

HOW TO SPEND AND PAY

MODULE 4



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Topics In This Module

1. What Do We Spend Money On?
2. How Do We Pay?
3. How To Choose the Right Payment System?

Dear learners,

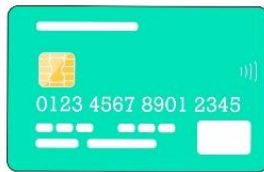
Welcome to the fourth module of our Financial Literacy program. In this module, we will learn about How to Spend and Pay.

First, we will learn what we spend money on. We all have our unique spending habits and priorities. Some people like to spend money on new things, while others prefer to save. It is important to consider how we spend our money wisely, regardless of our spending preferences.

We will also be informed about some tips for spending money wisely. First, budgeting is key. We need to keep track of our income and expenses, ensuring we don't spend more than we earn. Setting financial goals can also help us stay focused and avoid unnecessary purchases. We will briefly mention those and learn budgeting in Module 5 in detail.

Second, we will learn how we pay. In other words, we will discuss different ways of making a payment. There are various payment methods, and each method has its advantages and disadvantages. For example, some of us might use cash for small transactions because it is simple and doesn't involve fees. On the other hand, many of us rely on credit or debit cards. These cards offer convenience but come with the risk of overspending or accumulating debt.

Third, we will learn how to choose the proper payment. It depends on our individual needs and circumstances. We should consider the advantages and disadvantages of different payment methods. Credit cards, for instance, offer rewards and protection against fraud. But they can also lead to high-interest debt if we overspend. Debit cards, on the other hand, draw money directly from our bank accounts. Additionally, we have digital payment alternatives like mobile wallets and online banking. They are becoming increasingly popular. These methods offer convenience and security. But we need to be cautious about online security and protecting our personal information.



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These are the key concepts we have covered.

Needs



Wants



Debt



Interest



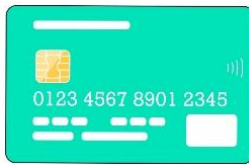
Budget



Cash



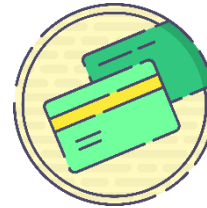
Credit Card



Point of sale Terminal



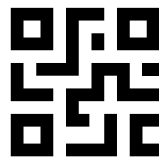
Debit card



Mobile payment



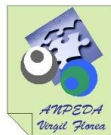
Quick Response Code



Cryptocurrency



Bitcoin



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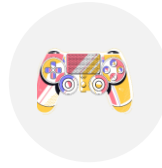


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What Do We Spend Money On?



Needs



Wants



Debt
repayment



Gifts

First, we have our needs. We must have these things to live comfortably and stay healthy. Think about food, shelter, and clothing. We spend money on these things because they are essential to our well-being.

Then there are our wants. These are the things we desire but don't necessarily need. They make life more enjoyable. It could be a new video game or a cool smartwatch. We spend money on wants to treat ourselves and have a good time.

Next up is debt repayment. Sometimes, we borrow money for various reasons, like buying a car or attending college. When we do, we have to pay it back with interest. So, part of our money goes to paying back our debt over time. It is essential to manage debts responsibly to avoid financial trouble.

Lastly, we spend money on gifts for special occasions like birthdays, holidays, or other celebrations.

Tips For Spending Money Wisely

Set financial goals.

Create a budget.

Avoid impulse purchases.

Shop around.

Use coupons and discounts.

Buy in bulk.

Consider secondhand goods.

Make our own gifts.



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First, setting financial goals is essential. Think about what we want to achieve with our money. It could be saving for a new game, a special trip, or college. Having clear goals helps us stay focused and make better spending choices.

Second, creating a budget is helpful. This will help us track our spending and ensure we are not overspending. There are many different budgeting methods available. We will learn about them in Module 5.

Third, we should avoid impulse purchases. Sometimes, we see something cool and want to buy it right away. But wait! We should take a moment to think if we really need it or not. It can help us save money.

