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Budget Time KA220-YOU
Cooperation partnerships in youth



BudgetTime

A non-formal **GUIDE**
to financial education



Iași, 2025

Erasmus and KA2 program

Erasmus+ Programme Overview

Erasmus+ is the European Union's programme supporting education, training, youth, and sport across Europe. Established in 1987, it has expanded over the decades to offer opportunities not only for students but also for educators, trainees, volunteers, and professionals. The programme aims to enhance skills, foster understanding between cultures, and promote European values.

Key Action 2 (KA2): Cooperation among Organisations and Institutions

Key Action 2 focuses on promoting cooperation for innovation and the exchange of good practices among organisations and institutions. The actions supported under this key action are expected to contribute significantly to the priorities of the programme and bring positive and long-lasting effects on the participating organisations, as well as on the policy systems in which such actions are framed. This key action is expected to result in the development, transfer, and/or implementation of innovative practices at organisational, local, regional, national, or European levels.

Types of Projects under KA2

1. Partnerships for Cooperation:

- *Cooperation Partnerships*: These projects aim to develop and implement innovative practices and promote the exchange of experiences among different types of organisations involved in education, training, and youth.
- *Small-scale Partnerships*: Designed to widen access to the programme to small-scale actors and individuals who are hard to reach in the fields of school education, adult education, vocational education and training, and youth.

2. Partnerships for Excellence:

- *Centres for Vocational Excellence*: These aim to foster transnational collaborative platforms that contribute to local and regional development by enhancing the quality and relevance of vocational education and training.

- *Erasmus Mundus Action*: Focuses on fostering excellence and worldwide internationalisation of higher education institutions via study programmes at the master's level.

3. Partnerships for Innovation:

- *Alliances*: Projects that aim to foster innovation in higher education, vocational education and training, and enterprises.
- *Forward-looking Projects*: These are large-scale projects that aim to identify, develop, test, and assess innovative approaches that have the potential to be mainstreamed in one or more sectors of education, training, and youth.

4. Capacity Building Projects: These projects support international cooperation with partner countries in the fields of higher education, vocational education and training, youth, and sport.

5. Not-for-profit European Sport Events: These events aim to promote the European dimension of sport by supporting the organisation of sport events with a European dimension in the fields of grassroots sports.

Expected Outcomes of KA2 Projects

Projects funded under Key Action 2 are intended to produce several outcomes, including:

- Innovative approaches for addressing target groups, such as more attractive education and training programmes, participatory approaches, and new or improved processes of recognition and validation of competences.
 - A more modern, dynamic, committed, and professional environment within the organisation, ready to integrate good practices and new methods into daily activities.
 - Increased capacity and professionalism to work at the EU/international level, including improved management competences and internationalisation strategies.

For individuals involved, the projects aim to enhance skills such as foreign language proficiency, digital competence, and a greater understanding of diversity. At the systemic level, KA2 projects seek to modernise and reinforce the response of education and training systems to current challenges, including environmental sustainability, digital transformation, and social inclusion.

Fab Lab Association

Fab Lab Association (Asociația Fab Lab Iași) is a non-governmental organization based in Iași, Romania, dedicated to fostering education, innovation, and entrepreneurship. Our mission is to support young people in acquiring the skills necessary for the job market, provide access to technology and digital tools, and enhance the social inclusion of disadvantaged groups.



The goals of **Fab Lab Association** include:

- Supporting individuals of all ages in choosing the right education and career path.
- Promoting digital and technical skills development, especially among youth and vulnerable groups.
- Encouraging financial literacy and entrepreneurship through hands-on learning experiences.
- Expanding access to STEM education in rural and underserved areas.
- Building a strong community of entrepreneurs, makers, and innovators by providing co-working and mentoring opportunities.

The Key Projects of **Fab Lab Association** are:

- **Women's Digital Center** – A program designed to enhance the digital skills of women in vulnerable situations, such as single mothers, caregivers, and women with low income. More than 90 women have already benefited from this initiative.
- **Solidarity FabLab & FabLab Goes Mobile** – A project offering young people training in digital manufacturing (CAD design, 3D printing, laser cutting, CNC milling). Through "FabLab Goes Mobile," we created a mobile lab that reaches rural areas, making STEM education accessible to over 360 youth.
- **Școala de Bani & LifeLab** – Financial education initiatives aimed at improving money management skills among children and adults. Our volunteers conduct bi-weekly workshops in local schools, teaching financial literacy and entrepreneurship in an engaging, practical way.

Some of the International Projects & Collaborations include:

- In 2023, we became the coordinator of the **KA2 Erasmus+ project “Budget Time”**, aimed at improving financial literacy among young people as they transition into adulthood. Alongside our international partners, we are developing an interactive training methodology and a multilingual financial literacy app, benefiting over 900 youth.
- Additionally, Fab Lab Iași regularly partners with various organizations to implement formal and non-formal educational programs, career orientation workshops, and entrepreneurial training courses.

With regard to Community & Infrastructure:

- Fab Lab Iași has grown significantly since its establishment, gaining momentum in 2017 as it expanded its co-working and educational initiatives. Today, we operate **three co-working spaces** in the city, providing flexible working environments for over **100 entrepreneurs** from fields such as IT, robotics, marketing, architecture, and design.
- Our **team consists of 10 paid staff members and over 15 volunteer mentors**, who actively support our educational and community-based programs. The income generated from our co-working spaces is fully reinvested into our initiatives, ensuring continuous support for young people and vulnerable groups.
- Through our efforts, we foster a dynamic and inclusive ecosystem that bridges education, technology, and entrepreneurship. We believe that by providing access to knowledge, mentorship, and innovative tools, we can create new opportunities for the next generation.

“Orenda” Foundation

“Orenda” Foundation is a non-government organisation, established in 2011 in Varna, Bulgaria. **Our mission** is to help young people choose the right education and career, develop the appropriate skills to enter the job market as well as supporting the inclusion of people with fewer opportunities in the labour force and community life.

Our goals include:

- to support people of all ages in their choice of education and career path;
- to promote and help the social inclusion of people with fewer opportunities and people from disadvantaged groups;
- to help youth develop the personal and interpersonal skills needed for their successful integration in society and the workforce;
- to support services on one-stop- shop-information, training, consultation and education for different target groups;
- to promote new ideas and innovation in the field of education and professional practice, lifelong learning, formal and non-formal education;
- to stimulate the active participation of young people in the political, social and civic life of the community.

Over the last few years, we implemented a number of projects at the local level in correspondence with the above mentioned goals. For example:

- **Project "Living crafts"**- a project aimed at unlocking the creativity of young people and showing them an alternative for leisure time, where they were introduced to traditional Bulgarian crafts;
- **Project "Yesterday, today, tomorrow"** - young people went through training in motivation, teamwork, PR etc. Then, supported by a mentor, realised their own projects aimed at helping the community;
- **Project "Youth as creators, not consumers"**- youth were acquainted with different techniques to upcycle old items by transforming them through crafts. At the same time we taught them about the importance of sustainable living and inspired them to introduce green habits in their everyday life.

We also organise **regular seminars, trainings and visits to schools** that use methods of non-formal education to achieve our objectives: to promote self-awareness and self-development among youth, focusing on career orientation, skills development, job readiness, active participation etc.

We started working in the framework of **KA2 of Erasmus** in 2023. In 2023 we became the coordinator of a small KA2 project “Developing skills for success through blended learning” (Oct 23- July 25), implemented in partnership with Challedu (Greece). The main objectives of the project are to create a methodology for training youth in 3 Modules: Personal development, Professional development and (Social) Entrepreneurship. The methodology will support youth in each partner community to acquire hard and soft skills (personal and interpersonal) and improve their confidence to make informed career choices and enter the job market.

As part of the project we’re going to create an online platform with 3 e-learning modules to support the offline training; 24 training videos; 30 self-assessment tools and 2 cross-sectoral events to promote the results.

In 2023 we became a partner in the KA2 project “Budget time”, coordinated by “Fab Lab” Romania. The aim of the project is to improve the financial literacy of young people as they transition from school into adulthood. By building on the expertise of the 3 partners, we’re going to develop a training methodology and improve the skills of more than 900 youth by involving them in non-formal education workshops. As part of the project we plan to create an online App for financial literacy enhancement, available in 4 languages.

Under KA1, we have coordinated 4 training courses, 5 youth exchanges and 1 Youth participation project over the last 10 years:

- **2012:** Youth exchange (YE) "Change begins within"- healthy lifestyle and environmental protection by building "green skills"
- **2014:** YE “Job Ready”- skills needed to find a suitable job, tips for writing a CV and cover letter, handling the interview, communicate effectively etc
- **2015:** Training course (TC) "Inspire, Engage, Empower"- how to motivate volunteers, deal with difficult situations and resolve conflicts, working methods for the active involvement of disadvantaged young people in activities
- **2016:** YE "Communication-ways of use"- build skills for confident and successful communication, overcome fear to speak in public, and become more active citizens
- **2018:** YE “Celebrating Cultures”- deepen the participants’ understanding of culture, knowledge of other cultures, promote tolerance and acceptance of others

- **2021:** TC “Coaching Youth to success”- basics of the coaching principles and methods and how to apply them in youth work
- **2022:** YE “Together against discrimination”- teach youth about the forms, causes and consequences of discrimination, promote tolerant behaviour and break stereotypes
- **2022:** TC “Activate Youth for social change”- the participants learned and developed new methods aiming to stimulate youth for a more active participation in their community
- **2023-2024:** YP “Vote, please” - in partnership with the Romanian organisation “Atelier Europeen de Arta”, aiming to stimulate youth for a more active participation in democratic processes and increasing the awareness of the importance of voting
- **2024:** TC “Inclusion through social entrepreneurship”- how to plan and measure social impact, how to do strategic business planning and successful marketing; how to support disadvantaged groups to create better opportunities for themselves

In 2018 we founded a social enterprise that employs 6 people with disabilities and produces educational toys for children - Things with soul LTD. The social enterprise is a separate entity, owned 100% by Orenda Foundation and can be a partner on its own in international projects. We produce toys made of wood, felt and natural materials that support the natural curiosity of children and learning through play. We partner with special education teachers to develop toys, games and materials adapted to the needs of children with special educational needs. You can find more details about the cause, product line and team here: <https://www.neshtasdusha.com/>.

Our team

Orenda’s team currently consists of 4 paid staff members and a permanent team of 10 volunteers that support our activities locally.

Stela, Maria, and Kunka are board members of the Youth Policies Council, which was established as an advisory body to the Municipality of Varna at the beginning of 2024.

Kunka Velikova is a co-founder and President of “Orenda” Foundation. She has an MBA in "Social Work Management". She worked for 7 years as a training and development specialist in an international company with headquarters in the city of Varna. She possesses extensive knowledge and experience in the areas of: recruitment, training, coaching, events, marketing, project management. Experience in the field of youth work: Kunka has been a facilitator in more than 10 YE and 6 TC implemented under the Erasmus + program. Kunka Velikova is a business trainer and a certified coach through the association for Coaching (UK). She holds a C2 certificate in English proficiency.

Nikolinka Dimova is a co-founder and Vice- President of “Orenda”. She has extensive experience in both the development and management of projects for EU operational programs for Bulgaria, as well as an external evaluator of such projects. She has the necessary knowledge, skills and experience of working with young people, organisation and management of events and projects. She has completed the basic level of a course on "Positive Psychotherapy" and is an experienced yoga instructor for adults and children.

Maria Filipova is a psychologist and a non-formal education trainer with a focus on personal and professional development for youth. A mother of 3 teenagers herself, Maria has devoted her time to helping youth transition to adulthood safely and confidently. Maria is in the process of getting certified as a psycho-drama instructor.

Stela Ilieva, our coordinator, is in charge of communication and logistics for all our local and international events. From finding the best venue for workshops and maintaining the communication with our beneficiaries and volunteers to promoting the results online, Stela is a very responsible and skillful young person. She has an MBA in ecological preservation and has been selected for the National Volunteer of the year award in 2023.

Valko (24) is one of our youngest youth workers. He is as an event photographer and he helps us with beautiful materials to gather attention to our actions. In this project.

Tavo Europa Association

Tavo Europa (Asociacija Tavo Europa) is a non-governmental organization that focuses on building civil society and establishing the rule of law in Lithuania. Our NGO is created to serve as an educational organization that gathers trainers, youth and social workers, youth policy makers, experts, and volunteers with different competency levels to create and be actively involved in civic activities.

The training supports personalised learning approaches, collaborative learning. These skills can not only boost their personal, professional and socio-economic development but also, reduce youth unemployment, and raise both the social inclusion and the quality of life of young people. We teach youngsters how to run an organization, do fund raising, manage the project, manage finances, coordinate communication with young people include young people with fewer opportunities and plan within Erasmus+ and other funds.

We aim to provide tools, and improve competencies in order to create a stronger link between youth mobility experience and the further professional perspectives, through the use of non-formal methods which answer the needs of youth in line with the requirements of the labor market.

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Exploring the BUDGET TIME Project

Objective

... to provide readers with a thorough understanding of the BUDGET TIME project.

Learning outcomes:

- Milestones in the BUDGET TIME project
- Empowering youth through financial education
- Effective Communication in Financial Education

What time is it?

Well, it's Budget Time!

What is the BUDGET TIME Project?

The **BUDGET TIME project** aims to develop the competencies of **42 youth workers** from **3 countries** (Bulgaria, Lithuania and Romania), aged **18-25**, in creating, adapting and applying *non-formal education methods* around financial management. The project will include also implementing a non-formal education program for 900 young people with the purpose of helping them better understand and administrate their personal finances. Lastly, the project will create a competent network of youth workers that can support youth and other youth workers.

The **main objectives** of the BUDGET TIME project are:

1. Develop the competencies of 42 youth workers from Romania, Bulgaria Lithuania in creating, adapting and applying non-formal education methods about financial management with youth aged 18-25.
2. Creating an online App targeting young people which enhances financial literacy by providing an opportunity to youth to practice taking financial decisions and learn by the consequences.
3. Conducting 180 workshops with 900 young people aged 18-25 in 6 cities (Iasi, Craiova, Varna, Plovdiv, Vilnius, Kaunas).
4. Create a competent network of youth workers that can support youth and other youth workers.
5. Creating a Financial Module including 30 methods based on NFE aimed at improving financial literacy and financial management skills.

This **book aims** to provide facilitators and educators with the necessary tools they need to effectively teach financial literacy to young people. By incorporating a variety of Non-Formal Education (NFE) methods, as well as practical exercises, this book will help bridge the knowledge gap identified. Additionally, it offers guidance on how to address different learning needs and creates an inclusive learning environment that can reach diverse audiences.

This book is created as a response to the urgent need for **improved financial literacy** across all demographics. Financial literacy is not just about understanding money; it's about empowering individuals to make informed decisions that affect their lives and their communities. In a world where financial systems are becoming increasingly complex, this book provides a solid foundation in financial concepts which are crucial for:

1. **Making Informed Decisions:** Financial literacy enables individuals to make better decisions regarding savings, investments, and debt management. This can lead to more stable personal finances and reduce the likelihood of falling into financial traps.
2. **Reducing Economic Inequality:** By providing equal access to financial education, we can help close the gap between different socioeconomic groups, contributing to a more equitable society.
3. **Empowering Vulnerable Populations:** As highlighted by gender disparity in financial literacy, there is a need to specifically empower groups that are traditionally underrepresented in financial education. This includes women, as well as people from disadvantaged backgrounds.
4. **Preparing for the Future:** In today's fast-paced world, financial literacy is key to navigating challenges such as economic crises, job loss, and retirement planning. Being financially literate means being prepared for the uncertainties of the future.

Effective communication is a cornerstone of successful training and public speaking. Whether you are addressing a small group of participants or a large audience, the ability to tailor your message and approach to suit the size and dynamics of your audience is essential. This book is designed to guide educators through the principles of audience analysis and provide practical strategies for engaging participants in various group settings. Within its content one can find detailed insights into how to assess and adapt to different audience sizes, ensuring that the training activities are both impactful and well received. By understanding the specific needs and challenges associated with different group sizes, one can design and deliver presentations that resonate with the audience, regardless of their size.

When engaging with the content of this book, the approach to communication with your peers will depend on the size of the **group** you'll be part of. Here's what you can expect:

- **Small group (5-10 people):** interaction tends to be more personal. Discussions will include both individual conversations and group activities, allowing for deeper engagement.

- **Medium group (10-30 people):** the setting becomes more structured. While there's still room for individual interaction, the focus shifts towards addressing the group as a whole. Visual aids will be used, and questions will be designed carefully to ensure clarity for everyone.

- **Large group (30-100 people):** the dynamic changes as the group grows. It may feel less personal, and the presenter will rely on tools like microphones and highly polished presentations to ensure the message reaches everyone effectively.

- **Very large group (over 100 people):** in this setting, presenting feels more like performing on a stage. The speaker will take on a more theatrical approach to keep the audience engaged and ensure the message resonates with such a large crowd.

To be an impactful communicator and guide, certain key qualities are essential (qualities that go beyond simply sharing information). Great speakers don't just present; they connect with their audience, inspire them, and help guide them toward their goals. These qualities make their message meaningful and memorable. Here's what makes a great speaker or mentor:

- **Knowledge:** A speaker must be well-informed about their subject matter. This comprehensive understanding allows them to share insights with confidence and authority, ensuring the audience gains valuable knowledge.

- **Attitude:** The attitude of a speaker greatly influences their ability to connect with the audience. A positive, approachable, and empathetic demeanor helps create an environment where the audience feels motivated and encouraged to learn and grow.

- **Skills:** Effective communication is at the heart of successful speaking. A speaker must possess strong skills in articulation, active listening, and adaptability, enabling them to convey their message clearly and respond to the audience's needs.

- **Experiences:** Drawing from personal and professional experiences, a speaker can provide relatable examples and practical advice. These experiences enrich their presentations, making the content more relevant and impactful for the audience.

Effective Communication in Financial Education

When learning or sharing ideas about financial education, it's important to understand how communication works. Surprisingly, **only 7% of communication** comes from the words

you use. A larger part (around 35%) comes from how you say those words, including your tone, pitch, and speed of speech. The biggest part (approximately 58%) comes from non-verbal cues like body language, facial expressions, and gestures. Recognizing these dynamics can help ensure that what you share about financial literacy is not only heard but also fully understood and remembered.

Non-verbal communication includes several elements that affect how your message is received. For example, your posture can show confidence and make you seem approachable. Gestures can highlight important points and keep the audience interested. Facial expressions help convey emotions and sincerity, while eye contact builds a sense of connection and focus. It's also important to match what you say with how you say it (mixed signals can confuse). Even how close or far you are from someone matters and can influence how they interpret your message.

Having charisma, or the ability to inspire and capture attention, makes you more engaging and impactful. By paying attention to these aspects of communication, you can better connect with others and make financial topics more interesting and meaningful to everyone involved.

Feedback (providing it / asking for it)

Feedback is a powerful tool for improving behavior and performance. It offers information about what someone is doing well and why it works, or what could be improved and why making those changes would be effective. The focus is always on observable actions and behaviors rather than personal traits.

Here are some principles for **giving feedback**:

- always ask for permission or make it clear that feedback is about to be given.
- critique actions or performance, not the person.
- provide feedback only on behaviors that can actually be changed.
- avoid making direct judgments; instead, offer suggestions.
- communicate clearly to ensure everyone shares the same understanding of the situation.
- be specific in your feedback.
- stick to facts that can be observed, avoiding opinions or personal interpretations.
- avoid labeling or judging the individual.
- choose the right moment to deliver feedback for maximum impact.

When **receiving feedback**, certain principles can help you make the most of it:

- think of feedback as a gift – an opportunity to learn and grow.
- approach feedback with an open mind, trying to see it from the giver’s perspective.
- resist the urge to defend yourself.
- ask for examples to better understand the feedback.
- positive feedback can be shared openly, but constructive feedback is best given privately.

Using these approaches helps make feedback a constructive and positive experience, whether you’re giving it or receiving it

Exploring the chapters ahead



Before diving into the chapters ahead, it’s important to set some real expectations. Given the page constraints of this book, each chapter focuses on specific aspects of the broader topics covered. This book should be considered as a **roadmap**, or a **guide** that highlights the key landmarks of financial education while offering glimpses into the concepts that matter most. Rather than delving deeply into every detail, the content is designed to equip readers with *the essentials* and provide them with *a foundation for further exploration*. Along the way, readers will encounter “spoilers” for each topic, giving them just enough insight to pique their curiosity and encourage them to investigate further. A message to the reader of this manuscript: *remember, this book isn’t the end of your journey, it’s the beginning of your exploration into the world of financial literacy.*

Each chapter concludes with a **Reflect & Discuss** section, containing questions designed to spark thoughtful reflection and **group discussion**. Engaging with these questions in pairs is encouraged, as it helps connect the concepts to personal experiences and ideas. This exercise aims to deepen understanding and promote a more interactive approach to learning and **communication**. **Feedback** plays a vital role in this process, offering valuable insights into your understanding and the effectiveness of the discussions. Providing constructive feedback to both the teacher during the course and your peers during the 'Reflect & Discuss' exercises will help improve the learning experience and ensure everyone benefits from a more dynamic exchange of ideas.

In **Chapter 1** of this book, readers will dive into the *essentials of financial education* and discover why it plays such a pivotal role in everyday life. The chapter aims to shed light on

what financial literacy truly means and why it is crucial for making informed financial decisions. Students will explore how financial education serves as a foundation for building this literacy, offering long-term benefits that extend into personal and professional success. Additionally, the chapter introduces the five key financial competencies (Saving, Investing, Earning, Sharing, and Spending) providing a framework for managing money effectively. By the end of this chapter, readers will have a solid understanding of these concepts, setting the stage for more advanced topics in the chapters ahead.

In **Chapter 2**, readers will delve into *the foundational concepts of budgeting*, a cornerstone of financial literacy. This chapter demystifies what a budget truly is and highlights its role in achieving financial goals, both short-term and long-term. Readers will explore the critical distinction between needs and wants, learning how this differentiation forms the backbone of effective financial planning. Additionally, the chapter walks through the essential steps of creating a budget, offering practical guidance to help readers design a personalized framework for managing their income and expenses. By the end of this chapter, readers will be equipped with the tools to set realistic financial goals and take the first steps toward mastering their personal finances. To enhance the learning experience introduced here, the book includes a practical tool at the end, titled **The Personal Budget**. This additional chapter serves as an instrument to help readers apply the budgeting concepts they've learned to their own lives.

In **Chapter 3**, readers will explore the essentials of *financial planning* and discover how it serves as a foundation for a stable and prosperous future. The chapter provides some information into the significance of having a clear financial plan, helping readers understand why proactive planning is vital for achieving both short- and long-term goals. Through practical insights, readers will grasp the benefits of financial planning, from enhanced financial security to the ability to make informed decisions that align with personal aspirations. Moreover, this chapter introduces the seven key types of financial planning, providing an overview of critical areas such as budgeting, saving, investing, retirement planning, tax planning, insurance, and estate planning. By the end of this chapter, readers will not only have a clearer understanding of what financial planning entails but will also feel equipped to take the first steps toward building a roadmap for their financial future.

Chapter 4 focuses on two fundamental pillars of financial well-being: *saving and investing*. Readers will gain a clear understanding of the critical differences between these two financial practices and learn how each plays a unique role in achieving financial stability and growth, on the long term, in their personal lives. The chapter emphasizes the importance of

balancing saving and investing to meet both immediate needs and long-term goals. The readers will also have the possibility to explore the specific characteristics of saving, such as security and accessibility, and contrasts them with the potential risks and rewards associated with investing. Along the way, readers will encounter up-to-date statistics that illustrate real-world trends, helping them contextualize their financial decisions. By the end of this chapter, readers will have the knowledge to develop a balanced approach to saving and investing, ensuring a solid foundation for their financial future.

In **Chapter 5** readers are introduced to the world of *retail banking*, providing an essential guide to the products and services offered by banks to individual consumers. The content begins by explaining what retail banking entails and its role in everyday financial management. A range of banking products and services will be provided, gaining insights into how these tools can be used effectively to manage personal finances. The chapter highlights the particularities of a checking account, as well as the key aspects of loans. By the end of this chapter, readers will feel confident in their ability to navigate the banking system, select suitable financial products, and use these tools to support their personal financial goals.

Chapter 6 introduces readers to the world of *investments*, offering a comprehensive overview of their purpose and key principles. The chapter starts by defining what an investment is and explains why investing is a crucial component of personal and financial growth. Here, readers will explore the risk-return tradeoff, a foundational concept that guides investment decisions. Different types of investments will also be explored, from stocks and bonds to real estate and mutual funds, helping readers understand their characteristics and roles in building a diversified investment portfolio. By the end of this chapter, readers will have a clear understanding of investments, be able to grasp the balance between risk and return, and differentiate between the main types of investments to make informed financial choices.

Chapter 7 provides readers with an in-depth understanding of two essential financial products: *insurance and private pensions*. This section begins by explaining the importance of these tools in managing financial risks, securing future stability, and planning for retirement. Readers will learn what insurance is, the various types of insurance policies available, and how each one serves a different purpose in protecting personal and family finances. Special attention is given to the four main types of insurance detailing the unique benefits of each. Additionally, the chapter delves into pensions, clarifying what a pension is, and guiding readers through the process of selecting and joining a privately managed pension fund to secure their financial future. By the end of this chapter, readers will have a solid understanding of how insurance and

private pensions can play a pivotal role in managing financial risks and planning for a secure retirement.

Chapter 8 introduces readers to *the world of entrepreneurship*, providing a foundational understanding of what it means to be an entrepreneur and how entrepreneurship can shape the economy. Firstly, the readers will understand what entrepreneurship is and will explore the key qualities that make an entrepreneur successful. Students will also discover the four main types of entrepreneurship, each with its own unique characteristics and approaches to starting and growing a business. The chapter also highlights the top ten finance tips for entrepreneurs, focusing on strategies to attain financial independence and ensure the long-term success of a business venture. By the end of this chapter, readers will have a clear understanding of entrepreneurship, be able to identify the different types of entrepreneurship, and have practical financial tips to help them on their journey toward financial independence and business success.

In **Chapter 9** readers are introduced to the essential concepts of *financial consumer protection*, emphasizing the risks associated with financial products and services and the importance of safeguarding against fraud. The chapter first explains what financial consumer protection entails and why it is crucial for individuals in managing their finances securely. Readers will gain insight into how financial scams and frauds occur, learning to recognize warning signs and understand the tactics used by fraudsters. The chapter also covers the most common types of financial scams and frauds, helping readers differentiate between them and protect themselves from potential financial losses. By the end of this chapter, readers will have a thorough understanding of financial consumer protection, be able to identify common scams and frauds, and have the knowledge needed to safeguard their finances from deceptive practices.

Finally, **Chapter 10** offers readers a basic understanding of the *job market*, focusing on the key skills necessary to succeed in the competitive finance sector. The chapter begins by explaining the size and structure of the job market, with a special focus on opportunities within the European Union. Readers will explore the essential skills required to thrive in the finance job market, from technical expertise to soft skills like communication and problem-solving. The chapter also covers salary structures in the finance industry, providing guidance on how to compute and negotiate your salary effectively in job interviews or career discussions. By the end of this chapter, readers will have a clear grasp of the finance job market, be familiar with the skills needed to stand out, and feel confident in negotiating their salary to secure a competitive and rewarding position.

At the end of the book, one can find the **Main Takeaways**, a section with a concise summary of the key concepts covered in the previous chapters. In addition, a **Glossary** is provided, which is a handy resource designed to help readers navigate **over 200** financial terms and concepts introduced throughout the chapters. Whether one encounters new terminology or revisits key concepts, this section provides clear, concise definitions that will enhance the current level of knowledge and understanding.

1. Introduction to Financial Education

Objective:

... to provide readers with an overview of financial education and its relevance in everyday life.

Learning outcomes:

- understanding what financial literacy is and its importance in making informed financial decisions
- comprehending the role of financial education in building financial literacy and its benefits
- identifying the five key financial competencies: *Saving, Investing, Earning, Sharing, and Spending*.

What is financial literacy?

S&P's Global Financial Literacy Survey defines **financial literacy** as the capacity to understand simple financial concepts in order to make informed decisions about savings, investments and borrowing. Financial literacy refers to the capacity to comprehend and apply various financial skills, such as personal money management, budgeting, and investing. Being financially literate establishes a crucial foundation for developing a thoughtful and informed approach to handling money. This understanding serves as the starting point for a continuous journey of learning about financial matters throughout life. Beginning the process of financial literacy early often leads to more favorable outcomes over time. For an overview of global financial education levels, refer to Figure 1.1.

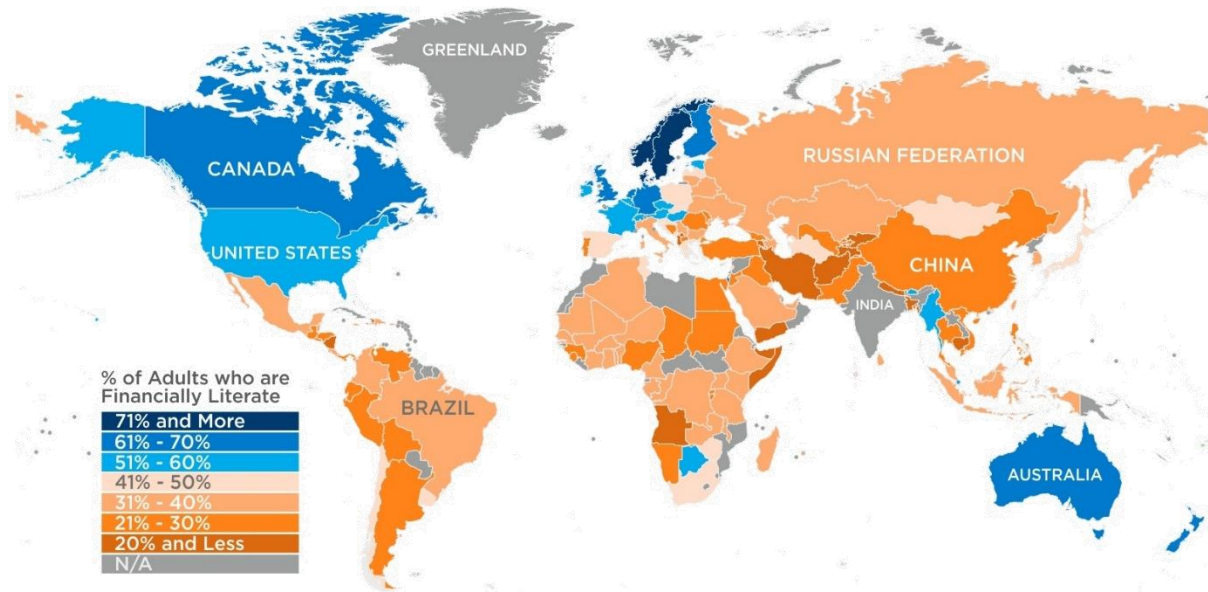


Figure no. 1.1 – Financial literacy around the world

Source: <https://howmuch.net/articles/financial-literacy-around-the-world>

Denmark, Norway, and Sweden are at the forefront of financial literacy, each boasting a rate of 71%. Financial literacy around the world seems to appear strongest in countries with developed and advanced economies, especially Western Europe and English-speaking countries. They are closely followed by Canada and Israel, which have 68%, and the United Kingdom at 67%. Germany and the Netherlands both stand at 66%, while Australia and Finland round out the top 10 with 64% and 63%, respectively. There are no countries in South America where more than 50% of people are financially literate, and only one country in all of Africa.

