TERMS AND DEFINITION



Discussion of introduction

Explain: →

In this session, we are going to look at some of the key terms related to borrowing money. We will discuss what you can do when you need to borrow money, and how you can do this in a smart way.

Ask everyone to stand up and form a circle. Ask the following question: →

- **What is a loan?** [The act of giving money, property or other material goods to another party in exchange for future repayment of the principal amount along with interest or other financial charges]



EXPLANATIONS

Explain: →

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



ACTIVITY



INSTRUCTIONS



In this exercise, each of you is going to pick a card from the box. On some of the cards there is a word, on others a definition. There is a definition to match each word. So you must find your "other half", i.e. the person holding the card that corresponds to yours.

First read your card, then walk around the room and ask the other participants what is written on their card.



Try and find the card that matches yours. Then, when you have found them, stand with your partner. Don't worry if you don't understand the meanings of the various terms. You will come to understand them as you continue your search and rule out those that do not correspond.

INSTRUCTIONS FOR THE TRAINER

This game comprises 10 terms and 10 definitions, which means that up to 20 people can play (Training Aid D.2.1 Terms and definitions relating to credit/loans). If more than 20 people are taking part, you can pair people up so as to get 20 teams, or divide them into groups of 20 and organize more than one session of the game. If there are fewer than 20 people taking part, you can give two or more cards to each participant. When each participant has picked out a card, tell them they have three minutes to find their "other half".

When the three minutes are up, ask each pair that has been formed to read out their word and the corresponding definition. If some participants have not found their match, discuss together until the matching card is found. Correct any mismatches. Ask participants to provide an example of when they have seen someone deal with each term.

Training Aids



If you think it is necessary, you can shuffle the cards and repeat the exercise.



Plenary discussions

Say:

- Do you have any questions?
- Why do you have to pay interest when you take out a loan? [The interest is what the credit institution earns for lending you money. It is the price you pay for being able to use the money for a given period. It is connected with the interest paid on savings products: the financial institution uses the money deposited by savers to lend to customers who take out loans.]

POINTS TO EMPHASIZE

A key term to consider when taking out a loan is the Annual Percentage Rate (APR), which shows the overall cost of credit as an annual rate of charge. It takes into account the interest, charges and any other costs involved in getting credit, which makes it easy to compare across the market. We will get to know this term more in the next session.

In Answers to exercises in the Trainee's booklet, you will find the solution to this game.

Congratulate the participants on their hard work and ask them to return to their places.

2. IDENTIFY THE RESPONSIBILITIES ASSOCIATED WITH BORROWING MONEY



Discussion in pairs

Say:

Turn to the person sitting on your left and ask them the following question:

- Have you ever lent something to someone who failed to return it?

Give the participants a minute for discussion then ask the following question:

- Have you ever lent something to someone who returned it to you damaged? [Clothes, kitchen utensils, shoes...]



Plenary discussion

Ask the whole group:

- How did you feel about it?
- What was your reaction?

Explain:

The first responsibility of a person who contracts a loan or borrows something is to repay the loan or return the item they have borrowed at the agreed time. If you borrow money to finance a project, it is important that you repay the loan on time, whether your project succeeds or not.

Ask the following questions:

- When borrowing money, what are your responsibilities? [To pay it back in accordance with the agreement made with the credit institution or person concerned, and in good time]
- If a loan has been contracted with family members or friends, what are the borrower's responsibilities? [The terms of a loan contracted with friends may be more flexible. For example, you might not have to pay interest. But your responsibility where repayment is concerned is exactly the same.]
- What are the consequences you may face if you fail to repay the loan or fail to repay on time? [Lose my friends, fall out with my family, late-payment penalties, lose the trust of my family or friends, no chance of getting credit from anyone in the future...]

Summary

Specify: ↗

The borrower is the person who receives the money. The lender is the person who makes the money available.

Say: ↗

The borrower is responsible for repaying the loan as and when agreed. If you contract a loan with an individual lender or an institution, you may have to repay the loan with interest (in other words pay the cost of borrowing: the "rent" you pay for the money). If you fail to repay the loan, or even if you are late, you will certainly face negative consequences: you will make people angry; some will begin to lose confidence in you... If you borrow from a formal financial institution, you may be taken to court for failing to make repayment.



KEY MESSAGES

Contracting a loan is serious business.

Do not take it lightly!

PROVERB

Whoever pays his/her debts gets richer

3. TO IDENTIFY THE THE DIFFERENT TYPE OF LENDERS



Introduction

Explain:

There are several sources of credit, or “lenders” in our communities. Some are more difficult to get a loan from, some are more expensive, some require you to belong to a voluntary organization. In some cases, getting a loan is connected with taking on social or community responsibility.

Some lenders require you to have saved up a certain amount before they will grant a loan. Each source of credit is different. Today we are going to identify the various possible ways of obtaining a loan, and the advantages and disadvantages of each.

► INSTRUCTIONS

Say:

» Think of all the sources of credit you are aware of or have heard about, including informal sources. Call them out. Remember there are no wrong answers.

You can also list the financial institutions you know of.

Collect answers

Write the answers you receive on a sheet of flipchart paper as the brainstorming session proceeds. Your list might look something like this:

Sources of credit

- Bank
- Microfinance institution
- ROSCAS
- SACCOs
- VSLAs
- Parents and family
- Friends
- Shopkeeper or trader
- Public funds and charities/welfare schemes
- Employer
- Pawnbroker
- Hire-purchase (or leasing)
- Specialized lending organizations (“payday lenders”)
- ...



Discussion on the outcome

When the participants run out of ideas, go through the list again to eliminate duplication and add any sources of credit that may have been overlooked.

Say: →

Look at the list of sources of credit and consider your own circumstances (e.g. the project dearest to your heart for which you need a loan):

- From which sources of credit would you like to secure a loan? Choose the three which you think best.

INSTRUCTIONS FOR THE TRAINER

Proceed to a vote. Hand out 3 small stickers to each participant. Ask the participants to stand up and identify the 3 sources they would like to receive a loan from. For reasons of confidentiality it may be better to turn the flip chart so that students do not see who they are voting for. You must use the list generated in the previous exercise.

If you are tight on time and the participants agree, you can ask them to raise their hands and have someone from the room help you count the votes for each vote.

When the voting is over, you should have a flipchart

that could look like this (the X represent the amount of votes of each source): →

Sources of credit

- Bank XXXXX
- Microfinance institution XXX
- ROSCAS XXXX
- SACCOs XXXXX
- VSLAs
- Parents and family XXXXXXX
- Friends
- Shopkeeper or trader
- Public funds and charities/welfare schemes
- Employer
- Pawnbroker
- Hire-purchase (or leasing)
- Specialized lending organizations ("payday lenders")
- ...

NOTE FOR THE TRAINER

Have a flipchart ready with the 3 main sources of financing selected by the participants. It should look like this.

Source #1	Source #2	Source #3



Discussion on the outcome



When voting is completed, identify the three top-ranking sources of credit. Ask:

- Will someone volunteer to tell us why he/she would prefer to borrow from a bank to fund his/her project? And from a microfinance institution? And from his/her family?
- If you want to go buy a tool for an income generating activity, is a loan from a savings group a good idea? Why? [Yes, it could be a good source of finance. Amounts are limited but could be enough for this kind of goods.]
- And if your plan is to buy a house or apartment, do you think borrowing from your family or a savings group is a good idea? Why? [No. Generally one's family or a tontine would not be able to lend a sum that is large enough to enable you to buy a house or apartment.]
- Are all sources of credit suitable for all kinds of project? [No. Your choice of a source of credit will depend on the nature of your project, the goal you wish to achieve by taking out a loan. This is why formal financial institutions provide different types of loans.]
- Can you name different types of loans, suited to the goals we have mentioned? [Mortgage loan, student loan, business start-up loan, personal loan/consumer credit...]



Take note! Do not forget that an authorized overdraft (in other words permission to spend more than you have in your account, to the extent agreed with your financial institution) is also a form of credit, though generally very expensive. Take careful note of your overdraft interest rate and only use your overdraft in emergencies!

Revolving credit

NOTE FOR THE TRAINER

Find out if revolving credit exists in the country where the training is organized. You can then give the following explanations:



Another warning! It is important to understand the dangers of revolving credit. Revolving credit (also known as permanent credit or renewable credit) is a way of making a sum of money available to the customer at any time. This sum is renewed as the customer pays off his or her debts. This form of credit can be extremely expensive (with interest rates approaching 20%) and very dangerous (it is easy to access). In fact, in a future session we shall be looking at the dangers of getting seriously into debt.

