Care Giving level II

Learning Guide-35

Unit of Competence: **Apply Basic financial literacy**

Module Title: **Applying Basic financial literacy**

LG Code: **LSA CRGSW2 M01 L01-01**

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LO 1: Identify and develop finances

Instruction Sheet	Learning Guide 35

This learning guide is developed to provide you the necessary information regarding the following **content coverage** and topics:

- Techniques in managing finances
- Financial goals & plan related to migration
- personal control in money spending
- Acceptable procedures in money remittances

This guide will also assist you to attain the learning outcome stated in the cover page. Specifically, upon completion of this Learning Guide, you will be able to:

- Identify techniques in managing finances
- Develop financial goals and plans related to migration
- Practice personal control in money spending
- Exercise money remittances according to acceptable procedures

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described below 3 to 6.
3. Read the information written in the information "Sheet 1, Sheet 2, Sheet 3 and Sheet 4".
4. Accomplish the "Self-check 1, Self-check 2, Self-check 3 and Self-check 4" **in page -11, 21, 34 and 41**respectively.
5. If you earned a satisfactory evaluation from the "Self-check" proceed to "Operation Sheet 1, and Operation Sheet 3" **in page -42 and 43.**

Information Sheet-1	Techniques in Managing Finances

1.1. Introduction to Financial Literacy

Fig. 1.1

- ✓ Life is much easier when you have good financial skills. How you spend your money impact your credit score and the amount of debt you end up carrying.
- ✓ Finance is defined as the management of money and includes activities like investing, borrowing, lending, budgeting, saving and forecasting. It is also a study which figures out how people, business and groups make and use money. It can mean thinking about how to control money to make profit.
- ✓ A financially capable person possesses all the skills necessary to effectively manage finances to achieve wellbeing,
- ✓ To be financially literate is to know how to manage your money. This means learning how to pay your bills, how to borrow and save money responsibly, and how and why to invest and plan for retirement.

Fig1.2

1.2. Concept of Financial Literacy

- Financial literacy is a goal that all of us should have. It means that we have to understand our money. Many people choose to be ignorant about their own personal finances as well as about financial issues in general. That's because money creates a lot of loaded emotions for many people. However, willful ignorance of your money only exacerbates the problems that money may be causing in your life.
- Choosing financial literacy means that you separate out the emotions from the facts and look realistically at your financial picture so that you can make smart and logical decisions that improve your finances today and for the future.
- Managing your money is personal skill that benefits you throughout your life and not one that everybody learns. With money coming in and going out, with due dates and finance charges and fee attached to invoices and bills and with the overall responsibility of making the right decisions about major purchases and investments consistently.
- Understanding financial basics thus allows you and others to make smarter money choices and are able to be self-sufficient in financial decisions
- Being financially literate means you will have an understanding in few core areas:
  - ✓ Budgeting and setting financial goals
  - ✓ Paying bills and saving money
  - ✓ Basics of loans (personal, debt, mortgages, etc..)
  - ✓ Credit cards and credit scores and
  - ✓ How investing works

1.3. Importance of Financial Literacy

- Financial literacy is important because it allows an individual to understand and maximize whatever level of income they earn. It helps people transform their lives in better way.
- It equips us with the knowledge and skills we need to manage money effectively. Without it, our financial decisions and the actions we take-or don't take –lack an informed foundation to maximize our success.
- Financial literacy helps you to see exactly how you're spending your money and identify where your financial holes are and helps you to:
  - ✓ Start tracking your monthly expensesin a notebook or a mobile app, write in every time you spend money. Be diligent about this, because it's easy to forget. This is the foundation for your budget.

- ✓ Identify fixed and variable expenses
  - Fixed expenses are ones that you have every month: rent, mortgage, car payment, electric, bill, water bill, student loan payment.
  - Variable expenses are costs that go up and down each month and ones that come and go- groceries, pet supplies, haircuts, concert tickets, etc.
- ✓ Add up the totals
  - After three months, calculate how much you are spending, on average, per month. And look at the categories.
- ✓ Study your variable expenses
  - This is where most people tend to overspend. Decide what gives you the most pleasure from these monthly expenses that you feel these costs are worthwhile? And which ones can you really do without? Be honest, and start cutting. This is the beginning of the hard decisions.
- ✓ Saving factors
  - A key part of budgeting is that you should always pay yourself first. That is, you should take a portion of every paycheck and put it into savings. This one practice, if you can make it a habit, will pay dividends (literally in many cases) throughout your life.
- ✓ Setting your budget
  - Start making the necessary cuts in your fixed and variable expenses. Decide what you want to save every week or every two weeks. The leftover money is how much you have to live on.

1.4 Managing Finances technically

- Whether you're a business or an individual, you have to find a way to manage your finances now and in the future. The cost of everything continues to increase and there's no sign that this trend of price increases will stop anytime soon. As a result, all entities have to develop a financial management system to ensure their stability for many years to come.
- Finance management system has to provide the businesses in question with enough flexibility for them to continue to grow and pay for their necessary

expenses. It also has to be stringent enough to allow for money to be put away in the event of future catastrophes.

Fig 1.3

- Some basic steps to help you get smart about your finance management
    - ✓ What's behind your financial decisions: before you create a budget or make spending cuts, take the life values quiz to determine what you value most.
    - ✓ Get organized*:* tips to manage your financial documents and your time
    - ✓ Know where your money goes*:* keep track of your expenses and find your spending leaks
    - ✓ Shop Smarter*:* make smarter spending decisions to "find" money without actually making more
    - ✓ Review and reduce your debt*:* identify your debt and use these tips to pay it off.
    - ✓ Build a strong credit report*:* Maintain a strong credit report to accomplish your financial *goals*
    - ✓ Save for your future*:* pay yourself first to save money and start a strong retirement income planning program
    - ✓ Set financial goals*:* track your goals and celebrate milestones to reach your financial dreams faster.
    - ✓ *Create a spending plan:* use a spending plan to ensure your daily spending habits don't overwhelm your goals.
    - ✓ Invest money to reach your goals*:* watch your money grow as you invest to reach long-term objectives

1.5.Types of techniques in managing finance

- Managing your money- like anything-takes time to understand and to improve on. And to master, it also takes commitment and a solid understanding of your financial situation. These are the first steps in effective money management.
- Everyone and anyone who ever took control of their finances went through this; and getting your financial life in order, sooner rather than later, is of utmost importance.
- Here are some techniques to manage your finance:-

  - ✓ **Create a budget**: - First things first, creating and sticking to a budget might seem a little tough to achieve at first but it pays off in the end. Budgeting helps us see with clarity and full transparency our financial situation and this is to of most importance for better managing your money.
  - ✓ **Understand your expenses**: -many people actually don't know the total amount of expenses they generate on any given month. This is a problem but there is an easy solution for it. Here it is: for one month, keep track of all your expenses. Take all your receipts (groceries, restaurant bills, utilities, etc.) and look at your bank statements and add up all of your expenses. Remember to keep track of expenses paid by cash as well as credit cards. The idea is to have all your expenses (both variable and fixed) accounted for to get a total amount. This will allow you to see the whole picture and know how to manage your expenses going forward. You will also want to compare your historical performance over time.

  - ✓ **Understand your income**: *-most people know their full monthly income but have less knowledge of their full monthly expenses. Nonetheless, the point is to figure out your total expenses and subtract that from your total income for the month in question. Once you understand your expenses and income and have a firm understanding of the money coming in and out of your life, it's time to take some additional steps to best manage your money.*

  - ✓ **Consolidate your debt**: - Debt, the dreaded word, no one like's debt. No one. And most people that need help managing money actually need help getting out of debt. The first thing to do is to get it under control and work on getting rid of it.
  - ✓ **Slash or remove unnecessary expenses**:-Big fan of Starbucks? If you buying a Venticaffe Latte every day that's around $4 out of your wallet. Multiply that out and you could be spending about $1,400 a year just on that. Maybe, just maybe, consider making your own blend at home to pinch those pennies? Remember, the

idea is to learn how to manage your finances better by taking everything and every penny into account. So, do some spring cleaning and slash expenses wherever you see an opportunity especially if it's something that doesn't affect your life to a great extent.