Here's an interesting exercise: look at Figure no. 1.2, about global extreme poverty, and compare it with the one above. It's interesting to note that there doesn't seem to be a strong link between poverty levels and financial literacy. For example, countries such as Russia and China have low rates of extreme poverty, yet they also show very low levels of financial literacy. This indicates that being poor doesn't automatically mean someone is financially illiterate, just as being wealthy doesn't ensure financial literacy.

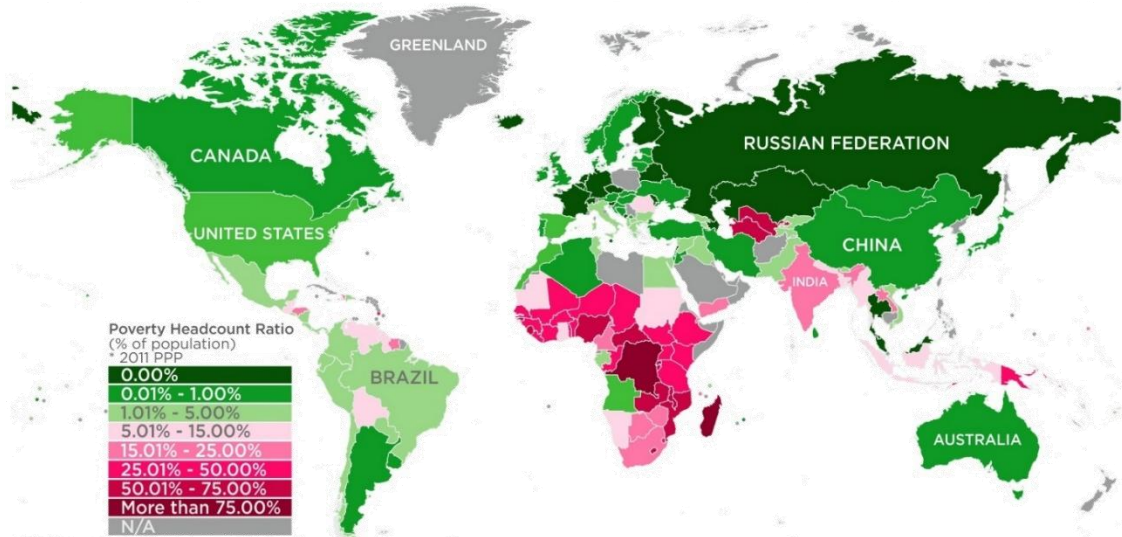


Figure no. 1.2 – People living in extreme poverty (% of population living on less than 1,90 \$/day)
 Source: <https://howmuch.net/articles/people-living-in-extreme-poverty-2018>

Focusing on Europe, it stands out as the continent with the most striking disparities in financial literacy across its nations. At the forefront are Scandinavian countries, with Norway and Sweden leading the way, each achieving an impressive 71%. Northwestern European nations generally excel in financial literacy, as reflected in the Financial Literacy Survey. However, as one moves further south, the scores decline significantly. Portugal, for instance, registers a meager 26%, the lowest in Western Europe. The situation is equally concerning in Eastern Europe, where no country manages to score above 50%, highlighting significant regional challenges in financial literacy. For example, **Romania** registers a 22% score in the financial literacy index, while **Lithuania** scores 39% and **Bulgaria** 35%. See Figure no. 1.3.

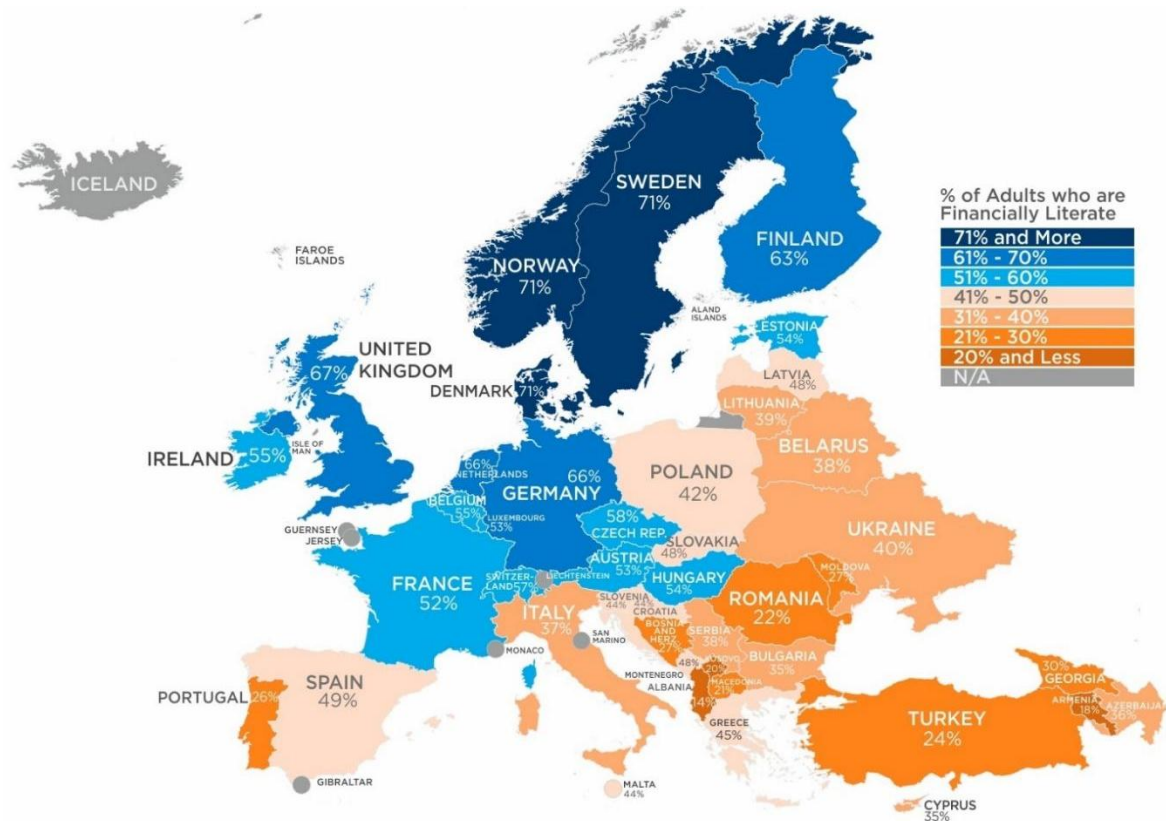


Figure no. 1.3 – Financial literacy in Europe

Source: <https://howmuch.net/articles/financial-literacy-around-the-world>

While financial literacy refers to the ability of individuals to understand and apply financial concepts effectively, *financial education* is the process that cultivates and enhances this understanding. In other words, financial literacy is the desired outcome (the capability to make informed financial decisions), whereas financial education provides the pathway, equipping people with the knowledge, tools, and strategies needed to achieve that capability. Through well-structured guidance, financial education builds confidence in managing money, helping individuals move from understanding financial principles to applying them meaningfully in their daily lives. This book serves as a valuable resource in the journey, offering practical tools and innovative approaches to make financial education more accessible, engaging, and impactful for young people.

Figure no. 1.4 highlights a significant gap in financial literacy worldwide. According to the *S&P Global FinLit Survey*, only **33% of adults globally possess financial literacy**. This statistic becomes even more concerning when we look at the differences across regions and demographics. For instance, in the United States, **57% of adults are financially literate**, which

is significantly higher than the global average but still leaves a considerable portion of the population without essential financial knowledge¹.



Figure no. 1.4 – Importance of financial literacy and the need for this manual

Source: <https://bankingnews.ro/educatia-financiara-in-scoala.html>

Moreover, the image points out a gender disparity in financial literacy, with **35% of men being financially literate** compared to just **30% of women**. This gap underscores the necessity of targeted financial education efforts that consider both gender and cultural factors.

The advantages of financial literacy and the importance of financial education

Understanding how to manage money, invest wisely, and plan for the future is not just about accumulating wealth, it's about ensuring a stable, fulfilling life for every individual and his/her community. In these modern times, financial literacy has evolved into a crucial life skill, shedding its former "nice to have" status to become an absolute necessity for everyone. This is particularly vital for young adults aged 18–25, as they navigate a life stage filled with significant financial decisions. For many, this period marks the first time they are making independent choices about student loans, living expenses, savings, and even understanding credit systems. Financial education plays a key role in equipping them with the tools needed to handle these challenges effectively. It empowers individuals to take control of their finances, enabling them to make decisions aligned with their goals, values, and aspirations. By fostering this sense of control, financial literacy enhances not only financial well-being but also a broader sense of purpose and fulfillment in life².

In today's complex economic environment, financial literacy stands out as an essential skill for navigating life's challenges and opportunities. The *benefits of being financially literate* are far-reaching, impacting not only an individual's quality of life but also their ability

¹ <https://fasolutions.com/blog/only-33-of-adults-are-financially-literate/>.

² <https://www.investopedia.com/terms/f/financial-literacy.asp>.

to contribute to the broader economy. Some of the key benefits of being financially literate refer to:

- it enables individuals to make *smarter choices* about how they earn, save, and spend their money, improving their decision-making process.
- it provides the tools to *manage finances effectively*, reducing reliance on debt and avoiding financial pitfalls.
- it prepares individuals to plan and work toward their *long-term financial objectives*.
- it helps individuals *cut unnecessary expenses* and *regulate their spending habits* more effectively.
- it *alleviates the uncertainty* and *stress* often associated with managing money, fostering peace of mind.
- it empowers people to make *responsible and informed decisions* when selecting financial products such as insurance, loans, and investments, or using credit.
- it allows everyone to be more *adapted at creating and maintaining budgets* that align with their income and priorities.

One of the fundamental needs that financial education addresses, in general, is *safety*. This includes the ability to create a financial cushion against life's uncertainties, such as job loss, health emergencies, or unexpected expenses. By understanding the importance of saving, budgeting, and insurance, individuals can protect themselves and their families from financial distress. This sense of security allows people to live without the constant fear of financial instability, which is essential for overall well-being.

Financial freedom is another critical aspect fulfilled by financial education. Everyone defines financial freedom in terms of their own goals. For most people, it means having the financial cushion (savings, investments, and cash) to afford a certain lifestyle – plus a nest egg for retirement or the freedom to pursue any career without the need to earn a certain salary. When individuals are educated about finance, they gain the ability to make choices that are not solely dictated by financial constraints. This could mean the freedom to pursue a passion, retire early, travel, or simply live without the stress of debt. Financial education provides the tools needed to achieve this freedom, such as understanding how to eliminate debt, invest in assets that grow over time, and plan for long-term goals like retirement or buying a home³.

³ <https://www.investopedia.com/articles/personal-finance/112015/these-10-habits-will-help-you-reach-financial-freedom.asp>.

Financial freedom goes beyond simply grasping financial concepts; it's the ability to make decisions without being held back by financial stress. It means building enough wealth to cover everyday expenses while having the freedom to explore passions, set goals, and pursue experiences without constantly worrying about money. Meanwhile, *financial independence* is the result of consistently applying financial knowledge, reaching a point where individuals no longer depend on traditional jobs or external sources to support their lifestyle. Being financially independent means having sufficient income, savings, or investments to live comfortably for life and meet all of one's obligations without relying on a paycheck.

When individuals move from learning about finance to achieving financial freedom and independence, they not only gain stability but also take control of their lives. This transition allows them to prioritize personal growth, contribute meaningfully to society, and plan for a future that aligns with their aspirations and core values.

Limiting beliefs about money are deeply ingrained perceptions that shape how individuals view their financial potential, their place in the world, and how they believe the "unwritten" rules of the Universe operate. These beliefs, often formed early in life, can create barriers to financial success and personal fulfilment by dictating behaviours that lead to less-than-desirable outcomes.

The key financial competencies

Financial literacy involves mastering five essential key competencies: Saving, Investing, Earning, Sharing, and Spending. Gaining a solid understanding of these concepts in relation to the family's core financial and life values is crucial for effectively applying money management skills. Many families find it beneficial to have open conversations and create a written statement of values to guide their financial decisions.

Merrill Lynch, Pierce, Fenner & Smith Incorporated provided value statements to assist individuals in identifying and discussing the values that define their family. In their guide, each competency discussion begins with a sample value statement, emphasizing the link between family values and financial education⁴.

Table 3.1 – Family values and the five core financial competencies

⁴ https://mlaem.fs.ml.com/content/dam/ML/Articles/pdf/ML_PracticalIdeadEngageNextGen_BRO-08-21-0114_B_ADA.pdf.

Financial competency	Examples of family values: We value...
1. Saving	<ul style="list-style-type: none"> ● Choices that reflect accountability and responsibility ● Consuming and demonstrating our financial resources to align with our core principles ● Building resources for the future ● Preserving family wealth to benefit multiple generations for education, travel and health care
2. Investing	<ul style="list-style-type: none"> ● Experiential learning through active participation ● Aligning our investments with our philosophy and purpose ● Preserving and growing family wealth across the generations ● Having the ability to take calculated risks
3. Earning	<ul style="list-style-type: none"> ● Financial independence, which allows us freedom and choices ● Paid productivity ● Each generation creating its own path ● Pursuit of meaning and purpose in one’s life and work ● Hard work and dedication ● Entrepreneurial mindset ● Self-reliance and independence
4. Sharing	<ul style="list-style-type: none"> ● Thoughtful consideration of the sharing of wealth, with limits and parameters ● Giving of our resources (time, intellect and money) to positively affect other lives ● Teaching the rising generation the importance of philanthropy ● Supporting organizations that align with our philosophies ● Focusing our philanthropy on our top priorities of interest
5. Spending	<ul style="list-style-type: none"> ● Designing a budget aligned to personal goals ● Distinguishing between needs and wants ● Thoughtful spending ● Spending for experience rather than consumption

Source: Merrill Center for Family Wealth

To sum up, financial literacy and financial education go beyond simply understanding numbers or managing money; it is about ensuring that our financial actions are in harmony with our family’s values and long-term aspirations. By connecting the five essential areas of **Saving**, **Investing**, **Earning**, **Sharing**, and **Spending** with our family’s core beliefs, we can make more deliberate and meaningful financial decisions that support both economic stability and personal satisfaction. Taking the time to reflect on and discuss these values not only deepens financial knowledge but also creates a clear sense of purpose for the future. When families commit to defining and living by these principles, they have the opportunity to establish a legacy of sound financial judgment and moral integrity that lasts for generations.



Reflect & Discuss

What does financial literacy mean to you personally, and why do you think it is essential for young adults today?

Why do you think there is such a disparity in financial literacy levels across different countries? How might the economic and educational systems in these countries influence financial literacy?

In what ways do you think financial education can influence personal well-being and community development?

Choose one of the five key financial competencies. How do you think this competency aligns with your personal values and future goals?

Do you think financial independence is possible for everyone? Why or why not?

Non-formal education exercises

1. Financial topic ice-breakers

Write down 3 words you associate with the word Wealth + Share in Pairs.

Conclusion: The words participants associate with wealth will most likely determine their relationship with money and we need to develop a healthy one. In these training sessions we will try to get the most common traits of healthy finance.

Write down the amount of money that you believe is the minimum needed for you to live a comfortable life 1) per month and 2) to retire tomorrow + Share in a pair.

Conclusion: The number you wrote down is different for almost anyone else in the room therefore finances are a very private thing and there is no one size fits all approach.

2. Financial Literacy Debate – "Money Talks"

Type: Interactive Debate

Objective: To encourage critical thinking about financial literacy and its real-life applications.

Time: 45-60 minutes

Materials: Printed statements, timer, flipchart or whiteboard

Instructions:

1. **Preparation:** Write down various thought-provoking statements about financial literacy on separate pieces of paper. Examples:

- "Financial literacy should be taught in schools from an early age."
- "Being rich does not mean being financially literate."
- "People with high financial literacy will always make good financial decisions."

2. **Divide the participants into two groups:** One team argues *for* the statement, and the other argues *against* it.

3. **Debate:**

- Each team gets 5 minutes to prepare their arguments.
- One speaker from each team presents their arguments (2 minutes each).
- The opposing team can then challenge their points (2 minutes).
- The debate continues with counter-arguments and concludes with a final statement from each side.

4. **Reflection:** Discuss what was learned and how financial literacy influences real-world decisions. The facilitator can summarize key takeaways about financial education.

3. Financial Literacy Simulation – "The Money Map"

Type: Experiential Learning

Objective: To help participants understand key financial competencies (Saving, Investing, Earning, Sharing, Spending) through real-life scenarios.

Time: 60 minutes

Materials: Scenario cards, "Money Map" worksheet, fake money (optional)

Instructions:

- Introduce the five key financial competencies: Explain Saving, Investing, Earning, Sharing, and Spending.

- Scenario Activity: Each participant (or small group) receives a scenario card. Example scenarios:

You just received your first paycheck. How do you distribute your money?

You need to save for a big goal (e.g., a car, education). What strategy do you use?

You want to invest but don't know where to start. What factors should you consider?

- Decision-Making Process: Participants decide how to allocate their money and write it on their "Money Map" worksheet.

- Discussion: After all groups have presented, the facilitator leads a discussion on financial decision-making, trade-offs, and long-term impacts.

4. Financial misconceptions

Objective: Help participants identify and correct common financial misconceptions, fostering critical thinking about money management.

Materials Needed:

- Board (electronic or physical)
- Pens
- Internet access (optional for research)

Introduction: Begin by explaining that many people grow up with financial myths—ideas about money that sound true but are often misleading. These myths can shape how we manage

our finances in ways that aren't beneficial. Share that during this activity, participants will explore common financial myths and work together to "bust" them with factual information.

Myth Sharing: Invite participants to share myths they've heard, or misconceptions they know from people around them. This can be about money management, saving, investing, budgeting, etc.

- Use a board (physical or digital) to capture these myths. You can also allow participants to submit them online if using an electronic platform.

- Example myths: "You need a credit card to build credit," "Investing is only for the rich," or "Budgeting is for people with money problems."

Categorizing Myths

- Group the myths into 5-6 main categories (e.g., Saving, Budgeting, Investing, Debt, Income, etc).

- Organize the myths on the board so that participants can visually see the different categories.

Group Work:

- Divide participants into smaller groups (3-5 people per group). Each group will pick one category to focus on.

- Assign them the task of investigating and busting their assigned myths. They should consider:

- Why do people believe these myths?
- What is the factual counter-argument?
- How can these misconceptions negatively impact financial decision-making?

- Encourage the groups to use the internet for research if needed, and prepare a few key points to present.

Group Presentations:

- Have each group present their category, explaining the myth, the reason people believe it, and the correct information that challenges it.

- Allow time for other participants to ask questions or share their thoughts after each presentation.

Conclusion:

- Recap 3-4 key takeaways from the activity, highlighting the importance of questioning common financial beliefs and thinking critically about money.

- Share some trustworthy resources where to look for information

2. Budgeting Basics

Objective

... to provide readers with basic concepts related to budget and budgeting.

Learning outcomes:

- understanding what a budget is and the importance of financial goals.
- identifying the main differences between needs and wants.
- grasping the main steps in creating a budget.

What is a budget?

A **budget** is a financial plan designed to help individuals manage their income, savings, and expenditures. It acts as a guide, showing where the income is coming from – such as a part-time job or an allowance or a scholarship – and how it's being used to cover expenses like rent, groceries, transportation, or entertainment. By creating a budget, one can avoid overspending, manage resources wisely, and work towards achieving specific financial goals, like saving for a major purchase or building an emergency fund⁵.

Therefore, a budget is created bearing in mind some specific goals.

Financial goals act as a roadmap, guiding individuals toward what they aim to achieve with their money and helping them align their financial decisions with their personal priorities. These are clear, future-focused goals that guide and shape one's financial choices with purpose and intent. These goals are not just abstract ideas; they're measurable and actionable plans (see below, in the content of the material, the 5 key characteristics) to help a person achieve stability, security, or even long-term aspirations like buying a house or retiring comfortably. Many people categorize financial goals based on **timeframes** to make them more manageable and achievable. This approach ensures that a person focuses on both immediate needs and future aspirations while maintaining a clear perspective on their progress. Typically, financial goals can be divided into three key categories (depicted also in Figure 2.1):

- **Short-Term Goals:** these are objectives you want to accomplish within the next one to three years. Examples might include saving for a holiday, buying a gadget, buying a car, or

⁵ <https://www.maupl.edu/en/news-and-events/macaws-blog/budgeting-and-personal-financial-planning-skills>.

setting up an emergency fund. Short-term goals are usually easier to achieve because they require smaller amounts of money and a shorter commitment.

- **Medium-Term Goals:** these goals generally span three to five years and may involve saving for larger expenses, such as funding an advanced course, or paying off a chunk of student debt or saving some money to put forward as a deposit on a house. Medium-term goals often require more disciplined saving and a clearer financial strategy than short-term ones.

- **Long-Term Goals:** Long-term financial goals usually extend beyond five years and involve significant planning and commitment. Examples include saving for retirement, purchasing a home, or building wealth through investments. These goals often require consistent efforts over an extended period and may involve diversifying income sources or exploring compound interest strategies.

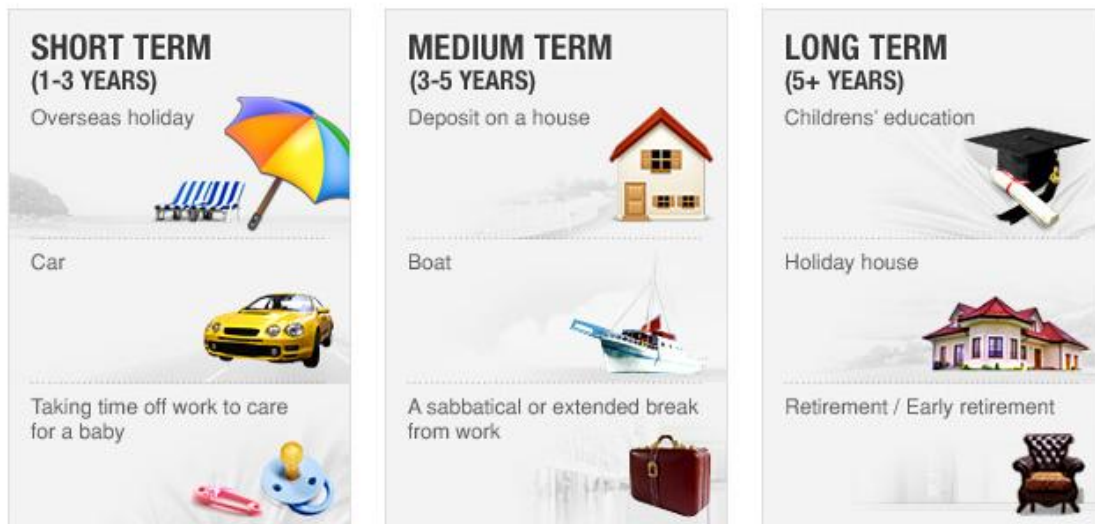


Figure no. 2.1 – Key Categories of Financial Goals by Timeframe⁶

Source: Sunit Investment and Financial Planner

Setting financial goals helps a person maintain control over their money and align their spending and saving habits with their personal priorities. They motivate an individual to make better financial decisions and provide a sense of accomplishment when their financial goals are achieved. Additionally, having well-defined goals encourages accountability, helps avoid unnecessary expenses, and keeps everyone on track even when unexpected challenges arise. Breaking goals into short-term, medium-term, and long-term categories helps create a financial plan that is both realistic and sustainable. Whether it's setting aside money for a dream vacation,

⁶ <https://faizalazrai.wordpress.com/matlamat/>.

tackling student loans, or building wealth for the future, each goal becomes a stepping stone toward financial independence and security.

Achievable financial goals possess five key characteristics, commonly referred to as the S.M.A.R.T. framework:

- **Specific:** The goal is clearly defined, with a precise monetary target.
- **Measurable:** There are clear milestones to track progress and evaluate how close you are to achieving your goal.
- **Achievable:** The goal can be reached by taking actionable steps, breaking it down into smaller, manageable tasks.
- **Realistic:** The goal is feasible based on your available resources, such as time, money, support, and external factors. Each goal may require different resources to succeed.
- **Time-bound:** The goal has a set deadline or timeframe for completion.

Needs vs. Wants

One of the most difficult, yet essential, parts of creating a budget is *distinguishing between needs and wants*. Both should be included in a budget, but it's important to give priority to needs over wants. *So, where does the distinction lie between the two?* It can sometimes be tricky, and it's further complicated by the fact that what one person sees as a need might be considered a want by someone else.

Understanding the difference between needs and wants is crucial for crafting and sticking to a budget. *Needs* are the basic items required for your overall health and well-being, whether it's physical, emotional, mental, or financial. If you stop spending money on your needs, it would likely lead to serious negative consequences. These typically include (see Figure 3.2):

- **Food and Water:** sufficient nourishment to maintain a healthy body and mind.
- **Shelter and Utilities:** safe and secure housing, including rent or mortgage payments, electricity, water, and gas.
- **Clothing:** appropriate attire to protect oneself from the elements and maintain personal hygiene.
- **Healthcare:** access to medical services, insurance, and medications as needed.
- **Basic Transportation:** a reliable means of getting to work, school, and other necessary destinations.

Wants, by contrast, are items or services that might improve your quality of life but are not essential for survival or well-being. Cutting back on these items might feel uncomfortable, but it wouldn't affect your ability to get by. Examples include (see also Figure 2.2):

- **Entertainment and Hobbies:** movies, concerts, sports events, and leisure activities.
- **Eating Out and Leisure Activities:** dining at restaurants, ordering takeout, or participating in recreational activities.
- **Vacations and Travel:** getaways, trips, and excursions for pleasure.
- **Luxury Items and Electronics:** high-end clothing, gadgets, and other non-essential possessions.

There are certainly some areas where the distinction isn't always clear. For instance, food is generally considered a need, but how you spend your money on food can make a difference. Buying a week's worth of groceries for \$150 is a need, but dining out at a nice restaurant for the same amount would be classified as a want.

Some situations are less straightforward. For example, if you value organic food, is spending extra on organic groceries considered a need, or could you make do with less expensive options? Similarly, if a gym membership is crucial for your physical or mental well-being, you might see it as a need, even though others might not.

When the line between needs and wants is blurred, it's ultimately up to you to decide what fits into each category based on your personal values and priorities.



Figure no. 2.2 – Examples of needs and wants

Source: <https://www.financestrategists.com/financial-advisor/personal-finance/budgeting-needs-vs-wants/>

Steps in creating a budget

Creating a budget is an effective approach to managing finances and gaining control over spending. It allows for tracking of funds, informed decision-making, and achievement of financial goals. While it may appear overwhelming at first, **budgeting** can be straightforward, and once established, only minor adjustments are needed when circumstances change. Several tools, including budgeting apps and spreadsheets, are available to assist in the process⁷. Various methods can be used to create a budget, with the following being one example:

1. Set financial goals

The first step in creating a budget involves establishing clear financial goals. These goals may include short-term, medium-term or long-term objectives. Defining these goals helps ensure that each financial decision supports the achievement of desired outcomes.



Goals should be clearly defined and listed as separate line items in the budget. Allocating money toward these goals each month, similar to how funds are designated for regular expenses, is recommended. While goals may evolve over time, identifying them helps maintain motivation to adhere to the budget. For instance, having a clear savings target, such as for a vacation, can make it easier to reduce unnecessary spending.

2. Determine the income sources



Determining the sources of income and estimating the total income involves calculating the total earnings available after taxes and deductions. For those with regular paychecks (usually from their everyday jobs), this figure is usually straightforward, as it represents the take-home pay after all

deductions. Freelancers and self-employed individuals need to account for taxes and other contributions to determine the amount available to them.

⁷ <https://bettermoneyhabits.bankofamerica.com/en/saving-budgeting/creating-a-budget>.

3. List expenses and amounts needed

A comprehensive list of all expenses is essential in understanding where money is being spent. Regular, predictable costs such as rent, loan payments, insurance, and utilities are considered *fixed expenses*. Other expenses, like groceries, dining out, and entertainment, are categorized as *variable expenses*. Ensuring that every expense is accounted for provides a complete picture of monthly financial obligations. See Figure 2.3 for the main spending categories that could be identified in a budget.



Figure no. 2.3 – Main spending categories

Source: <https://www.oldpoint.com/blog/categorize-your-spending-to-help-manage-your-budget>

The main spending categories refer to:

- costs associated with purchasing food and beverages, whether at the grocery store or eating out.
- spending on clothing, personal items, gadgets, and other goods that aren't part of regular living expenses.
- spending on dining out, from quick coffee runs to sit-down meals at restaurants.
- costs associated with getting from one place to another, whether by private vehicle or public transit.
- monthly or periodic payments related to your living space, including rent or mortgage payments and home-related expenses.
- spending on leisure activities and hobbies, often to relax or enjoy personal time.
- spending related to personal health and well-being, including medical, dental, and vision care.
- expenses for formal education and learning, whether at school or through personal development.