Notes

4. IDENTIFY THE FACTORS TO CONSIDER WHEN SELECTING A LENDER



NOTE FOR THE TRAINER

Prior to the session, the trainer will have collected some examples of brochures advertising loans from local credit institutions, or he/she can use the made-up brochures provided in the Trainee's booklet. (Training Aid D.3.2).

Training Aids

Collect answers

Ask the following questions:

- What is the most important thing to consider when choosing a lender? Is it the cost of credit? The nominal interest rate? The APR? The location of the credit institution? The penalties for late payment?

Write up the participants' answers while they are speaking (for possible answers, see below).

Financial factors to consider when choosing a lender

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

Non-financial factors to consider when choosing a lender

- Conformity with ethical or religious values (if this is important for the person concerned)
- Provision of training

When the participants run out of ideas, go through the list again to eliminate duplication. Hand out 3 stickers or coloured sticky labels to each participant.



ACTIVITY

Say: →

» Look at the list of factors and consider your personal circumstances:

- For you, which are the three most important factors when choosing a source of credit?

INSTRUCTIONS FOR THE TRAINER

Proceed to vote. Repeat the above methodology, asking each person to stand up and mark an X in front of the 3 characteristics most important to them when choosing a financial services provider. Use the list generated in the previous exercise.

Remember if you have little time to do the activity and the participants agree on the methodology, you can vote by raising hands and ask a person to help you quickly count them.

At the end, select the 5 characteristics that have obtained the most X amount.

Share the table above with the audience and fill in the 5 most chosen characteristics and the 3 most voted providers or sources of credit from the previous activity. The table should look like this:

Factors to consider when choosing a provider or source of financial services

Factors to consider	Source #1	Source #2	Source #3
Factor #1			
Factor #2			
Factor #3			
Factor #4			
Factor #5			



ACTIVITY

INSTRUCTIONS FOR THE TRAINER

With the table already made, now ask the audience to decide in plenary session which of the 3 providers or sources have the greatest advantages or benefits over each of the 5 characteristics.

For example,

If characteristic # 1 is INTEREST RATE, and the providers or sources of credit are FAMILY and SACOO, it is likely that the greatest advantage will be obtained with the family that is not going to charge me interest, although they may not be able to lend me the amount that needed.

If characteristic # 2 is LOAN AMOUNT, and the providers or sources of credit are FAMILY, SACCOs and MFIs, it is likely that the greatest advantage will be obtained with the MFI, although later I will need as a financial consumer to check whether I comply with their requirements and I am able to access their loans.

In short, the table should be choosing a provider by feature. Here's an example:

Factors to consider when choosing a provider or source of financial services

Factors to consider	Source #1	Source #2	Source #3
Group Methodology			
Costs			
Requirements			
Loan amount			
Other benefits			



Discussion on the outcome

Ask them:

- What conclusion do we reach with this vote?
- Do you think there is an "ideal provider" that meets all the requirements?

Introduction

There is no «ideal provider» that meets all the characteristics we are looking for. We must choose between the most important characteristics for us and / or those that we can fulfill. For example, guarantees would be an exclusive feature that would make us desist from a provider or source of credit even if we consider it to be the best option.

You must prioritize what is best for you and also consider what you can access.

5. LIST THE QUESTIONS ONE NEEDS TO ASK A LENDER



NOTE FOR THE TRAINER

For this step, we will work on relevant questions to ask a lender.

Introduction

Divide the participants in 5 groups and ask the following question (you can also write it in the flipchart)

If you are looking to obtain a loan from a financial institution: which questions could you ask in order to obtain the information you need?

Say: ↗

Now we are able to distinguish the best sources of credit and the factors that are most important for us, we are going to try and find the financial product best suited to our needs.

Ask them to debate in their groups and write down their questions in a paper. Give 10 minutes for this exercise. Then a representative of each group should share their questions with the group.

Collect the answers by writing them on the flip-chart and make sure that the questions below have been formulated either in the role play or later in the plenary discussion.

Questions to ask a potential lender

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

► ALTERNATIVE OPTIONS

Say to the participants:

- » You can ask the lender these questions or search for the information you need in brochures or on the internet.

If you have some brochures advertising loans from local financial institutions, hand them out to the participants so that they can search for the information they need.

Conclusion

Ask:

- What is the most important lesson you have learned during this session?

Notes

WORDS AND DEFINITIONS

- 1 WORDS AND DEFINITIONS CARD
Interest
FINANCIAL EDUCATION
- 2 WORDS AND DEFINITIONS CARD
Penalties
FINANCIAL EDUCATION
- 3 WORDS AND DEFINITIONS CARD
Credit broker
FINANCIAL EDUCATION
- 4 WORDS AND DEFINITIONS CARD
Principal
FINANCIAL EDUCATION
- 5 WORDS AND DEFINITIONS CARD
Guarantor/Collateral
FINANCIAL EDUCATION
- 6 WORDS AND DEFINITIONS CARD
Grace period
FINANCIAL EDUCATION
- 7 WORDS AND DEFINITIONS CARD
Rethink
FINANCIAL EDUCATION
- 8 WORDS AND DEFINITIONS CARD
Early repayment
FINANCIAL EDUCATION
- 9 WORDS AND DEFINITIONS CARD
Mortgage
FINANCIAL EDUCATION
- 10 WORDS AND DEFINITIONS CARD
Personal contribution
FINANCIAL EDUCATION

CARD 1

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

CARD 2

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

CARD 3

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

CARD 4

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

WORDS AND DEFINITIONS CARD

CARD 5

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

WORDS AND DEFINITIONS CARD

CARD 6

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

FINANCIAL EDUCATION

FINANCIAL EDUCATION

WORDS AND DEFINITIONS CARD

CARD 7

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

WORDS AND DEFINITIONS CARD

CARD 8

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

FINANCIAL EDUCATION

FINANCIAL EDUCATION

CARD 9

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

CARD 10

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

3. Understand the cost of credit product.

AIMS

- To calculate the cost of a loan and one's capacity to repay it.
- To understand how to choose an appropriate source of credit (lender) and loan.
- To study how a loan works in Islamic and conventional finance (optional).

DURATION: 90 minutes

SESSION PLAN STEPS

1. Evaluate repayment capacity [20 minutes]
2. Calculate the cost of a loan [20 minutes]
3. Help the character to decide what sort of loan to take out and from whom [20 minutes]
4. Understand the difference between the way a loan works in Islamic finance and in conventional finance [15 minutes]

1. EVALUATE REPAYMENT CAPACITY



Introduction

Say:

Suppose after thinking well, you decided to take a loan to finance your project. Congratulations!

You know how much you need and you feel ready to go and see the financial institutions to find the right product for you. Before you go to see them, you will need to take the time to calculate your ability to repay a credit.

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



But beware! This is the maximum percentage tolerated, it is not the advised percentage which is rather of 30%. This will allow you to continue to live a normal life and the repayment of the loan will not be unsustainable.

Case Study N°1

THE CHARACTER'S REPAYMENT CAPACITY

Training Aids

Read or ask a participant to read from the Trainee's booklet the CASE STUDY NO 1.

INSTRUCTIONS FOR THE TRAINER

After understanding the repayment capacity of the character, it is time to calculate our own repayment capacity. Let's calculate your own capacity to repay a loan.

Monthly income:

100%

Monthly capacity to make repayments:

30% of monthly income



Beware! Ideally, you should not exceed a repayment rate of 30%. This will allow you to continue to live a normal life and the repayment of the loan will not be unsustainable.



Also please note! We are talking about personal debts, not business debts.

2. CALCULATE THE COST OF A LOAN

20
MINUTES

NOTE FOR THE TRAINER

For this session, the trainer will have collected some examples of brochures advertising loans from local credit institutions, or he/she can use the made-up brochures provided (Training Aid D.3.2: Made-up brochures advertising loans).

Training Aids



EXPLANATIONS

Say: →

As we have seen in this session, one of the most important criteria in choosing a loan is the Annual Percentage Rate (APR), i.e. the true cost of the loan, including mandatory fees. It must always be stated as a percentage but is rarely indicated as a total final amount. It is therefore up to us, the consumers, to calculate it ourselves.

Collect answers

- From your experience, what are these mandatory fees?

Collect the answers and make sure the following points are mentioned.

Insurance costs: depending on the country, the death and disability credit insurance sometimes called borrower insurance is mandatory or not for mortgages. This insurance releases your heirs of any obligation of reimbursement in the event of death. There may also be optional insurance such as job loss insurance.

Administrative fees: these costs correspond to the cost of the analysis of the credit application file. Depending on the types of loans and banks, they may be fixed or proportional to the loan amount.

Other ancillary costs: they include the costs that the bank incurred: tax stamps, registration fees, etc.