- ✓ **Create an emergency fund***:* -Something may happen and it's good to be prepared. Emergency funds are an important part of ahealthy personal finance plan. In almost all cases, you shouldn't touch or take money out of the fund, rather, let it sit there earning interest. If you lose your job or an unfortunate or unexpected expense arises such as your car breaking down, health problem and a tree falling on your roof this is when you should tap into it.
- ✓ **Save 10 to 15 percent for retirement***:* -we know it's far off, but if you want start saving for retirement, the better off you will be in your golden years. First thing should be to establish a savings target- one that tells you approximately how much you should set aside over time to meet your retirement goals that will allow you to live the sort of lifestyle you envision.
- ✓ **Review and understand your credit report***:*-the reason credit reports are so important because they are numbers roughly between 150 and 900 that serves as a score/grade which factors in your present and past loans, credit cards, mortgages, and any other reported debts. It serves to determine how creditworthy you are and this score has a direct impact on your future borrowing ability. It's important that you review and understand your credit report to assure it has all your undated information and to identify any possible errors. If you want to aim for a great credit score, keep your credit card balances low and work on paying off your debt instead of moving it from account to account.
- ✓ **Use a tool or personal finance app***:* -it is obvious, your finances are already complicated, lets uncomplicated them how? Begin by getting with the times and putting away your abacus or casio calculator. There are new and free tools out there that will show you ways to manage money as well as do all the hard budgeting and computational work. Many tools such as Quicken for Windows or the free Money Strands app will allow you to safely consolidate, manage and control your money all in one place. With these you can get access to your all your account balances, financial transactions, spending habits and budgets, and take all that information to start making smart decisions and achieve your financial goals.
- ✓ **Follow money management resources***:* -As it is known knowledge is power, every financial expert we know today started off like you and me. They just

continuously learned and dedicated themselves and turned their passion into their profession. Financial experts can give you some much-needed advice on how to manage your cash the right way, as well as some inspiring stories to get you focused on being the best version of yourself in terms of crushing it financially. Being able to effectively manage your money will make life flow much more smoothly, not to mention help lower your stress levels. Being well-organized will also save you time and same you potential headaches in the future. And now one wants those. So, get out there and take the first steps mapping out your personal financial strategy with the ever-present goal in mind of being able to manage your finances better than before.

Self-Check -1	Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. ________________is helping you to know how to pay your bills, how to borrow and save money responsibility.(3 points)
   A. Budgeting C. Planning
   B. Financial literate D. investing
2. List out some of the benefits of being financial literates.(5 points)
3. Mention some techniques in managing finance. (5 points)

Note: **Satisfactory rating - 3 and 5 points Unsatisfactory - below 3 and 5 points**

You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = ____________

Rating: ______________

Name: _________________________ Date: _______________

Short Answer Questions

Information Sheet- 2	Financial goals & plan related to migration

2.1 Introduction to Financial Goals and Plans

Fig 2.1

- Good money management and financial stability mean that a domestic helper can avoid distractions of financial stress while working in abroad, support family members, back home, and make a saving plan for the future. So you have to understand the concept of financial goals and plans.
- Financial goals are the priorities and targets you set for how you want to spend and save your money. They aren't one size fits all, because everyone has different priorities. However, if you don't set your financial goals, you'll probably be left wondering where all your money went.
- Setting financial goals helps you to keep the big picture in mind rather than getting bogged down with day-to-day (or paycheck-to-paycheck) expenses. In addition, it's easier to avoid impulse purchases.
- There's no time like the present to begin setting your financial goals. The further in advance you plan, the less you have to carve out of your budget to pay for it.
- Once you've set your financial goals, stay on top of them by monitoring your spending and saving. For example, entering your financial data into a software program like Quicken allows you to see how you're doing and, if you're behind on your goals, how to get back on track. If you don't have measurable targets for your savings, you won't know how you're doing, and might not know you're behind until it's very costly to catch up.

2.2 . Development of Financial Goals

- Developing personal financial goals can be relate in to:-
  - Timing of Goals
    - Short-term financial goals take under one year to achieve. Examples may include taking a vacation, buying a new refrigerator or paying off a specific debt.
    - Mid-term (Intermediate) financial goals can't be achieved right away but shouldn't take too many years to accomplish (have a time frame of two to five years). Examples may include purchasing a car, finishing a degree or certification, or paying off your debts.
    - Long-term financial goals (over five years) may take several years to accomplish and, as a result, require longer commitments and often more money. Examples might include buying a home, saving for a child's college education, or a comfortable retirement.
  - Goal frequency is another ingredient in the financial planning process.
    - Some goals, such as vacations or money for gifts, may be set annually. Other goals, such as a college education, a car, or a house, occur less frequently.
  - Goals for Different Financial Needs
    - Consumable-product goals usually occur on a periodic basis and involve items that are used up relatively quickly, such as food, clothing, and entertainment, such purchases, if make unwisely, can have a negative effect on your financial situation.
    - Durable-product goals usually involve infrequently purchased, expensive items such as appliances, cars, and sporting equipment; these consist of tangible items. In contrast, many people overlook intangible-purchase goals.

- Goal-Setting Guidelines - your financial goals should be stated to take the following factors into account:
  - ✓ Financial goals should be realistic
  - ✓ Financial goals should be stated in specific measurable terms
  - ✓ Financial goals should have a time frame

- The best way to reach your financial goals is by making a plan that prioritizes your goals.

- When you examine your own goals, you'll discover that some are broad and far-reaching, while others are narrow in scope. Your goals can be separated into three categories of time:
- The goal-setting process involves deciding what goals you intend to reach; estimating the amount of money needed and other resources required; and planning how long you expect to take to reach each of your goals.

2.3 Setting goal and plan for financialactivities to migrants

- It's time to set some serious goals. These ten goals will help you make lasting changes and take control of your finances. Whether you choose to do just a few of them or you are ready to tackle all of them, you can start making changes. You are the only one that can change yourself and it is important to have a plan to make your resolutions stick. Take the time to plan for the New Year today.

Fig 2.2

i. Write Out Your Budget Each Month

- This may seem like a simple goal, but writing a spending plan each month is the first step in getting control of your finances. If you can write out your budget each month, and put every dollar you earn in a specific place you will begin to win financially. This helps you realize just where you are each month. It allows you to decide how you want to spend your money instead of just letting it drift away.

ii. Write down every penny you spend

- You should do this for the entire year. The first month, you may want to physically write down each purchase you make in a notebook that you carry with you. Sometimes physically writing it out makes you more aware of what you are doing. If you have a smart phone, you should find a budgeting app that allows you to enter in each transaction as you make it. You can record it in both the account and the category so you can stick to your budget and recognize your budgeting weaknesses.

iii. Stick to Your Budget Each Month

- This is a tough goal, but as you carefully set up your budget and track it, you should be able to stick to your budget. You should be spending less than you earn and putting money into savings. If you can stick to your budget, you will be able to reach your other financial goals. Find the habits you need to change to make this happen.

iv. Reduce Your Debt

- Make a specific goal on how much debt you want to get rid of this year. If possible, you should try to get completely out of debt, but depending on your income and the amount of debt you currently have, you may not be able to do that. You should set a goal that is attainable, but one that you will have to be careful to reach. Set a number of how much extra you want to put towards debt each month, and then work to reaching it. If you follow a debt payment plan, you will speed up how quickly you can pay off your debt.

v. Don't add any more debt this year

- This goal is key if you are serious about getting out of debt. The one exception you may make to this goal is if you are ready to buy a new home. This means you need to stop using your credit cards. You should try to get by with your current car or save up cash for a new car. If you can commit to yourself that you will no longer borrow money, then you can plan ahead for major purchases, and really make a dent in the amount of debt you have.

vi. Save up an emergency fund

- The size of your emergency fund really depends on your current situation. If you are still getting out of debt, you should have a smaller emergency fund until you pay off your debt. You should quickly save up between $1,000.00 and one month's income. If your job is more volatile or the amount you make changes, one month of expenses will help you handle the slow months. If you are out of debt, work towards saving up between six months to a year of your expenses.

