FINANCIAL LITERACY:
“Simplify Money, Magnify life”

TRAINER’S GUIDE

ACKNOWLEDGEMENTS

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Table of Contents

INTRODUCTION

WELCOME to Financial Literacy *"Simplify Money, Magnify Life".* With this trainer's guide we can begin to promote basic financial literacy for those who want to learn and improve on their personal money management skills.

Before we start, however, let's ask and answer two key questions:

What is financial literacy? Why is it important?

The answers to these two questions contain good news and bad news about people and their money. While most people share the same goals - economic security for themselves, their families, and future generations - the limited resources and options often lead them to a sense of hopelessness. Careful management of the little money people have is critical to meet day-to-day needs, cope with unexpected emergencies and take advantage of opportunities when they come along and plan for the future. The bad news is that most people often lack the knowledge, skills and experience they need to be careful money managers. The good news is that when people become more informed financial decision makers, they can plan for their money and realize their goals. In addition the skills acquired in financial literacy cannot be taken away. A one-time course in financial education can have lifelong rewards.

Financial literacy is important to everyone in our society regardless of income level, education, age, gender or where one stays, whether in a rural or urban area: For example, everyone needs to understand how to draw up and live within a budget, understand why and how to save, borrow responsibly and avoid becoming over-indebted, make informed choices between different financial products and services and plan ahead for old age. Unfortunately many people lack the knowledge, skills and confidence to be able to do these things. As a result, many of those who could afford to save do not do so; many people are heavily indebted and are not benefiting from financial products and services which could help them to lead more prosperous lives.

Definition of the term "Financial Literacy"

The term **"Financial Literacy"** is defined as having the knowledge, skills and confidence to manage one's finances well, taking into account one's economic and social circumstances, where:
"Knowledge" means having an understanding of personal financial issues;
"Skills" means being able to apply that knowledge to manage one's personal finances; and
"Confidence" means feeling sufficiently self-assured to make decisions relating to one's personal finances.

The purpose of financial literacy training is to teach people concepts of money and how to manage it wisely. It offers the opportunity to learn basic skills related to personal financial management, savings, loan management, investment, insurance, planning for old age/retirement and financial service providers.

Financial literacy is relevant for anyone who makes decisions about money and finances. Financial literacy can prepare many people especially in positions of responsibility to anticipate life-cycle needs and deal with unexpected emergencies without assuming unnecessary debt. Many people who seek savings and credit services have more choices than ever before, as many financial service providers supply a range of products and services.

The main goal of this Guide is to strengthen those behaviours that lead to increased understanding and knowledge of financial concepts, usage of financial services as well as investing and planning for old age. The learning sessions in the guide stimulate a change from current behaviour to desired behaviour which targets transformation related to knowledge, skills, confidence as regards financial services.

The Financial Literacy Curriculum is based on a learner-centered approach, capturing how adults learn best. It builds on what adult learners already know which makes the new content relevant to people's lives and provides the opportunity to practice the new skills as they prepare to transfer knowledge to the target. The information in this Guide can easily be adapted to the different target as identified in the National Strategy for Financial Literacy. These include: Youth, Outreach, Media, School and Workplace. The Guide is specifically designed to target people from different backgrounds and institutions who can train end users in the different strands as identified in the strategy.

The core modules in the curriculum are:

- Personal Financial Management: *"Use money wisely"*
- Savings: *"You can do it"*
- Loan Management: *"Handle with Care"*
- Investment: *"Let your money grow"*
- Insurance: *"Protect your family's future"*
- Planning for Old Age/Retirement: *"Invest for your old age"*
- Financial Services Providers: *"Know your Options"*

The **Financial Literacy Curriculum** is a holistic document and offers:

- A *Trainer's Guide*: Provides detailed training content and instructions for the conduct of each training session in the module
- An *Adaptation Guidance Tool*: Provides guidance on adaptation of content to the identified target
- A set of *PowerPoint Presentations*: Can support any training
- *Content Booklets*: Provides the basic contents and can be distributed to training participants as support materials
- A *Master Trainer's Manual*: Prepares those who are to provide the training to trainers

Because each module starts with basic information and progresses to more complex aspects of the topic, you can choose only those learning sessions within each module that address your specific needs.

Learning sessions have been ranked as per use in priorities. These include:

Priority 1: Basic information that is very key

Priority 2: Should be included if you have enough time
Priority 3: Not very essential unless you have a lot of time

HOW TO USE THIS GUIDE

Financial Literacy "Simplify Money, Magnify Life" is a complete training course to help people learn the benefits of personal money management as well as transfer knowledge and skills for behaviour change to different categories of people. It contains both background information to orient the trainer to the topic and step-by-step descriptions of learning activities for training.

The Learning Sessions

This course contains learning sessions. Each session takes between 30 minutes to 60 minutes to complete. Each session contains two to five learning activities that are described in a step-by-step detail. These learning activities include stories, exercises, small-group discussions and role-plays which actively engage the participants in the learning process. They also promote teamwork and learning from peers.

Adaptation of Learning sessions

Because the learning sessions are spelled out in detail, you do not have to create anything from scratch. When you have selected the learning sessions you want to facilitate, you will only need to adapt each one to the target needs. Read them carefully and take note of those details that must be changed in order to make the materials familiar to your participants. In the stories, you may need to change the names of the people and places to reflect the culture and geographical location of the target group. In addition to these types of adjustments; you may find the opportunities to add activities to the module that are not in the guide. Field trips to relevant sites are a great way to expose participants to new experiences. Also, think about inviting professionals from the community who have expertise related to the topic at hand to speak to your group. In the event that the module needs significant re-working to fit your context, please consult the "Adaptation Guidance Tool" for direction and guidance on what needs to be done and how to do it.

Each learning session starts with a "trainer's information box" that summarizes the session objectives, materials and activities. Some of the sessions require you or the participants to obtain information on product/sector. Most sessions require flip-chart paper, manila papers, markers and masking tape. You will use these materials to record important points of participants' discussions. Handouts mentioned in the step-by-step instructions are located at the end of each session which should be photocopied beforehand and distributed to participants at the appropriate time. Don't underestimate the time you will need to prepare. You don't want to be caught unprepared in the middle of a session!

Modules in the Curriculum at a Glance

Module	Purpose
Personal Financial Management: *"Use money wisely"*	Getting knowledge and skills for planning one's income and expenditure in life.
Savings: *"You can do it"*	Learning the practice and discipline of setting aside part of one's income for future use.
Loan Management: *"Handle with care"*	Learning how to manage somebody else's money.
Investment: *"Let your money grow"*	Understanding how to grow your money for future use.
Insurance: *"Protect your family's future"*	Understanding the different options for managing risk.
Planning for Old Age/Retirement: *"Invest for your old age"*	Understanding and appreciating the different ways and options for retirement.
Financial Services Providers: *"Know your options"*	Understanding the different providers and products/services available, for informed decision making

FEATURES OF THE LEARNING SESSIONS

Overview

Trainer's Information Box

Each learning session in the Guide begins with a summary box. The Guide provides detailed instructions for the learning activities that will help participants learn and work with the concepts of the session. Please follow the steps as outlined. However, you should use your own words to explain each point.

Features of the Learning Sessions

Trainer's Information Box - the box at the start of each learning session contains six elements.
Objectives - list of actions that the steps in the learning session are constructed to accomplish.
Priority - indication of the level of importance of the session that helps you to chose the most relevant sessions for training
Target group – indications about the target group of the session; especially regarding their level of literacy
Time - the estimated time needed to implement all of the steps designed for the learning session.
Preparations/Materials — list of materials that the trainer must prepare before the activity can be presented.
Steps - a list of activities needed to complete the learning session. The titles capture the process to be used and the content to be covered. The steps needed to complete the learning session are listed in the order in which they should be implemented.

Fonts
Italics - instructions only for the trainer (not to be read to the trainees)
Regular - specific information, instructions or questions for the trainer to read or closely paraphrase to the participants
Bold - questions to be posed by the facilitator

Key Principles and Practices of Adult Learning

The box below is a reminder of some important key principles in adult learning to keep in mind as you lead each session. Remember that you, the trainer, do not have all the answers. The participants come to the learning sessions with a great deal of experience and have many things to add. It is important that all participants (including you) teach and learn. Below are the key principles and practices of adult training that are a good point of reference when conducting learning sessions:

Key Principles and Practices of Adult Learning	
Principle	**Description**
Respect	• Learners should feel respected and feel like equals.
Affirmation	• Learners need to receive praise for even small attempts.
Relevance	• Learners learn best by drawing on their own knowledge and experience. Therefore, learning must meet the real-life needs of the adult - jobs, family, etc.
Dialogue	• Adults learn better when they can discuss information. The "banking approach" of making "deposits" in someone's head may be effective for children but is less appropriate for adults. • Learning must be two-way to allow the learner to enter into a dialogue with the teacher.
Engagement	• Learners must get involved through discussion, small groups and learning from peers.
Immediacy	• Learners must be able to apply the new learning immediately.
20/40/80 Rule	• Learners remember more when visuals are used to support the verbal presentation and best when they practice the new skill. We remember 20 percent of what we hear, 40 percent of what we hear and see, and 80 percent of what we hear, see and do.
Thinking, Feeling, Acting	• Learning should involve thinking, emotions and doing.
Safety	• Learners need to feel that their ideas and contributions will be valued - -that they will not be ridiculed or belittled.
Accountability	• Teachers need to be accountable to the learners that their learning needs are met, that the exercise will be useful to them.

INTRODUCTION: FINANCIAL LITERACY-*"GET INFORMED"*

Session 1: Financial Literacy: What is it and Why do You Need it?

OBJECTIVES:

By the end of the learning session, participants will have:

- Defined Financial Literacy
- Described and understood why financial literacy is important
- Built confidence and trust through behaviour change in financial literacy

PRIORITY: 1 This is a basic session for all participants at all levels and targets

TARGET GROUP: All - this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used.

TIME:
50 minutes

PREPARATIONS/MATERIALS:
3 blank cards for each participant
Markers
Masking tape
Flip chart paper

STEPS:

1. Introduce the session and define financial literacy – 5 minutes
2. Understand the importance of Financial Literacy – 25 minutes
3. Understand the importance of building trust and confidence to promote desired behaviour - 20 minutes

STEP 1: Introduce "Financial Literacy" *5 minutes*

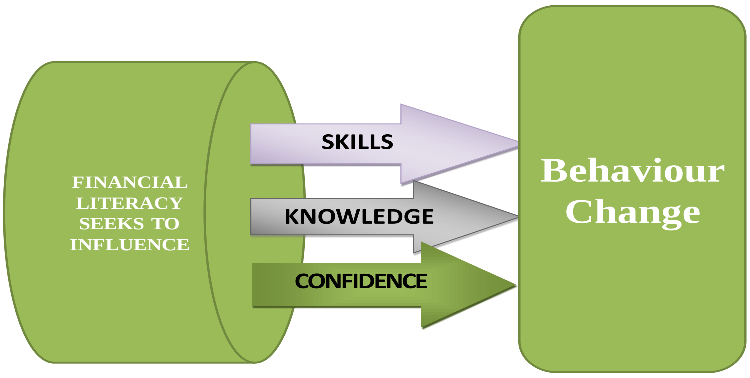
Say the following:

Welcome to the learning session on financial literacy. Through the steps in this session we will work with you to improve on your understanding of financial literacy. The following topics will be covered:

- Financial literacy: What it is and why we need it.
- Why it is important to be financially literate.
- What it means to be financially literate.
- Current and desired behaviour in financial literacy

Ask the large group the following question: ***What is financial literacy?*** *Listen to a number of responses from the group. Then post the following on the flip chart and summarize their ideas as you review each point.*

Financial Literacy



Say:

The facilitator can summarize Financial Literacy as the set of knowledge, skills, and attitudes that allows individuals to manage their personal finances effectively **and change from current behaviour to desired behaviour.**

Definition of the term "Financial Literacy"

The term **"Financial Literacy"** is defined as:
Having the knowledge, skills and confidence to manage one's finances well, taking into account one's economic and social circumstances, where:

- **"Knowledge"** means having an understanding of personal financial issues;
- **"Skills**" means being able to apply that knowledge to manage one's personal finances and
- **"Confidence"** means feeling sufficiently self-assured to make decisions relating to one's personal finances.

Explain:

The definition of financial literacy refers to one's ability to make appropriate decisions in managing personal finances. The decision emphasizes **results** or **outcomes** of financial choices.

Financial Literacy is a set of skills and knowledge that allows you to understand:

- The principles you need to know to make informed financial decisions,
- The financial products that impact your financial wellbeing

The training curriculum on financial literacy in this guide encompasses the following thematic areas.

The different modules and learning sessions address a change in behaviour of the target and on how they manage their personal finance.

Financial Literacy Modules

1. Financial Literacy (Introduction)
2. Personal Financial Management
3. Savings
4. Loan Management
5. Investment
6. Insurance
7. Planning for Old Age/Retirement
8. Financial Service Providers

STEP 2: Why we need financial literacy - *25 minutes*

Give each participant 3 cards and a marker.
Ask:

What are the three reasons why you need financial literacy? Write one of them on each card. Write large enough for all to see.

When the participants are finished, ask them to post their "reason cards" on the wall. If participants do not read or write, encourage them to express their ideas in drawings, however simple, or allow them to call out the reasons and write each on a card for them.

Help the participants come up with appropriate importance of financial literacy

Summarise by saying:

Careful management of what little money people do have is critical to meet day-to-day needs, cope with unexpected emergencies, and take advantage of opportunities when they come along. However most people often lack the knowledge, skill and experience they need to be careful money managers. Being financially literate means that you understand the basic personal financial management principles:

- You understand concepts of money and how to manage it wisely.
- You learn basic skills related to earning, spending, budgeting, saving, and borrowing.
- You become more informed financial decision-makers; you can plan for and realize you goals.
- You understand why it is important to save money

- You know how and where to open an account with a financial institution so that you can save your money.
    - You can keep proper records of financial transactions so that you can manage your income and expenses wisely.
    - You know how to access financial services in form of loans and other services so that you can grow your business.
    - You make good financial choices about saving, spending and managing debt throughout your life: for example when getting education, starting a job, buying a house, starting a family, getting ready to retire and living out your senior years.
    - You understand the key financial products you may need throughout your life – including bank accounts, mortgages, retirement savings plans and basic investments like stocks, bonds and mutual funds.
    - You understand basic financial concepts like compound interest, investment return, risk, and diversification and so on.
    - You discuss money and financial issues even if you don't really like to talk about them.
    - You respond competently to changes that affect your everyday financial well-being including events in the general economy e.g. rising unemployment and the threat of rapid inflation.

Summarize the above with the following explanation:

Besides the obvious benefits mentioned above, financial literacy training also impacts many other areas of our lives. As many are aware, money issues are the leading causes of stress, relationship strain, unhealthy coping behaviours and divorce which reduce our productivity. All these symptoms of financial illiteracy can affect our emotional state and impact those we care about most. Financial literacy training is valuable at any age; however, the sooner you learn basic money management lessons the bigger is the advantage that you will have.

STEP 3: Building trust and confidence to promote desired behaviour - *20 Minutes*

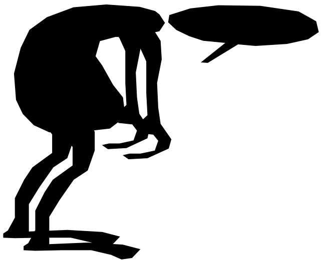
Connect financial literacy to its attributes of trust and confidence building through question and answer session. These should be linked to behaviour change. Please use the flip chart.

Generate a discussion and explain how financial literacy can influence the above attributes. Let the participants present situations on current behaviour of customers of financial services in a brain storming session. Then let the participants present the desired behaviour of customers. The examples should be discussed and agreed upon.

Emphasize:

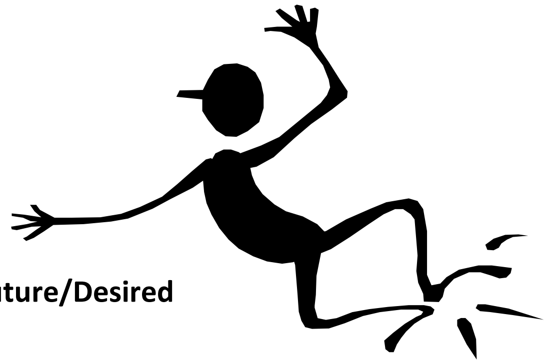
The outcome of financial literacy involves a change from the current behaviour to a desired behaviour.

Current Behaviour➔Desired Behaviour



Present/Current

Future/Desired



Do not understand the importance and use of savings	➔	Appreciate and practice saving in a secure place
Do not understand their rights and responsibilities	➔	Express themselves and understand the terms and conditions of the service or product
Can not understand the loan terms and conditions	➔	Can take an offer of a service when they know the terms and conditions

Conclusions:

Financial literacy is all about personal financial management. It involves building of **knowledge, skills,** and **confidence** that influence change from current to desired behaviour of individuals.

PERSONAL FINANCIAL MANAGEMENT:*“USE MONEY WISELY”*

Set family financial goals

Session 1: Set Financial Goals

OBJECTIVES:

By the end of the learning session, participants will have:

- Discussed the introduction to Personal Financial Management
- Explored the causes of household financial pressure
- Set financial goals and explained how to reach them
- Described what a financial plan is and how it can help achieve financial well-being

PRIORITY: 2 – This session gives a detailed introduction into financial planning, which might not be necessary for all groups.

TARGET GROUP: All **-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:

45 minutes

PREPARATIONS/MATERIALS:

Flip chart papers

Cards

Markers

STEPS:

1. Introduce the learning sessions for Personal Financial Management (only if you are going to use the entire module) – 5 minutes
2. Describe financial pressures using a story – 15 minutes
3. Set financial goals and explain what a financial plan is with a small-group discussion and story – 25 minutes

STEP 1: Introduce the learning sessions for Personal Financial Management – *5 minutes*

Say:

Welcome to the financial literacy training about Personal Financial Management. This training will teach you how to plan and manage your money. You will learn to set your financial goals, make a budget and track how your cash flows to make better financial decisions. The following topics will be covered:

Set Financial Goals
Examine Your Money Management

- Describe the Importance of a Budget
- Make a Budget
- Make Spending Decisions
- Stay Within Your Budget
- Keep Records to Manage Your Money
- Gambling
- Making a Will

STEP 2: Describe financial pressures using a story – *15 minutes*

Introduce the new topic. Say:

People everywhere work to have enough money to meet their day-to-day spending needs, pay debts, keep the business running, meet future needs for housing, pay for school and marriage for their children and ensure a secure old age. Often there is not enough money to reach all these goals. Listen to the story of James and Prisca.

Tell the story of James and Prisca.

James and Prisca's Financial Situation

James and Prisca have to pay regularly for food, clothing and house repairs. They also have loan repayments to a financial institution and owe a shopkeeper who has sold them goods on credit.

Their roof is rusting and they want to change it before the rainy season. Their eldest son will get married in the near future.

They have to pay high school fees for their other 2 children. They must travel to take care of family or business matters.

James and Prisca also know that unexpected things happen. Family members get sick. Things break and need to be repaired.

Ask:

What are the financial pressures that James and Prisca feel? Why?

(They must meet day-to-day spending requirements and save at the same time to meet all these financial pressures. This can be difficult if there is barely enough money to meet everyday needs. Paying off debt is important to have future access to credit. If they do not repair the house, it could be dangerous. They want to educate and marry off their children and help them get started in life. It is tough to find money for unexpected needs).

Summarize their ideas, and then say the following:

Please form small groups of 3. Discuss how you would answer the following question.

What are financial pressures people experiences in this area?

(Examples: Illness forces unexpected expenses; poor business performance brings in less income and makes it hard to pay back the loan; children's weddings can be very costly; funeral expenses use up all our savings).

After 5 minutes, ask the groups to share their ideas. Summarize these ideas.

STEP 3: **Set financial goals and explain what a financial plan is, with a small-group discussion and story** – *25 minutes*

Ask the participants to find a partner and discuss how to answer the following question:

What are your goals for a happy future?

(Give the groups 5 minutes for this discussion. Then ask for volunteers to share their goals. They will likely include goals such as sending children to school, home improvements, more income, less debt, larger business, no sickness in the family and so on).

Then ask the participants:

What can you do to achieve your goals?

Encourage participants to give as many ideas as they can. Give positive acknowledgement for all ideas. It is likely they will include ideas such as save more, work harder, earn more, and pay off debt and so on. Then ask them to listen to the story of Rashid and Aisha.

Rashid and Aisha: Reaching their Goals

Rashid and Aisha think together about their goals for the future. They want their children to go to school. They want to repair the house. They want to keep debt low. They want to travel to visit their extended family every year. They also want to put more money into their business to earn more.

They decide together to do something to reach their goals. First, they count the money coming into and going out of the household every day for several weeks or months to know the actual amount they earn and spend. They find out the costs of school, travel and home repairs. They decide to save something, no matter how small, every week. They decide the amount of income they will set aside every week or month for paying debts. They plan how much and when they will invest more in the business.

After all these decisions, Rashid and Aisha feel relieved. They are happy about their decisions. They are confident now that, if they stick with these decisions, they can achieve their goals.

Let the participants discuss:

What are Rashid and Aisha's goals for the future?
(*School for children, house repair, control their debt, travel, and invest in the business*.)

What do Rashid and Aisha do to reach their goals for the future?

Summarize participants' answers. Make sure the following points are made:

To reach their goals for the future, Rashid and Aisha:

- Figure out the amount of money they earn and spend
- Determine the costs of their goals
- Make decisions about how much to save, how to pay off debt and how much to invest in their business
- Decide on the timing for doing these things

This is called financial planning.

***Present the definition of a financial plan*.**

What is a financial plan?

A financial plan is a tool to help you decide how to use your money to achieve your goals.

Ask participants the following question:

How can financial planning be helpful to you and your family?

Summarize their ideas. Be sure to include the following:

- Helps you decide your spending priorities for the future
- Gives you discipline for spending and saving
- Helps avoid unexpected money shortages
- Helps you feel less financial stress

Ask the participants to discuss:

What can you do to make your own financial plan?
(Decide goals or objectives for the future, decide how much money I earn and how I will use my money to save and invest to reach my goals).

Ask for volunteers to share their ideas. Congratulate them for their good work.

Note: After setting your financial goals, plan where you will get the money from. If you can't get enough money from your income, try to raise additional money through home based projects (e.g. vegetable growing and marketing, bricklaying, roasting and selling of groundnuts, baking, etc.). You can also cut your expenses and save: Look for ways to spend less so that you can save some money to help you reach your financial goals.

Session 2: Examine Your Money Management

OBJECTIVES:

By the end of the learning session, participants will have:

- Listed and grouped common household expenses
- Identified and grouped household income sources
- Explained how to cope with irregular income and expenses

PRIORITY: 2 – this session discusses expenses and incomes in very much detail which might not be necessary for all target groups

TARGET GROUP: all **-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, draw instead of write on cards

TIME:
40 minutes

PREPARATIONS/MATERIALS:
Blank note cards
Cards
Flip chart paper
Markers
Masking tape

STEPS:

1. Identify expenses and sort them into categories – 30 minutes
2. Identify examples of income sources – 10 minutes

STEP 1: Identify expenses and sort them into categories – *30 minutes*

Introduce the session. Say:

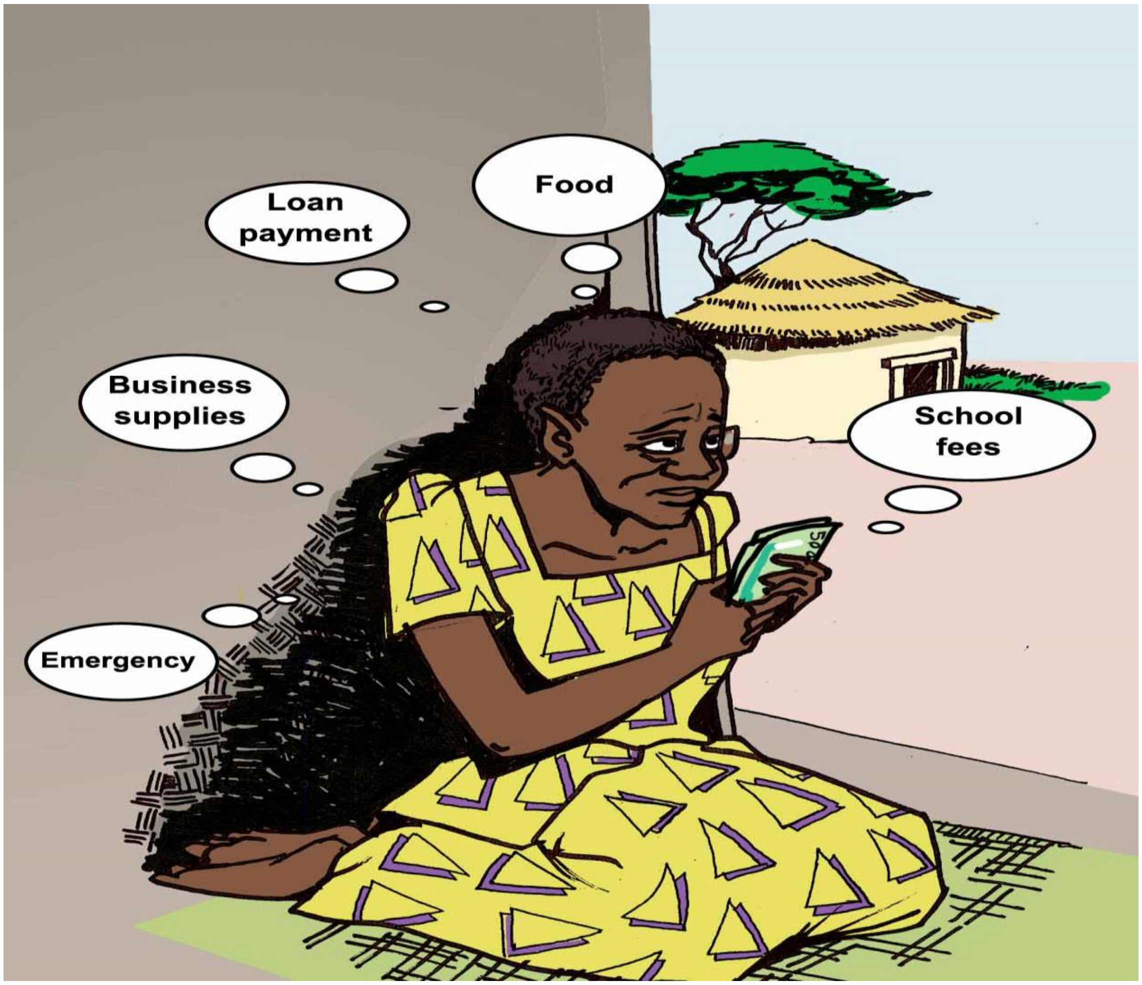
By the end of this session you will be able to describe all the different ways you earn and spend money. When you understand how your money flows in and out of the household, you are able to plan better how to save and spend it wisely.

Draw an image of a mother contemplating the family's finances. Name the mother Jalia. Ask:

What expenses is Jalia thinking about?

Please give me your ideas and I will show an image of the expense - each one on a separate card. If an idea has already been mentioned, please give me a different idea.

As the participants give ideas, post the cards with the appropriate word or image of the common expenses around Jalia's head as her thoughts (see below). If an idea is mentioned for which there is no card, quickly draw or write it on a blank card.



Ask:

What are the ways that people spend their money that are not listed here?

When the participants have finished, ask for volunteers to come to the wall where you have posted the cards and classify/sort them into the different categories. Encourage participants to give reasons for their suggestions. When the cards are organized, review them with the participants.Then say:

Now we have many groups. Let us give each group a name that sets it apart from the others.

What suggestions do you have?

Lead the large group in assigning names to each group of expenses. Write these or make a symbol representing the name on cards, and post above the groupings as headings. Make sure that the following groups are included (even if you choose different names for the groups). It is likely that you will have to help the participants separate expected and unexpected events.

Necessary Expenses	Expected Events	Debt Repayment	Optional Expenses	Unexpected Events
Food	School fees	Group loan payment	Festivals for children	Medicine for illness
Rent	Child's wedding	Moneylender	New dress	Loss of property

Say:

Look at these expenses again.

What are the expenses you pay once in a while as opposed to every day or every week?

Place a checkmark or star by those expenses that participants identify as infrequent or irregular.

How do you plan for expenses that occur only once in a while?

Summarize their answers and say:

It is important for good money management to plan for expenses that do not occur regularly. You have mentioned many ways this can be done, including saving and putting off purchases until the money is available.

STEP 2: Identify examples of income sources – *10 minutes*

Say:

We have talked about the ways that Jalia and her family spend their money. Now let us talk about where that money comes from.

Where does Jalia's money come from?

Quickly write each idea or draw a picture on a card and post it next to the image of Jalia on the wall. The sources of income shown below are examples only. Participants will likely suggest different income sources.

- Fabric stand
- Relatives abroad
- Son's salary
- Rice sales

Ask the participants to sort these sources of income into similar types of income. You should end up with something like this:

Farm Income	Business Income	Salary	Other
Rice sales	Fabric stand	Son's salary	Relatives abroad (remittances)

Ask:

Which of these sources of income are infrequent or irregular? Why?

Ask volunteers to talk about their infrequent sources of income. Check the cards with the sources they mention.

When you get income in one large amount every once in a while, how do you plan to use it to pay for expenses throughout the year?

Summarize participants' responses by saying to the group:

It is nice to get a large amount of income at one time. It is important to think about how to use this money wisely to pay off debts, make sure you can meet basic necessities and save to meet expenses that will occur in the future.

Explain:

In the next sessions we will learn what a budget is and how to make one. This tool will help you plan for both regular and infrequent expenses and income.

Session 3: Describe the Importance of a Budget

OBJECTIVES:

By the end of the learning session, participants will have:

- Defined the term "budget" and explained how a budget is useful
- Assessed their current money management strategies
- Identified ways to improve their own money management through budgeting

PRIORITY: 1 – This session introduces budgeting which is an essential concept for personal financial management

TARGET GROUP: All **-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
30 minutes

PREPARATIONS/MATERIALS:
Flip charts
Cards
Markers

STEPS:

1. Explain what a budget is and why it is useful – 20 minutes
2. Examine your own budgeting practices – 10 minutes

STEP 1: Explain what a budget is and why it is useful – *20 minutes*

Say:

We have discussed your expenses and income. Expenses and income are 2 key components of a budget. But what is a budget?

Present the definition of a budget.

What is a budget?

A budget is a summary of estimated income and how it will be spent over a defined period.

Say:

We are here to learn how to manage money. A budget is an important tool for this. It is a plan that divides your income among necessary living expenses, savings and investment during a certain period.

In order to budget, we must know how much money we have coming in and how we want to spend that money during a set period of time that we choose. To budget, it is important to identify and organize spending.

Put up the following flip chart of Jalia's budget and say:

Here is an example of a budget for Jalia's family for a month

Jalia's Family Budget for a Month	
Income	**Amount**
Farm Income	UGX 75,000
Business Income	UGX 300,000
Wages	UGX 100,000
Other	
Remittances	UGX 75,000
Rental Income	UGX 100,000
Interest on Savings	0
Gifts	0
Total Income	**UGX 595,000**
Savings	**UGX 50,000**
Expenses	
Debt Payments (Principal and Interest)	
Moneylenders	UGX 30,000
Supplier Credit	UGX 35,000
Bank Loan	UGX 55,000
Sub-total	**UGX 175,000**
Necessary Household Spending	
Utilities	UGX 45,000
Food	UGX 50,000
Clothing	UGX 20,000
School Fees	UGX 75,000
Transportation	UGX 25,000

Healthcare	UGX 50,000
Rent	UGX 20,000
Sub-total	**UGX 285,000**
Business Spending	
Supplies/Inputs	UGX 50,000
Other (Transportation, etc.)	UGX 30,000
Sub-total	**UGX 80,000**
Optional Spending	
Entertainment	UGX 5,000
Jewelry	UGX 20,000
Church Offering	UGX 30,000
Sub-total	**UGX 55,000**
Total Expenses	**UGX 595,000**
Surplus/Deficit	**0**

If there are participants who can read, ask for volunteers to describe Jalia's family's sources of income and the expenses they have. Otherwise, say the following while pointing to the relevant parts of the budget.

Jalia's family budget

The family has income from the farm and Jalia's business. A family member living in a different country sends money from time to time. They also have rental income. Here is the total monthly income for the family, **UGX 595,000**.

The family owes money on several loans from moneylenders, suppliers and the bank. They also spend for basic household necessities such as food, transportation, health, school fees, clothing, rent and utilities.

They must pay for business supplies and other business costs as well.

In Jalia's family budget there is also a place for optional spending on non-essential items such as entertainment, jewelry, parties and luxuries. You should anticipate this type of expense; including it in your budget with a specified amount may help you control your spending in this category. Jalia has also set aside money for savings.

Then ask participants the following:

What information does the budget give you?

Encourage responses until participants have mentioned the following. Fill in with any information they miss.

Information Provided by Jalia's Family Budget

- Different types of income sources
- Amount of income by source
- Total planned income
- Types of expenditures, including business and household expenses
- Amount of expenditures
- Total planned expenditures
- Total savings

Address one participant and ask:

Please turn to the person sitting next to you and answer the following question:

Why is a budget useful?

After a few minutes, ask volunteers to share their ideas. Summarize the ideas of the group. Be sure to cover the following points:

Why is a Budget Useful?

- Allows you to assign your income to different types of expenses
- Helps you make decisions about spending and saving
- Encourages cautious and disciplined spending
- Allows you to take control of your financial situation
- Helps you organize and manage money more effectively
- Helps you plan for your future and meet your financial goals

STEP 2: Examine your own budgeting practices – *10 minutes*

Say:

Please choose a partner and answer these questions:

How do you currently manage your income and expenditures to meet your family's needs?

What can you do to improve budgeting in your household?

Give the participants up to 5 minutes to exchange ideas. Then ask 3 or 4 volunteers to report back to the large group. Summarize their ideas, ensuring that the following points are mentioned:

Ways to improve budgeting

- List all income sources
- List all expenses
- Plan ahead to prevent spending more than your income
- Save surpluses to meet future expenses when income is low

Ask a volunteer to briefly summarize what was accomplished in the session. The summary will be something similar to the following. Fill in any ideas that participants do not mention.

Today we have defined "budgeting" and talked about the key elements of a budget i.e. income listed by source and expenses, and by type of expense such as basic necessities, loan repayment, business and optional expenses. We saw how a budget includes a line for savings. We talked about how all of us currently manage our money and what we can do to improve our own budgets.

Thank the participants for their good work!

Session 4 A: Make a Budget (Literate People)

OBJECTIVES:

By the end of the learning session, participants will have:

- Described the steps to create a budget
- Made a budget
- Given advice to each other about how to adhere to the budget
- Identified something new about budgeting to share with family members

PRIORITY: 1 – This session explains the STEPs taken in budgeting which is an essential concept for personal financial management

TARGET GROUP: To be used for literate target

TIME:
30 minutes

PREPARATIONS/MATERIALS:
Decide on the appropriate activities based on participants' literacy levels and prepare the corresponding materials.
Cards
Flip chart paper

STEPS:

1. Explain the steps of how to make a budget – 5 minutes
2. Make a budget – 25minutes

STEP 1: Explain the steps of how to make a budget – *5 minutes*

Say:

It is important to learn the steps involved in creating a budget.

Ask participants to form groups of 5 or 6. Give each group a set of budget step cards in random order. Ask them to organize the cards into the sequence they think is right for creating a budget. Give them 5 minutes for this activity.

“Steps to Create a Budget” Cards

1. Review your financial goals	2. Estimate amount of income by source	3. List all expenses and the amount of money needed for each one
4. Make sure your expenses are not more than your income	5. Decide how much you will save	6. Review and adjust as needed

STEP 2: Make a budget – *30 minutes*

Distribute a set of a Budget worksheet and a Infrequent Income and Expenses worksheet to participants: Explain to participants that they will learn how to fill in the worksheets step-by-step as outlined below.

As you explain each step, demonstrate how to do it using your own example.

Income

1). On the Budget worksheet, define your sources of income and write them in the first column under “Income.” Some of these sources may provide income every month and some may provide income only at certain periods of the year.
2). Estimate the expected income by month from each source and write it in the appropriate box on the worksheet.

Sample of a Budget Worksheet

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
INCOME						
Total Income						
SAVINGS						
EXPENSES						
Debt Payments						
Business Spending						
Necessary Household Spending						
Optional Spending						
Total Expenses						

3). Add up the total income for each month.

Walk around the room and offer to help anyone who needs it.

Expenditures

4). Budget Worksheet; write your expenses for each category of expense; debt payment, necessities, optional expenditures and so on.

5).Estimate your expenses for each category for each month. You may pay some expenses only once a year or once every quarter.

6). Add up the total expenses for each month on the Budget Worksheet.

Compare Income and Expenditures

7). Subtract the total spending for each month from total expected income for each month.

Ask the participants the following questions:

What can you do if the difference is positive? (more income than spending) *(Save more, pay off debts.)*

What can you do if the difference is negative? (less income than spending)
(Cut spending, find ways to earn more until you can control spending.)

Say to participants:

- A key step in financial planning is to list all income and expenses and track them every day, week and month.
- To get a real picture of your financial situation you must list all income and expenses.
- Make sure you budget what you think you can save each month on the savings line.

Turn to a partner and discuss how to answer the following.

How will you use at home what you learned today about budgeting?

Listen to volunteers and then say:

Budgeting is an important tool to think about how you will use your income to pay expenses - including loan repayments - as well as to decide how much you can save for the future.

Session 4 B: Make a Budget (Illiterate People)

OBJECTIVES:

By the end of the learning session, participants will have:

- Described the steps to create a budget
- Made a budget
- Given advice to each other about how to adhere to the budget
- Identified something new about budgeting to share with family members

PRIORITY: 1 – This session explains the steps taken in budgeting which is an essential concept for personal financial management

TARGET GROUP: All **-** this can be used for semi Illiterate and Illiterate target

TIME:
30 minutes

PREPARATIONS/MATERIALS:
Decide on the appropriate activities based on participants' literacy levels and prepare the corresponding materials.
Cards
Flip chart paper

STEPS:
1. Explain the steps of how to make a budget – 5 minutes
2. Make a budget – 25 minutes

STEP 1: How to make a Budget -*5 minutes*

Tell the following story:

Jalia Makes a Budget

Jalia does not read and write very well, but she still knows how to make a budget. Here is what she does. She remembers the family's goals for the future and how much it will cost to reach them. She thinks about the family situation. She asks herself, "What is happening in this family that will bring in money and what requires us to spend money for the next month?"She thinks about how much money is coming into the house weekly or monthly from the farm, business and other sources. Then she decides how much she would like to save this month.

She thinks about how much they will need to spend during the same period. She asks a family member to write down what she thinks her income and spending will be in the next month or more. Then Jalia checks to be sure she does not plan to spend more than the income she will receive. If her plan shows that she would spend more than her income, she looks which items she can reduce on. If her plan shows that there will be something left over at the end of the month, she can add it to the savings.

She follows the income and spending closely over time to compare her plan with what really happens. She changes her estimates for the next month based on what she learns.

Ask the group:

What does Jalia do to make a budget?

Ask volunteers to respond. Reinforce their ideas and make sure they mention the following steps to make a budget.

- Review your financial goals
- Estimate amount of income by source
- Decide how much you will save
- List all expenses and the amount of money needed for each one
- Make sure your expenses are not more than your income
- Review and adjust as needed

STEP 2: Making a Budget -25 minutes

*Give each member a Budget Calendar and 50 small objects. Tell the participants to place up to 5 small objects in each box based on how much income they think is coming in or going out of the household for that category and time period. The objects **do not** represent specific amounts, rather 1 object represents the smallest amount of income or expenditure and 5 objects represent the largest amount of income or expenditure.*

See example below. Demonstrate how to fill in the income row and the expenses rows with the whole group before giving each participant a worksheet.

Give the participants 15 minutes for this activity. Go around and assist them as needed.

Budget Calendar

Please note that you can use days or weeks instead of months.

	Month 1	Month 2	Month 3
INCOME 	○○○○	○○○○	○○○
SAVINGS 		○	○
SPENDING			
Business 	○○○	○○○	○○
Household 	○○○	○○○	○○○

When they are finished filling in the rows, ask the following:

At what times of the year is the income higher or lower? At what times of the year are expenses higher or lower than income?

What can you do to meet expenses when income for that period is not enough?

Make sure the group mentions the following:

- **Save** when you have surplus income, to spend during times when income is less than you need
- **Spend less** during the low-income periods
- **Plan ahead** so you do not have to borrow to meet your household needs

Ways to Manage Changes in Income

- Track your income and expenses regularly to know when there are likely to be surpluses and shortages of cash
- Save when you have a surplus to cover expenses during times when your income is low

Benefits of Tracking Monthly Cash Flow

- Determine how much income is coming into the household
- Determine if and when you will have shortfalls
- Make decisions on how much to save
- See where spending is high
- Make decisions about spending, and saving and investing more in the business

It is important to keep track of all your expenses, e.g. keeping a book where you record all your daily expenses. This helps you monitor how you spend your money and can provide guidance on which expenses you can reduce or do without. If you keep your money with a bank, ask for your bank statement to see how much money has been coming in and how much is going out.

Then say:

Look again at your budget calendar.

What will you change to plan for irregular income and expenses?

After a few minutes of discussion, ask the group:

What did you do to make sure you will have enough income to meet your expenses?

Ask a few volunteers to share their ideas.

Then ask the participant:

Turn to a partner and discuss how to answer the following.

How will you use at home what you learned today about budgeting?

Listen to volunteers and then say:

Budgeting is an important tool to think about how you will use your income to pay expenses - including loan repayments - as well as to decide how much you can save for the future.

Session 5: Make Spending Decisions

OBJECTIVES:

By the end of the learning session, participants will have:

- Prioritized a broad range of expenses
- Identified a set of guidelines to help them choose financial priorities in the future
- Compared their priorities with what the expert financial planners recommend

PRIORITY: 2 – This session helps to prioritize expenses, which is useful for everyone. It can be shortened and summarized if necessary.

TARGET GROUP: All **-** This can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used, draw instead of write on cards

TIME:
30 minutes

PREPARATIONS/MATERIALS:
Flip charts
Paper
Cards
Markers

STEPS:

1. Set financial priorities for Jalia's family – 20 minutes
2. Compare priorities with what the expert financial planners recommend – 10 minutes

STEP 1: Set financial priorities for Jalia's family – *20 minutes*

Explain:

We are going to talk about prioritizing expenses. Very few people in the world have so much income that they can pay for everything they want to buy or do. Most of us must make difficult decisions and trade-offs, especially during times when our income does not cover all of our expenses.

There are no perfect answers when it comes to prioritizing and choosing among expenses, but there are some general guidelines. Today we will talk about how you currently make these decisions, and we will highlight some common ways to help you set your own personal financial priorities and handle your financial difficulties in the future.