- costs for vacations, business trips, and leisure travel.
- costs related to purchasing medications and treatments for health conditions.
- spending on household appliances and gadgets for comfort and efficiency.
- spending related to the care, education, and well-being of children.
- payments for various personal services that help manage life's demands.

4. Ensure expenses do not exceed income

A critical step in budgeting is ensuring that total expenses do not surpass the estimated income. When expenses exceed monthly income, feelings of stress and worry are common. However, despite the challenge, there are practical steps that



can help regain control. One effective approach is to evaluate expenses by category, recognizing that some costs are more flexible than others. Typically, variable expenses provide the most flexibility, and reducing unnecessary spending in areas like dining out or entertainment can bring the budget into balance. Additionally, utilizing financial tools, such as a prepaid Mastercard with integrated savings features, can be an effective way to manage expenses. Though it may take time, consistent effort can lead to a more manageable financial situation. Budgeting practices often reflect regional economic and cultural influences, which can vary significantly between countries. For instance, people in countries like **Bulgaria**, **Lithuania**, and **Romania** may approach budgeting differently due to differences in average income levels, living costs, access to financial education or the different levels in financial literacy (mentioned in [Chapter 1](#)). With focus and discipline, it's possible to bring spending in line with income. To summarize, there are five important steps:

- **Step 1:** Identify the source of the issue.
- **Step 2:** Take control of the budget.
- **Step 3:** Cut unnecessary expenses.
- **Step 4:** Explore opportunities to boost income.
- **Step 5:** Save whenever possible.

5. Decide on savings and investment amounts



Allocating a portion of income towards both savings and investments is essential for financial stability and growth. Whether **saving** for emergencies, future goals, or retirement, setting aside money helps build a financial safety net. In addition, **investing** a portion of income can help grow wealth over time and

prepare for long-term financial goals. Prioritizing savings and investments should be considered part of essential expenses, not an afterthought, to ensure a secure financial future.

6. Review and adjust as needed

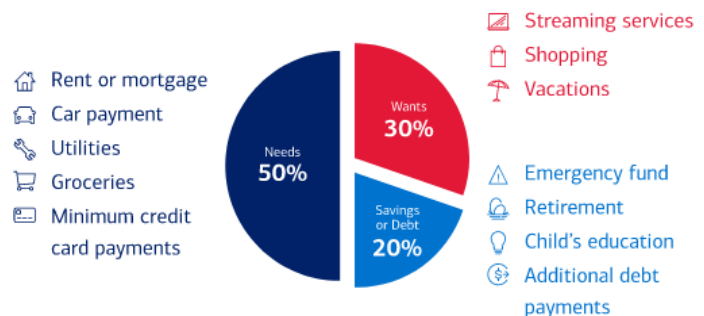
Once the budget is established, it is important to regularly review and make adjustments when necessary. Changes in income, expenses, or financial goals may require modifications to the budget. Regularly assessing the budget ensures that it remains relevant and effective in helping achieve financial goals.

Choosing a budgeting method

There are various methods for implementing a budget plan, and the most important aspect is selecting the approach that best fits personal circumstances (See [Better Money Habits](#)).

◆ 50/30/20 Budget

This is the perfect method for every beginner and serves as a practical starting point for budgeting. It involves categorizing expenses into needs and wants. Needs are essential, such as transportation costs, while wants are non-essential, like subscriptions. Once these categories are defined, the budget divides net income into three portions: **50%** for needs, **30%** for wants, and **20%** for savings or additional debt payments. The percentages are adjustable.





◆ **Envelope Budget**

This method works well for those who find it difficult to manage their spending. It involves allocating cash to different expense categories each month by filling envelopes, with each envelope dedicated to a specific category. Once the money in an envelope is exhausted, no further spending is allowed for that category. For those who prefer digital payments, this system can be adapted by using separate checking accounts for each category and paying via debit card.

◆ **Zero-Based Budget**

This approach is ideal for individuals with a fixed income who are comfortable with meticulous record-keeping. It requires ensuring that every dollar of income is accounted for, either spent or saved, so that the total expenses equal the income. This doesn't mean spending until the bank account is empty but rather assigning a purpose to each dollar.



◆ **Pay-Yourself-First Budget**

This method suits individuals who wish to prioritize savings and are confident in their ability to cover basic necessities. It involves saving a predetermined amount before paying any bills or making purchases. After saving, the funds for essential expenses like rent, groceries, utilities, and debt repayments are allocated. Any remaining money is then used for non-essential wants.



Reflect & Discuss

How often do you think it's necessary to review and adjust your budget? Can you recall a time when adjusting your budget helped you reach a financial goal?

Think about a recent purchase you made. How would you categorize it—was it a need or a want? How did that decision affect your budget?

Which step in creating a budget do you find most challenging? What strategies can you use to overcome those challenges?

Have you tried any of the budgeting methods mentioned, like the 50/30/20 or the Zero-Based Budget? Which one do you think would suit you best and why?

How do you currently approach savings and investments in your budget? Do you prioritize savings, and if so, how do you decide how much to save?

How often do you think it's necessary to review and adjust your budget? Can you recall a time when adjusting your budget helped you reach a financial goal?

Non-formal education exercises

1. Budget challenges-“How to make informed decisions”

Situation: John and Mary with a combined monthly income of 3700 euro are striving to achieve two significant financial goals. They plan to purchase a house within six months due to escalating rent expenses and they need 5000 euro as down payment. They are also saving for a vacation costing 3000 euro, which is scheduled in 4 months. However, unexpected financial hurdles have arisen:

- Car repair: their vehicle requires immediate repairs totaling **600 euro** before their vacation.

- Mary's work requirement: Mary needs to invest **1000 euro** in a gadget to enhance her ability to work extra hours from home.

Incomes	EUR
Monthly salary (John)	2500
Monthly income (Mary)	1200
Total Incomes	3700
Essential Expenses (needs)	EUR
Rent/mortgage installment	800
Home maintenance expenses	100
Personal loan repayments	150
Grocery expenses	30
Monthly subscriptions (cable TV, Telephony, Internet)	50
Utility bills	50
Financial service payments (bank fees, credit card interest)	150
Education expenses (school fees, children's activities for 2 kids)	200
Healthcare costs (gym subscriptions, regular medical services)	100
Pet expenses (food, veterinary care)	40
Car fuel	100
Taxes and fees	30
Total (needs)	1800
Desires	EUR
Dining out and meals in the city	50
Trips	0
IT equipment (smartphones, tablets, laptops)	400
Clothing and fashion accessories	100
Entertainment and hobbies	100
Total Desires	650
Savings / Investments	EUR
Emergency Fund (existent balance 100)	250
Vacation (existent balance 600)	400
Education (existent sold 1500)	100
Car Change/Purchase	0
Down payment for house (existent sold 2000)	500
Total Savings / Investments	1250
Balance	0

Consider the budget from the attached figure.

Requests:

1. Reorganize the budget, if necessary, to ensure the family's plans are carried out.
2. Consider applying for a loan, but specify the type of loan used and for which challenge.

2. Budgeting Relay – "Plan and Save Fast"

Objective: Teach participants how to allocate a budget quickly and effectively under pressure.

Setup:

- Provide participants with a scenario (e.g., a family earning 3000 euros/month with specific goals).
- List expenses and savings goals.

Gameplay:

1. Divide participants into small teams.
2. Each team has 10 minutes to create a budget that meets all goals (e.g., saving for a car, paying off debt).
3. Introduce surprise scenarios after 5 minutes, such as:
 - o "Your car broke down, and repairs cost 600 euros."
 - o "You received a bonus of 300 euros."
4. Teams must adjust their budgets in real-time to accommodate the changes.

Outcome: Highlights the importance of flexibility and prioritization in budgeting.

3. Financial Planning and Decision-Making

Objective

... to provide readers with basic information on how to plan for the financial future and make informed financial decisions.

Learning outcomes:

- understanding what a financial plan is and the importance of financial planning.
- grasping the main benefits of financial planning.
- comprehending the seven types of financial planning.

What is financial planning?

Financial planning plays a crucial role in securing the financial future of a household and achieving its goals. It involves the process of educating individuals about the significance of planning for financial security, not only for themselves but for all family members (and it puts into good use the key financial competences discussed earlier in the manuscript). A comprehensive financial plan serves as a tool to guide households towards meeting their objectives, preparing for important milestones, and protecting against unforeseen events⁸.

Family financial planning is a structured approach that entails evaluating, managing, and optimizing financial resources to meet specific short-term, medium-term and long-term goals, while ensuring stability and security. It takes into account the diverse financial needs, aspirations, and risk tolerance of each family member, making the process more complex than individual financial planning.

The primary objective of financial planning is to develop a complete plan that addresses the financial needs of each member, fostering overall stability and growth. This process involves offering expert advice and tailored solutions to help families achieve their goals based on their unique circumstances.



⁸ <https://www.etmoney.com/learn/personal-finance/financial-planning-definition-importance-and-benefits/>.

Financial planning is a process that involves assessing the current financial situation and creating a plan to achieve future objectives. This can encompass a wide range of financial areas, including *investing, taxes, savings, retirement planning, insurance, and estate management*. Financial planning typically goes beyond investment advice and requires looking at various aspects of an individual's or family's financial life.

A financial planner can assist in building this comprehensive plan, with financial advisors often providing both planning and asset management services. While asset management focuses on managing investments such as stocks, bonds, and mutual funds, financial planning addresses broader financial goals and strategies.

Main benefits of financial planning

A financial plan provides a structured approach to managing income, expenses, and long-term financial goals. It helps individuals understand their financial situation clearly and provides a pathway to achieving both short-term and long-term objectives. Below are some key benefits of having a financial plan (see also Figure no. 3.1):

◆ Clear insight into income and spending

Creating a financial plan requires a detailed review of income sources and spending habits. This helps individuals gain a better understanding of their financial situation, allowing them to manage money more effectively. By regularly evaluating these aspects, it is easier to spot areas for improvement and make adjustments where necessary.

◆ Enhanced financial awareness

Financial planning helps individuals maintain a constant awareness of their financial health. With a clear understanding of current income, expenses, and savings, it is easier to identify opportunities for growth, manage cash flow efficiently, and avoid financial surprises. This awareness empowers individuals to make informed decisions about their finances and pursue financial goals with confidence.

◆ Setting financial goals

A well-structured financial plan sets clear and achievable financial goals. These can range from short-term objectives, such as saving for an emergency fund, to long-term goals like purchasing a home or planning for retirement. By defining specific targets, individuals can align their spending and investment strategies with these goals, improving the likelihood of success.

◆ **Clear action steps for achieving goals**

Once goals are defined, a financial plan outlines the actions needed to reach them. This may include creating a budget, prioritizing debt repayment, or setting up a savings plan. By breaking down larger objectives into smaller, actionable steps, individuals can track progress more effectively and stay motivated.



Figure no. 3.1 – Benefits of financial planning

Source: <https://www.wallstreetmojo.com/financial-planning-dummies-guide/>

◆ **Focus on immediate financial priorities**

A financial plan helps prioritize immediate financial needs, such as reducing debt and building an emergency savings fund. These foundational steps help to ensure financial stability before moving on to more complex goals, reducing financial stress in the short term and laying the groundwork for future success.

◆ **Increased likelihood of achieving financial milestones**

By developing and following a financial plan, individuals increase their chances of reaching significant financial milestones. Consistent planning and budgeting make it easier to save for important life events, such as buying a car, funding education, or securing retirement. A clear financial strategy helps turn goals into reality.

◆ **Continuous monitoring and adjustment of financial progress**

A financial plan is a dynamic tool that allows for continuous tracking of progress. Regularly reviewing financial goals and results ensures that individuals stay on track and make any necessary adjustments along the way. This ongoing evaluation helps refine strategies and maintain momentum toward achieving long-term objectives.

◆ **Reduced financial stress**

Having a financial plan in place can significantly reduce stress and worry about money. By setting aside funds for emergencies, planning for the future, and managing debt, individuals can feel more secure about their financial situation. Knowing there is a clear strategy in place helps to alleviate concerns and provides peace of mind.

A financial plan not only provides clarity and structure to an individual's finances, but also increases the likelihood of reaching financial goals and reducing financial stress. By making thoughtful decisions and consistently reviewing progress, individuals can take control of their financial future and ensure long-term stability and success. Financial planning helps individuals maintain a constant awareness of their financial health. For instance, young adults in **Bulgaria, Lithuania, and Romania** often face unique challenges in managing their finances due to differing economic conditions, average income levels, and access to financial education.

Different types of financial planning

Under the financial planning taxonomy, there is a wide range of services designed to help individuals manage their finances effectively. These services are often interrelated, creating a comprehensive plan that addresses both current financial needs and future objectives. Below are eight common services typically included in financial planning.



Figure no. 3.2 – Types of Financial Planning

Source: <https://www.paisabazaar.com/mutual-funds/financial-planning/>

1. Tax planning

Effective tax planning is essential for individuals seeking to grow their wealth. The objective is to identify strategies that minimize tax liabilities, potentially leading to significant savings. By strategically investing in *tax-saving instruments* (like *governmental bonds*), one can reduce taxable income. This provides two benefits: *generating returns on investments* and *taking advantage of tax deductions and exemptions*. Tax planning requires careful management of taxes throughout the year, not just at the end of the tax period, to maximize the benefits from deductions, credits, and other opportunities to reduce taxes owed.



Understanding tax laws and regulations is crucial to identifying the most effective strategies for minimizing taxes. Financial planners can also assist with preparing and filing taxes, further simplifying the process and ensuring that all potential tax-saving avenues are explored.

One has to consider the differences between tax systems among countries. For example, **Bulgaria** and **Romania** both levy a flat personal income tax rate of 10%, among the lowest in Europe. **Lithuania**, while also employing a flat tax system, has a slightly higher rate (32%).

2. Real estate planning

Real estate investment is often regarded as a stable and lucrative way to grow wealth. By thoroughly analyzing market trends and the potential for growth in specific locations, individuals can make informed decisions when investing in properties, as real assets. Over time, real estate tends to appreciate (grow in value), offering the possibility of significant returns, especially over long-term periods, such as ten years. Unlike more volatile investment options like stocks, real estate tends to be less affected by short-term market fluctuations, making it an attractive choice for those seeking stability in their investment portfolio.



A key advantage of real estate investment is the ability to generate passive income through rental properties, providing a steady cash flow in addition to capital gains when the property is sold. This can be especially advantageous for investors looking to diversify their income streams and secure their financial future.

Furthermore, such investments can serve as a vital asset for future generations. In the unfortunate event of an investor's death, estates can act as a safety net for heirs, providing them with valuable assets that can be passed on or liquidated. Real estate can be a legacy asset,

ensuring that family members are financially supported, even in times of economic uncertainty. By having a well-structured estate plan that includes the transfer of property, individuals can secure their heirs' financial well-being and prevent potential disputes over the distribution of assets.

3. Insurance planning

Insurance planning is a crucial component of financial security, helping individuals to shield from unexpected risks that could otherwise lead to significant financial strain. Life and health insurance are often considered the most essential types of coverage, offering protection against unforeseen medical expenses or loss of income. In addition to these, other forms of



insurance such as auto and home coverage are also valuable, as they provide financial relief in the event of accidents, property damage, or theft (see [Chapter 7](#) for details).

The purpose of insurance planning is to ensure that individuals are *financially protected* in case of emergencies. By selecting the right policies, a person can minimize the financial burden of these situations, securing themselves and their families from significant losses. Effective insurance planning involves evaluating the various risks a person may face in life and determining the appropriate types and amounts of coverage required.

In the process of selecting insurance policies, it is important to consider not only immediate needs but also long-term goals. This process may involve assessing factors such as health risks, asset value, and potential future expenses. Life insurance, for instance, is vital for securing the financial future of dependents, while health insurance ensures that medical costs are covered. Disability insurance protects income in case of injury or illness that prevents one from working, and property insurance safeguards against losses related to home or vehicle damage.

4. Investment planning

Investment planning allows individuals to allocate their funds effectively in order to achieve their financial goals. While financial planning may not always involve direct management of assets, it typically includes strategies for constructing an investment portfolio. This involves determining how much



should be invested and selecting the right types of investments to meet specific financial objectives (see [Chapter 6](#) for details).

Creating an investment plan begins with assessing an individual's *risk tolerance*, investment goals, and *expected returns*. Different people have varying comfort levels with risk (some may prefer low-risk, stable investments, while others might opt for higher-risk opportunities in exchange for potentially higher returns). It is crucial to evaluate whether the individual's financial situation can support their preferred investment choices.

To minimize risk, it is important to diversify investments across different asset classes and sectors. A diversified portfolio can help protect against losses in case one of the investments underperforms. By spreading investments across various options, the risk associated with market volatility can be reduced.



5. Education and philanthropic planning

When planning for education funding, it is important to consider how to assist dependents, such as children, in paying for their education (higher education in particular). With the increasing cost of university related costs, planning ahead can help ensure the necessary resources are available to support educational expenses. Financial planning in this area involves identifying the best methods to save and invest for future tuition costs, as well as exploring options for scholarships, grants, or other financial assistance. Establishing a financial strategy can help ensure that children receive the education and support needed to succeed in their adult lives. By taking action now, parents can provide a secure base of financial resources that will benefit their children in the long run.

Philanthropic planning is an essential component of financial strategies for those who wish to contribute to causes or individuals in need. Effective financial planning can ensure that charitable donations are made efficiently, maximizing the impact of the contributions while also securing any tax benefits that may be available. By carefully planning charitable giving, it

is possible to support meaningful causes without facing unexpected financial consequences.



6. Cash flow planning

Cash flow involves the movement of money into and out of an individual's finances. Cash flow planning is the process of assessing current and future

spending patterns and creating strategies to ensure financial goals are met. By managing cash flow, individuals can guarantee sufficient savings for emergencies, making it a crucial first step in any financial plan. It also provides clarity on how much disposable income is available for investment and other financial opportunities after covering essential expenses.

Creating an effective financial plan begins with developing a detailed budget and financial forecast. This helps individuals understand their net worth, income, expenses, and debts, which in turn aids in making more informed financial decisions.

Effective planning ensures that financial obligations are met on time, while also helping to set the foundation for achieving long-term financial goals. It allows for early identification of potential issues, offering the opportunity to take corrective actions before problems arise.



7. Retirement planning

Planning for retirement is an important goal for many individuals (albeit the age), with the aim of securing financial independence in later years. A thorough retirement plan ensures that, over time, sufficient resources are accumulated to maintain a comfortable lifestyle without relying on active income. For effective retirement planning, it is important to assess the specific goals of the individual or couple, including when they hope to retire and what lifestyle they envision. This helps to outline a strategy that aligns with their financial situation and ensures that adequate funds are available when their income decreases during retirement.

Retirement planning is a comprehensive process that integrates the **Three-Pillar Pension System** (see [Chapter 7](#) for details), ensuring a well-rounded approach to securing financial stability for the future. Each pillar serves a distinct purpose. The *first pillar* is a government-mandated public pension system, which provides a basic safety net to ensure a minimum standard of living in retirement, funded by taxes or social security contributions. The *second pillar* consists of employer-sponsored pension plans, such as 401(k)s or EPF, which supplement the first pillar by providing additional retirement savings, often with employer contributions. Finally, the *third pillar* includes voluntary personal savings and private pension plans, offering individuals the flexibility to invest and save according to their own goals and preferences, thereby enhancing their retirement income. Together, these three pillars provide a balanced and comprehensive strategy for securing financial stability in retirement.

Steps in the financial planning process

There are several steps that guide individuals or businesses through the process, ensuring their strategies align with their financial goals. Below are the key steps typically involved⁹:

a) assessing financial circumstances: a comprehensive understanding of personal financial circumstances is essential before creating a financial plan. This includes reviewing both financial and personal factors that may affect the plan's success.

b) setting financial goals: the next step is to clearly define financial goals, whether it's saving for a house, retirement, education, or other personal objectives. Setting clear goals is vital to ensure that the plan is focused and realistic.

c) developing strategies: with clear goals in place, the next step involves creating strategies to achieve those objectives. It is important to understand current financial practices and what actions are being taken to reach financial goals.

d) executing the plan: Once the strategies are established, the next phase is to implement them. This involves taking the necessary steps to follow through on the chosen decisions.

e) ongoing monitoring and adjustments: after implementing the plan, ongoing monitoring is essential. Tracking progress and revisiting the plan regularly allows for adjustments to be made if some strategies are not working as expected or if improvements can be made.



Reflect & Discuss

What are your short-term and long-term financial goals? How do you plan to achieve them?

How often do you review your personal financial situation? What are some benefits of regularly monitoring your finances?

How do you think having a structured financial plan can reduce stress or anxiety related to money?

Have you ever experienced a situation where your spending got out of hand? How could a financial plan have helped in that situation?

⁹ <https://www.planningretirements.com/blog/7-steps-financial-planning-process/>

Which type of financial planning (e.g., tax planning, investment planning, retirement planning) do you think is most important at your current stage in life? Why?

Imagine you are planning for a major life milestone (e.g., buying a house, starting a business, or funding education). How would you approach financial planning for this goal?

How would you involve your family in the financial planning process? What challenges might arise when planning finances for a household?

Non-formal education exercises

1. Storytelling Workshops – "The Road to Financial Freedom"

Situation:

Participants are divided into groups and tasked with creating a story about a fictional character, Alex, who faces the following financial challenges:

- Alex earns **1800 euros** per month but has accumulated **5000 euros in credit card debt**.
- Alex dreams of starting a small business in **12 months**, requiring **7000 euros in initial capital**.
- Alex recently inherited **2000 euros**, which can be used to pay off debt or saved for the business.

Requests:

- Write Alex's story, detailing how they manage their income, debt, and future goals.
- Decide how Alex should use the inherited money and explain why.
- Present Alex's financial plan and story to the group, discussing potential outcomes.

2. Future Goals Mapping"

Situation:

A group of young adults is considering their financial future but has no clear plan. They have multiple financial goals, such as buying a car, saving for further education, or traveling the world, but they struggle with how to prioritize and budget effectively.

Task:

Each participant must choose **two goals** that are important to them (e.g., education, travel, buying a car) and create a roadmap for achieving those goals. They must:

- Allocate a portion of their monthly income to these goals.
- Identify potential obstacles and how to overcome them (e.g., sudden expenses or low income).
- Decide on realistic timelines for each goal.

- Present their future goal plan to the group and explain why they chose these specific goals and how they plan to achieve them.

3. "The Investment Maze"

Situation:

A group of young adults is ready to start investing but has no prior knowledge of the different investment options available to them. They are eager to grow their money but unsure where to begin.

Task:

Participants will be divided into small groups, each with a "budget" of 3,000 euros. They must invest their funds in one of three options: stocks, bonds, or mutual funds. The challenge is to decide how much to allocate to each investment type based on the risk and expected return. They must also:

- Research and select at least one investment option that suits their risk tolerance.
- Explain the reasoning behind their choices.
- Present their decisions and the expected outcome to the rest of the group, taking into account the potential risks and rewards of their strategy.

4. Smart Money Moves: Understanding Chaos & FOMO

Objectives:

- Lead youngsters to knowledge and skills which will help to make informed financial decisions.
- Understand how emotional impulses like FOMO can affect their spending habits.
- Help them recognize the value of saving and making intentional choices.

5. Icebreaker Activity: "Financial Snapshots"

- Goal: Get teens thinking about their current relationship they have with money.

●How: Ask participants to briefly answer a few questions (can be a jamboard that everyone adds their answers to each of the questions):

- “How do you usually spend your money?”
- “What is the most recent purchase you made?”
- “Do you feel pressure to keep up with others financially?”
- “How can you describe FOMO? Have you ever felt it? Why? Did this feeling have any significance in your daily life now?”

After a few minutes, have some volunteers share their answers. This sets the stage for the conversation on impulsive spending, FOMO, and emotional spending.

6. Introduction to Financial Chaos & FOMO

Goal: Highlight how overwhelming financial advice and external pressures can confuse teenagers and cause them to make poor financial choices.

How: Create a quick skit or scenario where someone feels overwhelmed by the “advice” and ads they see online. This can be a skit like:

- "Friend 1: 'Another day, another party! Let’s go on a stroll of cafes, order some food, chill at Tom’s house, get some takeaways, hang out..'"
- "Friend 2: 'Should I go? Sounds fun, but lowkey expensive.. I’ve been going out every weekend!'"
- "Narrator: But is it necessary? Or is it just FOMO at play?"

Use this to transition into a discussion on how constant exposure to new trends and the fear of missing out can influence decision-making. Then, briefly explain the concept of informational chaos: too many voices making it hard to focus on personal financial goals. Let them explore the topic of FOMO, the most common situations they feel it, how much they spend on their “wants”.

7. Activity: “Create Your Own Budget”

●Goal: Teach the importance of budgeting and making intentional financial decisions. Show them that they can control their money by understanding where it goes.

- How: Provide a simple budgeting worksheet (template with categories like “Needs,” “Wants,” and “Savings”). Walk them through an example.

- First, ask them to think of their monthly expenses (e.g., lunch money, transportation, entertainment, going out, etc.).

- Next, guide them to list their “Wants” (e.g., new clothes, gadgets, parties, etc.) and “Needs” (e.g., food, phone bill, savings, etc.).

- Give them 10-15 minutes to fill it out individually. Afterward, ask them to share their budgets in pairs or small groups and discuss if they find room for savings or rethinking impulse purchases.

8. Activity: “What’s Your Spending Trigger?”

Goal: Discuss emotional triggers that can lead to impulsive buying, like boredom, stress, or FOMO.

How: Present different scenarios and ask teens to reflect on whether they would spend money in that situation:

- "You just saw an ad for a limited-time sneaker sale, but you know your friend has those sneakers."

- "You’ve been saving for a new phone, but a friend just got the latest model and is posting about it."

- “Your 18th birthday is coming up and you are up for a huge party, just like your classmate Tom had - rent a big place with a pool, DJ and food catering.”

After each scenario, ask them to pause and consider if it was an emotional reaction (FOMO, peer pressure, past example, expectations) or a well-thought-out decision. Then, show how understanding these triggers can help in making more mindful decisions.

9. Activity: “Dealing with Peer Pressure”

Goal: Understand and combat the feeling of “keeping up” with others. Discuss how social media, friends, and family can affect financial decisions.

How: Split participants into small groups (3-4 people) and ask them to brainstorm ideas on how to handle situations where they feel pressured to spend money, like:

- “What would you say if your friend is pressuring you to buy something you don’t need?”
- “What would you say to a friend that feels the need to keep up with trends, buy new things every season?”
- “How can you stay financially healthy when everyone around you is buying the newest gadgets?”

Have each group share their ideas. Guide them to understand that financial decisions should be based on personal values and goals, not social pressures.

10. Bonus Activity: “Smart Money Goals” (the first one)

Goal: End the session with a positive action plan for future financial decisions.

How: Ask each participant to write down one smart money goal for the next month. It could be:

- Saving a set amount.
- Avoiding an impulse purchase.
- Learning about a new investment option.

Encourage them to share their goals with a partner and check in with them after a week or two to discuss progress.

4. Saving and Investing

Objective

... to show readers the importance of saving and the basics of investing for future financial stability.

Learning outcomes:

- understanding the differences between saving and investing.
- recognizing the particularities of saving and the particularities of investing.
- balancing saving and investing while accounting for some up-to-date statistics.

What are the differences between saving and investing?

Grasping the distinction between saving and investing is crucial for achieving financial stability and securing a brighter future for the individual, as well as for the community he/she belongs. While these terms are sometimes confused, they represent two distinct approaches to managing money, each playing a unique role in personal finance (see also Figure no. 4.1).

Saving typically focuses on building a financial cushion for short-term needs and emergencies, offering stability and security. On the other hand, investing is geared towards generating higher returns over the long term but comes with associated risks. Both strategies have their advantages and challenges, making it essential to strike a balance that aligns with specific financial goals and circumstances.



Figure no. 4.1 – Main differences between saving and investing

Source: Alice Morgan (Investopedia)

A thoughtful combination of saving and investing can provide a robust foundation for building wealth, navigating unexpected financial situations, and achieving long-term objectives. Understanding these concepts and how they work together empowers individuals to make informed decisions and create a path toward financial success.

The particularities of saving¹⁰

Saving money involves setting aside or *keep* a portion of income in a secure place, such as a savings account or certificate of deposit (CD), where it can grow (or not) over time through interest. Basically, it means that you postpone current consumption in favor of a future consumption of goods and services. Common reasons that individuals invoke when saving include purchasing a new gadget, planning a vacation, or building an emergency fund for unforeseen costs like medical bills or car repairs. Savings are typically low-risk, providing a safe way to meet short-term goals, though the returns in interest are modest.

For example, saving \$1,000 for a laptop over ten months can be achieved by setting aside \$100 each month, avoiding the need to rely on loans or credit cards. Automatic transfers are another effective tool for consistent saving, eliminating the need to remember manual deposits.

To cultivate a savings habit, monitoring discretionary expenses is essential to ensure funds are available to set aside regularly. Services like pre-authorized transfers can simplify the process, making it easier to build a financial cushion. Once saving becomes consistent, the next step might involve deciding whether to keep the money in a savings account or explore investment opportunities to grow it further.

Saving money offers several advantages (see Figure no. 4.2), making it an essential component of financial planning. It provides a reliable safety net for unexpected expenses, ensures liquidity for short-term goals or purchases, and is protected from market losses. Savings accounts, especially those insured by organizations like the Bank Deposit Guarantee Fund (FGDB), guarantee funds up to a specified limit (in Romania this is 100.000 euro per person per bank), offering peace of mind. Additionally, they allow easy access to funds, making them ideal for emergency reserves.

¹⁰ <https://www.investopedia.com/articles/investing/022516/saving-vs-investing-understanding-key-differences.asp>.