vii. Start Saving for Retirement

- If you are working for a company, you should contribute up to the amount that the company will match until you are out of debt. Once you are out of debt, then you should begin contributing about fifteen percent of your income. The amount you get from your employer's match should count towards that fifteen percent. Otherwise, you should contribute about five percent until you are out of debt (not counting your mortgage). This allows you to start building your retirement savings, while still freeing up money to put towards debt.

viii. Better Your Career

- Every time you need to do something to advance your career. If you love your job, and you see yourself staying there for the next 10 years, you can still find something you can do to improve your career stability and to prepare yourself for the next step. If you are not happy, you will be even more motivated to make those changes. Look for a class that you can take to gain additional skills or to prepare you to move up to a higher position in your career.

ix. Set up a Long-term Financial Plan

- A long-term financial plan will address all aspects of your finances. This plan should outline a timetable of when you will purchase a house, when you will retire and any career changes you plan to make. It should also include an investing strategy and a plan to build wealth. This plan will help you make financial decisions over the next few years, and can be one of the most beneficial things you do. A financial plan can be more effective than just setting random financial goals without looking at the bigger picture. Your plan may be different if you are single than if you are married, but it is essential to have one no matter what your relationship status is.

x. Cut spending in at least two different budget categories

- This is goals you can work on once you have your budget planned out, or that you can begin working on now. You may want to choose one category each month through the year to look for ways to save money. You may find that you need to keep working on the same category, so that you can continue to find ways to save money each month. If you can slash your spending a bit more each month, you will have more money to put towards your other financial and savings goals.

2.4 Financial Planning for Migrants

- This is goals you can work on once you have your budget planned out, or that you can begin working on now. You may want to choose one category each month through the year to look for ways to save money. You may find that you need to keep working on the same category, so that you can continue to find ways to save money each month. If you can slash your spending a bit more each month, you will have more money to put towards your other financial and savings goals

- Most people want to handle their finances so that they get full satisfaction from each available money. Typical financial goals include such things as a new car, a larger home, advanced career training, extended travel, and self-sufficiency during working and retirement years.
- To achieve these and other goals, people need to identify and set priorities. Financial and personal satisfactions are the result of an organized process that is commonly referred to as personal money management or personal financial planning.
- *Personal financial planning* is the process of managing your money to achieve personal economic satisfaction. This planning process allows you to control your financial situation. Every person, family, or household has a unique financial position, and any financial activity therefore must also be carefully planned to meet specific needs and goals.
- A comprehensive financial plan can enhance the quality of your life and increase your satisfaction by reducing uncertainty about your future needs and resources. The specific advantages of personal financial planning include:
    - ✓ Increased effectiveness in obtaining, using, and protecting your financial resources throughout your lifetime.
    - ✓ Increased control of your financial affairs by avoiding excessive debt, bankruptcy, and dependence on others for economic security.
- Improved personal relationships resulting from well-planned and effectively communicated financial decisions.
- A sense of freedom from financial worries obtained by looking to the future, anticipating expenses, and achieving your personal economic goals.
- We all make hundreds of decisions each day. Most of these decisions are quite simple and have few consequences. Some are complex and have long-term effects on our personal and financial situations. The financial planning process has a logical, six-step procedure:
    - ✓ Determine your current financial Situation
        - ▪ In this first step of the financial planning process, you will determine your current financial situation with regard to income, savings, living expenses, and debts. Preparing a list of current asset and debt balances and amounts spent for various items gives you a foundation for financial planning activities.
    - ✓ Develop Financial Goals

- You should periodically analyze your financial values and goals. This involves identifying how you feel about money and why you feel that way. The purpose of this analysis is to differentiate your needs from your wants.
- Specific financial goals are vital to financial planning. Others can suggest financial goals for you; however, you must decide which goals to pursue. Your financial goals can range from spending all of your current income to developing an extensive savings and investment program for your future financial security.

✓ Identify Alternative Courses of Action

- Developing alternatives is crucial for making good decisions. Although many factors will influence the available alternatives, possible courses of action usually fall into these categories:
- Continue the same course of action.
- Expand the current situation.
- Change the current situation.
- Take a new course of action.
- Not all of these categories will apply to every decision situation; however, they do represent possible courses of action.
- Creativity in decision making is vital to effective choices. Considering all of the possible alternatives will help you make more effective and satisfying decisions.

✓ Evaluate Alternatives

- You need to evaluate possible courses of action, taking into consideration your life situation, personal values, and current economic conditions.
- Consequences of Choices. Every decision closes off alternatives. For example, a decision to invest in stock may mean you cannot take a vacation. A decision to go to school full time may mean you cannot work full time. **Opportunity cost** is what you give up by making a choice. This cost, commonly referred to as the trade-off of a decision, cannot always be measured in money.
- Decision making will be an ongoing part of your personal and financial situation. Thus, you will need to consider the lost opportunities that will result from your decisions.

- ✓ Create and Implement a Financial Action Plan
    - In this step of the financial planning process, you develop an action plan. This requires choosing ways to achieve your goals. As you achieve your immediate or short-term goals, the goals next in priority will come into focus.
    - To implement your financial action plan, you may need assistance from others. For example, you may use the services of an insurance agent to purchase property insurance or the services of an investment broker to purchase stocks, bonds, or mutual funds.

- ✓ Revaluate and revise your plan
    - Financial planning is a dynamic process that does not end when you take a particular action. You need to regularly assess your financial decisions. Changing personal, social, and economic factors may require more frequent assessments.
    - When life events affect your financial needs, this financial planning process will provide a vehicle for adapting to those changes. Regularly reviewing this decision-making process will help you make priority adjustments that will bring your financial goals and activities in line with your current life situation.

Self-Check -2	Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. ____________________________ are the priority and targets you set for how you want to spend and save your money. (3 points)
   A. Money management C. Understand your credit
   B. Financial goals D. Funding
2. _________________________ is a dynamic process that does not end when you take a particular action. (3 points)
3. Mention the development of personal financial goals related to timing.

Note: **Satisfactory rating - 3 points** **Unsatisfactory - below 3 points**

You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = ____________
Rating: ______________

Name: ___________________________ Date: ________________

Short Answer Questions

Information Sheet-3	personal control in money spending

3.1. Concepts of controlpersonal money spending

Fig 3.1

- A money spending plan is simple strategy for making the most of your money and reaching your financial goals and some people call this making a “budget” but it isn’t “spending plan” is a good reminder that how you spend, and how much you spend, is really up to you.
- How do you create a spending plan? On a simple, one-page forms you write down the money you have coming in and what you spend in an average month. Putting it down on paper helps you see where you can improve and make better money decisions.
- A money spending plan can help you live within your mean. That means living a lifestyle that you can afford: not spending money faster than you earn it and not borrowing more money than you can afford to repay.
- The right spending plan can help you set aside enough to pay your bills, some savings for emergencies, and some money. Left over in your pocket every month.
- In this lesson, you’ll have the opportunity to create a spending plan of your own. Let’s get started.
- A better spending-and-saving plan will make the stress disappear and give you control over your financial future.

3.2 Importance of personal money spending control

- As it is known **Money** is an essential commodity that helps you run your life. Exchanging good for goods is an old practice and without any money, you can’t buy anything you wish. Money has gained its value because people are trying to save wealth for their future needs.

- Since a spending plan for your money ensures that you will always have enough money for things you need and the things that are important to you.
- Following a spending plan will also keep you out of debt or help you work your way out of debt if you are currently in debt

Fig 3.2

- It can stop the spending impulses, remove needless purchases, force someone to **focus** on what their money is worth, help anyone from going into debt, and most of all it makes managing money easier and allows a person to be in total control of their finances and their financial future.
- Most people have used it to improve their financial situation. The reason for managing **money wisely** is not really **important** as long as you are doing it.

3.3 Methods of controlling personal money spending

Living independently and earning a salary will typically encourage a young person who's just starting out to think beyond their personal expenses and to start looking into how to manage their bills and utilities, living expenses, credit card bills, and even their student loans. Some of these expenses may begin to pile up, and some individuals may struggle to transition from the mindset of the daily allowance to thinking in terms of managing on a monthly income.But changing your mindset is all up to you, and it starts with learning how to handle your income and cash flow.