Post the flip chart with Jalia's expenses. Use drawings of each item for those who cannot read. Describe these expenses to the participants with the following story.

Jalia's Expenses

Jalia has loan payments due every month. She also has a weekly payment to her supplier who sold her goods on credit. Every 3 months there are fees for the children's school. Her son is very sick and she wants to buy medicine the doctor prescribed. Her mother is aging and will need care and support in the future.

In a month she will need farm inputs, as the planting season is about to begin. Her son is going to be married in about a year. She also plans to buy a new table for her business. Every day she needs food for the family. She wants new jewelry. In 2 months the rains will come and the roof needs repairs. Jalia and her husband like to go to a restaurant for dinner on Sundays. She also likes to save regularly for emergencies e.g. accident, sudden sickness

Jalia's Expenses	
Expense	**When needed**
Bank loan payments	Regularly – monthly
Supplier credit	Regularly – weekly
School fees	3 months
Medicine for sick son	Immediately
Care for aging mother	Future
Farm inputs	1 month
Son's wedding	About 10 months
Business investment (new table)	—
Food for family	Regularly – daily
New jewelry for Jalia	—
Roof repairs	About 2 months
Going out to dinner	—
Savings for emergencies	—

Say:

Jalia does not have enough money this month to meet all of her expenses and savings needs for the future. Assume you are Jalia and answer the following question:

How will you decide which are the most important things to use your money for this month?

Please form groups of 3 or 4 people and decide how you want to prioritize these expenses.

Which are the most important expenses?

Which are the least important expenses?

Using Jalia's Expenses, put number "1" next to the item if it has the highest priority; a "2" next to the item if its priority is somewhat high; a "3" if the item has medium priority; and a "4" if the item has the lowest priority for spending. One person should be responsible for numbering and someone should be prepared to present your priorities to the large group. You will have 10 minutes to do this.

Remember that although some of the larger expenses do not occur this month, they will be necessary in the future.

Demonstrate the activity, using "food for the family". Put a "1" next to the item.

What questions do you have?

Walk around to the teams to answer any questions.

After the teams have finished, invite 2 of them to present their decisions. Ask them to present the order of their priorities and describe their reasons.

STEP 2: Compare priorities with what the expert financial planners recommend – *10 minutes*

Explain:

Expert financial planners recommend the following order of priorities for spending:

- Take care of emergencies
- Take care of debt (this can also include renegotiating debts)
- Meet necessary day-to-day expenses
- Save for future goals and needs

Ask the group the following:

How do your spending priorities compare with what the experts recommend?

Encourage a number of responses from the participants. Then ask:

Why do you think the experts recommend these priorities?

Invite a number of volunteers to answer. Make the following points if the participants omit them.

a) Debt is costly.

- ✓ When payments are missed, the loan costs grow even higher.
- ✓ Failure to make payments can lead to the loss of future access to credit.
- ✓ Loan fees on late payments can increase the amount of money you owe and increase the risk of having to make loan payments with money intended for basic necessities.
- ✓ When debt is out of control it can threaten the well-being of your family.

b) Set aside an amount for savings for future use.

c) Basic expenses must be taken care of for the well-being of the household.
d) Money that remains after debt payment, savings and necessary expenses is available for optional spending.
e) Any money that remains is again set aside for future use.

Ask the participants to do the following:

Return to your groups and decide if there is anything you want to change in the spending priorities you determined for Jalia's family.

Give the groups a few minutes for this exercise. Then ask for volunteers to share their new ideas.

What did you change and why?

Say:

Making spending decisions can be difficult. Individuals and families must decide what the right decision for them at the time, is. What is important is to think very carefully when making decisions and have a plan for dealing with the consequences. For example, Jalia will likely first want to buy medicines for her sick child and make sure her family has enough food. She also wants to make some payment on her loans because she knows that if she does not, one day she may lack the money to buy food and medicine. Each family must balance the need to meet basic expenses, pay down debt and find something to save.

You should set financial goals to be able to manage your money well. Think of what you want in life and set goals towards achieving that. For example, if you want to buy land in 5 years' time, start saving for it now. If you are working for something that's important to you, and if you have a plan of action, you will be more likely to succeed.

Session 6: Staying Within Your Budget

OBJECTIVES:

By the end of the learning session, participants will have:

- Defined ways to address difficulties of staying within a budget
- Practiced identifying ways to cut spending

PRIORITY: 1 – this session gives very practical tips as to how one can stay within the budget which is essential for everyone

TARGET GROUP: All **-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
45 minutes

PREPARATIONS/MATERIALS:
Flip charts
Markers

STEPS:

1. Identify ways to stay within a budget – 30 minutes
2. Make a list of ways you can cut spending – 15 minutes

STEP 1: Identify ways to stay within a budget – *30 minutes*

Say:

Expert financial planners say that people must make a regular habit of paying off their loans, paying for basic necessities and saving something. There are many competing priorities for very little money. Please take a minute to think about your own financial situation and answer this question.

What are your 3 most important financial priorities after feeding your family? Why?

Ask the participants to list their choices in order of priority. Then ask for volunteers to explain their choices. Allow 2 or 3 volunteers to respond. Next, ask the question:

What are the day-to-day pressures that make sticking with recommended spending priorities difficult?*(Examples: The income only covers the most basic necessities and there is nothing left to pay off debt or save; family pressures lead to unplanned spending, etc.)*

Allow the participants to describe a number of situations. Then say:

It is one thing to make a budget and another thing to stay within the budget. Please form groups of 5 and discuss how to answer the following question.

What makes it hard to stay within a budget? *(Unexpected events happen that must be paid for; lack of discipline; pressures from family members; poor revenues from the business or farm, etc.)*

Give the groups 5 minutes.

Ask for volunteers to share why people have trouble staying within a budget.

Say:

Many people have these experiences. Some manage to stay within the budget, managing their income and expenses. Listen to the following stories. At the end of each I will ask you to tell me how each person manages to stay within her budget.

Gorretti's Story

Gorretti made a budget with her family. She was at the market a week or so later and a close friend wanted to sell her some beautiful cloth she had recently purchased in the city. Gorretti was tempted but remembered there was no money for expensive cloth in her budget. She was also glad she had put her savings in her account with the bank so it was not readily available. Later that week, her children broke her cooking stove. She was able to buy a new stove with some money she had set aside for unexpected expenses.

What did Gorretti do to stay within her budget? *(Remembered what was planned in her budget and stayed with the plan; put savings out of reach so it was not easy to spend; set aside some money for unexpected expenses).*

John's Story

John had many expenses during the festival season. He planned for this in his budget. During the season, he purchased gifts for family and friends and special foods. From time to time, he added up his expenses to find out how much was left in his budget. He realized that he spent more on gifts than expected, so he looked carefully at his budget. He had put an amount in to buy a new shirt. He decided to spend less on the shirt to make up for overspending on gifts and food.

What did John do to stay within his budget? *(He kept track of his spending so he did not spend more than budgeted; when he overspent on some things, he cut costs on others.)*

Tell the participants to get back into their groups and discuss how to answer the following question:

What can you do to stay within your budget?

Give the groups 5 minutes to discuss how to answer the question. Ask participants to share their ideas. Summarize their ideas and be sure the following are mentioned.

How to Stay Within Your Budget

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

STEP 2: Make a list of ways you can cut spending – *15 minutes*

Tell the participants the following:

Think about all the things you spend money on during a day, week or year. Remember the small things as well as the big things. Work on your own to answer the following question.

What are 3 ways to cut down spending?

Give participants 3 or 4 minutes for this exercise. Then ask for volunteers to share their lists. Ask each new volunteer to offer a new idea. Be sure that the following ideas are mentioned:

Ways to Cut Spending

- Consume less of non-essential items (beverages, snacks, luxuries)
- Spend less on parties and festivals
- Lower expenses on life events such as marriages and funerals
- Save enough to buy necessities in larger amounts at lower costs
- Plan ahead to buy necessities when the prices are lower
- Buy less on credit
- Carry less money or save money in a safe place; the temptation to spend it won't be there
- Keep the ATM card away
- Be mindful of the expenditure on dependents

Session 7: Gambling

OBJECTIVES:

By the end of the learning session, participants will have:
- Understood the dangers of gambling

PRIORITY: 1 – Everyone needs to be sensitized about the dangers of gambling

TARGET GROUP: All **-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
40 minutes

PREPARATIONS/MATERIALS:
Flip charts
Paper
Cards
Markers

STEPS:
1. Introduce gambling through a role play – 20 minutes
2. Discuss the advantages / disadvantages of gambling – 20 minutes

STEP 1: Introduce gambling through a role play: *20 minutes*

Get two volunteers to act out the role play. Discuss it with the two volunteers before the role play to get an idea about the content of the role-play. Generate a discussion through a question and answer session to bring out the understanding of the role play on gambling.

Role Play: Mukasa and John

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

I advise you, don't put your money in such gambling business .

Explain and define gambling:

Definition of gambling:

Gambling is betting or wagering that must **result** either in a **gain** or a **loss. Gambling** is "a conscious, deliberate effort to stake valuables, usually but not always currency, on how some event happens to turn out." Gambling is neither risk taking, in the sense of speculation, nor investing.

STEP 2: Discuss the advantages / disadvantages of gambling *– 20 minutes*

Ask the participants for their or their friends' personal experience with gambling and tell the following story:

Simon's Story:

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

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

Ask:

What do you learn from the story above?

Brainstorm with the participants about the advantages and disadvantages of gambling and summarize the discussion by saying:

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

"If you gamble, you eventually lose"

Session 8: Make Your Will

OBJECTIVES:

By the end of the learning session, participants will have:

- Understood the importance of making a will
- Learned how to make their own will

PRIORITY: 1-Everyone needs to be sensitized about the importance of making a will

TARGET GROUP: Literate / semi-literate groups.

TIME:
50 minutes

PREPARATIONS/MATERIALS:
Flip chart
Makers
Papers

STEPS:

1. What is a will, and why is it important to have one– 20 minutes
2. Draft your own will – 30 minutes

STEP 1: What is a will, and why is it important to have one - *20 Minutes*

Lead a brainstorming session about what the participants think is a will and note what they say on the flip chart. Then present the definition below.

Definition of a will:

A will is a legal document that sets forth your wishes regarding the distribution of your property and the care of any minor children. It is a signed document which spells out how, and by whom, you want your property to be managed after your death and who should benefit from it. To maximize the likelihood that your wishes are carried out, you want a will that is set forth in writing, and signed by you and your witnesses. If your will does not meet these standards, your instructions may not be carried out.

Ask:
Who of the participants has a will?

If someone amongst the participants has a will, ask them to explain to their peers why he/she considered it important to have one.

Divide the participants into small groups and ask them to provide three reasons why a will is important. Then ask them to share in the plenary. After one or two groups have shared, only new points should be mentioned. Make sure the following points are mentioned and if not, add them:

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

STEP 2: Draft your own will - *30 minutes*

Distribute the template of a will to everyone and ask participants to draw their own (either real or if they don't feel comfortable doing it, imaginary) will, let them mention what they think should constitute their will.

The following are the components of the will that should be included:

- The testator's **name and address,**
- A **revocation** clause,
- A clause appointing at least one (but preferably two or more) **executors,**
- A list of **legacies** (gifts of money or goods),
- A list of **devises** (gifts of real property),
- A **residuary** clause, disposing of the remainder of the estate ,
- The **date,**
- The testator's **signature and**
- The **attestation clause**

A Simple Will Template

This is the last will and testament of (Name)…of (Location) ……………… in the City of…………. I hereby revoke all previous wills and testamentary dispositions made by me. I appoint……….. and…………….. as executors of this will and direct them to pay my just debts, funeral and testamentary expenses.
To my housekeeper Vera, I leave…………..Ug shs. I leave…………..Ug shs from my Bank account (Name of Bank)………….. to ……………………….. I leave my House to my…………….. I leave my land to…………………………..at ………… (Location) to………………………………...
All the residue and remainder of my property of any nature and description and wherever situated, I leave in equal shares between my children …and ……………
Dated this day of………….. 20……
Signed
……………………
Signed by the testator as and for her last will and testament in the presence of us, both present at the same time, and signed by us in the presence of the testator
………………………………..
……………………..............
………………………………

Mention:

How to make a will (Steps)

1. Understand why you need to make a will
2. Understand what makes a will valid
3. Include the common elements of a will.
4. Appointing Executors.
5. Know how to give something under a will.
6. Acknowledge the principle of survivorship

7. Understand the legal rights and share
8. Know what can happen if you don't make a will
9. Consider inheritance taxes
10. Consider the cost involved in making a will

Explain the following to the participants:

a) How do I make a will

When you are ready to prepare a will, compile a list of your assets and debts. Be sure to include the contents of safe deposit boxes, items of sentimental value, family heirlooms and other assets that you wish to transfer to a particular person or entity. If your estate is substantial (ranging in the millions of dollars) or your situation is legally complex, and you may wish to enlist the services of an attorney be sure he/she is familiar with the laws of Uganda and has extensive experience writing wills. If you are comfortable taking care of the task on your own, simply follow the instructions provided.

b) What is not covered by a will?

While wills generally address the bulk of your assets, there are a variety of items that are not covered by the instructions in a will. These items include community property, proceeds from life insurance policy payouts, retirement assets, assets owned as joint tenants with rights of survivorship and investment accounts that are designated as "transfer on death."

c) Changing your will

Simply write a new will to replace the old one, or make an addition using an amendment known as a codicil. Ideally, you want to make any changes when you are of sound mind and in good health. This limits the likelihood that your wishes can be successfully challenged and avoids decisions made in haste or under intense emotional pressure.

d) What happens if I don't have a will?

If you do not have a will, you die intestate. In such a case, the state will oversee the distribution of your assets. Contrary to popular opinion, the state does not inherit your assets, but rather distributes them according to a set formula. The formula often results in half of your estate going to your spouse and the other half going to your children. Such a scenario can result in the sale of the family home or other assets, negatively impacting the surviving spouse. This can create financial and emotional difficulties, particularly if your spouse was counting on the bulk of your assets to maintain his or her standard of living. Further complications can arise if your children are minors, as the court will appoint a representative to look after their interests.

Tax considerations are another important issue to consider, as a properly prepared will can minimize tax liability. This is particularly important to people with large estates.

e) What do I do with it once it is done?

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

f) The bottom line

Making a will is a necessary and usually fairly simple process that can save your family time, money and grief as well as give you peace of mind.

Summary:

To make sure that your money and property is going to the people you want to, when you die, write a will. A will is a signed document which spells out how, and by whom, you want your property to be managed after your death and who should benefit from it. Don't forget to update your will whenever you get or lose property, children, a partner etc; sell or give away the property you included in your original will. Your dependents should know where to find your will.

"Write a will to protect your investments for your

Session 9: Keep Records to Manage Your Money

OBJECTIVES:

By the end of the learning session, participants will have:

- Identified the different types of financial records and their purposes
- Described how they can organize and safeguard their financial records

PRIORITY 3 – This session is rather advanced and not necessary in a very basic training

TARGET GROUPS: Literate people only

TIME:
30 minutes

PREPARATIONS/MATERIALS:
Prepare copies of different types of financial transaction documents and records, including:

- Income records, pay slips/stubs
- Debts payments schedule
- Expense records
- Receipts for payments made
- Savings passbook
- Bank statements
- Rental agreements
- Loan agreements

Flip chart paper
Masking tape
Markers
Files, envelopes, boxes, notebooks, plastic bags

STEPS:

1. Identify financial records and their purposes – 20 minutes
2. Discuss how to organize and safeguard your financial records – 10 minutes

STEP 1: Identify financial records and their purposes – *20 minutes*

Tell the participants the following:

Keeping records of your financial transactions is helpful for managing your money. You can always refer to the recorded information to check past transactions as well as to inform future planning.

What are some other reasons to keep financial records?

Listen to a number of responses. Then review the following information:

- Good records provide the financial information you can use to operate more efficiently and increase your profitability. Accurate and complete records enable you to identify all your business assets, liabilities, income and expenses. This information helps you pinpoint both the strong and weak aspects and phases of your business operations.

- Good records provide the specific amounts of past expenses that will help you develop a budget for the future.

- If you operate a business, good records will help you prepare current financial statements, such as the income statement (profit and loss) and cash-flow projection. These statements, in turn, are critical for maintaining good relations with your banker. If you plan to ask for a loan, your banker is likely to ask for these records in order to get a financial picture of your business.

- Good records are critical at tax time. Poor records could cause you to underpay or overpay your taxes. Up-to-date and accurate records are essential if you are ever audited.

Ask the participants the following:

What documents and records do you currently use to manage your money?

List these on a flip chart as they are cited. Distribute the examples of these documents that you have collected to small groups of 2 or 3 participants. Ask each group to study 1 or 2 documents and discuss the following.

What information is provided by the document? After a few minutes, ask participants to respond and list the information next to the document type.

Here is an example of what the lists can look like.

Financial Documents	Information Provided
Budget	Projected income and allocation to different expenditures
Receipts	Amount and date of payments made
Loan agreements	Amount of loan, duration, installment amounts, due dates
Daily/Weekly income and expenses form	Daily expense and income record by week
Savings passbook	Amount and date of savings withdrawals and deposits
Bank statement	Deposits, withdrawals, interest earnings, fees on bank accounts
Insurance agreement	Insurance payments, terms and conditions
Pay slips	Amount of wages earned and date

Tell the participants:

Turn to a person sitting next to you and tell them which documents you have and which ones you do not have, but think you need, to improve your money management. How would these help you?

Give the groups 3 minutes for this. Then ask for a few volunteers to respond to the following.

What documents do you need to improve your money management and how will they help you?

STEP 2: Discuss how to organize and safeguard your financial records – *10 minutes*

Ask participants to pick a partner and discuss how to answer the following question:

How can you organize and safeguard these records?

Ask a volunteer to report on their discussion. Ask others for additional contributions. Make sure that the following points are mentioned.

Maintaining Financial Records

- Keep budgets and cash-flow tracking records in a notebook
- Have envelopes, files, boxes or plastic bags to separate and keep receipts, passbooks, loan documents, insurance forms, etc.
- Keep all the documents for 1 year together
- Keep records where they are least subject to fire, floods, theft and other hazards

Demonstrate the record-keeping methods and techniques using the envelopes, files, plastic bags and boxes you have brought. As you show these, ask participants to comment on which of the methods they use and how. Ask them to comment on the method(s) that are most attractive to them.

Tell the participants:

Now think about how you organize and safeguard your financial records and identify 1 or 2 ways you can improve your methods.

Give the participants a few minutes to think individually about this. Then ask for a few volunteers to share their ideas.

Thank the group for their good work today.

SAVINGS: *"YOU CAN DO IT"!*

Session 1: Savings: What Are They and Why Save?

OBJECTIVES:

By the end of the learning session, participants will have:

- Defined savings
- Described and categorized purposes of savings
- Identified how to overcome savings difficulties

PRIORITY: 1 - This session is important to all targets. Understanding and being able to save is important to all.

TARGET GROUP: All **-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used, draw instead of write on cards

TIME:
40 minutes

PREPARATIONS/MATERIALS:
Blank cards for each participant
Markers
Masking tape
Flip chart paper

STEPS:

1. Introduce the module on savings – 5 minutes
2. Define savings and why people save – 15 minutes
3. Create a case study family – 15 minutes
4. Identify the difficulties of saving – 5 minutes

STEP 1: Introduce the sessions on savings – *5 minutes*

Say the following:

Welcome to the financial education training about savings. Through the activities in this module we will work with you to improve good savings practices. The following topics will be covered:

Savings: What are They and Why Save?
Set Savings Goals
Increase Your Savings
Save for Emergencies
Decide How to Save
Compare Savings Services
Select Savings Products

Meet with the Providers of Savings Services
Make a Savings Plan
Encourage children to save

STEP 2: Define savings and why people save – *15 minutes*

Ask the large group the following question:

What are savings?

Listen to a number of responses from the group. Then post the following flip chart and summarize their ideas as you review each point.

What Are Savings?

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

Note: Saving is a fundamental part of money management

Give the participant the blank cards and ask the following:

What are 3 reasons why people save?

Write one reason on each card. Write large enough for all to see.

When the participants are finished, ask them to post their "reason cards" on the wall.

If participants do not read or write, encourage them to express their ideas in drawings, however simple, or allow them to call out the reasons and write each on a card for them.

The reasons may include the following:
- Sickness
- Asset acquisition (House, Bikes, Motorcycle etc)
- Emergencies
- Weddings
- Funerals
- Old age
- To pay for basic household items during a season of low income
- Education

- Home improvement
- Invest in business
- Luxury items
- Childbirth
- Gifts
- Holidays/Festive season

Next, say:

Let's look at these cards again. What savings purposes are similar?

Group the savings cards into similar categories based on participants' suggestions. Ask:

What can we name these categories?

Help the participants come up with appropriate names for the different categories of savings. See the example below.

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

Say:

Every individual or family has different reasons to save. Saving helps us to protect against future unexpected events, plan for future anticipated events and build assets. It also permits us to enjoy the pleasures of life. But despite the obvious benefits of saving, many people do not do it.

STEP 3: Create a case study – *15 minutes*

Explain the following:

You are going to create an imaginary family to use in this savings training.

Divide participants into 5 groups. Give the groups a brief description of their imaginary family (from the list below), and a flip chart and markers to draw it.

- Grown couple with older children away from home.
- Newly married couple just starting out.

- Widow with four young children.
- Couple with teenagers living in an area with frequent flooding.
- Couple with three daughters. He's a salaried worker and she is self-employed.

Instructions to create an imaginary family *(read aloud)*

Each group has a brief description of an imaginary family. Following these guidelines, draw the family members. In a balloon next to each family member, describe their characteristics.

Include the following:

- Their age
- Their occupation (housewife, self-employed, salaried, student, etc.)
- Their short- and long-term goals

For your family, decide the following:

- The level and frequency of income (daily, weekly, seasonal)
- The type of housing they live in (the roof and wall materials)
- Their assets

Draw this information about income, housing and assets in the background of the picture.

Share an example such as the one below.

Wife—

- Age 39
- Small restaurant
- Goals: increase size of business, repair roof of house

Explain:

You will have 10 minutes for this activity. Your example can be simpler than it would be in real life. We will use these families to explore the difficulties of savings and the tools that can help meet those difficulties. We can apply the lessons we learn to our own situations.

After 10 minutes bring participants back together so they can present their imaginary families. Give each group 2 minutes to present.

Ask the participants:

How do these families remind you of your family?

After hearing a number of responses, make the following point:

Although these families are imaginary, examining their savings goals and difficulties will help us learn to deal with the difficulties in our own families.

STEP 4: Identify the difficulties of saving *–5 minutes*

Ask:

Why is it difficult to save money?

Write the answers on a flip chart. Acknowledge the barriers that participants have named.

Barriers to saving money

Give the groups a few minutes to talk about the specific difficulties their case study family faces when trying to save. Ask someone from each group to report.

Say:

With all these difficulties in trying to build up savings, we know that saving is hard work. To save when you have little to start with requires sacrifice. In order to save, you will likely have to give up something important. It takes discipline.

Ask:

What can be done to overcome these barriers to saving?

Ask for volunteers to share their ideas. Highlight the common themes. Be sure to include the following 2 rules of saving:

Two Rules of Saving

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

Explain that the sessions on savings will focus on learning how to confront some of the difficulties discussed today.

Session 2: Set Savings Goals

Objectives:
By the end of the learning session, participants will have:
- Set short- and long-term savings goals
- Ranked the importance of savings goals
- Developed a savings plan for the family

Priority 1: The session is the basis of promoting savings to the different targets

Target Group: All - this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

Time:
40 minutes

Preparations/Materials:
Flip chart

Steps:
1. Set savings goals - 15 minutes
2. Rank the importance of savings goals – 10 minutes
3. Develop a savings plan for your own family – 15 minutes

STEP 1: Set savings goals – *15 minutes*

Say:

We have talked about the different reasons people save. Now please find the group with which you created an imaginary family. In your groups, consider the following question.

What are the savings goals of your imaginary family?

List these goals on a piece of paper or remember them.

After the participants have listed the goals, explain the following:

- Savings goals can be short-term or long-term.
- Short-term goals are those that will be reached in less than 1 year, such as paying school fees.

- Long-term goals are those that will take more than 1 year to reach, such as home improvements or buying a house.

Review the goals of your case study family. Separate the short- and long-term goals.
Use the table to set savings targets for your imaginary family. Leave the last column blank for now.

Post a flip chart of the table and demonstrate how to use it with the example provided. Give the participants about 10 minutes for this exercise.

Savings Goals and Planning Worksheet

Savings Goal	Lump Sum Needed	When Needed?	Amount of Savings Required per Week or Month	Ranking of Importance
Short-term				
Education fees	UGX 600,000	In 4 months	UGX 150,000/month	
Emergency Fund	UGX 200,000	In 4 months	UGX 50,000/month	
Long-term				
House improvement	UGX 1,800,000	In 36 months	UGX 50,000/month	
Total Savings Required	UGX 2,600,000		UGX 250,000/month	

Ask each group to present its work. Encourage the other groups to ask questions.

STEP 2: Rank the importance of savings goals - *10 minutes*

Explain:

Review the savings goals you have set. Because it may not always be possible to reach all of your goals, you should know which ones are your priorities. Rank the goals of your imaginary family in order of importance using 1 for the most important, 2 for the next most important and so on.

When the groups have finished, ask 2 or 3 volunteers to answer the following:

Why have you ranked the savings goals this way?

Discuss the importance of saving for the most critical needs such as health, education and shelter.

STEP 3: Develop a savings plan for your own family – *15 minutes*

Say:

Think about your savings goals for your own family. What do you need to save for in the short term? What future long-term goals do you have? To achieve your financial goals, you will need a plan that states each goal, the amount of money you will need to achieve that goal, and the amount you will save each week or month over a defined period. To make this plan, you must look at your income, determine how much you have available to set aside as savings, and decide your savings priorities. Which goals are most important to you? A clear plan will help you know what to do, increase your discipline to save and be more successful in reaching your savings goals.

If participants do not read and write, ask them to think of at least 2 short-term savings goals and 2 long-term savings goals. When they have identified their goals, ask them to answer the following questions for each goal:

How much will it cost to reach this goal?

When do you need the money?

How much will you need to save every week or month?

When nearly everyone has finished, ask the following:

Which goal is most important, next in importance, and so on?

When nearly everyone has finished, ask the following:

How is setting your own savings goals different from doing it for an imaginary family?

How are your priorities (the way you ranked your goals) different from those of the imaginary family?

Explore the way participants feel about setting goals for their own families:

How do you feel when setting goals for your own family?

How much more difficult is it to think about your own savings goals and priorities? Why?

Tell participants to follow these four steps to achieve their savings goals:

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

Then ask:

What did you learn about how your family could develop savings goals and save more?

Acknowledge how difficult it can be to develop savings goals. Thank everyone for taking on the challenge!

Session 3: Increase Your Savings

OBJECTIVES:

By the end of the learning session, participants will have:

- Identified savings goals
- Determined one family's capacity to save
- Identified actions that the family can take to increase savings

PRIORITY: 2 – it is important to introduce the notion of savings goals, however, the session can be shortened for some groups

TARGET GROUP: All **-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
45 minutes

PREPARATIONS/MATERIALS:
Handout
Flip chart paper
Markers

STEPS:

1. Explain how to save using a story – 30 minutes
2. Reinforce the rules of saving with a song – 15 minutes

STEP 1: Explain how to save using a story – 30 minutes

Ask the following:

What can people do to save more money?*(Cut spending, save a portion of income as soon as it is earned, invest and use a portion of returns, have less debt, etc.)*

Summarize the ideas of the group, making the following points.

Where Do Savings Come From?

- Setting aside a portion of income
- Cutting costs (household expenditures, debt payments, optional expenses)

The amount you can save depends on the amount of money you have available. For many people, having money to save depends on the time of year. Let us examine one family's situation and determine the amount they can save and when.

Read the story to the group, or pass it out with the questions if the participants read well, and ask them to read the story.

Maria's Family

Maria and her husband, George, live in a suburb in the outskirts of Mbale town. She has a small restaurant and he works as a manager on a big poultry farm. They have 4 children: Joseph, age 13; Joan, age 10; Jackson, age 4; and baby Juliet, age 10 months. They work hard just to pay for food and rent. They struggle each year to pay school fees for Joseph and Joan in January, May and August. In the rainy season, the business does not do well but does well during the dry season and during school holidays in December and January. Maria takes loans from PRIDE MFI every year early December. She also borrows often from her women's group to supplement PRIDE MFI's loans and pays for school fees and emergencies. PRIDE MFI's loan payments are due monthly. She sometimes uses one loan to make payments on the other one. It is tradition for the family to buy new clothes and hold a big party during each of the holidays.

Ask the participants:

What are the savings goals of Maria's family? *(Emergency funds, school fees, getting through the rainy season, invest in the business to reduce loans required)*

List the goals on a flip chart. Then ask participants to rank the goals in order of priority.

What are the most important, next most important (and so on) goals for Maria's family?

Write a number 1, 2, 3…..and so on after each goal.

Please form groups of 5 and discuss how to answer the following question. Be prepared to report back to the large group after 5 minutes.

When and how can Maria's family save?

Make sure the following points are covered by the groups:

- Save during the dry season, when the restaurant is doing well.
- Reduce holiday spending and save the money instead.

- Reduce the amount of loans.
- Take a small amount of income out of restaurant sales during the dry season and the holidays.
- Start another business during low periods for the restaurant and save some of the earnings.
- Purchase food and supplies in bulk when there is money, and therefore save on expenses.

Tell the participants the following:

Take a few minutes to write down (or think about) 2 ways your own family can save more based on what you have learned.

After a few minutes, ask for volunteers to share their ideas.

Tell participants that one by one makes a bundle.

You don't need much money to start saving. Whether you are a student, a farmer, a teacher, nurse, banker, market vendor, taxi driver or a business person, you can always put a little money aside. When you save regularly, your money will "grow" as shown in the table below:

	Month 1	Month 2	Month 3	....	Month 24	Total Savings
John	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**240,000**
Jolly	**50,000**	**50,000**	**50,000**	**50,000**	**50,000**	**1,200,000**
James	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**2,400,000**

STEP 2: Reinforce the rules of saving with a song – *15 minutes*

Explain:

With savings, taking action can be harder than discussing ideas. It is easy to understand why saving is so important for our financial security, but harder to actually save. We have identified the many difficulties to saving that many of us know well. It is easy to conclude "We have no money to save". It is much harder to force ourselves to find a little something to save each day or each week, even if it is only a penny. To do this, you must follow the basic rules of savings we discussed above.

Divide participants into 2 groups and assign each group 1 of the savings rules. Their task is to make up a short song about this rule.

Two Rules for Saving

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

Explain:

Each group will make up a short song to sing about their assigned savings rule. Your tune should be easy to remember so that you can sing the song often. You can use a tune you already know, or make up a new one. The song can include other words as well or simply repeat the savings rule to music.

Give them 10 minutes for this exercise.

Ask the groups to perform and teach their song to each other.

Thank the participants for their hard work, creativity and musical entertainment!

*(**Note**: Have fun with the song! It may seem awkward at first, but if participants come up with a song that is funny, or memorable in some other way, you should ask them to sing it again periodically throughout the training. You can offer a prize to whoever remembers the song, whoever volunteers to sing it, whoever initiates singing at the end of a session, etc. Use your own creativity!)*

Session 4: Save for Emergencies

OBJECTIVES:

By the end of the learning session, participants will have:

- Listed the types of emergencies and their consequences
- Practiced estimating the amount of money needed for emergencies
- Described how they can cope with emergencies by having an emergency fund
- Included emergencies in savings goals

PRIORITY: 1 – Everyone needs to become aware of the importance of saving for emergencies

TARGET GROUP: All- this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
55 minutes

PREPARATIONS/MATERIALS:
Flip charts paper
Markers

STEPS:

1. List emergencies and their consequences – 10 minutes
2. Estimate the amount of money needed for emergencies – 30 minutes
3. Discuss how to maintain the emergency fund – 5 minutes
4. Include emergencies in the savings goals – 5 minutes
5. Saving for special events – 5 minutes

STEP 1: List emergencies and their consequences *– 10 minutes*

Explain:
One of the most important reasons to have savings is to pay for emergencies and other unexpected events. Let us brainstorm the types of emergencies and unexpected events that can occur at any time.

Write the ideas on a flip chart. Then ask:

What emergencies do you think will have the most severe financial consequences?

Circle the emergencies that they mention. Choose no more than 5 or 6. Say:

Get into the groups you have worked with to create an imaginary family. Discuss how to answer the following questions:

What are the emergencies that your imaginary family is likely to face in a year?

What will be the consequences for the family if they do occur?

Give the groups 5 minutes to discuss these questions. While they are discussing, put up the blank flip chart with 2 columns labeled "Type of Emergency" and "Consequences" (see below). Then ask each group to report on a different type of emergency and the consequences.

Record their ideas on a flip chart.

Type of Emergency	**Consequences**

When they are finished, summarize by saying:

Emergencies mean immediate costs to the family. The costs may include medical bills, rebuilding from a disaster, replacing stolen goods or keeping up loan payments even after you have lost your business. If a principal income earner is unable to work due to an emergency, the family will lose even more income.

STEP 2: Estimate the amount of money needed for emergencies – *30 minutes*

Ask participants the following question:

What can be done to cope with such emergencies?

After hearing a few ideas, say the following:

Every family should have an emergency fund to handle relatively small emergencies. It cannot replace a house or pay for a long-term illness.

The emergency fund is an important reason for saving as it can help you manage many smaller unexpected events and prevent further losses. The rule for the amount of money to be kept in the emergency fund is as follows:

Post the following on a flip chart.

How Much Money Should You Save for Emergencies?
Set aside at least 3 times your current average monthly income.

The more people you care for, the more money you are likely to need for emergencies and unplanned events. Larger families should keep 6 times the average monthly income in an emergency fund.

Let us practice estimating how much money to put in an emergency fund.

Show Maria's family earnings on a flip chart.

Here are Maria's family earnings each month for one year.

Maria's Family Earnings	
Month	**Amount (UGX)**
January	**400,000**
February	**300,000**
March	**150,000**
April	**150,000**
May	**250,000**
June	**350,000**
July	**300,000**
August	**250,000**
September	**300,000**
October	**300,000**
November	**400,000**
December	**450,000**
Total	**3,600,000**

What is the total amount Maria's family needs to keep in an emergency fund?

Demonstrate on a flip chart or board how to calculate the amount of money to keep in an emergency fund.

Annual income divided by 12 months in a year = Average monthly income
UGX 3,600,000 divided by 12 months in a year = UGX 300,000

Three times her average monthly income: UGX 300,000 x 3 = UGX 900,000

Maria's family needs to have UGX 900,000 in an emergency fund.

In your groups, examine your imaginary family's situation and decide how much they need to keep in an emergency fund.

Give the groups about 10 minutes for this exercise. Bring the groups back together to share their responses.

Ask the following questions:

What are the difficulties that a family can have in trying to set aside this much money?

What is your advice to them?

List the difficulties and the advice on a flip chart similar to the one below:

Difficulties	Advice
I barely have enough money to feed my family and pay for other basic necessities.	• **Start setting aside something, even if it is only a very small amount, every day or every week. The amount will grow.** • **Look hard for ways to cut unnecessary spending.** • **Cutting down on consumption, such as alcohol and on buying new clothes for every function, enables you to save more money to provide for you and your family's future.**
When I save, my husband always asks to use the money I have saved.	• **Keep money in a secure location, preferably out of the house so it is not accessible. Open a bank account.**
My income is irregular.	• **Save different amounts each time you earn some income.**

Make the following point:

Remember, the purpose of your emergency fund is to cover small emergencies. Most of us will not be able to keep enough money to cover big losses such as our homes or crops.

STEP 3: Discuss how to maintain the emergency fund – *5 minutes*

Explain:

You will need your emergency fund from time to time. As you use it, it will decrease.

What are your suggestions to maintain enough money in the emergency fund?

Summarize the ideas, making the following points.

- When you use the fund, replace the money as soon as possible.
- Decide how much you can contribute to the emergency fund each day, each week or each month, and stick to your plan.

STEP 4: Include emergencies in the savings goals – *5 minutes*

Ask the participants to get back into groups to discuss their case study families. Say:

Please discuss how to answer the following question:

What changes will you make to the goals of your imaginary family to address emergencies?

Give the groups 5 minutes to review the goals and make changes. Ask for 2 or 3 volunteers to share their changes.

STEP 5: Save for special events – *5 minutes*

Ask the participants to list special events that they can save for. After they have listed those special events, explain the following.

One should have a savings account or a small tin or box to save for luxuries such as birthdays, a wedding ceremony or holidays. You can plan ahead for this and hence save over a long period of time. For example, if you plan to have a wedding at the end of next year, you can plan to save UGX 100,000/= every month for 20 months. By the wedding day, you would have saved UGX 2,000,000/=. It is your right to enjoy your money if you plan and save towards such luxuries.

Close the meeting by saying:

Savings are very helpful in addressing unexpected or unforeseen problems such as illness, accidents, unemployment, robbery, drought, funerals, too much rain that destroys crops etc. In such situations, your savings can help you as you recover. Make sure that you keep money for emergencies. If you ever have to use part of your emergency fund, top it up again as soon as you can.

If you plan ahead for emergencies, you will have more success reaching your other goals. With an emergency fund you can avoid using the savings you have for goals such as education and housing improvements. You can also avoid costly borrowing.

Session 5: Decide How to Save

OBJECTIVES:

By the end of the learning session, participants will have:
- Listed conditions that help people save successfully
- Debated which conditions we can and which we cannot control
- Listed ways to save more

PRIORITY: 1 – This session is important to motivate people to start and maintain saving

TARGET GROUP: All **-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
35 minutes

PREPARATIONS/MATERIALS:
Flip chart paper
Markers

STEPS:
1. Identify factors that best help people to save – 15 minutes
2. Decide how to save – 20 minutes

STEP 1: Identify factors that best help people to save – *15 minutes*

Tell participants the following:

Form groups of 5. Select a person to record and list the responses to the following question.

What makes it most likely that people will save?

List everything you can think of in 5 minutes, and then we will see which group has come up with the most ideas.

While they are working, post the flip chart titled Internal/External Factors Influencing Savings.

After 5 minutes ask the groups to tell you how many ideas they have. Congratulate the group with the most ideas. Ask this group to report all of its ideas and list them on a flip chart. Then ask the other groups to add any ideas that have not been mentioned. The ideas may include the following:

Internal/External Factors Influencing Savings

- A safe place to keep savings
- <u>A good savings plan</u>
- <u>Discipline</u>
- Family support for the decision to save
- <u>Motivation to meet personal goals: house, marriage, education, etc.</u>
- A convenient place to save (close to home, easy to get to, etc.)
- Interest on savings
- <u>Desire to resist temptation to spend money on luxury items</u>
- Size of allowable deposits fits ability to save
- <u>Willingness to reduce expenses</u>
- <u>Ability or opportunity to earn more income</u>

Now, let's look at this list and underline those items that we ourselves can control. These are all things that do not depend on other people or external or environmental factors.

Differences in opinion are likely to emerge as the group identifies those factors within our personal control. When there are differences, encourage a short debate between persons with different opinions.

Ask a person who thinks it is within our control, to answer the question:

Why is this condition for saving within our control?

Then ask a person who thinks it is not within our control to answer the question:

Why is this condition for saving not within our control?

Then say:

Often people will say things are outside their control when they are really within their control. They are not confident that they can take action to save. They give up too easily. It is important to recognize those things that are in our control.

STEP 2: Decide how to save – *20 minutes*

Give the following instructions:

Select a partner. Pretend that one of you does not save while the other is a good saver. The good saver is going to tell her partner how she can save more. Raise your hand if you are role-playing the good saver.

When all of the partners have decided who the good saver is, start the exercise. Give the small groups 5 minutes. Then ask 4 or 5 volunteers to tell the group what they discussed.

What are the ideas you shared about how to save more?

Summarize the ideas given by the volunteers. Make sure to cover the ideas listed below:

To help you save more, you can…

- Decide to save more.
- Decide what amount you want to save every day or week.
- Find ways to spend less and save the money for more important things.
- Set aside some of your earnings or goods as savings.
- Learn about the savings services available in your community.
- Open a savings account.
- Agree with other family members to help each other make regular savings.
- Find people who save and ask them for ideas about how to save more.

Summarize the discussion by saying:

You have identified many ways to save during this session. You do not need to have a lot of money to save. Everybody can save a little money on a daily or weekly basis. You need a plan and the discipline to stick to it by controlling your spending. If we apply these things we can increase our ability to save.

Ask for a few volunteers to respond to the following question:

What is one thing you will do this week to help yourself save?

Encourage the participants to put their ideas into action.

Thank them for their good work.

Session 6: Compare Savings Services

OBJECTIVES:

By the end of the learning session, participants will have:

- Identified savings options
- Distinguished between formal, semi-formal and informal savings services
- Described the advantages and disadvantages of formal, semi-formal and informal services, including degree of risk
- Identified the features of savings services that will influence their choice

PRIORITY: 1 – Everyone needs to know about the options for saving

TARGET GROUP: All **-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
55 minutes

PREPARATIONS/MATERIALS:
Flip chart paper
Markers
Masking tape

STEPS:

1. Identify savings vehicles that are available to people in this community – 20 minutes
2. Discuss the advantages and disadvantages of different methods of savings – 20 minutes
3. Determine which savings service is safest – 5 minutes
4. Identify features that might influence our choice of savings service – 10 minutes

STEP 1: Identify savings vehicles that are available to people in this community – *20 minutes*

Ask the participants the following:

What are the ways people save in your community?

Probe for all the ways people save, from home to banks. Write their answers on a flip chart or summarize them orally.

Explain the following:

There are many vehicles for savings, both formal and informal.

A **formal** savings institution is regulated by a government agency to ensure the safety of savings. Usually, formal savings services pay interest on savings. And some institutions insure savings. That is, if the institution loses your money, the government will reimburse you for your losses up to a certain amount.

Semi-formal savings methods fall in the middle between the formal and informal. Semi-formal savings institutions offer organized services but are not supervised or regulated by the Central Bank. They include savings and credit cooperative societies (SACCOs).

An **informal** savings vehicle is one that does not have oversight from a government agency. The members of the group or the individual manage the savings. You may keep your savings in cash, or in kind like livestock.

Now return to the list of savings methods people use in this community. Invite the group to help you decide which is a formal, informal or semi-formal way to save. Mark informal with an "I", formal with an "F" and semi-formal with an "S". See the chart below to assist you.

Formal (F)	Semi-Formal (S)	Informal (I)
• **Commercial Banks** • **Credit Institutions** • **Micro Deposit taking Institutions**	• **SACCOs**	• **Groups like Village savings and credit associations, solidarity groups, self-help groups** • **At home (in cash)** • **In kind (gold, livestock, land, etc.)** • **Others**

For each category, ask participants to raise their hands if they respond positively to the following question:

Who has used one of the services in this category?