Fourth, Shop around! Before buying something, checking different stores or websites is helpful. We might find the same item at a better price elsewhere.

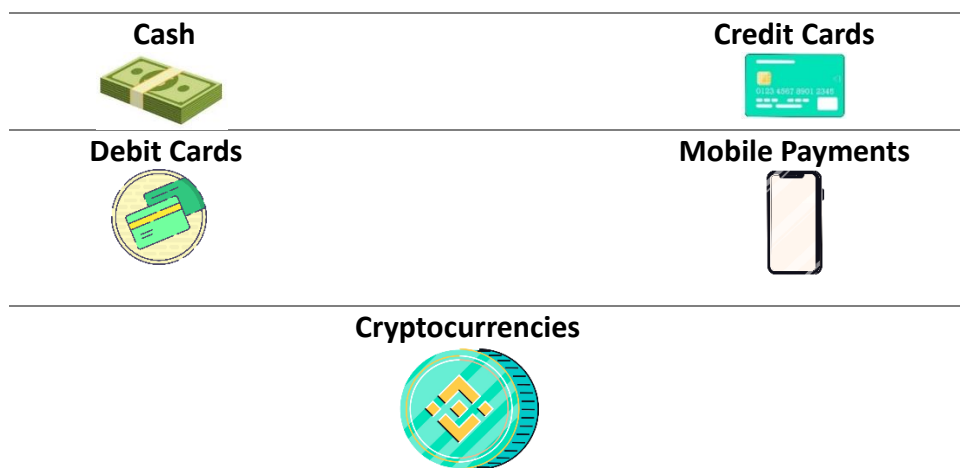
Fifth, using coupons and discounts is important. We should watch for discounts on apps or shopping platforms. They can help us get things we want at a lower cost, so we should not forget to use them!

Sixth, buying in bulk is essential. If we know that we will use something often, buying it in bulk may save us money. For example, some shops may provide discounts for bulk purchases.

Seventh, we may consider secondhand goods. There are many great deals on secondhand goods, such as clothes, furniture, and electronics. Plus, it is better for the environment!

Eighth, it is always possible to make our own gifts. This is a great way to save money and show our loved ones we care.

How Do We Pay?



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Cash is the paper money and coins we can hold in our hands. We give it to the cashier to buy things, and we are done.

Credit cards let us buy things even if we don't have all the money at the time of the purchase. We pay the credit card debt back later and sometimes we may get rewards for using them.

Debit Cards are like electronic versions of cash. When we use a debit card, the money is transferred from our bank accounts to those of sellers. It is like using cash, but electronically.

Mobile Payments are those cool apps on our phones. Some of them, like Apple Pay or Google Pay, let us pay for things using our phones. It may be either connected to our debit or credit card account. We tap on our smart devices, and we are done.

Cryptocurrency is like digital money we keep in electronic wallets. Bitcoin is the most popular and widely used cryptocurrency to make payments online anonymously.

Cash

Cash is the most common form of payment in the world. It is made up of coins and paper bills that governments issue.

Cash is a physical form of money that can be used to purchase anywhere in the world. It is also the most private form of payment, as it does not require us to share our personal information with anyone.

Imagine we are at a snack stand, and we really want to buy some yummy cookies. We walk up to the stand with our pockets full of cash – like Euro bills and coins.

We look at the cookies on display, and the friendly snack seller tells us the price is €5 for a bag of delicious cookies. So, we take out a €5 bill from our pocket and hand it to the seller. They give us our cookies, and we put them in our backpack.

That is how easy it is to buy things using cash! We use the money we have right in our hands to pay for what we want. It is quick and straightforward.

Here are some of the advantages and disadvantages of using cash.

First of all, its advantages. Cash is convenient and easy to use. It is private and secure. It is accepted almost everywhere.

Let's talk about disadvantages. Cash can be lost or stolen. It can be not easy to carry large amounts of cash.



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Credit Cards

Credit cards are plastic cards that allow us to borrow money from a bank when we want to buy something. It is kind of like taking a small loan from the bank. We have a certain limit determined by our income. Up to this limit, we can make purchases by using our credit card. And this is called as our credit card debt. We should remember to pay the total amount of our credit card debt for that month on time to avoid additional charges by the bank. The additional charges are interest.