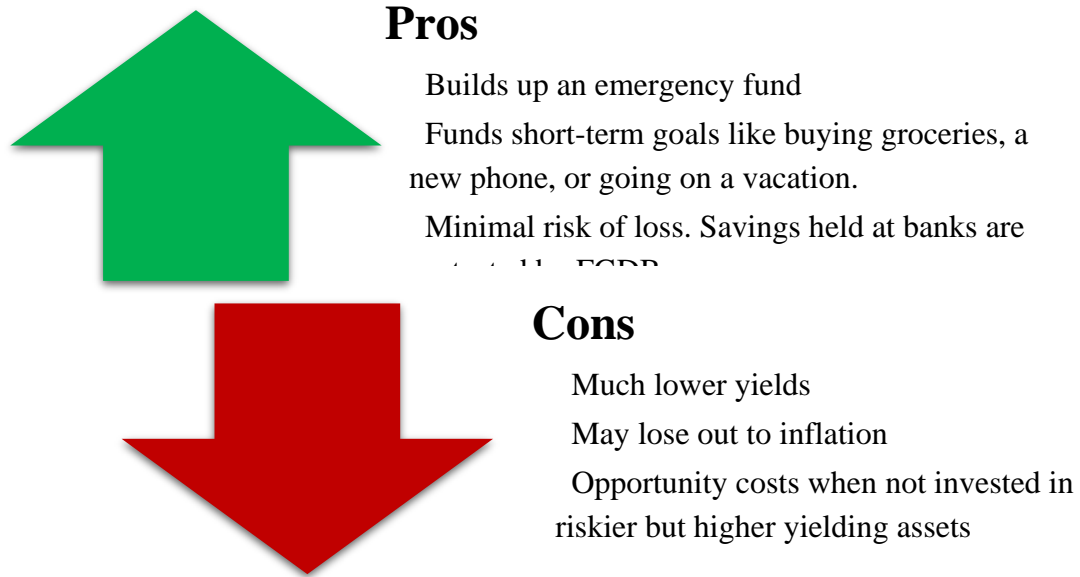


Figure no. 4.2 – Pros and Cons of Saving

However, savings also have limitations. Interest rates on savings accounts are typically low, often unable to outpace inflation, which can diminish purchasing power over time. Compared to other investment options, such as stocks or retirement accounts, savings accounts have limited potential for growth, making them less effective for building long-term wealth. For a well-rounded financial strategy, it is important to complement savings with investments that offer higher returns to balance security and growth.

The particularities of investing

Investing offers a way to *grow* money over time by allocating it to financial instruments like stocks, bonds, and mutual funds (these being a few from a plenitude of possibilities). Unlike saving, investing involves a certain level of risk, but it provides the potential for higher returns, especially when focused on long-term financial goals such as retirement, purchasing a home, or funding education. The level of risk and type of investments should align with financial objectives, personal risk tolerance, and the time horizon available. Generally, longer investment periods allow for a greater ability to weather market fluctuations and take on higher risk.

For example, buying shares in a company such as Apple represents ownership of a small portion of the business. If the company performs well, the stock's value may increase, providing an opportunity for profit. However, investments carry no guarantees (poor performance or bankruptcy could result in significant losses). Diversification, spreading investments across various companies and industries, is an essential strategy to minimize these risks.

A practical example of investing is participating in a retirement plan, where a portion of income is regularly contributed to a portfolio of assets, including stocks and bonds, managed by a plan administrator. Many employers offer matching contributions, boosting the total investment. The primary benefit of a retirement plan is its tax advantages (contributions lower taxable income, and the funds grow tax-deferred until withdrawal). Starting early and contributing consistently can leverage the power of compounding returns, significantly growing retirement savings. Regularly reviewing and adjusting the portfolio ensures alignment with risk tolerance and evolving financial goals.

Investing offers opportunities to grow wealth over time (see Figure no. 4.3), potentially achieving higher returns compared to traditional savings accounts. This makes it a valuable tool for meeting long-term financial goals, such as saving for retirement or purchasing a home.

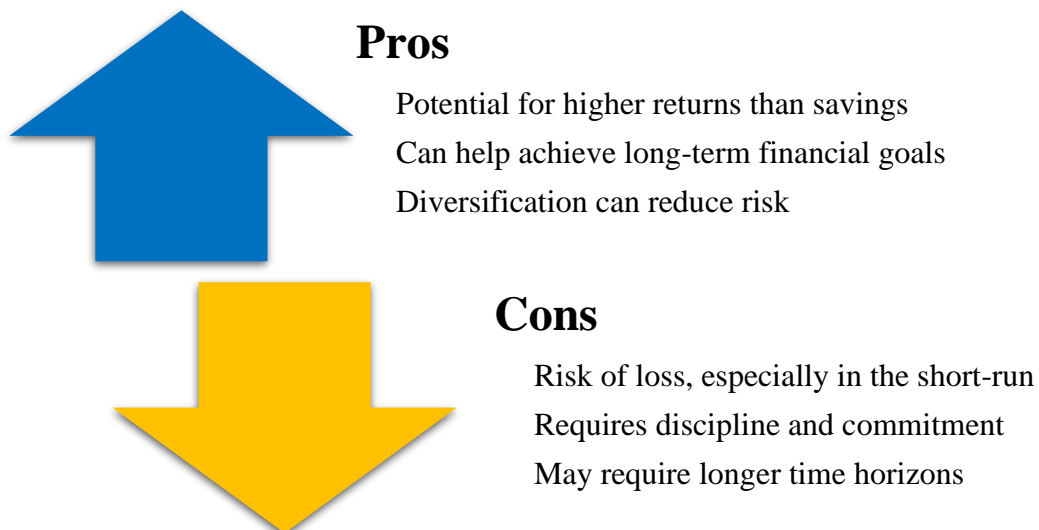


Figure no. 4.3 – Pros and Cons of Investing

Through reinvestment and compounding, investments can help offset the effects of inflation and preserve purchasing power, which savings accounts might struggle to achieve in low-interest environments. Investing, however, offers the potential to outpace inflation, depending on the chosen investment products, and helps preserve or even grow the real value of money over time. Additionally, investments tailored to individual goals, risk tolerance, and time horizons provide flexibility to align with specific financial objectives. Establishing a regular automatic contribution simplifies the investment process by eliminating the need to time the market. In cases where investment values fluctuate, consistent automatic investments can average out purchase costs over time. This approach has the potential to enhance long-term

growth, lower overall risk, and alleviate concerns about selecting the optimal moment to invest, thereby maximizing potential returns.

Despite its benefits, investing involves certain challenges and risks. Market volatility can result in losses, and the complexity of financial instruments requires a solid understanding of markets and investment strategies. Liquidity constraints and associated fees may also limit access to funds when needed. However, strategies like diversification, regular automatic contributions, and professional financial advice can help manage these risks and create a disciplined approach to investing.

Starting small or making incremental contributions can simplify the process, making investing accessible even with limited initial capital. Tax advantages on certain investments, such as capital gains and dividend income, provide additional incentives compared to interest income from savings accounts. With careful planning and a long-term perspective, investing can complement saving to build a well-rounded financial strategy.

Timing saving and investing

Deciding whether to save or invest typically starts with identifying financial goals (see the previous chapter). Clarifying the financial objectives and the time frame for achieving them can provide a clearer understanding of personal risk tolerance and guide the selection of appropriate financial strategies.

Assuming a *saving behavior* might be suitable in the following scenarios:

- **when one has short-term goals:** in cases when the time frame is short, savings accounts can be effective, as inflation is less likely to erode purchasing power and investments might not have enough time to grow significantly.
- **when one has low-risk tolerance:** for those wary of losing money, savings accounts are low-risk options that prioritize capital preservation, albeit with lower potential returns (compared to investment vehicles).
- **when building an emergency fund:** establishing a fund covering 3 to 6 months of living expenses can offer a safety net during periods of reduced or no income, while also protecting investments from being prematurely sold during financial challenges.
- **when there is a need for accessible cash:** savings accounts offer liquidity, making them ideal for situations requiring stable cash flow.

Assuming a *investing behavior*, one that focuses on long-term growth and potentially higher returns, might be more suitable in these situations:

- **when one has long-term goals:** for objectives like retirement or funding education, investing often provides better growth potential than saving, with a range of investment types tailored to meet specific needs over extended time frames.

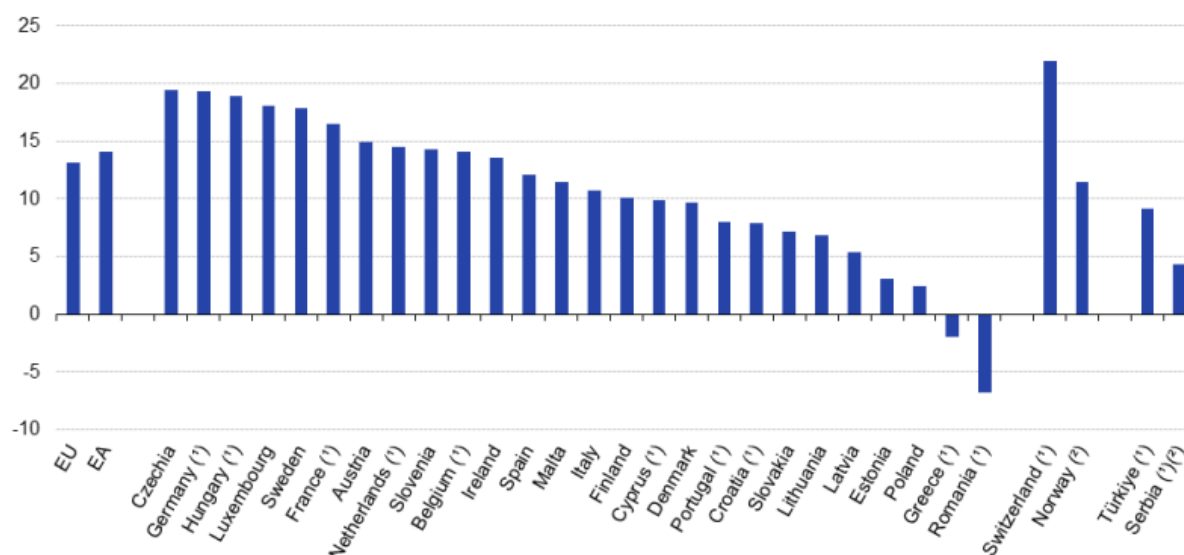
- **when one has high-risk tolerance:** investments often involve varying degrees of risk, with some assets like stocks carrying higher risks than others, such as bonds. Individuals open to the possibility of short-term losses for long-term gains may benefit from investing.

- **when one targets diversification:** diversifying across different asset classes and markets can reduce reliance on the performance of any single investment, helping to manage risk more effectively.

Therefore, there are numerous reasons why individuals might opt to save instead of investing, or the other way around. Some may prioritize the security of having readily available funds in a savings account to cover unexpected expenses or emergencies. Others may focus on short-term goals, such as saving for a vacation or a down payment on a house, and prefer the stability of low-risk savings accounts. The balance between saving and investing depends on personal financial goals, risk tolerance, and individual circumstances. A common recommendation is to first build an emergency fund that covers three to six months of living expenses, then save for short-term needs, and invest any remaining funds. The specific allocation between savings and investments will vary depending on factors such as age, income, existing debt, and long-term financial objectives.

Some statistics on saving and investing

During times of economic uncertainty, household saving rates typically rise, as individuals are more likely to save when faced with the risk of job loss. Expenditures on non-essential items, such as new vehicles or vacations, may also be postponed until the economy stabilizes. However, saving rates can also be impacted by declines in disposable income, which could result in lower savings. The household saving rate is calculated by dividing gross household saving by gross disposable income, with the latter adjusted to reflect changes in household equity within pension fund reserves. Nowadays, households in the EU save 13.2% of their disposable income (see Figure no. 5.4).



Note: gross disposable income is adjusted for changes in net equity of households in pension fund reserves.

Bulgaria: not available.

(*) Provisional.

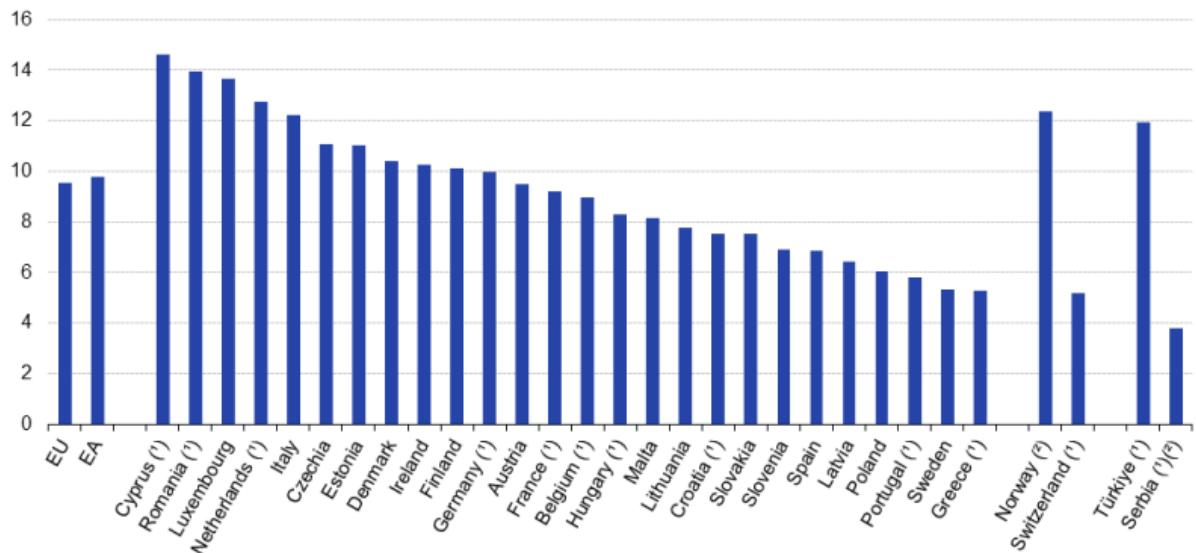
(*) 2022.

Figure no. 4.4 – Gross household saving rate, 2023
 (% , ratio of gross saving to gross disposable income)

Source: Eurostat ([nasa_10_ki](#))

Figure 4.4 shows that the household saving rate in the EU was 13.2% in 2023, while the euro area rate was slightly higher, at 14.1%. In 2023, the highest saving rates among EU countries (data for **Bulgaria** not available) were observed in Czechia (19.4%), Germany (19.3%), and Hungary (19.0%). Switzerland recorded an even higher rate of 22.0%. On the other hand, 11 EU countries had saving rates below 10.0% (**Lithuania** around 7%), with **Romania** and Greece showing negative rates of -6.8% and -1.9%, respectively. A negative saving rate indicates that households spent more than their disposable income, relying either on savings accumulated in previous periods or on borrowing to finance their spending.

Household investment primarily includes expenditures on the purchase and renovation of dwellings, while spending on consumer goods like cars is categorized as final consumption and not part of household investment. Financial investments are also excluded from this category. Additionally, the investment figures presented encompass investments made by unincorporated businesses, such as sole proprietorships. The household investment rate is calculated by dividing gross fixed capital formation (mainly related to dwellings) by gross disposable income, which is adjusted for changes in household equity within pension funds. This indicator is useful for analyzing trends, including the downturn in housing markets during the global financial crisis, linked to the subprime mortgage and credit crisis.



Note: gross disposable income is adjusted for changes in net equity of households in pension fund reserves.
 Bulgaria: not available.
 (*) Provisional.
 (**) 2022.

Figure no. 4.5 – Gross household investment rate, 2023
 (% , ratio of gross fixed capital formation to gross disposable income)

Source: Eurostat ([nasa 10 ki](#))

As seen in Figure no. 4.5, in 2023, the highest household investment rates were observed in Cyprus (14.6%), **Romania** (13.9%), and Luxembourg (13.6%). In the EU as a whole, households allocated 9.5% of their gross disposable income to investments, slightly below the euro area average of 9.8%. The investment rates across EU countries varied, ranging from 14.6% in Cyprus, to about 8% in **Lithuania**, to 5.4% in Sweden and 5.3% in Greece.



Reflect & Discuss

How would you explain the difference between saving and investing to someone who is new to personal finance?

How comfortable are you with taking risks when it comes to money? Would you prefer saving or investing, and why?

Think of a short-term goal. Would you choose saving or investing for this goal? Why?

How do you think having an emergency fund could influence your decision to invest in other goals?

If you were to start investing, what types of assets would you consider, and why?

What steps would you take to start saving or investing today? Would you prioritize one over the other in the short term? Why?

Non-formal education exercises

Saving vs. Investing – "Making the Right Choice"

Situation:

Luca has saved **5000 euros** and is deciding whether to:

● **Save** it in a high-yield savings account with 2% annual interest.

● **Invest** it in a diversified stock portfolio with an average annual return of 7% but with risks of market fluctuation.

Requests:

1. Calculate the potential outcomes after 5 years for both options.
2. Discuss the pros and cons of saving versus investing.
3. Recommend a strategy for Luca, considering factors such as risk tolerance, time horizon, and financial goals.

5. The Essentials of Retail Banking: from Accounts to Loans

Objective

... to familiarize readers with various banking products and services and how to effectively manage them.

Learning outcomes:

- understanding what retail banking is.
- identifying the main banking products and services for the individual consumer.
- comprehending the main particularities of a checking account and a loan.

What is a retail bank?

In essence, a bank is a safe-keeping place for money, though it offers all kinds of convenience-oriented services and products in support of the customer. Retail or consumer banking is thus one type of financial institution in which banking services are dealt straight with the individual investor rather than corporations or businesses. Retail banks play a decisive role in personal finance management, and act as an intermediary where the individuals deposit their money for safekeeping while offering different forms of credit that may become crucial in purchasing a house, financing education, or meeting current living expenses.

Among the defining characteristics of retail banking is that it is accessible to the customers. Most of the retail banks have online and mobile banking platforms where people can check their balance, transfer funds, pay bills, and even apply for loans-all from the convenience of their devices. Branch locations and ATMs also provide in-person services for those that prefer face-to-face interactions. Besides traditional services, many retail banks offer specialized products like student accounts, retirement savings accounts, and home loan programs. These are designed to help individuals at different stages of their lives or with varying financial goals. For example, student accounts may include no fees and features such as a linked credit card to help build credit, while retirement accounts can offer tax benefits for long-term savings.

The purpose of retail banking is that the same individuals gain advice from an advisory position, which ranges from planning a budget to various kinds of investments, and many

others, useful in decision-making relevant to personal goals. It serves as an instrumental support tool on which people could comfortably place their financial tasks pertaining to security, savings, or reinvestment for building one's reserves¹¹.

Keeping large quantities of money at home is very risky and may be stolen, misplaced, or destroyed due to unanticipated occurrences, such as fire or natural disasters. In instances where money is deposited with an insured bank, including one with a guarantee through a system like the FGDB, that money is covered by partial protection. Cash for everyday expenses is a hassle to handle, while having a bank account makes the process of managing finance very easy. It allows one to track expenses with ease, which can be very helpful in budgeting or saving for future goals. Online bill payments also make the process efficient by eliminating the need for stamps or mailing checks.

Another benefit of using a bank is earning interest. Unlike money kept at home, funds in a bank account can grow through interest, which is paid for simply maintaining a balance. Interest rates vary between different banks and types of accounts, so it's worth comparing options to find the best place to manage your money.



In sum, the bank offers a safe and efficient avenue of money handling, from practical tools that help manage daily expenses to yielding interest through certain accounts for growing finances.

Banking products and services for the individual consumer

Here are some key banking products and services that are commonly used:

- **current accounts:** current, or checking, accounts are used for day-to-day transactions and allow easy access to funds. These accounts are designed for regular spending, such as paying bills and making purchases. While funds are easily accessible via checks, ATMs, or electronic transfers, these accounts typically do not offer interest, and fees may apply for certain transactions. However, they provide flexibility and convenience for managing everyday financial needs.

¹¹ <https://www.investopedia.com/terms/r/retailbanking.asp>.

- **savings accounts:** banks primarily provide a safe place to store money, with savings accounts being one of the most common ways to save for future expenses. These accounts work similarly to a piggy bank, securing funds until they are needed. Additionally, many banks offer interest on the balance in these accounts, which adds value over time. There are various types of savings accounts, each with different features and conditions, making it important to choose one that fits specific saving goals.

- **fixed deposits:** fixed or term deposits are another way to save money, but they require depositing a lump sum for a fixed period. In return, banks usually offer higher interest rates compared to regular savings accounts. These accounts are considered a safe method for growing wealth, but the funds must remain untouched until the term ends. If money is withdrawn early, interest is often forfeited, and penalties may apply.

- **loans:** banks also provide loans for various needs, such as emergencies, purchasing large items like cars or homes, or even starting a business. A loan involves borrowing a sum of money from the bank, which must be repaid with interest within a set timeframe. Loans can be secured, meaning they require collateral that can be seized if the loan is not repaid, or unsecured, where no collateral is required. Banks generally assess the borrower's creditworthiness before approving a loan, so not everyone may be eligible.

These products are essential tools for managing personal finances, whether saving for the future, managing daily expenses, or obtaining financial assistance for major purchases.

Ways to interact with the bank

There are several ways in which one can interact with a banking institution. Among these, we can include:

- ◆ **bank branches or brick-and-mortar branch locations**

A branch is a physical location where banking business is transacted face-to-face. Some reasons people may go into a branch include to get a cashier's check, buy coins, or rent a safe

deposit box to store valuables. Other people simply like dealing directly with a banker when they need advice on selecting the financial products and services best for their needs. Today, traditional banks offer both brick-and-mortar branch locations and online services.



◆ **online and mobile banking**

Most of the banks now have this facility for the customers to manage their finance via online websites or through mobile applications. The access is available 24*7, and one can operate their accounts, pay bills, transfer money, and do more from their computers or smartphones. For those using mobile check deposit, a simple photo of a signed check can complete the transaction, eliminating the need for ATMs or branch visits. This round-the-clock access can help users stay organized. Bank apps often include features like bill reminders and notifications when account balances fall below a set threshold, assisting users in managing their financial obligations.

◆ **consumer and corporate banking**

Consumer banking, sometimes also known as retail or personal banking, is the services and products available for consumers that are designed for everyday finance. Examples include checking and savings accounts and personal loans-the things that the average citizen would need. Corporate banking deals with business customers. Sometimes called business banking, it offers financial products designed for small, medium, and large businesses, including those with operations that span across the nation and bring in sizeable revenues.

◆ **credit unions**

Credit unions are not-for-profit credit institutions that are owned by the members. They offer similar services compared to banks, including checking accounts and personal loans. In contrast to banks, as for-profit businesses, the credit unions are cooperative and non-profit, with the key focus on the members. This might have fewer physical locations, fewer financial products, and can be very competitive in regard to rates and fees.

◆ **online-only banking**

Some banks also offer the ability to access accounts by telephone. A customer might call the bank to determine a balance, to transfer funds, or to pay a bill. In hours when the bank is not operating, an automated system might lead an individual through actions such as these.

◆ **telephone banking**

Other banks also offer the ability to access accounts by telephone. A customer might call the bank to determine a balance, to transfer funds, or to pay a bill. In hours when the bank is not operating, an automated system might lead an individual through actions such as these.

The selection of an appropriate bank requires great consideration of an individual's financial needs and preference. It is very important to assess one's personal financial

circumstances and requirements before opening an account or enrolling in banking services. Following are 3 key factors to consider¹²:

a) type of bank – one has to consider whether a traditional retail bank-with physical branches-an online bank-operating solely via the internet-a credit union-a member-managed, non-profit institution-or a neobank-a digital banking platform, often supported by fintech companies-is the best option. Each has unique advantages and limitations. Neobanks are a good example of those that have been tailored to make banking easy and accessible; therefore, people who cannot access any other form of banking may have somewhere to stand.

b) banking fees and interest rates – each bank has specific fees for transactions, ATM withdrawals, maintenance, and overdrafts, but most of these can be avoided or reduced. These fees should be compared between different institutions. In addition, the interest rates provided for savings accounts, fixed deposits, and other interest-bearing products should be compared to maximize returns on stored money.

c) additional banking features – more and more banks currently offer the service of mobile banking. One can also search for advance security, easy modes of communications, as well as mobile money option.

Other than the listed considerations, one should also refer to the regional regulations apart from available banking products.

Opening a new bank account

A bank account is a kind of formal agreement between the retail bank and an individual, where the bank is responsible for keeping safe and holding the owner's money. It also tracks all related transactions to ensure proper record-keeping. The account holder has the ability to *deposit, withdraw, and manage their funds* according to the policies set by the bank.

Opening a bank account involves several steps, which include documentation, in order to ensure security and legitimacy. A general overview of the process may consist in:

- 1. application:** an application form is to be filled out as provided by the bank. The application will require personal basic information and details of the type of account that you intend to open.

¹² <https://www.investopedia.com/how-to-choose-a-bank-5183999>.

2. **identification:** a valid form of identification, such as a government-issued driver's license, passport, or other official ID, is required to verify your identity. This step helps the bank comply with legal requirements, including anti-money laundering regulations.
3. **provide Personal Identification Number (PIN) or equivalent:** Most banks require one to provide a personal identification number or some other similar identification number for the respective country. This helps in identification, proper taxation, and reporting.



Figure no. 5.1 – Steps in opening a bank account

Source: <https://www.financestrategists.com/banking/bank-account/how-bank-accounts-work/>

4. **proof of address:** the individual must provide a utility bill or a rental agreement or an official government document that attests to an applicant's proof of residence.
5. **verification:** these are then subjected to verification processes, which, in fact, are crucial to identify identity theft or fraud cases.
6. **approval and account opening:** after verification, the bank will consider the application for approval and check whether the customer is eligible to open the account. If the application is approved, the bank will start opening the account.
7. **deposit money in the account:** in order to activate the account, most banks require an initial deposit. The amount that one is supposed to pay as the initial deposit depends on the account type and the bank's policies.

The bank issues the account holder all details pertinent to the account, an account number, and a routing number once the account is set up; thereafter, it can easily be used for transactions by making use of the bank's security and the possibility to accrue interest on deposits.

Getting a loan from the bank

A loan is a credit arrangement in which money is granted to an individual with the expectation of repayment, usually with other interest or finance charges added on top of the principal. A loan can be granted once, as a lump sum, or as an open line of credit up to a specific limit. Loans may take the form of a secured, unsecured, personal, or commercial loan.

To apply for a loan, one must provide essential personal information to a lender, including the purpose of the loan, financial history, and identifying numbers, such as the Personal Identification Number. Lenders consider the borrower's debt-to-income ratio when determining their creditworthiness, that is, whether the borrower can afford to repay the loan. Based on this assessment, the application is either approved or denied, with the lender explaining any denial reasons. Once approved, both parties sign a contract that outlines the terms, and the loan amount is then disbursed to the borrower.

The loan terms are normally set prior to releasing the money, by the crediting institution. This is an amount generally stating interest rates, repayments, and collaterals. In a secured loan, the collateral to be used is identified in this agreement. Most loans limit the interest rate and how long the repayments will be.

Loans are taken for many reasons, such as to finance major purchases, to facilitate business, home improvements, and to consolidate debt. They are important in driving economic activity since they enable businesses to access the capital they require to grow. Interest and fees on loans also form a major source of income for banks and other financial institutions.

A loan consists of three significant components that influence the payback of the loan¹³:

- **Principal:** This is the original amount of money that is being borrowed.
- **Loan Term:** The amount of time that the borrower has to repay the loan.
- **Interest Rate:** The rate at which the amount of money owed increases, usually expressed in terms of an annual percentage rate (APR).
- **Loan Payments:** The amount of money that must be paid every month or week in order to satisfy the terms of the loan. Based on the principal, loan term, and interest rate, this can be determined from an amortization table.

In addition, the lender may also tack on additional fees, such as an origination fee, servicing fee, or late payment fees. For larger loans, they may also require collateral, such as

¹³ <https://www.investopedia.com/terms/l/loan.asp>.

real estate or a vehicle. If the borrower defaults on the loan, these assets may be seized to pay off the remaining debt.

In order to qualify for a loan, prospective borrowers need to show that they have the ability and financial discipline to repay the lender. There are several factors that lenders consider when deciding if a particular borrower is worth the risk:

- **Income:** With larger loans, lenders may require a certain threshold of income, ensuring the borrower will have no trouble making payments. They may also require several years of stable employment, especially in the case of home mortgages.

- **Credit Score:** Credit score is the numerical representation of the creditworthiness of a person based on his borrowing and repayment history. Missed payments and bankruptcies can seriously damage an individual's credit score.

- **Debt-to-Income Ratio:** Apart from one's income, lenders also verify the borrowing history of a person to check how many active loans he or she has taken out at the same time. A high level of debt indicates that the borrower may have difficulty repaying their debts.

It is still possible for one to qualify for the loans in case they had a lot of debt or poor scores in their credit, but these are likely to occur at higher interest rates. Since such loans cost them a great deal over an extended period, you're best trying to improve your scores and ratio of debt to earnings.

In Figure no. 5.2. one can notice the simplified procedure of getting a mortgage-backed loan from a retail bank.

To provide a clearer picture of the banking landscape in terms of the total number of credit institutions, data from the [ECB Data Portal](#) indicates that at the end of 2023, **Romania** had 29 institutions, **Lithuania** had 7, and **Bulgaria** accounted for 23.