Announce to the group that those who raised their hands are the resource people for this category. Ask them the following:

How does the service work (deposit and withdrawal requirements, interest, etc.)?

How have you used the service?

For each category of service, invite the group to ask the resource persons questions about the service.

Clarify when necessary and keep a list of issues that remain unanswered or unresolved.

STEP 2: Discuss the advantages and disadvantages of different methods of savings – *20 minutes*

Divide the participants into small groups (it is recommended to mix the existing teams as the task does not concern the case study families).

Put the different types of savings services on cards. Ask each group to pick 1 or 2 cards.

Give the groups the following instructions:

For each savings service you have selected, discuss its advantages and disadvantages.

Give the groups 5 minutes for this exercise.

While they are working, post a blank table as shown below, drawn on a flip chart.

Savings Service	**Advantages**	**Disadvantages**	**Risk Rating**
Formal			
Semi-formal			
Informal			

When they have completed this discussion, bring the groups back together and ask them to put their "Service Card" in the "Savings Service" column of the table on the flip chart and report their ideas about its advantages and disadvantages. Write their ideas in the appropriate columns on the flip chart. The result will look like the table below:

Savings Service	Advantages	Disadvantages	Risk Rating
Formal			
Commercial Banks Credit Institutions Micro Deposit taking Institutions	• Safest option as they are supervised by the Central Bank and deposits are protected under the deposit protection fund • Less temptation to withdraw and spend • May earn interest • Access to wider range of savings products (fixed deposit, current account, etc.) • Helps to manage money • Can save time on bill payments as you can do electronic transfers	• Low remuneration • Minimum deposit required to open account may be a barrier • May charge fees • Sometimes long queues and delays inside the bank • Can be confusing • Less accessible to the poor and those who cannot read and write.	
Semi-Formal			
SACCOs	• Easy access • Savings often linked to credit • May earn dividends • Group rules about frequency and amount of deposits encourages saving • Discipline	• Safety not guaranteed • May or may not earn interest • Risk of mismanagement by leadership due to low supervision	
Informal			
Groups like: - Village savings and credit associations - Solidarity groups, self-help groups	• Easy access • For VSLAs: high interest earned on savings • Additional services like welfare, easy access to loan	• Safety not guaranteed • Too easy to spend and 'waste' on non-essential items. • Limited access to savings / withdrawals subject to group approval	
At home (in cash) In kind (gold, livestock, land, etc.) Others	• Value might increase over time • Must sell to access cash—decreases temptation	• Difficult to liquidate in case of emergency • Value might decrease over time • Risk of theft or death (in case of animals)	

STEP 3: Determine which savings service is safest *– 10 minutes*

Ask:

What bad things can happen to your savings?*[Savings get stolen or lost, lose value, get used to pay my own bad debts or the bad debts of others, used by family members, not available due to problems with the bank or SACCOs.]*

Look at all the types of savings services we have talked about and answer the following question.

What savings services are safer than others? Why?

Ask for a few volunteers to give their ideas and then explain:

We are going to evaluate each service for how safe your money is there. We will use a scale of 1, 2, 3 to rate each service. One is low safety. Two is average safety—"sort of" safe. Three is very safe.

Return to the chart and point out the last blank column. Ask participants to consider each service and give it a 1, 2, or 3 depending on how safe they think it is. For each service, call on 3 volunteers to share their ranking and fill in the squares in this last column with their votes. If participants disagree, encourage discussion to air all points of view.

STEP 4: Identify features that might influence our choice of savings service *– 10 minutes*

Say:

We have many ways to save, each with its own positive features and weak points. Some of us might be most interested in earning the highest possible interest rate; others might be more concerned about convenience and look for the closest place to save.

Ask:

What are the characteristics of savings services that are important to consider when selecting a service?

Solicit a number of responses and write them on a flip chart. If not all of the following are named, add missing items from below to the list.

Characteristics to Consider When Choosing a Savings Service

- Access
- Convenience and ease of use
- Opening deposit requirements
- Safety
- Interest earned on savings

Ask participants to turn to the person next to them and exchange their ideas about which of these elements would be or is MOST important to them:

If you had to choose one item from this list as the MOST important factor when selecting a savings vehicle, which would you choose for yourself? Why?

After 5 minutes, ask several people to share their partner's choice and why it is important.

Make the following closing points:

Savers choose different kinds of services because they each have different needs and priorities. It is important that you choose the service that is right for you.

No matter where you save, make sure that your money is safe.

In licensed financial institutions, such as commercial banks and Microfinance Deposit taking Institutions (MDIs), your savings are insured up to UGX 3,000,000/=. If the institution closes, you will be paid back up to UGX 3,000,000/=. If you had saved more than UGX 3,000,000/=, you may get back some or all of the rest of your money when the institution has paid off its debts. Licensed institutions will not easily close down as they are closely monitored by the Bank of Uganda to make sure they are reliable.

It's only in a few SACCOs that savings are insured. When you want to keep your savings in a SACCO, it is wise to ask other members what their experience has been before you start.

When you save with a Village Savings and Loans Association or a group of friends, make sure you can trust the other group members and ask for regular accountability to reduce the risk that someone walks away with your money. Also check that the group's money is kept in a safe place where it cannot easily be stolen.

Don't save large amounts of money at home. It might easily get stolen or destroyed by fire, insects or other animals.

Conclude by saying:

You can see that when deciding to save, interest earned is only one of the considerations, and sometimes it is not the most important one. Each of us will have to choose which of these features matters more to us in relation to our savings goals.

We need to understand the terms and conditions of each institution's products to determine whether they are right for us. The same product will be slightly different at each bank.

Thank the group for their hard work.

Session 7: Select Savings Products

OBJECTIVES:

By the end of the learning session, participants will have:

- Stated the features of different savings accounts offered by formal banks
- Matched savings goals with specific savings products
- Identified the appropriate use for each type of savings account

PRIORITY: 2 - Making a savings choice is important in achieving the desired goal

TARGET GROUP: All- this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
60 minutes

PREPARATIONS/MATERIALS:
Flip chart paper
Cards

STEPS:

1. Examine what you need to know before accessing savings – 15 minutes
2. Match savings products to savings goals – 10 minutes
3. Present and discuss formal institution savings products – 10 minutes
4. Select a product to match specific savings goals – 20 minutes
5. Determine which type of account would be most helpful – 5 minutes

STEP 1: Examine what you need to know before accessing savings– *15 minutes*

Distribute the participants in groups and say:

In your groups, discuss the following question and make a list of your answers.

When you visit a financial institution to learn about its savings services, what questions will you ask?

Give the participants 5 minutes for this exercise. Then ask for volunteers to share their ideas.

Summarize their ideas and be sure to mention anything below that they did not say.

Questions on Savings

- What are the different savings products available?
- What is needed to open a savings account?
- What is the interest rate on the money saved in a month?
- What charges are deducted from the savings account?
- Does the institution possess an ATM machine?
- What is the cost of with-drawing from the counter compared to the ATM machine
- What is the minimum amount required on the savings account?
- How often must deposits be made?
- How often can one withdraw from the account in the week?
- If I deposit my money, can also get a loan?

STEP 2: Match savings products to savings goals – *10 minutes*

Say:

Now we are going to talk about the different types of savings products that are available and match the products to different savings goals. To do this, let us remember some of the things we learned in previous sessions.

First, let us review the features of savings services that are important. They include the following:

- Access
- Convenience and ease of use
- Opening deposit requirements
- Safety
- Interest earned on savings

Then say:

Let us also remember the difference between short-term and long-term savings goals.

Ask the participants:

What is an example of a short-term savings goal? What is another example?

What is an example of a long-term savings goal? What is another example?

Thank you for these examples. As you remember, a short-term savings goal is for an expenditure you expect to occur within 1 year. A long-term savings goal is one you expect to occur perhaps in 2 or 3 or even more years.

Explain the following:

Whether you are saving for school fees for next term or for a house, you are putting money aside and resisting the temptation to spend it.

How do you think your savings goal will influence how you save?
(For short-term goals, you put aside as much money as you can within a defined period of time. When that period is over, you withdraw your savings to meet the goal - to pay the school fees or attend a family wedding, for example. Then you start saving all over again. For long-term goals, you may save a smaller amount on a regular basis over a longer period. You hope not to withdraw it and just keep saving until you reach your goal.)

Explain:

Banks have various savings products that are tailored to your savings goals. The longer you agree to leave your money in the bank, the higher the interest rate the bank will pay. If you need to make frequent withdrawals, you will likely have an account that earns a lower interest rate.

Ask:

What features of a savings account will help you save when you are saving for the long term?
(high interest rates; limited withdrawals)

Now, let's say you are saving for your child's school fees that are due every 3 months.

What features do you want your savings account to have? *(Unlimited deposits and withdrawals, frequent access)*

You can see that different savings goals require different savings products. Let us now learn about the typical type of savings product available at financial institutions.

STEP 3: Present and discuss formal savings institution savings products – *10 minutes*

Explain that one of the advantages of saving at a formal financial institution, such as a bank, is that there is a choice of savings accounts. Tell the participants that they will learn about the most common accounts. Post the prepared flip chart as shown below and review.

Formal Institution Savings Products		
Type of Savings Product	**How it Works**	**Uses**
Ordinary / Regular / Passbook Savings	▪ Voluntary timing and amount of deposits. ▪ Flexible withdrawals. ▪ May or may not pay interest.	▪ Emergencies and unexpected opportunities. ▪ If only one product can be offered, this type of product often is the one that best meets clients' demand.
Contractual Savings (Also known as "accumulated deposit, Time Deposit fixed-term account")	▪ Regular deposits of fixed amount over a pre-determined period of time. Client can decide how much to save for how long (choosing from a pre-set range of terms). ▪ Access to savings restricted until contract is fulfilled. ▪ Penalty is paid for early withdrawal. ▪ Interest usually higher than for regular savings account. ▪ Can borrow against your savings. ▪ Fixed sum for a predetermined term and rate of interest. ▪ Requires minimum deposit. ▪ Inflexible.	▪ For expected needs. ▪ For larger needs expected in future such as marriage, or a major capital purchase.

Ask:

Which account do you prefer? Why?

STEP 4: Select a product to match specific savings goals – *20 minutes*

Divide participants into 2 teams. Give each team 2 scenarios written on cards as shown below. Teams will take turns reading a scenario aloud and asking the other team to decide which savings product is best suited to the saver described in the scenario.

Scenario 1 **Josephine wants to save for her daughter's wedding next year. She has almost nothing saved up to now, but if she puts aside UGX 20, 000 every week for a year, she will have just enough contribution for the wedding. So, it is important that she can't be tempted to dip into these savings for anything else.** ***(Answer: Contractual Savings Account)***	**Scenario 2** **Maria has just completed a learning session on savings for emergencies. Now she is determined to save every month, even if she can only afford a small deposit. She doesn't know what she might need the money for now, but she doesn't want an unexpected illness or accident to ruin her family.** ***(Answer: Ordinary savings will allow her to make small deposits whenever she can and withdraw money when she needs to. Since she does not know when she might need to withdraw money for an emergency, she probably wouldn't want restricted access that would force her to pay a penalty if she takes money out before her contract period is up.)***
Scenario 3 **Anita just received UGX 2,000,000 from her son who is working abroad. She could spend this money on any number of important things, but she really wants to put it away as a contribution to her daughter's university education. Her daughter will be going to the university in 3 years time. Anita knows that she will need a lot of money.** ***([Answer: Since Anita does not plan to spend this money for 3 years, a time-deposit account will earn the highest interest and keep her money safe from temptation to spend it on other things, as penalties are charged for early withdrawals.)***	**Scenario 4** **Mohamed needs a place to save a portion of his sales earnings from his second hand clothing stall. He needs to save for the monthly delivery of clothing bales. He wants to be able to save weekly and withdraw the amount he needs every month to buy a new bale of clothing.** ***(Answer: Ordinary savings operate like a current account for regular deposits and withdrawals. Mohamed will trade access to his account for income and growth, as these accounts typically pay a very low interest rate.)***

STEP 5: Determine which type of account would be most helpful for each of the 4 persons – *5 minutes*

Ask:

Which type of savings account would be most useful for each of the 4 persons described in the stories?

Would you be interested in more than one type of account? Why?

Ask if participants have any other questions about savings products that banks offer. Discuss and clarify the following points.

Make use of a standing order

A standing order is an instruction to a bank to pay a set amount of money at regular intervals from one account to another. Sometimes you may not be disciplined enough to save regularly, so this helps you to save regularly. However, it has charges.

You can go to your bank and set up a standing order to ensure that you do save regularly.

Ask:

What will you share from this lesson with your family?

Listen to the ideas of 2 or 3 volunteers.

Thank the participants for their good work.

Session 8: Make a Savings Plan (this session relates to session 2)

OBJECTIVES:

By the end of the learning session, participants will have:

- Practiced making a savings plan
- Selected savings services that best match a family's goals
- Completed an action plan for increasing their own savings

PRIORITY: 1 – if little time is available, only STEP 3 can be done

TARGET GROUP: All- this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
60/40 (if only STEP 3 is done) minutes

PREPARATIONS/MATERIALS:
Flip charts paper
Markers

STEPS:

1. Modify savings goals and develop savings targets – 20 minutes *(this step is not required if you have also done session 2).*
2. Match savings goals to the best savings service – 20 minutes
3. Prepare a plan to apply what you have learned – 20 minutes

STEP 1: Modify savings goals and develop savings targets – *20 minutes*

Ask participants to return to their case study family groups.

Reintroduce the Savings Goals and Planning Worksheet that was completed in Session 2. Tell them to make modifications based on what they have learned about savings. *Example:*

Savings Goals and Planning Worksheet

	Savings Goal	Lump Sum Needed	When Needed?	Amount of Savings Required per Week or Month	Ranking of Importance	
	Short-term					
	Education fees	UGX 600,000	In 4 months	UGX 150,000/month		

	Emergency Fund	UGX 200,000	In 4 months	UGX 50,000/month		
	Long-term					
	House improvement	UGX 1,800,000	In 36 months	UGX 50,000/month		
	Total Savings Required	UGX 2,600,000		UGX 250,000/month		

Explain:

For your imaginary family to meet its savings goals, determine how much they will have to save each week or month.

Post and review completed example below:

Savings Targets (000s)												
	Months											
Savings Goals	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	12
Education	150	150	150	150								
Emergencies	50	50	50	50								
House improvement	50	50	50	50	50	50	50	50	50	50	50	**50**
Total Monthly Savings Goal	250	250	250	250	50	50	50	50	50	50	50	**50**
Total Saved												

Ask the participants to do the following:
In your case study groups, examine your imaginary family's goals and the amount of savings required to meet each of them. Decide whether your family will be able to reach these goals.

Give the groups 15 minutes for this. Then ask for volunteers to respond.

What do you think about the possibility of your family achieving these goals? What will they have to do?

Thank the groups for their ideas. Say:

The first step in making a savings plan is to match our goals with our capacities to save. The following tips will be helpful

Post a flip chart with the following tips. Read or ask participants to read the tips.

Tips for Saving

- Look for new ways to save on expenses
- Look for new ways to increase income
- Look for new ways to save part of your income regularly
- Examine whether you can meet a goal for less money
- Prioritize your goals

Ask participants to examine their savings plans once more and make adjustments based on the previous discussion. Then ask the groups to present their plans one by one. They should present the original plan (prepared in Session 2) and the new plan, answering the following question:

How did you change your savings plan and why?

STEP 2: Match savings goals to the best savings service – *20 minutes*

Say:

Now that we have a realistic plan, the next step is to select the best savings product for each of our goals.

Ask the participants to return to their imaginary case study groups and then say:

Using the savings services worksheet below, match the savings services that are available to your imaginary families using the information we got.

Give the groups 10 minutes to fill it in and review it with the group.

Selecting Savings Services

Savings Goals	What are the characteristics of savings services most important to the family (access, deposit rules, ease of use, safety, interest, cost, etc.)?	Which type of savings account best responds to their needs?	Which local financial institution offers the best terms, conditions and other features for the family?

Give participants the following instructions for reporting:

Each group will give an example of a different savings goal and then report savings characteristics important for their imaginary family, the type of savings product and the institution that best responds to their goal.

Ask 1 or 2 groups to share their work.

STEP 3: Prepare a plan to apply what you have learned – *20 minutes*

Say:

You have learned many new things about savings by working in an imaginary family. It is time to consider how the lessons learned can be applied in your own family.

What are the most important things you can do to improve savings in your own family?

Encourage the group to mention as many ideas as they can think of. Then invite each one individually to prepare an action plan answering the following question:

List at least four steps you can take home after this course to improve savings in your own household?

When they have finished, ask for 1 or 2 volunteers to share their plans.

Congratulate the group for their terrific work during the savings training.

Stress the "Rules of Thumb for Savings" for participants to take home.

Rules of Thumb for Savings

While basic principles of money management can apply to everyone, decisions to save or consume depend very much on your level of income, access to loans, access to appropriate savings products, and personal discipline. Nevertheless, there are a number of rules of thumb that you can use to guide decisions about savings and consumption.

- Save as much as you can as soon as you can. The more you save, the better off you'll be.
- Save as you earn.
- Try to save 10% of your income even if you don't have a specific purchase or investment for which you are saving.
- Pay yourself first - put 10% of your earnings aside for savings before you do anything else. If you can't afford 10% right away, start with less, but save something.
- Calculate how your money can grow over time if you save regularly in an account that earns interest.

- Don't carry a lot of cash - avoid temptation to spend it!
- Spend carefully. If you purchase big items, consider how much you could resell them for. Look for opportunities to save money by bulk buying of non-perishables.
- Pay off your debts. Some people recommend paying down your debt before you start to save; others recommend saving even while paying down debt because it is important to begin building assets as soon as possible. This choice will depend on individual priorities, situation, and means. Total household debt should not exceed 36% of household income.
- Keep money for living expenses for three to six months in an emergency fund at all times. It can be used in case of job loss, unexpected illness, and to meet other emergency needs. An emergency fund will reduce your anxiety.
- Keep emergency funds in a separate account. Open two savings accounts - one for emergencies that is easy to access and doesn't have any penalties for withdrawal, and one for savings for other goals that is harder to access (and therefore less tempting to withdraw the money). Keeping some savings "out of reach" is important.
- Find savings products that match your savings goals.

Good savings behaviour requires discipline; discipline is learned through practice

Ask for volunteers to sing their savings song one last time.

LOAN MANAGEMENT: *"HANDLE WITH CARE"*

Beware of aggressive lenders

SESSION 1: My Money and Someone Else's Money; Managing the Difference

OBJECTIVES:

By the end of this learning session, participants will have:

- Defined the term "debt"
- Identified the principal reasons to borrow money
- Identified the responsibility associated with taking a loan
- Distinguished between their own capital and loan capital

PRIORITY: 1 - The session is important to all participants. Understanding how to manage your money and somebody else's money is important to all customers of different categories

TARGET GROUP: All **-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used, draw instead of write on cards

TIME:
45 minutes

PREPARATIONS/MATERIALS:
Flip chart paper
Markers
Cards

STEPS:

1. Introduce the session with a mini demonstration – 5 minutes
2. Discuss the word "loan" and identify why people borrow – 10 minutes
3. Discuss the responsibilities of borrowing – 10 minutes
4. Differentiate between loan money and your own money – 20 minutes

STEP 1: Introduce the session with a mini demonstration– *5 minutes*

Welcome participants and introduce the topics of the session. Say:

Welcome to training in Loan Management. In this module, we will be learning how to handle our loans successfully. We will cover the following topics *(adjust this part to the topics you are actually going to cover)*

My Money and Someone Else's Money: Managing the Difference

Good Loans/Bad Loans

The Costs of Borrowing

Interest Rates Calculations

Borrowing Choices

How Much Debt Can You Afford?

Delinquency: What Is It and How Does It Happen?

The Dangers of Over-Indebtedness and Default

More Dangers of Default

Taking Control of Your Debt

Today we will start by identifying the differences between money that is our own and money that we borrow from someone else.

Stage a demonstration with you as the client getting money from a banker and a moneylender. Ask:

May I have 2 volunteers? One of you will be a banker and the other will be a moneylender.

Give each volunteer a card that has "UGX 200,000" written large enough on it for everyone to see.

Say to the banker: I would like to take UGX 200,000 from my savings account, please!
Proudly show the audience the UGX 200, 000 the banker gives you.

Say to the moneylender: I need UGX 200, 000 as soon as possible, please. It is an emergency!

Hold up the UGX 200, 000 from the moneylender for all to see.

Hold up both cards, 1 in each hand. Ask participants:

What is the difference between these UGX 200, 000 and those UGX 200, 000? *(The first UGX 200, 000 are my own savings; the second UGX 200, 000 belong to the moneylender and are a loan. He will charge interest for it and I must pay it back.)*

STEP 2: Discuss the word "loan" and identify why people borrow – 10 minutes

Explain to participants the following:

We are going to do a word association exercise.

Demonstrate with a familiar word as an example. Select 3 people and ask them to say whatever comes into their minds when you say for example the word "cake" (or "school," or "bicycle"). When everyone understands the exercise, say:

Now let's try the same thing again. Tell me what comes into your mind when I say the word **loan**. I will write what you say on the flip chart.

Once you have filled a flip-chart page with participants' associations, step back and review their contributions. Ask the participants to help you group the words by commonality of answers. For example, some answers may be related to costs, some to repayment, some to access to money you would not otherwise have, etc. Use different-colored marking pen or symbols to identify each item with a category. Say:

How can we group your thoughts and responses?

Review each of the categories of responses that you have identified with participants. Ask:

Based on what we see here, what is a definition for "loan"? Will someone help me complete this sentence: "A loan is______________________?"

The definition will be something similar to the following.

What is a Loan?

A loan is money that is borrowed and must be paid back, usually with interest and other associated costs such as loan processing costs, insurance fees, stamp duty etc.

Ask:

Why do we borrow?

Write the responses on the flip chart or board. Look at their responses for the 3 reasons people tend to borrow, and highlight them. They are the following:

Three Reasons for People to Borrow

- To invest
- To respond to an unexpected emergency
- To consume, to purchase an item for which they do not now have enough

Ask the participants:

- **What are the reasons you have borrowed?** *(Answers will include many things, such as business investment, managing crises, purchasing an item or paying for a celebration.)*

- **Who has borrowed for more than one of these reasons? Please tell us what is the same about all 3 types of loans? What is different?**

Make sure they mention the following:

Loans for productive investment earn new revenue for the borrower.

Loans for crises and personal consumption do not bring in new revenue and must be paid back from other revenue sources. Try to avoid borrowing for these purposes.

STEP 3: Discuss the responsibilities of borrowing – *10 minutes*

Ask the participants to turn to find a partner and discuss the following. Give them 5 minutes for the discussion.

- **How did you feel when you lent something to someone that was not returned to you? What did you do?**

- **How did you feel when you failed to return something that you borrowed? What happened?**

Bring the participants back together and ask 2 volunteers to describe how they felt when they lent something that was not returned.

Ask 2 different participants to describe how they felt when they failed to return something they had borrowed.

Summarize their contributions Ask the large group the following:

- **When someone borrows something, what are her responsibilities as the borrower?** *(To repay at the agreed time; to pay the agreed costs of the loan)*

- **What can happen if the borrower fails to meet her responsibility? (***Bad feelings, tension among family and friends, damaged reputation, lost access to future loans)*

STEP 3: Differentiate between loan money and your own money *– 20 minutes*

*(**Note:** If you must shorten this lesson, please select 3 or 4 of the true/false statements below. You do not need to use all 7 items.)*

Explain the following:

Money you borrow is different from money you have from earnings or savings. Let's see if we understand how. For each statement I read, tell me whether you think it is true or false. We'll start with a practice exercise. Everyone stand up in a line, one behind the other. I will read the statement twice. When I say, "Go," move to the right if it is "True" and to the left if it is "False."

Read the statement twice, then say "One, Two, Three, Go!"

Today is _________ *(insert the correct day of the week)*.	TRUE
The walls in this room are _______ *(insert a wrong color).*	FALSE
Our husbands do most of the cooking at home.	?????

Okay, let's try the same exercise with statements about your own money and loan money.

When participants are divided in how they answer, stop and explore the question; ask someone who answered correctly to explain. Clarify any questions. After each discussion, give them time to re-position themselves before reading the next true/false statement.

True/False Statements

1. **Loan capital belongs to the person who borrows it.**
   FALSE.

2. **A loan can help you start or expand a business when you don't have enough of your own money.**
   TRUE.

3. **If you must close your business, you do not have to repay your loan.**
   FALSE.

4. **If a thief takes all of your money, you do not have to repay your loan.**
   FALSE.

5. **Using your own money to start a business is less expensive than borrowing money.**
   TRUE.

6. **There are no consequences for missing a loan payment as long as you eventually pay.**
   FALSE.

7. **How much a person should borrow depends on her income.**
   TRUE.

Say the following:

You did a great job distinguishing between what is true and what is false. Ask the group:

- **What are some differences between using your own money and using borrowed money?**

Make sure they identify the following:

Using Your Own Money and Using Borrowed Money - what is the Difference?

- A loan costs money
- A loan comes with obligations for the borrower, including repayment with interest and, in some cases, group membership
- You are freer when you use your own money
- By borrowing, you get a greater lump sum than you might have using your own capital
- Borrowing allows you to get money more quickly than if you rely on your ability to save little by little

Ask participants to review their answers and sort them by positive and negative aspects of borrowing money. Ask:

- **In your opinion, what is the main advantage of taking a loan?** *(Access to more money than you have in savings; quick access to money when you need it for emergencies; it enables you to take advantage of investment opportunities or solve an immediate problem or crisis.)*

- **What is the main disadvantage of taking a loan?** *(The cost of loans, like interest and fees; the responsibility of repaying your loan on time, the requirements of group membership in the case of a group loan).*

Session 2: Good Loans/Bad Loans

OBJECTIVES:

By the end of this learning session, participants will have:

- Identified ways to build a business with their own money and with loan capital
- Identified the risks of borrowing
- Distinguished good loan situations from bad ones

PRIORITY: 1 – The session is key to understanding bad loans and good loans

TARGET GROUP: All**-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
45 minutes

PREPARATIONS/MATERIALS:
Flip charts
Cards
Markers

STEPS:

1. Compare two stories about expanding business – 35 minutes
2. Describe good loans and bad loans – 10 minutes

STEP 1: Compare two stories about expanding business – *35 minutes*

Explain the following to participants:

There are different ways to finance your business. Some people use their own capital, reinvesting as they are able, and one step at a time. Others borrow money to get started or to make a big change. I will read two stories that show us different pathways to business growth. Listen and think about which of these business women is most like you.

Read Aisha's story and discuss the questions. Repeat for Margaret's story.

Aisha's Story

Aisha has a fresh-juice business that she started with UGX 500,000. UGX 300, 000 came from her savings and UGX 200,000 which her husband gave her. Although the business is very small, Aisha has a plan for expanding it, one step at a time. Every week, she tries to set aside UGX 20,000 in her bank account especially for her business. That way, every 3 or 4 months, she has enough money saved to buy something she needs to grow her business. She began buying larger quantities and greater variety of fruits; then she purchased a larger juice maker. Next, she wants to purchase plastic bottles so she can sell larger quantities to those who want to take juice home. As her income increases, she can save more and plan bigger investments in her business.

Ask the participants:

How is Aisha getting money for her business? *(Uses money from her savings and her husband, she does not use loans, plans ahead and saves for her business investments).*

What difficulties does she face? *(Can only grow as she is able to save, may miss an opportunity for expansion if she doesn't have enough money to invest.)*

Margaret's Story

Margaret also has a fresh-juice business that she started with UGX 200,000 of her own money and a loan of UGX 300,000. With the loan she had enough money to purchase a small refrigerator right away that enables her to store juice longer and sell it cold. She pays her weekly expenses, including her loan payment, on time every week, but can only save UGX 10,000 at most per week. When a kiosk in the market became available for lease, Margaret saw a good business opportunity. With the increased traffic in the market and longer hours, she calculated that her sales would double. Because she needed to lease the kiosk right away or lose it, she borrowed UGX 500,000 from her brother-in-law.

Ask:

- **How is Margaret getting money for her business?** *(Borrows most of her money, has little savings, borrows more to purchase assets, does not plan ahead the amount she needs.)*

- **What difficulties does she face?** *(If her sales do not increase as expected, she may have trouble paying her loan to her brother-in-law. With little in savings, she may be in trouble if she has emergency expenses.)*

Say:

Let's compare Aisha and Margaret.

Ask:

- **Which business is likely to grow faster? Why?** *(In the short term, Margaret's business will grow faster because she has more money to invest in it. Aisha invests small amounts one step at a time and her business grows in smaller increments. Over time, Aisha's business is likely to be more stable and secure because she is not paying off expensive loans and can save for both emergencies and future investment.)*

- **Which woman takes more risks? (***Margaret takes more risks. She has two loans at the same time, with little savings for protection.)*

- **What is the gamble Margaret is taking? What is the best case outcome? The worst case?** *(If her decision to move to the market pays off as she hopes, her business will double in size in a short time. She will be able to pay off her loan and save money. If the situation in the market does not meet her expectations, she will not be able to pay back her loans and may find herself in a financial crisis.)*

Tell participants the following:

Turn to the person on your right and greet your partner. Tell each other how you found the money to start your business.

Ask for volunteers to share their discussion. Highlight the different ways how taking a loan has been a positive experience. Ask if anyone has had a bad experience with a loan. What went wrong?

STEP 2: Describe good loans and bad loans – *10 minutes*

Explain:

We have seen how borrowing money can be a very positive experience. It can help you start or expand a business; it can help you respond to an emergency in your family; it can help you improve your living conditions sooner rather than later. But taking a loan always carries a risk - the risk of not being able to repay. When a loan helps you in these ways, it is usually a good loan; when it ends up costing you money or forcing you to go deeper into debt or default, it is a bad loan. Let's listen to the following descriptions of different situations. You decide if it is a good or bad loan.

Put cards, each with one of the following statements written on it, in a bowl or basket. Have participants draw a card and read it aloud to the group. If they do not read, read it for them.

Explain:

Listen to each of the following situations in which someone takes a loan. Decide if the loan described in each statement is a good or a bad loan. If you think it is good, show a "thumb up." If you think it is bad, show your "thumb down." I will ask you to explain **why** you voted as you did.

- Mary borrows UGX 100,000 to buy vegetables that she will sell in her village. By the end of the week she sells all of her vegetables for a total of UGX 180,000. She has UGX 100,000 to buy more vegetables, UGX 30,000 for her loan payment and UGX 50,000 for her expenses and saving.

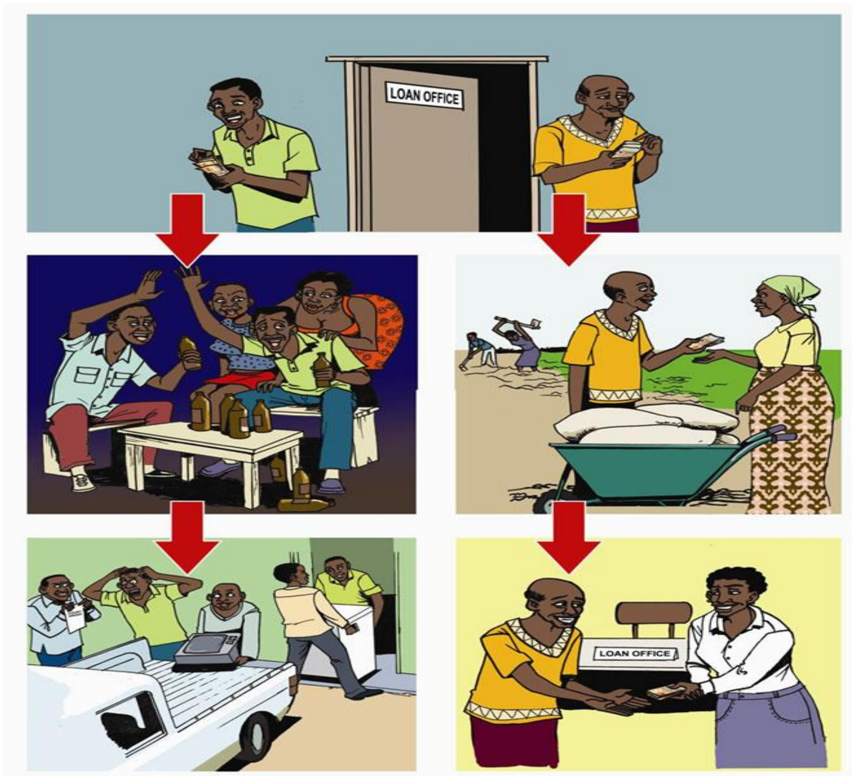
- Sara borrowed UGX 200,000 to purchase sodas in bulk at a lower price. But after she sold all the sodas, she still did not have enough to pay back the loan plus interest.

- Alice borrowed UGX 500,000 for a refrigerator for her snack stand. She is able to stock more items and cold drinks and is now earning UGX 50,000 more each month. Most of that income is used to repay the loan, but a year from now, when she has finished paying the loan, she will still have the refrigerator.

- Magdalena has applied for a loan to make reminder t-shirts to sell at the Independence Day. But when the loan is finally approved, she doesn't have enough time to get the t-shirts and make them ready before the Independence Day.

- Adam's son is injured in a motorcycle accident and needs surgery. He must borrow money to pay the medical bills. He finds a special emergency loan from his microfinance institution that allows him to pay off the loan in small installments stretched over a long period of time.

- John the bread baker borrows money for a used mixing machine that allows him to increase his bread production. But by the time he has paid off the loan, the machine has broken down.



Make that money productive

Ask:

To ensure that your loan will be a good loan and really help you, what should you know before deciding to borrow?

Write down their responses on the flip chart. Make sure to mention any they miss from the list below.

What to Know Before Borrowing

- The amount of your loan payment, including principal, interest and fees
- The sources of income and/or savings from which you have to make those payments
- When you will actually get the loan money in your hands (will it be before you need it?)
- That the asset you are buying with the loan will outlive the loan, and continue earning income for you
- That the price you can charge for your goods financed with loan money is high enough to both repay the loan and make a profit

Emphasize to participants that:

- Before taking a loan, plan in advance how you will pay back the loan and the interest payments. You have an obligation to pay back the amount you borrowed plus the interest and any further charges/fees. If you know that you will not have the means to do so within the agreed time, you should not take the loan.
- If you borrow money, plan carefully how you will use your loan and how you will pay it back – and stick to your plans. Always use borrowed money for the purpose you borrowed it. Avoid borrowing to pay off another debt.
- To pay back your loan, you have to make the money work. Borrow for productive investments such as buying a piece of land where you can grow something or increasing your business. Pay back the loan and borrow more later if it is necessary.
- Use loans wisely and never rush into borrowing. Think twice before borrowing for luxuries, or things that lose value (e.g. car, furniture, clothes, etc.) except if they are meant to boost your business.

Thank the participants for the good work and participation.

Session 3:The Costs of Borrowing

OBJECTIVES:

By the end of this learning session, participants will have:

- Identified the various costs associated with borrowing
- Stated the difference between direct and indirect costs
- Developed a set of questions to evaluate the terms and conditions of a loan

PRIORITY: 1 The session explains the costs involved in borrowing which helps making a decision.

TARGET GROUP: All- this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
40 minutes

PREPARATIONS/MATERIALS:
Flip chart paper
Markers

STEPS:

1. Identify the costs of borrowing through two stories – 20 minutes
2. Identify the costs of your own loan and share with group members – 10 minutes
3. Examine what you need to know when taking a loan – 15 minutes

STEP 1: Identify the costs of borrowing through two stories – 20 minutes

Read the 2 stories below to the group.

Stella's Story
Stella has a loan of UGX 300,000 from her Village Savings and Loans Association. Every Thursday morning she closes her shop and walks down the street to the Association office to attend her association meeting. There, she makes her loan payment, which includes principal + 10% interest per month. She also makes her required savings deposit of UGX 10,000.

Grace's Story

Grace has a loan of UGX 300, 000 from a different lending institution. She attends a required meeting of her borrower group once a month. Because the meeting is far from her shop, she takes a taxi each way (to and from). On meeting day, Grace is away from her business the entire afternoon, so she pays an employee UGX 5, 000 to keep the shop open for her. Her lending institution does not require savings, but she did pay an application fee of UGX 10,000. When she received her loan, the lender had already deducted UGX 20,000 for an administration fee. Now, every month she pays principal and interest at 3% per month.

Divide the participants into groups of 3 or 4 and give each group 1 of these stories. Tell the participants:

Read the story you have been given again, and make a list of the costs that your borrower - Stella and Grace - pays to take her loan. Make sure that the participants think about all the costs connected to the loan, not just the actual cash loan payment she owes.

After ten minutes ask for two volunteers - one for each story - to share their lists. On a flip chart, make a column for Stella and column for Grace as shown below. Record the costs reported for each. Ask the rest of the group to add anything that is missing.

Comparing Costs to Take a Loan	
Stella **Cost of UGX 300, 000 loan**	**Grace** **Cost of UGX 300, 000 loan**
• 3% interest per month • Weekly repayment • Weekly meeting • Closed shop = lost business ½ day each week • UGX 10,000 required savings weekly	• 3% interest per month • Monthly repayment • Monthly meeting • UGX 10,000 application fee • UGX 20,000 administrative fee • Employee wages UGX 5,000 day/month • Taxi fare to attend meeting

Ask:

- **What are the differences in the costs that Stella and Grace pay for their loans?**

- **What items on these lists require direct cash payment by the borrower to the lender?***[Interest, fees]*

- **Which expenses does the borrower have *because* of the loan but that are not paid to the lender?** *[Required savings, administration costs, travel costs, losses in sales, employee wages to keep shop open during owner's absence.]*

Say to the participants:

If you have ever had a loan, you know its **direct costs,** or the money you pay to the lender to have the loan. They include interest, fees (loan processing fees, mortgage fees, stamp duty), late penalties and insurance. Most often they are included in the UGX 10, 000 we pay every week or month; we don't forget about them because we must be sure that we set aside enough money every week or every month to make the payment.

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

Show a flip chart with the definitions of these 2 terms.

Definition of Terms

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

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

(**<u>Note</u>:** The distinction between direct and indirect costs can be very confusing. It is not necessary for participants to master these terms. However, they do need to know how to include all costs when comparing different loans.)

STEP 2: Identify the costs of your own loan and share with group members – *10 minutes*

Say to the participants:

Think about your own loan.

- **What are your direct costs?**
- **What are your indirect costs?**

If you do not have a current loan, base your answer on a past loan. In your group, take turns explaining the direct and indirect costs of your loan. If you are not sure whether a particular expense is direct or indirect, ask your group members for their opinion.

Ask for two volunteers to share the costs that they identified for their own loan.

Ask:

- **Among these expenses, were there any surprises for you? Were there any expenses that you did not think of in relation to your loan?**

- **How can you reduce your cost of borrowing?** [Plan ahead; consider all the costs of borrowing before choosing a lender; compare the lenders and choose the one that you can best afford.]

STEP 3: Examine what you need to know when taking a loan – *15 minutes*

Say:

In your groups, discuss the following question and make a list of your answers.

When you visit a lending institution to learn about its loan products, what questions will you ask?

Give the participants 5 minutes for this exercise. Then ask for volunteers to share their ideas.

Summarize their ideas and be sure to mention anything below that they did not say.

Questions for Lenders

- What is the interest rate?
- How often must the loan principal and interest be paid?
- What is the amount of each installment?
- What amount of savings is required and how often must deposits be made?
- What fees must be paid to obtain a loan?
- What penalties are charged for late payments?
- Where are loan payments made?
- How far away is this from my place of business?
- How often do meetings take place?
- How long do the meetings last?

Session 4: Interest rate calculations

OBJECTIVES

By the end of this learning session, participants will have:

- Identified the different ways of interest rates used.
- Understood how to calculate interest rates.

PRIORITY: 1 – The session teaches people on interest rates calculations.

TARGET GROUP: all **-** this can be used for literate / semi-literate / illiterate people

TIME
40 minutes

PREPARATIONS/MATERIALS
Blank flip chart paper
Markers

STEPS

1. Introduce interest rates– 20 minutes
2. Distinguish the different ways of calculating interest rates – 20 minutes

STEP 1: Introduce monthly and annual interest rates - *20 Minutes*

Explain and write the calculations on a flipchart:

Interest is the "price" one pays for borrowing money. It is the additional money you have to pay to the person or financial institution that lends you money. Interest is normally expressed as a percentage of the amount you have borrowed. It is mostly calculated on an annual or on a monthly basis.

Depending on the loan, you may be asked to pay interest yearly or monthly. There is a big difference between a yearly and monthly interest rate.

Yearly interest rate: If you took a loan of UGX 100,000 with 12% interest per year, you would pay an interest of UGX 12,000 per year in addition to the UGX 100,000 that you received as a loan. After one year, you would therefore have to pay the lender UGX 112,000 plus any other fees/charges.

Monthly interest rate: If you took a loan of UGX 100,000 with 12% interest per month, you would pay an interest amount of UGX 12,000 every month. Over the year, this would amount to

UGX 144,000 in interest only. You would therefore have to pay back [UGX 100,000 + UGX 144,000], which would add up to UGX 244,000.

Ask:
Which loan is the better deal?

Ask:
You want to borrow UGX 3,000,000. 2 different banks offer you a loan. Bank A offers you a loan with 3% monthly interest rate and Bank B offers you a loan with 20% annual interest rate. Without doing the calculations, chose which loan you would take. Those of you who would take the loan from Bank A, go to the right side of the room. Those who would take the loan from Bank A, go to the left side of the room.

Once they have divided themselves, say:
Now, let's see who of you got the better deal. Every group can now calculate how much interest they have to pay for their loan.

*Once they have finished, ask for their answers and have each group demonstrate how they got to it. (Correct answers: Interest to be paid back by Bank A: UGX 3,000,000 *0.03*12months = UGX 1,080,000; Bank B: UGX 3,000,000*0.20=UGX 600,000)*

STEP 2: Different ways of calculating of Interest rate-30 Minutes

Explain:

Interest can be "fixed" or "variable". If it is variable, this means that it can change over time. Therefore, you might end up paying more.

Fixed interest is one where the interest rate doesn't change during the period of the loan repayment. This allows you to accurately predict your future payments. If the interest is variable, the rates can change during the period of the loan (for example, if the Bank of Uganda's Central Bank Rate changes). A variable interest rate may go up or down but are usually more likely to go up.

Ask the participants if they have ever had an experience with variable interest rate or know someone who has had one.

Then continue with your explanations and write the calculation on the flipchart:

Interest rate may be calculated on a "flat" or "declining" balance. If your loan has a flat interest rate, you keep paying interest on the original amount of the loan until this amount is entirely paid back. This method of calculation makes it very expensive.