Let's assume, we bought a smartwatch which cost €300 using our credit card. When the payment day comes, if we pay €300, the bank will not charge us anything extra. However, if we pay only €200 on the payment day, we will have to pay €100 plus interest in the future to fully pay our total debt.

When buying things from a store, we hand our cards to the cashier. The cashier puts the card in a point-of-sale terminal, enters the purchase amount, and asks us to enter our personal identification number. Moreover, almost all credit cards have a contactless feature, enabling us to pay by just tapping our card on the point-of-sale terminal without entering our personal identification number.

Credit cards can be handy and come with some cool benefits. First, using a credit card is handy because we don't have to carry a lot of cash around, but it is also important to remember that we have to be responsible and pay our credit card bills on time.

Second, some credit cards give us rewards like cashback or points that we can use to save money.

Third, they also provide proof of our purchases since the purchase is registered with the bank.

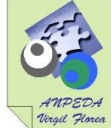
Fourth, credit cards are widely accepted, making them super convenient. When we travel to another country, we can make payments with our credit cards without worrying about exchanging our money into foreign currency.

However, we should be careful when using credit cards.

If we are not careful, credit cards can lead to a lot of debt. Remember, we have to repay the money we spend using credit cards eventually.

Credit cards charge us interest on any money we don't pay back right away, so we end up paying more for the things we buy.

As we mentioned, credit cards are mostly contactless. If our card gets stolen, thieves may purchase things using our contactless credit card even though they don't know our personal identification number.



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When we make purchases online using our credit card, we should make sure to use secure websites. Otherwise, our credit card information can be stolen and used by hackers without our knowledge.

If our credit history is not great, getting approved for a credit card can be hard.

We should also be aware that banks charge us annual fees or account maintenance fees for using their credit cards.

Buying a Video Game With Our Credit Card

Imagine we are at a store, and we really want to get a cool new video game. We pick up the game and bring it to the cashier. Instead of using cash, we take out our credit cards from our wallets.

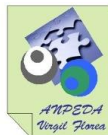
We tap our credit card to the point-of-sale terminal. The machine checks with the bank to make sure we have enough limits to pay for the game.

The bank approves the purchase, meaning "Yes, we can buy the game," and the cashier gives us the video game. We sign our name on a little screen, enter our personal identification number, and are all set! The game is ours, but we'll need to pay the credit card company back later. It is kind of like borrowing money for a little while, and then we have to return it back to the bank when the time comes.

Debit Cards

Debit cards are like credit cards but are connected directly to our bank accounts. Whenever we use a debit card, the money gets taken away from our account right on the spot. The shape of a debit card is almost the same as a credit card. Debit cards may also have a contactless payment feature. They are quick and easy to use when we need to purchase. On the other hand, unlike credit cards, debit cards usually don't give us rewards like cashback or points.

Let's say we are at a store and want to get a new skateboard. We pick out the one we like and bring it to the cashier. Instead of using cash, we take out our debit card from our purse. We give the debit card to the cashier, and they swipe it through a machine. Or if our debit card is contactless, we tap the point-of-sale terminal. The skateboard is ours if we have enough money in our bank account. Just like that, the money for the skateboard comes out of our bank account. The cashier gives us the skateboard, and we are ready to roll! We don't have to worry about paying the bank back later since the money is already gone from our bank account.



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Mobile Payments

Mobile payments allow us to make payments using our smart devices. There are a number of different mobile payment apps available, such as Stripe, Amazon Pay, Ali Pay, Apple Pay, Google Pay, and Samsung Pay. They are like digital wallets. We put all our cards together in the mobile payment system and make payments contactless.

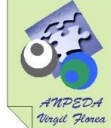
To use mobile payments, we will need to download an app and set up an account. Once we have set up our account, we enter our credit card information into the mobile payment app, and then we can make payments contactless. It is like physically tapping our credit card at the point-of-sale terminal; instead, we tap our smart device. We can also scan the Quick Response Code at the counter. QR stands for Quick Response Code.

