

HOW TO MANAGE MONEY (FINANCIAL LITERACY)

MODULE 1



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Topics In This Module

1. What is Financial Literacy?
2. Why Should We Learn Financial Literacy?
3. Who is Responsible For Our Financial Decisions?
4. What are the Key Concepts of Financial Literacy?

Dear learners,

Welcome to the initial module of our Financial Literacy program. Because we are responsible for the results of our financial activities, we should learn how to make informed decisions. This program will provide the basics of managing our money. In this initial module, we will learn what financial literacy is. We will discuss its importance and benefits for us and its key concepts.










Financial Literacy

When we say financial literacy, we mean knowing how to use our money wisely. Using our money wisely means knowing what to do with it, and how to make good decisions about it.

If we know how to use our money wisely, we will establish good financial habits that will serve us well throughout our lives.

We will be able to reach our financial objectives in life. We will also be able to prevent disastrous financial mistakes and be prepared for emergencies. As a result, we will have enough money and wealth for financial freedom.

When we become financially literate, we will understand the meanings of different financial concepts such as money, income, expenses, budget, savings, investments, debt, insurance, and consumer rights. Let's explain these concepts...

Money 	Income 	Expenses 
Budget 	Savings 	Investment 
Debt 	Insurance 	Consumer Rights 



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What is Money?

Let's start with money. Money is a special thing we use to buy things we want or need, like tablets or food. If we want to buy chocolate, we pay with money. This money can be paper, metal (coins), or electronic (card). We keep our money in our wallets or a bank. We will learn more about money in Module 1.



What is Income?

What do we call the money we receive? It is income.

For example, If our parents give us €10 every week, that's our income. Another example is if we work at a store, the money we receive is also income. We will discuss different income types and how we can make money in Module 2.



What is Spending?

If we pay €2 for candy and €3 for a toy, that's our spending. We spend our money on buying things, such as toys and food. We will discuss the details of spending in Module 3.



What is Budgeting?

As we have mentioned until now, money comes and goes. A budget is a plan for how much and when we receive and spend money. It helps us make smart decisions, so we do not run out of money.

If we receive €10 from our parents every week, we can plan how to spend it. We can spend €5 on lunch and €3 on candy. We will have €2 left for other things in our budget. We will learn more about budgeting in Module 4.



To summarize, €10 is our income, €8 is our spending, and €2 is our savings. So, what are the savings?

What is Savings?

We did not spend €2 from our €10 income. So, this is our saving for the week. We can use it later to buy something. We can also put aside the money we did not spend every week to have more money for buying a bike. These are our savings. We will learn more about savings in Modules 1 and 2.



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What is Investment?

If we use the €2 savings to buy a toy and hope to sell it at €3 in the future, we make an investment.

Investing is buying something with the hope that it will grow in value over time, as in this example.

Let's give another example. We can buy a pizza for €2. We can cut the pizza into five slices. Then, we can sell one slice for 50 cents to our friends, and we will end up with €2.50. This would be a business investment. We will learn more about investments in Module 2.



What is Debt?

Let's now assume we need €13 to buy a book. €10 our parents give us is not enough to buy this book. So, we asked a friend to provide us with €3 now and promised to pay our friend back €3.5 next month. This is borrowing. The €3 we borrow is our debt. The extra 50 cents we pay our friend is interest on the debt. We will learn more about debt in Module 3.



What is Insurance?

Let's assume we now have saved enough money to buy a bike. If we have insurance for our bike, we can get our money back if our bike is stolen or broken. So, we can define insurance as a way to protect ourselves from unexpected events, like accidents or theft, that might create additional spending. When we buy insurance for our bikes, we protect ourselves from financial losses. We will learn more about insurance in Module 5.



What Are Consumer Rights?

Governments protect us by law. For example, after we buy the bike, we realize that the gear is broken. We can take the bike back to the seller and get a free repair or ask for a full refund. This is an example of one of our consumer rights, the right to redress. We will learn more about consumer rights in Module 6.



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What Did We Learn?

Every day we make financial decisions. We receive money, buy things, and spend money. We are the ones who are responsible for these decisions. Also, we are the ones who experience the results. That's why knowing the basics of managing our money is important. Being financially literate means we understand the concepts of money, income, expenses, budget, savings, investments, debt, insurance, and consumer rights. We have briefly discussed these concepts in this module. They are discussed in more detail in the following modules.

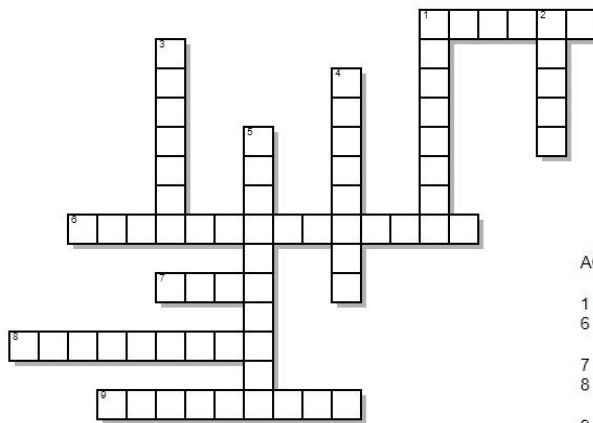
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Because we are responsible for our financial decisions, we should learn how to make informed decisions.