EXPLANATIONS

Say: →

It is the APR, and the amount calculated with it, that allows you to compare different offers. It is therefore very important to know it. In general, it is mandatory for financial institutions to report this rate on all credit-related advertising. Remember that the Annual Percentage Rate (APR) is often specified as percentage but the total cost of credit is rarely indicated. It is therefore up to us, as potential borrowers, to calculate it ourselves. Remember also that a loan is a consumer product. It is therefore essential to know what a loan costs before "buying" it.

► INSTRUCTIONS

Training Aids

- ▶ TRAINING AID D3.1 – Calculating the costs of the character's loan
- ▶ TRAINING AID D3.2 – Made-up brochures advertising loans

In the Trainee's booklet you will find the **Training Aid 3.1: Calculating the costs of the character's loan**. Ask the participant to solve the exercise using their own Trainee's booklet.

Training Aid D3.2: Made-up brochures advertising loans

Give the participants time to do the exercise and answer the questions.

After 5 minutes, invite a few volunteers to share their conclusions.

In Answers to exercises in the Trainee's booklet, you will find the answers to CALCULATING THE COSTS OF THE CHARACTER'S LOAN activity.

NOTE FOR THE TRAINER

Make sure that participants understand that this calculation only works if they know their monthly repayments amount.

When taking out a loan, they should ask if the monthly repayment amount that the financial institution offers them is the final one, in other words there are no extra costs to pay on top of it. If the loan only states the APR and not the monthly repayments, they need to ask for this final amount (comprehensive of extra fees and of compounding).

NOTE FOR THE TRAINER

The APR doesn't take compounding into account, i.e. interest calculated on the initial sum of the loan, plus on the interest accumulated over the previous repayment periods. Another term you might come across is Effective Interest Rate (EIR), also known as effective APR, that takes into account the effect of compounding .

In the example in this booklet, the compounding is monthly, and is taken into account in the monthly repayment figure that is given.

This figure is calculated according to the following formula: Loan Payment = Amount / Discount Factor (P=A/D).

A is given (as an example, 10,000 Dollars). We need to calculate D, and we need the following values:

- Number of Periodic Payments (n) = Payments per year times number of years
- Periodic Interest Rate (i) = Annual rate divided by number of payment periods

*Discount Factor (D) = $\{[(1 + i)^n] - 1\} / [i * (1 + i)^n]$.*

In our example, someone borrows 10,000 Dollars at 6% for 5 years, to be repaid monthly. So:

- n = 60 (5 years times 12 repayments per year)
- i = 0.005 (6% annually expressed as 0.06, divided by 12 repayments per year)
- D = $51.72556 (\{[(1+0.005)^{60}] - 1\} / [0.005*(1+0.005)^{60}])$
- P = A / D = $10,000 / 51.72556 = 193.328$.

The monthly repayment is 193.33 Dollars.

The monthly repayment is 193.33 Dollars.

More detailed information is available at <https://www.thebalance.com/loan-payment-calculations-315564>.



EXPLANATIONS

Say: ↗

We have seen that the overall cost of your loan is equal to the difference between the total monthly payments and the amount of the loan. To calculate the cost of your credit, it is important to look at the amount of credit, the annual percentage rate, the duration of the credit, the frequency of repayment of principal and interest payments, and the amount of these repayments.

Beware! The cheapest credit product is not necessarily the most suitable for our needs. The amount of the monthly installment and what it will weigh in your budget are also important criteria of the decision. Remember that repayments of a credit are essential expenses in your budget.

For example, the overall cost of a credit product may be lower, but you will usually have to pay back more money each month for a shorter period, which can put you in a financially vulnerable position. On the other hand, if you increase the term of the loan, the monthly payments will be lower but the overall cost higher. It is therefore important to study these different variables and choose the credit product that best suits your situation and repayment capacity.

Tools exist to help us calculate the Annual Percentage Rate (APR) and the overall cost of a credit product. One example is this website: <https://calculator.me/loan/>.

If you have the opportunity, you can present this site and its calculators and make a practical example in front of participants



Group discussion

Say: ↗

- Do you have questions about calculating the cost of a credit product?

3. HELP THE CHARACTER TO DECIDE WHAT SORT OF LOAN TO TAKE OUT AND FROM WHOM



Training Aids

INSTRUCTIONS FOR THE TRAINER

Form three teams. Each team will work with Training Aid D.3.2 Made-up 4 brochures advertising loans (one brochure per group) and Training Aid D.3.3 Table summarizing the arguments that influenced the character in choosing a lender and a loan, that are inside the Trainee's booklet.

▶ INSTRUCTIONS

Say:

Our character now knows how much a loan will cost depending on the bank. But, as we have seen previously, the cost of the loan is not the only factor to take into account when choosing a lender: other criteria also need to be considered.

The character has defined the following factors as being particularly important for him. He is hesitating between three different lenders, whose brochures he has studied.

Display the following table:

Our character's criteria for choosing a lender

Factors	National Bank	Microfinance Association	Your best Credit Bank
APR / cost of the loan			
Ease of accessing a loan / conditions			
The amount he can borrow			
Repayment frequency			
Support and availability of non-financial services			

Explain:

You all have in your Trainee's booklet the Training Aids needed to help our character. In your team, you are now going to study the brochures (Training Aid D.3.2) and decide, taking into account the criteria defined by the character, which lender is most appropriate for him/her. You can use Training Aid D.3.3 for this.

In Answers to exercises in the Trainee's booklet, you will find the answers to the activity ARGUMENTS THAT INFLUENCED THE CHARACTER IN CHOOSING A LENDER

After 10 minutes, ask each group to advise the character on which lender to choose and give reasons for their decision. Note their reasons on your table prepared in a flipchart.



Discussion on the case study

Ask:

- Which lender and which loan would you advise the character to apply for?
- Why?
- In your own circumstances, for your own project, what would your criteria be when choosing a lender/loan? Would they be the same as in the character's case?

Thank the participants for their hard work and encourage them to compare criteria in the same way as the character when they need to choose a lender/loan for a project of their own.



You will have realised that there are different kinds of loans, generally classified in terms of their purpose: mortgage loans, consumer credit, loans made to businesses... As with savings products and financial products ,generally, each type of loan has different characteristics. It is important to identify the type of loan that is best suited to your needs. This is why banks, microfinance associations and specialised loan companies are obliged to inform their customers about interest rates and charges. If something is not clear, do not hesitate to ask for a clear explanation. In some countries, providing such information is a legal requirement.

4. UNDERSTANDING THE DIFFERENCE BETWEEN THE WAY A LOAN WORKS IN ISLAMIC FINANCE AND IN CONVENTIONAL FINANCE



Say:

- » As we explained in previous modules, Islamic finance covers all the transactions and financial products that conform to sharia-law principles, which do not permit the charging of interest, seek to prevent uncertainty and speculation, and forbid investing in sectors regarded as illicit (alcohol, drugs). Another principle of Islamic finance is the sharing of profits and losses.

This has led to the creation of Islamic financial products, such as the mourabaha and the moudaraba as it will be explained later in this session.

We are going to explain this more clearly by doing an activity that compares a traditional way of financing and an Islamic one.

Training Aids

INSTRUCTIONS FOR THE TRAINER

Divide the participants into two groups and hand out Training Aid D.3.4.

► INSTRUCTIONS

Say:

- » You have 10 minutes to produce a diagram, on a large sheet of flipchart paper, illustrating the financial transactions described. One group will work with conventional finance, the other one with an Islamic finance scheme. Each group should have at least one representative to explain their flipchart.

When each group has presented their flipchart and explained it to the rest of the participants, congratulate them on their work.



Plenary discussion

Ask:

- What are the main differences between both methods?
- Do you know other Islamic finance schemes?
- Has anyone experience in using sharia-compliant financial products?

Then, by way of conclusion, say to the participants:

- » Now tell us one thing you have learned today that you would like to share with your friends or members of your family.

Invite two or three volunteers to answer the question, then thank everyone for taking part.

NOTE FOR THE TRAINER

In case your audience is interested in the topic of Islamic Finance financing schemes, you can briefly comment on the list below that describes the most common products. Make sure to allow participants to express their experiences with these products.

Islamic Finance schemes

1. Profit-and-loss sharing partnership (mudarabah)

Mudarabah is a profit-and-loss sharing partnership agreement where one partner (financier or rab-ul mal) provides the capital to another partner (labor provider or mudarib) who is responsible for the management and investment of the capital. The profits are shared between the parties according to a pre-agreed ratio.