We can use our smart devices to make payments at participating stores. For example, we are at the mall and want to buy snacks. We have no cash, so we use our smartphone to pay. We open the mobile payment app on our phones and scan the QR code at the checkout counter. The payment is processed, and we get our snacks. There is no need to reach cash or our credit card; we just use our smartphone.

We can also use a specific app from a coffee shop to purchase a cup of coffee. In the app store on our smartphone, we download the mobile payment app of the coffee shop. Then, we add credit or digital money to our account using our credit card. We pay for a cup of coffee by scanning a QR code with the balance available in our account.

On one hand, mobile payments are convenient and easy to use. They are secure because they use secure communication technology.

On the other hand, mobile payments can be expensive, depending on our carrier. They may not be accepted everywhere. They can be difficult to set up. Of course, we also need a reliable, constant internet connection.



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Cryptocurrencies

A cryptocurrency, is an encrypted digital currency. We can use it as a medium of exchange through a computer network.

Cryptocurrency is like digital money we keep in electronic wallets. Bitcoin is the most popular and widely used cryptocurrency to make payments online anonymously.

Let's say we are at the online store and want to buy a new game. We don't have any credit cards, so we decide to use Bitcoin.

To be able to use Bitcoin to buy the new game, we need to follow several steps.

We need to have Bitcoin. We can buy Bitcoin from a Bitcoin exchange.

We need to have a Bitcoin wallet. A Bitcoin wallet is a software program that stores our Bitcoin.

We need to find a store that accepts Bitcoin.

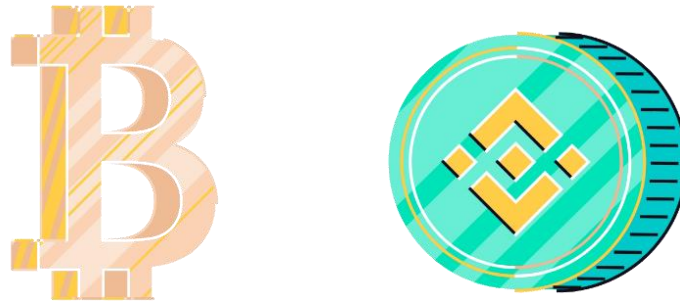
When ready to purchase, we visit the store's website and find the desired item.

We click the "Buy with Bitcoin" button and enter the amount we want to spend.

The store will then generate a Bitcoin address for us. We copy the address and paste it into our Bitcoin wallet.

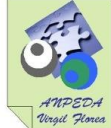
We send the Bitcoin to the store's address, and the purchase is complete.

Instead of using regular money like dollars or euros, we use our Bitcoin. It is like having a digital wallet full of special coins called Bitcoins.



How To Choose the Right Payment System

- The type of purchase you are making. ✓
- The fees associated with each payment system. ✓
- Consider your personal preferences. ✓



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When choosing a payment system, it is essential to think about a few important things.

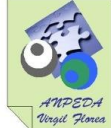
The Type of Purchase matters. If we get something small like a coffee or a snack, cash, debit card, and mobile payments might be the easiest way to pay. But for bigger things in value, like a computer, using a credit card could be better because it comes with rewards.

Every payment system is not the same when it comes to fees. Credit cards, for example, can charge fees for each transaction, while others, like debit cards or mobile payments, might not charge any. It is wise to compare these fees before we decide.

Personal Preferences are essential. We all have our ways of doing things. Some of us like using cash or cryptocurrencies because they are more private, while others prefer credit cards for their rewards. The best choice for us is the one that feels right.

Here are some extra tips for picking the perfect payment system.

- Credit cards might not be our best buddies. When we use credit cards, we may not feel like spending our money. This may make us overspend. Cash or a debit card could be better choices to help us stay on budget.
- If we are closely monitoring our money, debit cards or mobile payment apps might be our pals. They usually don't have any extra fees.
- All payment systems have risks. So, it is a good idea to know the risks of each payments system to pick the one that makes us feel safe and sound.