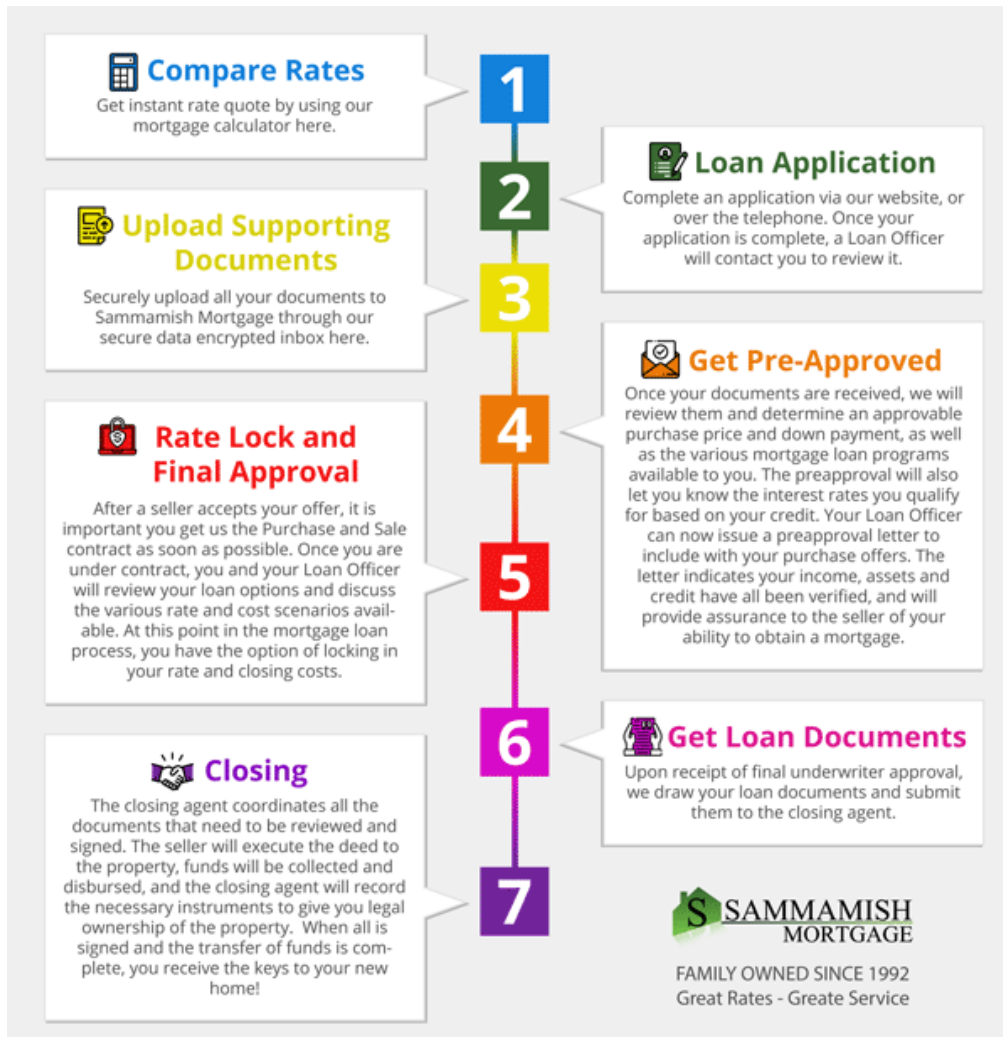


Figure no. 5.2 – Steps in getting a mortgage-backed loan

Source: <https://www.sammamishmortgage.com/7-steps-to-get-a-home-loan/>



Reflect & Discuss

What do you think are the most common banking products offered by retail banks?

Why do you think personal financial advice from a bank is crucial for many individuals?

What types of financial decisions can a retail bank support its customers in making?

What do you think are the risks of keeping money at home compared to depositing it in a bank?

How do interest rates influence your decision to keep money in a bank account rather than at home?

What factors should someone consider when comparing interest rates among different banks?

What personal factors should someone consider when choosing a bank?

Non-formal education exercises

1. YES or NO Loan (an ice-breaking method involving movement and decision-making)

I will name different things - if you think this is a loan - you go to Yes, if you think it's not - move to No. Emphasize that physical movement is necessary (in case it's not possible to move in this room, you can ask them to stay on the right/left side of their desk or to raise their right/left hand)

(SLIDE 2 - put all statements on the slide without the answers)

-You borrow €100 from a friend and promise to return it next month.

Answer: Loan – It's an informal loan because you're borrowing money with an agreement to repay it.

-You take €20 from your parents' wallet without asking.

Answer: Not a Loan – This is theft or borrowing without agreement, so it doesn't qualify as a loan.

-You agree to pay for your new phone in monthly installments, arranged by the store and a bank.

Answer: Loan – This is often financed through a consumer loan with fixed payments.

-You withdraw €500 from your bank savings account.

Answer: Not a Loan – This is your own money, not borrowed

-You ask your friend to give you a ride and promise to pay for gas later.

Answer: Not a Loan – This is a verbal agreement to share costs, not a formal borrowing of money.

-You buy a house with a mortgage.

Answer: Loan – A mortgage is a type of secured loan used specifically for real estate

-You use your credit card to buy groceries.

Answer: Loan – Credit cards provide revolving credit, which is a type of loan you repay after using it.

2. Kahoot quiz on Loans and credit instrument; insert link to Kahoot quiz

Materials: beeping buttons, tablets (optional)

3. Would you give yourself a loan?

Activity Purpose & Goals

- Enhance participants' ability to make informed decisions when choosing banking services for their business, considering the benefits and implications of different options.
- Provide insight into the lender's perspective, helping participants understand the decision-making process behind business loan approvals.

Time Required: 40–50 minutes

Materials Needed: Paper and pens for note-taking

Trainer Resources:

- Six Questions a Lender Will Ask Small Business Owners:
<https://aofund.org/resource/six-questions-a-lender-will-ask-small-business-owners/>
- How Much Does a Small Business Loan Cost?
<https://www.nerdwallet.com/article/small-business/how-much-is-a-small-business-loan>
- Business Loan Application Form Guidelines: <https://www.fundera.com/business-loans/guides/business-loan-application>

Activity Steps – Trainer Guidelines

Form Small Groups

- Divide participants into groups of 4–6 members.
- Assign one participant to act as the banker, while the others play the role of loan applicants.

Role-Playing Scenario

- Participants act as bank employees conducting interviews to assess business loan applicants.

○ Applicants can apply for a loan using their real business or create an imaginary business profile.

Key Considerations for Loan Approval

During the interviews, bankers should evaluate:

- Purpose of the Loan:
 - Businesses may seek loans for expansion, inventory, cash flow, equipment, or refinancing.
 - The banker must assess whether the reason is appropriate for the type of loan requested.
- Verifiable Income:
 - Applicants must demonstrate how they will repay the loan.
- Debt-to-Income Ratio:
 - A key factor in assessing loan risk—lower ratios indicate less financial risk.

Discussion Topics:

- Industry Risks: Some sectors (e.g., construction, food service) are considered riskier due to economic and market fluctuations.
- Business Experience: Established businesses with a solid customer base and industry knowledge are more likely to secure loans.
- Business Goals: Bankers should evaluate how the applicant plans to use the funds and suggest the most suitable financing options, such as a revolving line of credit versus a term loan.

Loan Evaluation & Decision

- Bankers should question applicants to identify valid vs. risky loan reasons.
- Each banker decides who gets approved for a loan and why, then presents their reasoning to the group.

6. Investments: Fundamentals, Risks and Opportunities

Objective

... to provide readers with a foundational understanding of investments, including their purpose, key principles, and diverse types.

Learning outcomes:

- understanding what an investment is.
- grasping the risk-return tradeoff.
- differentiating between the main types of investments.

What is an investment?

An investment is an *asset* that an individual acquires in order to gain an income or to sell it at a higher price. Appreciation is the actual increase in an asset's overall value over time. The process of investing demands from the investor resources such as time, effort (or know-how), or money now to achieve greater gains



or profits later on. Those who take the time to understand the basic principles and the different asset classes stand to gain significantly over the long haul. This is especially true given that the current investment landscapes are highly dynamic and constantly evolving.

The term “investment” can be tackled in two different ways¹⁴:

- an economic approach regards investment as the no. of goods purchased, by an individual or an entity, which is not used for the present time but are used for the wealth creation in the future.
- a financial approach regards investment as putting aside money, in the present, with an expectation of future gains on it.

Thus, in simple terms, investment is a human’s common nature of planning for the future by deploying money in assets that have an ability to generate some gains over the period of time. Thus, it is referred to as an asset that you purchase with an expectation make a profit out of selling it in the future.

¹⁴ <https://corporatefinanceinstitute.com/resources/valuation/investment-value/>.

The risk-return tradeoff

When it comes to investments, two primary characteristics define them: **Return** and **Risk**. Return represents the additional income or profit earned from the investment, while risk refers to the potential for a portion of the invested funds to be lost. The balance between risk and return depends, among others, on market conditions and broader economic factors. Typically, investments that promise higher returns are accompanied by greater levels of risk. Conversely, options with lower risk usually yield more modest returns¹⁵.

An investment can generate, over a specific period, financial gains or losses. This evolution allows us to compute the return of an investment. It can take several forms:

- a) **income**: earnings from interest, dividends, or rent.
- b) **capital appreciation**: an increase in the value of the investment, over a period of time, such as a rise in stock prices or property value.
- c) **total return**: a combination of income and capital appreciation.

With regard to the risks, these reflect the uncertainty or variability of returns from an investment, over a period of time. It implies that an investor might lose some or all of the invested capital. Risks can arise from various factors, such as:

- a) **market volatility**: fluctuations in stock prices or interest rates.
- b) **credit risk**: the possibility of a borrower or institution defaulting.
- c) **liquidity risk**: difficulty in converting an investment into cash without significant loss.
- d) **inflation risk**: the potential for inflation to erode purchasing power, reducing real returns.

The relationship between risk and return is often described as a **tradeoff**, in the sense that every investment involves some level of compromise.

In other words:

- **higher risk, higher potential return**: investments such as stocks or cryptocurrencies tend to offer higher returns, but they come with increased risk due to market unpredictability.



¹⁵ <https://www.investopedia.com/terms/r/riskreturntradeoff.asp>.

- **lower risk, lower potential return:** safer investments like government bonds or savings accounts typically provide modest returns in exchange for greater stability.

Main types of investments

The first step is learning to distinguish between different types of investments and what place occupies each one of them on the risk ladder. The Investment Risk Ladder is quite important for understanding the continuum of all investments in terms of risk and probable returns. It organizes different investment products from those available with less risk and lower returns to the most risky high-yield products.



Figure no. 6.1 – The Investment Risk Ladder

Source: <https://www.investopedia.com/articles/basics/11/3-s-simple-investing.asp>

The **Investment Risk Ladder** is a very useful tool for any beginner that enables investment diversification elements while balancing possible gains with corresponding risk exposure. A total newbie can select the least risky on the ladder and progressively graduate to higher levels as comfortability improves in the unfolding dynamics of the market. In the process, it is very important to consider:

- **risk tolerance:** determine how comfortable an individual can be with regard to risk as well as the influence of possible financial goals, age, and stability in income.
- **time horizon:** the long-term goals usually assume a high-risk type of investment because there is more time to bounce back from market crashes.

- **diversification:** a well-diversified portfolio across several rungs of the ladder should result in lower overall risk while still capturing growth opportunities.

- **liquidity restrictions:** some investments are less liquid than others and may be more difficult to sell (an investment may be locked for a certain period and cannot be easily liquidated).

- **tax implications:** investors should understand the cost of short-term and long-term capital gains tax rates.

Thus, by mastering the investment risk ladder, one can judge where to invest so as to match the financial goals that will later pave the path to wealth-building strategies.



Figure no. 6.2 – Types of Investments

Source: <https://www.orowealth.com/insights/blog/what-is-investment/>

From the pool of possible investment vehicles, we will focus on 5 of them, considered by some experts to be the most important ones.

1. Bonds

A bond is a type of debt security, representing a loan extended by an investor to an entity, such as a government (*government bonds* or *municipal bonds*) or corporation (*corporate bonds*). When a bond is purchased, the investor essentially lends money to the issuer. In return,

the issuer commits to paying periodic interest at a predetermined rate (*coupon*) and repaying the principal amount when the bond matures. Bonds are often used by organizations to raise capital for various purposes, including financing operations or funding specific projects.

Bonds are generally perceived as *less risky investments* because of their fixed interest payments and lower volatility compared to equities. Stability makes them attractive for investors who seek predictable returns. However, the lower risks normally come with relatively modest returns. Although perceived to be safe, bond investments also carry a number of risks, including:

- **interest rate risk:** changes in the general level of interest rates affect the market value of bonds. When interest rates increase, the prices of bonds typically decline, and vice versa.
- **credit risk:** there is the risk that the issuer fails to pay interest or principal payments.
- **inflation risk:** the possibility that rising inflation can reduce the purchasing power of interest payments.

Impact of Interest Rates on Price of Bonds

The bond price and yield are very sensitive to prevailing interest rates. Any time central banks, like the Central Bank, change interest rates, the bond market starts to move. In times of quantitative easing or rate increases, for instance, the volume of bond trading will surge as investors adjust their portfolios to account for new borrowing costs and changed market conditions. Understanding these dynamics is important to informed decision-making in bond



investments, as they are key to the balance of risk and return in a diversified investment portfolio.

For example, the European Commission will fund up to 30% of NextGenerationEU by issuing *NextGenerationEU Green Bonds*. Through this 15-year bond, the Commission raised €12 billion, making it the world's largest green bond transaction to date. Since then, the Commission has continued to be active in the market with new green lines and taps. NextGenerationEU green bonds are generating numerous advantages for the EU, the capital markets and the market for sustainable finance in particular¹⁶.

For the individual investor, these bonds gave opportunities to have a low-risk chance to contribute to Europe's sustainable recovery and green transition while earning stable returns. The bonds financed environmentally oriented projects like renewable energy, clean transportation, and biodiversity conservation. They provided investors with a dual benefit of contributing to the climate goals as well as diversifying their portfolios with a credible,

¹⁶ https://ec.europa.eu/commission/presscorner/detail/cs/qanda_21_4567.

sustainability asset. Making green finance more affordable, these kinds of bonds enable individual people to invest their money according to their environmental ethics.

2. Stocks or Equities

Stocks are also known as equities, and these allow an individual to own part of a company. When buying stock, an investor becomes a part-owner of that business. Investors buy stocks for various reasons. Here are some of them:

- **capital appreciation**, which occurs when a stock rises in price.
- **dividend** payments, which come when the company distributes some of its earnings to stockholders.
- **ability to vote** shares and influence the company.

The price of a stock or its share price indicates the market values the company at that time (or the level of trust that the company has on the market, in the eyes of the investors). Stocks are issued by private companies and the majority of them are listed on an some stock market exchange, allowing nearly all investors to access them.

Equity stocks are subjected to market risk. Considering the high volatility, equity investments are generally high-risk investment options. Nonetheless, with higher risks one could obtain higher returns. Therefore, equity investments also have high-profit perspectives. Considering its' high risk-high return characteristics, stocks are considered to be the best long-term investment options that can deliver higher growth over a long period of time.

There are two main kinds of stocks, common stock and preferred stock.

- **common stock** entitles owners to vote at shareholder meetings and receive dividends.
- **preferred stocks** usually don't allow stockholders to have voting rights but they receive dividend payments before common stockholders do, and have priority over common stockholders if the company goes bankrupt and its assets are liquidated.

With regard to the actual process of buying a stock, these include:

1. The first step involves opening a brokerage account.
2. Next, it is necessary to select the stocks to invest in.
3. Once the stocks are chosen, the number of shares to be purchased must be determined.
4. Afterward, it is important to decide which type of stock order is most appropriate, typically either a market or limit order.



5. Finally, the order is entered, the buy button is clicked, and ownership of the shares is acquired.

3. Mutual funds



Mutual funds are a financial investment through which many individuals join together in pooling money into a fund. This pooled money is subsequently invested into a diverse class of assets such as stocks, bonds, cash equivalents, and so on. The profits derived from these investments get shared among the investors. The Net Asset Value (NAV) of the mutual fund determines the value of investment at any time for investors, an NAV being the value in current market terms. The major advantage of mutual funds is that they are professionally managed by fund managers. With a large variety of mutual funds, one must select the right one.

The types of risks and returns associated with mutual funds vary with the type of investment that has been selected. There are funds that invest in *low-risk assets* such as cash equivalents and bonds. Others tend to have a much *higher risk* because they invest mainly in equities. Some investment returns are generally aligned with the amount of risk involved.

Mutual funds offer investors a simpler way to diversify their wealth and collect investments in a wide range of assets-such as stocks, bonds or sectors. Some funds would restrict investment to specific industries or companies through definitional criteria, including socially responsible investment. The primary benefit of mutual funds is *having access to a variety of assets in a single transaction, with professional managers selecting and managing all investments.*

Investors typically earn returns from a mutual fund in three ways:

- **dividend/interest income:** mutual funds distribute the dividends on stocks and interest on bonds held in its portfolio. Funds often give investors the choice of either receiving a check for distributions or reinvesting earnings for additional shares in the mutual fund.
- **portfolio** distributions: if the fund sells securities that have increased in price, the fund realizes a capital gain, which most funds also pass on to investors in a distribution.
- **capital** gains distribution: when the fund's shares increase in price, you can sell your mutual fund shares for a profit in the market.

There's a diverse range of options out there, each tailored to specific investment goals, risk levels, asset classes and structures. Based on asset class, there are: Equity Funds, Debt Funds, Money Market Funds and Hybrid Funds. Considering the investment goals, there are:

Growth Funds, Income Funds, Liquid Funds, Tax Saving Funds, Aggressive Growth Funds, Capital Protection Funds, Fixed Maturity Funds, Pension Funds. Considering the risk, there are: Very low Risk Funds, Low Risk Funds, Medium Risk Funds, High Risk Funds, Specialized Mutual Funds, Sector Funds, Index Funds, Funds of Funds, Emerging Market Funds, Inverse/Leveraged Funds, Asset Allocation Funds, Exchange-Traded Funds and others.

4. Real estate

Real estate refers to land and any permanent structures or enhancements associated with it, whether they are naturally occurring or constructed by humans. This includes homes, buildings, and other fixed improvements. Unlike personal property, which consists of movable items such as vehicles, jewelry, furniture, or farm equipment, real estate is classified as real property due to its fixed and immovable nature.



Real estate investments involve allocating resources to physical properties with the goal of generating income or profit. This can be achieved by renting out the property or selling it at a higher value. Real estate is often seen as an attractive long-term investment option. In addition to purchasing properties directly, alternative approaches include investing in real estate-related stocks or realty funds.

Real estate investments carry a high degree of risk, including potential legal disputes and property-related challenges. The level of risk and potential returns depends on several factors, such as the type of property, its location, market conditions, and the investment's time horizon. Another option for engaging in real estate investment is through real estate investment trusts (REITs). These operate similarly to mutual funds (described earlier), pooling resources from multiple investors to purchase and manage properties. REITs are traded on stock exchanges, providing an indirect way to invest in real estate without directly owning property.

Therefore, there are several types of real estate investments, but most fall into two categories: *physical real estate investments* like land, residential and commercial properties, and *other modes of investing that don't require owning physical property*, such as REITs and crowdfunding platforms. Investing in traditional, physical real estate can offer a high return, but it also requires more money upfront and it can have high ongoing costs. REITs and crowdfunding platforms have a lower financial barrier to entry, meaning you can invest in multiple types of real estate for far less than it would cost to invest in even one traditional

property. These alternative real estate investments also offer the distinct advantage of not having to leave your house or put on pants to start investing.

5. Commodities



Energy resources (e.g., oil, gas, and coal), agricultural goods (e.g., corn, soy, canola, pork, and beef), and metals (e.g., gold, silver, copper, and platinum) all operate within established market dynamics and are supported by straightforward financial instruments for trading. The pricing of many commodities is influenced by market demand and the extent of processing required. In a financial world dominated by derivatives, trackers, and complex instruments shaped by layers of market sentiment, commodities provide *a more direct and tangible investment approach*. Exploring the key commodities and their potential role in meeting specific investment objectives offers valuable insights for *diversifying* and *strengthening* a portfolio.

Investors can access commodities in a few different ways:

- ***Physical Ownership***: it is common for precious metals like gold and silver, often purchased as bullion with standardized size and purity. Challenges in physically owning a commodity include storage, insurance, and liquidity issues. Other commodities pose additional storage concerns due to large quantities and perishability.
- ***Futures Contracts***: there are agreements, between two parties, to buy or sell a commodity at a specific price on a future date, often settled in cash. It requires margin accounts for leverage, additional paperwork, and higher account minimums. The main benefit is that it avoids the need for physical delivery of the commodities.
- ***Individual Securities***: these are investments in companies involved in commodity production or processing, accessible through brokerage accounts. The success of such investments often depends on industry knowledge, particularly in the mining and energy sectors. What is interesting is that large companies with diverse reserves offer stability, while smaller ones may have greater price volatility.
- ***Mutual Funds, ETFs, and ETNs***: such investments may involve futures, options, sector shares, or physical assets (combining the above-mentioned types of mutual fund investments with commodities). Some funds use leverage to amplify price movements, so understanding fund disclosures is essential.

- **Alternative Investments:** bullion coins and jewelry are subcategories of commodities with aesthetic and historical value, often priced above metal market values. These are more akin to collectibles than conventional commodity investments.

The total assets held by investment funds in a country offer valuable insights into the size and health of its investment fund industry. For instance, in **Romania**, the total assets amounted to **8,964 millions of euro** by the end of Q3 2024, while in **Lithuania**, the figure stood at **3,983 millions of euro**. Unfortunately, comparable data is not available for **Bulgaria**.



Reflect & Discuss

How would you define "investment" in your own words, and why is it important to invest for the future?

Reflect on any investments (financial or non-financial) you have made in your own life. How did those investments help you in achieving your goals?

Think about a time when you made a decision involving risk. How did you assess the potential benefits and risks of that decision? How does this relate to the concept of the risk-return tradeoff in investments?

What type of investments do you think would fit your current risk tolerance, and how might that change as you get older or achieve more financial stability?

Discuss the concept of diversification. How might diversifying your investments across different asset types help manage risk?

What would be your approach to creating a balanced investment portfolio? How would you decide how much to invest in stocks, bonds, real estate, or other assets?

How does your time horizon affect the types of investments you might consider? Would you make different investment choices if you were planning for retirement vs. saving for a short-term goal, like buying a car?

How do you feel about sustainable investments, like green bonds, which contribute to environmental goals? Would you be willing to invest in these types of assets if they provided a steady return? Why or why not?

Based on the different types of investments discussed in the chapter, which do you think would suit your financial goals? How do you plan to start exploring these investment options?

Do you think it is possible to achieve high returns without significant risk? Why or why not? How would you balance this expectation with your personal financial goals?

Non-formal education exercises

1. Investment Simulation – "Build Your Portfolio"

Objective: Help participants understand different types of investments, the risk-return tradeoff, and how to create a diversified portfolio.

Instructions:

1. **Setup:** Divide participants into small groups and give each team a starting budget (e.g., \$10,000 in virtual money). Provide them with a list of investment options such as stocks, bonds, real estate, commodities, and mutual funds, each with different risk and return rates.
2. **Investment Round:** Each team must allocate their budget across different investments based on their risk tolerance and strategy.
3. **Market Events:** Introduce random market events (e.g., "Stock prices drop by 15%" or "Interest rates rise, increasing bond yields") and adjust their portfolios accordingly.
4. **Reflection:** After a few rounds, teams analyze their gains/losses and discuss what worked, what didn't, and how they balanced risk and return.

◇ Debriefing Questions:

- How did your risk tolerance impact your investment choices?
- What was the biggest challenge in balancing risk and return?
- How would you change your investment strategy in a real-life scenario?

2. Risk vs. Return Debate – "High Risk, High Reward?"

Objective: Help participants critically assess different investment risks and returns.

Instructions:

1. **Divide the class into two groups:** One group will argue that **high-risk investments (stocks, cryptocurrencies, venture capital) are the best way to build wealth**, while the other will argue that **low-risk investments (bonds, savings accounts, diversified funds) are the safer and more reliable approach**.
2. **Research Phase:** Give each team time to research real-world examples of successful and failed investments.
3. **Debate Round:** Teams present their arguments, using examples to support their claims. Encourage them to counter the opposing team's points.

4. **Final Reflection:** The group discusses what they learned about risk tolerance, investment choices, and long-term financial planning.

◇ Debriefing Questions:

- What are the tradeoffs between high and low-risk investments?
- Which investment approach aligns best with your personal financial goals?
- *How does economic context influence investment decisions?*

3. *"Pay Yourself First" Investment Habit*

💡 **Concept:** Instead of saving what's left after spending, set aside a fixed amount for investments **before** anything else (just like paying a bill).

◇ How it works:

- Every time you get paid, automatically transfer a portion (e.g., 10%) into an investment account.
- Use this money to buy stocks, ETFs, or bonds regularly—without overthinking market conditions.

◇ Why it works:

- It builds discipline and consistency without needing deep financial knowledge.
- You grow wealth over time without feeling like you're sacrificing too much.

4. *"Round-Up Investing" (Micro-Investing)*

💡 **Concept:** Invest spare change from daily purchases into assets like stocks or mutual funds.

◇ How it works:

- When you buy a coffee for \$3.75, the app rounds it up to \$4 and invests the extra \$0.25.
- Over time, these small amounts add up and grow through compound interest.

◇ Why it works:

- Perfect for people who feel they "don't have enough money to invest."
- It's effortless, automatic, and turns everyday spending into a wealth-building habit.

7. Insurances and Private Pensions

Objective

... to provide readers an in-depth understanding of two essential financial products – insurance and private pensions – highlighting their importance in managing financial risks, securing future financial stability, and planning for retirement.

Learning outcomes:

- understanding what insurance is.
- comprehending the differences between the four main types of insurance policies.
- depicting what a pension is and how one can select and join a privately managed pension fund.

When thinking about financial education, topics like savings, managing expenses, budgeting, investing or accessing credit may come to mind. However, insurance and pensions are other important, yet complicated financial products that are worth considering.

What is an insurance?

Insurance is a financial tool that can help households and business better manage risks, without having to resort to use (harmful) coping strategies, such as selling assets, depleting savings or borrowing money at high interest rates. However, it can be a complicated tool to understand.

Insurance terminology, like ‘premium’, ‘claims’, ‘insured events’, ‘pay out’ and ‘trigger’, and its way of working can be very confusing, especially to individuals who have never purchased insurance before. And this in itself can be a barrier to accessing this important financial product¹⁷.



Insurance emerged as a response to the universal need for protection and security, designed to manage uncertainties and mitigate risks. These risks, whether related to life, health, property, or other aspects of life, may be remote but remain predictable and measurable. While some individuals attempt to avoid risks through superstition or cautious behavior, there are situations that require professional management and long-term stability to address potential challenges.

¹⁷ <https://www.ilo.org/resource/article/financial-education-role-insurance>.

This is where the role of the insurer becomes essential. Throughout various stages of life, insurance provides a foundation for greater security, enabling individuals to make informed decisions and plan for the future with confidence.

Despite the diversity of insurance agreements, all share fundamental principles that underpin the insurance industry. These include the assurance of future financial stability, the principle of solidarity among groups facing similar risks, and the contractual relationship between the insured and the insurer. Under this relationship, the insurer commits to compensating for losses in exchange for the prior payment of an insurance premium.

At its core, insurance represents a promise built on trust. A reliable insurer fulfills this promise by transforming challenging circumstances into more manageable outcomes.

Main types of insurance policies

Selecting the right type and amount of insurance is based on an individual's specific situation, such as children, age, lifestyle, and employment benefits. Four types of insurance that most financial experts recommend include life, health, auto, and long-term disability (see Figure no. 7.1).



Figure no. 7.1 – Types of Insurance Policies

Source: <https://www.investopedia.com/financial-edge/0212/4-types-of-insurance-everyone-needs.aspx>

1. Life Insurance

Life insurance generally falls into two main categories: whole life and term life insurance.

- **whole life insurance** serves as both an income tool and a protective insurance instrument. It includes a death benefit as well as a cash value component. Over time, the cash value grows, and individuals holding these policies can access the funds by taking out loans or withdrawing money. Additionally, the policy can be terminated, allowing the insured to receive the accumulated cash value.

- **term life insurance** provides coverage for a specific duration, such as 10, 20, or 30 years, with stable premiums throughout the term. It is often the most affordable type of life insurance and is commonly used to cover specific financial obligations, such as mortgage loans or the years when children are in school or college.

Life insurance is particularly critical for families reliant on a primary wage earner's income. Industry recommendations suggest a policy payout equivalent to approximately 10 times the policyholder's annual income. When calculating the necessary coverage amount, it is essential to account for funeral costs and ongoing family expenses. These may include mortgage payments, outstanding debts, taxes, child care, and future education expenses.

In 2023, data from the U.S. Bureau of Labor Statistics revealed that in 48.9% of married-couple families, both spouses contributed to household income, an increase from 46.8% in 2021. This statistic underscores the potential financial hardship a family could face if one income earner were to pass away unexpectedly.

2. Health Insurance

Health insurance covers the cost of medical expenses incurred due to illness or injury. It can include coverage for doctor visits, hospital stays, prescription drugs, preventive care, and other health-related services. Health insurance can be acquired through various channels, including employer-sponsored programs or private insurers. Individuals may also obtain coverage by contacting insurance companies directly or through a health insurance agent. Health insurance is crucial because it helps an individual afford the high cost of medical care. Without it, a severe illness or injury could lead to significant financial hardship. For those with limited financial resources, having even minimal health insurance is better than no coverage at all.

Health insurance provides:

- access to necessary medical services
- financial protection against high medical costs
- preventive care to help maintain your health
- peace of mind knowing you are covered in emergencies

3. Long-Term Disability Coverage

While health insurance covers medical expenses, it does not address the financial shortfall created by the absence of a paycheck. Disability insurance fills this gap by providing income replacement. Many employers include both short- and long-term disability coverage in their benefits packages, often making employer-sponsored plans the most cost-effective option. Long-term care insurance covers expenses for long-term care services, such as nursing home care or home health care, which is not typically covered by health insurance.

For individuals whose employers do not offer long-term disability insurance, purchasing a policy independently is a viable alternative. When considering this option, it is essential to evaluate the following:

- income replacement: the most comprehensive policies replace 40% to 70% of income.
- cost considerations: premiums are influenced by factors such as age, health, and lifestyle. On average, the cost ranges from 1% to 3% of annual earnings.
- policy terms: thoroughly review the details; many policies impose a 3 month waiting period before benefits begin, limit coverage duration to 3 years, and include specific exclusions.

Long-term disability insurance ensures financial stability in the event of unforeseen circumstances, making it a crucial consideration for long-term financial planning.

4. Auto Insurance

Auto insurance provides financial protection against losses related to owning and operating a vehicle. It covers damages to the car, liability for injuries and property damage an individual causes to others, and medical expenses for injuries sustained in an accident.

When purchasing car insurance, there are several coverage options available:

- liability coverage: this is typically required by law and covers bodily injury and property damage an individual causes to others in an accident.
- collision coverage: this pays for damage to one's car resulting from a collision with another vehicle or object.

- comprehensive coverage: this covers non-collision-related damages, such as theft, vandalism, natural disasters, and hitting an animal.
- personal injury protection (pip): this covers medical expenses and an individual and the accompanying passengers, regardless of who is at fault in an accident.
- uninsured/underinsured motorist coverage: this protects an individual who is involved in an accident with a driver who has no insurance or insufficient coverage.