Fig 3.3

3.3.1 How To Manage Your Finances

- Now that you've got your head in the right place to be ready to dive in, it's time to share our personal finance strategy that will help you manage your finances like a pro with a simple straightforward approach that's easy to follow.

  ✓ Collect and Write Down Your Assets and Liabilities

  Assets: Write down everything that has value to you. These include checking, savings, retirement, IRA's, vehicles, stocks, bonds, annuities, and home equity.

  Liabilities: Write down all of your debt. This includes student loans, mortgage, cars loans, personal loans, credit card balances, and any other debt you might have.
  If you are just getting started organizing your personal finance, using a pen and paper works great. Keep it simple write everything down with a name and dollar amount. Other options include excel spreadsheet or using a free website like Mint.

  ✓ Calculate Your Net Worth

  Many people believe that calculating your net worth is difficult. In actuality, it's probably the simplest step in starting or learning to manage your finances. To calculate your net worth subtract your total debt from your total assets

(Assets – Debt = Net Worth).

Again you can do this with a pen and paper, it works great. Excel is another great option because you can easily enter a formula to complete the calculation for you. If you are looking to organize your finances digitally, as we do, check out Personal Capital.

- ✓ Create Your Monthly Budget: Income vs. Expenses

  The first 2 steps provide a great overall picture of your personal finance. They show how you are doing financially as a whole, which is very important. Equally as important understands your monthly cash flow.

Income: List all the income you receive in a month. This includes your hourly wage, salary, bonus, side hustles, side business, etc.

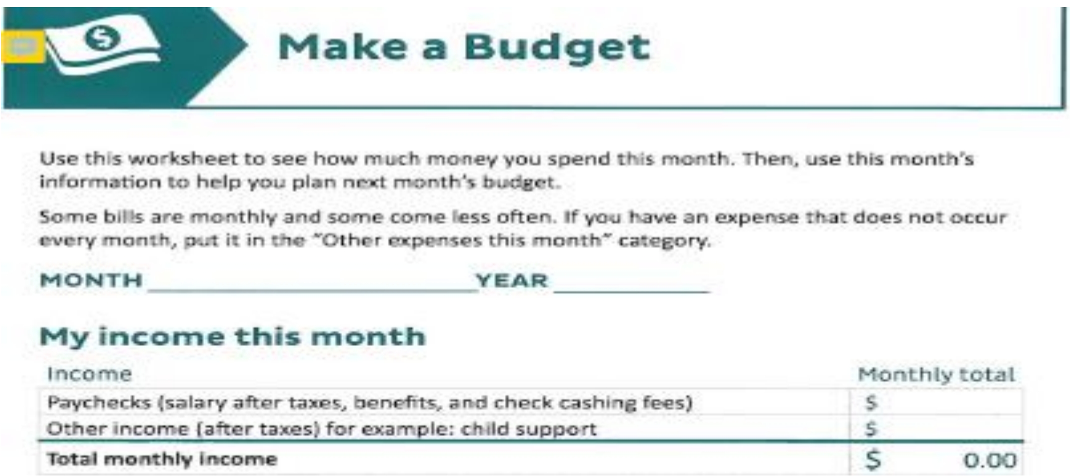
Expenses: Write down all of your monthly expenses. Start with all of your fixed monthly expenses. These include rent, mortgage, insurance, student loan payment, cell phone bill, internet, gym membership, etc. These are the easiest to figure out because they are the same amount each month. Next, write down all of your variable expenses (change from month to month). These include utilities, groceries, discretionary money, donations, gas, etc.

Some expenses might be difficult to gauge how much they are every month. Look back a few months and take the average. You want to have a very clear picture of your monthly cash flow. Figuring out your cash flow and creating a budget is critical in getting your finances organized

- ✓ Calculate Your Overall Cash Flow

  This is also a simple equation. To calculate your monthly cash flow take your income and subtract your expenses (Income – Expenses = Monthly Cash Flow). To think of this in simple terms your cash flow is basically your "money in and money out".

  If you're new to money management, perhaps this can be an opportunity to challenge yourself to be disciplined with your finances. Here are some basic tips for keeping your spending under control:



Make a Budget

Use this worksheet to see how much money you spend this month. Then, use this month's information to help you plan next month's budget.

Some bills are monthly and some come less often. If you have an expense that does not occur every month, put it in the "Other expenses this month" category.

MONTH ____________________ YEAR __________

My income this month

Income	Monthly total
Paychecks (salary after taxes, benefits, and check cashing fees)	$
Other income (after taxes) for example: child support	$
Total monthly income	$ 0.00

PAY YOURSELF FIRST "PYF" Income

My expenses this month

	Expenses	Monthly total
HOUSING	Rent or mortgage	$
	Renter's insurance or homeowner's insurance	$
	Utilities (like electricity and gas)	$
	Internet, cable, and phones	$
	Other housing expenses (like property taxes)	$
FOOD	Groceries and household supplies	$
	Meals out	$
	Other food expenses	$
TRANSPORTATION	Public transportation and taxis	$
	Gas for car	$
	Parking and tolls	$
	Car maintenance (like oil changes)	$
	Car insurance	$
	Car loan	$
	Other transportation expenses	$

Make a Budget

	Expenses	Monthly total
HEALTH	Medicine	$
	Health insurance	$
	Other health expenses (like doctors' appointments and eyeglasses)	$
PERSONAL AND FAMILY	Child care	$
	Child support	$
	Money given or sent to family	$
	Clothing and shoes	$
	Laundry	$
	Donations	$
	Entertainment (like movies and amusement parks)	$
	Other personal or family expenses (like beauty care)	$
FINANCE	Fees for cashier's checks and money transfers	$
	Prepaid cards and phone cards	$
	Bank or credit card fees	$
	Other fees	$
OTHER	School costs (like supplies, tuition, student loans)	$
	Other payments (like credit cards and savings)	$
	Other expenses this month	$
	Total monthly expenses	$ 0.00

Expenses

$ 0.00	−	$ 0.00	=	$ 0.00
Income		**Expenses**		

Maybe your income is more than your expenses. You have money left to save or spend.

Maybe your expenses are more than your income. Look at your budget to find expenses to cut.

Compare Income and Expenses

Income and Expenses	Per Month (or average)
Write down you total monthly income	$______________________
Write down your total monthly expenses	$______________________
Subtract expenses from income (hope that it is not negative!)	$______________________

3.4 Procedure of personal money spending control

Budgeting: means keeping track of finances and reducing unnecessary spending Living within one's own means is a skill necessary for effective budgeting, and budgeting is essential when there is limited income (MAS, 205)

The real Stuff of budgets

- ✓ Budgets are necessary evil
  - They are the only practical way to get a grip on your spending- and to make sure your money is being used the way you want it to be used.
- ✓ Creating a budget generally requires three steps
  - Identify how you're spending your money now
  - Evaluate your current spending and set goals that take into account your long-term financial objectives.
  - Track your spending to make sure it stays within those guidelines
- ✓ Use software if you are computer inclined
  - If you use a personal-finance program such as quicken or Microsoft money, the built-in budget-making tools can create your budget for you.
- ✓ Don't drive yourself crazy!
  - One drawback of monitoring your spending is that it encourages overzealous attention to detail. Once you determine which categories of spending can should be cut (or expanded). Concentrate on those categories and worry less about other aspects of your spending.
- ✓ Watch out for cash leakage
  - If withdrawals from the ATM machine evaporate from your pocket without apparent explanation, it's time to keep better records. In general, if you find yourself returning to the ATM more than once a week, you need examine where that cash is going. Otherwise, give yourself the freedom to spend some cash freely. It's like an allowance.
- ✓ Spending beyond your limits is dangerous

- But if you do, you've got plenty of company. Government figures show that many households with total income of $50,000 or less are spending more that they bring in. This doesn't make you a candidate for bankruptcy- but its sign you need to make some serious spending cuts.

✓ Beware of luxuries dressed up as necessities
  - If your income doesn't cover your costs, then some of your spending is probably for luxuries-even if you've been considering them to be filling a real need.