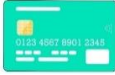





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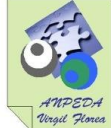
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Payment System	Advantages	Disadvantages
Cash 	Convenient, private, accepted everywhere	Can be lost or stolen
Credit card 	Offers rewards, purchase protection, and extended warranties	Can be a major source of debt if not used responsibly
Debit card 	Convenient, linked directly to your bank account	May not offer rewards or purchase protection
Mobile payment 	Convenient, secure	May not be accepted everywhere
Cryptocurrencies 	Convenient, can be used to purchase goods and services from anywhere in the world, provides anonymity	Cryptocurrencies' values vary significantly; may not be accepted everywhere, can be complex to use

Please stop the video and consider the advantages and disadvantages of each payment system, summarized in the table.



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What Did We Learn?

- **WHAT WE SPEND MONEY ON**
- **HOW WE PAY**
- **CHOOSE THE RIGHT PAYMENT SYSTEM**



First, we will learn what we spend money on. We all have our unique spending habits and priorities. Some people like to spend money on new things, while others prefer to save. It is important to consider how we spend our money wisely, regardless of our spending preferences.

We will also be informed about some tips for spending money wisely. First, budgeting is key. We need to keep track of our income and expenses, ensuring we don't spend more than we earn. Setting financial goals can also help us stay focused and avoid unnecessary purchases. We will briefly mention those and learn budgeting in Module 5 in detail.

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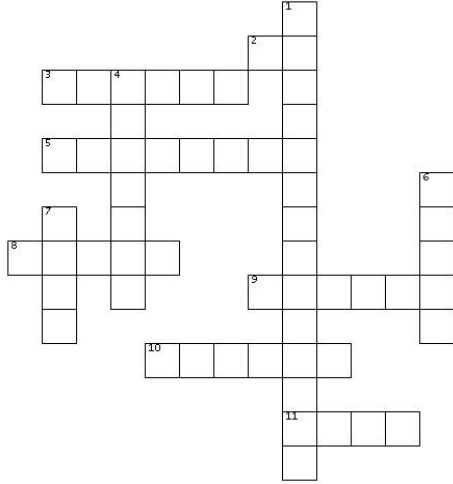
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Now, Let's solve the crossword puzzle.

How to Spend and Pay Crossword



Words

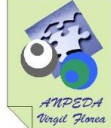
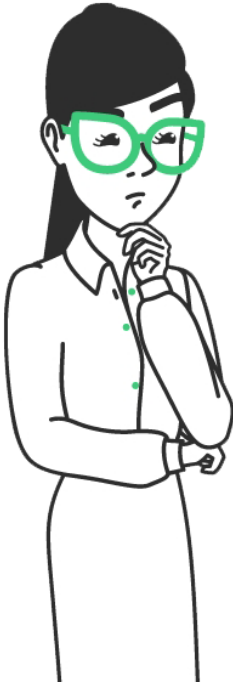
- Needs
- Wants
- Debt
- Interest
- Budget
- Cash
- Credit card
- Point of sale Terminal
- Debit card
- Mobile payment
- Quick Response Code
- Cryptocurrency
- Bitcoin

ACROSS

- Short for QuickResponse Code
- Payment method allowing us to make payments using our smartphones
- Extra money we pay if we don't fully pay our credit card on time.
- Cards that are connected directly to our bank accounts
- Cards that allow us to borrow money from a bank.
- A tool track our spending and make sure that we are not overspending.
- Paper money and coins

DOWN

- Digital currency designed to work as a medium of exchange
- The most popular cryptocurrency
- Things we desire but don't necessarily need
- The money we borrow



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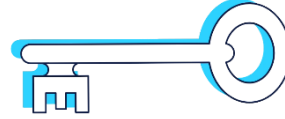


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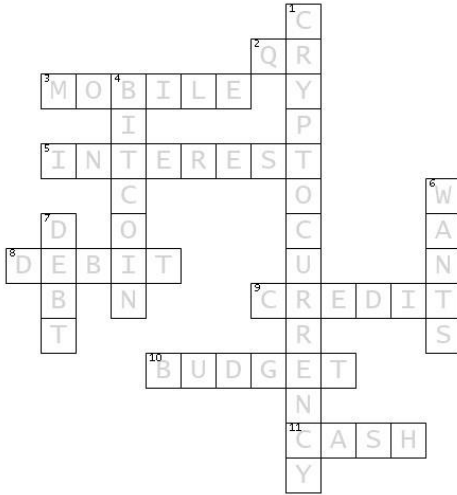


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- These are the answers. How did we do?



