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FINANCIAL EDUCATION FOR YOUTH

TRAINEE'S GUIDE



ILO Country Office for Nepal

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Session 1: Financial education for youth

You are young! You're moving into adulthood. Your role in society is changing and you have new economic and financial responsibilities!

You are very much excited about it and especially when it comes to studying to find a good job, getting married, settling down and starting a family. At the same, you probably see many challenges ahead.

This training on financial education will help you to be prepared for your financial responsibilities in life. It will provide you with financial knowledge and skills to ensure a successful transition from economic dependence to independence. You will learn how to set your financial goals and how to make plans to achieve them; how to use financial products like savings, loan and insurance; how to find a good job that matches your qualities and skills.

This is your Trainee's guide; look at it all along the training. Write down the results of the main exercises and refer to your guide as often as possible to make sure you are on tracks!

My name is:

Session 2: Financial goals setting

We do not have enough money to buy all the things we want. Therefore, we have to be selective. We also need to save to meet our **individual needs** (clothing, food), **emergencies** (sickness, accident) or **future opportunities** (education, investment, assets).

To know how much we have to save for these individual needs, emergencies and future opportunities, we need to set **financial goals** for ourselves and for our family.

Let's read the **story of Shakuntala**:

Twenty years old Shakuntala lives in a village of Parsa district. She will get married in three months' time and will go with her husband to live in Birgunj. She wants to give some present to her mother before she leaves. Though she is sad to leave her family the enchanting moments of buzzing urban life of Birgunj are attracting her. She needs to prepare herself to the life of the city. She would like to improve her sewing skills so that she can start a tailoring business after she marries. Once she earns money from her business, she and her husband will be able to rent a house in the city. Shakuntala's family members hope that she becomes a mother soon but she has her dreams of city life.

- **What are Shakuntala's goals?**

.....

- **Which of her financial goals can be met in a short time?**

.....

- **Which financial goal takes a long time to achieve?**

.....

What are YOUR goals for a happy future?

- My long-term goals are:

.....

- My short-term goals are:

.....

- My plan to reach my short-term and long-term financial goals is:

.....

- My sources of income are:

.....



Session 3: Savings and savings options

Savings means keeping a portion of your assets in cash or in kind for future use. Save **regularly** in small portions and you will reach your short- and long-term financial goals easily!

“Fill up a pitcher collecting dew drops and make it double in five years”

- Do you know other proverbs with the same meaning?

.....

- What are the options for you to keep your savings?



Advantages and disadvantages of different savings services

Saving services	Advantages	Disadvantages
Banks or microfinance banks	<ul style="list-style-type: none"> - Safest option - Can withdraw from any branch office - Earn interest - Access to a wider range of savings products (current account, fixed account, etc.) - Helps to manage money - Legally recognised - Can use ATM 	<ul style="list-style-type: none"> - Low remuneration - Minimum deposit may be required - Long lines and delays inside banks - Less accessible to those who cannot read or write
Savings and credit cooperatives	<ul style="list-style-type: none"> - Safe option - Earn interest - More interest than in bank - Helps to manage money - Can save small amount of money - Easy access in rural areas - Helps to strengthen relationship with share holders/members 	<ul style="list-style-type: none"> - Need to be a member - Minimum deposit may be required
Savings groups	<ul style="list-style-type: none"> - Easy access - Savings often linked to credit - May earn dividends on loans made with savings - Group rules about frequency and amount of deposit encourages savings 	<ul style="list-style-type: none"> - Safety depends on the group
At home (in cash)	<ul style="list-style-type: none"> - Easy access 	<ul style="list-style-type: none"> - No interest - Not safe - Too easy to spend and 'waste' on non-essential items
In kind (gold, jewellery, livestock, land)	<ul style="list-style-type: none"> - Value might increase over time - Must sell to access cash - decreases temptation 	<ul style="list-style-type: none"> - Difficult to liquidate in case of emergency - Value could decrease over time - Risk of theft or death (animals)

- **I would like to deposit my savings at:**

.....