If your loan has a declining interest rate, you only pay interest on what you actually owe the lender. Therefore, a loan with 10% declining interest will cost you less than a loan with 10% flat interest.

For example, if you take a loan of UGX 100,000 at 10% interest per month and you pay back UGX 50,000 (plus the interest) after one month, with flat interest you still have to pay 10% of UGX 100,000 which is UGX 10,000 in the second month; with declining interest you only pay 10% of UGX 50,000 which is UGX 5,000 in the second month.

Divide the participants into groups and allocate the groups the following loan amounts and periods to calculate the interest rates. They should present to other participants in the plenary explaining how they arrive at the schedule and discuss the difference between the two loans.

1. **Group 1:**

A total loan of UGX 6,000,000 was provided to a group of women who pay on a monthly basis for 6 months. The financial institution charges an interest rate of 4% per month - declining. Every month, they have to pay back UGX 1,000,000 plus the interest. How much interest do they have to pay every month? How much do they have to pay back in total? Develop a repayment schedule that includes the principle, interest rate payments and outstanding balance after each repayment.

2. **Group 2:**

Holdings microfinance provided a loan totaling UGX 6,000,000 to Mr. Kasujja for a period of one year at 4% interest rate per month - flat. Every month, he pays back UGX 1,000,000 plus interest. How much interest does he have to pay every month? How much does he have to pay back in total? Develop a repayment schedule that includes the principle, interest rate payments and outstanding balance after each repayment.

Explain:

Every loan comes with a cost. When you take a loan, you must understand that you have to pay back the amount which you have received from the lender, plus an additional cost called interest, together with possible additional charges. Before you take a loan, ask the lender about the total amount you have to pay back over the entire period of the loan and how interest rates are calculated. It is the responsibility of the lender to tell you the method used. If he does not, ask for it.

Thank everyone for working so hard.

Session 5: Borrowing Choices

OBJECTIVES:

By the end of this learning session, participants will have:

- Identified the sources of credit available to them
- Articulated what they like and dislike about different lenders
- Made a list of the questions they will ask when shopping for a loan

PRIORITY: 1 – The session teaches people on making borrowing choices amongst many.

TARGET GROUP: All **-** this can be used for literate / semi-literate / illiterate people

TIME:
35 minutes

PREPARATIONS/MATERIALS:
Enough seeds, bottle caps, stones or other small objects for each participant to have 6–8
Blank flip chart paper
Markers

STEPS:

3. Introduce the session and select different lenders – 15 minutes
4. Identify the most important factors to consider when choosing a lender – 20 minutes

STEP 1: **Introduce the session and select different lenders** – *15 minutes*

Ask the following questions in rapid succession and ask people to stand up when their answer is yes.

Who has ever borrowed money from a friend or family member?
Who has borrowed money from a microcredit institution or a credit union?
Who has borrowed money from an informal savings and credit group?
Who has borrowed money from a moneylender?
Who has borrowed money from a bank?
Who has borrowed money from more than one of these sources?

Tell the group the following:

Obviously, there are several sources of credit we can go to. Some are more difficult to get a loan from than others, some are more expensive, some require you to spend time in groups, and some don't. Some require you to save before you can borrow. Each is a little different. Today we are going to identify the choices we have and what we like and dislike about each.

Say:

Think of all the sources of credit you know of or have heard of, including the most informal, such as family members and your own credit and savings association. Call out the source you think of and I will write down each lender as you say it. Remember, there are no wrong answers.

Keep a running list as participants "brainstorm". When participants run out of suggestions, review the list for repetition and cross out any "doubles". Then say:

Look at the list of lenders and think about which ones **you** would most want to borrow from. Choose 2 lenders that you think are the best.

Initiate a voting process. Distribute seeds or bottle caps to participants and place the flip chart with your list on a table top or the floor. Ask participants to come forward and place a bottle cap on each of the two lenders they have chosen. Alternatively, leave the flip chart on the wall and ask participants to come forward and put a check mark on each of the 2 lenders they want to vote for.

When the voting is done, identify the 3 lenders with the highest vote count. Write these 3 as the column headings for the vertical columns on your blank chart.

STEP 2: Identify the most important factors to consider when choosing a lender – *20 minutes*

Ask:

What is most important to you when choosing a lender? Is it the interest rate? The type of loan offered? The location of the lender?

Write the five most common factors as the row headings for the 7 rows of your chart. You should now have a table with 3 labeled columns and 7 labeled rows. The table below is an example; you may have different row headings down the left side depending on what participants say.

Important Factors to Consider When Choosing Lender

	Lender #1	**Lender #2**	**Lender #3**
Interest rate			
Chance of getting loan			
Type of loans offered			
Distance from my home			
Frequency of repayment			

Availability of other services			
Grace period			

Next, initiate another ranking process much like the first one. Explain to participants:

Rank the attributes of each lender. For each attribute, put 5 counters in the box for the most favourable, one for the least favourable. For example, if you believe that Lender #1 ranks very high on **type of loans offered**, you would place 5 counters in the corresponding box. Do this for all the attributes for each lender.

Review the ranking results.

- **Which attributes received the most items? Why were these attributes preferred?**

- **Combine all the attributes that received the most points. What are the characteristics of your "ideal" lender?**

Ask:

- **If your "ideal" lender does not exist and you definitely want a loan, what should you do?** *[Shop for your loan and compare lenders on cost, access, product choice, etc. to pick the lender that is right for you.]*

- **What questions should you ask when shopping for a loan?**

Invite volunteers to share their ideas. Add any ideas from the following list that they may not have mentioned.

For loans:
- What types of loans are available?
- What are the collateral requirements?
- What are the savings requirements?
- What is the interest rate?
- What fees are charged?
- How long does it take to get a loan?
- How many times do you have to actually go to the loan office to complete the application?

Tell the group the following:

When you want to take a loan, shop around for the best offer. Compare the offers from different financial institutions by considering: interest rate, period, declining/flat interest, fixed/variable interest), charges and penalties. Understand the "Total Cost of Credit". If you shop around for the best lender, you will most likely end up paying a little less with better repayment terms. Borrowing from the wrong lender could cost you a lot, so research your options and choose wisely. Be confident when asking financial institutions for costs and terms of products – it is their responsibility to provide you with all the information that you need to decide which product is the best for you.

Shop around for the best offer

Conclude the session by asking the participants to turn to a partner and answer the following question. Give the participants 3 minutes for this discussion.

What is the most important thing you learned today that you will share with friends or family?

Ask for 3 or 4 volunteers to share their ideas. Thank the group participants for their good work.
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Session 6: How Much Debt Can You Afford?

OBJECTIVES:

By the end of this learning session, participants will have:

- Calculated household income and expenses to find the surplus cash available for a new loan payment
- Calculated their own ability to borrow based on current income and expenses
- Developed advice about how much debt one can afford to carry
- Learnt how to secure a loan

PRIORITY: 2 AND 3 – The session explains how much debt a customer can afford before taking the loan

TARGET GROUP: This can be used for literate / semi-literate

TIME:

70 minutes

PREPARATIONS/MATERIALS:

Flip charts
Cards
Masking tape

STEPS:

1. Analyze a borrower's ability to take a new loan – 25 minutes
2. Analyze household finances to figure out the amount they can borrow – 25 minutes
3. Develop advice for people thinking about how much to borrow – 10 minutes
4. How to secure a loan- 10 minutes

STEP 1: Analyze a borrower's ability to take a new loan – *25 minutes*

Explain the following:

Few of us think we have enough money for our basic necessities, our children's education and the other things we want. And many of us have businesses that we would like to expand if only we had the money to invest. We can borrow money to make up the shortfall in capital, but we have to be careful how much debt we take on. If we never borrow, we might not ever make progress; but if we borrow too much, we risk not being able to repay. How do you know how much you should borrow? Let's listen to Ana's story and learn from her experience.

Read the story below. As you read, put up cards on the flip chart with the name and amount of each expense and source of income mentioned in the story:

Story of Ana and Joseph

Ana and Joseph live with their 4 children. Ana is a tailor and Joseph raises goats and cows. Their oldest son, Mark, is 20 years old and drives his own boda boda. The 3 younger children are still in school. Ana is paying off a loan that she used to purchase a new sewing machine. She only has 3 more months of UGX 50,000 payments to finish the loan. But Mark has 10 more monthly UGX 100,000 payments on the loan he took to purchase his motorbike. Now Ana and Joseph are trying to decide if they can take yet another loan to purchase a refrigerator that they have wanted in their home for such a long time. They are motivated because the refrigerator is on sale this month. Ana is convinced that having it will save her lots of time on food shopping and preparation; she will thus have more time for her business. But can they afford it? This is their situation.

- Ana earns UGX 180,000 per month. After expenses (loan, rent, food), she usually has UGX 20,000 to save or spend on herself or the children.

- Mark earns UGX 200,000 per month, and after paying his expenses, he usually has UGX 50,000. He gives UGX 10,000 each month to his parents to help with rent and food.

- Joseph sells goats twice each year and earns UGX 3,000,000. After paying for the veterinary costs, workers and school fees, Joseph usually puts UGX 600,000 in his bank account.

Ana's Household Income and Expense Worksheet				
	Ana	**Mark**	**Joseph**	**Total**
Monthly Income				
Monthly Expenses				
Monthly Cash Available				

Encourage the participants to help you figure out where to place the cards in the blank table. When you finish, it should look like the completed version below.

Ana's Household Income and Expense Worksheet (000's)				
	Ana	**Mark**	**Joseph**	**Total**
Monthly Income	UGX 180	UGX 200	UGX 500,000 (UGX 3,000/6)	UGX 880
Monthly Expenses	UGX 120	UGX 150	UGX 400(UGX 2,400/6)	UGX 670
Monthly Cash Available	UGX 60	UGX 50	(UGX 100(UGX 600/6)	UGX 210

Ana and Joseph want to borrow UGX 300,000 at 3% interest per month for 6 months to buy a small refrigerator. Their payment will be UGX 60,000 each month. What would you advise them?

Ask:

The family has enough income to make the loan payment, but what is the risk for Ana and Joseph? *(They will have to use Mark's money, he may not agree; they will have no money for emergencies; Joseph only earns his money twice a year and their cash flow may not allow the loan repayment)*

What are the options for Ana and Joseph?
(Wait until Ana and Mark's loans are both paid up; then they will have Joseph's accumulated savings and more income to make the loan payment with. They can either put Joseph's savings towards the refrigerator and take a smaller loan, or keep those savings for emergencies.)

(Set up a savings plan for the refrigerator and wait until the family savings can cover the whole UGX 300, 000 they need. It may take some time.)

Explain the following:

Although each family will have to decide how much debt it can afford based on all sources of income and savings, a guideline you can consider is to keep your debt payments at or below 20% of your income. So if your monthly income is UGX 100,000 the total of all your loan payments should not be more than UGX 20,000 each month.

(***Note:*** *The debt-to-income ratio will vary between 20% and 40% depending on your location. Investigate what ratio the banks or MFIs in your area use as their guideline. If you use a different guideline, you must adjust the figures in the exercise below.)*

Say to the participants:

Using this 20% guideline, let us figure out if Ana and Joseph should borrow the UGX 300,000 to buy a refrigerator. We know that Ana already has a loan payment of UGX 50,000 each month. Mark's loan payment is UGX 100,000. The new loan adds a UGX 50,000 monthly payment.

What would be the total amount the family owes each month? (UGX 200,000)

What is 20% of their monthly income? (UGX 176,000)

What do you think about Ana and Joseph taking on more debt?

What is the problem with spending all of their available cash on loan payments?

STEP 2: Analyze household finances to figure out the amount they can borrow *– 25 minutes*

Hand out the blank Household Income and Expense Worksheet.

Now let's see if we can do the same calculations for our own households. Turn to the person on your right and greet your partner. Work out your income and expenses using the same worksheet we used for Ana and Joseph. Decide how much you can borrow. Share this information with your partner and ask for her opinion. Apply the **20%** guideline to see if your loan payments are above or below that limit.

Give the participants 15 minutes for this exercise. Walk around and help them with their calculations if they need it.

Ask for three volunteers to present their cases. Invite participants to give their feedback.

After each presentation, ask:

What is your plan for making your loan payment? Will you set aside a little money each day or each week for the loan payment?

STEP 3: Develop advice for people thinking about how much to borrow – 10 minutes

Ask the participants to get into small groups of 5 people each. Then say the following:

Often people take on too much debt and have trouble making repayments. Let us develop some advice for them. Each group will come up with as many recommendations as they can in the next 5 minutes for people thinking about borrowing.

After 5 minutes ask for volunteers to share their ideas.

Summarize their ideas. Be sure to cover the following points:

Advice about Taking Loans

- Don't let debt prevent you from paying for basic expenses such as food, school fees and other necessary items.
- Keep track of the amount and frequency of loan payments due.
- The total of your loan payments should not exceed a percentage of your steady income.
- Try to limit your borrowing for personal consumption.
- Have a plan for making loan payments if it will take time for the loan to generate increased income

STEP 4: How to secure a loan – *20 minutes*

Ask:

How do borrowers secure their loans?

Give participants 2 minutes and request for the volunteers to give their responses which should be captured on the flip chart, before you give a thorough explanation as here below:

Say:

The lender needs to make sure that he doesn't lose his/her money if you don't pay back your loan. You are therefore required to present security or collateral and its proof in form of documentation. Security is something you own and is known to be in two forms, movable and immovable securities.

- Movable securities are those items that a lender can collect from one point and take to another point for sale in case of failure to pay the loan. These include things like animals, household items, motor vehicles, etc; which the lender can take over if you fail to pay back the loan.
- Immovable securities are those that cannot be transferred from one place to another, like e.g. houses and land.

Other forms of security that some lenders accept are persons who guarantee the loan. These are called guarantors. In case you fail to pay back your loan, the guarantor must stand in for you and pay back that loan.

Ask participants the following questions:

Who is a guarantor? What is a guarantee?

Solicit for responses and then say:

A guarantor is a party who agrees to be responsible for the payment of another party's debts.

A guarantee is a written promise that the person who is obtaining credit (the debtor / borrower) will keep to all the terms and conditions of their contract (the credit contract / loan agreement).

What are the rights and responsibilities of a guarantor?

Listen to the participants views and then give the explanation here below:

Say:

A guarantor has rights and responsibilities which include:

Rights of Guarantors

Guarantors can also sue the debtor / borrower if the guarantor has been obliged to pay out under his or her guarantee.

To “go guarantor”, you must be prepared to pay and you must understand your obligations as a guarantor.

If the debtor / borrower defaults in payment or in other obligations to the lender, the guarantor would be liable to make good that default which could involve all amounts owed by the debtor / borrower to the lender and substantial arrears of interest.

Responsibilities of Guarantors

If the debtor / borrower defaults in payment or in other obligations to the lender, the guarantor would be liable to make good that default which could involve all amounts owed by the debtor / borrower to the lender and substantial arrears of interest.

Explain:

A guarantee is not just a formality to help a friend or relative obtain credit. On the contrary, being a guarantor is a big responsibility. It means that you are prepared to pay if the debtor / borrower does not. You may need to pay the credit provider all the money the debtor/borrower is owing under the contract as soon as it is asked for. Often the lender will sue you without suing the debtor / borrower.

Many people believe that the friend or relative for whom you “go guarantor” would never do anything to make the credit provider enforce the guarantee. Unfortunately, your friend or relative may suddenly find that he or she cannot meet the terms and conditions of the credit contract because of unemployment, illness or any other reason.

Conclusion:

Banks or other lenders that do not require security may charge very high interest rates or other fees because it is very risky for them to give out a loan that has no security. Therefore, in case you are offered a loan without security, make sure you understand all the terms and conditions including the cost of the loan.

You are also required to provide the lender with indications/proof of your cash-flow and business activity. This will give the lender an understanding of your capacity and ability to pay back the loan and will therefore inform his/her decision of whether or not to give you a loan and how much to lend you. Some loans may not require security.

Thank the participants for their good work.

Session 7: Delinquency-What Is It and How Does It Happen?

OBJECTIVES:

By the end of this learning session, participants will have:
- Defined the term "delinquency"
- Discussed why delinquency can be a serious problem
- Identified various causes of delinquency
- Identified steps to avoid delinquency

PRIORITY: 1 – Understanding and Managing delinquency is very important for all

TARGET GROUP: All- this can be used for literate / semi-literate / illiterate people

TIME:
40 minutes

PREPARATIONS/MATERIALS:
Cards
Blank flip chart paper
Markers

STEPS:
1. Introduce the session and explain the term "delinquency" – 10 minutes
2. Use pictures or drawings to identify causes of delinquency – 15 minutes
3. Describe ways to avoid delinquency – 15 minutes

STEP 1: Introduce the session and explain the term "delinquency" – 10 minutes

Say:

We are going to explore that dangerous territory called delinquency. That is a strange word. It can mean different things in different situations. In some situations it refers to deviant behaviour or breaking the law. If you are a parent of a teenager, you might know the term **juvenile delinquent**, a youth who has caused trouble of some kind.

Borrowers too can be delinquent.

Ask the participants:

What does it mean to be a delinquent borrower?

Make sure they say something similar to the following:

Definition: Delinquent Borrower

A delinquent borrower is someone who is late making her loan payment

Reinforce the definition. Say:

Okay, when a borrower fails to pay on time, he/she becomes delinquent.

Ask:

Why is delinquency a problem? Why is it a big deal if I am a few days late with my payment?*(A few days late may not seem like a problem, but when a few days turn into a few weeks, it gets harder and harder to pay. The longer you wait, the more you owe, and the harder it becomes to get the money you owe. By paying on time each week or month, you know it is coming and can plan for it.)*

Say:

A borrower is delinquent when she is 2 days late; she is also delinquent when she is 2 months late.

Ask:

Which is more serious—2 days or 2 months?*(The borrower who is 2 months late faces a more serious problem. She has obviously had trouble repaying, and the amount she owes just keeps growing. Plus, she may have to pay late penalties.)*

STEP 2: Use pictures or drawings to identify causes of delinquency – 15 minutes

Divide participants into groups of 3. Distribute a set of pictures to each group.

Say:

Look at each of these pictures and decide what is going on. When you have gone through all the pictures, we will identify many of the causes of delinquency.

After a few minutes, go through the pictures one by one with the whole group, and as they comment, write down the reason for delinquency found in each picture. Say:

We have identified several reasons a borrower might not be able to pay on time, including the following:

- The business is doing poorly
- The loan money meant for working capital is being spent on personal items
- The money got lost to thieves
- The borrower is falling sick and so unable to work

(**Note:** If you are not able to provide appropriate drawings, another option is to use 1-minute role-plays. Divide the group into pairs and assign each pair one of the situations in the list above to act out. Use the list below if you need additional situations. Give participants 5 minutes to prepare their mini role-play that need only last 1 minute. After each role-play, the audience should try to guess the situation being acted out.)

Ask:

What other reasons can you think of that would cause a borrower to be delinquent?

- Poor sales
- A natural disaster
- Diverting the loan money to another household emergency
- Risky business practices such as selling on credit
- Failure to keep track of loan repayments
- Failure to regularly set aside money for the loan repayment]

When participants have exhausted the possibilities, the next step is to figure out which reasons can be avoided and which cannot be avoided. Choose a symbol to mark each. Say:

Now, let's look at our list of reasons and decide which are due to poor decisions by the borrower, and which are just unavoidable or bad luck . We'll mark the bad decisions with a frown and the bad luck with an **X**.

In cases of disagreement, encourage participants to explain their views.

STEP 2: Describe ways to avoid delinquency – *15 minutes*

This activity is designed as a small contest. You will ask a group of 6 participants to come forward. Within this group, designate 3 people to pose the problem and 3 to solve the problem. Give each person in the problem poser group a slip of paper - one with the problem statement, and each of the others with a possible solution. The problem posers will read the problem and the 3 optional solutions aloud. The problem solvers will choose the option they like best. Those remaining in the audience can agree/disagree with their choice. Then switch roles, and pose another problem.

Explain:

We will now play a multiple-choice game. I need a group of 6 people to come forward. Three of you will be problem posers and 3 will be problem solvers.

To the problem posers:
Each of you takes a slip of paper. Read the problem statement on it out loud. Then read the possible solution you have on your slip of paper, slowly, one at a time.

***To the problem solvers*:**
Listen carefully to the problem and each possible solution. Take a minute to discuss the options and decide which you feel is the right answer and **why**.

To the audience:
You are the observers. As you listen to the problem and the choice of solutions, decide which you would choose. You will have a chance to agree or disagree with the problem solvers.

*(**Note**: The "★" is the best choice.)*

Problem Situation 1

Problem:	**Lucy borrows UGX 500, 000 to purchase a small used refrigerator for her home that costs UGX 300, 000. Her original plan was to use the extra UGX 200, 000 to buy maize in bulk to trade and earn enough to pay the first three installments of her loan. But her sister Rita convinced Lucy to give her the UGX 200, 000 instead and promised to repay the whole amount before Lucy's first installment was due. Rita disappeared with the money. What could Lucy have done differently?**
Option 1:	***Given the sister the money in exchange for some collateral of greater value.***
Option 2:	***Refused the sister's request and suffered her anger.*** ★
Option 3:	***Given her sister one-half of the UGX 200,000, and invested the remaining UGX 100, 000 to earn the money she needs to repay her loan.***

Problem Situation 2

Problem:	**Haruna borrows UGX 100,000 for his vegetable business. Sales are strong and he is excited to be making money. He celebrates by buying a new dress for his wife and a new football for his son. But at the end of the month when he has to make a loan payment, he only has half the amount needed. What could he have done differently?**

Option 1:	***Set aside the amount of his loan payment first before buying presents.*** ★
Option 2:	***Made his purchases and planned to borrow the other half due from his sister.***
Option 3:	***Taken a bigger loan at the beginning so he could both start his business and buy presents.***

Problem Situation 3

Problem:	**Ruth has a loan from her village bank to operate a small shop. Her business is small but steady and she has always made her loan payment on time. But when her son was injured in an accident, she took an emergency loan from her village bank to pay his medical bills. Then, she closed the shop to stay at home with him, and found she could not pay the two loans she had.**
Option 1:	***Found someone else to stay with her son so she could keep the shop open.***
Option 2:	***Sold something of value (e.g., jewelry, animals) to pay the medical bills instead of taking another loan.*** ★
Option 3:	***Doubled the prices in her shop to raise the money needed for the medical bills.***

Problem Situation 4

Problem:	**John becomes ill and has to stay at home in bed for several weeks. Because he cannot work during that time, he earns less and cannot make his loan payment. Once he is able to work again, he owes more because of the late fees. With less working capital, he earns less. He is in a downward spiral and fears he will have to close his business.**
Option 1:	***Talked to family members to see what money they can put towards the loan payment so he can avoid the late penalties when he is sick.***
Option 2:	**Saved a little each week or each day above and beyond what he needs for his loan payment to protect himself in such situations.** ★

Option 3:	***Asked some of his customers to make the loan payment for him.***

Ask the participants:

What experiences do you want to share about falling behind on loan payments? What could you have done to avoid falling behind?

Listen to a few experiences. Ask the rest of the participants to give ideas about preventing delinquency in these situations. Summarize their ideas and emphasize the following.

- Don't borrow because others are borrowing.
- If you don't pay back, you might lose your security.

If you don't pay back, you might lose your security

Thank the participants for their active participation.

Session 8: The Dangers of Over-Indebtedness and Default

OBJECTIVES:

By the end of this learning session, participants will have:
- Recognized behaviour that leads to over-indebtedness and default
- Identified the potential consequences of defaulting on loans
- Identified the questions to ask and answer in response to lenders' aggressive sales tactics

PRIORITY: 1 – The session is very important to understand the dangers of over-indebtedness and default

TARGET GROUP: All- this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used.

TIME:
60 minutes

PREPARATIONS/MATERIALS:
Cards
Flip charts
Markers

STEPS:
1. Learn how a borrower risks becoming over-indebted – 15 minutes
2. Identify the consequences of defaulting on loans **–** 25 minutes
3. Identify the "predator-lender" – 20 minutes

STEP 1: Learn how a borrower risks becoming over-indebted – 15 minutes

Explain to participants that they will see a short role-play. But first, ask them what MFIs or other lenders are well-known to them, and fill in the blanks in the role-play with 3 lenders. Then, ask two participants to help you present. Select 2 who are good readers, or ask other staff members to join you in this brief presentation. You should read the part of Sarah and assign the parts of Lucy and Helen to the others.

Explain:

Allow me to introduce you to 3 women - Sarah - that's me - and her sister Lucy, who are business partners, and Helen, who is a member of Sarah's village Savings and Credit Group. You are about to listen in on 2 conversations. The first takes place between Sarah and her sister

Lucy. The second takes place at the village Savings and Credit Group meeting between Sarah and fellow member Helen. Listen and learn.

Read the role-play and discuss with participants.

The Story of Three Loans

Lucy: *Hey, Sarah, isn't today the day your loan application will be approved at* __________ (insert the name of well-known local MFI)*?*

Sarah: *Yes, the loan committee meets at 11:00 this morning. I am not worried, though, since I am only asking for UGX 500,000, which is less than I had before.*

Lucy: *But Sarah, how can you borrow only UGX 500,000? Have you forgotten that next week we have a payment due at* _______________ (insert the name of a second well-known MFI)*?*

Sarah: *Lucy, you told me that you would find the money for that payment!*

Lucy: *I know, but I couldn't. You have to borrow at least UGX 1,000,000 at* ___________ (MFI #1)

Sarah: *Agh! I won't be able to make the payments on such a large loan!*

Lucy: *Don't worry so much! I'll give you the money you need later. I've got to go.*

At Sarah's meeting of MFI #1: Enter Helen and Sarah.

Sarah: *Hey there, friend. Lend me UGX 100,000 so I can make my payment today, okay?*

Helen: (irritated) *Oh, yeah, Sarah. Sure. This is the second time you have asked me for your payment. And you haven't even paid me back the first UGX 100,000 I lent to you!*

Sarah: *Don't worry! I'll pay you. Today I am getting money from* _______ (insert the name of a third well-known MFI) *and I'll give it to you right away.*

Helen: *You are borrowing from* _________ (MFI #3)*?*

Sarah: *Yeah, I need to borrow from them because my sales are not good these days and I have a lot of debts. Why don't you come with me this afternoon? Wake up! You can get bigger loans there!*

Helen: *I don't know. I'll think about it.*

Sarah: *Don't be a fool. Take the loan. It is easy. That's what I am doing to get the money to pay you. Then you'll have all the money you need. I'll come by your house at 1 o'clock. Be ready!*

Thank the actors and discuss the play with participants. Use the following questions to guide this discussion:

What is Sarah doing? (*Borrowing from 3 different MFIs.)*

Why is she borrowing from so many lenders? (*She is borrowing from one to pay her debt to another).*

How does Sarah think about the various lenders she hopes to borrow from*? (* *She seems to think she can borrow from anyone easily and that none of the lenders will care if she is going to others at the same time).*

What do you think will happen to Sarah? *(* *Eventually, she will default on one or more of these loans. Her group may ask her to leave, or come to her house to take collateral for the loan she cannot pay. She will become known as a bad borrower and lose her ability to borrow).*

STEP 2: Identify the consequences of defaulting on loans – *25 minutes*

Explain:

Our friend Sarah is at risk for default.

Ask:

When someone "defaults" on a loan, what does that mean? (*That person fails to repay her loan).*

Do you know anyone who has defaulted on a loan? What happened?

Divide participants into groups of 3. Explain the following:

Let us return to our friend Sarah. We are going to assume that she has gotten herself into trouble with her loans and has failed to repay them. Let's explore what might happen to Sarah as a result. Each group will receive one of these cards. You will prepare a short play acting out the scene written on your card. The rest of us will watch and decide which consequence you are portraying.

Give each group a card and tell the participants they have 5 minutes to prepare their plays. You should have 1 card for each of the following role plays. If you have more than 4 groups, give the same card to 2 groups. Go around to each group to clarify the scene the participants are to role-play.

Role-Play Cards

You are the members of Sarah's credit group trying to decide what to do about her default.
You are members of Sarah's extended family (sisters, in-laws, aunts, etc.) who have all lent her money that she has not repaid.
You are Sarah's husband and children who are arguing over which things in your home to sell in order to repay some of Sarah's loans.
You are shopkeepers talking together about making loans to customers, which of your customers you can lend to, and whom you would rather not lend to.

Ask the participants to present their plays. After each play, ask:

In this scene, what were the consequences for Sarah?

After all plays have been performed, say:

Defaulting on loans has many negative consequences.

What are the ways to avoid default in the first place?

Summarize their ideas. Mention the following points if they do not do so.

- Borrow only the amount of money you can afford.
- If you miss a payment, make sure to be honest with the lender about your troubles.
- Get advice about how to repay your loan from the lender, friends and family.
- Cut some costs to make your debt payment.
- Consider making improvements to your business practices to sell more products and services

STEP 3: Identify the "predator-lender" ***– 20 minutes***

Ask:

How did our friend Sarah end up with too much debt and having to default? (*She borrowed more than she could repay.)*

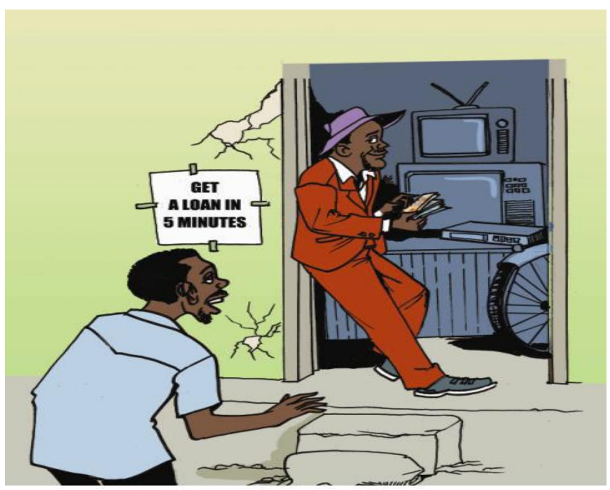
Explain:

In Sarah's case, she went looking for more loans. But sometimes, the situation is the other way around - the lending agencies look for borrowers. Remember, lenders make money on each loan, and some of them are very aggressive in their search for borrowers and more loans. Sometimes they offer special rates and attractive terms in order to draw in new customers. They want the potential customer to believe that taking a loan is easy and affordable.

Ask:

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

- **What can happen if you are tempted to take a loan because it seems to be a good deal? (***You may borrow money that you do not really need or cannot afford to repay).*



Beware of aggressive lenders

Review the warnings in the box below*:*

Beware of Aggressive Lenders!

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

Divide participants into small groups. Ask the groups to discuss the following questions:

What questions should you ask when a lender approaches you with a good deal?

What can you do to protect yourself?

Give the groups five minutes to discuss. Then ask for volunteers to report back the questions they identified. Write their responses on the flip chart or summarize them if participants do not read. Make sure the list includes the following:

How to Protect Yourself Against Predatory Lenders	
Ask yourself:	**Make sure you:**
Do I really need this loan?	Evaluate all the financial options for meeting this financial need.
How will I use this loan? How will it help me earn more money?	Know how the loan will help you.
What are the costs of taking this loan?	Know all the costs and terms associated with the loan, especially the penalties for late payment and refinancing.
Can I afford it? How will I manage to repay?	Have a plan for repaying that is based on your expected income and cash flow.

Ask a few volunteers:

What will you share with members of your family at home about today's lesson?

Thank the participants for their hard work.

Session 9: More Dangers of Default

OBJECTIVES:

By the end of this learning session, participants will have:
- Described the consequences of default
- Described how a credit bureau works
- Analyzed the consequences of being listed in the credit reference bureau

PRIORITY: 3 – the basics relating to default have already been explored in session 8

TARGET GROUP: All- this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
35 minutes

PREPARATIONS/MATERIALS:
Markers
Flipchart paper

STEPS:
1. Examine more consequences of defaulting: Sara's ongoing story – 25 minutes
2. Tell your family about the credit bureau – 10 minutes

Step 1: Examine more consequences of defaulting: Sarah's ongoing story – 25 minutes

Explain that the story of Sarah continues. Read the story and discuss the questions.

Sarah's Story

Sarah was managing three different loans at the same time. When she couldn't make the payments, she borrowed from her family and friends. Eventually she got into trouble and dropped out from the group that has been getting loans from an MDI. Even her friends were fed up with her and the shopkeeper refused to sell her anything more on credit. Finally, Sarah realized that she had to resolve the crisis. She became very careful about her spending; she dropped out of the "Christmas" savings circle, and told her children that they would not get new shoes this year. She took on extra sewing jobs and worked late into the night to finish them. Very slowly and painfully, she re-paid her loans. This was a day for celebration!

Not long after, Sarah had the opportunity to purchase a kiosk in an excellent place near the market. Here she would really be able to expand sales of her used clothing, and with more stable income she would not have to borrow every time she turned around. She had learned her lesson! Now that she was free of debt, she figured she could get a new loan. All she needed was **one**! But because she was too afraid to approach the group from an MDI , she went to a different microfinance agency. Unfortunately, they refused to lend to her because of her poor record.

Sarah then realized that she would have to find a new lending agency where she had not borrowed before and one that did not know her. Through a customer, she learned of a new Microfinance Institution, way across town. She had to spend over an hour on the taxi to reach the MFI, but she told herself the trip would be worth it if she could get the money to purchase her kiosk. Much to her surprise, this MFI also refused to lend to her! The credit officer explained that Sarah's name came up on a list of people who are considered to have a poor credit risk. That list is maintained for the whole district and shared among all the MFIs. Sarah would not be able to get a loan from any MFI in that district.

Ask:

Do you think what happened to Sarah is fair? Why?

Do you know someone who has had a similar experience? What happened?

Explain:

A **credit reference bureau** is a centralized record of all borrowers who have defaulted on their loan. Lending agencies can access these records to verify that a new applicant is not on the list. When a person defaults on a loan and ends up registered with the credit reference bureau, she will have a very difficult time securing a loan from any lender. Lenders regularly report defaulting borrowers to this central record-keeping body so that the list is always up to date.

Divide the participants into 2 groups. Ask them to find a partner by turning to the person on their left. The partners on one side of the room will discuss the following question:

How does this type of central list of defaulters help the MFIs?

The partners on the other side of the room will discuss the question below.

How does a credit reference bureau help or hurt the borrowers?

After 5 minutes, ask 1 or 2 volunteers from each side to report their discussion. Emphasize the following:

Borrowing money is a serious responsibility. When you can choose among many lenders, it may appear easy to borrow from several at the same time. And it is, unless and until you get in trouble and cannot repay your loan. We all know how bad it feels when someone does not return something they have borrowed. But a loan involves a legal contract between the lender and the borrower; defaulting not only creates a bad feeling between the borrower and the lender, it has serious consequences that can take years to overcome.

STEP 2: Tell your family about the credit reference bureau – *10 minutes*

Ask:

What two things will you tell your family about credit bureaus?

Give the participants a few minutes to think about the question. Then ask for 2 or 3 volunteers to share their ideas.

After they have shared, summarize their ideas, making the following points:

- Credit bureaus keep the names of all borrowers who have defaulted on their loans.
- Lenders can check the records to see if a new loan applicant is on the list.
- If you are on the list it will be difficult, if not impossible, to obtain a loan.

In conclusion, emphasize the following to the participants:

- Avoid "easy" loans and lenders who discourage you from reading and understanding the loan documents. They might try to take advantage of you. Always insist on reading all the loan documents and ask for explanations so that you understand the "Total Cost of Credit" as well as all the conditions attached to the loan before you sign. It is your right to ask and the responsibility of the lender to provide you with all the information you need before agreeing to take a loan. Both you and the lender should be honest in disclosing information to avoid nasty surprises in the future.

- Don't "dig a whole" to fill up "another hole". If you are already struggling with debts, avoid taking another loan since this will only add to your debts and hence increase your burden. Remember you will be paying additional charges, fees and interest since this is a new loan.

- Protect your financial image, do not despair or lose hope if you have difficulties paying back your loan. Consult with family and friends on how to handle the situation. If you are going to fail to pay on time as laid out in the contract, inform your lender in advance. Don't try to buy time when you do not have enough money to pay. Do not give any false or misleading information.

- Keep your financial history clean. If you take a loan from a financial institution regulated by Bank of Uganda, you will receive a financial card. With this card, your repayment history will be recorded. The next time you apply for a loan, this information will be used to help the lender decide whether or not to give you a loan and on which conditions. The better your history, the better the loan conditions will be.

  Encourage participants to discuss this at home because it is important for all borrowers to understand the risks of default.

  Thank everyone for participating.

Session 10: Take Control of Your Debt!

OBJECTIVES:

By the end of this learning session, participants will have:

- Listed the steps to control debt
- Developed a repayment calendar charting loan payments due
- Developed a payment calendar for their personal and family loans

PRIORITY: 1 – The session explains how to control debt

TARGET GROUP: All**-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
45 minutes

PREPARATIONS/MATERIALS:
Cards
Masking tape
Flip chart paper
Markers

STEPS:

1. Brainstorm ideas for controlling debt and compare with the "Take Control of Your Debt" Checklist – 15 minutes
2. Keep track of loan payments due – 20 minutes
3. Create your own payment calendar – 10 minutes

STEP 1: Brainstorm ideas for controlling debt and compare with the "Take Control of Your Debt" Checklist *–15 minutes*

Ask:

What are the risks of having more debt than you can pay? (*Lose friends, lose assets to pay off loans, lose credit standing.)*

Has anyone ever known someone in this situation? What happened?

Explain:

Today we will learn what to do if you find yourself in this type of crisis. Our friend Sarah from the play will help us. Let's imagine that Sarah has a change of heart and wants to get out of the crisis she is headed for.

Ask:

What can she do, apart from running away?

*Write their answers on a flip chart or summarize them when they finish sharing ideas. Present the **"Take Control of Your Debt" Checklist.** Ask participants to compare this list with the ideas participants generated, and ask the following question:*

What do you find on the list below that is similar to the ideas you mentioned? What is different?

"Take Control of Your Debt" Checklist

- Make a list of all loans, repayment amounts and repayment dates.
- Pay the minimum amount due on each loan.
- Explore the possibility of consolidating all your loans into one loan. In this case, you would need access to a loan large enough to pay off the others, then you would have only one loan to manage.
- Use any extra cash to pay off the most expensive loan first.
- When you pay off the most expensive loan, continue applying the same payment amount to the next loan.
- Set aside money for loan payments regularly (each day or each week if your income stream enables you to do this).
- Look for ways to cut down expenses to free up a little more money for debt servicing.

Congratulate them for all their good ideas. Review the items on the list that they did not mention.

Then ask:

What questions do you have about any of the items on this checklist?

Engage other participants in responding to any questions. Clarify ideas as needed.

STEP 2: Keep track of loan payments due – *20 minutes*

Explain:

Let's put ourselves in Sarah's position and try to take control of her debt. Our first task is to write down all of her debts. Since the play did not tell us the actual loan amounts Sarah had borrowed, we will just pretend that her loans are as follows:

Display and explain this table drawn on a flip chart:

Sarah's Three Loans						
	Principal UGX	***Interest + fees***	***Term***	***Payment Amount UGX***	***Payment Frequency***	***Total Due UGX***
Loan 1	*300,000*	*3%/month + UGX 5,000 fees*	*6 months*	*64,000/month*	*1st Tuesday of month*	*384,000*
Loan 2	*100,000*	*6%/month*	*2 months*	*15,000/week*	*Weekly on Thursday*	*120,000*
Loan 3	*100,000*	*5%/month*	*4 months*	*30,000/month*	*3rd Thursday of each month*	*120,000*

Ask everyone to find a partner. Distribute the worksheet and explain that it has 4 blank calendars, each representing 1 month.

Monthly Calendar								
Month 1								
WEEK	***Monday***	***Tuesday***	***Wednesday***	***Thursday***	***Friday***	***Saturday***	***Sunday***	***Total Due***

Using the information about Sarah's loans, instruct each pair to fill in the payments Sarah owes for the first month on the calendar marked "Month 1." A completed calendar will look like this:

Monthly Calendar								
Month 1								
WEEK	***Monday***	***Tuesday***	***Wednesday***	***Thursday***	***Friday***	***Saturday***	***Sunday***	***Total Due***
1		*UGX 64,000*		UGX 45,000				*UGX 109,000*
2				UGX 15,000				UGX 15,000
3				UGX 15,000				UGX 15,000
4				UGX 15,000				UGX 15,000

Ask for a volunteer to fill in a blank version of this calendar on a flip chart. Use cards with the amounts written on them and tape. Make any corrections necessary by moving the cards around to the appropriate boxes. Look at this calendar together with the participants and ask:

In which week does Sarah owe the most?*(Week 1)*

In which weeks does she owe the least?*(Weeks 2, 3 and 4)*

Will she have more money to spend on herself and the family during those weeks? *(No, because Sarah needs to save towards the larger loan payment that comes due the following week.)*

According to the loan terms, which loan is scheduled to be repaid first? (*Loan #2 is scheduled to be paid in full after 8 weeks)*

Once that loan is repaid in full, Sarah will have an extra UGX 15, 000 each week. What would you advise Sarah to do with the extra UGX 15, 000? (*If she applies it to the other loans, she will be able to pay them sooner.)*

Ask the partners to return to the worksheet and fill in the remaining 3 monthly calendars. Give them 10 minutes for the task. Ask:

After Month 2, what happens to the total amount that Sarah owes? *(Her total amount due goes from UGX 154,000 per month to UGX 15,000 per month.)*

If Sarah continues to set aside the UGX 15, 000 per week she was using to pay off Loan #2, how much does she have to apply towards her total amount due in Months 3 and 4? (*UGX 15, 000/week x 4 weeks in a month is UGX 60, 000*)

After Month 4, what happens to Sarah's debt*? (**Loan #3 is paid in full, and she has only two monthly payments of UGX 64, 000 remaining.)*

How does a payment calendar like this one help Sarah*? (It helps her to plan how much she owes each week, and to anticipate the hard weeks when her payments due are high. It also helps her to see how over time she can slowly pay down her debt.)*

STEP 3: Create your own payment calendar – *20 minutes*

Distribute blank copies of the worksheet to the participants and ask them, , to fill out the monthly calendars on their own, based on their own loans. Those who have no loans, or only one loan, should combine their loans with their husband's, or someone else's in their household. Walk around and assist the participants as needed.

After 10 minutes, ask:

What did you learn by using the payment calendar?

Make sure you get someone who combined her loans with other loans in the household to respond, as well as someone who only used her own loans.

Ask the participants to turn to a partner and discuss the following:

How can you use this type of calendar at home?

After a few minutes, ask for 1 or 2 volunteers to share their ideas.

Ask participants to review their calendars with their family at home and fill out 1 payment calendar for all loans in the household.