✓ Limit yourself
  - Aim to spend no more than 90% of your income. That way, you'll have the other 10% left to save for your big-picture items.

✓ Don't count on windfalls
  - When projecting the amount of money you can live on, don't include dollars that you can't be sure you'll receive, such as year-end bonuses, tax refunds or investment gains

✓ Beware of spending creep
  - As your annual income climbs from raises, promotions and smart investing don't start spending for luxuries until you're sure that you're staying ahead of inflation. It's better to use those income increases as an excuses to save more.

3.5 Purpose of controlling personal spending money

Control your money spending is one of the biggest keys to manage your money. Many people are often turned off by the simple term budget. They associate it with restrictions and a lot of hassle and headaches. They may feel like they are too poor to budget or have other budgeting excuses. However, control your money spending can save your money, and allow you to have more to spend by helping you to make the most of your money. Your budgeting style can determine how successful you are at budgeting.

Here are five things that will help you look at budgeting in a new light. You may also want to review these reasons to start budgeting.

Fig 3.4

- **Stops Overspending: -**Most people who do not have a budget end up overspending each month. It limits their spending power in the future as more and more of their salaries have to be applied to debt payments. If you are worried about restricting your spending, consider what it would feel like to have the majority of your paycheck be applied to credit card payments. The stress of finding a way to pay for the rising cost of gas and food can be astronomically when most of your paycheck is already planned.User your budget to help you determine when to stop spending.

Fig 3.5

- **Helps You Reach Your Goals**: A budget is a plan that helps you prioritize your spending. With a budget, you can move focus your money on the things that are most important to you. It may be getting out of debt, saving up for a home or working on starting your own business. Your budget creates a plan and lets you track it to make sure you are reaching your goals.

Fig 3.6

- **Helps You Save Money**: People who do not have a budget tend to save less money than people who do. It is because when you budget you assign your money to do certain things. It allows you to automatically put money into a savings or investment account each month. A budget can help you stop dipping into your savings each month. As you do this, you will begin to build wealth. It will give you true financial freedom in the future. Budget money to transfer into savings each month and use your budget to help you stop dipping into your savings or emergency fund by planning for you're expenses in advance.

Fig 3.7

- **Helps You Stop Worrying**: Most people do not like the restrictions that having a budget put on them. However, you decide how much you spend in each category. So if you want to put a large portion of your money towards your leisure activities, as long as you are saving and meeting your other needs, you shouldn't feel bad about that. However, once you set up limits, you need to stick to them. If you aren't doing that, you may have a budgeting weakness that you need to address. Budgeting is not about limiting the fun in your life, but opening up opportunities and money to have more fun. The key is remembering to include these categories in your budget.In addition you will know how much you have to spend on each category and you will be able to stop spending when you now longer have money available.

Fig 3.8

- **Allow You to Be Flexible**: Budgeting can be flexible. You can move money between categories as you need to throughout the month. Generally, you should restrict yourself from touching the money you have set aside for savings, but you can adjust the amount you spend on each category as you go. It is another way that you can keep yourself from overspending. It also allows you to recognize issues and adjust so that you do not end up eating ramen at the end of every month. Budgeting lets you adjust to cover unexpected expenses as they happen and learn how to transfer money between categories in your budgeting software.

Fig 3.9

- **Budgeting Puts You Into Control:** If you feel like you are not in control of your money and you are constantly wondering where it went and what happened to it, budgeting can put you in control. It allows you to prioritize your spending, track how you are doing and realize when you need to stop. It puts a solid plan into place that is easy to flow and gives you the chance to plan and prepare for the future. It is the biggest tool you have to change your financial future, and it gives you the power to make changes starting today. Checking on your budget each day can help you to monitor it and keep you from overspending and making decisions at the beginning of the month makes it easier to manage your money

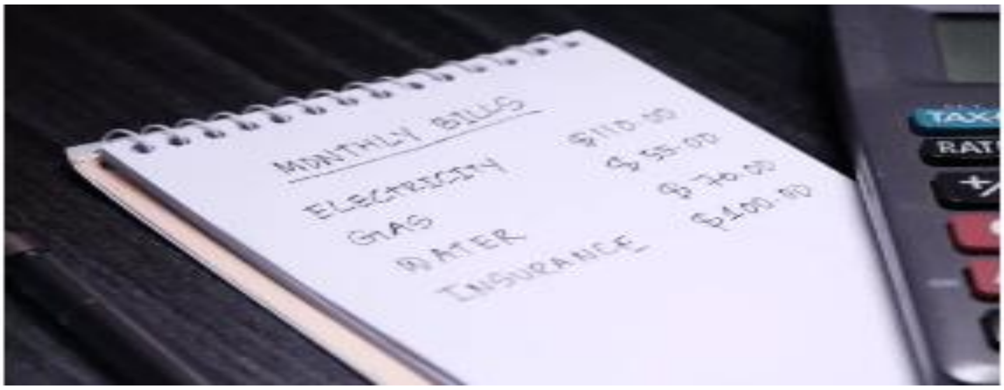


Fig 3.10

- Budgeting Can Be SimpleBudgeting can be simple. You can simplify the process by using percentages of your income to cover your set expenses, savings amounts, and your spending money. Then you simply track the money as you spend it. This means there a lot fewer categories and a lot more flexibility. You may decide to switch to an envelope system, which eliminates the need to track your spending.

Self-Check -3	Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. ________________will help you out of debt. (**3 points**)
   A. Saving C. budgeting
   B. Spending plan D. controlling money
2. List out method of managing your finance.(**5 points**)

***Note:* Satisfactory rating –3 and 4 points** **Unsatisfactory - below 3 and 4 points**

You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = ____________
Rating: _____________

Name: _________________________ Date: _______________

Information Sheet-4	Acceptable procedures in money remittances

4.1. Definition and Concept of Remittances

Fig 4.1

- A remittance is funding that is sent or transferred to another party usually abroad. Remittances can be sent to another country via a wire transfer, mail, draft, or check. Remittances can be used for any type of payment such as an invoice, but it's typically used to pay family members back in a person's home country.
- A remittance is a payment that gets sent somewhere else. If you get a bill in the mail, you will usually have at least a week to send your remittance.
- To "remit" is to send money or make a payment and what you are called remittance. Buying anything from a website involves a remittance usually from a grownup's credit card, just as keeping your cell phone going requires a regular remittance to cover minutes and messages. If you go on a trip and run out of money, you might need an emergency remittance for a plane or train ticket to get home.

Fig4.2

- Let's start at the beginning. What exactly is a remittance? The Merriam-webster dictionary says the following:

- ✓ To remit – to send (money) to a person or place especially in payment of a demand, account, or draft
- ✓ In other words, a remittance is the sum of money being sent, generally to someplace abroad. In common usage, the word can refer to moving money by any method- a wire transfer, online transfer, by mail or using a credit or debit card to move the money. The payment could be to settle an invoice from a supplier, to pay an employee, or to support family back home.

4.1.1 Understanding of Remittances

Fig 4.3

- Remittances have played an increasingly large role in the economies of small and developing countries. Since the late 1090s, remittances have exceeded development aid, and in some cases make up a significant portion of a country's gross domestic product (GDP).

Fig 4.4

- According to a report by the World Bank in 2018, $466 billion in remittances were sent to low-income and middle-income countries in 2017. For low-income countries or countries where their economy is struggling to develop, remittances represent one of the largest sources of income for their people.

Fig 4.5

- Remittances are an enormous source of income for developing nations since the payments are typically used to help family members back in a person's home country

Fig 4.6

4.2 Acceptable way to make a remittance

- To remit money to someone overseas, you can choose different services depending on factors like whether getting your money moved quickly - or minimizing fees - is more important to you. Depending on where you live, who you bank with, and the exact details of the transaction, you might find that not all options are available, so it pays to do your research in advance.

i. Paying for remittances via international wire transfer

- A common way to pay a remittance is by sending an international transfer through your bank. You can call into your local bank branch and sort it out in person or through your bank's online banking system or app. These international transfers usually involve money moving from one bank account to another via something called the SWIFT network. This is a network of banks across the world, who work together to make sure your money goes to the right person in the end. Because several banks can be involved in these transfers, and can all add their own fees, this can be fairly costly.