Session 4: Savings plan and spending decision

People save for many different reasons. Reasons can range from buying shoes to building a house. It is important to know why you save, it is also essential to make a **plan for saving** so that you are sure to meet your goals.

Now think about your **goals** and make your **savings plan** for achieving your **short- and long-term financial goals**:

My savings plan

Saving goals	Required amount	Timeline	Savings per week or month
<i>Short-term goal may need few weeks or one month to be achieved</i>			<i>Fix how much you need to save per week or per month</i>
<i>Long-term goal may need one year or more to be achieved</i>			<i>Fix how much you need to save per week or per month</i>

Be a smart spender!

To follow your plan for achieving your goals, you need to save regularly of course, but you also need to distinguish between your **needs** and your **wants** and make wise spending decisions.

Needs are basic requirements that must be met for our living.

Examples: Food, clothes, education, health.....

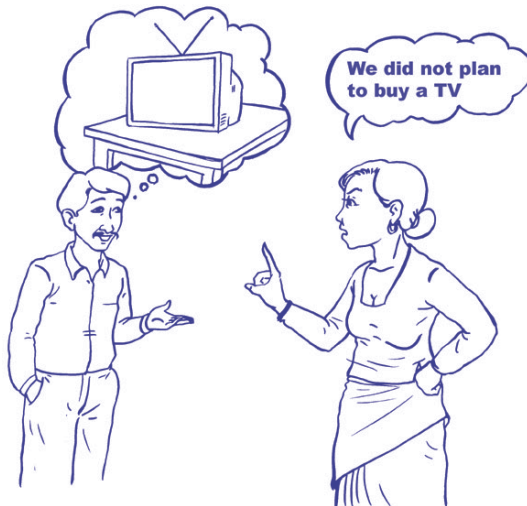
Wants are things that may be nice but that are not required to ensure our daily living and sometimes prevent us from reaching our goals.

Examples: new mobile, new motorbike,.....

If you spend too much money on your wants, you will run out of money, will not be able to save and you will never reach your financial goals!

Maximize your savings!

- Spend on needs and not on wants!
- Save a little money every day
- Don't buy something new if you already have an old one that works
- Spend less on parties, festivals, birthdays, marriages, and funerals.
- Carry less money in your pocket - keep your money in a safe place.
- Look at your long-term goals and think about it everyday.



Session 5: Equity or debt financing

Borrowing can help you start or expand your **business**; it can help you respond to an **emergency** in your family; it can help you improve your **living conditions** sooner rather than later. But taking a loan always carries a **risk** – the risk of not being able to repay and forcing you to go deeper and deeper into debt

If you need money to start your business for instance, you need to explore the different **financing options**. You can go for your **own money** - savings, income from business, income selling assets, or you can **take a loan** - from friends and relatives, savings and credit cooperatives, microfinance banks. Use the chart below to compare advantages and disadvantages of each option and decide which option is best for you.

Advantages and Disadvantages of Equity Loan

	Taking a loan	Using your own money
Advantages	You can have access to more money than you have in savings	You are free to use your money as you wish You avoid costs of borrowing (interest, fee, repayments)
Disadvantages	You have to bear the costs of borrowing (interest, fee) You are responsible for repayment your loan on time and face penalties for late payment You must meet requirements of group membership if loan is through a group	You have limited access to needed capital You have limited ability to respond to opportunities

- **I need money for:**
- **The best option for me is:**

Questions you should review prior to borrowing:

- How much do you need to borrow to reach your goal?
- What is the amount of the loan repayment (including principal, interest and fees)?
- From which sources (what income or savings) will you make those repayments?
- Will you have the financial capacities to repay the loan following the payment installment schedule?
- Is the price that you charge for the goods financed with your loan high enough to allow you to both repay the loan and make a profit?
- Will the asset you buy with the loan continue earning income after you have completed all repayments?