There are, of course, other insurances policies such as home insurance. This is designed to assist with the cost of repairing or replacing a home or apartment in cases of damage caused by events such as fire, burglary, theft, or flooding. It also offers coverage for liability, protecting against injuries or property damage that might occur to others on the property. Home insurance is essential because it can help mitigate the financial burden of repairs or replacements, while providing security and peace of mind in the face of unexpected events or disasters.

In general, insurance premiums are generally influenced by various factors, such as the driver's situation, age, driving record, and location. It is advisable to compare rates from different providers, review the coverage options, and periodically check if lower rates are available based on personal factors.

What is a private pension?

In developed countries, private pension funds have effectively complemented public pension systems for over a century. Nations like the Netherlands, Germany, Denmark, Switzerland, Australia, Chile, Canada, and the Scandinavian countries, among others, have seen multiple generations benefit from having supplementary private pensions in addition to state pension schemes based on intergenerational solidarity.

In recent decades, global studies highlight significant demographic challenges faced by modern societies: birth rates are declining, while the average age of the population is rising. In other words, the populations of many countries are shrinking, and at the same time, the global population is aging. These trends have also impacted public pension systems, which rely on a much larger working population contributing to support a smaller retired population. As a result, many countries have reformed their public pension systems, reducing benefits and continuously raising the retirement age.

Romania is not immune to these global and European trends—in fact, the country is experiencing them acutely. Research from institutions like the World Bank, the International

Monetary Fund, the United Nations, the European Union, the European Bank for Reconstruction and Development, and national studies all indicate the same pattern: *Romania's population is declining and aging rapidly, a trend that, without significant reforms, could lead to a demographic crisis.*

The decline and aging of the population place increasing pressure on the public pension system, which must support an ever-growing number of retirees with fewer contributors. Romania's demographic issues show that the current public pension system is no longer sustainable in its present form and requires comprehensive reform to avoid collapse in the coming decades.

In many European countries (such as **Bulgaria**, **Romania** and **Lithuania**), in addition to the public pension system (Pillar I), *mandatory private pension funds* (Pillar II) and *voluntary private pension funds* (Pillar III) have been introduced.

Pillar II (or *mandatory private pension funds*) involves directing a portion of the social insurance contributions paid to the public budget towards private pension funds, which continuously accumulate and invest these funds. The money accumulated in Pillar II belongs to the individuals who contribute to the system, much like a bank account or other financial assets. Pillar III (or *voluntary private pension funds*) operates similarly, with one key difference: contributions are not redirected from the public budget, but are voluntarily paid by employees and/or their employers. Contributions to voluntary pension funds benefit from tax deductions (In Romania it is up to 400 EUR per year for both employees and employers) to encourage private saving.

All EU member states and OECD countries have private pension systems. In at least half of the EU and OECD countries, mandatory or semi-mandatory private pension funds operate in a similar way to Romania's system.

Joining a privately managed pension fund

To join a privately managed pension fund, it is important to first evaluate factors such as the level of risk, management fees, investment policies, portfolio composition, and the performance of the fund's authorized administrators. It is also necessary to consider the transfer fee. After this assessment, a decision can be made based on personal preferences regarding risk and return (investment profile), as well as the responsiveness of the administrator to inquiries

and the availability of information tools regarding the status of the account (e.g., regular email updates, an online platform for monitoring accumulated amounts, etc.).

Once a decision is made regarding which pension fund to join, the next step is to contact a representative of the selected fund or a marketing agent for the administrator. This will be followed by signing the membership agreement, which must be completed and signed by the employee, the fund administrator, and the marketing agent. The agreement should include a unique number assigned by the Financial Supervisory Authority, as well as the administrator's logo and contact information. It is important to note that each participant can only sign one membership agreement with one fund administrator.

Lastly, after signing the agreement, it is advisable to stay in contact with the marketing agent through whom the membership was made and remain informed about the benefits, performance of investments, as well as your rights and obligations.

When choosing a pension plan, several key factors must be carefully considered. See Figure no. 7.2.

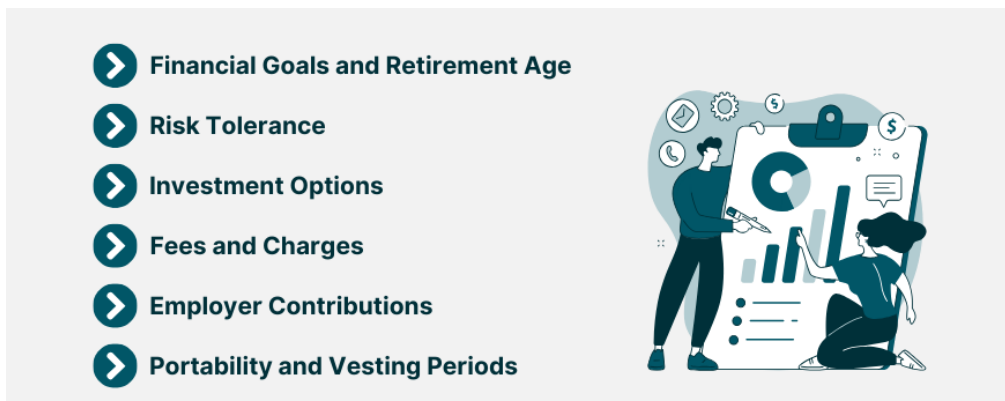


Figure no. 7.2 – Factors to Consider When Choosing a Pension Plan

Source: <https://www.financestrategists.com/retirement-planning/qualified-retirement-plans/defined-benefit-plan/how-to-choose-a-pension-plan/>

Financial goals and the desired retirement age are fundamental, as the plan should align with retirement aspirations and the feasibility of retiring at the chosen age. Risk tolerance is also crucial, as those with a higher risk appetite may prefer plans with potentially higher returns, such as defined contribution plans, while conservative investors might opt for more stable options like defined benefit plans. The range of investment options within the plan plays a significant role as well, with a diverse portfolio helping to mitigate risks and improve the chances of higher returns over time. Additionally, it's essential to understand the fees and charges associated with the plan, as high fees can erode savings in the long run. Employer

contributions, particularly those with matching programs, can greatly enhance retirement savings, making them an important factor to consider. Finally, portability and vesting periods are critical for job-changers, as portability allows for the transfer of pension benefits between employers, while vesting periods determine when one becomes entitled to the pension benefits based on the length of employment.

Advantages of joining a privately managed pension fund

The primary advantage of private pensions is the *supplementary income* they provide, which can be accessed upon retirement. For Pillar II, this is not paid directly by the individual, but instead, the government transfers the contribution on behalf of the individual from the social insurance paid each month. It serves as an investment vehicle that helps accumulate additional income for retirement, alongside the state pension.

Another significant benefit is that the accumulated amount in the account can be monitored from the first month of participation in a pension fund. *Transparency* is a key feature of private pensions. The pension law requires transparency, which is ensured through periodic reports posted on the company's website. These reports provide detailed information about the investment portfolio, participant structure and numbers, gross contributions received, return rates, net asset value, unit value, and financial statements for both semi-annual and annual periods. The annual report from the fund administrator will also provide an overview of the fund's management activities for the previous calendar year, allowing individuals to monitor their pension investments regularly.

Another advantage of private pensions is that *accumulated funds can be withdrawn* by the beneficiary in two ways: a) in full, via bank transfer or postal mandate. b) in installments over a maximum period of five years.

Additionally, funds can be withdrawn by the beneficiary in three situations:

- upon reaching retirement age, according to the current legislation.
- in the event of disability, as defined by the public pension law.
- in case of the participant's death, the funds can be claimed by legal heirs.

Some facts about the pension system in Bulgaria, Lithuania and Romania¹⁸

All three pension systems from these countries are organized around three pillars.

In **Bulgaria**, the 1st pillar is financed by a contribution rate (employer and employees) of 14.8% of the gross insurable income for individuals born after 1959 and 19.8% for individuals born in 1959 or before. The 2nd pillar is a defined contribution system managed by licensed private pension providers. It is mandatory for individuals born after 1959 and funded by a contribution rate of 5%. The third pillar is a voluntary defined contribution system managed by licensed private pension providers¹⁹.

In **Lithuania**, with regard to the 1st pillar, employers pay 21.2% of gross wages for pensions, and employees contribute 2.5%. Possibilities for early retirement were re-introduced in 2004 after having been abolished in 1995, but they only apply to people who have been unemployed for a long time. If people retire early, their pension benefits are reduced. Similar to mandatory second pillar systems in other Eastern European states, contributions to the second pillar are diverted from social security contributions to pension funds. In 2004, 2.5% of gross wages were redirected into the funded pillar, and this share has been gradually increased to 5.5% in 2007. Third pillar pensions are fairly underdeveloped in Lithuania. Private individual pensions were introduced in 2004. Individuals and their employers can contribute to voluntary pension funds. Contributions are tax-free up to 25% of annual income, and any amount above that level is taxed at a reduced rate of 15% (rather than the regular rate of 27%)²⁰.

In **Romania**, total pension contributions amount to 25% of the gross monthly salary and are directed to the social insurance budget. Of this total, 20.25% is allocated to the 1st pillar, while 4.75% is directed to the 2nd pillar. The 2nd pillar was introduced in 2008. Under this scheme, 4.75% of the gross monthly salary is transferred to an individual private pension account. These contributions are converted by the pension fund administrator into fund units, making participants holders of such units. The contributions are then invested in financial instruments outlined in the fund's prospectus, including deposits, government securities, corporate and municipal bonds, mutual funds, and shares listed on regulated markets. Unlike the 2nd pillar, which is mandatory, the 3rd pillar is optional. Contributions of up to 15% of gross monthly salary can be made to this voluntary savings component, supplementing the incomes

¹⁸ see also https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Financial_corporations_-_statistics_on_financial_assets_and_liabilities.

¹⁹ <https://www.imf.org/-/media/Files/Publications/Selected-Issues-Papers/2024/English/SIPEA2024021.ashx>

²⁰ <https://www.pensionfundsonline.co.uk/content/country-profiles/lithuania/87>.

provided by the first and second pillars. Contributions to voluntary pension funds are tax-deductible, up to the equivalent of 400 euros per fiscal year, based on the individual enrollment agreement and payment documentation²¹.



Reflect & Discuss

Consider your personal or family situation. What types of insurance do you think are essential for your current life stage (e.g., life, health, auto, disability)? Why?

Discuss the potential consequences of not having insurance coverage in the event of an unexpected life event (e.g., serious illness, accidents, or loss of income).

Think about a scenario where you or someone close to you experienced a major financial setback due to a lack of insurance (e.g., car accident, medical emergency, or property damage). How could having the right insurance have changed the outcome of that situation?

Reflect on the pension systems in your country. How do public pensions differ from private pensions, and why is it important for individuals to supplement their public pension with private options?

When considering joining a private pension fund (like Pillar II or Pillar III), what are some of the factors you would prioritize (e.g., fees, risk, investment options)? Why?

Do you think people are generally well-prepared for retirement, or do most individuals neglect to plan ahead for their later years? What steps can you take now, at your current age, to ensure a secure retirement in the future?

Compare the costs of different types of insurance (e.g., life, health, auto, and disability). How does this affect an individual's budget and financial goals?

Many countries have shifted to private pension funds in response to demographic changes. How do you think this shift affects individuals, especially younger generations? What challenges might arise from relying more on private pensions for retirement security?

²¹ <https://www.metropolitanlife.ro/despre-noi/blog/economii-pentru-un-viitor-mai-sigur/ghidul-pensiilor-totul-despre-pensia-privata/>.

Non-formal education exercises

Insurance Comparison – "Protecting Your Assets"

Situation:

Elena wants to insure her car and is comparing two policies:

1. **Basic Plan:** Covers accidents up to **10,000 euros**, annual premium of **300 euros**, deductible of **500 euros**.
2. **Comprehensive Plan:** Covers accidents up to **20,000 euros**, annual premium of **500 euros**, deductible of **200 euros**.

Requests:

1. Compare the two insurance policies based on coverage, premiums, and deductibles.
2. Recommend the best plan for Elena, considering her budget and driving habits.
3. Discuss the importance of insurance in financial planning and how it can prevent financial loss.

8. Entrepreneurship and Financial Independence

Objective

... to provide readers with some fundamentals regarding entrepreneurship and entrepreneurs.

Learning outcomes:

- understanding what entrepreneurship is.
- describing the particularities of the four main types of entrepreneurship.
- comprehending the top ten finance tips for entrepreneurs to attain financial independence.

What is an entrepreneur?

An entrepreneur is an individual who establishes a new business, assuming, in the process, significant risks and reaping most of the rewards. The act of starting a business is referred to as *entrepreneurship*.

Entrepreneurs are crucial to economic systems, as they use their skills and initiative to identify needs and introduce new ideas to the market. Successful entrepreneurship, which involves managing the risks associated with launching a startup, often leads to profits and growth opportunities²².

Economists categorize entrepreneurship as one of the four key resources in production, alongside land or natural resources, labor, and capital. Entrepreneurs combine these resources to produce goods or offer services. Typically, they develop a business plan, hire employees, secure resources and financing, and provide leadership and management for the enterprise.

Three key economists (Joseph Schumpeter, Frank Knight, and Israel Kirzner) played significant roles in integrating entrepreneurship into economic theory. Schumpeter argued that entrepreneurs, not just companies, were responsible for creating innovations in pursuit of profit. Knight viewed entrepreneurs as the bearers of uncertainty and believed they were crucial for determining risk premiums in financial markets. Kirzner defined entrepreneurship as a process that uncovers opportunities.

In the present day, entrepreneurs commonly encounter several challenges when building their businesses. Among the most frequently mentioned obstacles are navigating bureaucratic processes, hiring the right talent, and securing funding.

²² <https://calosba.ca.gov/what-is-an-entrepreneur-and-why-do-we-need-them/>.

Four main types of entrepreneurship

There are four main different types of businesses and business structures entrepreneurs can create²³.

1. Small Business

Small business entrepreneurship involves starting a business with the intention of keeping it relatively small and independent, rather than expanding into a large corporation or operating multiple locations. Examples include a single-location restaurant, a local grocery store, or a retail shop selling products or services. Individuals who pursue small business entrepreneurship often invest their own funds and earn income through the profits generated by the business. They may not seek external investors and typically only take out loans if necessary to sustain or grow the business.

Almost all of the businesses operating in the European Union are categorized as micro or small, defined as employing fewer than 50 people. Only 0.2% of enterprises are ‘large’ (employing 250 people or more) and 0.8% are ‘medium-sized’ – defined as 50-249 employees Eurostat’s data on 2022, shows the breakdown by business size (See Figure no. 8.1).

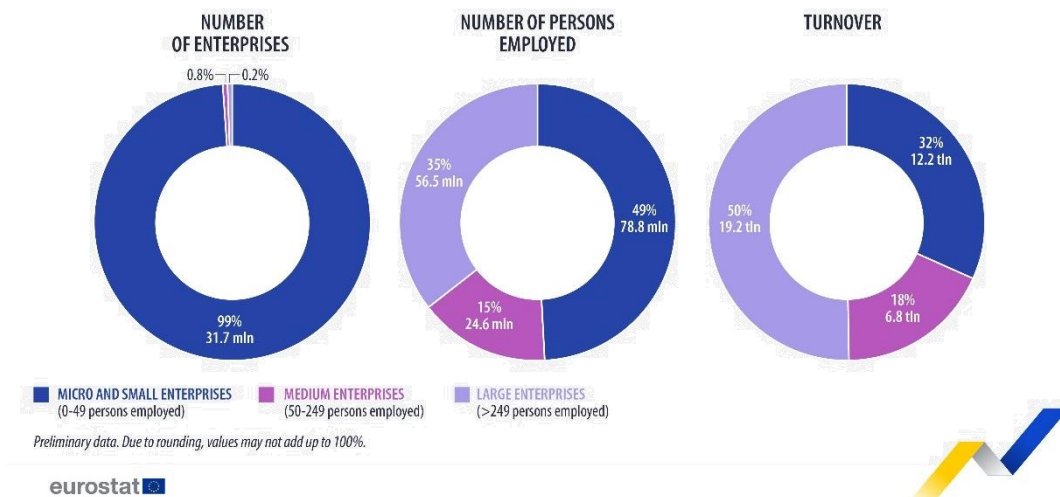


Figure no. 8.1 – Business economy by size class in 2022 (% of size class, absolute values)

Source: <https://ec.europa.eu/eurostat/>

Globally, small and medium-sized enterprises (SMEs) make up about 90% of businesses and over half of all employment, according to the World Bank. With the EU, SMEs make up

²³ <https://cfe.umich.edu/4-types-of-entrepreneurship-which-one-is-right-for-you/>.

99.8% of the total enterprises in the bloc, and are responsible for over 100 million jobs. SMEs are at the heart of innovation and entrepreneurship. The ideas and solutions of 24,3 million entrepreneurs, women and men, contribute to a sustainable and digital economy, central to Europe’s competitiveness. It’s clear why the EU views SMEs as “the backbone of Europe’s economy”, and “essential to Europe’s competitiveness and prosperity, industrial ecosystems, economic and technological sovereignty, and resilience to external shocks”.

Eurostat also breaks down turnover into four categories: industry, construction, trade and other services (see Figure no. 8.2). Industry had the most turnover of all categories in 2022, responsible for 35% of net turnover, compared with 29% for trade, 6% for construction and 30% for other services. ‘Other services’ include transportation, accommodation, education, social work and entertainment. This sector employs more than 80 million people, which is over half of all EU employees.

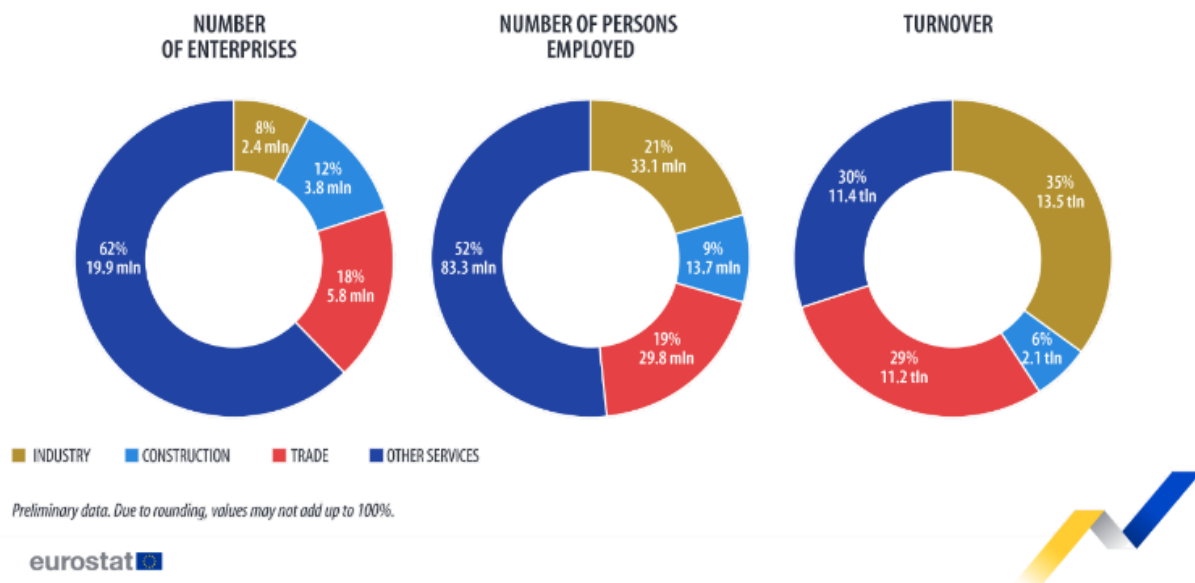


Figure no. 8.2 – Enterprises, employment and net turnover by sectors (% of sector in total economy, absolute values)

Source: <https://ec.europa.eu/eurostat/>

2. Scalable Startup

Scalable startups are businesses that begin with an innovative idea and have the potential to expand significantly over time. These businesses aim to develop a unique product or service that can be rapidly scaled across multiple markets, much like tech companies in Silicon Valley.

Scalable startup entrepreneurship involves launching a business with the aim of achieving *rapid growth* and *substantial profitability*. This type of entrepreneurship often requires external funding and careful strategic planning, focusing on innovative business models that are designed to scale quickly and attract significant investment for expansion.

Scalable startup entrepreneurship is a high-risk, high-reward approach where businesses are launched on a smaller scale with the vision of rapidly scaling and becoming highly profitable. Entrepreneurs pursuing this model must develop a compelling, scalable business plan to attract large investments from venture capitalists, ensuring the business can grow exponentially.

According to Forbes, approximately 80% of new businesses fail, and while the reasons for this may differ, a common theme emerges: many entrepreneurs lack certain critical qualities. These qualities are often considered the fundamental pillars of entrepreneurship. Although the specific traits might vary based on the type of business or personal experiences, these four core attributes are essential for success in any entrepreneurial venture.

One of the key qualities for success is *the ability to recognize opportunities*. Entrepreneurs need to be skilled at identifying trends and understanding the needs of customers. By spotting gaps in the market, they can address problems people face, offering solutions that meet unmet demands. Successful entrepreneurs are constantly observing their surroundings and adapting to changes, ensuring their business aligns with what customers require.

Equally important is *effective resource management*. Resources are fundamental to the survival of any business, similar to how fuel is necessary for an engine to run. If resources are not properly managed, the business will inevitably face challenges. Entrepreneurs must possess the knowledge and skills to efficiently utilize available resources (whether financial, human, or physical) ensuring smooth operations and sustainable growth.

Innovation and creativity also play a pivotal role in entrepreneurship. In order to stand out in a competitive market, entrepreneurs must be able to develop new products or services that differentiate their business from others. Creativity allows entrepreneurs to offer unique solutions that attract customers, while innovation ensures they stay ahead of the curve in a constantly changing business environment.

Lastly, *risk management* is crucial in entrepreneurship. Starting a new business inherently involves taking risks, and for many entrepreneurs, the venture is based on a unique idea with

few precedents to follow. However, understanding how to manage risks greatly increases the chances of success.

3. Large Company

Large company entrepreneurship involves the creation of a new business division within an established company. This can occur when the parent company has the resources and positioning to expand into new sectors or technologies. In such cases, CEOs or employees within the company recognize new market opportunities or innovative ideas, which are then presented to senior management to be developed and launched as new business ventures.

This approach focuses on identifying fresh business opportunities, fostering innovation, and executing growth strategies, all while utilizing the company's existing resources, infrastructure, and market influence. The concept of large-company entrepreneurship can differ depending on the country and the regulations in place.

One of the primary advantages of this type of entrepreneurship is the access to significant financial resources, which allows for greater investment in new initiatives. Additionally, large companies benefit from their established market presence and extensive networks, making it easier to expand and reach new customers. The existing infrastructure within the company also provides a solid foundation for launching new ventures, minimizing the challenges that smaller startups often face.

However, large-company entrepreneurship is not without its challenges. Bureaucratic processes can slow down decision-making and the implementation of new ideas. Furthermore, there may be resistance to change within the company, especially if the new initiatives threaten existing structures or processes. This can lead to a lack of flexibility and innovation, as the size and stability of the company might inadvertently stifle creativity.

It's important to recognize that large-company entrepreneurship represents just one type of entrepreneurship. The nature of entrepreneurship can vary based on the size of the business, the industry in which it operates, and the specific objectives of the entrepreneur.

Examples of large company entrepreneurship in both offline and online contexts include:

- Google's Alphabet structure: Google reorganized itself into a holding company called Alphabet, allowing its various business units to operate independently and pursue innovative projects while benefiting from the larger organisation's resources and expertise.

- Amazon's expansion into new markets: Amazon has continuously expanded its business beyond e-commerce, venturing into cloud computing (Amazon Web Services), artificial intelligence (Alexa), and even physical retail (Amazon Go), demonstrating its entrepreneurial spirit as a large company.

- Apple's foray into wearables: Apple leveraged its expertise in consumer electronics to enter the wearables market with the Apple Watch, creating a new product category and revenue stream for the company.

- Tesla's vertical integration: Tesla has disrupted the automotive industry by vertically integrating its operations, from manufacturing to sales, and focusing on electric vehicles and renewable energy, showcasing entrepreneurship within a large company setting.

See Figure no. 8.3, where the most valuable corporations in 11 major EU economies were mapped, based on their market capitalizations as of April 15th, 2024. All figures are in USD, and were sourced from [Companiesmarketcap.com](https://www.companiesmarketcap.com).



Figure no. 8.3 – Most Valuable Companies in the EU, by Country, in 2024

Source: <https://www.visualcapitalist.com/most-valuable-companies-europe/>

4. Social Entrepreneurship

Social entrepreneurship focuses on creating positive social or environmental impacts rather than prioritizing profit. These businesses aim to address societal issues or contribute to the well-being of communities and the environment through their products, services, or initiatives. The primary goal of social entrepreneurship is to make a difference in the world, rather than to generate financial gain.

A social entrepreneur is a person who pursues novel applications that have the potential to solve community-based problems. These individuals are willing to take on the risk and effort to create positive changes in society through their initiatives. Social entrepreneurs may believe

that this practice is a way to connect you to your life's purpose, help others find theirs, and make a difference in the world (all while eking out a living).

There are various types of social entrepreneurs, each with unique goals and approaches to addressing societal issues. These include *community social entrepreneurs*, *non-profit social entrepreneurs*, *transformational social entrepreneurs*, and *global social entrepreneurs*.

- ***Community social entrepreneurs*** focus on the needs of a specific geographic area, often their local community. The primary aim of this type of entrepreneur is to improve their immediate surroundings, with less emphasis on the nature of the venture itself. Strong relationships are often built within the community to ensure that resources are effectively distributed and the needs of the area are met. Collaboration between community members, local organizations, and the entrepreneur is key to creating meaningful partnerships and fostering growth.

- ***Non-profit social entrepreneurs***, which are one of the most common types of social entrepreneurs, focus on broad goals that benefit society rather than just a particular community. With the rise of remote and online platforms, it has become easier to establish entities with global missions. These social enterprises operate similarly to businesses, but instead of generating profits for investors, any surplus earnings are reinvested into the programs and services they offer. The focus of non-profit social entrepreneurs is to use their resources to further their mission, ensuring that as much money as possible is directed toward the cause.

- As non-profit ventures expand, they may evolve into ***transformational social enterprises***. This transition occurs when the scope of the mission grows beyond a single program and begins to benefit a wider range of areas. A transformational social entrepreneur aims to scale their operations, much like how Goodwill expanded from a small local charity to a larger, more complex organization with a broader impact.

- ***Global social entrepreneurs*** are not constrained by geographic boundaries and often address issues that affect people worldwide, such as poverty, mental health, or inadequate living conditions. While these entrepreneurs may begin their work in specific regions, the challenges they aim to solve are often global in nature. Solutions found in one area can frequently be applied to others, making these types of social enterprises particularly impactful. A prominent example is the Bill & Melinda Gates Foundation, which works globally to find solutions to various health issues and diseases, exemplifying the reach and influence of global social entrepreneurship.

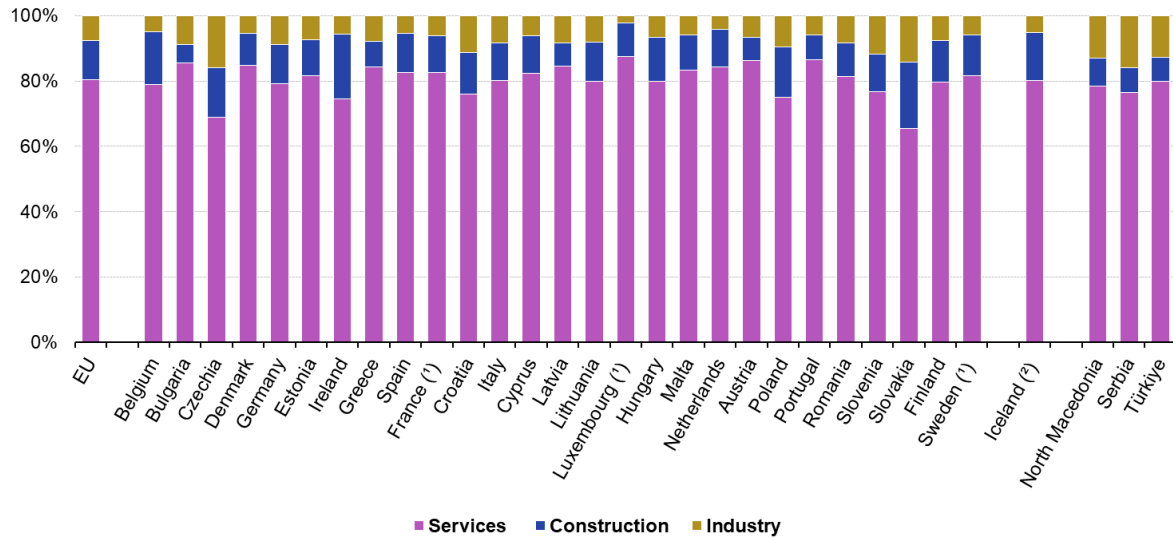
Just to get an idea, there are some 2.8 million social economy entities and enterprises in Europe, employing together around 13.6 million people. The share of the social economy in paid employment varies between 0.6% and 9.9% amongst Member States. Inclusive entrepreneurship aims to ensure that all people, regardless of their personal characteristics and background, have equal opportunities to create and run a business. There is an ongoing study on the needs, challenges, and opportunities experienced by social enterprises across Europe (and can be accessed at https://social-economy-gateway.ec.europa.eu/european-social-enterprise-monitor-its-time-have-your-voice-heard-euclid-network-2023-12-01_en).

The business demography in Bulgaria, Lithuania and Romania²⁴

In 2022, more than 32 million active businesses were operating in the EU, employing approximately 160 million people. France had the largest number of active enterprises, with 5.2 million, followed by Italy with 4.6 million, Spain at 3.5 million, and Germany at 3.2 million. Consistent with prior years, the services sector remained the most prominent in each country, accounting for the highest share of active businesses.