2. Profit-and-loss sharing joint venture (musharakah)

Musharakah is a form of a joint venture where all partners contribute capital and share the profit and loss on a pro-rata basis. The major types of these joint ventures are:

- *Diminishing partnership:* This type of venture is commonly used to acquire properties. The bank and investor jointly purchase a property. Subsequently, the bank gradually transfers its portion of equity in the property to the investor in exchange for payments.
- *Permanent musharakah:* This type of joint venture does not have a specific end date and continues operating as long as the participating parties agree to continue operations. Generally, it is used to finance long-term projects.

3. Murabaha

Murabaha is an Islamic contract for a sale where the buyer and seller agree on the markup (profit) or «cost-plus» price for the item(s) being sold. In Islamic banking it has become a term for financing where the bank buys some good (home, car, business supplies, etc.) at the request of a customer and marks up the price of that good for resale to the customer (with the difference clearly stated to the customer) in exchange for allowing the customer/buyer to defer payment. Murabaha is the most prevalent type of Islamic Finance.

4. Leasing (ijarah)

In this type of financing arrangement, the lessor (who must own the property) leases the property to the lessee in exchange for a stream of rental and purchase payments, ending with the transfer of property ownership to the lessee.

5. Other products

There are many other Islamic Finance products available that can be further explored by the participants if they are interested in them, such as Murabahah (similar to a mortgage transaction, like the one in our exercise), Bai' muajjal (similar to a credit sale), Musawamah (like Murabahah but with a bargaining component), Istisna (similar to forward contracts), among others.

D.3.3

TABLE SUMMARIZING THE ARGUMENTS THAT INFLUENCED
THE CHARACTER IN CHOOSING A LENDER AND A LOAN

CHARACTER'S CRITERIA FOR CHOOSING A LENDER AND A LOAN

FACTORS	NATIONAL BANK LOAN	MICROFINANCE ASSOCIATION LOAN	YOUR BEST CREDIT BANK LOAN
APR / cost of the loan			
Ease of accessing a loan / conditions (loan from a mutual association comes with constraints)			
The amount he can borrow			
Repayment frequency			
Support and availability of non-financial services			

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

4. How to avoid over indebtedness.

AIMS

- To understand the dangers of default on payment and over-indebtedness.
- To identify the causes of over indebtedness and at-risk behaviour.
- To identify ways of avoiding serious indebtedness and how to escape from it

DURATION: 90 minutes

SESSION PLAN STEPS

1. Identify a situation of over-indebtedness [25 minutes]
2. Identify the causes of over-indebtedness [20 minutes]
3. Classify the causes of over-indebtedness [15 minutes]
4. Identify the consequences of over-indebtedness [30 minutes]

1. IDENTIFY A SITUATION OF OVER-INDEBTEDNESS



INSTRUCTIONS FOR THE TRAINER

Training Aids

Before the session begins, ask three "volunteers" to take part in the role play (Training Aid 4.1: a tale of over-indebtedness).

The participants may replace the fictional names of lenders, in bold in the text, with the names of institutions they are familiar with.



Discussion in plenary

After the role play, thank the performers and discuss the following questions: ➔

- **Why is he/she borrowing from several lenders?** [He/she is borrowing from one to pay off his/her debt to another.]
- **What does the character think of the different lenders from whom he/she is seeking loans?** [He/she seems to think that she can borrow money very easily and that none of the lenders is bothered if he/she borrows from the others at the same time.]
- **How is the character supported by his/her partner?** [He/she does not seem able to keep his/her promises or take responsibility for them.]
- **What do you think will happen to the character?** [Eventually, he/she will not be able to pay back one or more of her loans. His/Her group may ask him/her to leave the tontine. Some lenders might come to his/her house to take guarantees (physical assets) for the loans he/she is unable to repay. He/she will gain a reputation for unreliability and will find it difficult to borrow in future. Some lenders may cause trouble for his/her family, or the reputation of his/her whole family might be tarnished. The character will be excluded from systems designed to provide finance.]

2. IDENTIFY THE CAUSES OF OVER-INDEBTEDNESS



Introduction

Say:

Following this role play, we are going to study a phenomenon which is, sadly, increasingly common: over-indebtedness. It is important to understand why and how people get heavily into debt, and the damaging consequences, but also to understand that this situation is not inevitable and that there are ways of escaping from it.



DEFINITION: OVER-INDEBTEDNESS

Ask:

- What is over-indebtedness?

Encourage the participants to share their ideas. When they have given some answers, offer the following definition and write it on your flipchart.

Over-indebtedness is...

when it is impossible for a person to cope with/
service their personal debts, including bank loans
(while maintaining decent living conditions
for themselves and their family).

If you are asked for clarification on this definition (taken from the French Consumer Code), explain that this is the meaning in the context of this training. According to this definition, over-indebtedness does not concern legal entities nor professional debts.

Collect answers

Ask:

- What are the causes of over-indebtedness?

Write the participants' answers on a flipchart sheet, until they run out of ideas.

Here is a list of possible reasons for over-indebtedness, as a guideline. You don't have to review all these reasons.

Possible reasons for over-indebtedness

- Contracting a loan and not having sufficient means to make the repayments
- A sudden drop in income
- Excessive consumption, misuse of consumer credit
- Unemployment
- A change in your circumstances (e.g. divorce)
- Borrowing money to pay off other loans
- Being distracted from your goal: e.g. using borrowed money for unplanned expenses (school books and equipment, health emergencies...) for yourself or your family
- Giving more money than you can afford to your husband, wife, family or friends to fund their (social or religious) activities
- Theft
- Being too old when contracting a loan, with income falling on retirement
- An illness preventing you from working
- A natural disaster: drought, flooding...
- Engaging in risky commercial practices in your business, such as selling on credit
- Signing up for a loan without understanding or paying careful attention to the contractual documentation
- Not keeping a record of loan repayments
- Not regularly putting aside money for repaying a loan

3. CLASSIFY THE CAUSES OF OVER-INDEBTEDNESS

10
MINUTES



ACTIVITY



INSTRUCTIONS

Say:

- Now let's take a look at our list of reasons. We are going to classify these reasons under two headings: reasons due to poor decisions on the part of the borrower, and reasons that can be ascribed to bad luck. I now want you to agree among yourselves and mark the poor decisions with one symbol (a circle, for example) and accidental factors with another symbol (e.g. a square).

In the event of disagreement, encourage the participants to express and discuss their different points of view. In the end, the table should look something like this:



Possible reasons for over-indebtedness

- Contracting a loan and not having sufficient means to make the repayments
- A sudden drop in income
- Excessive consumption, misuse of consumer credit
- Unemployment
- A change in your circumstances (e.g. divorce)
- Borrowing money to pay off other loans
- Being distracted from your goal: e.g. using borrowed money for unplanned expenses (school books and equipment, health emergencies...) for yourself or your family
- Giving more money than you can afford to your husband, wife, family or friends to fund their (social or religious) activities
- Theft
- Being too old when contracting a loan, with income falling on retirement
- An illness preventing you from working
- A natural disaster: drought, flooding...
- Engaging in risky commercial practices in your business, such as selling on credit
- Signing up for a loan without understanding or paying careful attention to the contractual documentation
- Not keeping a record of loan repayments
- Not regularly putting aside money for repaying a loan

4. IDENTIFYING THE CONSEQUENCES OF OVER-INDEBTEDNESS



Ask:

- Do you know someone who failed to repay a loan? What happened to them?

Training Aids

► TRAINING AID 4.2. Role-play cards

Read or ask a participant to read from the Trainee's booklet Training Aid 4.2

► INSTRUCTIONS

- » Let's return to the case of our character. And let's suppose that he/she has some personal difficulties and has not been able to repay his/her various loans. We are going to explore what the consequences for him/her might be.
- » Each group will be given one of these cards. You are going to prepare a short sketch based on the situation and role assigned to you. The rest of the participants will watch and reflect on the consequences for the character of failing to repay his/her loans.

Hand out a different card to each group (Training Aid D.4.2). They can also use their Trainee's booklet. Then ask the participants to perform their sketches.



Discussion on the outcome

After each sketch, ask:

- According to this scenario, what will happen to the character? [He/She may be excluded from the different sources of funding.]

When all the sketches have been performed, say:

- Over-indebtedness has many negative consequences.
- How can you know if you are already at risk of being excessively in debt?

Sum up the participants' ideas. Mention the following points, if they have not been touched on already.

Risking over-indebtedness?

- If your monthly repayments exceed 30% of your income (the level usually permitted by banks is 40%, but better be safe than sorry),
- If you frequently get involved in large renewable credit (or revolving credit) arrangements,
- If you increasingly use loans to cover your current expenses (food, rent, bills...),
- If you are increasingly asking for more time to settle fixed expenses (rent, gas, water or electricity bills...).