Fig 4.7

ii. Paying for remittances via Cash / Cheque

- If you would rather pay your remittance using cash or a cheque, you can also do that. In the case of using a cheque, you can simply send the cheque via snail mail. And wait. However, this comes with obvious downsides. It's quite slow, and you have the possibility that the cheque could be lost, damaged or stolen on the way. Add to that the fact that cheques are far less frequently accepted, and they're seldom the best choice.
- If you're hoping to pay your remittance using cash, you can use a company like Western Union or Money gram. These services do offer online transfers, too, but much of their business is done by individuals taking cash to one of their outlets, to be transferred as cash to their recipient. If either you, or the person you're sending money to, doesn't have a bank account, this service can still be used. However, it comes at a cost. Fees are steep, and the exchange rates offered aren't great. So it's a good idea to use an online currency converter to help you calculate the real cost before you commit.

iii. Paying for remittances via online transfer

- PayPal was one of the first services to offer online transfers back in 1998, when the company was founded. Now it has 210 million active accounts and allows online payments in 25 different countries. To make a transfer using PayPal, both you and your recipient need an account with them. You can set your PayPal account up online and link it to your bank account or credit card. The service is convenient - but you'll likely end up paying for PayPal's convenience with high fees, especially for moving money abroad and converting between currencies. There are a whole stack of different fees which could be applied, which quickly add up, until, depending on the currencies and countries involved, anywhere from 3% - 13% of the transfer can disappear in charges.

Fig 4.8

iv. Paying for remittances via credit or debit card

- In some cases, you'll find extra fees are added if you choose to fund your remittance with a debit or credit card. This can come as a nasty surprise. A PayPal online transfer, for example, can cost 4% - 7.4% more using a credit card. Western Union also up their fees if you choose to pay with card. Sadly, card payments aren't free and Transfer Wise sometimes also charges you a fee when you want to pay by card. But they show you this fee upfront.

4.3 To make a cheap remittance payment

- If you make regular remittance payments, you might get a better deal - and make life a lot easier - if you open a Transfer Wise borderless multi-currency account with a borderless account you can hold your money in several different currencies, and for some currencies you can even get your own virtual account details so you can receive payments from third parties as well. Because Transfer Wise uses the real exchange rate, you'll find that switching between currencies when you need to is simple and cheap, with no hidden fees to worry about.
- Whether you need to pay a one off remittance, or you're an overseas worker regularly sending cash home to your loved ones, it's worth understanding how remittances work, and what fees might be involved.
- With a bit of research, you might find that there's a way to move your money safely and quickly, and with lower fees. That way, more of your hard earned cash gets to where you want it - and less is eaten up by bank or transfer service fees.

Self-Check -4	Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. ________________ is sent or transferred to another party usually abroad. (3 points)

   A. Lending C. remittance
   B. Budgeting D. borrowing

2. Mention the possible way to make a remittance

Note: **Satisfactory rating –3 points** **Unsatisfactory - below 3 and 4 points**

You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = ___________
Rating: ____________

Name: ___________________________ Date: ________________

Short Answer Questions

Operation Sheet 1	Techniques in managing finances

Techniques in managing finance:

Step1: Create a budget

Step2: Understand your expense

Step3: Understand your income

Step4: Consolidate your debt

Step5: Slash or remove unnecessary expenses

Step6: Create an emergency fund

Step7: Save 10 to 15 percent for retirement

Step8: Review and understand your credit report

Step9: Use a tool or personal finance app.

Step10: follow money management resource

Operation Sheet 2	Develop financial goals and plans related to migration

1.1. Development of financial goals when we set a financial goals we have to follow the following six steps

Step 1: Figure out what matters to you. Put everything, from the practical and pressing to the whimsical and distant, on the table for inspection and weighing.

Step 2: Sort out what's within reach, what will take a bit of time, and which must be part of a long-term strategy.

Step 3: Apply a SMART- goal strategy. That is, make certain your ambitions are Specific, Measurable, Achievable, Relevant, and Timely. SMART.

Step 4: Create a realistic budget. Get a strong handle on what's coming in and what's going out, and then work it to address your goals. Use your budget to plug leaks in your financial ship.

Step 5: With any luck, your tough, realistic, water-tight budget will show at least a handful of leftover dollars. Whatever that amount is, have it automatically directed into a separate account designed to address the first couple of things on your list of priorities.

Step 6: Monitor your progress.

List of Reference Materials

1. http://www.quicken.com/what-are-financial-goals
2. http://www.the balance.com/reason-to-budget-money
3. http://handsonbanking.org
4. https://transferwise.com/us/blog/definition-of-remittance
5. **https://www.investopedia.com/terms/r/remittance.asp.**

Care Giving level II

Learning Guide-36

Unit of Competence: **Apply Basic financial literacy**
Module Title: **Applying Basic financial literacy**
LG Code: **LSA CRGSW2 M01 LO1-36**
TTLM Code: **LSA CRG2 TTLM 05 0419v1**

LO 2: Save extra income

Instruction Sheet	Learning Guide 36

This learning guide is developed to provide you the necessary information regarding the following **content coverage** and topics:

- Reasons for saving
- Saving mechanisms identify in the community
- Saving are make in accordance to acceptable procedures

This guide will also assist you to attain the learning outcome stated in the cover page. Specifically, upon completion of this Learning Guide, you will be able to:

- Identify and understand reasons for saving
- Identify and understand the saving mechanisms in the community
- Make acceptable saving procedures

Learning Instructions:

6. Read the specific objectives of this Learning Guide.
7. Follow the instructions described below 3 to 6.
8. Read the information written in the information "Sheet 1, Sheet 2 andSheet 3".
9. Accomplish the "Self-check 1, Self-check 2, and Self-check3,**in page – 3, 13 and 18**respectively.
10. If you earned a satisfactory evaluation from the "Self-check" proceed to "Operation Sheet 3 " **in page -21.**

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Information Sheet-1	Reasons for saving

2.1. Introduction and definition of saving

Fig. 1.1

- Before we tackle the question of how much money you ought to save, let's take a step back and figure out how to define 'savings.'
- The word "savings" is quite subjective. Here's the real definition: Some think that "savings" is whatever cash you haven't spent yet. Others define "savings" as money that's tucked away in a money market account or Certificate of Deposit. And yet others would say that their extra debt payments (above-and-beyond the minimum monthly payment) should count as savings.
- Cash that's left over in your checking account after you've paid the bills does not necessarily count as your "Savings" especially if you might use that money to splurge on a fancy dinner or cute shoes in the next few weeks. But saving is NOT the absence of spending. Instead, saving is the intentional act of setting money aside for a specific goal or purpose.
- Saving is income not spent, or deferred consumption. Methods of saving include putting money aside in, for example, a deposit account, a pension account, an investment fund, or as cash. Saving also involves reducing expenditures, such as recurring costs.

- Savings refer to money you put aside for future use rather than spending it immediately. In addition to the benefits of saving up for future purchases, delaying an impulse purchase also helps you decide whether it is something you really need, or a waste of money you will regret shortly after buying.
- Saving is the act of preserving income for a future use; or an amount of income that is not currently consumed. Very simply saving is income that is not spent or put at risk.
- Saving is setting aside money you don't spend now for emergencies or for a future purchase. It's money you want to be able to access quickly, with little or no risk, and with the least amount of taxes. Financial institutions offer a number of different saving options.

2.2. Reasons for Saving

- Knowing the reasons to save money can be critical if you want to stick with a savings plan for the long term. If you need help understanding the importance of saving money, consider these key reasons why you should save money now:
  - ✓ Saving can give you freedom
  - ✓ Saving provides financial security
  - ✓ Saving means you can take calculated risks

Fig1.2

2.3. Ways to Save Money

- You don't need to have thousands of dollars available to start the savings habit. Even putting a small amount aside every month can make a real difference over the long term. Lots of savings accounts can be opened with as little as $1.