2022, the services sector dominated the EU business economy, comprising over three-quarters (80.4%) of all active enterprises and employing more than two-thirds of the workforce (refer to Figure 8.4). The share of service-based enterprises varied across member states, ranging from 65.5% in Slovakia to 87.6% in Luxembourg. In **Bulgaria**, services represented 85.49% of all enterprises, while in **Lithuania** and **Romania**, the sector accounted for 80.02% and 81.43%, respectively.

²⁴ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Business_demography_statistics.



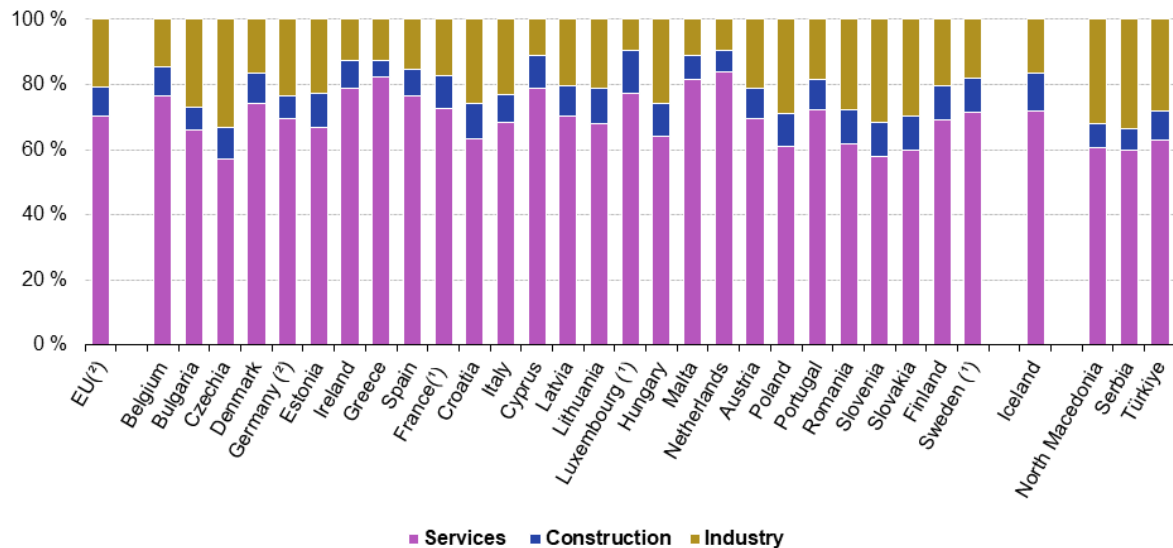
(1) break in time series
(2) estimated

eurostat

Figure no. 8.4 – Structure of active enterprises by sector, business economy, 2022 (%)

Source: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Business_demography_statistics

Regarding its role in employment, the services sector accounted for 57.2% of the workforce in Czechia, while the Netherlands recorded the highest share at 84.0%. In **Bulgaria**, approximately 66.06% of the total workforce was employed in the services sector, compared to 68.14% in **Lithuania** and 61.91% in **Romania** (see Figure 8.5).



(1) break in time series
(2) estimated

Source: Eurostat (online data code: bd_size)

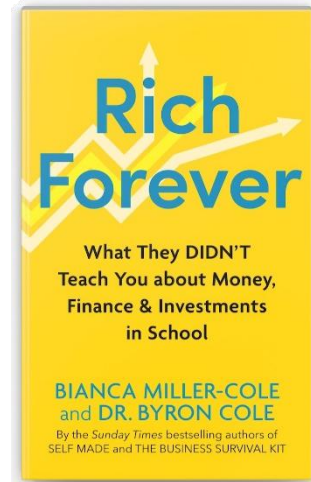
eurostat

Figure no. 8.5 – Structure of employment by sector, business economy, 2022 (%)

Source: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Business_demography_statistics

Top ten finance tips for entrepreneurs²⁵

Starting a business is both an exciting and challenging endeavor. While many business students or graduates develop strategic and management skills, financial management can often be overlooked. Establishing strong financial habits from the outset is essential for ensuring long-term success. Bianca Miller-Cole and Byron Cole, the authors of *Rich Forever: What They Didn't Teach You about Money, Finance & Investments in School*, offer 10 tips to help anyone get on the right track from day one.



1. The first essential step is **creating a solid business plan**. A well-structured business plan, or business model canvas, acts as a roadmap for growth and success. It should include detailed financial projections, such as revenue forecasts and expense estimates, as well as a personal survival budget and cash flow analysis. A comprehensive business plan not only helps secure funding but also provides clarity on financial goals and how to achieve them. However, it is important to remember that a plan is just the starting point (action must follow).

2. Another critical practice is **separating personal and business finances**. Many new entrepreneurs make the mistake of mixing their personal and business finances, which can lead to confusion, tax complications, and difficulty tracking business expenses. By establishing a dedicated business bank account, entrepreneurs can ensure better financial organization, transparency, and easier financial management.

3. Closely **monitoring cash flow** is also essential for any business. Cash flow is crucial for meeting expenses, investing in growth, and navigating financial challenges. Entrepreneurs should create cash flow projections and regularly review their income and expenses. It is also helpful to proactively manage outstanding invoices and build a cash reserve for unexpected costs or periods of reduced revenue.

4. Keeping **detailed and accurate records** is another vital financial habit. Organized financial records help with making informed business decisions, preparing tax returns, and attracting potential investors. Using accounting software to track income, expenses, and

²⁵ <https://www.amba-bga.com/insights/10-top-finance-tips-for-entrepreneurs>.

financial transactions can streamline financial reporting and analysis, saving time and reducing stress.

5. ***Budgeting wisely*** is a foundational practice that helps control spending and allocate resources effectively. Entrepreneurs should create a detailed budget outlining expected income and expenses and review it regularly to identify potential areas to reduce costs or reallocate resources to growth initiatives. Maintaining a strict budget helps prevent overspending and supports financial discipline.

6. ***Setting aside emergency funds*** is another important step in achieving financial stability. Unexpected expenses or economic downturns can threaten the financial health of a business if it is not prepared. By establishing an emergency fund to cover at least three to six months of operating expenses, a business is better equipped to weather financial storms and maintain its operations.

7. ***Understanding taxes*** is crucial for all business owners. Taxes can be complex, but taking the time to understand tax obligations specific to the business structure and industry will prevent costly mistakes. Consulting with an accountant can help ensure that all available deductions and credits are utilized, potentially minimizing tax liabilities.

8. ***Investing in financial education*** is another ongoing process for entrepreneurs. Business students and graduates likely recognize the value of continuous learning. Attending workshops, seminars, or online courses focused on financial management can significantly improve financial literacy, empowering entrepreneurs to make informed financial decisions.

9. ***Seeking professional guidance*** is essential when necessary. Accountants, financial advisors, and business consultants provide valuable insights that can help entrepreneurs make well-informed decisions about their finances. Building a network of trusted financial experts can be a great asset as a business expands and grows.

10. Finally, ***planning for growth*** is crucial. While day-to-day financial management is necessary, entrepreneurs must not lose sight of their long-term financial goals. A well-developed growth strategy, with specific financial milestones and objectives, is key to tracking progress and ensuring that the business stays on course to meet its goals.

In summary, financial management is an ongoing process that requires continuous learning and adaptation. By implementing the habits outlined above (such as creating a solid business plan, separating personal and business finances, monitoring cash flow, and more)

entrepreneurs can set their ventures on the path to financial success. Maintaining discipline and a focus on long-term growth will be central to achieving lasting success in entrepreneurship.



Reflect & Discuss

How would you personally define an entrepreneur? Is it always about creating something new, or could it also involve improving existing businesses?

Which type of entrepreneurship do you think suits your personality or skill set the best? Small business, scalable startup, large company, or social entrepreneurship?

Based on the obstacles mentioned (bureaucracy, hiring talent, securing funding), what do you think is the biggest challenge for a new entrepreneur, and how might they overcome it?

Which of the four qualities for success (recognizing opportunities, resource management, innovation and creativity, and risk management) do you think is most important, and why?

Social entrepreneurship aims to solve societal problems rather than focusing solely on profit. Do you think it is possible to balance financial success with making a positive social impact? How?

Which of the top finance tips for entrepreneurs do you think would be the hardest to implement and why?

Why is it important for entrepreneurs to have a long-term growth strategy, and how can they balance this with the day-to-day financial management of their business?

Non-formal education exercises

1. Role-Playing Activities – "The Financial Marketplace"

Situation:

Participants take on roles in a simulated marketplace:

- **Entrepreneurs** pitch business ideas to attract investors.
- **Investors** decide where to allocate **50,000 euros** for maximum return.
- **Consumers** evaluate products and decide where to spend their limited monthly

budget of **1200 euros**.

Requests:

1. Entrepreneurs must create a compelling pitch explaining their product/service and financial projections.
2. Investors must ask critical questions and choose one business to support.
3. Consumers must compare products and explain their purchasing decisions.

2. Financial Independence

Teams must sort a list of rules or strategies for achieving financial independence, from most to least effective.

Rules:

- Teams must solve each challenge before moving on to the next location.
- If they solve the challenge quickly or correctly, they will receive a bonus or extra "money."
- Teams will compete to arrive at the final destination first, with prizes awarded based on completion times and the amount of money earned.

This treasure hunt is not only a fun competition but also an engaging way to review important financial concepts.

3. Group work to examine types of employment (group work)

Age: 18-24

Group size: Max 20, best with 16 or less

Materials: pens and paper

Time: 10-15 minutes with discussion

Divide the group into two teams and give them a 5-minute task. The group on the left should list all the benefits and downsides of being employed on a long-term contract by a company. The group on the right should list all the benefits and downsides of being self-employed or a freelancer.

Notes for the trainer - to summarize and complete after the brainstorming

Employee (Traditional Employment)

Benefits:

- **Stability:** A regular paycheck and benefits like health insurance and retirement contributions offer financial security.
- **Clear work-life balance:** Set hours and typically more predictable schedules help balance work and personal life.
- **Employee rights and protections:** Legal protections around minimum wage, health and safety, and workplace discrimination.
- **Training and development:** Employers often provide training, mentorship, and opportunities for career progression.
- **Less risk:** Employees don't have to worry about business expenses, taxes, or finding clients.

Downsides:

- **Limited flexibility:** You have to adhere to a set work schedule and may not have the flexibility to choose when and where you work.
- **Less control over work:** You may have limited autonomy over how you perform tasks or manage your career.
- **Fixed income:** Salaries are often fixed, with limited potential for immediate growth, especially early in a career.
- **Limited tax deductions:** As an employee, you can't write off expenses that could be deductible for self-employed individuals.

Self-employed (Freelancer, Entrepreneur, or Business Owner)

A self-employed person works for themselves, running their own business, offering services, or selling products directly to clients.

Benefits:

- **Flexibility:** You have more control over when and where you work, and the freedom to choose your clients or projects.

- **Unlimited earning potential:** Your income is not fixed. If you're successful, your earnings can grow without limits.
- **Independence:** You have complete control over your work and decisions, including setting rates and business direction.
- **Tax benefits:** Self-employed individuals may be able to deduct a variety of business expenses, such as home office costs, equipment, or travel.
- **Creative freedom:** You can pursue your own ideas and passions without being limited by company policies or restrictions.

Downsides:

- **Income uncertainty:** Your income can fluctuate, and there might be months with little to no work.
- **Lack of benefits:** You don't receive benefits like health insurance, retirement contributions, or paid vacation, which you would get as an employee.
- **Administrative work:** You're responsible for managing your business's taxes, bookkeeping, and legal requirements, which can be time-consuming and complicated.
- **Higher risk:** Self-employed individuals bear the risk of business failure, especially if demand for their services or products drops.
- **Isolation:** You might miss the social aspects of working in a team, especially if you're working as a freelancer alone.

4. The Strength of Giving Back: How Volunteering and Finance Intersect

Activity: "Your Volunteer Impact"

- **Goal:** Get participants to reflect on their past experiences with volunteering or giving back.
- **How:** Ask each participant to share a brief story or example of a time they volunteered or helped someone in need. It could be as simple as helping a neighbor or organizing a school event. This sets the tone for the session by reinforcing that everyone can contribute, regardless of financial means.

5. Activity: “Skills You Gain from Volunteering”

- **Goal:** Show how volunteering can help teens build skills that enhance their financial well-being in the future?

- **How:** Present the key skills gained through volunteering that are also beneficial for managing money:

- **Budgeting:** Managing a budget for a charity event or fundraiser.
- **Planning:** Organizing community projects or campaigns.
- **Networking:** Building relationships that could lead to career opportunities.
- **Leadership & Teamwork:** Leading or working with teams to achieve goals.

After presenting, ask participants to break into small groups and come up with other financial skills they think could be developed through volunteering (leadership, team work, time management, empathy, planning skills, etc.). Let them share their thoughts and discuss how these skills could positively impact their financial futures, it can be already mentioned skills or new ones. They can also come up with different ones they might gain during volunteering activities.

6. Activity: “The Impact of Giving”

- **Goal:** Discuss the idea of financial donations and how small contributions can make a big difference.

- **How:** Provide examples of how people with varying financial means can give back:
 - People with limited resources might volunteer their time.
 - People with more disposable income might donate money or other resources.

Use examples from well-known organizations or local charity campaigns. Break down the impact of different levels of giving:

- How a small donation adds up (e.g., \$10/month = \$120/year to a charity).
- How time donated (e.g., 5 hours a week) can be worth much more than money.

Ask participants to create a small, personal “giving plan,” where they identify one thing they could do each month to either donate money, time, or skills. It can be their time, personal skills, various activities and talents. Lead a discussion or group activity about how volunteering can enhance career opportunities, such as internships or networking for future jobs, which might lead to better-paying opportunities.

- Ask them to reflect: "How does volunteering relate to future financial growth? Can volunteering lead to a job?"
- Present how skills gained through volunteering (such as project management, public speaking, or fundraising) are valuable on resumes, and employers often value community engagement.

7. Activity: "The Charity Budget Challenge"

- **Goal:** Teach how financial planning and budgeting can help maximize the impact of a charitable cause.
 - **How:** Divide participants into small groups and assign them the task of planning a simple charitable event (e.g., a bake sale, a fundraiser, a community clean-up project). They need to consider:
 - **Event Costs:** How much money will be required to organize it (location, food, materials)?
 - **Fundraising Goal:** How much money they aim to raise for the charity.
 - **Budget:** How will they balance the event costs to maximize funds raised? (This could include cutting unnecessary costs, seeking donations, etc.)
 - **Resources:** How is it being implemented? How many people do they need, what's the goal with people? Will they allocate resources or rely on volunteers? How to assure the best outcome?
 - **Risk management:** How to foresee risks? How to allocate a budget for them? Why is it needed?

After 15-20 minutes of planning, have each group present their budget and event plan. Discuss how budgeting, cost-cutting, and resource management are all part of financial responsibility.

8. Activity: "Your Next Step: Volunteering and Personal Finance"

- **Goal:** Encourage participants to think about how they can combine financial responsibility with volunteering efforts in the future.
 - **How:** Ask them to write down one action they will take in the next month to either volunteer or make a financial contribution toward a cause they care about.
 - Some might decide to donate a small portion of their allowance or earnings.
 - Others might choose to volunteer for a local cause.

- **Have** them reflect on how they can keep these efforts going over time, and how they can involve others in their efforts.

9. Who are you in the financial world?

Activity Purpose & Goals

- Help participants identify their personal financial habits and values.
- Encourage self-reflection on spending behaviors, categorizing them as **good, bad, or both**.
- Guide participants in understanding the long-term impact of their financial choices.

Time Required: 70 minutes

Tools Needed: Printed copies of Table 1 and Table 2

Activity Steps – Trainer Guidelines:

Step 1: Self-Assessment of Financial Habits (25 minutes)

1. Distribute **Table** (handout) to participants.

Habit	Category	Long-term effect

2. Instruct them to analyze their **own financial habits**, classifying them as **good, bad, or both** (minimum of four habits).
3. For each habit, they must explain:
 - Why they categorized it this way.
 - What potential **long-term effects** the habit may have.

Step 2: Group Discussion (15–20 minutes)

4. Invite participants who feel comfortable to share their findings.

5. Select **5–6 participants** to share one **good** and one **bad** habit. If applicable, they can also share a habit categorized as **both**.
6. Lead a group discussion where participants:
 - Suggest ways to overcome bad financial habits.
 - Offer strategies to **enhance good financial habits**.

Step 3: Identifying Financial Values (20 minutes)

7. Introduce **Table 2** (handout):

	Food/ drinks	Travel	Education	Technology	Cosmetics	Clothes	Hobbies
Food/ drinks							
Travel							
Education							
Technology							
Cosmetics							
Clothes							
Hobbies							

8. Explain that Table 2 contains **seven spending categories**, paired into **comparative choices**.
9. Participants will:
 - Imagine they have a **fixed amount of money**.
 - Choose **only one option** from each **pair** (either the **row** or the **column** choice).
 - Tally their choices to identify which categories they prioritize.
10. Discuss how this reflects their **financial values** and how it can help them manage spending decisions.

Step 4: Debrief & Reflection (15 minutes)

11. Facilitate the debriefing discussion with these key questions:

- *What did you learn about yourself today?*
- *How will you apply this knowledge after the workshop?*
- *Was anything unclear or surprising?*

9. Financial Consumer Protection and Financial Fraud

Objective

... to provide readers with some basic understanding on financial consumer protection, the risks associated with financial products and services, and the importance of safeguarding against fraud.

Learning outcomes:

- understanding financial consumer protection entail.
- grasping how financial scams and frauds occur.
- differentiating between the most common types of financial scams and frauds.

What does *financial consumer protection* entail?

Navigating the world of financial products and services can be challenging due to the wide range of evolving issues, risks, and opportunities present in today's market. Recognizing and addressing these challenges requires close attention and cooperation among policymakers. One major concern lies in the practices of financial institutions. Problems such as high fees, low-value products, unclear or misleading information, dishonest sales tactics, and unsuitable financial advice create significant risks for consumers. These issues often leave individuals with products or services that fail to meet their needs or expectations. At the same time, consumer-related factors add to the challenges. Limited financial literacy, the inability to effectively manage debt (especially in a context of inflation, rising interest rates, and emerging credit options) and a lack of digital skills contribute to poor financial outcomes for many. Broader economic and technological changes further complicate the financial landscape. Inflation, increasing interest rates, the rise of financial fraud and scams, and the rapid pace of digital innovation all introduce new risks that consumers must navigate.

In this context, *Financial Consumer Protection* aims to ensure fair and responsible treatment of financial consumers in their purchase and use of financial products and services and their dealings with financial services providers. Financial consumer protection policies play an important role, alongside financial inclusion and financial literacy, in promoting inclusive growth and financial stability.

To address these challenges, the G20/OECD Task Force on Financial Consumer Protection provides a platform for policymakers to share insights about risks and opportunities

affecting financial consumers. This group works to develop standards, offer policy guidance, and gather data to support better decision-making and consumer protection strategies.

A comprehensive policy framework for financial consumer protection can help protect financial consumers from potential detriment. As the international standard for financial consumer protection, the *G20/OECD High-Level Principles on Financial Consumer Protection* set out the components that countries should consider when developing a financial consumer protection regulatory framework. They also offer a roadmap for countries aiming to improve their existing policies and regulations. The Principles are cross-sectoral in nature and can be applied to the credit, banking, payments, insurance, pensions and investment sectors²⁶.

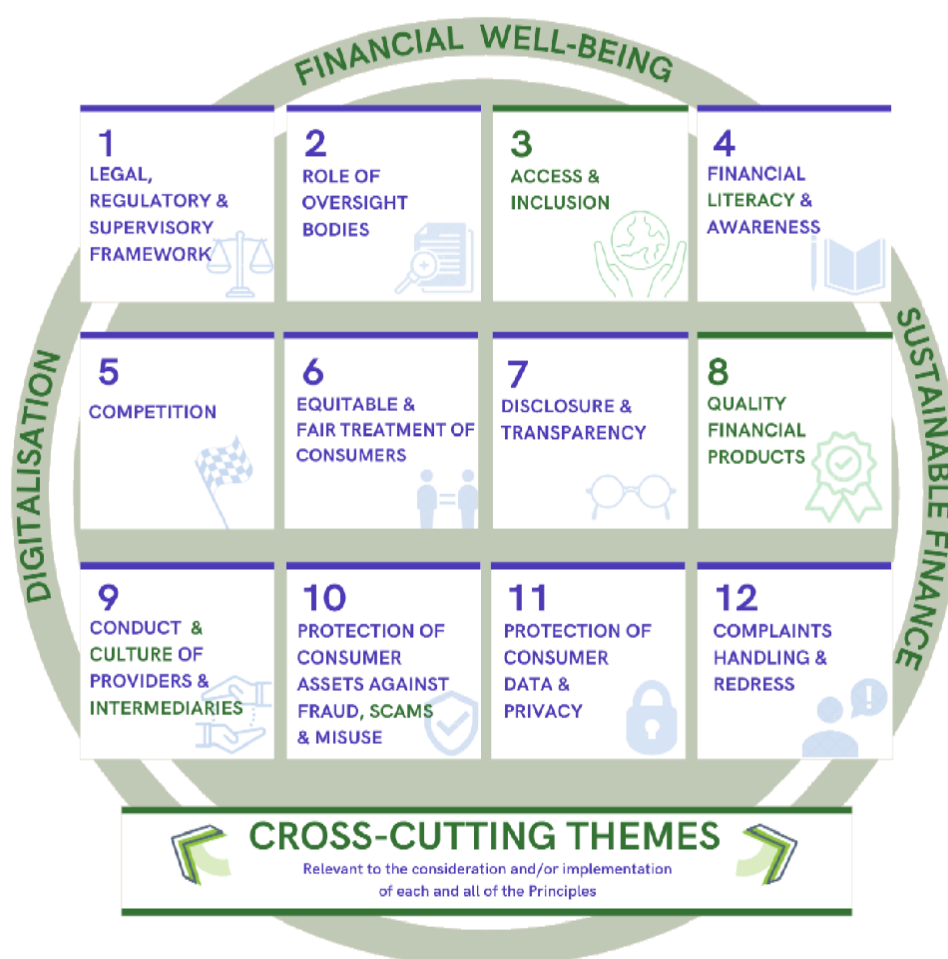


Figure no. 9.1 – G20/OECD High-Level Principles on Financial Consumer Protection

Source: <https://www.oecd.org/en/topics/financial-consumer-protection.html>

According to Figure no. 9.1, the following cross-cutting themes are relevant to the consideration and/or implementation of each and all of the Principles, which are set out below:

²⁶ <https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/financial-consumer-protection/G20-OECD-FCP-Principles.pdf>.

- The *financial well-being* of financial consumers and their resilience. Financial consumer protection policies should contribute to the overall financial well being and financial resilience of consumers.

- The impact, opportunities and risks of *digitalisation and technological advancements* for financial consumers. This includes considering the ways that consumers increasingly interact with digital financial products and services including cryptoassets and digital currencies, consumer behaviour in a digital environment, the impact of greater use of artificial intelligence, machine learning technology and algorithms.

- The impact, opportunities and risks of *sustainable finance* for financial consumers. This includes considering that financial services providers are increasingly incorporating environmental, social and governance (ESG) and other sustainability-related factors into their operations, products and services, and growing consumer demand for such products.

N.B. The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

Financial scams and frauds

Fraud is an intentional act of deceit designed to reward the perpetrator or to deny the rights of a victim (see <https://www.investopedia.com/terms/f/fraud.asp>). Financial fraud occurs when someone takes money or other assets from an individual through deception or criminal activity.

The OECD Consumer Finance Risk Monitor analyses financial consumers risks in 43 economies. The biggest risks include: inflation and rising interest rates (more than 85% of jurisdictions selected these as one of the three most significant risks to financial consumers), *financial scams and frauds* (nearly 63% of jurisdictions), and poor value products. With regard to the most common types of financial scams and frauds, these are: tricking consumers into providing personally identifiable information (86% of respondents) and fake schemes designed to tempt consumers to transfer, pay or invest money or buy fake insurance (84%).

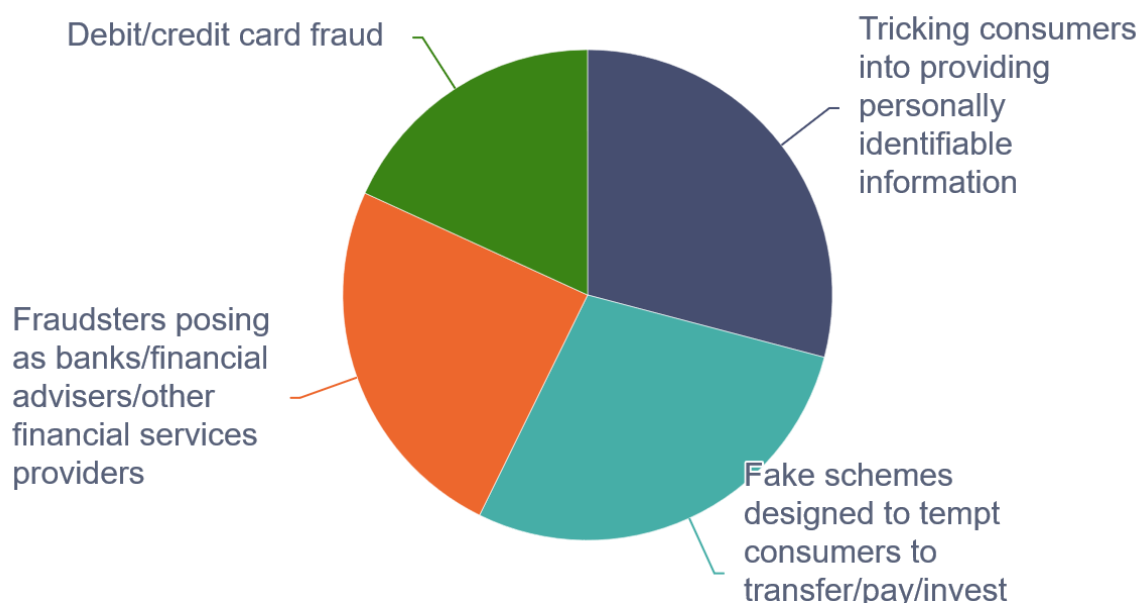


Figure no. 9.2 – Top types of financial scams and frauds (by no. of people affected)

Source: <https://www.oecd.org/en/topics/policy-issues/financial-consumer-protection-education-and-inclusion.html>

The next-most selected types of scams and frauds in terms of the number of people affected and the total amount of financial losses include:

- mobile banking/digital wallet fraud
- identify theft
- fraudsters posing as representatives of the government, official entities or other organisations
- cyberattacks targeting customers
- fraudulent issuance of crypto assets
- SIM swapping.

The following types of financial scams and frauds were selected as the most significant types of fraud:

- cheque fraud
- selling fake insurance policies
- internal fraud
- skimming.

The most common financial scams and frauds

1. Phishing and social engineering

Phishing is a type of cybercrime in which malicious persons/actors attempt to deceive individuals into divulging sensitive information, such as usernames, passwords, credit card numbers, or other personal data. Phishing attacks typically involve impersonating legitimate entities, such as banks, government agencies, or trusted organizations, to trick recipients into providing their confidential information or clicking on malicious links.

Phishing is a method used to deceive individuals into performing specific actions, such as clicking on harmful links, downloading dangerous files, or sharing sensitive information like passwords. These attacks rely heavily on social engineering techniques that target human emotions and behaviors. By creating feelings of urgency, fear, or curiosity, phishing attempts encourage quick decisions without proper verification of the request's authenticity²⁷. As technology advances, phishing strategies continue to become more advanced and harder to detect. Even with increased awareness and improved security tools, phishing remains one of the most common and damaging types of cybercrime. Gaining an understanding of how phishing works and learning to recognize these scams are essential steps in protecting both personal and organizational data in the modern digital world.

It's estimated that over 90% of all successful cyberattacks start with a phishing attack and this unfortunate conversion rate is tearing up the financial industry.²⁸ Because phishing emails are getting harder to recognize, they're one of the most popular attack vectors for cybercrime.

Specific methods of phishing include:

- **Email** or **Message**: phishing attacks often begin with an unsolicited email, text message, or instant message that appears to come from a reputable source. The message may claim to be from a bank, online retailer, CEO of a company, social media platform, or other familiar institution. For example, an email might impersonate a well-known bank, asking the recipient to update their account information by clicking on a link that leads to a fake login page designed to steal their credentials.

In Figure no. 9.3 there is an example of a phishing email posing as an urgent Coronavirus pandemic resource from the World Health Organization.

²⁷ <https://www.crowdstrike.com/en-us/cybersecurity-101/social-engineering/phishing-attack/>

²⁸ <https://www.upguard.com/blog/biggest-cyber-threats-for-financial-services>.



Corona-virus updates

Concerning Corona-virus disease (COVID-19) outbreak, the World Health Organization brings you the Corona-virus E-Book and Guide.

Inside this E-Book (**My-health**), you shall find out the complete research/origin of corona-virus and the recommended guide to follow to protect yourself and others.

Guidance to protect children and business centre;

This guidance provides critical considerations and practical checklists to keep Kids and business centre safe. It also advises national and local authorities on how to adapt and implement emergency plans for educational facilities.

Critical preparedness, readiness and response actions for COVID-19;

WHO has defined four transmission scenarios for COVID-19. My Health E-book describes the preparedness, readiness and response actions for each transmission scenario.

Basic protective measures against the new corona-virus;

1. Stay aware with the most contented information on the COVID-19 outbreak, available on the E-Book attached to this mail and through your national and local public health authority.
2. Avoid touching Eyes, Nose and mouth
Why? Hands touch many surfaces and can pick up viruses. Once contaminated, hands can transfer the virus to your eyes, nose or mouth.
3. Practice respiratory hygiene
This will also protect you and help prevent the spread of viruses and other infections.

You can now download and access the attached My Health Zip file from a Windows Computer only.

You are receiving this email because your life count as everyone lives count. Sign up for more updates at the WHO website (www.who.int).

Thanks for helping to make the world a little healthier.