- How can you avoid getting heavily into debt?

Sum up the participants' ideas. Mention the following points, if they have not been touched on already.

How can you avoid getting heavily into debt?

- Save.
- Attend a training course in financial education.
- Work more to earn more income.
- Do not borrow more than you can afford to repay.
- Calculate your indebtedness ratio: add up your total monthly income, then add up your monthly debt repayments. Work out the ratio between these two figures. Normally, you should not take on further loans if your monthly debt repayments already represent between 35 and 40% of your total income.
- If you are late in making a monthly repayment, be honest with the lender regarding your financial difficulties.
- Listen to the advice given by your lender, your family and friends on how best to repay your debt.
- Reduce the amount you spend on a regular basis, so you can pay off more of the debt.
- Be sure to build up an emergency fund so you can cope with emergencies without it affecting your loan repayments.
- Be proactive! Go and see the person in charge of your account at the bank or other institution. Do not wait until it is too late to sound the alarm and seek help.

- What should you do if you are already heavily in debt?

► INSTRUCTIONS

» Ask the participants for ideas. Make sure the following ideas are discussed.

Some solutions if you get heavily into debt

Do not wait: go and see your advisor at the bank or other lending institution. If you do not discuss the matter at an early stage and so fail to repay the loan, your situation will be made worse by having to pay penalties and costs. Remember that it is in the lender's interests to find a repayment solution that is also acceptable to you.

The lender may propose one of the following solutions:

- Rescheduling the debt, i.e. reducing the amount you pay each month while extending the term of the loan,
- Consolidating (or redeeming) the loan,
- Suspending payments for a set period,
- Selling an asset to pay off your most expensive debts (e.g. those that charge the highest rate of interest).

Find out what mediation services your lender has to offer.



POINTS TO STRESS

Please note! People (or their family and friends) sometimes think they "have the means" to help others out because they have cash in hand. But this is not always the case. Far from it! If money has been borrowed, it absolutely must be used to achieve the goals attaching to the loan. This money is not in fact available for other purposes (e.g. helping others).

NOTE FOR THE TRAINER

At this point, it will be useful if the trainer can get information about legislation in the country where the course is taking place regarding mechanisms to help people who are heavily in debt.

Discussion to conclude

Say: →

- What are the two things you would like to explain to your family or friends about failure to make repayments and over-indebtedness?

E. RISK MANAGEMENT AND INSURANCE.

1. Introduction to Risk Management.

AIMS

- To identify the risks we face in life
- To categorize risks according to their probability and likely costs
- To decide on means of protection (informal/formal)
- To be aware of the importance of saving for emergencies: better to draw on one's own funds than to borrow money

DURATION: 80 minutes

SESSION PLAN STEPS

1. Introduction to risk management [15 minutes]
2. Classify risks according to their probability and severity [10 minutes]
3. How to protect ourselves against risks? [20 minutes]
4. Review the importance of having savings and an emergency fund [15 minutes]
5. Formulate advice on building an emergency fund [20 minutes]

1. INTRODUCTION TO RISK MANAGEMENT



Introduction

In this module, we are going to learn how to protect ourselves and our families when we are faced with sudden events that create problems or have serious consequences. We are going to learn what we can do to protect ourselves. To cope with these problems, some of us put money aside in a flexible savings account, some keep money at home, others buy property. We shall learn that a financial product can offer the protection we need. The product concerned is called insurance.

In this module, we will learn what an insurance product is, and how it works. With the knowledge you gain, you will then be able to decide whether a product of this kind would meet your needs.



Plenary discussion

Ask:

- In your opinion, what is a risk? And what is a danger?



DEFINITION

RISK

A risk is a more or less foreseeable danger that may have negative consequences. A risk happens when we are in a situation that might have damaging consequences for ourselves or our family.

DANGER

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

► INSTRUCTIONS

» Let's think about the risks we face in our lives.

Take five minutes to make a list of these risks. Write down each risk you can think of on a coloured card, or do a drawing to represent it.

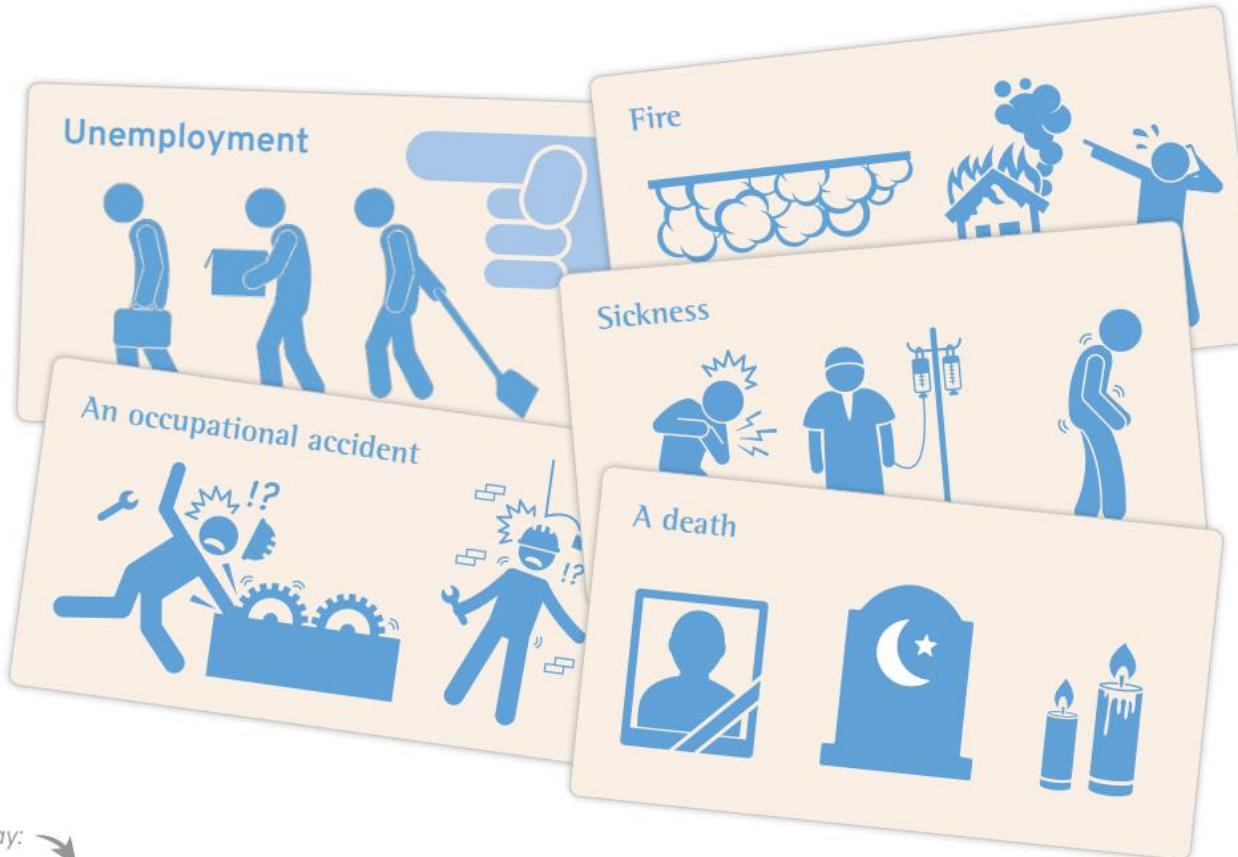
INSTRUCTIONS FOR THE TRAINER

Hand out enough coloured cards for each person.

If the participants are slow in coming up

with ideas, begin to write up some of the risks mentioned in Training Aid G.1.1, included in the Trainee's booklet.

Training Aids



Say: →

» Now come and display the risks you have identified on the classroom wall.

Review the risks identified by the participants. If a particular risk has been identified several times, keep just one card. Don't forget to mention risks such as sickness or the death of livestock, a house or shop catching fire, natural disasters such as drought or storms...

Conclusion

As you can see, risks are an inevitable aspect of life. Some are common to us all, while others depend on our personal circumstances and so are more specific.

2. CLASSIFY RISKS ACCORDING TO THEIR PROBABILITY AND SEVERITY



Introduction

Now we shall try and understand what possible consequences these risks may have, and how we can take them into account in planning our budget.



ACTIVITY

INSTRUCTIONS FOR THE TRAINER

Display the following template, which you should have prepared in advance:



FREQUENCY	Cost		
	Not very significant	Fairly significant	Very significant
Frequent			
Medium			
Rare			

Take the cards showing the risks identified by the participants and ask them to decide together in which boxes the various risks should be placed, drawing on their personal experience.