How to Spend and Pay Crossword



Words

- Needs
- Wants
- Debt
- Interest
- Budget
- Cash
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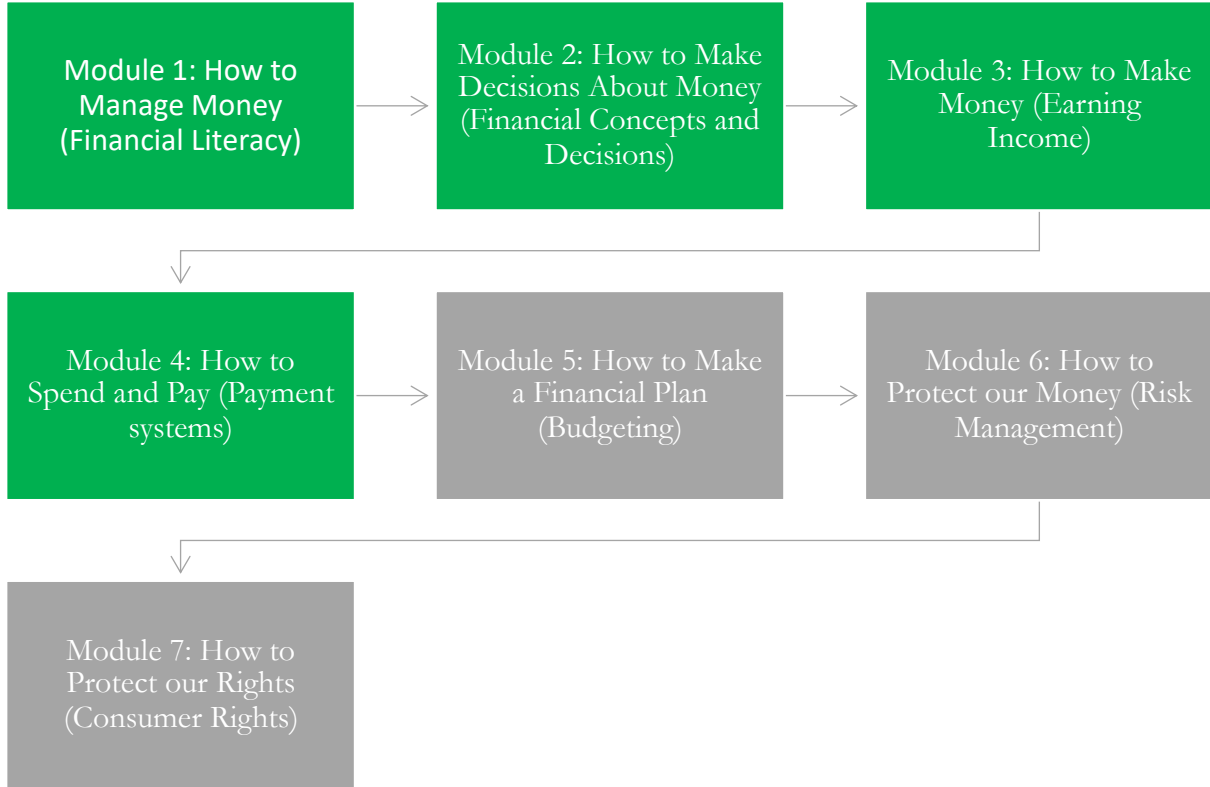


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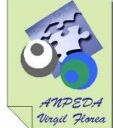


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Congratulations – Module 4 ✓



- 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 4 where we discussed how to spend and pay.



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