Session 6: Risk management and insurance

Sometimes unlucky events happen in our lives. You or a family member might get very sick or have an accident. There might be a fire or natural disaster in your community or a disease that affects your cattle.

Therefore, you need to take **protection measures** to be prepared:

- Adopt **precautionary behaviour**
- Set up an **emergency fund** (savings)
- Take up **insurance**

Let's hear the **story of Kumari**

*Kumari has a successful small chicken raising business. She deposits her weekly savings at the Microfinance Development Bank. Last year Kumari diversified her activities and bought a cow to sell milk and yoghurt. Her savings were not enough to cover the costs of the cow so she borrowed Rs 30,000 from the Microfinance Development Bank. When she first bought the cow, it was very healthy and was producing a large quantity of milk. Kumari was very satisfied with her new activity. Last week, her cow became suddenly ill and died a few days later. Kumari wondered how she would be able to repay her loan. Then she remembered that when she took the loan at the Microfinance Development Bank, the loan officer advised her to buy a **livestock insurance** for her cow. She did not know what insurance was at that time but the loan officer explained her that she had to pay a small amount called **premium** and in the unfortunate event that the cow would die, her debt will be written off and she will get a **financial compensation**. Now that her cow died, Kumari called her loan officer to tell him. 3 hours later, the loan officer visited Kumari and saw the dead animal. He helped Kumari to fill a form and submitted the **claim request** to his head office. 5 days later, Kumari heard from her Microfinance Development Bank that her debt was written off and she received Rs. 24,000 (80% of total amount). Even though Kumari is very sad and worried about her business, she feels less stressed now. She knows that the death of her cow will have a limited impact on her livelihoods and family.*

Insurance is a protection in the form of monetary compensation for a loss that is linked to an unpredictable event or risk.

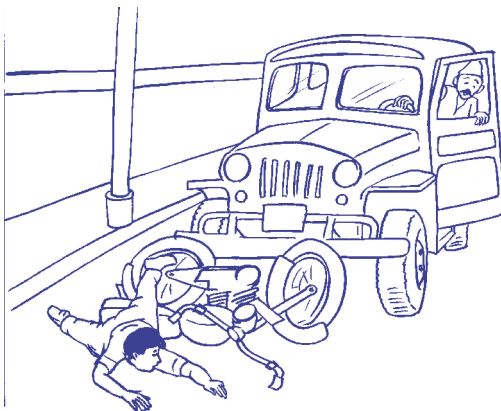
Examples of insurance: loan insurance, livestock insurance, theft insurance, accident insurance, fire insurance, health insurance, life insurance.

How does it work?

An insurance company collects payment from customers for their insurance coverage. These payments are put together, or “pooled,” to create a fund that can pay benefits to the unlucky customers who suffer a loss.

What you need to know about insurance

- ❑ **What is an insurance policy?**
The contract between the customer and the company
- ❑ **What is a premium?**
The price or cost of the insurance policy, often divided into monthly or quarterly payment
- ❑ **What are benefits?**
The amount that the insurance company will pay when a covered event takes place
- ❑ **What is a claim?**
The request for insurance payment after a covered event has taken place; usually requires documentation to prove the loss being claimed



Session 7: Budget and budgeting

You want to be good at managing your finances? *Make a budget!*

A **budget** is a statement of income and expenditures estimated for a particular period. It can help you:

- To keep track your income and your expenditures
- To identify how much you can save to reach your goals
- To made wise decisions about spending and saving
- To control your money

To formulate your budget, you need to:

1) Identify your **sources of income**

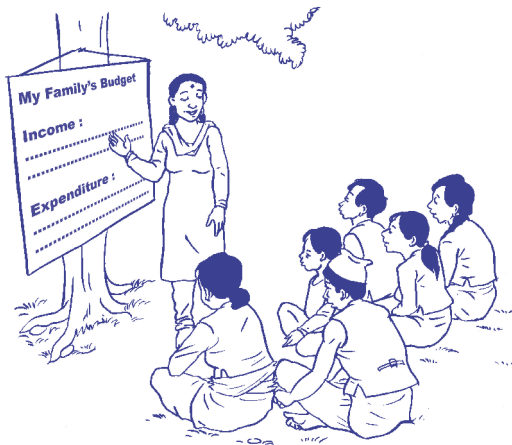
Examples: salary, business income, bonus, sale of assets...