If there are disagreements, accept both opinions and display the card concerned in two boxes.

Conclusion

Say: →

As you can see, the various risks are more or less likely and may have different consequences, from minor to very serious, depending on the nature of the risk and the characteristics of the person or places affected. In the next session, we shall be thinking about what we can do to protect ourselves against these risks.

3. HOW TO PROTECT OURSELVES AGAINST RISKS?



Introduction

Explain: →

Now we shall see how to take measures that will help protect us against risks.

INSTRUCTIONS FOR THE TRAINER

Choose five risks among those identified by the participants and divide them up into five groups, assigning one risk to each. You could ask them to work with the Training Aid G.1.2 included in the Trainee's booklet, you can also hand out photocopies of the Training Aid or simply give white sheets of paper. Give some markers to each group.

Training Aids

FLOOD



▶ INSTRUCTIONS

Say: →

» This umbrella protects you against certain risks you might run. Under the umbrella, indicate all the measures you could take to forestall the risk assigned to your group.

When the groups have completed their own umbrella worksheet, invite them to display their drawing on the wall and go and look at the others' ideas, asking questions if necessary.

Summary

Summarize and underline the points below: →

- **Protective measures** must be taken before a crisis or emergency arises. They enable us to prevent an unfortunate event from happening, or to mitigate the consequences of such an event. For example, many people are sick with the flu. One way to protect ourselves is to prevent germs from being transmitted to us through a vaccine or prevention treatment. Even if a vaccine or prevention costs money, it's cheaper in the end than having a flu, having to buy drugs and not being able to go to work for a few days.
- There are many **protective measures we can take in our daily lives**. For example, we brush our teeth every day to ensure our teeth are healthy and to avoid infections and tooth decay. If your teeth or gums get infected, you have to go to the dentist's and it will cost you more than buying a toothbrush and toothpaste.
- There are various categories of protective measures for forestalling risks in our daily life. To manage risks, there are broad categories of protection measures: eliminating/avoiding the risk (e.g. by brushing your teeth), transferring the risk to a third party (a mutual benefit association or insurance company), predict the impact of risk and prepare against it (by saving, for example).

4. REVIEW THE IMPORTANCE OF HAVING SAVINGS AND AN EMERGENCY FUND



NOTE FOR THE TRAINER

At this stage, the participants are going to read a case study and calculate how much they should put aside in an emergency fund. The study must be based on realistic income levels. The amounts will therefore need to be adjusted so that they correspond to local circumstances.

Introduction

As we saw in the previous exercise, every risk varies in terms of costs and, in making provision for it in our budget, we need to be able to assess both the costs associated with a risk and the probability of it occurring.



EXPLANATIONS

One very important aspect of coping with risks is to have money set aside in case a problem or crisis actually arises.

Each of us should have an easily accessible emergency fund for coping with minor emergencies. When you save, you should consider paying some money into an emergency fund, as it can help you to cope with minor emergencies and be prepared for unpleasant surprises. As a general rule, you should bear in mind the following principle when deciding how much to keep in your emergency fund:

Write the following on a sheet of flipchart paper: →

How much should I set aside for emergencies?

Put aside at least three times your average monthly income.

» The more dependents you have, the more money you will need to set aside for emergencies and unforeseen circumstances. Large families should on average keep the equivalent of six months' income in an emergency fund. Let's see how to calculate the appropriate amount.



EXPLANATIONS

Attention! It may take you several months, or even years, to build up your emergency fund, but don't get discouraged. Once the money has been saved, your reward will be peace of mind.

Attention! Also be aware that emergency saving may be in the form of cash (a sum of money set aside) or in kind (rice in a storehouse, livestock, gold...).

Case Study N°1

THE CHARACTER'S EMERGENCY FUND

Read or ask the groups to read from the Trainee's booklet Case Study No 1.

Divide the participants into four groups.



► INSTRUCTIONS

- » Let's practice estimating how much money to put in an emergency fund
In your groups, consider your fictional character and his/her budget, and decide how much he/she should keep in an emergency fund.

Questions about the character and her/his family's income: →

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

► INSTRUCTIONS

- » Now, over to you. Take a few minutes to calculate how much you should keep in your emergency fund.

Then ask the participants if they already have this amount available in case of emergency.

5. FORMULATE ADVICE ON BUILDING AN EMERGENCY FUND



Collect the answers

After asking the following questions:

- What challenges may a family come up against when trying to save so much money?
What additional challenges are there for forcibly displaced persons? For female entrepreneurs?
For migrant workers?
- How would you advise them?

Brainstorm to make a list of challenges and the advice the participants would give, noted on a flipchart sheet something like this: ➔

Challenges in putting money aside for an emergency fund

I prefer to give all my earnings to my parents and family (family obligations particularly strong in the case of young people and migrants)

When I keep money in my room, I'm afraid it might be stolen or lost.

My income is irregular (e.g. seasonal).

I have to use all my disposable income to pay off debts.

I can barely cover my basic needs.

Advice

- Save for personal emergencies so you can take care of yourself when your family can't help you (especially for those living far from home).
- Start putting money aside for personal emergencies on a daily or weekly basis, even if the amounts are small. Little by little, your fund will grow.
- Keep your money in a safe place, preferably out of the house, so no one can get at it.
- Open a savings account (for an emergency fund, the best solution is a flexible saver, which means you can withdraw your money at any time).
- Save varying amounts, depending on how much you are paid on any particular occasion.
- Draw up a timetable for paying off your debts, starting with those on which you pay the highest interest.
- At the same time, start putting money aside for personal emergencies on a daily or weekly basis, even if the amounts are small. Your savings will grow.
- Do everything you can to cut out unnecessary expenditure.
- Everyone can save, however little they earn, if only a small sum (mention a small amount in the local currency that could put aside each day, week or month).



POINT TO STRESS

Explanation: ↗

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

Conclusion

End the session as follows: ↗

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

Notes

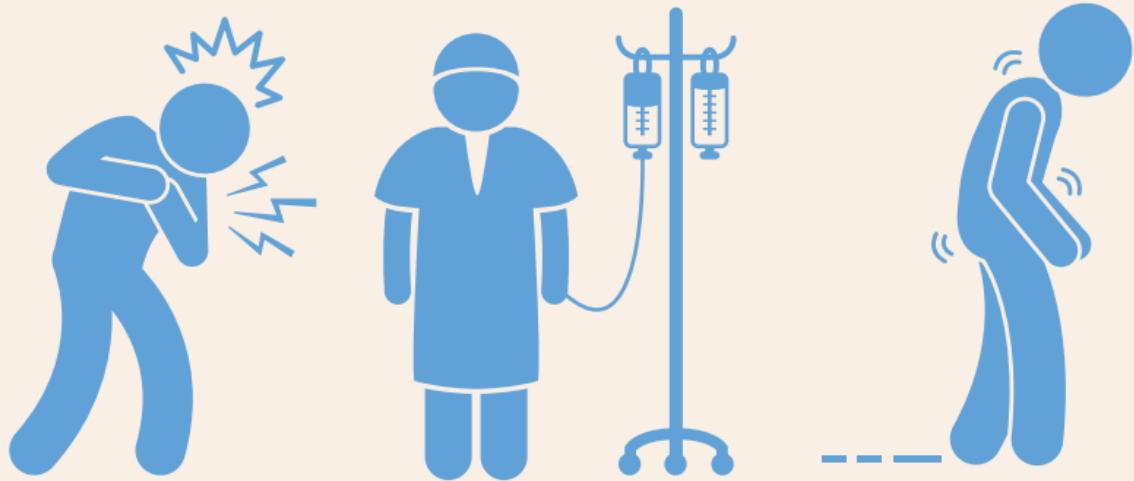
Unemployment



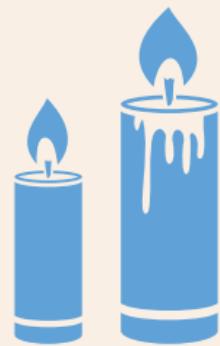
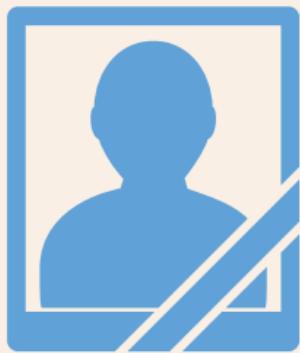
An occupational accident



Sickness



A death



Fire



MY UMBRELLA



2. Introduction to Insurance.

AIMS

- To understand the concept and mechanism of health insurance.
- To understand how differently I am affected if I have or do not have insurance.
- To discuss the wisdom of taking out - or not taking out - an insurance policy

DURATION: 80 minutes

SESSION PLAN STEPS

1. Understand the nature of an insurance policy and its importance [20 minutes]
2. Define the basic terms relating to insurance [10 minutes]
3. Understand risk pooling: a simulation [50 minutes]
4. Agree or disagree? [10 minutes]

1. UNDERSTAND THE NATURE OF AN INSURANCE POLICY AND ITS IMPORTANCE



NOTE FOR THE TRAINER

The insurance and not-for-profit insurance provision sector is developing rapidly. The following three sessions devoted to insurance products are therefore very relevant, as it is important to make people aware of the issue of risk management. It is very important that the trainer is updated regarding current offer of insurance products and to which extent they are available to the target group.