Conclusion

Managing loans is a skill that you will practice for the rest of your life. New situations will come up that will motivate you to revisit both what you have already learned and those questions you still have. Talk to each other about these questions. Don't feel like you should always have the answers to your questions about managing loans. Each time you face a decision about taking a loan will be different because each decision varies with the circumstances. Making the right decision can be difficult. Don't hesitate to ask for advice. Help each other to be careful and wise.

Two simple rules will help you control your debt:

- Don't borrow more than you can afford to repay.
- Save money regularly for emergencies so you do not always have to borrow.

A loan is not our enemy. Bad loan habits are. Use a loan well and use it wisely!!!

INVESTMENT: *"LET YOUR MONEY GROW"*

Invest and let your money grow

Session 1: Investment and Types of Investments

OBJECTIVES:

By the end of the activity, participants will have:

- Explained what is investment
- Described the different types of investments
- Described the various forms of investments available

PRIORITY: 1 – This session introduces the understanding of what investment is and the different forms of investment.

TARGET GROUP: All **-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:45 minutes

PREPARATIONS/MATERIALS:

Markers
Masking tape
Flip chart paper

STEPS:

1. Definition of investment - 10 minutes
2. Different types of investments - 15 minutes
3. Different forms of investments - 20 minutes

STEP 1: Meaning of Investment - *10 minutes*

Say the following:

Welcome to the financial literacy topic on Investment. Under this module, we shall look at the following key topics;

- Definition of Investment
- Different types of investment
- Different forms of Investment
- Making investment decisions
- Developing an investment plan and goal
- Reasons why you invest
- Where and how do you invest (Safe Investments) the risks involved
- Cost of Investment

- Investment Mix as per age
- Sources of funds for investments
- Getting professional advice

Explain the following:

People have more needs than their scarce resources can meet. They want to buy or build a house, buy a parcel/piece of land, buy food, pay school fees or keep some money for future use. Their money is not enough to fulfill all these wishes. Spending on one aspect means that money will not be available for the other.

The difference between peoples' wealth, even when they earn equal amounts, is based on their spending decisions. Some may prefer spending on daily luxuries rather than acquiring assets to generate more future income. The spending choice one makes now will determine the future financial position. One who puts the money in an earning activity will have more income in future.

Ask if any of them are engaged in any investment and let them mention which ones they are engaged in or they would want to be engaged in and solicit for reasons as to why. Then pose a statement to them by pointing out that "everybody can be a successful investor, do you agree". Ask the participants what they think about the statement. Generate a discussion, solicit for participants' views on the definition and then put up the one suggested for what investment is and what it means.

Definition of 'Investment'

An asset or item that is purchased with the hope that it will generate income or appreciate in the future; i.e. an investment is the purchase of goods that are not consumed today but are used in the future to create wealth or appreciate and can be sold at a higher price.

Summarise the definition by saying the following:

Investment means foregoing today's consumption for an activity that will bring you more income in future. It's a process of putting money in some place with the intention of making a financial gain. That is you choose not to spend your money on food, clothing, leisure, but you purchase an asset that will earn you more income. Investment means spending your money in ways that increase your earning ability. This includes starting or expanding a business, buying livestock, buying shares in a SACCO/Company and building a house.

STEP 2: Different types of Investment - *15 minutes*

Explain the different types of investment

There are three types of investments and they are classified according to the time it takes before the investor starts getting returns. These include:

1. **Short-term investments:** The money invested is expected to bring returns (income) soon. The period it takes before the expected returns are received is normally less than two years. Investments may include but are not limited to, starting a business e.g. a saloon, boda-boda, buying a bull or a dairy cow.
2. **Medium-term investments:** These are investments that take some years before one can earn from them. Cash is expected to start flowing after two years; it could come as a lump sum or regular flow of cash. Examples include but are not limited to buying shares of a quoted company so as to earn dividend or developing your farm to increase productivity.
3. **Long-term investments:** These are investments that require a lot of money and take long before realizing income from them. Their income may start flowing after completion but will take long before you get the money you put into the project. The time it takes to get your money back is long. These include investments into buildings (real estate) and buying a farm.

Generate a discussion that hinges on the advantages and disadvantages of the different types of investment. This should be a brain storming session.

Say:

The advantages of long-term investments are that over time, they increase in value. This means if you have the right investment, your wealth would increase in the future (i.e. your financial position will be better than before). The opposite is also true, especially if you make the wrong investment.

STEP 3: Different forms of investment - *30 minutes*

Explain:

"An investment can be in form of property such as livestock (cows, goats, pigs), land (rental apartments, buildings), business (market stalls, grocery shops, boda-bodas) or shares and bonds from which you can earn profits. There are various investment options available and understanding your options will help you to meet your goals.

Through a brain storming session encourage participants to mention the various forms of investments they are aware of as you write them on the flip chart.(Give examples that directly apply to the participants' characteristics).

The different forms/options of investments can include the following:

Explain:

There are different investment products to choose from and you need to educate yourself fully about them to enable you determine and choose the one that best suits your situation and financial need.

Ask:

What forms of investments are available to you?

Solicit for answers from the participants and once they are exausted of the answers, post this on a flip chart

a. **Business:** These include businesses set up for production, processing and exportation. Some people have set up both big and small outlets for sale of goods and services. These can include retail and wholesale shops. Others are involved in import and export business e.g. to South Sudan. Other forms of businesses that are common include saloons, boda-boda, schools, restaurants, retail and whole sale shops, financial institutions, insurance companies, hotels etc.

b. **Farming:** Uganda is basically an agricultural economy and most investments are carried out in this sector. Opportunities are available for investment in form of production, processing and exportation. Investments can be done in poultry, piggery, fishing, tree planting and harvesting, crop production e.g. maize, matooke, animal keeping, fruit farming, processing and packaging or setting up a vegetable stall in the market. It's important to know that before you venture into any business, there is need to first make a feasibility study or find out and see whether it's profitable to operate it.

c. **Real Asset:** Investment in property or real estate or land is good business especially when the market is right. There are many real estate companies in Uganda involved in the purchase and sale of land and other assets e.g. houses. It's important to note that different estates and land command different prices. So before you invest, make a good analysis of the value, environment, cost involved and the demand for the assets to be invested in.

d. **Fixed Deposit or Certificate of Deposit:** When you invest in a fixed deposit, you lend your money to a financial institution and benefit from the interest that accrues on the money. You can invest in a fixed deposit by paying money into an account set up for you by the relevant financial institution. After going through the relevant processes you will be given proof that you have invested in the form of a certificate of deposit. This gives you a fixed amount of interest which may be paid to you periodically over the life of the investment or cumulative at the end. It is an obligation of the financial institution to pay you the interest.

e. **Stocks** (Shares): A share is an instrument which represents part ownership of a company. When you invest in shares, you become a shareholder in the company and entitled to dividends from the profits of the company. To buy shares in a company that is listed on the stock exchange, you must contact a stockbroker who will buy them on the stock exchange for you. If you invest in a share, you receive dividends from the company. Dividends may not always be paid by the company as they depend on the performance of the company and the other decisions of the Board of Directors. In Uganda, people have successfully invested in SACCOs through buying shares, in local companies and in informal organized groups. It has been one way of mobilizing capital for investment in our community.

f. **Bonds**: A bond is an instrument used by the issuer to borrow money from the holder with the obligation to repay the principle and interest at future dates. When you invest in bonds, you lend your money to the issuer of the bond who may be a company or government. Bonds are usually issued by a credible entity such as a corporation, company, government or regional body to individuals or companies who are interested in lending money to them. The borrower (e.g. company or government) has to pay back the money which has been borrowed with a fixed rate of interest at a specific future date. Bonds can be bought and sold from a regulated stock exchange such as the Uganda Securities Exchange (USE). Their value can rise or fall over time.

Session 2: Making Investment Decisions

OBJECTIVES:

By the end of the activity, participants will be able to:

- Describe the different reasons why one should invest
- Describe what influences investment decisions

PRIORITY: 1 – This session explains why people should invest and what influences investment decisions.

TARGET GROUP: All **-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:30 Minutes

PREPARATIONS/MATERIALS:

Markers
Masking tape
Flip chart paper

STEPS:

1. Explain the different reasons for investment - 10 minutes
2. Describe what influences investment decisions through use of case studies: Real Estate, buying shares (stocks) - 20 minutes

STEP 1: Reasons to carry out an Investment -*10 minutes*

Ask:

Why should you invest?

Post the answers on the flip chart as they are being mentioned by the participants.

Explain:

When you invest, you give a bit of your earnings to someone to do business with and who would then pay you back regularly or at an agreed time with additional money earned from what he used the money for. Your money which would have sat idle now works for you and brings you more money and that is a good reason to invest. There are many reasons why people invest. Here are some key reasons why you should consider investing your money:

- You generate additional resources to protect your future well being.
- You achieve your financial goals such as buying a house or starting a business.
- You accumulate resources to pay for the education of your children.
- You accumulate resources to care for your children, ageing parents and other relatives.
- You secure your retirement income.
- You contribute to the growth of our national economy as your investment is deployed in the productive sector of the economy.
- You preserve the value of your money against inflation.
- You create employment opportunities.
- You increase your ability to earn more income.

It's almost impossible to increase our earnings without any form of investment.

STEP 2: Understanding Investment Value - *20 minutes*

Explain:

Before an investment decision is undertaken, there are key issues that need to be understood by the investor. These vary from one type of investment to another. We shall look at two different case studies.

Case Study 1: Real Assets - Investment in Real Estate (Investment in a House)

Explain:

Before investing in real estate, the following questions can help guide you to make the right investment decisions. What is the cost involved, what is its potential and what is the projected income from the asset and cost involved in its maintenance? If you are investing in a house or land, ask yourself the following: Is homeownership good for you? Are you better off buying real estate, houses or land? Are you better off buying or renting – and how many years would you have to own your home if you are going to take a housing loan?

Present a quick analysis about buying or building a house as an investment.

	Buying means you:
Cost	• have likely higher monthly costs with housing loan, property taxes, utilities, maintenance, furnishing and decorating • will have to pay interest on the loan to the bank • will have possible unexpected repair costs
Investment potential	• build equity as you pay off the loan
Income Potential	• can create income by renting out or borrowing against your home

Maintenance	• are responsible for maintenance and repairs
Commute	• spend more time and money on commuting from affordable houses in suburban areas
Flexibility to move	• will have problems to move quickly as it can take time to sell

Ask the participants:

What questions can you ask yourself before you invest in real estate (house)?

Ensure that the following questions are included:

- What kind of housing are you looking for?
- How much can you afford?
- How important is home ownership for you?

Your home as an investment

Explain:

There are some very good reasons to invest in a home. But think carefully before you buy – especially if this is your only investment.

Through a brain storming session solicit answers from the participants and ensure the following are included:

Five good reasons to invest in a home

- **It has value** – You own it (at least the part that you don't owe the bank).
- **It can increase in value** – You may be able to sell it for more money than you paid for it.
- **You can live in it** – You have somewhere to live.
- **You may pay the same as rent** – The monthly housing loan payment may be about the same as rent.
- **It forces you to save** – With each mortgage payment you make, you own a little more of your home.

Explain:

Be aware of the risks involved in investing in a house:

- **Housing prices can fall** – You could lose money if you buy your home when prices are high, and then sell when prices are lower.
- **Homes can get damaged** – You could end up paying for fire, wind or water damage. Home insurance doesn't always cover everything.

- **Getting your money may not be easy** – It can take weeks or months to sell your home.
- **There are other costs** – Examples: roof repairs, painting, heat, property taxes and hydro.
- **Danger of theft of construction materials.**

Summarize the case study by saying:

Buying or investing in a home can be an important part of your financial plan. But make sure you have a number of different investments to help spread the risk. If one investment does poorly, others may do better.

Case study 2: Stocks (Shares)

Say:

A share (stock) represents part ownership of a company. If you have shares in a company you can earn some money from the profits the company makes. The price of a share usually changes over time. If the price of a share increases, it will be worth more than the price at which you bought it. But if the price falls, it will be worth less than what you paid. The price of a share depends both on the performance of the company concerned and on the general economic situation.

In Uganda, people can purchase and own shares in Savings and Credit Cooperative Societies (SACCOs). A SACCO is a financial institution which is owned, managed and controlled by its members. The members determine the share price at the Annual General Meeting (AGM) and the price cannot easily change until the next consecutive AGM.

Stock market basics: The stock market brings together people who want to sell stock (shares) with those who want to buy stock. When you buy stock (or equity) in a company, you become a part owner or shareholder.

Ask:

Where are stocks traded?

Solicit for responses from the participants about how and where stocks are traded. After eliciting a set of responses, present the following:

Stock Exchange: A stock exchange is an organized market in which an investor can trade securities in a publicly visible manner, under rules that apply to all users of that exchange. If a company is listed on a recognized stock exchange, it must:

- Distribute a certain number of shares,
- File appropriate information about its management team, and

- Provide specific financial information.

In SACCOs, shares cannot be traded across the counter but are transferable within the membership.

How stock prices are set on a stock exchange

The buyer and seller must agree on a price before a stock or share can be bought or sold. Here's how it works:

- People compete to buy the stock (share) if they believe that its price will rise and they will make a profit.
- Sellers compete to find buyers for their stock (share) at the highest possible price.
- There are usually several investors trying to buy and sell stock (share) in the same company at the same time. It's like a big computerized auction.
- Once a stock (share) is bought or sold, the price is posted so that everyone knows the latest price.

Shareholders in a company or a SACCO are generally entitled to:

- **Dividend payments** – but there's no guarantee you'll receive dividends, and no guaranteed amount if you do. This is determined by the performance of the company or SACCO during the financial year as well as the resolution to distribute dividends by the members of shareholders.

- **Vote at shareholders meetings** – shareholders typically get 1 vote per share, and can vote to elect company directors and on other corporate matters at the annual shareholder meeting, or by completing a shareholder ballot online or by mail. You have the right to vote because you're taking a greater risk with common shares. For a SACCO, vote at shareholders meeting is carried out during the Annual General Meeting (AGM).

- **Claim on the company's assets** – if the company goes bankrupt and is liquidated. But common shareholders get paid last after tax authorities, employees, creditors and preferred shareholders.

There are two ways to make money on stocks (shares)

a. **The stock increase in value:** The value of a stock (share) can go up or down. And it can change frequently. As an investor, if you sell a stock (share) for more than you paid for it, you'll have a capital gain. If you sell it for less, you'll have a capital loss.

   Many **<u>factors</u>** can affect the price of a stock (share) including:

   - The size, profitability and financial stability of the company,

- Economic factors such as interest rates, and
- Investor sentiment.

b. The company or organization pays a dividend

A company/SACCO may pay out a share of its profits in the form of dividends. The decision to pay a dividend is made by a company's board of directors. Others may not pay a dividend if they choose to reinvest their earnings in the company, profits are low or the company loses money.

The dividend you receive is based on the number of shares you own. Dividends are most often paid on a quarterly basis as a cash payment to shareholders. Sometimes they are paid in stock. For SACCOs, dividends are usually paid at the end of each financial year after approval at the AGM.

How to buy and sell stocks (Companies)

You buy stocks from an investment firm, commonly known as a brokerage firm. The investment representative or advisor who sells you stocks is commonly known as a stockbroker or broker. You can buy stocks by paying cash, borrowing on margin (i.e. borrowing money from your broker to buy stock and using your investment as collateral) or reinvesting your dividends.

Summarise: Mention the key issues that involve investment, types of investments and the different forms of investments. Explain the pros and cons of other investments e.g. farming, import and export etc. Summarise by emphasizing that an investment should be done cautiously by seeking key information from the district Commercial Officer, Chamber of Commerce and the Uganda Investment Authority.

Session 3: Making an Investment Plan

OBJECTIVES:

By the end of the activity, participants will have :

- Identified how to make an investment plan and goal
- Identified where and how to invest (Safe Investments) and the risks involved
- Learned how to make investment decisions

PRIORITY: 1 – This session provides information on making an investment plan to facilitate decision making

TARGET GROUP: All **-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:50 minutes

PREPARATIONS/MATERIALS:

Markers
Masking tape
Flip chart paper

STEPS:

1. Developing an investment plan and goal -20 minutes
2. Where and how do you invest (Safe Investments) - The risks involved -20 minutes
3. Making investment decisions-10 minutes

STEP 1: Developing an Investment plan - *20 minutes*

Explain:

It's very key to have a goal and plan before an investment decision is done or undertaken. Creating an investment plan will help you reach your financial goals. This involves four steps;

1). Set specific and realistic goals
For example, instead of saying you want to have enough money to retire comfortably, think about how much money you'll need. Your specific goal may be to save UGX 10 million by the time you're 65 years old.

2). Calculate how much you need to save each month.

If you need to have saved UGX 10 million by the time you're 65, how much will you need to save each month? Decide if that's a realistic amount for you to set aside each month. If not, you may need to adjust your goals.

3). Choose your investment strategy
If you're saving for long-term goals, you might choose more aggressive, higher-risk investments. If your goals are short term, you might choose lower-risk, conservative investments. Or you might want to take a more balanced approach.

4). Develop an investment policy statement
Create an investment policy statement to guide your investment decisions. If you have an advisor, your investment policy statement will outline the rules you want your advisor to follow for your portfolio.

Mention:

Your investment policy statement should:

- Specify your investment goals and objectives,
- Describe the strategies that will help you meet your objectives,
- Describe your return expectations and time horizon,
- Include detailed information about how much risk you're willing to take,
- Include guidelines on the types of investments that make up your portfolio, and how accessible your money needs to be, and
- Specify how your portfolio will be monitored, and when or why it should be rebalanced.

STEP 2: Where and how do you make safe investments? – The risks involved - *20 minutes*

Divide the participants into groups and let each group explain the various ways of where and how they can invest and the various risks involved. Let them present in the plenary and generate a discussion.

Summarize the discussion by saying:

Usually people ape others while investing their money. I buy a dairy cow and you see the milk being sold, then you also decide to buy a cow. This is wrong. You need to evaluate the available alternatives, consider what it will demand from you and whether you can manage the investment.

STEP 3: Making Investment Decisions - *20 minutes*

Explain:

It's very critical to make good investment decisions in order to make your money grow. Many factors affect the investment decision of the person. These include:

- The capital
- The goal and plan
- The environment
- The culture

Choosing your Investment

Tell the participants:

Once you know your asset mix, you can choose specific investments. Before you choose an investment, understand how it works and which are the risks involved.

There are seven questions to ask before you make any investment decision.

Ask yourself:

1. **How does the investment work?** Do you understand the investment well enough to explain it to someone else?
2. **What are your goals?** Are you looking for safety, income or growth from this investment? Or both growth and income?
3. **What are the risks of this investment?** Are you comfortable taking these risks?
4. **How much do you expect to earn on this investment?** Is this realistic?
5. **How long do you plan to invest?** Is this a short-, medium- or long-term investment?
6. **What are the costs to buy, hold and sell the investment?** And will you pay taxes on the money you earn?
7. **What other investments do you have already?** How does this investment fit with your other investments? How will it change your asset mix

Say:

There are many investment options which, however, may not give you a return as you would wish. The following are some of the investments you could put your money into depending on your location.

1. Investing in assets that appreciate in value e.g. land
2. Investing in projects/ventures for speculation - Shares
3. Investing in assets that start earning immediately like starting a shop or hotel
4. Investing in assets that offer services to other people e.g. taxi, pick up
5. Putting money in a joint business e.g. setting up a company or cooperative (SACCO). You should work with people you trust
6. Investing in more than one project, like having a farm and a shop, can spread risks

Explain:

It's important to note that money loses its value over time. If you have a shilling today, you can buy more than what it could buy after one year. It only keeps its relative value if it's invested in an earning activity. Your money should earn income for you all the time. Guard against loss by putting your money in activities that earn. It's not just an earning activity but earning a lot of money.

To evaluate your investment, you need to calculate the equivalent cash tomorrow and the gain you want to make. If your money is losing value by 10% per year, then it means your UGX 1,000 today, will be equivalent to UGX 1,110 next year same time. So if you invest UGX 1,000 for one year, it should be more than UGX 1,100 next year, at least to maintain its value. Any amount less than this will be a loss to you.

Making an Investment decision:

Explain using a story; distribute the cases below to the participants and generate a discussion on making investment decisions.

Case 1: Cereal farmer

Maria is a farmer in Masindi. She grows maize and beans and also keeps some goats. Produce buyers for harvested crops are offering very low prices. A bag of maize goes for UGX 50,000 while that of beans fetches UGX 60,000 . She may opt to sell her harvests for fear of being attacked by weevils. Since there are no banks in the sub county, where to save her money, she chooses to use the money from the sales to buy goats that cost each UGX 80,000 each.

By the eighth month after the harvest, there is no more food in Maria's granaries. She has to sell her goats, but everyone in the community is selling goats and they go for less than UGX 40,000. It's also a planting season and the seeds cost UGX 80,000 for a bag of maize and UGX 90,000 for a bag of beans. She had sold 6 bags of maize to buy one goat, which can only be sold at half price equivalent. This scenario is common in her community and that's why she has remained poor over the years.

Case 2: Investing in rental house

John is a dairy farmer in Kapeeka. He sold his milk to a local diary cooperative. On average he gets UGX 200,000 per month. He had a dream of owning a commercial building in the trading centre. The building costs UGX 5 million . He approached a financial institution and took a series of loans whose repayment amount to UGX 200,000 per month. He paid off the loans from the proceeds of milk by asking the cooperative to pay the bank. Using these loans, he constructed the building in phases and had it completed in 5 years. He now earns UGX 50,000 per month from the investment.

Tell the participants:

Discuss the following questions related to the above two case studies.

1. What do you think went wrong with the first case? How could Maria have avoided the loss?

2. What lessons can you draw from the second case?

Conclusion: Solicit for the different investment scenarios and generate a discussion to summarize the above.

Safe and Risky Investments

Moderate through a brain storming session what the participants think is safe and unsafe investment. Post what they have mentioned on the flip chart and summarize the discussion.

What makes an investment feel safe for me?

For some investors, their biggest fear is that they'll lose money. A safe investment is one that will help them avoid losses, even if the rewards are smaller. Other investors focus more on making their money grow. To them, an investment can still feel safe as long as the risk of losing money is balanced with a fairly good chance for growth.

Ask:

What does a safe investment mean? Here are statements people sometimes make when looking for safe investments. Think about how important each one is to you and use this information to guide your investment choices.

- I must know ahead of time exactly what I'll make on the investment. Even if this means I'll make less than I could on other investments, I prefer to know how it will all work out.
- There must be little or no chance that I'll lose money. I don't want to wake up one morning and find out I've lost all of my money.
- I want my money to grow steadily, with no ups and downs along the way. I don't like to worry that my investment might not work out.
- My money must grow at least as fast as prices rise. That way, the shilling I have today will be worth the same or more in the future.
- I can get my money out when I need it. If something comes up, I know I can tap into my savings quickly, without paying a big penalty.

Say:

Remember: Not all investments are equally safe.

If you don't want to take chances with your money, you may have to choose investments that grow more slowly. You'll likely have fewer surprises along the way.

Risky investment

Every investment comes with a risk. There is a risk of losing money when your investments lose value, are stolen, mismanaged, destroyed or damaged. Use anything that goes wrong as a lesson learnt for the future. If you are investing through a bank or you use an investment advisor, find out from them how to best minimize risk of loss. Usually, the potential for higher profits carries with it a higher risk that you will lose some or all of your money.

Some investments such as government securities, bonds and treasury bills usually have very little risks. Invest according to how much risk you are willing to take. Riskier investments may earn you higher profits, if they are successful – but there is a greater chance that you can lose some or all of your money. Think about your own attitude to risk: do you prefer to keep your money safe, even if this may mean earning lower profits? Or are you willing to try to get greater profits but run a greater risk of losing money?

The risk-return relationship

Learn about the main types of risk and the relationship between risk and return.

Say:

To know your investing personality (STEP 2 to investing), you need to understand how much risk you can handle. Are you comfortable taking on more risk if it means your money might grow faster? Or are you more comfortable making less and knowing that your money is guaranteed to be there when you need it?

Explain:

There are different types of risks that affect businesses in different ways. These could include the following:

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

Ask:

Why do people invest when there are so many risks?

Solicit a set of responses.

Answer:

The potential to make money is greater than the risk of losing it when you make good investment choices. The rule of risk is simple: You have the potential to earn more when the risk is high and vice versa**.** This does not mean you should always invest in something just because it is either high or low risk. It means that you should always make informed choices when investing and knowing the risk level of your investment is part of the process. While it's impossible to eliminate all risks, when investing, knowing how to diversify the types of investments in your retirement account will help protect your financial future. By diversifying, you're investing in different financial products.

Understanding risk and return

Explain:

All investments have risk, but some investments are riskier than others – there's a greater chance you could lose some or all of your money. In general, higher-risk investments offer higher potential returns, and lower-risk investments offer lower returns. Some investments have low risk because they guarantee that you will get your money back. But they also have a lower return than most other investments and may not keep pace with inflation.

Investments like bonds and stocks/shares may have a higher return over the long term, but their prices can change – sometimes by a lot. You could lose money. Other investments, like high yield bonds are highly speculative and are meant for investors who can afford to lose all the money they have put in the investment. Keep in mind that risk and return are often affected by changes in economic conditions. And what seems risky to you may not seem risky to someone else.

Summarize the session by making the following statement:

Don't put all your eggs in one basket!!!!
Invest in different projects in order to spread the risk or earn from different investment opportunities: **"Don't put all your eggs in one basket"** because if the basket breaks you could lose everything. It is a good idea to balance high and low risk investments or savings – this is like mixed farming (livestock and crops) might be a better option because of the variation in weather.

Session 4: Investment Costs and Sources of Funds for Investment

OBJECTIVES:

By the end of this session, participants will have:

- Described the investment costs and returns
- Described the different sources of funds for investment
- Determined why it's important to get professional advice

PRIORITY: 1– this session discusses cost and returns which are necessary to all target groups.

TARGET GROUP: All- this can be used for literate / semi-literate / illiterate people; for illiterate groups, draw instead of write on cards

TIME:
30 minutes

PREPARATIONS/MATERIALS:
Markers
Masking tape
Flip chart paper

STEPS:

1. Investment cost and returns - 10 minutes
2. Different sources funds for investment - 10 Minutes
3. Getting professional advice - 10 minutes

STEP 1: Investment costs and returns - *10 minutes*

Say:

To really know your return on an investment, you have to factor in your costs. Your total return is what you make after you pay any fees and charges. Companies and individuals which buy, sell or manage shares or bonds on your behalf will charge you fees. These will reduce the profits you will earn. Make sure you understand the fees you will pay before deciding whether to buy shares or bonds or make any other investment.

Tracking your investment costs

Explain:

It’s important to know the different costs involved in undertaking an investment. You may have to pay fees to buy, hold or sell your investments. You may also have to pay accounts fees and fees for advice. Some common fees include:

1. Sales charges if you buy or sell an investment
2. Management fees and operating expenses
3. Licenses and any other taxes
4. Trading commissions when you buy and sell an investment
5. Fees for selling an investment early or transferring an investment
6. Account fees, such as trustee fees for registered plans and fees to close an account
7. Fees for the advice you receive
8. You may also have to pay taxes on what your investments earn.

Your account statements will tell you about many of your costs and fees. Others may not appear on your statements. Ask your advisor or investment firm about all of the costs involved in your investments. Please make sure you understand the cost involved starting and investment and see if it’s feasible.

Say:

As an investor it’s important to track returns and this involves three steps:

1**. Find out your rate of return**

Ask your advisor to calculate your rate of return for you. Keep in mind that any costs or fees you pay on your investments reduce your rate of return, the same applies to any taxes you pay on the money you earn on investments outside a registered plan. Your advisor should take costs, fees and taxes into account when calculating your return for you.

2. Assess your progress toward your goals

Take a look at:

- How much you have invested,
- The growth you wanted, and
- What your investment is worth today.

This should give you an idea of whether or not you're on track. If you’re not, you may choose to make changes to your investments.

3. Measure your results against other investments

You can compare your returns with those of similar investments.

STEP 2: Different sources of funds for investment - *10 minutes*

Through a brainstorming session, solicit for responses from the participants and write them on the flip chart and explain the following:

There are different sources of funds for investment. These include:

1. Personal or group funds

You can use parts of your personal savings to start an investment. Alternatively, you can pool resources as a group - this is common with friends and peers. A specified amount of money is collected from members at agreed intervals and later the members can do a joint investment. Individual members can also borrow (usually at a small fee) from the funds collected to start an individual investment. Examples include merry-go-around, Village Savings and Loans Associations (VSLAs), Rotating or Accumulating Savings and Credit Associations (ROSCA's and ASCAs).

N.B. There is power in numbers. Small savings in a small group with your like-minded friends may give you the financial breakthrough you desire. Individually, you may be emotionally attached to a product that does not meet your financial goals. Be ready to let go of it and settle for bigger and better financial ideas as a group.

There is power in numbers

2. **Loans:** Another source of funds for investment includes; money borrowed from financial institutions or individuals

3. **Profits:** You can reinvest the profits you are making on an investment.

STEP 3: Getting professional advice - **10 minutes**

Say:

Sometimes investment is complex, large and hence there is need to get professional advice.

a). Get professional advice on large investments
if you have large amounts to invest, seek advice from an investment expert. You could contact the Capital Markets Authority (CMA) for a list of licensed professional investment advisors, or talk to a colleague who has been successful in business for advice. Most financial institutions also have financial advisors you can consult. However, do not blindly trust any "expert". He/she may be trying to sell his/her own products in order to receive a commission. Try to get various opinions and also trust your own informed judgment.

b). When you buy, think about selling, some types of investments may be difficult to sell quickly – or difficult to sell at all. Before deciding whether to buy an investment, seek information on how easy or difficult it will be to sell it at a later time.

c). There are also some investment scams. So it’s important to get professional advice and think twice before making a decision to invest.

Ask the participants whether they have heard about investment scams. Let themshare situations where they or someone they know have been coned or involved in fake investment. Analyze the stories and let the plenary discuss. Then present a story of an investment scam and let the participants discuss it.

Spotting an investment fraud: Albert's story

Albert, a retired policeman, is sitting in his favorite coffee shop thinking about ways to make his retirement more comfortable. He starts to chat with a well-dressed gentleman seated at the next table. As they talk, the man reveals that he was once a bank manager, but quit after he found another way to make money.

He tells Albert about an investment called Prime Bank Instruments and how it works:

- Companies lend money to banks all the time for short periods. The banks pay high interest rates on these loans.
- Most individual investors don’t have enough money to do this on their own. But if they pool their money together − just as people do in a mutual fund − they could get in on the high rates of return.
- The investment is risk-free and the money is held in trust in a lawyer's bank account.

Albert is a little suspicious because he has never heard of this type of investment before. He likes the idea of investing with a bank, though. Here’s what he does:

- First, he invests UGX 10 million as a trial. One week later, the gentleman hands him UGX 10 million plus UGX 500,000 interest.

- Albert decides to invest another UGX 20 million. One month later Albert receives a cheque for UGX 20 million plus UGX 2 million interest.

Then, the "former banker" asks Albert if he would like to make some "big" money. The retired officer takes out a UGX 200 million mortgage on his paid-off home and hands over the full amount with the expectation of making a double-digit return on his investment.

Now, three months later, he has yet to see a shilling of his money back. Albert has become a victim of an investment scam that has been around for a long time.

Lesson learned:

Scam artists know they have to get your trust. They often let you make money first, before they scam you. Remember: If it seems too good to be true, it probably is. It may even be illegal.

Session 5: Investment Mix and Investing Personality

OBJECTIVES:

By the end of the activity, participants will have:

- Discussed why it's important to diversify on investments
- Described what is investment mix
- Described the investment personality to consider in making an investment decision

PRIORITY: 2-3 – this session discusses investment mix and personality which might not be necessary for all target groups

TARGET GROUP: All - this can be used for literate / semi-literate / illiterate people

TIME:
40 minutes

PREPARATIONS/MATERIALS:
Markers
Masking tape
Flip chart paper

STEPS:

1. Investment diversification 10 minutes
2. Explanation of an investment mix as per age 10 minutes
3. Investment personality 20 Minutes

STEP 1: Investment diversification - *10 minutes*

Say:

Understanding diversification involves choosing the right investment mix. To choose the right asset mix, it's important to understand the concept of diversification. Diversification is a way to try to reduce risk by choosing a mix of investments. With a diversified portfolio, you spread your money across different types of investments (or asset classes). The three main asset classes are:

- **Cash and cash equivalents** – like savings accounts
- **Fixed income investments** – like bonds
- **Equities** – like stocks and shares

Explain:

Under normal market conditions, diversification is an effective way to balance risk and return. If you hold just one type of investment and it performs badly, you may lose everything. If you hold many types of investments, it's much less likely that all of your investments will perform badly at the same time. The return you earn on the investments that perform well could offset some of the losses on those that perform poorly.

For example, fixed income investments and equities often move in opposite directions. When investors expect the economy to weaken and corporate profits to drop, share prices will likely fall. When this happens, central banks may cut interest rates to reduce borrowing costs and stimulate spending. This causes bond prices to rise. If your portfolio includes both stocks and bonds, the increase in the value of bonds may help offset the decrease in the value of stocks.

Diversifying within asset classes

There are ways to diversify within asset classes, too. For example, try not to hold all of your stocks in just one industry sector, such as banks or technology, because different sectors respond differently to changes in the economy, and some sectors are riskier than others. Within your bond holdings, you may want to diversify by choosing bonds with different credit ratings and terms to maturity.

Four reasons to diversify

- Not all types of investments perform well at the same time.
- Different types of investments react differently to world events, interest rates and other factors in the economy.
- When one type of investment is down, another may be up.
- Having a mix of different types of investments may help smooth out your returns.

Choose your asset mix

Explain:

Choosing your asset mix is a great step to investing. The right asset mix should:

- Help balance risk with your expected rate of return on your investments,
- Fit your tolerance for risk,
- Let you get your money when you need it,
- Help provide the growth you need to reach your goals
- change as your needs and goals change over time.

Ask:

Why is having the right asset mix important?

By holding a mix of investments from the three main asset classes – cash and cash equivalents, equities and fixed income investments – you can get a fairly well-diversified portfolio. '**Deciding how much of your portfolio to invest in each asset class is called asset allocation.'** Your asset mix will largely determine the risk and expected return of your portfolio. To get the right mix for you, be sure that your asset mix matches your risk tolerance, financial goals and time horizon.

If you need help putting together an asset mix, you may want to work with an advisor.

STEP 2: Investment mix as per age -*10 minutes*

Ask:
What mix of investments is right for me at my stage in life? Answering the posed question makes a person rightly decide the questions of when and what to invest in! Deciding on the right asset mix is an important part of investing and planning for your future. Your asset mix should:

- Help you balance risk with your expected rate of return on your investments,
- Fit your comfort level for risk,
- Enable you to get your money when you need it,
- Help you get the growth you need to reach your goals,
- Change as your needs and goals change over time.

How does my stage in life change the way I invest?

Your age and life situation can play a big role in your choices. If you are about to get married, you might need your money to buy a home. If you're in your 40s, you may be saving for retirement or your kids' education.

We've created some sample asset mixes to show you how some people invest at different stages of life. Note that personal factors will help you determine the amount of risk and the mix of assets that would work best for you.

Early working years	Middle years	Retirement years
If you're just starting to work, you may not have a lot of savings. Still, time is on your side. For this reason, many people at this stage are willing to take more risks when making long-term investments.	You may be earning more than ever, and you may also have a lot more responsibilities, including: • Children to support or help through school • Saving for retirement • Debt Some people are in second marriages with younger children or they may have lost a spouse and be on their own for the first time in many years. If this is you, you may want to shift your investments more toward safety.	Older investors usually move their investments gradually over to safer, guaranteed investments. They want to protect their savings because they'll need to live on their investments after they retire. They may also prefer investments that create a steady, reliable stream of income.

STEP 3: Investment personality - *20 minutes*

Explain:

Know your investment personality is very important. The individual's personality is very key in any investment venture. This is all about knowing what kind of investor you are. This is called your investing personality or investor profile. Any investor should ask her/himself the following questions:

a). How much risk can I tolerate?
With higher-risk investments, there's a greater chance you could lose some or all of your money. But higher-risk investments also have the potential to grow your money faster. Ask yourself if you're comfortable taking on more risk if it means greater returns. Or would you be more comfortable making less and knowing your money will be there when you need it?

b). How much do I expect to make on my investments?

Figure out how much of a return you'll need to make on your investments to reach your financial goals. Keep in mind that to get a higher return, you often have to take more risk. If meeting your expected return means taking on more risk than you're comfortable with, you may need to adjust your goals.

c). For how long do I plan to invest?

Your investment time horizon is the amount of time it will take you to meet your goals. Your time horizon could be short term, like saving for a vacation in 6 months. Or it could be long term, like saving for retirement in 20 years. Your time horizon is a key factor in choosing investments. For example, if you're investing for the short term, you may want to choose investments that guarantee your return, so your money is there when you need it. If you're investing for the long term, you may choose to take more risk with your investments.

d). Do I need quick access to my money?

Liquidity is a way to describe how easy it is to get your money back from an investment. Cash and bank accounts are very liquid. You can always get your money right away and get it easily, but the returns are low. Investments that are less liquid may offer a higher potential return, but also may come with more risk.

Summarize:

Investments make a difference if they can generate higher future cash flows than today. You invest because you expect to earn more cash in future. Many people make mistakes in investing in assets and businesses that do not appreciate in value and deteriorate over time.

Before investing your money, calculate what you expect to earn in future from the investment. Compare it with other investment alternatives. Choose the investment that has a possibility of giving you a higher return much faster. Money today is worthy more than money tomorrow. **"Remember a bird in the hand is more worthy than two in the air".**

Be careful in making an investment; flexibility may not be there or it may be very expensive to switch to another investment. If you are not sure, of what to do, consult experts.

There are also some investment scams. So it's important to get professional advice and think twice before making a decision to invest. Get professional advice on large investments.

INSURANCE *"PROTECT YOUR FAMILY'S FUTURE"*

Prepare for the unexpected

Session 1: Understanding Risk

OBJECTIVES:

By the end of the activity, participants will have:

- Described events in life that cause financial difficulties
- Assessed which life events cause the most hardship and why
- Described how people deal with financial costs after unexpected crisis
- Explained what protection is

PRIORITY: 1 – This session gives a detailed introduction to risk and protection and is a basis for demanding an insurance product.

TARGET GROUP: All**-** this can be used for literate / semi-literate / illiterate people

TIME:
50 Minutes

PREPARATIONS/MATERIALS:
Markers
Masking tape
Flip chart paper

STEPS:

1. Introduce the insurance module - 5 minutes
2. Brain storm on happy occasions, events or memories - 10 minutes
3. Reflect on the hardships caused by difficult events - 20 minutes
4. Identify measures we can take to protect ourselves - 15 minutes

STEP 1: Introduce the insurance module- *5 minutes*

Explain:

In this module, we will learn about how we can protect our families when confronted with unexpected events that create problems for us. We will teach each other about what we already do in these situations and how we can do better. Some of us have savings accounts for emergencies, some hide money away, some buy assets. We will also learn about a financial product that offers protection. This product is called ''insurance.'' In this training, you will learn what insurance is and how it works. You will know enough to be able to make your own decision about whether you will purchase insurance if you have the opportunity.

STEP 2: Brainstorm happy occasions, events or memories - *15 minutes*

Say:

To begin, I am going to ask you to close your eyes. Keep your eyes closed and think of a happy moment in your life, a joyful occasion, event or moment when you remember feeling every happy. Try to see that moment.

Ask:

Where are you? Who is there? What are you doing? Are you smiling?

Say:

Keep that image in your mind, with your eyes closed. When I tap your shoulder, name out loud the event or moment you are thinking about. If l tap you and you really do not feel comfortable sharing the happy moment you are thinking about, just shake your head silently, and I will move on to someone else. (Answers you might expect include: holding my first baby when he was born, playing foot ball with my friends, my wedding, singing in church, making a big sale at my business.)

Say:

These are wonderful moments and memories. But there are things that happen to threaten these happy times.

Ask the following questions and write participants' answers on a blank flip chart.

- What kind of events can occur to threaten our happiness? (They might include: death of loved ones, accidents, illness, natural disaster, theft, fire, job loss.)
- What are the consequences of such events? (Grief, financial hardship, loss of income, loss of assets, lost opportunity for children.)

Explain:

In our lives we have both happy times and difficult times. Hopefully, we have more joy than sorrow, but just by being alive, we all face unexpected and unwelcome events. No one is fully shielded from them. Something bad can happen to anyone, and often it is totally unpredictable, coming as a terrible shock. Our responsibility is to learn how to prepare for and respond to these events.

STEP 3: Reflect on the hardships caused by difficult events - *20minutes*

Ask participants to select a person sitting next to them to be a partner. Distribute a risk card to each pair. Use the possible crises listed or write new ones that are meaningful to your participants. You should have as many cards as you have pairs of participants.

Risks Cards:

Husband is injured in accident; cannot work for two months	Must stay in hospital
Fire destroys business	Elderly parent dies
Flood destroys house	Main income earner loses job
Thieves steal savings from house.	Disease kills animals
Drought destroys crops	Husband runs away
Accident destroys family transport (Motorbike, bicycle, car, etc.) for weeks	Wife falls ill; stays in bed

Ask:

If this event happened to your family, how would it affect your financial situation?

Post the following flip chart.

HOW WILL AN UNEXPECTED CRISIS AFFECT YOU?

- What is the impact on the family income and expenses?

- What do you have to do to cover those expenses (such as changes in routine, children's schooling, work and plans for the future)?

Tell the pairs to consider the questions as they discuss the risk written on their card. Give them five minutes to discuss. Select some of the pairs to report on their discussion. Record answers on a blank flip chart.

Explain:
So, we have identified many crises that could happen to our families and have discussed how such emergencies can really cause financial problems for us. Now let us find out which of these possible situations can be the greatest threat to us.

Post a blank sheet of flip chart paper on the wall. Collect the risk cards and tape them to the flip chart. Distribute three stickers or markers to each person.

Say:

Consider the situations on the cards and the discussions you have just had about how they can affect us. Decide which event or events are most threatening to you. Place your stickers next to the events that you think would bring about the greatest hardship (or write a check mark next to them with a marker). You may place all the three stickers (or check marks) next to one event, or you may distribute them to threats you feel reflect most your own concerns.

Send participants to the risk wall in groups of two or three at a time until all the participants have ''voted.''

Review the voting results with participants. Identify the risks they fear the most.
For each of the top two, ask:

Raise your hand if you selected this event. Can one of you explain why you fear this event?

Discuss the impact that these shocks can have.

Explain:

Our next task will be to examine our options for preparing for or responding to such events. We will answer the questions: How do we respond? Is there a better way?

STEP 4: Identify measures we can take to protect ourselves

Post the following flip chart.

Risk is the possibility of loss or injury.