2) Identify **your expenditures**

Examples: food, education, clothing, debt repayments, medical...

3) Remember your **short- and long-term financial goals** and include **savings** in your budget

4) **Adjust** your expenditures and income to be able to meet your goals!



My budget (individual or for my family)

Month:	First week	Second week	Third week	Fourth week
Income:				
Total income:				
Expenditures:				
Total expenditures:				
Income – expenditures = surplus/deficit				

Remember!

A **surplus** in a budget means that there is money left over after paying for all expenses

A **deficit** in a budget means that there is not enough income to pay for all the expenses.

Session 8: Financial negotiations

Financial negotiation means communication between two or more people about financial related matters.

You probably do financial negotiation every day: with your **parents** when you ask them for money; with your **friends** when you discuss about business; with your **employer** when you ask for a wage increment; with a **shop keeper** when you bargain; with **financial institution** when you want to use their services.

We talk and negotiate on a financial aspect daily but results of such negotiations vary.

 **Win-win situation**

 **Lose-lose situation**

 **Win-lose and lose- win situation**

There are **rules** of behaviour for communicating.

Consider them properly and your financial negotiation could result in a win-win situation!

Dos and don'ts during conversing/communicating

Dos	Don'ts
<ul style="list-style-type: none">▪ Listen to other person▪ Recognize point of view of the other party▪ Show respect other party▪ Be flexible▪ State your case clearly	<ul style="list-style-type: none">▪ Be angry▪ Be rude or insulting▪ Disagree immediately▪ Lock yourself in one position

Before starting your financial negotiation, don't forget to:

- Collect information,
- Evaluate options,
- Understand feelings of other party,
- Get support of another person/expert to make the situation favourable on your side,
- Ascertain beforehand your expectation,
- Identify what you can offer to other party,
- Be respectful, remain composed and maintain decorum,
- Maintain self dignity and confidence,
- Be prepared for what you would do if negotiation does not materialize



Session 9: Wage-employment and self-employment

They are different ways you can earn money. You need to take some time to think about the different options and choose the one that is best for you!

❑ What is self-employment?

A person who works for herself is self-employed.

A self-employed person operates his or her own business as a means of earning income and makes decisions related to his or her business (working hours, investment, products and services)

Examples of self-employment:

.....

❑ What is wage-employment?

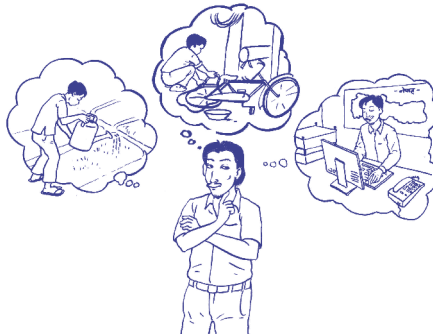
A person who works for someone else is an employee.

An employee has a regular schedule, usually set by the employer, and receives fixed wages on a regular basis. Some employers also provide benefits such as health insurance.

Options for earning money:

.....

Remember that there is no best option. There are **advantages** and **disadvantages** for each of the 2 options. Review them carefully!