Introduction

Explain:

In this session, we are going to learn more about an important protective measure: "insurance". Some of you may have heard something about insurance or know someone who has insurance cover. Insurance products are very useful for us all. This session will help you to understand what insurance is and how it works.



CASE STUDY

- » People sometimes have to cope with problems and crises, such as illness, an accident, having something stolen, the loss of their job, etc. What happens in these circumstances? Let's hear the stories of two characters and see how each of them faced a crisis of this kind.

Case Study N°2

THE CHARACTER INJURES HER/HIS HAND

Read or ask a participant to read from the Trainee's booklet the CASE STUDY NO 2 .

Characters' activities

Case Study N°3

THE CHARACTER INJURES HER/HIS FOOT

Read or ask a participant to read from the Trainee's booklet the CASE STUDY NO 3 .



Discussion on the case studies

Discuss the cases with participants. Ask:

- How did the accidents affect differently the two characters? Why?
- What do you think will now happen to each of the characters?
- Why do you think one character had not planned for a situation of this kind?
- How can workers find out whether they are insured, how to make use of their insurance and what to do if they are not insured?



POINTS TO STRESS

Summarise:

- Some workers, particularly those employed in the formal sector (i.e. in an enterprise registered with the government authorities and which pays tax, or in an initiative run by international organization), have insurance cover, but they do not know exactly what risks it covers or how to make use of it. This is also true for some migrant workers who migrate within the framework of a bilateral agreement between their country of origin and the host country. Insurance company employees sometimes do not clearly explain how insurance policies work, or they use complicated jargon. On the other hand, some people are shy about asking questions, or they forget what the insurance company has told them.
- Knowledge is power. People who have insurance cover must know what risks they are covered against, what benefits they are entitled to, and how to make a claim. Everyone should have a copy of their insurance certificate.
- Employees can ask their employers, their insurance companies, their trade unions or their migrant support associations whether or not they are covered by insurance, and how the arrangement works.
- Social and family solidarity is very important as it enables people without insurance to cope with major problems. Young people should also be involved in maintaining this way of protecting people when they are in trouble.

2. DEFINE THE BASIC TERMS RELATING TO INSURANCE



NOTE FOR THE TRAINER

For this step, if mutual insurance companies are not very common in the country where the training is organized, you can only talk about the insurance company.

Display the following flipchart sheet:

Insurance

Insurance is a form of protection, for anyone who has subscribed to an insurance contract, in the form of monetary compensation as a result of accidents or any event covered by the insurance.

! EXPLANATIONS

Say:

- An insurance company or mutual benefit association provider generally takes payments from its customers in return for insurance cover. These payments are combined (or mutualized) to create a fund that can pay out benefits to accident victims.
- Insurance is generally provided by a commercial company or mutual benefit association which operates throughout the country, and maybe in other countries, too. An insurance company mutual benefit association will have thousands of customers who pay into the pooled fund.



Plenary discussion

Ask:

- Are you familiar with the terms “insurance company” and “mutual benefit association”?
- In your opinion, what are the main differences between a mutual benefit association and an insurance company? [Basically, a mutual benefit association belongs to its members and does not aim to make a profit”. An insurance company, on the other hand, is a profit-making business and answers to its shareholders.]

Display the following definitions and explain them if necessary.

! DEFINITIONS

Mutual benefit association

A mutual benefit association is an organization owned collectively by its members and acts in their best interests.

Insurance company

An insurance company is an enterprise providing insurance services. It seeks to generate profits for its shareholders.

3. UNDERSTAND RISK POOLING: A SIMULATION



ACTIVITY

Say:

Let's see how insurance works.
We are going to play a game called:



Explanations for the trainer on the lessons to be highlighted from the game

This game is useful in demonstrating to the participants that:

1. We all face risks and anyone can be a victim of misfortune.
2. When there are no mechanisms for mutualizing resources, people are obliged to seek help from others, who will not or cannot always show solidarity.
3. When there is a mechanism for mutualizing resources, the community as a whole is protected.

Don't explain the point of the game at the beginning. The game itself will demonstrate these principles and enable the participants to understand for themselves.

How the game works (For the trainer)

The game unfolds in two phases:

Phase 1 : Without health insurance

Phase 2 : With health insurance



Phase 1: WITHOUT MUTUALIZATION OF RISK

- At the beginning, each player has seven sweets representing the family budget for paying for health-related expenses.
- The players draw "Events" cards representing health-related expenses, which they must pay for in sweets.
- After two rounds, some participants will not have enough money left to pay for their healthcare.
- Those who cannot pay must turn to the other participants and ask them for help, but the others may not always want to contribute, or may not be able to contribute, on their behalf. If a person cannot pay for their health care, they have to drop out (they are declared dead!).

Phase 2: WITH MUTUALIZATION OF RISK

- As in the first phase, each player starts with seven sweets representing the family budget for health-related expenses.

- Before the cards are dealt the first time, each participant subscribes six sweets to a common pot.
- As in phase 1, the cards are dealt randomly and no one is immune from risk.
- In this second phase, it is the common pot which will pay for all the healthcare expenses indicated on the cards the participants pick up.
- By comparing the two phases of the game, the participants will realize that, by their contributing collectively, everyone can be protected without being dependent on their neighbours.

Preparing for the game (for the trainer)

Materials you will need for the game:

- 1 basket or bowl or other container.
- 7 sweets per participant (come armed with a few more).
- The "events" cards; there are four of them.

1. Hospital: represents an admission to hospital.

2. Medicines: represents the need to buy medicines at the pharmacy.

3. Good health: means there are no health-care expenses to pay; the family is all well.

4. Doctor: represents a visit to the doctor, GP or specialist.



Number of cards to be dealt out

- The amount of money (number of sweets) on the cards depend on the seriousness of the event they describe (see table 1 below). And the number of cards will vary depending on the number of players (see table 2 below).
- For example, if there are 10 players, the trainer must refer to column 10 of the table and select the number of cards accordingly. For 10 players, there will be 5 "Medicines" cards, 1 "Hospital" card, 2 "Doctor" cards and 2 "Good health" cards.
- The trainer must also make sure that the initial number of players remains constant throughout the game.

Table 1: Number of "Events" cards for different numbers of players

NUMBER OF PLAYERS	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	
NUMBER OF "EVENTS" CARDS		02	03	04	05	06	03	03	04	05	06	07	08	09	10	10	11	12
		01	01	01	01	01	01	02	02	02	02	02	02	02	02	03	03	03
		02	02	02	02	02	05	04	04	04	04	04	04	04	04	03	03	03
		02	02	02	02	02	03	04	04	04	04	04	04	04	04	05	05	05

NUMBER OF PLAYERS	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	
NUMBER OF "EVENTS" CARDS		13	10	11	12	13	10	11	11	12	13	14	15	15	16	16	17	18
		03	03	03	03	03	03	03	04	04	04	04	04	05	05	06	06	06
		03	06	06	06	06	06	09	09	08	08	08	08	07	07	06	06	06
		05	06	06	06	06	06	07	07	08	08	08	08	09	09	10	10	10

INSTRUCTIONS FOR THE PARTICIPANTS

Ask the participants to sit in a circle around a table or on the ground, with a rug in the middle.



► INSTRUCTIONS

» We are going to play a game. You will each be given seven sweets, symbolizing the money your family sets aside for healthcare. You can use this "money" to pay for care for yourself or members of your family who fall ill.

NOTE FOR THE TRAINER

There are no special instructions to give to the participants, other than the basics of how the game works. In fact, maintaining a degree of mystery will provoke their curiosity and fuel discussion when the game is over.

If it happens early in the game, let the participants "eat up" part of their budget, if necessary, without making any comment. As in real life, one can easily spend all of one's budget without being aware of it!



You can display a flipchart sheet showing the cost of the different health care interventions:

Expenditure on health:

- Good health: 0 sweets
- Doctor: 4 sweets
- Medicine: 3 sweets
- Admission to hospital: 7 sweets

Instruction for the trainer: progress of the game

- Give each player seven sweets.
- Ask them to check that they have received the correct number of sweets.