Explain:

The crises or threats that we have discussed so far can be called **'risks.'** Knowing that we face so many different risks, we do things to protect ourselves. This may be another new word. What does this word "protection'' mean? Protection is similar to prevention. We try to prevent bad things from happening. We do this every day in many ways. Let me give you an example. When I am in the city, and I want to cross the street, I look both ways, to my right and to my left, before crossing. Why do I do that? I do not want to get struck by a car. I am protecting myself.

Here is another example. I take my children to the clinic for vaccinations. Why? I am protecting them against deadly diseases.

Ask:

What are some of the examples of things you do to protect yourself, your family or your home from the risks you face?

If the group needs prompting, some additional examples are:

- Repair the roof to protect your home against damage from wind and rain
- Lock your door to protect your home (or business) against theft
- Tether the pigs to protect your home and crops from getting trampled
- Douse the cooking fire to protect the house against catching on fire
- Hold your small child's hand when you walk in a crowd to protect her from getting lost
- Observe prenatal practices to guard against risks during pregnancy
- Seek good nutrition to protect children's health

Ask:

What are some of the things we can do to protect ourselves financially against those difficult events that will cost us money if they occur?*(Diversify income sources, save money, purchase assets, join a savings club, take a loan, join an informal mutual aid society if these societies exist in your area)*

Explain:

In this module, we will explore and learn about all these ways to respond to unexpected emergencies or protect ourselves against them.

Name one thing you do now to protect yourself against financial losses. Tell the person next to you.

After a few minutes, ask the pairs to discuss this final question:

What is one thing you will consider doing in the future to protect yourself?

Say:

Thank you for your active participation.

Session 2: Responding to Risk

OBJECTIVES:

By the end of the activity, participants will have:

- Described the various ways people respond to shocks
- Sorted responses by "before the event and after the event"
- Defined protection and reaction measures
- Compared protection and reaction measures

PRIORITY: 1–The session provides information on different protection and reaction measures

TARGET GROUP: All**-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
60 Minutes

PREPARATIONS/MATERIALS:
Markers
Masking tape
Flip chart paper

STEPS:
1. Three different responses to the same shocks - 30 minutes
2. Identify protection ("before") and reaction ("after") measures - 10 minutes
3. Debate advantages and disadvantages of protection and reaction strategies - 20 minutes

STEP 1: Three different responses to the same shocks - *30 minutes*

Explain:

The time of greatest risk in our life is when we have the most to lose. As adults, we have responsibility for our family, home, farm, business, and parents. We have identified many different risks that we face, from everyday things like crossing the road, to life cycle events that we can anticipate, to unexpected illnesses, accidents and natural disasters. Today we will look at one type of risk – an accident – and the various ways that three different victims responded.

Read the following story:

ONE ACCIDENT, THREE RESPONSES

Last year, a terrible bus accident occurred on the hilly road from Kampala up to the three villages along the same northern route. An animal darted in front of the bus, startling the driver just as he was going around the curve. When he swerved, he lost control, and the bus rolled over. Most of the passengers only suffered cuts and bruises. But three young men had injuries that required hospitalization.

Explain:

Each of the three victims handled his hospital stay and recuperation in different ways according to his family situation.

Divide the participants into three small groups and assign each group one of the victims. Give each group copies of the story "One Accident, Three Responses" and a blank flip chart labeled ''Coping Strategies.''

COPING STRATEGIES

Ask them to review their victim's coping strategies. Tell each group to write the name of their victim under the heading "Coping Strategies" on their flip chart and list each action his family took to cover the cost of his treatment.

After ten minutes, ask each group to read the description of its accident victim and how his family responded to the accident. Post the three flip charts on the wall, side by side. The lists should include the following:

COPING STRATEGIES

Peter	Albert	John
• **They borrowed from Peter's aunt and uncle.** • **They used their savings which was set aside to purchase a dairy cow.** • **Peter's mother took in laundry.** • **Peter's two younger brothers began working on the farm after school.**	• His wife belonged to a village savings and loan group that lent her money. • His wife collected the money her brother owed them. • His wife kept her food stall open for lunch. • Their children stopped buying lunch and ate at his wife's stall instead. • They cancelled their annual goat roast.	• They borrowed from a money lender. • John sold his motorbike to pay off the loan. • His older daughter quit school and found a job. • His wife sold half of her goats.

After the three groups have reported, ask:

Which family was in the best position to respond to this accident? Why?*(Albert's family will have the easiest time handling the accident. Albert's wife belonged to a savings and credit group that used its emergency fund to help her. She could expand her business relatively easily; they could reduce unnecessary expenditures to find additional funds they needed.)*

Which family was in the worst position? Why? *(John's family had no savings, so they got a loan. But with no income, they could not repay it and had to sell their only productive asset).*

STEP 2: Identify protection (''before'') and reaction (''after'') measures - *10 minutes*

Ask:

Remember our discussion about protecting ourselves: What were some of the actions we take to protect ourselves, our children or our homes?*(Repair our house to keep it from falling down; eat well to stay healthy; hold a child's hand on a crowded street to keep her from getting lost, etc)*

In these examples, does the protective action happen before or after the feared event? *(Before the event).*

What happens if you fail to protect yourself and the event you fear actually happens? For example, if you choose not to repair the roof and a big rainstorm comes, your home may

suffer damages. What will you do then? *(You react any way you can. Somehow you find the money to repair the damages and the roof.)*

Explain:

Now if we look at the different ways in which our three families responded to the bus accident, we will find a few things families did **before** the accident ever occurred to **protect** themselves in case something like that did happen. These are "protection steps.''

Post the following flip chart and read it:

DEFINITION OF "PROTECTION STEPS''

"Protection steps'' are actions we take **before** a crisis or emergency occurs to help us respond.

Say:

Let us look at your lists on the wall again and label the actions that took place **before** the accident with a "P'' for "protection'' or "prepared.''

Ask volunteers to identify the actions that families took before the accident. Write a "P'' next to the action on the flip charts.

Make sure the two following protection steps are identified:

PROTECTION STEPS

Peter	Albert
They used their savings which were set aside to purchase a dairy cow.	His wife belonged to a village savings and loan group that lent her money.

Ask:

Can you think of any other steps one could take as protection before, or in anticipation of, an emergency?*(Build an emergency savings account, diversify sources of income with more than one income earner in the household, join a funeral/burial society if these societies exist in your area)*

Explain:

The rest of the steps our families took to pay these unexpected costs happened **after** the accident. They were not planned. People **reacted** to the accident and its costs in any way they could – by borrowing, working longer hours, finding new ways to earn money, reducing expenditure, and selling assets. We will call these "reaction steps.''

Post the following flip chart.

DEFINITION OF "REACTION STEPS''

"Reaction steps'' are actions we take in response to something that happens **after** a fact.

Say:

Let us look at the remaining items on your lists and mark them with an **"**R'' for **"**reaction.'' As we do this, we will identify which one of the following reaction steps they are:

- Borrow
- Work longer hours
- Find new ways to earn money
- Reduce expenditures
- Sell assets

For example, **"**taking in laundry'' on your list becomes **"**find new ways to earn money.''

Make sure the following reaction steps are identified:

REACTION STEPS

Peter	Albert	John
They borrowed from Peter's aunt and uncle. ***Borrow***	His wife collected the money her brother owed them. *Find new ways to earn money*	They borrowed from a money lender. *Borrow*
Peter's mother took in laundry. ***Find new ways to earn money***	His wife kept her food stall open for lunch. *Work longer hours*	John sold his motorbike to pay off the loan. *Sell assets*
Peter's two younger brothers began working on the farm after school. ***Find new ways to earn money***	Their children stopped buying lunch and ate at his wife's stall instead. *Reduce expenditures*	His older daughter quit school and found a job. *Find new ways to earn money*

	They canceled their annual goat roast. *Reduce expenditures*	His wife sold half of her goats. *Sell assets*

Ask:

What is the main difference between protection and reaction steps? *(Protection is something you do **before** a difficult situation or emergency takes place to prepare yourself to respond. Reaction steps are actions we take to address the crisis **after** it occurs.)*

Why do you think there are more reaction steps? *(People struggle to deal with day- to- day life and do not think ahead to anticipate a possible emergency. It is difficult to plan for the future.)*

STEP 3: Debate advantages and disadvantages of protection and reaction strategies *- 20 Minutes*

Explain:

Two of the three families used both protection measures and reaction measures. Both involve paying for the costs of the emergency. Nobody was able to escape that. With savings, you pay up-front; with loans or finding ways to increase your income, you pay later.

Divide the group into two teams. (If you have a large group, you may need to have four teams.) Explain that the teams will debate with each other about the merits of protection measures vs. reaction measures in handling the costs of an emergency. Assign one team to argue in favor of each. Give them ten minutes to prepare their arguments. Each team will then have two minutes to present its case.

Post the following flip chart:

COMPARING REACTION AND PROTECTION STRATEGIES

	Advantages	Disadvantages
Protection Strategies		
Reaction Strategies		

As each team presents its arguments, fill in the table drawn on the flip chart. Remember, when the "protection'' team states the disadvantages of reaction strategies, you need to record these in the box corresponding to "disadvantages/reaction strategies'' in the second row. Similarly, when the "reaction'' team is outlining the disadvantages of the protection strategies, record these in the first row, in the box corresponding to "disadvantages/protection strategies.''

At the conclusion, the comparison table should look like the completed table below:

COMPARING REACTION AND PROTECTION STRATEGIES

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

*(**Note:** If you prefer not to set up a debate between two teams, divide participants into four groups and assign each group one option from the list below to discuss and present. This may be easier for participants, but it is less dynamic.)*

Group 1: Protection/Advantages
Group 2: Protection/Disadvantages
Group 3: Reaction/Advantages
Group 4: Reaction/Disadvantages

After the teams have presented, ask if anyone on either team has anything to add.

Ask:

How does this discussion apply to you and your family?

What action can your family take to be more prepared for an emergency?

Session 3: Introducing Insurance

OBJECTIVES:

By the end of the session, participants will have:

- Identified how a disaster affected those with and without insurance differently
- Told the negative and positive perceptions people have on insurance
- Compared formal insurance and informal insurance
- Made a decision whether or not to buy insurance

PRIORITY: 1 – It is important to introduce the notion of insurance and create a good understanding to take an informed decision

TARGET GROUP: All**-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
65 minutes

PREPARATIONS/MATERIALS:

Markers
Masking tape
Flip chart paper
Money
Signs (One of each of the following: Strongly agree, strongly disagree, agree somewhat, disagree somewhat, not sure)

STEPS:

1. Brainstorm "insurance" - 5 minutes
2. Listen and discuss a story - 10 minutes
3. Define insurance - 10 minutes
4. Understanding pooled risk: a simulation - 30 minutes
5. Agree or disagree statement - 10 minutes

STEP 1: Brainstorm "insurance" *5 minutes*

Explain:

In this session, we will learn about a protection measure you might not know much about. It's called insurance. Some of you may have heard something about insurance. So, I ask you to call out any thought you have, anything you know or have heard about insurance, good or bad.

As the participants respond, write a list of their responses on a sheet of blank flip chart paper. When they are finished, review the flip chart with them. Put a check mark next to the positive words and statements about insurance. With a different colored marker, put an "X" to identify the negative words and statements. Ask volunteers to explain their negative impressions.

Say:

We have both positive and negative impressions about insurance. People commonly hold misconceptions about it. Plus, it is hard to understand. Our task is to learn what insurance is and how it works. Let us start with a story.

STEP 2: Listen and discuss a story - *10 minutes*

Read the story below:

I have a sad story to tell you. Last week a big fire swept through our market. It destroyed at least half of the stalls and all their goods. Luckily, no one was hurt. It was a windy day, so the fire spread quickly. All the market vendors rushed in to help in some way. Some carried water while others beat the fire with blankets. Others kept the children far from danger. But by the time they were able to put it out, the fire had destroyed many things. Many vendors were left with nothing. The fire was put out before it reached this section of the market, so my little restaurant is okey.

Now I am hearing all kinds of stories from my customers. Some are so sad about vendors who lost everything and still have to repay their loans! I wonder how they will repay their loans. One lady was actually sleeping at her stall because her husband's relatives had chased her out of her home after his death. Now she has nowhere to go. So many people are desperate for a way to start over. They are worried about finding working capital and losing their customers while they rebuild.

During all the misery, I heard something very strange. Some venders are receiving payment for full value of everything they lost. I could not believe my ears. I thought it was just gossip. But I kept asking questions and learned that these lucky venders had something called "insurance''. "What is that?" I asked. I had no idea. It seems that with this ''insurance'' thing, you have protection against certain types of accidents or disasters like this fire. If that bad thing happens to you, the insurance company gives you money so you can start over. I guess you have to pay for it in advance. But how? How can someone charge you money for something that might not even happen? I do not understand but some venders who have insurance are actually planning to expand and improve their stalls with better products to sell. I wonder how people in the same place could suffer the same loss and come out of it differently?

Discuss the story with participants.

Ask:

How did the fire affect some venders differently from others?
Some venders lost their businesses and were still in debt. Other venders could rebuild and even expand their businesses.

Why were those who had insurance able to rebuild and even expand their business?
They received money from the insurance company to pay for the value of their lost property.

Who might be interested in having this kind of protection for their business or house?

STEP 3: Define insurance - *10 minutes*

Post the following definition on the flip chart:

DEFINITION OF INSURANCE

Insurance is an arrangement in which an insurance company compensates a person or a company for a specified loss caused by e.g. an accident, fire, injury, illness or death in return for an agreed amount of money paid in advance.

Insurance is an arrangement in which an insurance company compensates a person or a company for a specified loss caused by say an accident, fire, injury, illness or death in return for an agreed amount of money paid in advance (this is called a premium). This compensation may also be made to a third party (e.g. if you knocked somebody down while you were driving a car or riding a motorcycle). If you have life assurance and you die, your family will be paid some money. Your vehicle or motorcycle must have insurance cover. Insurance only applies when you buy the insurance before any accident, damage, sickness, loss or death happens. An insurance company will not pay you if you buy insurance after the unfortunate event has happened.

STEP 4: Understanding pooled risk: Stimulation - *10 minutes*

Say:

Let us look at how the "pooled" funds of a formal insurance company can be a little different from our funeral society or other informal groups you have in your community.

Ask everyone to stand up. Divide the group into two unequal groups, one with 75% of the participants, the other with the remaining 25%. (If your group is small, you can divide them into 1/3 and 2/3.) Give everyone the same amount of fake money (e.g. two notes of UGX 50,000/= for a total of UGX 100,000/= for each participant).

Say:

Those in the smaller group are all business owners **in the same section of town.** This group does not belong to any kind of emergency fund and it does not have insurance. The members of the large group are customers of an insurance company.

Turn to the large group and say:

You live in different parts of the country, and each of you purchased a policy to protect your property against damage caused by fire and flood. For this policy, you pay a "premium" or fee of UGX 50,000/= for the year. I will now collect these UGX 50,000/= please.

Collect the premium payment from each participant in the large group (business owners who are insured). Then divide the large group into three small subgroups to stand near the small group (business owners who are not insured). Place the other two subgroups in different spots in the room.

Explain:

Now, members of this group (first subgroup) are all business owners in the same section of town where the uninsured group has its businesses.

The remaining two groups (subgroups) are customers of the same insurance company. They purchase the same polices but they each live in a different town. (*Assign the two remaining subgroups to two distinct towns in your county).*

Stand near the two groups of business owners in the same section of town, and make the sound of a fire alarm. Shout to them:

Fire! Fire! Everybody out!! A disaster struck!

Explain (with emotion):

A fire destroys several blocks of buildings, including all of the businesses belonging to the members of the uninsured group and those who purchased insurance. Thankfully every one survives!

Say to the members of the uninsured group:

This is a tragedy! The fire has ruined each of your businesses. What will you do now? Some of you will borrow money to rebuild. Some may have to find other work. Some will return to your villages.

Show the money that the insurance company has to pay their customers who suffered damage to their property

Explain:

Now for those of you who are insured with my company, I can help you. Look, I have 3,000,000/= in premiums that I will divide up among the five of you. That means each of you will receive 600,000/=.

Pay the insured customers the money they are due as per their insurance policy.

Ask:

What happened to the business owners who did not have any insurance? What will they do? *They lost everything. They will borrow money, find other work or return to their villages.*

What happened to the group of business owners that had a formal insurance policy? Why was the insurance company able to pay all these business owners? *The insurance company collects premium payments from customers all over the country. Since many of them were not affected by the fire, the company has enough money to pay those who did experience loss.*

What about the insurance customers who were not affected by the fire? Do they receive any benefit? *The insurance customers in the two other locations were not affected by the fire, so they did not have any claim to a payment*.

What has happened to the money that these unaffected policyholders paid to the insurance company? Do they ever get it back? *The money these customers pay for their insurance policy is collected with other customers' payments to create the fund that pays benefits to those who make claims. If a customer never experiences an emergency that qualifies for an insurance payment, her premium payments will not be returned. You are paying for protection against the threat of something bad happening that could devastate you and your family. You are paying for peace of mind.*

Ask participants to turn to a person sitting next to them to work as a partner. Ask them to discuss the following question.

What are the advantages of having a large number of insurance customers living in so many different situations to cover losses when they happen? *There is a bigger* *fund to cover losses. With customers spread out across the country, it is less likely that the same event will affect everyone.*

Review their answers together.

Ask:

In the story, two groups have insurance, but only one group has to make claim. One group pays for the insurance but it's not affected by the fire and does not get any money back, and the other group loses their businesses in the fire and receives an insurance payment to cover at least part of their loss.

Who do you think suffers more?

STEP 5: Agree or disagree statement - *10 minutes*

For this activity, you will need to create space along the entire length of the training room. In this space, use a string to create a line that is long enough for participants to stand side by side along it. Mark one end of the line with the sign that reads **"***strongly disagree'' and mark the other end with the sign "strongly agree". Place the sign* **"***not sure'' in the middle of the line. Use the two remaining signs* **"***agree somewhat'' and* **"***disagree somewhat'' to mark other positions along the line between the two ends.*

Read the following statements:

''Insurance offers protection against the possibility of loss. When you buy an insurance policy, you pay for protection against something that might or might not happen. It is not worth it. I prefer to gamble that the loss never happens. I will save a lot of money by not buying insurance.''

Ask participants:

Do you agree or disagree with this statement? If you strongly agree, go all the way to the end of the line and stand by the "strongly agree" sign. If you strongly disagree, move to the opposite end by the "strongly disagree" sign. If you are not sure, place yourself in the middle of the line by the "not sure" sign. If you agree or disagree only somewhat, place yourself where you think you should be between the middle and either end of the line.

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

Explain:

We have different opinions about the value of insurance. That is natural. Some of you may feel that you do not have anything worth insuring. But remember insurance is one more way you can protect your home, business or family health *before* something bad happens.

Ask:

What will you tell your spouse or other family members about insurance?

Thank everyone for their hard work!

Session 4: Insurance Terms

OBJECTIVES:

By the end of the activity, participants will have:

- Defined the terms basic to an insurance policy
- Identified additional information they need to know about each term

PRIORITY: 1 – The session provides more information on insurance beneficial to make informed decision.

TARGET GROUP: All**-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
40 minutes

PREPARATIONS/MATERIALS:

Markers
Cards
Masking tape
Flip chart paper

STEPS:

1. Define Life Insurance - 15 minutes
2. Who should you choose as a beneficiary - 20 minutes
3. Life insurance exclusions - 5 minutes

STEP 1: Define life insurance - *15 minutes*

Explain:

Now that we understand some of the basic terms of insurance, let us look at the different kinds of insurance. One of the most common is life insurance.

Ask:

When the main income earner in a family dies, what is the impact on the family?

What will the family have to do?
(Borrow money or use savings to pay expenses until they can find a new source of income)

Does anyone know of a family that has suffered such a loss? How did they cope financially?

Explain:

Life insurance can help to cope with this situation. Life insurance is usually purchased by adults who have a family to look after. If a policyholder dies, the company will pay cash benefit to the beneficiary named in the policy, usually a member of the policyholder's family. The family can use this money to pay funeral expenses and their living expenses until they can replace the income of the person who died.

Ask:

What do you think the benefits of life insurance are?

STEP 2: Who should you choose as a beneficiary? - *20 minutes*

Explain:

We have heard this word **"beneficiary''** before. In the last session, we talked about Sara and her business. Sara paid for the insurance policy and she was the beneficiary. But the beneficiary is a little different for a life insurance policy

Ask:

Who is the beneficiary for a life insurance policy? *(The policy insures the life of the policyholder who names a beneficiary to receive payment upon his death. When the policyholder is dead, the money does him no good, but it can help the family he leaves behind.)*

Say:

Let us pretend that we all know a woman named Alice who is married and has four children. She decided to purchase a life insurance policy worth UGX 10 million. When she dies; the insurance company will pay UGX 10 million to her beneficiary. Alice must choose a beneficiary.

Ask:

How should Alice choose her beneficiary?
What qualities should a beneficiary have to manage a large of money?
Who are good candidates to the beneficiary for a life policy?

Say:

Now let us identify the strengths and weakness of some candidates for beneficiary of a life insurance policy.

Divide the group into three small groups. Assign each group one of the following beneficiaries: husband, eldest child or policy holder's adult sibling.

Explain:

Each group is the voice of one woman who has just purchased a life insurance policy. Pretend you have just chosen the beneficiary for your policy - the person I assigned to your group. Your task is to defend this choice.

Ask:

Why do you think this person is the best person to be the beneficiary of your life insurance policy?
Why are the other candidates not acceptable to you?

Give the groups ten minutes to develop their arguments in favor of their "choice" of beneficiary

Post the following flip chart:

Candidates for Beneficiary

	Husband	Eldest Child	Adult Sibling
Advantages			
Disadvantages			

Ask each group to present. Encourage comments and discussion after each presentation. Be sure that the following points are mentioned:

CANDIDATE FOR BENEFICIARY

	Husband	**Eldest Child**	**Adult sibling**
Advantages	• Father knows best • Will need help caring for the children • Will be able to invest money to increase family security	• The money is intended for the children's welfare. Should go directly to them	• **Can protect money intended for children against demands or expectations from the husband and his family**
Disadvantages	• **Might spend the money on alcohol** • **Might use it to take another wife**	• **Children are not mature or responsible enough to make financial decisions**	• **Might run away with the money.** • **Might spend it on his/ her own children in addition to or instead of the**

	orphaned nieces and nephews.

Explain:

There is no **"right"** answer who makes the best beneficiary. It will depend on your family circumstances and who you trust to use the insurance money to provide for your loved ones. Whoever you name as beneficiary should understand what your wishes are regarding the use of the insurance money in the event of your death.

STEP 3: Life insurance exclusions *5 minutes*

Explain:

Special circumstances that the policy does not cover, or will not pay benefits for, are called "exclusions." Do you remember this insurance term that we learned? Although exclusions vary by type of insurance policy, common events or events that the policyholder could make happen so the beneficiaries can claim benefits are typically excluded.

Ask:

For the case of life insurance, can you think of a situation in which the death of the policyholder would not be covered? (*Death by suicide is often excluded; in India, some life insurance policies exclude death by snake bite and murder*.)

Why do insurance companies exclude death by suicide from their life insurance policies? (*Because the policyholder can take his own life just so that his family can receive the life insurance payment.)*

What questions do you have?

Conclude:

Insurance can seem complicated. But now that you understand the basic idea, you can evaluate if the protection from the insurance is worth the cost of the premium. You also know that not every policy is the same. It is worth the efforts to understand each component and make sure you accept all the conditions. Make a commitment to talk to an insurance agent about these issues.

Session 5: What You Need to Know About Insurance

OBJECTIVES:
By the end of the activity, participants will be able to:
- Define the terms basic to an insurance policy: Policy, premium, beneficiary, eligibility, benefits, claims and exclusions
- Identify additional information they need to know about each term

PRIORITY: The session provides definitions to terms in insurance and creates more understanding

TARGET GROUP: all- this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
75 minutes

PREPARATIONS/MATERIALS:
Markers
Cards
Masking Tape
Flip chart paper
Container (Box, hat, basket)
Prizes (Candy, Pens)

STEPS:
1. Identify types of insurance -10 minutes
2. Basic Insurance Vocabulary -25 minutes
3. Matching game -25 minutes
4. Identify what you need to know about an insurance policy - 20 minutes

STEP 1: Identify types of insurance - *10 minutes*

Review the previous session.

Ask:

What did you learn in the previous session that you did not know before?

What questions do you have about how insurance works?

Explain:

Today we will learn basic information about insurance. We will start with the types of insurance that are available. We will also learn about the parts of an insurance policy and how they fit together.

Explain:

Most insurance policies do not cover all the different types of risks i.e. they are limited to a specific type of risk. Do you remember the funeral fund we created?

Ask:

Why do you think that one insurance fund is unable to cover all the risks we face?

(If it covered all possible risks, the funds would not be enough to cover for any and all losses.).

Explain:

There are different insurance products, or policies, for each type of risk. You can purchase health insurance, car insurance, property insurance and life insurance. As a customer interested in buying insurance, you have to decide what type of loss you fear most and find the insurance policy that offers protection against that loss. For example if you owned a business with expensive equipment, you might want to protect your property from theft and damage. The insurance policy offering that protection will only cover the loss or damage to your property. It will not cover illness, funeral expenses or other possible emergencies or losses. For this reason, some people have more than one insurance policy.

Ask:

Which risks do you fear the most?

Write their responses on a sheet of a blank flip chart paper.

Point out to the participants that the risks on the list can be grouped into categories. Say:

Health covers those events that will result in medical care and / or a hospital stay (accidents, illness)

Property includes house, business, assets and vehicle.

Death includes funeral expenses and loss of income.

Help the participants group the risks they mentioned into these categories. Write the category next to the risk on the flip chart.

Explain:

The most common types of insurance correspond to these categories. They are: life insurance, health insurance and property insurance (including vehicle insurance). Although each type of insurance is a little different, they all share some common parts.

Ask:

Which risks on our list would you like to have insurance for?

Explain:

If you want to be insured against different categories of risks, you will have to purchase more than one type of insurance. For example, if you want to be insured against illness and theft, you will need to buy health insurance (for protection against illness) and property insurance (for protection against theft)

STEP 2: Basic Insurance Vocabulary - *25 minutes*

Explain:

Insurance has many terms that are new to many of us. When you speak to an agent of an insurance company, it is easy to get confused if you do not know these terms. Let us play a game to see what we have learned.

Post a blank sheet of flip chart paper on the wall. Explain that you are going to tell the story of Sara who buys insurance from the "In Good Hands" insurance company.

Say:

Our friend Sara wants to purchase insurance to protect her sewing business from loss due to fire, flooding and theft. She has several sewing machines and often a lot of fabric waiting to be sewn into clothing. If she loses these things, she loses her business

Sara goes to the insurance office to meet with an insurance agent. He gives her a policy to review.

On a blank flip chart, write the word "policy" in large letters. Explain:

An insurance **policy** is a contract between the client (in our case Sara) and the insurance company. The policy includes details about:

- Premium
- Benefits

- Beneficiary
- Eligibility
- Claim
- Exclusions

As you say each of these words, write them on the flip chart, below the word "policy". Then go back to the top of the list and explain each one. Point to each word as you explain it:

The **premium** is the price Sara has to pay to the insurance company for the protection described in her insurance policy.

Benefits are the money that the insurance company promises to pay to Sara if a loss covered by the policy occurs. For example, if a fire occurs and Sara loses her sewing machine and fabric, the insurance company will pay her.

The **beneficiary** is the person who receives the benefits that the insurance company pays. For each insurance, the beneficiary can be different. In the case of property insurance, usually the business owner (e.g. Sara) is the beneficiary. If you bought a health insurance policy that covers you and your children, you and your children are all beneficiaries.

Eligibility refers to the criteria that determine who can purchase an insurance policy. For example, there may be age restrictions that prevent people above or below a certain age from buying an insurance policy.

A **claim** is the request for payment that the policyholder sends to the insurance company when she suffers a loss. If Sara's business is robbed, she can submit a claim to the insurance company for the value of the things she lost.

Exclusions are specific conditions or circumstances that the policy does not cover. For example, a property insurance policy will not pay for losses caused by fire if the property owner starts the fire. Many life insurance policies will not cover the death of the beneficiary if he takes his own life. Some health insurance policies will not cover, or exclude, incurable diseases.

Ask:

What questions do you have?

Answer participants' questions. Then say:

Now we will hear what happens to Sara after she meets with the insurance company. I will divide you into two teams. As I tell you the story, I will pause to ask you questions to see if you correctly get the point. If a team answers incorrectly, the other team will have a chance to answer the question.

Divide the participants into two teams. Read Sara's story. Stop where indicated and ask the question in italics. Provide the correct answer if participants do not know. If a group knows the right answer they get a point. Record the number of points each team wins on a blank flip chart.

Sara is very excited. She has just come from the insurance company office with a copy of a new property insurance policy for her business that she is thinking about purchasing. She wants to review it with her husband first.

Ask:

What is an insurance policy? *(The contract between the customer and the company)*

Say:

If Sara pays a premium of UGX 20,000/= each month, the insurance company will pay benefits up to UGX 10 million to cover losses due to theft, fire or flooding.

Ask:

What is a premium? *(The price or cost of the insurance policy, often divided into monthly, or quarterly payments)*

What are benefits? *(The amount that the insurance company will pay when a covered event/misfortune takes place)*

Say:

Sara is the beneficiary because she is the owner of the business. However, she is encouraging her sister to invest in the business too. She will have to ask the insurance company if her sister can be added as a beneficiary if she becomes an owner.

Ask:

What is a beneficiary? *(The person who receives the cash payment made by the insurance company).*

Ask:

As Sara reads the policy, she finds an answer to part of her question about naming her sister as a beneficiary. She learns that there are certain eligibility requirements for buying insurance. For example, a person has to be twenty one years old to purchase insurance.

Ask:

What is eligibility? *(The criteria that guides on who can purchase insurance)*

Say:

Sara is confused about how to submit a claim for benefits if something happens to her business. The policy does not explain it well. She will need to ask the insurance agent what the procedures are for submitting a claim to the insurance company.

Ask:

What is a claim? *(The request for insurance payment after a covered event has taken place; usually requires documentation to prove the loss being claimed).*

Say:

Sara wants insurance protection so that she can sleep without worry at night. The only exclusion is theft when there are no locks on the windows and doors. Sara has to verify that her locks meet the insurance company standards. *Ask:*

What is exclusion? *(A condition that the insurance policy does not cover)*

Ask what questions people have. Count the points each team got for a correct answer and award a prize to the winning team.

STEP 3: Matching Game **-** *20 minutes*

Explain:

Now it is time to see if we have learned these insurance terms. We will play a matching game. Each of you will draw a card that has either a word or its definition written on it. Your task is to find the match to your card.

Place the insurance matching activity cards in one container (hat, basket, box).

Then ask participants to stand up, go to the container and each one to draw one card from the container. Ask them to walk around and find the person who has their matching card. For example, if a participant has a card with an insurance term, the participant should find the person who has the card with the definition that fits his or her insurance term. Give participants five minutes to find the person with the matching card.

Review the matches. Correct any errors

Ask the participants to return the cards to the container, repeat the matching activity so that every participant practices at least two different insurance terms.

The correct matches are:

Policy:	The printed document given to the policyholder by the company that states the terms and conditions of the insurance contract.
Premium:	The money a policyholder pays to the insurance to activate an insurance policy and keep it in force.
Benefits:	The amount that the insurance company will pay when a covered event/misfortune takes place.
Beneficiary	The person who receives the insurance money when an insured event occurs.
Claim:	A request for payment for a loss covered by the policy.
Exclusions:	Specific conditions or circumstances listed in the policy that are not covered and for which the insurance company will not pay any benefits.
Eligibility:	The criteria that determine who can purchase an insurance policy (e.g. there may be age restrictions that prevent people above or below a certain age from buying an insurance policy)

Post the above information on a flip chart so that everyone can see. (Keep the flip chart posted for the rest of the session)

STEP 4: Identify what you need to know about an insurance policy - *20 minutes*

(Note: If possible, try to arrange for an insurance provider to meet with the participants and explain a specific policy that your group may be able to purchase. This activity will prepare participants for such a meeting. Howver, take care that the agent does not lure the participants into bying this specific insurance)

Divide participants into groups of three. Assign each group one term and its definition from the list of definitions posted on the wall.

Explain:

Your group's task is to discuss what you want to know about the term you have got. Develop a list of questions to ask a representative of an insurance company who explains the insurance policy.

Give the groups five minutes to discuss their term and write down their questions. Circulate to make sure that everyone understands the basic definition of their term. Post the following on a flip chart:

Questions about insurance

Policy
Premium
Benefits
Beneficiary
Claim
Exclusions
Eligibility

Ask each group to report their questions. Write their questions on the flip chart.

Check the questions you generated together against the following list. Add any questions that participants have missed.

Questions about insurance

1). Policy
- What type of policy is it?
- What events does it cover?

2). Premium
- What is the amount of the premium?
- How is it to be paid? (In cash, deducted from the loan, etc)
- How frequently do we pay the premium? (Monthly, quarterly, annually)
- Benefits
- What benefits does the insurance policy guarantee to the policy holder?
- Which events will trigger payment of benefits?

3). Beneficiary
- Who can be named as a beneficiary?
- How many beneficiaries can be named?
- Are there special provisions if benefits are paid to a named beneficiary?
- Who is accepted as a child?
- **4). Claims**
- How does the policyholder submit a claim?
- What type of documentation does she or he need?
- When should she or he submit a claim?

5). Exclusions
- What events are named as exclusions to this policy?

6). Eligibility
- What are the criteria for who can purchase this insurance policy?

Conclude:

Insurance can seem complicated. But now that you understand the basic idea, you can evaluate if the protection from the insurance is worth the cost of the premium. You also know that not every policy is the same. It is worth the efforts to understand each component and make sure you accept all the conditions. Make a commitment to talk to an insurance agent about these issues.

Thank everyone for their hard work!

Session 6: What You Need to Know About Property Insurance

OBJECTIVES:
By the end of the activity, participants will be able to:
- Identify the features and benefits of property insurance

PRIORITY: 3 – This session is provides information on the features of an insurance product.

TARGET GROUP: All- this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:45 minutes

PREPARATIONS/MATERIALS:
Handouts

STEPS:
1. Define property insurance - 10 minutes
2. Review property insurance excursions - 5 minutes
3. Stories about property insurance - 20 minutes
4. Review the benefits of property insurance - 10 minutes

STEP 1: Define property insurance - 10 minutes

Explain:

Now that we understand some of the basic terms of insurance, let us look at the different kinds of insurance. A common type is property insurance. We will look at how property insurance can help those who own valuable assets such as a house, a car or equipment they use in their business.

Ask:

What are some risks that owner's of property and/or productive assets face? (*Theft, fire, damage from extreme weather, vandalism)*

If someone loses his/her home to a disaster, what expenses will that person face? *(Rental of a temporary home, repair or rebuilding expenses, cost of new furniture)*

If that person does not have insurance, what will the family have to do? *(Borrow money or use savings to obtain housing and replace lost assets)*

How can property insurance help someone whose property is lost or damaged? *(The policy holder will receive a cash payment)*

Who should consider buying property insurance? *(Home owners, business owners who have equipment, vehicle owners or anyone with valuable property that would be expensive to replace).*

Explain:

In many countries, the government requires people who own motorized vehicle cars, trucks, motorcycles to purchase third party insurance to protect everyone against injury, damage and loss due to accidents

Ask:

Why do you think government requires vehicle owners to purchase third party insurance? Typically, the law does not require that home owners purchase insurance on their homes. What is the difference?
(Accidents with vehicles often cause harm to innocent victims, such as pedestrians, the passengers or the drivers of the other cars involved in the accident. The insurance policy will cover victims' medical expenses).

STEP 2: Review property insurance exclusions - *5 minutes*

Explain:

Special circumstances that the policy does not cover, or will not pay benefits for are called "exclusions." Do you remember this insurance term that we leaned? Although exclusions vary by the type of insurance policy, common events or events that the policyholder could make happen so they can claim benefits are typically excluded.

Ask:

What kind of property loss or damage is usually excluded in a property insurance policy?
(Property located in a high risk flood zone might not be covered for damage due to flooding; damage that the policyholder purposely causes to his property in order to collect the insurance money)

In this area, what are the common risks that might be exclusions in a property insurance policy for people here?

What questions do you have about exclusions?

STEP 3: Stories about property insurance - *20 minutes*

***(Note:** In this step, participants will read mini-cases that highlight either elements of the insurance policy as reviewed above, or some of the pitfalls associated with property insurance. These cases should be based on the actual property insurance policy that training participants will have access to. Therefore, these cases are only roughly outlined now. You may not need all of them. Select those that best suit you situation.)*

Ask participants to find a partner and assign each pair one of the following mini-cases. Ask them to read and discuss the case and answer the question at the end of the case. After five minutes, each pair should share their case and their answer with the rest of the participants. If you have more than 12 participants in your group, you can divide them into small groups of three or four (instead of pairs), or create additional mini-cases.

Case 1

Anita lives in a crowded neighborhood with many old and rickety wooden buildings and makes pottery in a workshop behind her house. Because she is afraid a fire may someday destroy her home and workshop, she purchased fire insurance to protect herself against the loss of her property equipment. But in the end, her problem was not fire. One night a huge rainstorm swept through the city and caused major flooding. Anita lost her materials and her stock — all the pots she had ready for sale. At first, she took comfort in the idea that her insurance policy would cover the cost of these losses, but she learned otherwise. Her policy only covers damage and loss due to fire.

What did Anita misunderstand about her insurance?

Case 2

Justine has insurance to protect her market stall against damage due to fire or weather. When the fire destroyed the market, her insurance company paid her the full amount she was due. She was so relieved because she had many bills to pay. Now she could pay school fees, get her son ready for boarding school and repair the roof on her house.

What is Justine forgetting?

Case 3

Bettina purchased flood insurance for her business which is located near a river that does flood once in a while. Bettina grumbles about the cost of the insurance premium but has kept making her payments for several years. However, when her son started to go to secondary school, she had many new expenses. She finds that she cannot afford to pay the insurance premium any longer. When she missed the first quarterly premium payment, she promised herself to save up enough to pay double when the second quarter is due. But again she did not pay. Now she owes premiums for two quarters plus late fees. It is too much. Before she can correct this situation, the rains come and the river floods, causing major damage to her business premises. The insurance company denied her claim.

Why did the insurance company refuse to pay Bettina's claim? What mistake did Bettina make?

Case 4

Martin saved for years to buy a used motorcycle. He could not wait to start a taxi business with his bike. He bought the bike but did not have enough money to purchase the insurance that is required by law for all motor vehicles. He figured he could start his taxi service and use his fist earnings to get insurance. But Martin was unlucky. One rainy night, he crashed into another motorcycle. He lost his bike, and he was arrested for driving without insurance. Martin also lost his license to operate a motor vehicle.

What could Martin have done differently?

Case 5

Rose purchased property insurance to protect her business from fire and damage due to weather. She thought that the premium was high, and when her business was slow, she really struggled to pay. But thankfully, the end of the year came, nothing bad happened and she submitted no claim. Since she already paid and did not receive anything in return, she felt she should not have to pay again the second year. Then the following year, a fire destroyed her business, but the insurance company denied her claim.

Why did the insurance company deny Rose's claim? What misunderstanding did Rose have?

Case 6

Peter purchased property insurance to protect his home against loss due to theft and damage. He was particularly worried about his stock of carpets that he sold from his home. Later, his home was indeed broken into. The thieves took many things of value. The insurance company agreed to pay the value of the stolen property, with the exception of the stolen cash.

Make sure the participants' responses reflect the following answers.

Case 1	**What did Anita misunderstand about her insurance?**	Anita didn't understand that her insurance policy protected her against damage / loss of property caused by **one specific event;** fire. Her property was **not** insured against any other event such as flooding.
Case 2	**What is Justine forgetting?**	Justine's insurance benefits should be used to rebuild her business, not her living expenses. Without her business, she will not be able to earn money.
Case 3	**Why did the insurance company refuse to pay Bettina's claim? What mistake did Bettina make?**	Bettina was not up to date in paying her premiums. When Bettina stopped paying her premiums, her policy lapsed and she was not protected.
Case 4	**What could Martin have done differently?**	Martin should have waited until he had enough money to buy vehicle insurance before he started his taxi service.
Case 5	**Why did the insurance company deny Rose's claim? What misunderstanding did Rose have?**	The insurance denied Rose's claim because she did not pay her premiums. Rose did not understand that insurance is protection against risk, and if the risk does not happen, her premiums are not refunded or used for the next year.
Case 6	**Why did the insurance company pay for only some of Peter's property?**	Peter's insurance policy did not cover the loss of all types of property. It only covered some types of property, cash was excluded..

STEP 4: Review the benefits of property insurance - *10 minutes*

Ask participants to form a vertical line from the front to the back of the room.

Explain:

I will read the following statements one by one. After hearing each statement, you must decide if it is true or false. I will count to three with my hand in the air. When I drop my hand on the count of three, move right if you think the statement is true. Move to the left if you think it is false.

After they have moved, ask one participant who thinks the statement is false to explain why and one who thinks it is true to explain why. Tell the right answer before participants move back into the line.

- Property insurance protects your property against damage or loss due to any cause. *(FALSE: It protects your property against damage or loss to specific causes listed in your insurance policy).*

- You should insure all of the things you own, including clothing, radios, cell phones, books. *(FALSE: You should only insure the things of value that would be expensive to replace).*

- A policyholder who suffers a loss and receives money from the insurance company MUST use that money to replace the lost or damaged property. *(FALSE: You can use the money the way you wish. However, if you lose a productive asset, you should use the insurance money first to replace that asset so that you can continue earning.)*

- If you have an asset that you use to earn income (e.g. equipment, retail space like a market stall, vehicle), you should insure it. *(TRUE. Your asset is valuable because it helps you make a living.)*

- Some types of property insurance are required by law. *(TRUE. For example, countries may require vehicle insurance).*

- If you lose insured property for your business, the thing to do with the insurance payment is to buy jewelry. *(FALSE: You should reinvest the money in your business to ensure that you continue to generate income).*

Ask:

What questions do you have?

Conclude:

Insurance can be seen as complicated! But now that you understand the basic idea, you can evaluate if the protection from the insurance is worth the cost of the premiums. You also know that not every policy is the same. It is worth the effort to understand each component and make sure you accept all the conditions. Make a commitment to talk to an insurance agent about these issues.

Session 7: What You Need to Know About Health Insurance

OBJECTIVES:

By the end of the activity, participants will be able to:

- Recognize the benefits of health insurance
- Identify some of the common questions that arise regarding health insurance

PRIORITY: 1 – This session is provides information on the features of health insurance; a product that is relevant to the different people.

TARGET GROUP: all**-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:45 minutes

PREPARATIONS/MATERIALS:

Handouts

STEPS:

1. Why consider health insurance - 5 minutes
2. Differentiating key definitions - 10 minutes
3. Situations with health insurance - 20 minutes
4. Making a claim - 10 minutes

STEP 1: Why consider health insurance? - *5 minutes*

Explain that the focus of the session will be on health insurance. Remind participants how they ranked concerns about health risk at the beginning of this workshop.