This program will provide the basics of managing our money.

Now, let's check what we have learned.

Financial Literacy Crossword



Words:

- Budgeting
- Consumer rights
- Debt
- Income
- Insurance
- Interest
- Investment
- Money
- Savings
- Spending

ACROSS

- 1 The money we receive
- 6 Government protection by law
- 7 The money we borrow
- 8 A way to protect ourselves from unexpected events
- 9 A plan for how we will spend our money

DOWN

- 1 Extra money paid back for our debt
- 2 A special thing that we use to buy things we want or need
- 3 The money we did not spend from our income
- 4 The money we pay to buy things
- 5 Putting our money into something that we hope will grow in value over time



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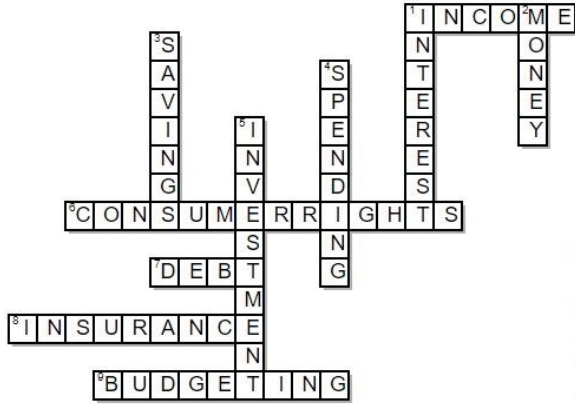
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- These are the answers. How did we do?

Financial Literacy Crossword

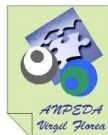


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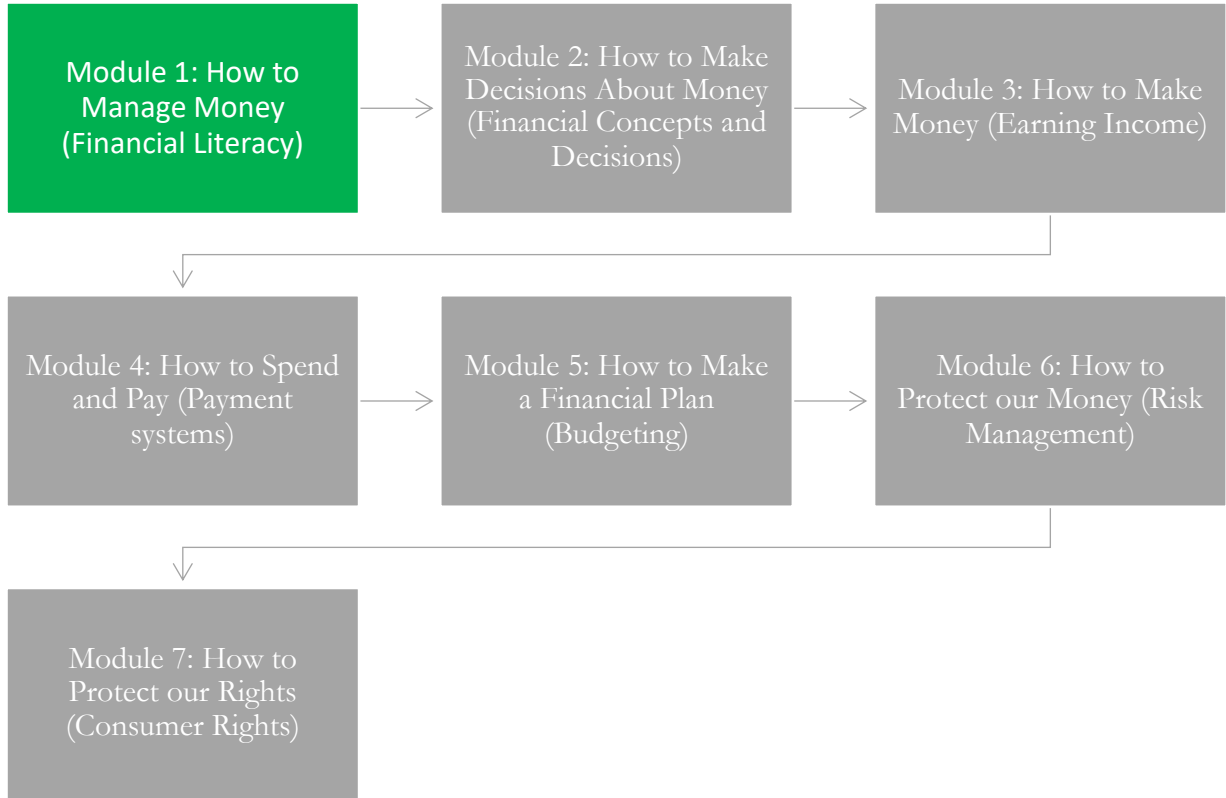
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Congratulations – Module 1 ✓



- The concepts of financial literacy and their applications to our lives are discussed in detail in the different modules of the program.
- Congratulations we have completed module 1 where we discussed these topics briefly.



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