1st round: Deal out an “event” card to each player. Each in turn must read his or her card out loud, then pay the amount indicated into the central pot.

- Some players will not have to pay anything (receiving a “Good health” card), others will pay in several sweets, while one player may have to use up his/her entire budget (Admission to hospital costs seven sweets).

2nd round: When the first round is completed and the required “money” has been paid in, deal another event card to each player (or invite them to pick a card). During the second round, several of the players will run out of sweets and will be unable to meet the expense indicated on their card.

- Explain to the players that those who are short of funds can turn to others for help. Give them a short period of time for negotiation. Naturally enough, some will agree to help, others will not.
- To conclude this first phase, gather the cards and the sweets.



Discussing the result

Ask how many of the participants experienced the following situations (if they were affected, they can raise their hands): ➔

- How many of you had to pay for healthcare?
- How many of you didn't have enough money to cover the costs?
- How many of you had access to healthcare when necessary?
- How many of you were unable to access healthcare for lack of money?
- How many of you got into debt in order to pay your health care bills?
- How many of you lent money and were then unable to pay your own healthcare bills?
- How many of you were eliminated (because you had died!)?
- Now, let's see what we can do to avoid this sort of situation.

INSTRUCTIONS FOR THE TRAINER

Start the second phase of the game. Redistribute seven sweets to each participant (participants must return their remaining sweets from the first phase). To ease the calculations, you can also use dry beans for second phase. Ask the participants to contribute six sweets or beans to a common pot that is an insurance scheme. The participants keep a candy or bean. Hand out the event cards for the first round to the participants. This time the insurance company will pay the fees directly and the participants will keep their unique candy / beans. Redistribute the event cards for a second round to the participants. Once again the company will pay the fees. Participants always keep their unique sweet / beans. At the end of this round, nothing should be left in the pot.



Discussing the result

Ask:

- In your opinion, if nothing is left in the pot, does it represent a mutual benefit association or an insurance company? Why? [A mutual benefit association: it doesn't make a profit.]

Now add a few sweets to the pot and ask:

- In your opinion, if some sweets are left in the pot, does it represent a mutual benefit association or an insurance company? [An Insurance company: it makes a profit.]
- What do the remaining sweets represent? [The insurance company's profits. Please note! It is also possible that the remaining sweets are the surplus generated by the not-for-profit provider, which next year will be re-invested for the benefit of the members: in preventive healthcare, reducing the premiums payable, increasing the benefits...]



SUMMARY

Sum up the participants' experiences during the game.

- The whole community was affected, either because you had to spend money on health care, or because you didn't have enough money to pay for it, or because you were asked for help by other participants.
- You never know when or how much you will have to spend on healthcare.
- Sometimes the cost of health care is so expensive that it is beyond your capacity to pay for or borrow.
- These situations have been experienced by most people in your community.

Collect the answers

- When you compare the two phases of the game, what differences do you notice?

With insurance	Without insurance
<ul style="list-style-type: none"> • None of you ran out of your funds. • Everybody managed to pay for their health expenses. • Most of you still have one token in your personal fund. • We can live with a peace of mind, knowing that if something happens, we are protected. 	<ul style="list-style-type: none"> • Many of you ran out of your funds. • Some health expenses could not be paid. • Unforeseen expenses may lead us to borrow or sell assets, which makes us more vulnerable. • We are always worried not to be able to cover large expenses, including health expenses.



SUMMARY

Draw conclusions from the game

- You never know when or how much you will have to spend on healthcare. Sometimes the cost of health care is so high that it is beyond your capacity to pay for or borrow. This is why it is important to mutualize/share the risks by contributing either to a public scheme, such as the National Social Security Fund, or a private arrangement (a mutual benefit association or insurance company). The importance of subscribing is clearly illustrated by the Treasure Pot Game.
- The secret of mutualization lies in the fact that we put a proportion of our resources into a common pot but we don't all have to draw on it at the same time. However, health insurance works only if everyone contributes.
- You have to contribute in advance to be able to access all the health services, or at least those covered by your insurance, when you need them. The benefits you derive from the arrangement will depend on how much you contribute: the more you pay in, the more health services you will be entitled to.
- The two rounds of the first phase of the game reflect the experience of people without health insurance: the unpredictability of having to pay for healthcare, the strain on the household budget and its consequences (e.g. debt, sale of property, poverty, abandonment of your goals in life...).
- During the third and fourth rounds of the Treasure Pot Game, the participants experienced the protection afforded by health insurance. The number of participants ensured that the insurance fund was sufficient to cover all their healthcare expenditure. None of them exhausted their resources and all could access health care if and when necessary.

4. AGREE OR DISAGREE?

10
MINUTES



ACTIVITY

INSTRUCTION FOR THE TRAINER

For this activity, clear an area from one end of the classroom to the other. In this space, use a rope to make a line long enough for the participants to stand one beside the other. Place a sheet of paper reading "Strongly disagree" at one end of the line and one reading "Strongly agree" at the other. In the middle of the line, place a sheet reading "I don't know" or "I'm not sure". Place two final sheets "Agree to some extent" and "Disagree to some extent" in the two intermediate positions.

Read out the following two sentences, stressing the words in bold:

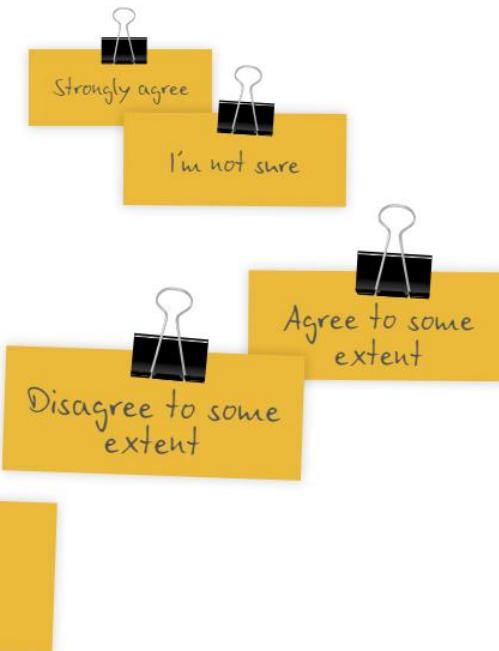
1. "Insurance affords protection against the possibility of a loss. When you sign an insurance contract, you are paying for protection against something that might or might not happen."
2. "It's not worth the trouble. I prefer to see what fate has in store for me. I shall be saving money if I don't buy insurance".

Ask the participants:

» Do you agree or disagree with the first statement? And what about the second?

INSTRUCTIONS TO PARTICIPANTS

If you strongly agree, go to the end of the line and stand near the sign saying "Strongly agree". If you don't agree, go to the "Strongly disagree" sign. If you are not sure, stand in the middle, near the "I don't know" sign. If you agree or disagree to a certain extent, stand near the appropriate intermediate sign.



INSTRUCTIONS TO TRAINER

Ask volunteers at different points along the line to explain their choice of position.



POINTS TO STRESS

Explain: ↗

- We have different opinions about the value of an insurance policy. That's natural. Some of you may think that you have nothing to insure against. But remember that insurance is a means of protecting yourself in the event of a disaster striking you or your family. It is not easy to protect oneself against such things and there are few ways of doing so.
- Don't forget: when you decide not to take out insurance, it is as if you were gambling with life.
- You are betting that nothing unpleasant will happen to you. You may win or lose your bet. On the other hand, if you take out insurance, you avoid having to gamble. It's a win-win situation because, even if something happens to you, you are protected.



Discussion on results

Ask: ↗

- What will you tell your family about insurance?

Conclude and summarise : ↗

- » Insurance is based on the principle of mutualization of risk. In simple terms, this means that a large number of people share the losses caused by events such as sickness, an accident, a theft or the loss of a job. A person affected by an event of this kind benefits from the contributions of the large number who are not affected.
- » Insurance reduces the vulnerability of individuals and households by replacing the uncertainty of losing a large amount of money with the certainty of paying out small sums on the insurance premiums. Dealing with this certainty/uncertainty issue is essential if you want to have a balanced budget and so be able to achieve your goals in life.

TREASURE POT GAME CARDS

TREASURE POT GAME

3 Tokens



MEDICINES

FINANCIAL EDUCATION

TREASURE POT GAME

7 Tokens



HOSPITAL

FINANCIAL EDUCATION

TREASURE POT GAME

TREASURE POT GAME

4 Tokens



GOOD HEALTH

FINANCIAL EDUCATION

FINANCIAL EDUCATION