Ask:

What medical costs do you have or expect to have on a regular basis? *(Answers will vary but could include children's check-ups, vaccinations, periodic clinic visits for minor health problems, malaria treatment).*

What are some of the unexpected medical expenses that you might have? *(In the event of a serious illness or accident, one could face high costs of hospitalization, doctors' fees and medicines).*

What can happen to a family when someone has a serious illness or an accident occurs? *(The family can spend its savings on medical care; it can go into debt; it can be forced to sell assets to* *cover medical costs. Many of us live in fear of the financial hole we will fall into if a medical emergency occurs).*

Who can share a personal experience with a health crisis, either that has happened in your own family or to someone you know?

Explain that health-related expenses are often what keep families in poverty, and that health insurance can help them with these expenses.

STEP 2: Differentiating key definitions - *10 minutes*

Explain:

We have learned the basic terms you need to know to talk about insurance. But some of these terms are defined a little differently with different types of insurance. For example, we know that the "beneficiary" is the person who receives the benefits, usually cash, paid by the insurance policy. With a life insurance policy, the benefits are paid when the policyholder dies, so that person obviously cannot be the beneficiary. Let us think about the beneficiaries of a health insurance policy.

Ask:

Who is the beneficiary for a health insurance policy? (Usually the policyholder and, at an extra cost, his or her immediate family)

If you have a health insurance policy that specifically covers you and your children, can you claim benefits for the medical expenses of your aging mother too? (*No*)

Explain:

If you want to purchase a health insurance policy, you will have to decide which of your family members to include in the policy. Some policies charge extra *premiums* for each family member you add to the policy. Some offer a basic package for a family of four, and charge extra for any more family members. Most have rules governing the age of the children you can include on your policy. Your children older than 18 or 21 or 25 may have to have their own separate policy. It is very important to learn the rules that each policy uses to calculate the premiums for insuring your family.

Every type of insurance includes some *exclusions,* or circumstances that do not qualify for benefits. Exclusions are described in detail in the policy. You should understand what they are before signing a contract.

Ask:

What kind of things do you think might be excluded from a health insurance policy? *(Insurance companies will exclude coverage for common incurable illnesses, such as HIV/AIDS. Some policies will exclude coverage of health conditions that the policyholder had before purchasing the policy. These are known as "pre-existing conditions".)*

What question do you have about health insurance?

STEP 3: Situations with health insurance - *20 minutes*

(Note: In this step, participants will read mini-cases that highlight common issues or questions related to health insurance. These cases should be based on an actual insurance policy that participants may be able to purchase. Therefore, these may need some adjusting to fit a policy ***available in your area****).*

Ask participants to find a partner and give each pair a copy of one of the case stories below ("health insurance mini-cases").. (Some pairs may be working on the same case if you have more than four pairs.) Ask them to read and discuss the case. After five minutes, each pair should share their case and answer with the rest of the participants.

Case 1

Sara fears that she cannot afford the premiums on the new health insurance policy that is being offered through her MFI. But she knows that her son will need to have surgery in the next few months. Even though the insurance premium is set for one year of health care coverage, Sara wants to purchase the insurance for only three months, starting one month before her son's surgery and ending two months after.

Can Sara do that? Why or why not?

Case 2

Elizabeth and Samuel are trying to decide which kind of health insurance to buy: hospitalization insurance to pay for the high cost of medical care in the case of an accident, or routine coverage for the family. Samuel works as a carpenter which puts him in harm's way every day. But the couple also has three children, and Elizabeth always seems to be struggling to pay one medical bill or another. Her 14-year old son sometimes works as a day laborer and ends up handling chemicals and pesticides. When one of the kids gets sick, she usually has to borrow from the money lender who charges very high interest. But the couple does not feel that they can afford both types of insurance.

Which type of insurance should Elizabeth and Samuel buy?

Case 3

Martin and his wife signed up for health insurance for themselves and their three children. In summer, martin's nephew comes to live with the family. A bad case of malaria sends the boy to the hospital.

Will Martin's policy cover the cost of care for his nephew?

Case 4

Fatima signed up for a health insurance policy and used the interest on her savings account to pay the premiums. During the first year, no one in Fatima's family had any health problems. Fatima thinks she should get a refund of at least some of her premiums because she did not use any of the medical care that they paid for.

Is Fatima entitled to any refund? Why or why not?

Make sure the participants' responses reflect the following answers in the table:

Case 1	**Can Sara do that? Why or why not?**	Sara cannot purchase insurance for only three months because her insurance policy's premiums are set for one year. She cannot change the number of months she pays premiums.
Case 2	**Which types of insurance should Elizabeth and Samuel buy?**	Elizabeth and Samuel should purchase hospitalization insurance because Samuel's job puts him at a high risk for an accident. Also, their 14-year-old son is at high risk when he works with chemicals. Since Samuel and his son are the income-earners in the family, the financial consequences will be severe if they have an accident and so may not receive proper medical care. If they cannot return to work, the family will lose its source of income. Even though Elizabeth usually has to borrow money to pay for her children's routine care, she still has a chance of repaying the loan if her husband and son continue to work.
Case 3	**Will Martin's policy cover the cost of care for his nephew?**	Martins' policy will not cover the cost of care for his nephew. The policy only covers his immediate family
Case 4	**Is Fatima entitled to any refund? Why or why not?**	Fatima is not entitled to a refund because her health insurance protects against risk; even if her family does not became ill or needs to see the doctor, her premiums will not be refunded to her.

Say:
Turn to your partner and discuss the following question for two minutes:

If you have the opportunity to purchase health insurance, what will you do? Do you think you will buy it? Why or why not?

Let the participants share their discussion results for some minutes.

Other Types of Insurance

Explain to the participants the other different types of insurance policies not discussed in up to now. These include:

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

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

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

STEP 4: Making a claim - *10 minutes*

Step-by-step procedures

Explain:

The first thing you need to do is check your full policy (not just the summary) to see whether you are covered. Remember, you may be covered for the same loss under more than one policy. You cannot claim under more than one policy for any loss, so carefully consider which policy to claim against, bearing in mind the excess on each policy. NB: An **excess** is a contribution you are required to pay towards a claim you make on your insurance policy.

There are three steps to help you make a claim:

1. Call your insurer or broker as soon as you discover a problem. They often have a free emergency helpline.

2. Give brief details of the claim and request a claim form.
3. Depending on the type of claim, your insurer or broker will give you advice on what to do next. For example, if your home has been damaged, they may suggest you get some emergency repairs done. Always check that your insurer will cover the cost of any repairs.

For larger claims, such as a buildings or claim on your home, there is need for an assessor. An assessor works on your behalf and will often negotiate with your insurance company to settle your claim. Assessors' fees are not covered by your policy, so you will have to pay for this service yourself. An assessor is not the same as a loss adjuster, who is employed by the insurance company and works on their behalf.

Things to consider before making a claim

- Before making a claim, check the excess you have to pay yourself on your policy. You will not be able to claim for amounts less than the excess.
- If the amount of a claim is small, consider whether it is worth making a claim. If you make a claim, you may lose your no-claims discount with certain insurers and you may find it more difficult to shop around for certain types of cover the next time you renew your policy.
- You have to get a police report or medical report depending on the nature of the insurance cover that was acquired.

How an insurer must deal with your claim

Although there is some paperwork involved in making a claim, you should remember that the Insurance Regulatory Authority requires that all insurance companies:

- Have a written procedure in place for dealing with claims.
- Help you if you need to make a claim and let you know about new developments which affect the outcome of your claim within set days of knowing about them.
- Let you know their decision on your claim within set days of making the decision. When a claim is not settled in your favor, they should explain the reasons why in writing, and provide you with details of how and where you can appeal the decision.

Ask:

How long should it take to settle a claim? *(There is no definite length of time to settle an insurance claim and it will depend on the type of claim. Some claims may need expert opinions or the input of several people before the claim can be agreed upon).*

Claim settlement

Your insurance company will consider your claim and decide whether your policy covers you for the costs or damage. It is your choice to accept their settlement. You can negotiate with your insurance company or broker if you are unhappy with their offer.

Ask:

Can my claim be refused? *(Your claim can be refused for a number of reasons; these reasons should be explained to you)*

Could I get less money than I claimed for?

Explain:

In some cases, your claim may be reduced. For example, if you have underestimated the cost of your claim, you could get less money than you claimed for. This is due to an 'average clause', which is included in some policies.

Ask:

What will you share with your family about insurance?

Summarize:

1. Prepare for the unexpected: When you get insurance, you take away some of the financial risks of unexpected events. For example, market vendors who insure their goods will get back some of the money they will have lost if a fire burns the market down.
2. Find the right policy: There are different insurance companies, which offer different policies such as insurance against fire, burglary, and ill-health, loss of life and car accidents.
3. Look for an insurance company that has the best service ("shop around").When trying to identify the best insurance company, consider their conditions, processes and the time it would take to have your compensation paid in case of death, theft, damage or loss of property. Get information from different insurance companies, agents, brokers and friends who have bought insurance or from the Insurance Regulatory Authority of Uganda (IRA).
4. Take the right steps to get your insurance policy: When you are ready to take insurance, these are the main steps to follow:
   - Contact a broker, agent or an insurance company.
   - Talk to them about your insurance needs. Think carefully about the options, and then choose a policy that meets your needs.
   - Give correct information about yourself for the insurance contract documents. If you don't give the right information or even lie, the insurance company might not pay your claim.
   - Carefully read the contract. Ask where you do not understand. Only sign when you are satisfied on all points including the insurance cover and the premiums you will be paying.
   - Pay your premium before you receive the insurance policy for which you are covered.

5. Make a quick and honest claim: If you incur any loss covered by the insurance policy, inform your insurance company immediately. When making any claims, always tell the truth. If you tell lies, your claim will not be paid. It is a criminal offence to give wrong information. If the insurance company finds out that you wanted to cheat them, they will not pay your claim and they may take you to court.

6. Report thefts, accidents and other damages to the police before going to ask for compensation from the insurance company. For example, the insurance company may refuse to compensate you if you have no police report to confirm how the accident happened and what property was lost or damaged. For any claim, make sure you keep written proof (e.g. the medical costs and the police reference number). When you take a long time to report, you may forget or lose information that is important for the insurance company to calculate your compensation.

7. Complain if you are treated unfairly: If you think that the insurance company has unfairly refused to compensate you, or has not given you enough compensation, you can complain to the insurance company. If the insurance company refuses to consider your complaint, or you consider that the insurance company has not responded fairly to your complaint, you can approach the complaints bureau at the Insurance Regulatory Authority of Uganda (IRA).

Conclude and thank the participant for the good work done.

PLANNING FOR OLD AGE/RETIREMENT: *"INVEST FOR YOUR OLD AGE"*

If you work for the Government, you are entitled to a public pension

Session 1: Retirement and Planning for Old Age

OBJECTIVES:

By the end of the activity, participants will have:

- Described retirement and old age
- Described the different plans for retirement and old age
- Described the different ways of planning for of old age/retirement
- Explained the various factors that affect planning for old age/retirement

PRIORITY: 1 – Everyone needs to understand how to plan for old age/retirement

TARGET GROUP: All- this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:60 minutes

PREPARATIONS/MATERIALS:

Markers
Masking tape
Flip chart paper

STEPS:

1. Understanding planning for old age/retirement 10 minutes
2. Understanding the different plans for retirement 15 minutes
3. Understanding the different ways of planning for old age/retirement and advantages and disadvantages associated-20 minutes
4. Factors that affect planning for old age/retirement-15 minutes

STEP 1: Introduction to the planning for old age/retirement - *10 minutes*

Say:

Welcome to the planning for old age/retirement module in the financial literacy curriculum. In our society people retire either voluntarily or are forced out of employment. Some people do not stop work completely because they do not plan early enough for their retirement. Transitioning from working life to retirement needs careful financial planning and decision-making – give yourself plenty of time to prepare. In this module we are going to look at the following topics:

- What is planning for old age or retirement?
- Factors that affect planning for old age/retirement
- Planning for retirement and its benefits

- The different forms of retirement
- Increasing your income during retirement

Ask:

What is planning for old age/retirement?

Solicit ideas from the participants on what they think retirement is. Get at least 3 responses before you present the definition below to the participants. Generate a discussion on the responses mentioned and summarize them with an explanation of planning for old age/retirement.

Present the definition below:

Planning for Old Age/Retirement

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

Explain further:

Retirement is a career change one makes when one is no longer required to work full time. You have the freedom to choose the life that you want to live and this involves planning, the need to learn about your own strengths and priorities, networking, the change in income, the need to try out new things, and the choice of a new direction e.g. determining time to be spent in retirement, where to live, when to completely quit working etc.

In Uganda, most people retire from active employment to a life that involves farming, business and being opinion leaders in the community. Most people use the retirement benefits to set up investments or assets that do not require their full time involvement.

Retirement Planning/Planning for Old Age changes throughout different life stages

1. Early in a person's working life, retirement planning is about setting aside enough money for retirement.

2. During the middle of an individual's career, it might also include setting specific income or asset targets and taking the steps to achieve them.

3. The few years leading up to retirement, financial assets are more or less determined; hence the emphasis changes to non-financial lifestyle aspects.

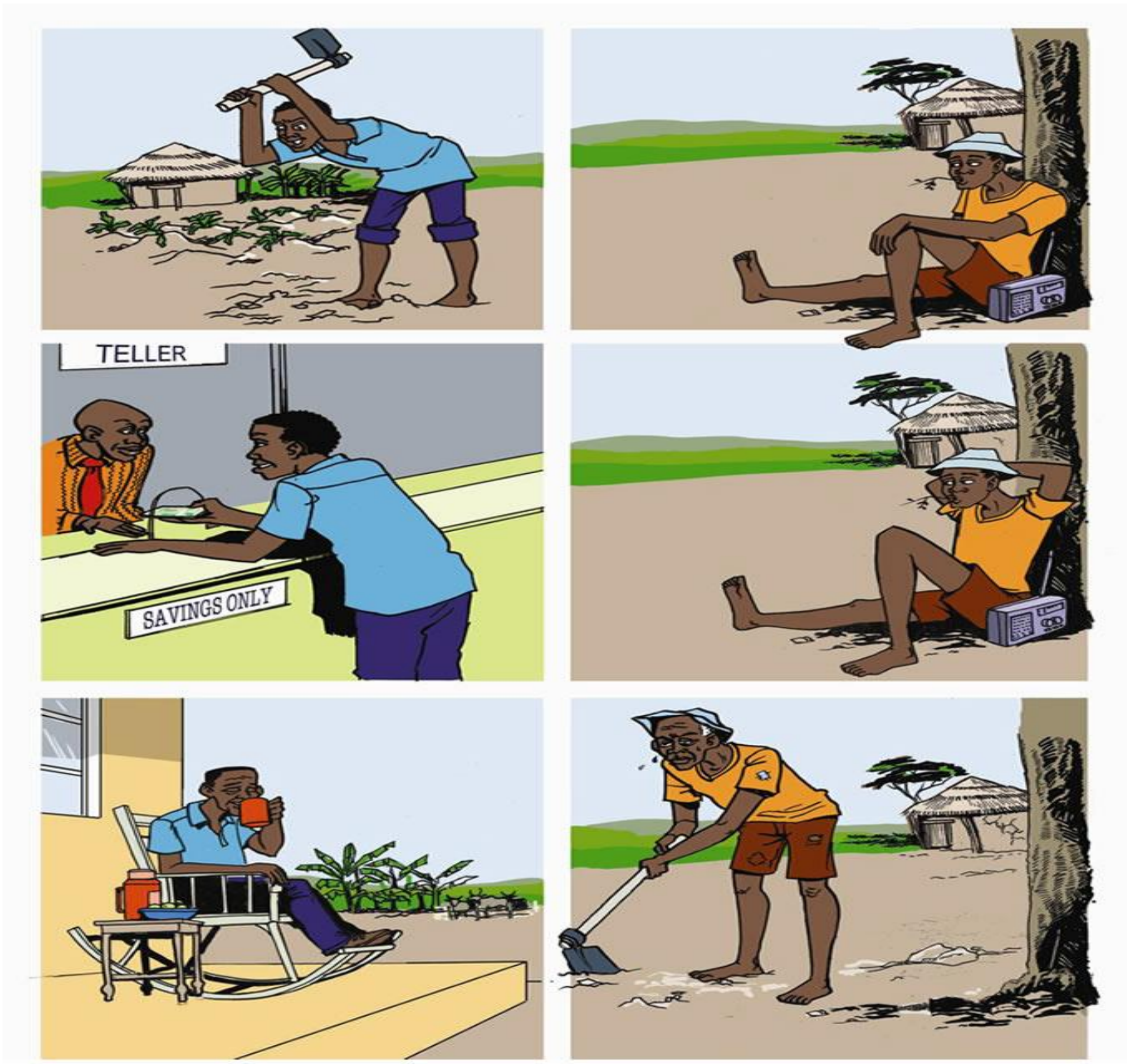
To have a thriving retirement, you need to be doing something that you believe in and that feels important to you.

Ask:

What are the needs of someone who is retiring?

Write the answers on a flip chart.

How much money will you need when you retire is quite a big question because no one answer fits every situation. The amount of money you need depends on your lifestyle and retirement goals.



Start planning for your retirement now

STEP 2: Planning for retirement - *15 minutes*

Present the following facts to the participants:

It's important to determine how many years you expect to live in retirement. It's always better to think longer rather than shorter to ensure you have enough money. Most people who live to the age of 65 will live an average of 19 more years. Most financial advisors encourage you to plan on living into your 90's just to be safe.

The total life expectancy for a Ugandan at the moment is 55.8 years. The oldest person alive in Uganda was 116 years old. Imagine this: if you retired at the age of 65, then you have at least

52 years ahead of you! While you may not live until the age of 100, you may probably live many years past the age of 65.

Ask:

Develop and discuss the importance of having a plan for old age/retirement.

Distribute 2 cards to each participant and ask them to think about answers for the following questions and write them down on the cards individually.

Find out what the participants think is the ideal retirement plan by asking them the following questions:

- What would you want your life to be when you reach retirement?
- Have you heard your parents, grandparents or others talk about retirement?
- What are some of the ideas, plans, goals or statements you may make about retiring?

List your answers to these questions in the box below:

Your Ideal Retirement:
Your family's plans for retirement:
Your ideas, plans, goals or statements about retiring

Say:

Whatever plans you have listed, you will need some kind of income to support you and your activities during those years. Otherwise, you may be living on very limited income with little or no money to pay your basic needs.

Present the process of planning for your retirement.

Say:

It's important to plan early because you do not always know what will happen to your plans.

1). **Determine the need (What).** If you start investing for retirement in your 30's, you have about 30 years before you retire. Then you can probably plan to live another 30 years in retirement. That means you could spend one third of your life retired, living off your investment earnings. In other words, you would be living on your savings for the same amount of time you spent saving for retirement.

2). **Determine how you plan to retire**. This involves the different ways or strategies you choose to retire.

3). **Determine where you plan to put your retirement benefits**. This could be in form of savings, investment, assets etc.

Part of the process of saving and investing for your retirement is to determine how much money is needed and the number of years. To develop a successful plan, you would want to know how much money you need each year. The amount of money you need at the time of retirement will depend on the retirement plans set.

Explain: Some people tend not to take their retirement seriously, however others do plan for it and enjoy it.

Present to the participants the two stories of how Judith and John think about retirement.

Judith's Story

I would never plan for my retirement. It is far better to do only what you love and so not worry about trying to set up your life in some sort of bifurcated and vague "post working retirement" age. If you do what you love then your ultimate retirement will be as it should be; death!! This is what Judith said when she was young. She thus never bothered to plan for her retirement. Now she is 70 and even though she had earned good money during her young years, she is now left with nothing and had to go back to the village and dig in order to survive.

Ask:

What do you think about the attitude of Judith and John towards retirement? Is it the best practice?

Let the participants discuss and write the results on the flip chart. Then summarize:

Taking the time to think through the options you have to finance your retirement will have a significant impact on your personal and financial goals. In addition, it can help ensure you have sufficient funds to maintain your financial independence later in life.

STEP 3: The different ways of planning for old age/retirement - *20 minutes*

Say:

Planning and developing your retirement plans is a way to prepare for and look forward to your retirement and old age!

The first step is to talk to people (elders in the community or advisors) who can give good advice on planning for old age. It's important to assess your financial situation and determine how much you need to plan for for your retirement. Consideration should include: your age, savings patterns, time period (how many years do you have before you retire) and your risk profile. Based on all this information you will have a number of retirement options.

General questions to ask yourself when developing a retirement plan:

- I could live a long time – how can I ensure I have enough money to see me through?
- What monthly amount do I need to live on when I've retired?
- What will be the impact of inflation – both before and after I retire – on my savings?
- There will be increased medical costs when I am old – how do I budget for them?
- How can I make sure I carry as little debt as possible into retirement?

Ask:

How should people plan for their retirement?

Solicit for answers and write them on the flip chart. Present the following to the participants after the discussion, or divide the participants in two groups of 3. Ask:

Think about people you know and how they planned for their retirement. If you don't know anyone, imagine how someone would do it.
Let them present the results and make sure the following points are mentioned:

1). Savings

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

Depending upon your expectations for retirement, the choices made may have a significant impact on your lifestyle. The following three steps can be considered if you want to increase your retirement savings:

- Rethink your goals
- Postpone your retirement; You can work more years and accumulate more money in your retirement account or take a different job and supplement your money for retirement.
- Increase your contributions to your retirement account; putting more money aside now increases the possibility of having more money later.

Summarize:

While most retirement accounts allow you to access your money before retiring, you have a high opportunity cost when making that decision. Remember, the purpose is to save for retirement. If you use the money now, you will not have it when you need it later on. The money you need now should be on your savings account - not on your retirement account!

2). Social Security

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

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

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

Relying only on social security for your retirement years will be limiting. In fact it may not be enough to pay for things you want to buy or the way you want to live in your 'golden' years. Because it's a government program, you have no control over your earnings and cannot predict what will happen to the program over the next 50 years. It's your responsibility to develop a savings and investment plan to have a financially secure retirement and accomplish your personal goals.

3). Government Pension Scheme

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

4). Company Retirement Plans

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

The amount you receive when you retire is based on how much money is on the account. Most company retirement plans require you to make choices about how to invest your money because your employer is not allowed to do it for you. Many young employees fail to see the benefits of participating in a company retirement plan. However, that can be a very poor choice especially if your company matches the money you put into the account. Why not spend a little money to get the money from your employer? Otherwise, you are missing out on an important part of your company benefits. Before accepting a job, it is always good to ask about the retirement benefits.

5). Annuity

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

6). Assets

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

7). Insurance

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

Ask yourself a set of the following questions:

- Will your savings be enough to support you and any dependents when you die?
- Do you still need life insurance, and if so, what kind?
- Do you have enough insurance on your home and car?
- Will your insurance cover final costs after you die?
- Do you need a comprehensive health insurance cover?

Say:

Planning correctly for the milestones in your life will ensure that you get the maximum enjoyment out of that time. It involves working out your short, medium and long term financial goals.

STEP 4: Factors that affect planning for old age/retirement - *15 minutes*

Ask:

What factors affect retirement/planning for old age?

Post the answers on the flip chart. Summarize the factors by presenting the following factors:

- Expenditure pattern'
- Income levels
- Attitude
- Culture
- Lifestyle

Session 2: Preparing Financially for Old Age/Retirement

OBJECTIVES:

By the end of the learning session, participants will have:

- Described the ways to prepare financially for retirement
- Described how to increase income in retirement

PRIORITY: 1 – The session sets highlights on how to plan for old age which is important to all

TARGET GROUP: All- this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
40 minutes

PREPARATIONS/MATERIALS:
Flip chart
Markers
Masking tapes
Hand out/story

STEPS:

1. Getting ready to retire - 25 minutes
2. Understanding how to increase income in retirement - 15 minutes

STEP 1: Getting ready to retire - *25 minutes*

Say:

It's important to prepare for retirement emotionally and financially.
Divide the participants into groups and assign the groups a discussion question on how they think they can prepare financially for retirement.
Transitioning from working life to retirement needs careful financial planning and decision-making. It's important to give yourself plenty of time to prepare.
Let the groups present in the plenary and conclude the discussion with the following:

Six ways to prepare financially for retirement:

1). Convert your savings into income

You've spent years saving your money for retirement, but before you retire you need to select the best way to convert your savings into an income. Make a research on your income options and set up a plan so you have an income from the first day you retire. You may want to speak with a financial advisor or people in the community who have retired to help you set a plan to meet your income needs in retirement. It may also be a good time to review your investment goals and make any adjustments to your investments e.g. you can invest your savings into a profitable venture or business.

2). Pay off your debts

Pay off your debts as soon as you can before you retire. To help you pay debt off faster, make sure you are paying the lowest interest rate you can get.

3). Calculate your monthly income

Estimate how much monthly income you'll receive from your savings, government benefits and any pensions.

4). Make a budget

Figure out how much you'll need to spend to make ends meet in retirement – then see if it matches your monthly income. If it doesn't, you'll need to find ways to save more, cut spending or boost your income in retirement. You also need to determine what your retirement lifestyle will be and how much it will cost.

5). Review your insurance needs

As you get older, your insurance needs will likely change. For example, if you have fewer debts and dependants, you may not need as much life insurance coverage. But you might have more health problems, so you may want to consider critical illness insurance or long-term care insurance. Make sure you have enough insurance. Are you covered in case you or your spouse develop long-term health issues or have other emergency health problems? Unexpected health-care costs can be hard to cover when you're on a fixed income.

Present and discuss Olga and Oscar's story about renewing the insurance policy

Olga and Oscar's story

When they both turned 55, Olga and Oscar knew it was time to review their life insurance. Their children were off on their own, and they were looking forward to early retirement. What insurance would they need for this new stage in their lives?

They sat down to talk about their finances and the things that worried them the most. They also looked at the insurances they had. They had a large joint term life insurance policy and some disability insurance. However, this insurance was going to expire soon. Should they renew it?

As Olga and Oscar talked, a few things became clear:

- They didn't need as much life insurance now. They had saved a lot for retirement. They had also paid off their mortgage, and their children were doing well on their own.
- They were worried about future health care costs as they got older. They were both healthy, but they knew that things could change. They knew they might be able to draw some money from their life insurance if they ever became terminally ill. But they didn't have critical illness insurance or long-term care insurance to help them with any major health care needs.
- They were also worried about taxes. Olga just got a big pay raise, so they would have some extra income to boost their retirement savings, but they would also have to pay higher income taxes. They were already saving the maximum in their Registered Retirement Savings Plans each year. Was there any other way they could save more while deferring that tax?

Olga and Oscar have to decide what to do: The couple talked to their insurance company and decided to make two changes:

- Buy a smaller universal life insurance policy to replace their joint term life insurance policy. They would have to pay a higher premium, but they could use part of it to build up some cash savings. As those savings grew, they wouldn't pay tax on the money they made, as long as it stayed in the account.
- Buy critical illness insurance and long-term care insurance. They knew if either one of them ever became ill or needed nursing care, it would be very expensive. They didn't want the children to ever worry that they couldn't afford to get the care they needed.

Lesson learned:

Later in life, you may need different types of insurance for different needs. It pays to review your insurance as life changes to make sure you have the right coverage for you. Be sure to get expert advice if you need it. When you retire, your insurance needs will likely change. Review your existing insurance and think about any new coverage you might need now that you're no longer working.

6). Review your will and powers of attorney

If you're about to retire, your will might need to be changed or updated. Having a valid, up-to-date will is essential to ensuring your estate is distributed as you intend it and that your death does not create a legal and administrative burden to your family.

If you die without a valid will, court will appoint someone to administer your estate and distribute the assets according to a formula set out in provincial estate and family laws. You should also make sure you have the power of attorney, a legal document that names someone to make financial and other decisions for you when you can't make them yourself. Choose someone you trust, who knows you and will carry out your wishes.

STEP 2: Increasing your income in retirement - *15 minutes*

Ask:

How can one increase money or their income upon retirement? *Let each participant get a card to write suggestions on and post it on the flip chart. Lead a discussion on the different contributions by the participants.*

Explain:

If your retirement savings aren't enough to cover your expenses, you may need to find other sources of income. Here are some options to consider.

Sources of extra income

- Work part-time – Finding part-time work in retirement can provide extra income and help you stay engaged and active i.e.; if you have key professional skills, you could be invited to be on boards of schools, companies etc. or teach part time.
- Rent out part of your home – Put your house to work for you by renting out a room or sharing your home with a friend instead of living alone. However, just remember that you will pay tax on your rental income.
- Moving to help your money go further - Housing might be your biggest cost when you retire, even if you've paid off your mortgage. Moving to a less expensive home or region could help you stretch your retirement shillings. Living in a big city can cost you more than living in a town or smaller city e.g. maintaining a home in Kampala costs a lot more than one in Hoima.

- Sell and downsize – Selling your home and moving to a smaller place can reduce your living costs e.g. electricity and other costs associated with maintaining a home

For most of us we would prefer being healthy and active, with plenty of money to play golf, travel, caring for our farms and do what we want. That lifestyle is possible for those senior citizens who have successfully planned for their retirement years. You may have noticed many older people continue working in our communities. Some of them work because they enjoy their careers, enjoy doing their usual work, e.g. looking after cows, farming, and they enjoy being with other people. However some of them are still working because they need the money to pay their bills. Most people who are retired had planned to work longer than they did. As an employee or a farmer, you may not always have control over when you retire or when you stop working.

Conclusion of retirement

Preparing for retirement is like many other choices you have. You must decide what is best for you and then determine how to make it possible. Your goals for later in life are as important as your short-term goals, even though the idea of planning for retirement seems difficult when your whole life is ahead of you. The biggest mistake most people make is failing to plan early enough and then one day being caught short on funds on their retirement account. While many older adults enjoy working to stay active and involved, it's much different to work because you want to than because you have to!

Session 3: Retirement and Investment

OBJECTIVES:

By the end of the learning session, participants will have:

- Understood what is investment
- Understood investment risks for old age/retirement
- Listed the factors that influence people to invest for old age/retirement.

PRIORITY: 1 – The sessions explains the importance of investing for retirement and the factors that influence it.

TARGET GROUP: All- this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
40 minutes

PREPARATIONS/MATERIALS:
Cards
Flip chart
Markers
Masking tapes

STEPS:

1. Understanding the meaning of investment - 10 minutes
2. Investing risks for old age/retirement involved - 15 minutes
3. Factors that influence investment for old age/retirement - 15 minutes

STEP 1: Understanding the meaning of investment - *10 minutes*

Introduce the step on investment through a question and answer session. Post what the participants have mentioned on the flip chart and present the following:

Definition of 'Investment'

An asset or item that is purchased with the hope that it will generate income or appreciate in the future is an investment. Investment is the purchase of goods that are not consumed today but are used in the future to create wealth or appreciate and can be sold at a higher price. Investment is putting money into a productive activity. The purpose is to multiply what you have today in the future.

You might not be able to teach old dogs new tricks, but you might be able to train your brain into doing the right thing with your money. And that's especially important for retirees who reveal many mental mistakes and emotional issues that influence their decision-making processes.

Ask volunteers who have invested for retirement to share their experience in relation to: Why did they start? How did they start? When? What is their goal? And what are the problems that they have experienced and how they have overcome them?

Summarize the discussion:

Investment means foregoing today's consumption for an activity that will bring you more income in future. It's a process of putting money in some place with the intention of making a financial gain. That is you choose not to spend your money on food, clothing, leisure and you purchase an asset that will earn you more income. Investment means spending your money in ways that increase your earning ability. These include starting or expanding a business, buying livestock, buying shares in a SACCO/Company, building a house, going for further education, training or educating your children.

STEP 2: Investing risks for retirement/old age risks - *15 minutes*

Say:

Investing for retirement is more complicated. Most people say they find investing for retirement a bigger challenge than dealing with expenses or saving money, but it can be done with careful planning. Investing for retirement has both potential benefits and risks. Risk is the potential of losing some or all of your money. However, you still have risk, if you do not invest. What if social security is not available when you retire and you planned having it?

Money loses value over time through inflation, so this means a loss of value of the investment.

N.B. "As you grow older, the risk taking profile has to change and go down. Your investments should reflect this change." If you are in your twenties, your time horizon is 40 years. Your objective is to build assets. On the other hand, a retiree does not have a time horizon of 40 years. Your objective is to preserve capital.

STEP 3: Factors that influence planning for old age/retirement and investment

Ask:

What affects planning for old age/retirement?

Let the participants discuss the various factors and post the key points on the flip chart.

Present:

The different key factors that influence planning for old age/retirement and investment

1. **Trust and control**

Retirees need to create a balance between trust and control in the relationship between themselves and their financial planner or advisor. Retirees who place too much trust in financial experts, relatives and friends or relinquish control about financial decisions can suffer. Yet, retirees who lack trust or are overly controlling are unlikely to accept the advice from different people.

2. **Worry**

Retirees who take too much risk by not diversifying their portfolios often experience high levels of worry. If they can't sleep because of their anxiety about their investments, they should consider rebalancing their portfolios to contain more conservative assets.

3. **Lack of self-control**

People often lack self-control and prefer spending money today rather than saving for the future.

4. **Age and financial literacy**

As individuals enter their 60s, their financial literacy and cognitive decision-making often starts to slowly decline. "Retirees can use aspects of financial planning that cope with the aging process in later years to ensure they can maintain their investments and avoid financial scams. Evidence suggests that older adults make more financial mistakes than middle-aged adults."

Say:

1. Don't ignore the effects of inflation on fixed income and financial assets.

2. Don't react emotionally to news stories or short-term trends about the stock market.

3. Don't chase past performance. Retirees should avoid jumping on the bandwagon and following the herd.

4. Don't ignore the effect of personality, mood, affect, and cognitive biases that shape investment decisions.

5. Don't fail to have a diversified portfolio. That is, putting all your eggs in one basket is not a good idea from an investment perspective.

Present:

Do's and Don'ts in investing for old age/retirement

Do's in retirement investment

- **Put your money in the right accounts.**
- **Focus on asset allocation.** Portfolio's performance is determined by allocation of assets, not individual investments or market timing.
- **Pick the right investments.** Misguided investment choices can cost you tens of thousands of shillings over a lifetime.
- **Fixed income matters.** The remainder of your portfolio should be fixed-income investments e.g. bonds which generate annual interest income.
- **Additional resources:** Test whether your asset allocation is in line with your goals.
- **Fees add up:** Understand what and how much is involved.
- **Diversify - Ask for help.** A financial advisor, friends, relatives can help you pick low-cost investments to help you meet your retirement goals.

What not to do in retirement investment - Think rationally, not emotionally.

- Don't change your investments on a whim; instead, once a year, make review of your portfolio, either on your own or with an advisor or someone who understands investment better than you do.
- Don't assume you can make up for lost time. Many people delay the contributions towards their retirement account, assuming they can make up for lost time later on. But it isn't as easy as it looks.

Distribute the story of Linde's and Liz's grandmothers and generate a discussion about the right investment option.

Stories on Retirement and Investment

Story: Linde and Liz will attend the retirement parties for the two grandmothers this month.

Linde and Liz should be proud of both grandmothers. Reaching retirement is an important milestone in any one's life. However, they made very different life choices that will impact their financial security during their retirement years.

Grandmother Eliza invested in her farm of cows UGX 5 million in 1976. She also helped her four children attend high school and encourages them to be successful in their careers. While she is not responsible for raising any of her grandchildren, she has established a University savings plan for each of them and contributes when she can.

Instead of putting money in her retirement account, Grandma Jessica spent her money on family: putting five children through university, helping three of them start businesses and now raising her two granddaughters. Jessie also plans to rely on social security for her retirement income.

Ask:

Which grandmother made the best financial choices for her retirement, and why do you think so? Give reasons!

Grandmother Jessica can be commended for investing in her family by paying school fees and providing for them, but she did not plan for her retirement. Grandmother Jessica will have very limited income and may not be able to achieve her goals for retirement. Grandmother Eliza, however, sufficiently planned for her retirement and should be able to live a more financially independent life.

Whatever plan one has for retirement, you want to do it right. After so much careful preparation and struggle, you have earned the right to join the ranks of the retired, and you want to make sure it's worth the effort. Here's how to make sure your retirement will be fulfilling:

1. **Reward yourself.** You have earned the right to spend your free time as you choose. Don't put pressures on yourself to fill your days with meaningful accomplishments. You are no longer a **worker bee**, so you can choose to do what is right for you. There is no performance

review, no measures of success and no pressure to rise in the ranks. Retirement is your time to pursue what matters to you. What better reward than the option to spend your moments however you choose. You have the option to do nothing at all or try something new.

2. **Rejuvenate your life.** It is likely that after 30 or more years working you may feel a bit tired. Your job may have required a steep price for success. Retirement can be your opportunity to relax and start over at a slower pace. It doesn't matter what you did in the past. From this day forward you can look into the future. Who you were on the job does not have to be who you are in retirement. Behaviours that were essential to your business success may be out of place in retirement. So, get rid of them. Retirement can be the perfect time to make a fresh start.

3. **Refocus your energies.** With your job and career behind you, get ready to add at least 40 hours of free time to your week. Now that you have the ability to choose, you can focus attention on the other areas in your life that may have been ignored. Your family life is likely due for some make up time. Relationships with friends that have fallen to the wayside can be rekindled if you desire. If you have not been attentive to your health, this is a good time to revisit your exercise routine, establish a healthy diet and start practicing good habits across the board. All the energy that went into keeping up with the farming, industry and corporate politics can now be refocused on real passions and interests that you want to pursue.

4. **Respect your limitations.** What you were able to do 30 years ago will not necessarily be what you can do today. But aging does not necessarily preclude living a good life. By learning to accept your limitations you can be better prepared to make the most of each day. Try not to regret what you can no longer do, but instead rejoice at what you are still capable of. Don't be afraid to ask for help. Remember how many times others have turned to you for assistance over the years.

5. **Renew your interests.** Think about what you want to do with your time. The hobbies and interests that excited you in the past can be revisited and explored in depth. You could write a book, volunteer in the community, join the church choir, volunteer on community boards, or do whatever else interests you most cherish.

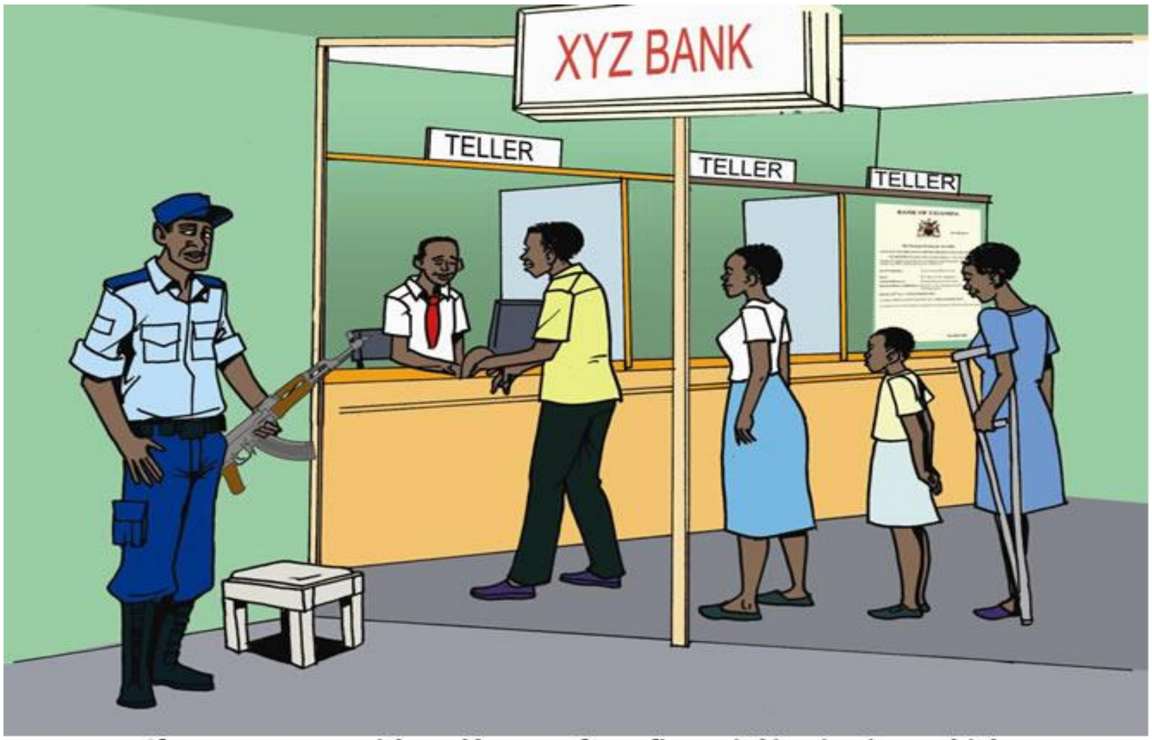
Conclusion:

You are responsible for deciding how to invest your money. Remember, it is your money and your future - so you want to make the best choices possible. Saving for retirement is long term investing. Even though it seems like forever until you will need the money, you increase your earnings by starting early in your career. Establishing a diversified retirement plan, avoiding investments that seem “too good to be true” and understanding your potential risks are three keys to building your financial independence later in life.

Retirement is your reward for all your efforts that went into getting you safely to retirement.

Please thank the participants for their contributions to the different learning sessions in this module.

FINANCIAL SERVICE PROVIDERS: *"KNOW YOUR OPTIONS"*



If you can, save with and borrow from financial institutions which are regulated and supervised

Session 1: Household Financial Needs

OBJECTIVES:

By the end of this learning session, participants will have:

- Identified the things that people spend money on during their lifetimes
- Categorized expenses as "expected" and "unexpected"
- Identified everyday financial requirements and distinguished these from future expected and unexpected life-cycle expenditures
- Recognized that there are a variety of ways people pay for expected, unexpected and everyday expenses and that some services are more appropriate for some kinds of expenses

PRIORITY: 1 – This session introduces financial service providers which is essential in making informed decisions.

TARGET GROUP: All **-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
45 minutes

PREPARATIONS/MATERIALS:
Cards
Blank flip chart
Masking tape
Markers

STEPS:

1. Introduce the module on Financial Service Providers – 5 minutes
2. Categorize and discuss different types of household expenses – 20 minutes
3. Discuss how to pay for different expenses – 20 minutes

N.B: Participants who have gone through Personal Financial Management should not be taken through Step 1 and 2 of session 1 of Financial Service Providers, but should start with Step 3 and get a highlight of the Step 1 and 2.