Self-employment		Wage-employment	
Advantages	Disadvantages	Advantages	Disadvantages
You can set your own hours	You have to work many hours each day to make money	You receive wages on a regular basis	You cannot set your own schedule
Don't need educational degrees or certificates	Business income varies, but business expenses are more constant	You can have opportunities for promotion	Your work hours may not be convenient for you
You are your own boss and can make your own decisions	You usually need capital to get started	Social contact with co-workers	You have no control over work conditions
You do work you like	Responsibility for business success is stressful	Less stressful, you can leave your work behind at the end of the day	You have limited opportunities to make decisions

What about you? What option do you think is best for you?

Tick the statements for which you agree:

- I am self-disciplined.
- I am confident that I can succeed on my own terms.
- I want to be my own boss.
- I want to make my own decisions about how I work.
- I want to have flexibility in my work.
- I want to receive a wage on a regular basis.
- I want opportunities for promotion.
- I like social contact with co-workers
- I want to learn new skills from my boss or manager

- **The option that seems to be best for me is:**

.....

Session 10: Skills and work choices for young women and men

To find the right job, you also need to know what skills the job requires, and what **personal qualities** and **skills** you have or can learn.

Personal qualities are those qualities that relate to the traits, character and behavior of a person, which she or he uses to deal with others.

Examples: Ambitious, honest, hardworking.....

Skills are the capabilities of a person to perform a particular work.

Examples: Working with hands, with computers, electrical

What about you?

- **My current job or the job I would like to do is:**

.....

- **My personal qualities are:**

.....

- **My skills are:**

.....

- **Do your personal qualities and skills match your selected job?**

.....

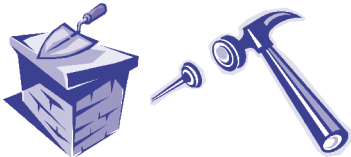



- **My plan to strengthen my skills and knowledge so that my qualities and skills match the requirements of my job are:**

.....






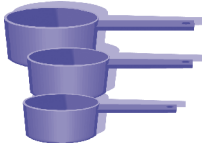




Don't forget to look at the **earning potential** of the different jobs and their **availability** in your community while selecting your future occupation!

- **What are the most common jobs available in your community?**
.....
- **Which of these jobs do you think present the highest income earning potential?**
.....
- **Is there a need for more people in these types of jobs?**
.....
- **Are there any jobs that nobody is yet doing in your community?**
.....
- **Is there any need for someone do this job?**
.....
- **Could it be a good job for you?**
.....

Jobs options

		
<p>Electrician</p>	<p>Mason</p>	<p>Carpenter</p>
		
<p>Plumber</p>	<p>Accountant</p>	
		
<p>House painter</p>	<p>Secretary</p>	
		
<p>Doctor</p>	<p>Nurse</p>	<p>Police officer</p>
		
<p>Farmer/Field worker</p>	<p>Driver</p>	

Jobs options

	
Bicycle mechanic	Car mechanic
	
Welder	Banker
	
Pharmacist	Cook
	
Tailor	Textile worker
	
Teacher	Market vendor

Now you know how to better manage your finances!

You have learnt a lot of tips about money management and about finding the right job for you.

Keep this guide with you and look at it as often as you can. This is your personal guide to reach your short- and long-term financial goals.

Always keep in mind the following **good money habits**:

- Set your financial goals for a happy future** (page 2)
- Make your savings plan and stick to it** (page 4)
- Be a smart spender** (page 6)
- Borrow prudently** (page 8)
- Take measures to protect yourself** (page 10)
- Formulate a budget to control your money** (page 12)
- Communicate with confidence** (page 14)

Financial education for youth: Trainee's guide

Young people are in transition from childhood to adulthood, from financial dependency to independence. Their role in society is changing and they have new economic responsibilities. It is essential to equip young women and men with financial knowledge and management skills to enable them to set goals in life and make plans for realizing them. This Trainee's guide introduces basic knowledge, skills and tools related to earning, spending, budgeting and using financial services. The manual is part of a training package that contains:

- This Trainee's guide for use by the youth as a workbook during training and with key financial education messages.
- A Trainer's manual for use by trainers from financial institutions, business development providers, youth associations, NGOs;

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