Fig. 1.3

- Use one savings account, for some people, keeping things really simple works best ideally you should have :-
  - ✓ an emergency savings account
  - ✓ at least one savings account for major purchases
  - ✓ a retirement savings account
- If this is too much for you, get started by simply putting your money into one savings account, and then grow your savings from there.

Fig 1.4

- You can put money aside on a regular basis for a down payment for a house, a car, or for your retirement. To get started, all of this money can go into one account, and it can double as your emergency fund as long as you don't have "emergencies" on a regular basis.

1.3 Importanceof Saving

- The importance of saving money is simple: It allows you to enjoy greater security in your life. If you have cash set aside for emergencies, you have a fallback should something unexpected happen. And, if you have savings set aside for discretionary expenses, you may be able to take risks or try new things.

Fig. 1.5

- We **save**, basically, because we can't predict the future. **Saving** money can help you become financially secure and provide a safety net in case of an emergency. Here are a few reasons why we **save**. You will need money set aside for these emergencies to avoid going into debt to pay for your necessities.
- The importance of saving money is rarely disputed. Saving is one of the most basic (and most repeated) bits of financial advice out there.
- Savings is the portion of income not spent on current expenditures. Because a person does not know what will happen in the future, money should be saved to pay for unexpected events or emergencies. An individual’s car may breakdown, their dishwasher could begin to leak, or a medical emergency could occur. Without savings, unexpected events can become large financial burdens. Therefore, savings helps an individual or family become financially secure. Money can also be saved to purchase expensive items that are too costly to buy with monthly income. Buying a new camera, purchasing an automobile, or paying for a vacation can all be accomplished by saving a portion of income.

1.4 The Benefits of Saving

Fig.1.6

If you've recently started work and have lots of expenses every month such as rent and travel costs, it's all too easy to push saving to the bottom of your priority list. It can feel like one of those unpleasant things that are likely to happen in the future but that you don't have to worry about now. After all, why not enjoy what money you have left every month now, and worry about tomorrow later? But, stop there a moment. Although making the most of the present is important, there are plenty of good reasons you need to look out for your financial future too.
Here are five worth thinking about.

i. You'll be financially independent sooner

- Unless you're happy to rely on the Bank of Mum and Dad for handouts forever (and they may be less happy than you about this) you're going to have to stand on your own two feet financially eventually. Building up a savings nest egg can help you achieve this aim, as you could use these funds to help get on the property ladder, or to pay off student debts sooner.

Fig 1.7

ii. You won't have to worry if you're hit with any unforeseen expenses

- At some point all of us face a hefty bill we hadn't planned for, whether it's to repair our car or replace a broken laptop. If you've got savings in place, you can use some of these to cover costs, without having to turn to a credit card or personal loan to make ends meet.

Fig 1.8

iii. You'll have financial back-up in place if you lose your job

- Suddenly finding yourself unemployed can be frightening, but it's something many people will experience at some point. Having a savings buffer in place to help cover your living expenses while you find a new job can provide you with real peace of mind.

Fig 1.9

iv. You'll be prepared if your circumstances change

- Getting married or having kids might be the last thing on your mind right now, but as you get older your priorities might change. Big life events such as tying the knot or bringing up sprogs will be that much easier if you've got some savings available.

Fig 1.10

v. You’ll be more comfortable in retirement

- When you start the savings habit, it pays to think about the long-term, as well as what might be just around the corner. The state pension is unlikely to provide you with enough income to cover all your costs when you eventually stop work, particularly as the age at which you’ll be able to claim it is moving gradually further away, so the earlier you think about retirementplanning the better.

Fig 1.11

Self-Check -1	Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

4. ________________ could be methods of saving.(3 points)
   - C. Reducing expenditures
   - D. An investment fund
   - C. A pension account
   - D. All are correct
5. List out the importance of saving .(5 points)
6. Mention some benefits of saving. (5 points)

Note: **Satisfactory rating - 3 and 5 points   Unsatisfactory - below 3 and 5 points**

You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________   Date: _______________

Short Answer Questions

Information Sheet- 2	Saving mechanisms identify in the community

2.1 Concept of saving mechanisms in the community

Fig 2.1

- Saving is NOT the absence of spending.Instead, saving is the intentional act of setting money aside for a specific goal or purpose. So the right mechanisms for saving are Budgeting.
- It is where budgeting comes into play. When you've defined your goals (what are you saving for?), your amounts (how much do you need to save?) and your deadline (when do you need that money?), you can create a budget -- a roadmap -- that will help you save the right amount for the right goals.
- Here are some proposed examples of savings goals:

  - ✓ Build an emergency fund
  - ✓ Save 15 percent of your income for retirement
  - ✓ Save 1 percent of the purchase price of your home, each year, into a 'home maintenance and repairs' fund
  - ✓ Put aside $40 per month for future car repairs
  - ✓ Make a car payment to yourself
  - ✓ Create a college fund for your kids (or yourself)
  - ✓ Keep enough money on hand to cover all your insurance deductibles (health insurance, homeowner's or renter's insurance, disability insurance). This way, if you need to make a claim, you can easily pay the deductible without worry.
  - ✓

2.2 Saving Mechanisms

- You can choose to save through formal, semi-formal or informal institution the form of cash or non-cash.
- Non-cash forms of saving are assets, such as jewelry, consumer durables or livestock that can quickly and easily be converted to cash and generally retain their value. Land is also an asset in which you can invest and hold your savings; it retains its value but is less liquid than livestock.
- **Informal savings: -** group is a social organization formed to help community members save money for specific purposes (either individual or community level). The two most common examples are Rotating Savings and Credit Associations (ROSCAs). ROSCAs function by taking monthly deposits from each member of a group and then giving the whole monthly sum to one member of the group. The recipient of the monthly sum is based on a predetermined rotation, ensuring each participant will eventually receive a large payout.
- it include saving cash at home, which keeps your cash very accessible and allows you to avoid the transaction costs associated with saving at formal saving institutions. This form of informal savings has two significant disadvantages: the temptation to spend the money and the risk of theft. You need strong discipline to both avoid spending these savings yourself and deny the pleas of other family members. Furthermore, money saved at home does not earn any interest, and thus may lose value overtime. Saving in – kind (gold, livestock or land) is another form of informal savings.

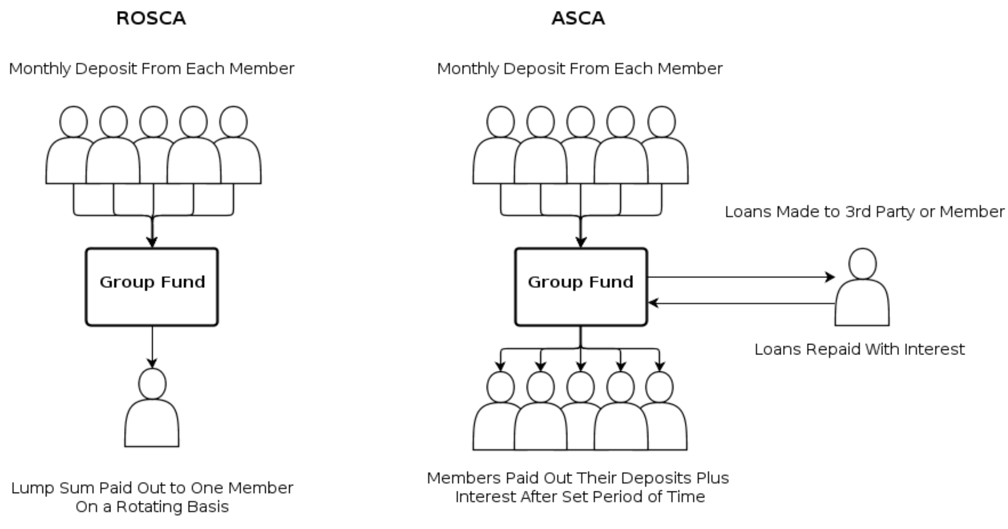

Fig 2.2

- **Semi-formal savings:** it encompass deposit collectors and group savings mechanisms, including rotating credit and savings associations called committees in some countries , village banks, solidarity groups and self-help groups. Familiar and simple, the group mechanism encourages discipline, scrutiny and support among members. The advantage of committees is that each member receives a lump sum of money at one time, with no loan or interest payments. However, a corresponding limitation is that members typically do not earn interest on money they have saved. Members of self-help groups borrow from their collective savings with the obligation to repay with interest, but they also receive periodic dividends. Limitations of group savings include instability of the groups, disagreements among members, and limited access to funds.