If the participants have not been trained on Personal Financial Management, then the facilitator should start from step one of Financial Service Providers

STEP 1: Introduce the module on Financial Services Providers – *5 minutes*

Tell participants the following:

Welcome to training in Financial Services Providers. Many people do not use formal financial institutions because they do not know how to, or are afraid of their requirements. During the training we will learn about different types of financial services and how to use them to meet your own financial needs. We will cover the following topics:

- Household Financial Needs
- Rights and Responsibilities
- Sources of Financial Services
- Financial Products and Financial needs
    - Mobile Phone Payment
    - Cheques
    - Standing Orders
    - Debit and Credit Cards
    - Electronic Funds Transfer/ Real Time Gross Settlement
- Financial Negotiations
- Advantages of Formal Financial Services
- Choosing an Account
- How to Use a Bank

Let's get started!

Financial Service Providers

Financial Service Providers: "*Know Your Options*" is a complete module to help people learn about how financial service providers work, the types of products they offer, and how to choose the right type of service provider for their financial needs.

The goal of this module is to help participants effectively understand and use financial services to attain a better match between their financial needs and the financial services they use to satisfy these needs.

STEP 2: Categorize and discuss different types of household expenses – *20 minutes*

Introduce the session:

First we will talk about our own household financial needs. You will divide into groups. I will give you a pile of cards to sort. Each card names a common household expense. It may be a regular, everyday expense or a future expense that occurs only at certain stages in our lifetimes.

Ask the participants to divide into 3 or 4 groups.

Give one pile of randomly sorted financial needs cards of household expenses to each group (see end of session). Tell the groups:

In your groups, sort the cards into three piles by type of expense:

- Everyday Expenses
- Expected Future Expenses
- Unexpected Future Expenses

You will have five minutes for this exercise. Raise your hand when you are finished.

While the groups are at work, put 3 sheets of flip-chart paper on the wall vertically. Write one of the following headings at the top of each paper: Everyday Expenses, Expected Future Expenses and Unexpected Future Expenses. See the example below. If you are working with a small group of participants, you can choose to create one flip chart with 3 columns instead of a page for each expense category.

Financial Needs

Every day Expenses	Expected Future Expenses	Unexpected Future Expenses

Ask the groups to do the following:

Come forward one group at a time. Place your cards on the flip chart under the correct expenditure category.

When they are finished, ask:

Do you see any cards that should be or could be moved to a different category?

Invite individuals to come forward and move the cards around. Make sure they explain why they are doing so. Solicit comments from the group until most agree on how to categorize the cards. (See completed table with expenses sorted by category at the end of this session.)

Then ask:

How do these categories differ from each other?

Encourage discussion on what makes the categories different.

Post the following definitions written on flip charts on the wall and ask a volunteer to read them. Then ask:

How do these definitions compare with what we have just discussed?

Draw out and clarify similarities and differences.

Categories of Household Expenses, Definitions

Every Day Expenses	Expected Expenses	Unexpected Expenses
Everyday expenses occur regularly and are necessary for the household's day-to-day existence. **These expenses are fairly predictable in both their timing and amounts.**	Expected future expenses are large, lump-sum expenses that are required to cover life-cycle events. Life-cycle events can be predictable, such as marriage, childbirth, a child starting school, or buying a house. These events normally occur for most families over their lifetimes. One usually knows when they will occur and can plan for them.	Unexpected expenses are also large expenditures that are required to cover life-cycle events, but the events are unpredictable. They can include natural disasters such as floods, droughts, tsunamis and earthquakes. Or they can include personal or household difficulties such as a robbery, fire, accident, illness or death. Although we know these events can occur, it is difficult to plan for them. No one knows when they will strike or how expensive they will be.

STEP 3: Discuss how to pay for different expenses – *20 minutes*

Say:

Now we are going to look at how you pay for these three kinds of expenditures.

Divide the group into 3 smaller groups. Assign each group one of the expense categories: Everyday Expenses, Expected Future Expenses and Unexpected Future Expenses.

In your groups, discuss all the ways that you pay for the expenses in the category. Choose one person in each group to report back to the whole group. You will have 5 minutes for this task.

Ask each group to volunteer to report back expenses from its category. Write the results down on flip charts. Repeat until all three groups have reported back. The flip charts will look like this:

How We Pay for Different Expenses		
How we pay for: Everyday Expenses	**How we pay for: Expected Future Expense**	**How we pay for: Unexpected Future Expenses**
Income from business or salary Money sent from relatives Borrowing from family and friends Credit from shopkeepers	Long-term savings account with MFI Savings clubs Loan from the women's group Savings in the form of gold	Loan Long-term savings Insurance Borrow from friends Grant from church groups or local council Fundraising

After the groups have all reported, ask these questions.

What do you notice about the different ways that you pay for each of the three kinds of expenditures?

Note their answers, making sure to highlight the following: Everyday Expenses can always be paid with income earned or money from relatives; Expected Future Expenses require either savings or loans from friends, savings and loan groups, or the bank. Unexpected Future Expenses may be financed with loans, savings and other funds such as grants or by pawnshops. Some people have insurance to cover the costs of illnesses.

What are the two best ways to pay for each of these types of expenses? Why?

Ask for a number of volunteers to answer. Indicate the top-ranked methods on the definitions flip charts you created.

Financial Needs Cards
Life-Cycle Events Requiring Expenditures (Financial Needs)
Create one card for each life event or expense item below.

Major illness	Major holidays	Religious ceremonies
Marriage	Birth	Pregnancy
Buy a house	Parental care	Funerals
House expenditure (e.g. new roof)	Clothes	Furniture
Entertainment	Vacation	Unemployment
Injury	Death of spouse	Divorce
Old age	Crime	Business failure
Business Equipment	Accidents	Riots
Strikes	Natural disasters	Disability
Food purchase	School fees	Rent
Transportation	Refrigerator	Business supplies

Financial Needs Organizational Chart

Everyday Expenses	Expected Future Expenses	Unexpected Future Expenses
Household expenditure	Birth	**Disability**
Food	Buy a House	**Death**
Transportation	Marriage	**Funerals**
School fees	Old age	**Major illness**
Rent	Refrigerator	**Unemployment**
Clothes	Business equipment	**Divorce**
Entertainment	Major holidays	**Business failure**
	Religious ceremony	**Riots**
	Parental care	**Natural disaster**
	Vacation	**Crime**
	Furniture	**Accidents**
	Business supplies	**Death of spouse**
		Injury
		Pregnancy
		Strikes

Session 2: Rights and Responsibilities

OBJECTIVES:

By the end of the activity, participants will be able to:

- Explain rights and responsibilities as users of financial services
- Recognize the right or responsibility they have neglected

PRIORITY: 1 – This session is a basis of financial literacy and useful for target.

TARGET GROUP: All- This can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used, pictures can be used

TIME:
50 minutes

PREPARATIONS/MATERIALS:
Pictures
Pictures 1-8
Flipcharts
Prior to the session ask volunteers to help you with the role play

STEPS:
1. Present the topics of the session - 10 minutes
2. Present rights and responsibilities of clients of financial institutions - 20 minutes
3. Ask participants to represent one right or one responsibility using a role play - 20 minutes

STEP 1: Present the topics of the session – 10 minutes

Say:

Let's assume that you go to the financial institution to get a loan

Ask:

- **What do you do to avoid being taken advantage of when you want to get a loan from a financial institution?** *(verify its interest rate, fees, grace period, loan period, compare prices etc).*

Well, you do all that, because you have the RIGHT to get a loan at a fair price.

- **What do you think are your responsibilities when purchasing or getting a loan?** *(to pay for what they give me)*

You are a client when purchasing a loan, and as a client, you have rights and responsibilities. Let us see what the definitions of right and responsibility is:

Post the flipcharts "Right" and "Responsibility" and review them with participants:

Right	**Responsibility**
Something I deserve, so I can ask for it	Something I should comply with, something I must do as a result of a deal or agreement. It's an Obligation

Then ask:

- **What questions do you have about these definitions?**

Clarify participants' questions and then say:

Just as you have rights as clients when you purchase a loan or open a savings account with an institution like ____ *(insert the name of a financial institution in the community)* you also have responsibilities towards that financial institution.

During this session we are going to see what are those rights and responsibilities as people who would want to get services from financial institutions and how we can apply them.

STEP 2: Present the rights and responsibilities of clients of financial institutions - 20 minutes

Say:

Let us start reviewing what are the rights and responsibilities that we have as clients of financial institutions. Let us begin with our rights:

Show each picture as you explain each right. Make sure all participants can see the picture. Then, post the picture on the wall or put them on the floor so that everybody can see it.

Rights of clients of financial institutions	
Show:	**Say:**
 ***Picture 1: Right to be treated with respect***	**You have the right to be treated with respect.** **In this picture you see the loan officer demonstrating respect to a client by welcoming her warmly.**
 ***Picture 2: Right to decide***	**You have the right to decide what products or services you want to use.** **In this picture you see a client who has the right to take his time to decide if he wants to save or take a loan. It is your right to decide what to do.**

Picture 3: Right to information

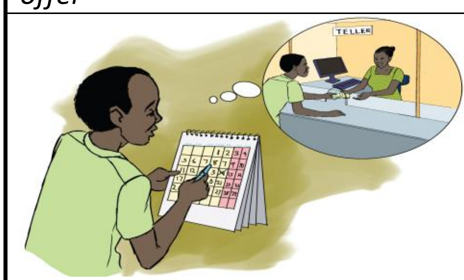
You have the right to receive clear, truthful, and timely information. In this picture we see how the loan officer is explaining something to the client. It is your right to receive truthful information in a way that you understand.

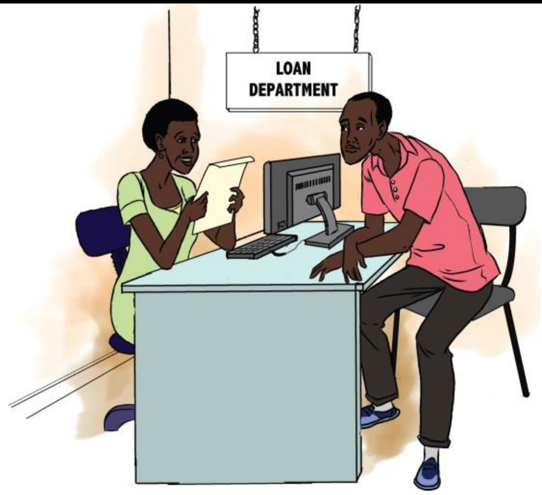
Picture 4: Right to be listened to

You have the right to be listened to. In this picture, we see how the client is explaining something to the loan officer & the loan officer is listening to her. You have the right to be listened to.

Picture 5: Right to Complain and be listened to

You have a right to complain through the right channels if aggrieved by the service providers. Seek for more information on the complaints handling process in the institution and redress.

Responsibilities of clients of Financial Institutions	
Show:	**Say:**
 *Picture 5: Responsibility to treat others with respect*	You have the responsibility to **treat others with respect.** It is your responsibility to treat others with respect.
 *Picture 6: Responsibility to evaluate an offer*	You have the responsibility to **assess** the benefits of the various financial services available to you. This picture shows that it is your responsibility to analyze if the institution and product will benefit you.
 *Picture 7: Responsibility to comply with terms and conditions*	You have the responsibility to **comply** with the terms and conditions of the product you are using. In this picture we see how the client is checking the calendar for the repayment date. It is your responsibility to meet your commitments.

 *Picture 8: Responsibility to provide truthful and timely information*	You have the responsibility to **provide truthful and timely information**. In this picture we see how the loan officer is asking the client about his business plan. It is your responsibility to be honest with the financial institution and your group.

Ask:

What are your questions about these responsibilities?

Answer participants' questions.

STEP 3: Role play on rights and responsibilities - 20 minutes
Ask for volunteers to play the role of rights and responsibilities. See the role plays below in the table:

Role Play 1	**Applying your right to be listened to and your responsibility to provide truthful and timely information**	**One person plays the role of a delinquent member of a SACCO that is interested in re-negotiating her loan. Her daughter was sick and she had to take her in the hospital. The rest of the group plays the role of the other SACCO members. The SACCO does not trust her and tries to verify that what the delinquent member is saying is true.**
Role Play 2	**Applying your right to be treated with respect and your responsibility to treat others with respect**	**One person plays the role of a woman who wants to be part of a SACCO, but only one of the members knows her only by sight. So the SACCO does not want to accept her, and they do not want to listen to her reasons. But she insists telling them she is responsible and that she can demonstrate they can trust her. The rest of the group plays the role of the other SACCO members.**

Ask the audience:

What right was represented in the role play?

Now work in the same way in your groups with the right or responsibility you got. You have 5 minutes for this activity.

Ask:

What questions do you have about this activity?

Answer participants' questions as necessary. While participants are working in their groups, move around the room to answer their questions.
After 5 minutes, invite some groups to share their examples.

Then ask:
Which right or responsibility do you need to start paying more attention to?

Encourage 2 or 3 participants to answer.

Then say:

Thank you for sharing your experiences with the group. We have seen what are our rights and responsibilities as clients of financial institution and which ones are the ones that we need to start paying more attention to.

Session 3: Sources of Financial Services

OBJECTIVES:

By the end of this learning session, participants will have:

- Described all the sources of financial services, both formal and informal
- Assessed the advantages and disadvantages of each type of service
- Identified the different payment and money transfers

PRIORITY: 1 – This session provides information on then different financial sources available

TARGET GROUP: All **-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
30 minutes

PREPARATIONS/MATERIALS:
Flip charts
Markers
Masking tape

STEPS:

1. List the different sources of financial services available to this community – 20 minutes
2. Identify advantages and disadvantages of the different kinds of financial services – 10 minutes

STEP 1: List the different sources of financial services available to this community **–** *10 minutes*

Explain:

Today, we are going to explore the options you have for financial services in your community as well as their advantages and disadvantages.

Ask:

Where can you and members of your community obtain financial services?

List participants' responses down the left side of the flip chart. If they do not mention informal services, probe to learn if they keep savings at home in special containers, or under the mattress, and include them on the list. Your list should include:

Where Do You or Your Neighbors Obtain Financial Services?			
Bank			
Micro Finance Institutions			
Insurance company			
ROSCAs			
Burial societies/Nigina			
Moneylender			
Friends/Relatives			
Employers			
Retailers			
Under your mattress			
SACCOs			
VSLAs			
Foreign Exchange Bureau			
Money Remitters (Money Gram)			
Mobile Money Agent			

Next, post the definitions on the wall and distribute to each participants Handout 1: Definitions of Financial Services. Ask for volunteers to read the definitions of each type of financial service.

Handout 1: Definitions of Formal, Semi-formal and Informal Financial Services

Formal Financial Services

All financial transactions, including loans and deposits, provided by institutions which are regulated and supervised by the Central Bank

These include commercial banks, credit institutes and microfinance deposit taking institutions. They must report regularly to the government.

Semi-Formal Financial Services

All financial transactions, loans and deposits provided by an institution that is not regulated but supervised by one of the government agencies.

They include financial cooperatives (SACCOs) where members pool share capital, save and get loans.

Informal Financial Services

All financial transactions, loans and deposits occurring outside the regulation and supervision of the Central Bank.

They include local moneylenders, self-help groups and NGOs, as well as family members who contribute their savings to a microenterprise.

Ask the participants:

Do you have any comments or questions about these different types of financial services?

Return to the list of the different types of financial services. Explain:

For each type of service that we identified, let's decide whether it is informal or formal.

Put three columns on your flip chart to the right of the list of the financial services: one column for formal, one for semi-formal and one for informal. Review the list of services; for each one ask participants to tell you if it is formal, semi-formal or informal and place an "x" or checkmark in the corresponding column, as shown in the example below.

	Where Do You or Your Neighbors Obtain Financial Services?		
	Formal	Semi Formal	Informal
Bank	✓		
Microfinance Deposit-taking Institutions	✓		
Micro Finance Institutions		✓	
Insurance company	✓		
ROSCAs			✓
Burial societies/Nigina			✓
Moneylender			✓
Friends/Relatives			✓
Employers			✓
Under your mattress			✓
Cooperative societies (SACCOs)		✓	

STEP 2: Identify advantages and disadvantages of different kinds of financial services – 10 minutes

Ask:

What are the advantages and disadvantages of each type of financial service?

Give the participants 10 minutes to complete this task. Prepare a flip chart or flip charts at the front of the room with a blank format similar to the example below. You will fill in the flip chart as the participants give feedback. See completed chart at end of this session for more guidance.

Advantages and Disadvantages of the following Financial Service Provider		
Financial Service Provider	**Advantages**	**Disadvantages**
Bank		
SACCO		

VSLA
Friends and Relatives

What do you notice about the advantages of the formal financial services in comparison with informal financial services?

Advantages and Disadvantages of Financial Service Providers	Advantages	Disadvantages
Bank	- Security (money is safe) - Stable Liquidity (for savings) - Offer larger, longer-term loans - More reliable, offer privacy - Income (money earns interest) - Big choice of products - Allows you to build a credit history - Operates within banking laws - Access to financial advice	**- Can be far for rural residents** **- Restricted hours** **- Minimum deposit requirements may be too high** **- Staff may not understand the needs and realities of lower categories of society** **- Banks charge fees on many accounts** **- Long queues in bank take time**
SACCO	- More accessible - Close Proximity - Speed – they work faster - If registered, operates within laws - Possibility for social aspect / group support	**- Loan size is typically small** **- Cost of borrowing can be high** **- Offer savings service** **- Some require group membership**
VSLA's	- Easy Access - Close Proximity? - Social aspect / group support - Lump sum of money at a specified time	**- High risk (due to dishonest members or group conflicts)** **- Unreliable** **- Limited funds to meet borrowing needs** **Lack of financial knowledge**

Retailers	- Many - Available - Safe	**- Poor customer service** **- Limited financial knowledge** **- Interest can be high** **- Banking not core business**
Mattress account	- Money easily available - No bank costs - No transportation costs - Easy to manage	**- Money doesn't grow** **- Less incentive to save** **- Money at risk of theft, fire** **- No access to financial experts** **- No access to other banking products** **- No credit record** **- Less control of spending** **- No transaction records**
Insurance company	- Security - Peace of mind - Insurance expertise regarding variety of products - Operates within insurance laws	**- High monthly payments** **- High increases each year** **- Products difficult to understand** **- Must read the conditions** **- Long waiting period for payment**
Moneylender	- Quick service / loans - Available at your doorstep	**- Very expensive** **- Risky—operates by intimidation** **- Not protected by government laws** **- Easy to get into deep debt**
Friends and relatives	**- No bank costs** **- No transportation costs** **- Easy to manage**	**- Social implication** **- Expensive** **- Not sustainable**

Key issues to know about financial service providers in Uganda.

1. There are different types of institutions in Uganda, some of which are regulated and supervised by the Central Bank (Bank of Uganda). These include: Commercial Banks (large financial institutions that offer loans and savings services), Credit Institutions (similar to commercial banks but smaller) and Micro Finance Deposit-Taking Institutions (MDIs - microfinance institutions licensed by Bank of Uganda to collect savings from the public). The advantages for you in saving and borrowing with these financial institutions are:
    - Bank of Uganda's objective is to ensure the financial soundness of financial institutions. This means that Bank of Uganda checks on financial institutions to make sure that your money is safe with them.
    - To further protect your savings, all savings in financial institutions regulated by Bank of Uganda are insured up to UGX 3 million per account.

- Bank of Uganda has developed Financial Consumer Protection Guidelines to ensure that regulated financial institutions treat their customers fairly. For example, financial institutions have to explain to you everything you need to know about their services and products.

2. In addition to regulated institutions, there are those financial service providers not regulated by BOU. These include:

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

Summarize the group's discussion. Be sure to cover the following points:

- Money kept as cash can be lost or stolen, and is difficult to recover.
- Banks have insurance that enables them to recover lost or stolen money.
- Banks have the most money to lend.

- When your money is deposited in the bank, you are less tempted to spend it.
- Banks are safe and reliable.
- Banks offer savings accounts tailored to both short-term and long-term savings goals.
- Banks pay interest on savings.
- Banks offer many convenient services, such as payment of remittances, salaries and pensions; money transfers to relatives; and remote banking through Automated Teller Machines (ATMs).

Session 4 A: Financial Products and Financial Needs

OBJECTIVES:

By the end of this learning session, participants will have:

- Matched distinct financial needs with specific financial product/service

PRIORITY: 1 – This session gives information links a financial need and product available.

TARGET GROUP: All**-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:20 minutes

PREPARATIONS/MATERIALS:
Cards
Flip chart
Handout
Markers
Masking tape

STEPS:
1. Match financial needs with financial products – 20 minutes

STEP 1: Match financial needs with financial products – 20 minutes

Divide participants into groups and distribute pre-prepared financial needs cards. Explain:

Each of these cards has a different financial expenditure written on it. Study the cards as a group. Decide which is the most appropriate financial product or service to meet the financial need. When you are finished, select one person to come up and put your group's cards on the wall next to the financial product that you have decided is the most appropriate way to finance this need.

Place the product-type cards in a vertical line on a wall that has enough space to the right for participants to place their financial needs cards.

When participants have finished, the wall will look like this.

Housing loans	House expenditure (new roof)	Buy a house
Long-term savings	Major illness	Marriage
Enterprise loans	Business equipment	Buy a Car
Passbook savings account	School fees	Buy Land
Current account	Food purchase	
Payment services	Farm input	

Point to an example on the wall. Ask:

Why do you think this financial product is appropriate for this financial need?

Encourage the group to discuss the suitability of each type of financial service.

Pass out the handout 2 to the participants. Post the same on a prepared flip chart on the wall.

Handout 2

Financial Service Uses Chart					
Financial Services	**Savings**	**Loans**	**Insurance**	**Current Account**	**Payment Services**
Suggested Uses	- Marriage - Festivals - Sickness - Old age - Ceremonies - Children's education	- Business capital - Business equipment - House purchase - House repair	- Maternity - Hospitalization - Death - Loss of assets - Earthquake - Floods	-Day-to-day expenditures : rent, food, clothing, etc. - Direct Deposit of salary or pension	- Sending money to parents - Sending money to children - Receiving money from Children or other elatives - Paying utility bills

Session 4 B: Other Financial Products

OBJECTIVES:

By the end of this learning session, participants will have:

- Matched distinct financial needs with specific financial product/service

PRIORITY: 2 AND 3 – This session gives information that links a financial need and product available.

TARGET GROUP: All **-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
20 minutes

PREPARATIONS/MATERIALS:
Cards
Flip chart
Handout
Markers
Masking tape

STEPS:
1: Describe the other different types of financial products /services available and match with financial needs – 20 minutes

STEP 1: Other financial services - 20 minutes

Ask for volunteers who have ever accessed the services mentioned below. Let them share their experience in regard to the use, the challenges and advantages of using the services. Generate a discussion.

Explain:

Banks and other formal financial service providers supply a range of products and some of these include the following:

a. **Real time gross settlement** systems (RTGS) are funds transfer systems where transfer of money or securities takes place from one bank to another on a "real time" and on "gross" basis. Settlement in "real time" means payment transaction is not subjected to any waiting period. The transactions are settled as soon as they are processed. "Gross settlement" means the transaction is settled on one to one basis without bunching or netting with any other transaction. Once processed, payments are final and irrevocable. This "electronic" payment system is normally maintained or controlled by the central bank of a country.

b. **Electronic funds transfer (EFT)** is the electronic exchange / transfer of money from one account to another, either within a single financial institution or across multiple institutions, through computer-based systems.

Types of Money Transfers

There are many ways to transfer money overseas and with today's latest technology; new ways to do this are constantly evolving. Whereas many years ago, banks were the only reliable method to carry out international money transfers, now there are many other cheaper and faster options available such as online providers, Mobile Transfer Operators (MTOs), prepaid cards and even by text message. Below is a summary of money transfer providers, different options to transfer money and how they work.

- **Money Transfer Operators (MTOs)**

MTOs are companies that only offer money transfer services, usually through agents, and only send money between countries. They do not generally require you to open an account and are usually easy to find on high streets, where they can be located in various locations from post offices to hairdressers. You will need to fill in forms and provide identification to send your money. Some also offer online money transfer services and are also developing mobile phone transfers. Examples are: Western Union, Money Gram, Cheque point and Coinstar.

- **High Street Banks/Building Societies**

The majority of banks offer money transfer services, but in most cases you must either apply for or hold an account with the bank you wish to use. It is usually necessary for the person receiving the money to have a bank account also. Banks tend to be more expensive and take longer to transfer your money; however they do offer additional security and also open the door for access to additional financial products such as loans, mortgages and savings accounts.

- **Online money transfer services/internet money transfers**

Money can be sent over the internet through secure online services, often for a very small fee, but you will need to have a bank account or credit card and access to the internet, or at least an e-mail address. To transfer the money, you will also have to register your details online. The person you are sending the money to may also need a bank account and access to the internet (or an e-mail address), but this is not always the case.

- **Foreign Exchange Providers (FX Brokers) - for transferring larger amounts of money**

When transferring much larger amounts of money, for purchasing a property or starting up a business for example, or sending regular payments abroad, it may often be cheaper to use a reputable currency broker. In most cases, you will have to open an account with the company you intend to use and you will need to fund the account using a bank account or credit card. However, the benefits of using such company's means that you can make specific arrangements for your individual needs such as fixed exchange rates for a set period.

- **Prepaid money cards**

Prepaid cards have evolved and are now starting to become recognized as a convenient alternative to the traditional methods. A prepaid card operates in the same way as a credit card or debit card and tends to have many benefits. As a cardholder you would have to load funds onto the card before using it and can only spend what you have on the card. Prepaid cards are available in selected shops, or can be ordered through the companies online. Not only are they useful for sending money overseas, they can also be used instead of travel money when travelling and for online purchases. They are also accepted at ATM's globally (or wherever either Visa or MasterCard are accepted, depending on your type of card) for withdrawing funds.

- **New technology money transfers**

There are more and more companies offering new ways to transfer your money and use new technologies for remitting money. For instance a debit card (such as VISA or MasterCard) is sent to the recipient and can then be topped up by the sender whenever necessary. Money can be withdrawn as and when it is needed through any ATM without the recipient needing a bank account. There is also a growing trend in using your mobile to send money by SMS, please check with your provider if this is possible.

Other forms of Payments

- **Cheques:**

This is a safe way to make payments if you have a bank account. It's a document that is presented and the payee is paid in the bank. It reduces on the risk of moving with large sums of money and allows the payer to transfer large sums of money. For cheque payments, please note the following:

  - Keep your cheque book safe to minimize the risk of losing money.
  - With a cheque you don't get money immediately.
  - Make sure your signatures look alike.
  - Don't pay a cheque unless you are sure you have enough money in your account.

- **Debit and Credit Cards:**

Debit cards are linked to your bank accounts so that the money you spend is automatically deducted from your account. Credit cards allow you to use someone else's money (the card issuers) to buy goods and services and you can pay the money back later. Things to note about debit and credit cards:

- Beware of credit card fraud
- Understand the fees before getting a credit card

Thank the participants for their good work.

Session 5: Financial Negotiation

OBJECTIVES:

By the end of the learning session, participants will have:

- Defined financial negotiation
- Described outcomes for negotiation
- Identified the steps to achieve desired outcomes
- Understood good and bad negotiating techniques

PRIORITY: 1 – Everyone needs to know how to negotiate for a win-win situation

TARGET GROUP: All **-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
50 minutes

PREPARATIONS/MATERIALS:
Flip chart with definition of financial negotiation
Markers

STEPS:

1. Introduce financial negotiation session - 5 minutes
2. Brainstorm what financial negotiation is and who we negotiate with - 10 minutes
3. Identify outcomes of financial negotiation - 10 minutes
4. Determine how to get to win-win outcome - 5 minutes
5. Practiced negotiation - 10 minutes
6. Good and bad negotiating techniques - 20 minutes

STEP 1: Introduce financial negotiation session - *5 minutes*

Welcome the participants and thank them for coming.

Explain:

People often find themselves engaging in financial negotiations in a market place or a financial institution when purchasing goods and services. Many do not realize that skills and techniques have been developed by experts to achieve successful negotiation. Using these skills and techniques increases the chances that you will get what you want. Women, more than men, tend to lack self-confidence, which can make it harder for them to negotiate successfully. You can build your confidence by learning how to negotiate successfully. This session aims to build your knowledge and skills for negotiation. The steps are as follows:

- What is financial negotiation?
- Prepare for financial negotiation
- Do's and don'ts in financial negotiations
- Practiced negotiation
- Good and bad negotiation techniques

STEP 2: Brainstorm on what financial negotiation is and who we negotiate with– *10 minutes*

Ask participants to describe what they think financial negotiation is. Encourage ideas from all participants and list them on a flip chart.

Post the definition of financial negotiation next to the chart with their ideas. Read the definition or ask a participant to read it.

Financial Negotiation

Financial negotiation is communication among two or more persons to achieve agreement on one or more financial issues.

Ask participants the following:

How do your ideas about financial negotiation compare with the definition? (*Many will think financial negotiation is the same thing as bargaining. However, it is broader, encompassing more diverse situations)*

Who are the people we negotiate with about money? *(Traders, customers, family members, suppliers, financial services staff, financial group members, and so on)*

What are some issues we negotiate about? *(Amount of money: price charged for a service, amount of a loan; terms and conditions of a loan; setting dates for completion of work contracted; setting dates for a loan repayment)*

Make the following point:

Financial negotiation can occur with many types of people and about different types of issues, not only those in your business, in a market, professional life or financial services. You may negotiate with a loans officer from a financial institution, your husband about how much to save, or your cousins about what gift to purchase for a grandmother. In any market there is need to negotiate for the best price and product.

STEP 3: Identify outcomes of financial negotiation - 10 minutes

Explain:

We negotiate with people every day, but the outcome is not always the same. Let's figure out what the possible outcomes of any negotiation are.

Negotiation out comes involve:

Win-Win: Both participants in the negotiation get something they want or need, if not everything. They both have a positive feeling and are willing to negotiate again.

Lose-Lose: Neither person involved in the negotiation gets what they want.

Lose-Win/Win-Lose: One participant gets what she wants and the other gets nothing. The participant who loses is likely to be unwilling to negotiate with the winner again.

What is the preferred outcome? *(Win-win)*

STEP 4: Determine how to get to win-win outcome – *5 minutes*

Ask:

What can you do to increase your chances of arriving at a win-win outcome in your negotiations?

Write their responses on the flip chart and ask for volunteers to explain their answers with examples from actual negotiations if they can.

Explain:

In this session, we will be focusing on just how to achieve a win-win outcome. We will look at preparing ahead of time and at actual negotiating techniques. You should pay close attention to those conversations you have with the loans officers, family members or with shopkeepers or suppliers that are, in fact, negotiations. What can you notice about them? Are they different from your other conversations? What tone do you take?

STEP 5: Practicing Negotiation - *20 minutes*

Say the following to the participants:

There are ways to prepare for a negotiation to increase the chances that it will be successful. Let us listen to the story of Mariyam. I will stop the story at different parts and ask you to tell me what Mariyam is doing to prepare for negotiation.

Read the first part of the story.

Story of Mariyam

Mariyam wants to buy some blankets. She is in the market shopping when she sees some beautiful blankets at a place owned by Ali. His prices are high — UGX 50,000 for one blanket. She overhears a client negotiating with Ali. Ali becomes very angry and refuses to lower his price. She continues to another shop, to learn about other blankets available and their prices. She sees blankets for UGX 40,000, but no one has blankets as beautiful as Ali. Mariyam knows Ali can be difficult, but she decides to get to know him so she can understand him better.

She walks up to Ali and says: “Hello, Mr. Ali. How are you?”

Ali: “Fine.”
Mariyam: “You seemed upset with the other customer. Why?”
Ali: “The customer wanted to buy on credit. I want to be paid in cash. When you give credit, many do not pay. I have responsibility for my family, my three children, and my wife is pregnant.”
Mariyam: “May you have a long life so you can provide for your children!”

Say the following:

What did Mariyam do to prepare for her negotiation?

After listening to a number of responses, say the following and start a list of the key points (in bold below) on a flip chart.

It is important to collect information to support your side of the negotiation. Mariyam looked around the market at other blankets and their prices.

One step in negotiation is to understand the interests of the other person. This helps you to think about how the other person can win something just as you win something. Mariyam asked Ali about his feelings.

Then say:

Let us continue the story.

Mariyam knows she must think hard about how to negotiate with Ali. She goes home and talks with her sister. She says, "I want to buy Ali's blankets. He does not like credit. I will tell him I can pay UGX 40,000 for one blanket in cash. If he does not accept, I will offer UGX 44,000. If he refuses that offer, then I will go to another blanket seller. What do you think?"

Mariyam's sister replies that she thinks this is a reasonable offer given her own experience with prices in the market.

Stop the story and ask the following:

What else did Mariyam do to prepare for her negotiation?

Highlight the points below. Add the key points in bold to the list you have started on the flip chart. Say:

Another step is to decide what you want from the negotiation and be very clear about it. Mariyam decided how much she was willing to offer for a blanket and what her highest offer was going to be. She knew what outcome would be acceptable to her.

Mariyam also obtained advice from another person.

In negotiation, it is good to know what you will do if the negotiation does not satisfy your needs. Mariyam decides she will buy a less expensive blanket from another seller if Ali will not meet her price.

In negotiation it is useful to have a good and respectful relationship with the other person. Mariyam took an interest in Ali when she saw him in the market.

It is also important to plan to communicate effectively. Mariyam decides to keep her negotiation positive and remain calm.

Ask:

What have we learned about preparing to negotiate? Can this be applied when purchasing financial services?

Review the points you have written on the flip chart.

Prepare to negotiate

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

Negotiation increases possibilities of success. There are also behaviours you can avoid during negotiation. Let's think of all the things that might go and put them on these two lists.

*Put up a flip chart divided into two columns with the headings **"Do"** and **"Don't."** Ask participants to offer ideas as they think of them, in a brainstorm. Write their ideas in the appropriate column. In the end, your lists might look like the following:*

STEP 6: Observe good and bad negotiating techniques - *10 minutes*

Do…..

Listen to your partner

Acknowledge her point of view

State your position with confidence

Look your negotiating partner in the eye

Reframe your partner's ideas to move towards a solution

Don't…

Get angry

Be rude or insulting

Reject your partner's ideas immediately

Lock yourself into one position

Allow yourself to get sidetracked

Explain:

Now that you have identified some basic principles of good negotiating, it is time to observe them in action. I will need 4 volunteers to read 2 very short stories.

Ask two volunteers to come forward and give each of them a copy of the following dialogue. (Note: If you are working with participants who have trouble reading, select someone ahead of time who will be able to read the two dialogues below with you. Or, if you know of two participants who can read well, give them a copy of the dialogues to prepare ahead of time)

Listen to this dialogue between Zahara *(point to volunteer #1)* and her husband, Nizam *(point to volunteer #2)*. Pay attention to how they are negotiating and be prepared to discuss what you have observed.

Negotiation Example 1

Wife: You spend too much on tea and going into town. I don't have any money to buy food. What am I going to do?

Husband: You drink too much tea yourself. You are not managing the money I give you well. We are poor, woman.

Wife: You always accuse me of these things while you are always away and we are suffering with a leaky roof.

Husband: It's not my fault the roof leaks. I've fixed it a hundred times. The roof is old.

Wife: You should find a way to repair the roof for good. We are so short on cash and I'll have to go to the groups to borrow just to buy food.

Husband: Then we will just owe more. Oh, what a life!! I'm going to get some tea.

Ask:

How did this negotiation go? What kind of outcome did they achieve? Why?

Reinforce their ideas, saying:

This couple did more arguing than negotiating. They used the "Don't" behaviours.

Ask the next two volunteers to come forward and give them each a copy of the dialogue below to read aloud. Explain to everyone that a different couple will now have a similar discussion:

Negotiation Example 2

Wife: I think it would be useful for our family to save more. More savings would help us put a roof on the house. You would not have to patch it so often.

Husband: We have no money to save. We have difficulty meeting our expenses already.

Wife: I understand we have problems meeting our needs. That's just it. We have to borrow, so we end up owing even more money. I met a wise woman who said everyone should save money equivalent the expenses for three months. What do you think about that?

Husband: Three months? It is too much.

Wife: Maybe we could try for at least one month to start. I think I can cut down on buying tea every time I go to the market.

Husband: You are right that we always end up borrowing. I can cut down from three cups of tea a day to two.

Wife: Yes, I think I can drink less tea and put that money in savings. I think I will use less oil in our cooking, too.

Husband: I will get a ride to the market with our neighbor and spend less on transportation.

Wife: Can we agree to put an extra UGX 10,000 in savings in the bank each week?

Husband: Yes, let us start this week.

Ask:

How did this negotiation go? What kind of outcome did they achieve? Why?

What negotiating techniques did you observe?

Reinforce their ideas, saying:

This negotiation worked well because the couple used the "Do" techniques of negotiation.

Conclude:

For successful negotiation, remember the following:

- Prepare ahead of time and be clear about what you want.
- Anticipate what the other side wants and be prepared to respond.
- Listen and communicate respectfully.
- Be open to new and creative solutions and opportunities for agreement.

Ask the participants to turn to a partner and answer the following question:

What will you do when you negotiate for a financial product?

Thank the participants for their good work!

Session 6: Advantages of using formal financial service providers

OBJECTIVES:

By the end of this learning session, participants will have:

- Identified commonly held beliefs about financial service providers
- Described the benefits of using a bank
- Managed to make a contrast between the benefits of using a bank with those of using an informal service or keeping money at home
- Stated how they would improve their use of financial services providers

PRIORITY: 1 – This session gives the benefits of accessing financial services.

TARGET GROUP: All **-** this can be used for literate / semi-literate / illiterate people; for illiterate groups, no flipcharts are to be used

TIME:
30 minutes

PREPARATIONS/MATERIALS:
Flip charts
Markers
Masking tape
Blank flip-chart paper

STEPS:

1. Brainstorm on common perceptions about financial service providers – 10 minutes
2. Analyze the story of two sisters – 20 minutes

STEP 1: Brainstorm on common perceptions about banks – *10 minutes*

Explain:

Sometimes people, places or institutions develop a reputation, something that many people believe about them, whether it is true or not. For example, many people believe that all Americans are rich and have a lot of money. Because some Americans are very wealthy, it is easy to assume that everyone is. Financial institutions (banks) are similar in that many people believe things about banks that may or may not be true. Today we are going to try to figure out which widely held beliefs about banks are true, and which are only myths.

Explain the following brainstorming to everyone. Say:

I am going to ask you a question, and I want you to call out your response whenever you want to. There are no correct or wrong answers and I will add whatever you say to the list that we will make on the flip chart. Our goal is to come up with as many responses as we can.

Okay, here is the question:

When I say the word "bank," what images or thoughts come to your mind?

Make a list of all their answers. When they run out of steam, review the list and add the following points if they have not been made already. Then, decide which ones are true and which are myths. People may disagree. Encourage discussion.

Common Myths about financial service providers

- You have to be rich to use a bank.
- Banks are unfriendly.
- Going to the bank takes a lot of time.
- If a bank is robbed, you will lose your money.
- Banks will take your house away.

To conclude, say:

Some of these things are simply not true; some may be true only *sometimes*. This module will help us understand better what banks are really like and how we can use them to better manage our money.

STEP 2: Analyze the story of two sisters – *20 minutes*

Say:
In this session we are going to learn about 2 sisters and how they managed money that they received as a gift from their father.

Pass out Handout 4.1 to the participants. Ask for a volunteer to read the story, interrupting her to ask the question that appears after each quarter. If no one can read the story, read it yourself.

Story of Two Sisters: Hannah and Grace

There once were two sisters: Hannah and Grace. When their father passed away he left them UGX 2,000,000/= each. Hannah, the oldest sister, was very cautious. She wanted to save her money for a rainy day and was afraid to lose it. So, she hid her money in her home. Grace, the younger sister, wanted to save her money too *and* make it grow. She decided to put her money in the bank. Grace opened a long-term savings account which required a term deposit for one year

1st Quarter
After 3 months, Grace stopped at the bank to see how her deposit was doing. Her UGX 2,000,000/= had grown to UGX 2,200,000/=. While she was there, the bank teller mentioned to her that a savings account could serve as collateral for a microenterprise loan from the bank. Hannah, too, checked her hiding place to make sure that her money was still there. She found only UGX 1,900,000/=. Someone had taken UGX 100,000/=! When she told her husband about this, he admitted to taking the money to buy cigarettes. After learning that her husband had taken some of the money, Hannah divided it up and put small amounts in different hiding places.

Stop here. Ask the participants:

What happened to the money of each sister? Why?

2nd Quarter
During the next 3 months, Grace's youngest child started school. Grace decided that she now had the time to start a small business to supplement the family's income and help pay for school expenses. At her bank, she learned that, with her savings deposit, she qualified for a UGX 400, 000/= loan. She used this loan to purchase a sewing machine and begin a dressmaking business. During the same period, Hannah used some of her money to purchase a beautiful tablecloth that a vendor brought to her house. Although Hannah had intended to save her money, she had no cloth for her table and could not resist this very beautiful one. At UGX 100,000, it was a bargain.

At the end of this period, Grace had UGX 2,400,000 in her savings account but she owed the bank UGX 440,000 in loan repayments (400,000 + 40,000 in interest). Her business was making a small income even after her loan repayments, so she was not worried. Hannah had UGX 1, 900,000 hidden in different places in her house.

Stop here. Ask the participants:

What happened to the money of each sister? Why?

3rd Quarter
During that quarter, Grace's bank was robbed. One day bandits came and left with all the cash in the bank. Grace thought she had lost all her savings plus the interest she had earned. But she learned that the bank had insurance and therefore they would be able to recover all the

money that was stolen. Her balance at the end of the quarter was UGX 2,400,000. Hannah still had UGX 1, 900,000 in her "mattress account."

4th Quarter

A few months after Grace's bank was robbed, someone broke into Hannah's house. The thief found 500,000 that she had hidden in a pot. Fortunately, he did not find all her money. She was left with 1,400,000. At the end of the one year, Grace's 2,000,000 had grown to 2,400,000 while Hannah's 2,000,000 had become 1,400,000.

What happened to the money of each sister? Why?

Turn to a partner and ask each other the following question:

What would you do if you received UGX 2,000,000? Why?

Give the partners 5 minutes for this.

Ask for a few volunteers to share their responses.

Ask participants to discuss and list the advantages of using a bank and write their answers on a flip chart. It should look like this.

Benefits of Using a Bank

- Security (money is safe)
- Liquidity (for savings)
- Reliability
- Privacy
- Income (money earns interest)
- Many products available (varying types of loans and savings accounts)
- Allows you to build a credit history
- Operates within banking laws
- Access to financial advice from knowledgeable staff

Summarize the advantages of using a bank. Make reference to features of local banks that may not have been highlighted in earlier sections or sessions.

Conclusion:

For any type of financial service you would like to choose, use your financial right to know all the information about a financial product or service you wish to use. Ask for written information and keep it with you. If the financial institution or person you went to doesn't want to give you information, then they might not be the right ones for you. Please endeavor to know the total cost of the transaction that you have chosen.

Knowing your financial rights enables you to make informed decisions and choices.