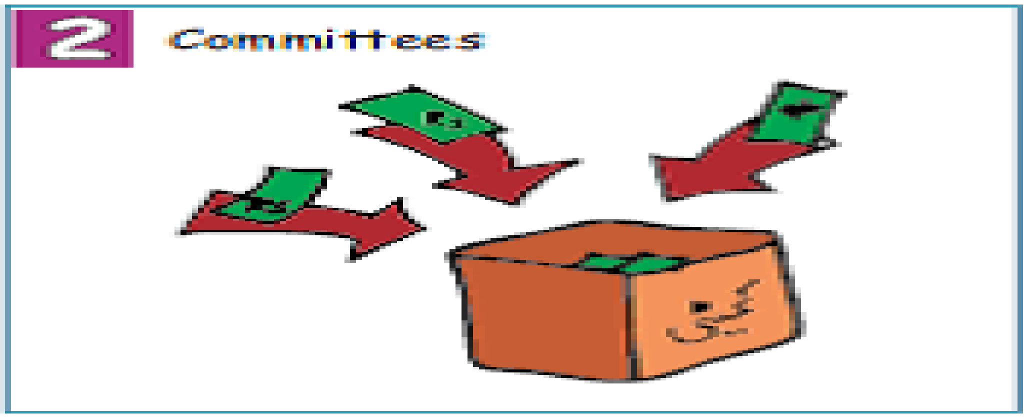

Fig 2.3

- **Formal Savings:** it involves financial institutions, including banks, post offices, micro finance institutions, credit union or cooperatives. They offer another widely used option for saving cash. Savings in these financial institutions are generally safe and earn interest. They offer a range of savings accounts tailored to different financial needs. Formal financial institutions offer a wide variety of savings products. Regular or passbook savings is the most widely used type of account for regular transactions because the timing and amount of deposits and withdrawals are flexible.

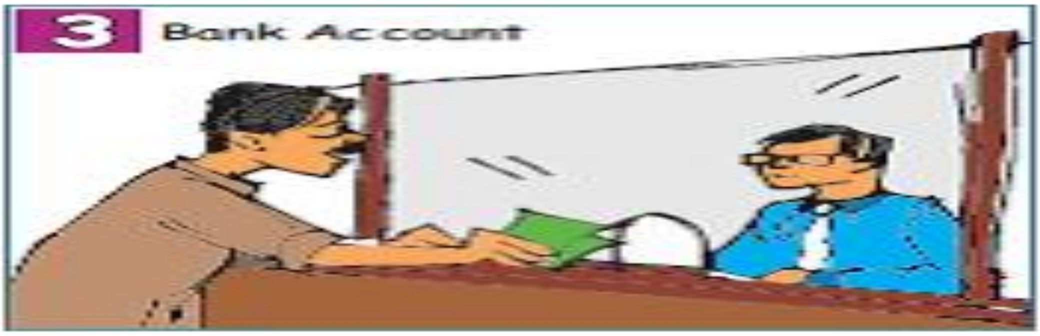

Fig 2.4

2.3. Mechanisms to find Money to save each Month

- Some things are easier said than done like saving money. So you want to save money, but where do you find money to save if you don't have anything extra right now? Here are some great places to look:
  - ✓ Get it from work*;* *Raises at work* : when you get a raise put the extra money you are now earning in the bank you lived on less before.
  - ✓ Bonuses from work: if you get paid a bonus, bank this money as well. You don't need your bonus for living expenses because it is extra money that you can't count on that's why it is a "bonus" to your normal wages. Bonuses are perfect for saving.
  - ✓ Overtime pay from work**:**in some jobs you can volunteer for extra overtime. Consider working a little overtime each week and then treat your overtime each week and then treat your overtime pay as something sacred and save it in a special account.
  - ✓ Extra-large commission*:* if you get paid commission for your job, consider saving a portion of any extra-large commission cheques. It is so easy to blow money and then not know where it went. Use some of your extra-large commission cheques to create something you will remember – a nice retirement, a comfortable home, or something else that you would like to save for. Use your savings to create a reward for yourself that will last.

Self-Check -2	Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. ___________________is the intentional act of setting money aside for specific goal. (3 points)
   C. Spending C. Saving
   D. Budgeting D. Funding
2. Which one of the following is the right mechanism for saving? (3 points)
   A. Budgeting C. keeping enough money
   B. Knowing your income D. Not spending money
3. List down the possible saving mechanism(3 points)
4. Mention the possible way to save money if you don't have extra money right now? (3 points)

***Note:* Satisfactory rating - 3 points** **Unsatisfactory - below 3 points**

You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________ Date: _______________

Short Answer Questions

Information Sheet-3	Saving are make in accordance to acceptable procedures

3.2. Concepts how to save money

Fig 3.1.

- Sometimes the hardest thing about saving money just getting started. This step-by-step guide on how to save money can help you develop a simple and realistic plan to save for goals, big or small.
  - ✓ **Record your expenses**: the first step to saving money is to figure out how much you spend. Keep track of all your expenses that mean every coffee, household item and cash tip. Once you have your data, organize the numbers by categories, such as gas, groceries and mortgage, and total each amount. Consider using your credit card or bank statements to help you with this.
  - ✓ **Make a budget***:* once you have an idea of what you spend in a month, you can begin to organize your recorded expenses into a workable budget. Your budget should outline how your expenses measure up to your income so you can plan your spending and limit overspending.
  - ✓ **Plan on saving money:** now that you've made a budget, create a saving category within it. Try to save 10 to 15 percent of your income. If your expenses are so high that you can't save that much, it might be time to cut back. To do so, identify nonessentials that you can spend less on, such as entertainment and dining out, and find ways to save on your fixed monthly expenses.
  - ✓ **Choose something to save for**: one of the best ways to save money is to set a goal. Start by thinking of what you might want to save for – perhaps you're getting married, planning a vacation or saving for retirement. Then figure out how much money you'll need and how long it might take you to save it.

- ✓ **Decide on your priorities:** After your expenses and income, your goals are likely to have the biggest impact on how you allocate your savings. Be sure to remember long-term goals, it's important that planning for retirement doesn't take a back seat to shorter-term needs. Learn how to prioritize your savings goals so you have a clear idea of where to start saving.
- ✓ **Pick the right tools:**you don't have to pick just one account. Look carefully at all of your options and consider things like balance minimums, fees and interest rate so you can choose the mix that will help you best save for your goals.
- ✓ **Make saving automatic**: almost all banks offer automated transfer between your checking and saving accounts. You can choose when, how much and where to transfer money or even split your direct deposit so a portion of every paycheck goes directly into your savings account.
- ✓ **Watch your savings grow:** review your budget and check your progress every month. Not only will this help you stick to your personal savings plan, but it also helps you identify and fix problems quickly.

Fig3.2.

Self-Check -3	Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

3. ________________ is the hardest thing about saving money. (**3 points**)
   xi. implementing C. Wishing
   xii. Thinking D. knowing
4. Mention some guide to save money in simple and realistic plan.(**5 points**)

Note: **Satisfactory rating –3 and 4 points** **Unsatisfactory - below 3 and 4 points**

You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________ Date: _______________

Operation Sheet 3	Acceptable saving procedures

This step-by-step guide on how to save money can help you develop a simple and realistic plan to save for goals, big or small.

Steps 1-Record your expenses

Step 2-Make a budget

Step 3-Plan on saving money

Step 4-Choose something to save for

Step 5-Decide on your priorities

Step 6- Pick the right tools

Step 7- Make saving automatic

Step 8- Watch your saving grow

List of Reference Materials

6. https://www.quicken.com
7. http://www.finannce in the class room.org
8. Invested development.com/2012/04/the benefits-of-informal-saving-groups
9. Htts://bettermoneyhavits.bankofamerica.cc
10. **https://www.youtube.com/watch?v=XOdPJDSTvjM**