Figure no. 9.3 – A phishing email posing as an urgent communication from the WHO

Source: <https://www.upguard.com/blog/biggest-cyber-threats-for-financial-services>

● **Social Engineering Tactics:** phishing emails often use social engineering tactics to manipulate recipients into taking action. They may create a sense of urgency or fear by claiming there's a problem with the recipient's account, a security breach has occurred, or important information needs to be verified or updated (e.g., FaceBook, Instagram, LinkeDin). Attackers create fake profiles or compromising legitimate accounts to



distribute phishing links or messages. These messages are designed to appear as though they come from friends or trusted contacts, increasing the likelihood of being opened. Typically, such messages direct users to malware-infected websites or fraudulent login pages intended to capture sensitive information, such as usernames and passwords.



- ***Deceptive Content***: phishing messages often contain links to fake websites that closely mimic the appearance of legitimate sites. These websites may prompt recipients to enter their login credentials, financial information, or other sensitive data, which is then captured by the attackers.

- ***Malware Distribution***: some phishing attacks involve the distribution of malware, such as viruses, ransomware, or keyloggers, via malicious email attachments or links. Once downloaded or clicked, the malware can infect the recipient's device and compromise their data or system.

- ***Longlining***: Longlining attacks are mass-customized phishing messages typically engineered to look like they are arriving in small quantities, mimicking targeted attacks. Attackers leverage approaches used by mass-marketing campaigners to generate millions of dissimilar messages.

- ***Clone Phishing***: A more sophisticated phishing attempt, clone phishing involves attackers copying emails their targets received previously and replacing legitimate links and downloads with malicious ones.

- ***Smishing*** and ***Vishing***: SMS phishing (smishing) and voice phishing (vishing) are phishing attacks conducted via SMS messages and voice calls, respectively. Smishing involves sending text messages that seem to originate from trusted sources, often containing links to malicious websites or instructions to contact a fraudulent phone number. On the other hand, vishing uses phone calls to trick individuals into sharing sensitive information, such as passwords or credit card details. For example, a scammer might impersonate a bank representative, calling a victim and requesting account verification over the phone to gain access to their financial information.

- ***Spear Phishing***: this is a more precise phishing attempt type. In targeted phishing attacks, known as spear phishing, attackers personalize their messages to specific individuals or organizations using information obtained from social media, data breaches, or other sources. This makes the phishing attempt more convincing and difficult to detect. Familiarity is what makes spear phishing attacks successful. Attackers collect information over the internet and from social networks and social media sources about potential targets, including their personal

and professional relationships and other personal details. The attacker uses this information to craft a personalized message that appears authentic to convince the target to respond to the sender's request. The sender may request a direct email response from the user, or the message may be a scam which includes a malicious link or attachment that installs malware on the target's device. Clicking on the link or attachment directs the target to a malicious website designed to trick them into sharing sensitive information, like passwords, account information or credit card information (see also Figure no. 9.4).

- **Whaling Attack:** target high-level executives, such as CEOs or CFOs, to gain access to substantial confidential data or financial assets. Attackers exploit the authority and trust associated with these positions to deceive recipients into complying with their requests. For example, an attacker might pose as the CEO and send an email to the CFO requesting an urgent wire transfer for a business acquisition, bypassing normal authorization processes and exploiting the CFO's desire to act quickly on the CEO's instructions (see also Figure no. 9.4).

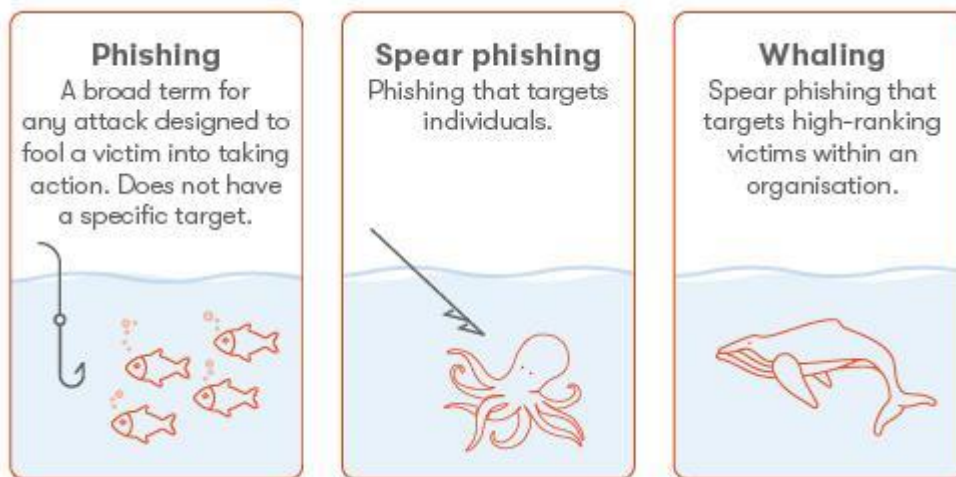


Figure no. 9.4 – Phishing vs Spear-Phishing vs Whaling

Source: <https://www.techtarget.com/searchsecurity/definition/spear-phishing>

As seen in Figure no. 9.4, Spear-Phishing and Phishing share the same objective: *deceiving individuals to obtain sensitive information or compromise systems*. However, spear phishing is more focused and personalized. While phishing emails are sent to a broad audience, spear phishing targets specific individuals or smaller groups. This approach allows attackers to include personal details, such as the recipient's name or job title, making the emails appear more legitimate and increasing the chances of success. A similar strategy is used in whaling attacks, which are a form of spear phishing aimed at high-profile individuals like executives, politicians, or celebrities. These attacks are carefully customized to the target, using techniques such as

social engineering, email spoofing, and content manipulation to gain access to confidential information or resources.

Phishing attacks are a significant cybersecurity threat and can result in financial loss, identity theft, unauthorized access to accounts, and other adverse consequences for individuals and organizations.

To protect against phishing²⁹:

- exercise caution when clicking on links or downloading attachments in unsolicited emails or messages.
- verify the legitimacy of requests for sensitive information by contacting the organization directly using trusted contact information.
- be wary of emails or messages that create a sense of urgency, use generic greetings, contain spelling or grammatical errors, or request unusual actions.
- keep software and security systems up to date to prevent malware infections.
- educate yourself and others about common phishing techniques and best practices for avoiding them.

By remaining vigilant and adopting cybersecurity best practices, individuals and organizations can reduce their risk of falling victim to phishing attacks.

2. Credit card fraud

Credit card fraud involves the theft and unauthorized use of credit card information. It can have serious consequences for both finances and credit scores. Recognizing the warning signs of fraudulent activity and taking proactive measures to safeguard personal information are essential steps in protecting against this type of theft. By staying alert and adopting secure practices, it is possible to reduce the risk of becoming a victim of credit card fraud.

Credit card fraud is a widespread crime that takes many forms, each exploiting different vulnerabilities:

- ***Card-present fraud*** happens when a stolen or counterfeit card is used in person to make unauthorized purchases. This type of fraud typically occurs in face-to-face transactions, such as at retail stores. Examples include the theft of credit cards from homes or persons, losing

²⁹ <https://www.crowdstrike.com/en-us/cybersecurity-101/social-engineering/phishing-attack/>.

cards, cloning through skimming at ATMs or establishments, and interception of new or replacement cards during postal delivery.

- **Card-not-present fraud** has become increasingly common, with the rise of digital theft. In these cases, the thief does not physically possess the card but instead uses stolen card details to make online or remote purchases. Cybercriminals often use phishing schemes to install malware on a victim’s computer or device, enabling them to record keystrokes and steal sensitive information like credit card numbers. The stolen data can then be sold or used to make fraudulent transactions (see also Table no. 9.1 for the differences between the two).

Table no. 9.1 – Key differences between Card-Not-Present and Card-Present frauds

Differences	Card-Not-Present fraud (CNP)	Card-Present fraud (CP)
Occurrence	CNP fraud happens in transactions that do not require the physical card, such as online purchases, transactions over the phone and mail order	CP fraud occurs during in-person transactions, in which the physical card is used for payment.
Method	Fraudulent actors use stolen card details obtained via data breaches, phishing or other methods. They don't need the physical card to make fraudulent transactions – just the card number, expiry date and sometimes the card verification value (CVV) number.	This involves using a stolen physical card or creating counterfeit cards by using stolen card data.
Detection	Detecting CNP fraud can be challenging because the fraudulent actor does not need to present the physical card to make a purchase. Verification relies on data points that can be easier to compromise.	CP fraud can be easier to detect compared with CNP fraud. Physical signs – such as a damaged card, a signature mismatch or suspicious behaviour by the person making the transaction – can raise red flags and alert businesses to potential fraud.

Source: <https://stripe.com/en-ro/resources/more/what-is-card-not-present-fraud-what-businesses-need-to-know#card-not-present-fraud-vs-card-present-cp-fraud>

- **Skimming** is another tactic used to commit *credit card fraud*. A skimmer is a hidden electronic device placed within legitimate card readers, such as those found at ATMs or gas station pumps. When a shopper swipes their card, the skimmer captures the data stored in the card’s magnetic strip. In some cases, skimmers are paired with hidden cameras or fake keypads to record PINs, putting both debit and credit cards at risk.



Figure no. 9.5 – Examples of skimming devices

- Once data is stolen through skimming, *card cloning* may occur. This involves copying the stolen credit card data onto a blank card or overwriting it onto another stolen card. The cloned card can then be used for fraudulent purchases, cash withdrawals, or money orders.

Skimming and cloning often involve organized operations. For example, one person might collect data with a skimmer, another might use a card-cloning machine, and a third might use the cloned cards to purchase gift cards or other items, creating a complex chain of fraudulent activity.

To minimize the risk of card skimming and card cloning, it's essential for cardholders to keep their cards in sight at all times or maintain physical possession of them. Dining at restaurants with a centralized checkout system can help ensure that the card is not taken away and potentially compromised during the payment process. Many businesses now integrate electronic fraud security systems into their payment systems, providing an additional layer of protection against fraudulent schemes and cyberattacks. Payment card companies are also expanding their security solutions to address various types of fraud. Cardholders should contact their card issuers through customer service representatives or online resources to learn more about available security features and fraud prevention tools. These solutions can help enhance card security and reduce the risk of having sensitive information compromised.

To summarize, this is how to avoid card cloning, credit card skimmers and other types of credit card fraud:

- Protect your credit card data from digital theft;
- Inspect ATMs and gas pumps before use;
- Use a credit card with a microchip;
- Choose your card carefully;
- Use transaction alerts.

3. Payment fraud

Payment fraud is a type of financial fraud that occurs when someone intentionally uses false or stolen payment information to make a purchase. The perpetrator deprives the victim of funds, personal property, interest or sensitive information via the Internet.

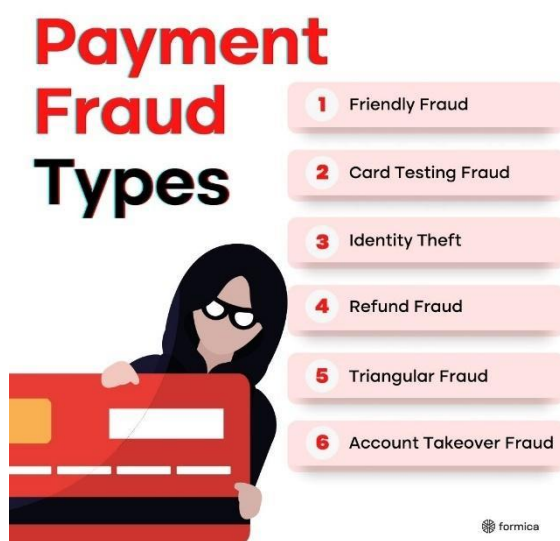
Payment fraud is characterized in three ways³⁰:

- Fraudulent or unauthorized transactions;
- Lost or stolen merchandise;
- False requests for a refund, return or bounced checks.

While payment fraud can occur in different ways, it often targets businesses, financial institutions, and consumers shopping online. Criminals can use sophisticated techniques to steal credit card information, bank account details, passwords, and more. They take advantage of weaknesses in security measures.

Online payment fraud is a significant problem for everyone who buys and sells over the internet. According to the European Banking Authority, payment fraud amounted to €4.3 billion in 2022. And in a recent report, Juniper Research estimated that online payment fraud will exceed \$362 billion globally between 2023-2028. The same report predicts the losses to merchants in 2028 alone will be \$91 billion.³¹

Payment fraud can occur through various payment methods, including credit cards, debit cards, bank transfers, checks, and electronic payments. Fraudulent actors use several methods to commit payment fraud. Here are some of the most common tactics³²:



A. Friendly Fraud (Chargeback Fraud):

Friendly fraud occurs when customers request a refund after purchasing a product or service, falsely claiming that they did not receive it or that the transaction was invalid. In this case, banks typically reimburse the customer, even though the claim is untrue. Some individuals may use this method to obtain free products or services. While there are instances where the consumer is correct,

³⁰ <https://www.bigcommerce.com/glossary/payment-fraud/>.

³¹ <https://www.checkout.com/blog/common-types-of-online-payment-fraud>.

³² <https://www.formica.ai/blog/payment-fraud-types-detection-and-prevention-in-ecommerce>.

friendly fraud is often exploited as a form of payment fraud.

B. Card Testing Fraud: In card testing fraud, criminals steal or purchase credit card information from the dark web. They then conduct small transactions on various shopping sites to test if the card is active and can be used for larger purchases. These minor transactions can go unnoticed, but once fraudsters identify a working card, they may proceed with significant transactions, leading to substantial financial losses. If these small charges turn into chargebacks, merchants also face financial setbacks.

C. Identity Theft: Fraudsters often impersonate legitimate websites or online stores to trick consumers into providing personal information, such as names, emails, phone numbers, and payment details. This is one of the most common forms of payment fraud, where phishers steal sensitive data through deceptive means.

D. Refund Fraud: Refund fraud occurs when criminals steal credit card information and later request a refund for purchases made with the stolen card. The fraudsters usually ask for the refund to be transferred to a different account or through an alternative payment method, further complicating detection.

E. Triangular Fraud: Triangular fraud involves three parties: the fraudster, the merchant, and the customer. The fraudster sets up a fake online store offering competitive prices and attracts customers. Once a customer places an order, the fraudster steals the payment card details and purchases products from the legitimate store, using the stolen information to complete the transaction. The merchant is unaware that the payment is fraudulent, and the fraudster receives the product without paying.

F. Account Takeover Fraud: In account takeover fraud, criminals gain unauthorized access to users' online banking or shopping accounts. This is typically made possible by weak passwords or the use of the same password across multiple accounts. After taking control of the account, fraudsters can make purchases, change account details, and divert payments, leaving the victim unaware of the changes or fraudulent activity.

4. Investment fraud

Investment fraud and scams involve many techniques. Some will be easier to spot than others, as scammers will go to lengths to ensure any websites, documents, or details discussed seem as legitimate as possible. Investment fraud can take many different forms, and it's important for both new and experienced investors to be aware of the risks. Understanding the

various types of investment fraud can help protect against potential losses and scams. Whether it's misleading offers, unauthorized transactions, or fraudulent investment schemes, being informed about these tactics is essential for safeguarding your financial assets. The US Securities and Exchange Commission provides some different types of investment fraud³³:

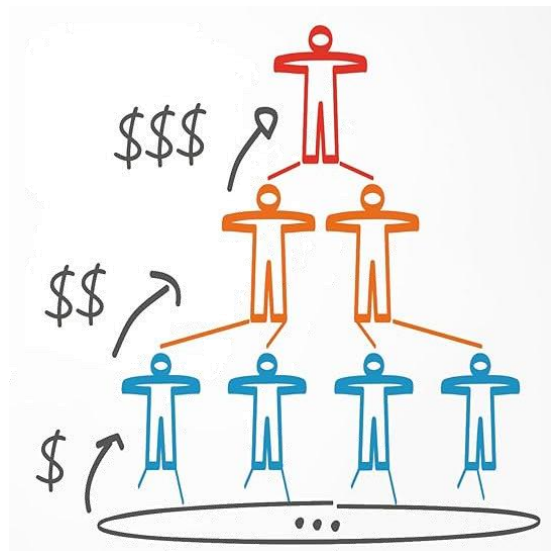
- Affinity Fraud
- Advance Fee Fraud
- Binary Options Fraud
- High Yield Investment Programs
- Impersonation Schemes
- Internet and Social Media Fraud
- Microcap Fraud
- Ponzi Scheme
- Pre-IPO Investment Scams
- Pyramid Schemes



- "Prime Bank" Investments
- Promissory Notes
- Pump and Dump Schemes

One of the most well-known investment schemes is the **Ponzi Scheme**³⁴.

A Ponzi scheme is a type of investment fraud where returns to existing investors are paid using the funds contributed by new investors, rather than generating legitimate profits. The organizers of Ponzi schemes often promise high returns with minimal or no risk, enticing individuals to invest their money. However, in many cases, the fraudsters don't actually invest the money. Instead, they use it to pay off earlier investors, keeping some for themselves. These schemes rely on a constant influx of new investments to keep running. As long as new investors continue to join, the scheme can appear successful. However, when it becomes difficult to recruit new investors or when a large number of current investors try to cash out, the scheme collapses. Ponzi schemes are named after Charles



³³ <https://www.investor.gov/protect-your-investments/fraud/types-fraud>.

³⁴ <https://www.investor.gov/protect-your-investments/fraud/types-fraud/ponzi-scheme>.

Ponzi, who famously swindled investors in the 1920s through a postage stamp speculation scheme. His fraudulent activities became a hallmark for this type of scam.

In 2008, **Bernard Madoff** was convicted for orchestrating **one of the largest Ponzi schemes in history**³⁵, which involved falsifying trading reports to show profits from investments that did not exist. Madoff marketed his fraudulent operation as a legitimate investment strategy known as the "split-strike conversion," which involved trading blue-chip stocks and options. However, instead of actual trading, Madoff used historical trading data to create fake profit records, deceiving his clients into believing their investments were growing. The scheme unraveled during the 2008 global financial crisis, as more investors began to withdraw funds, revealing the company's lack of liquidity. Eventually, Madoff admitted that his firm had \$50 billion in liabilities owed to 4,800 clients. However, government investigations concluded that the actual size of the fraud was \$64.8 billion. Madoff was sentenced to 150 years in prison and forfeited \$170 billion in assets. He died in prison on April 14, 2021, leaving behind a legacy of financial devastation for countless victims.

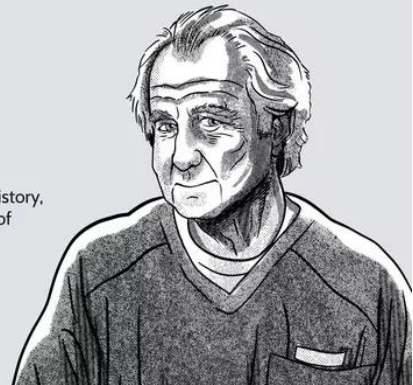
Bernie Madoff

Born: April 29, 1938

Died: April 14, 2021

Financier

- Responsible for the largest Ponzi scheme in history, defrauded thousands of investors out of tens of billions of dollars over the course of 17 years, possibly longer
- Was sentenced to 150 years in prison and forced to forfeit \$170 billion in 2009
- Pioneer in electronic trading and Chair of Nasdaq in the early 1990s



One of the most recent investment schemes is Cryptocurrency-related investments.

Cryptocurrencies gained significant attention in 2017, as the values of some virtual coins and tokens, especially Bitcoin, surged dramatically. This led to widespread media coverage, introducing new cryptocurrencies, coin exchanges, and investment products. The media also highlighted stories of "crypto millionaires," enticing some investors to explore opportunities in the cryptocurrency market. However, these success stories were soon accompanied by tales of



investors who bet heavily on cryptocurrencies and lost significant amounts of money.

Before diving into the cryptocurrency market, it's important to recognize that many cryptocurrencies and

³⁵ <https://www.investopedia.com/terms/b/bernard-madoff.asp>.

related financial products may be nothing more than fronts for Ponzi schemes or other types of fraud. Since cryptocurrencies do not always fit within existing federal or state regulatory frameworks, promoters of these products may exploit the lack of oversight to deceive investors. As a result, investing in cryptocurrencies and related products should be approached with caution, as it carries extremely high risks and the potential for significant financial loss.

Cryptocurrency scams come in various forms, much like traditional financial frauds. Just as criminals attempt to steal funds from bank accounts or make fraudulent charges on credit cards, crypto scammers will go to great lengths to steal your cryptocurrency. To safeguard your crypto assets, it's crucial to understand when and how you might be targeted by scammers and to recognize the warning signs of fraud. Being aware of common scams and knowing what actions to take if you suspect you're being targeted can help protect your investments in the volatile world of cryptocurrency³⁶.



Reflect & Discuss

In your opinion, what role does financial literacy play in protecting consumers from financial harm?

Can you think of an example where better financial knowledge might have prevented a consumer from falling victim to a harmful financial product or service?

Have you ever received a phishing email or message? How did you identify it, and what actions did you take? If not, how would you respond if you received one?

Considering the increase in digital financial transactions, how important do you think digital literacy is in preventing scams? How can educational institutions improve students' ability to detect online fraud?

In what ways can consumers protect themselves from credit card fraud and skimming? Do you think financial institutions are doing enough to help protect their customers from these risks?

Think about the potential risks and rewards of investing in cryptocurrency. Do you believe cryptocurrency offers legitimate investment opportunities, or does the volatility make it too risky for most investors?

What are the key red flags that someone might encounter in a Ponzi scheme? Reflect on why these schemes can often go undetected for so long. How could these types of scams be prevented or caught sooner?

³⁶ <https://www.investopedia.com/articles/forex/042315/beware-these-five-bitcoin-scams.asp>.

Non-formal education exercises

1. Escape Room with a Financial Theme – "The Debt Trap Escape"- Chapter 9: Financial Consumer Protection and Financial Fraud-

Participants are trapped in a virtual escape room where they must solve financial puzzles to unlock the door.

- **Challenge 1:** Calculate the total interest on a **4000-euro loan** with a 5% annual interest rate over 3 years.
- **Challenge 2:** Identify fraudulent activities in a fake bank statement.
- **Challenge 3:** Budget **2000 euros** to cover essential expenses (housing, food, transport) while saving **20%**.

Requests:

1. Solve each challenge to unlock the door and escape.
2. Justify your answers and explain how they apply to real-life financial situations.

2. Recognizing Financial Fraud – "Spot the Scam"

Situation: Ana receives the following email: "Congratulations! You've won **5000 euros**. To claim your prize, please reply with your bank details and a copy of your ID. Act quickly – this offer expires in 24 hours!"

Requests:

1. Identify red flags in the email and explain why it might be a scam.
2. Create a list of steps Ana should take to protect herself, such as reporting the email or securing her accounts.
3. Discuss common financial scams and how to avoid them in daily life.

3. Fraud Detective – "Spot the Scammer"

Objective: Teach participants to identify signs of financial fraud.

Setup:

- Prepare scenarios with both legitimate and fraudulent offers (e.g., emails, text messages, investment opportunities).

Gameplay:

1. Divide participants into teams.
2. Each team is presented with a series of scenarios. Examples:
 - o A lottery email asking for personal details to claim a prize.
 - o A bank notification requesting urgent account verification.
 - o A genuine email from an employer about salary details.
3. Teams must classify each scenario as "Fraudulent" or "Legitimate" and explain their reasoning.
4. Award points for correct answers and clear justifications.

Outcome: Develops critical thinking skills and fraud awareness.

10. Job Market and Financial Management Skills

Objective

... to provide readers a basic understanding of the job market, focusing on the key skills required to succeed in the competitive finance sector, on the salary structure and on some negotiating rules.

Learning outcomes:

- understanding what the job market is and how big it is in the European Union.
- comprehending the skills required to succeed in the competitive finance job market.
- grasping what to compute and to negotiate the salary on the job market.

What is the job market?

The job market (or the labor market) is where employers look for employees, and individuals seek employment opportunities. It is not necessarily a physical location but rather a concept that illustrates the competition and interaction between various labor forces. It is where the *supply* (individuals who are actively seeking jobs) and *demand* (businesses) of the labor force, as well as other factors, interact. The size and dynamics of this market are influenced by factors such as the economic activity level, industry trends, the need for certain skill sets or education level, all of these being closely connected to the overall state of the economy. From the micro-perspective, understanding the job market helps individuals to assess their competitiveness and career plan better. From the macro-perspective, the health of job markets reflects the overall economic condition and trend³⁷.

Several elements play a role in shaping the job market, including the specific needs of certain industries, the demand for particular skills or educational qualifications, and the responsibilities associated with different roles. Additionally, the job market's growth or contraction often reflects changes in the demand for goods and services within the economy. Understanding these dynamics is crucial for navigating career choices and responding to industry trends effectively.

The job market in finance in the European Union

In 2021, 4.9 million people were employed in the EU's financial and insurance activities sector. This represents 3.1% of all employed people in the EU. During the same year, there

³⁷ <https://corporatefinanceinstitute.com/resources/economics/job-market/>.

were 759,159 enterprises in this sector, making up 2.5% of all enterprises active in the EU’s business economy (see also Figure no. 10.1). The net turnover amounted to €2.3 trillion, while the value added stood at €1 trillion. Following the entry into force of the European Business Statistics Regulation, Eurostat has extended the service coverage for structural business statistics and is publishing, for the first time, SBS data on the financial and insurance activities sector.

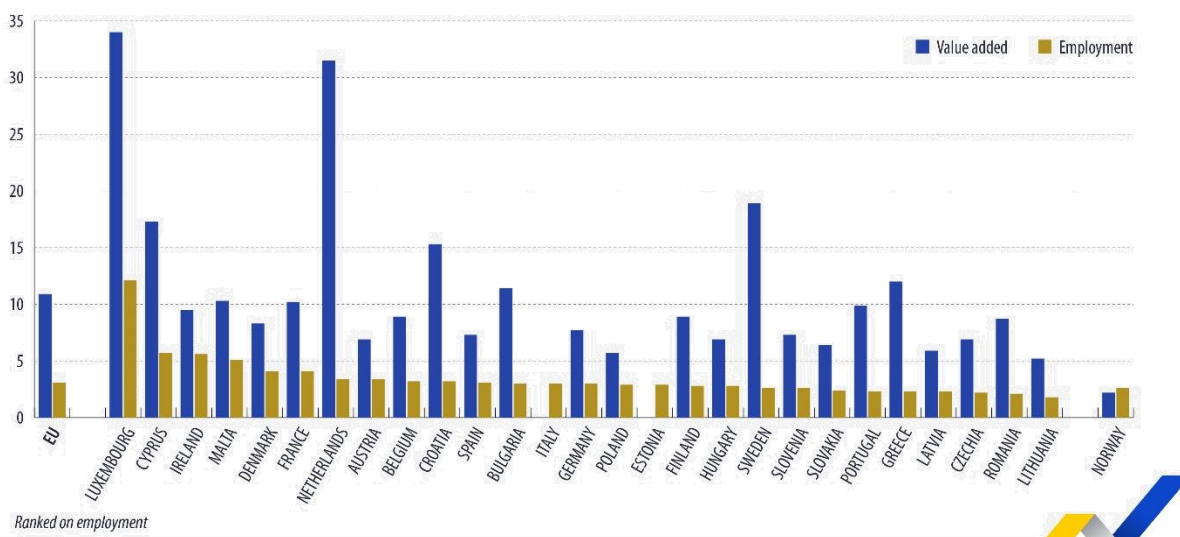


Figure no. 10.1 – Financial and insurance activities
 (% share of value added and employment in the business economy total)

Source: <https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20240610-2>

In 2021, the countries with the highest share in terms of employment were Luxembourg (12.1% of the country’s business economy), Cyprus (5.7%) and Ireland (5.6%). Meanwhile, the lowest share of employment in the financial and insurance activities sector were in **Bulgaria** (2.4), **Czechia** (2.2%), **Romania** (2.1%) and **Lithuania** (1.8%). In terms of value added, the highest percentage share was recorded in Luxembourg (34.0% of the country’s business economy), the Netherlands (31.5%) and Sweden (18.9%).

Top skills for success in the competitive finance job market

The job market, in general, is highly competitive, requiring individuals to possess a wide array of skills and knowledge. With regard to the financial industry, as it evolves, it becomes increasingly important for those pursuing a career in finance to develop the right capabilities to stand out among other candidates vying for top positions. To excel in their jobs, professionals

must master a mix of technical, soft, and industry-specific related skills. These include the ability to conduct financial analysis, work with financial software, and interpret complex data. In addition to these technical abilities, effective communication, problem-solving, and teamwork are essential for success in the workplace. Understanding industry trends and developments, as well as having strong quantitative and analytical skills, further enhances one's qualifications. Networking, staying informed about industry changes, and pursuing continuous learning are also crucial for professional growth. Professionals who prioritize these areas and adapt to the changing landscape of finance are more likely to find success in this dynamic field. In finance, the ability to learn and adapt continuously is key to staying competitive and achieving long-term success.

According to Harshali Pawar, these are the main *Technical Skills* that a professional in the finance job market must possess³⁸:

- ***Financial Analysis and Modeling***: a strong ability to analyze and interpret financial data is critical for making informed decisions and constructing accurate financial models. Employers often look for individuals who can navigate complex financial statements, assess risk, and evaluate investment opportunities to guide strategic actions.

- ***Proficiency in Financial Software and Tools***: familiarity with essential financial software such as Excel, Bloomberg, and ERP systems is highly valued in the finance sector. Proficiency in using these tools not only streamlines financial analysis but also increases productivity and facilitates efficient reporting, making it an important skill for finance professionals.

- ***Data Analysis and Interpretation***: with the growing trend of data-driven decision-making, strong data analysis skills are becoming more crucial. Expertise in data manipulation, statistical analysis, and data visualization allows finance professionals to extract valuable insights, which in turn support informed and strategic decision-making processes.

- ***Knowledge of Accounting Principles and Practices***: a solid understanding of accounting principles and practices is fundamental to success in the finance field. Being able to accurately interpret financial statements, comprehend auditing procedures, and adhere to financial regulations is necessary for meeting reporting requirements and ensuring accurate financial analysis.

³⁸ <https://www.bsebti.com/blog/top-skills-for-success-in-the-competitive-finance-job-market/>.

In addition to those, there are also some *Soft Skills* that the same finance professional must have in the portfolio:

- ***Communication and Presentation Skills:*** strong verbal and written communication skills are crucial for finance professionals to convey complex financial information to stakeholders. Effective presentation skills enable professionals to articulate their ideas with clarity, making them persuasive and impactful.

- ***Problem-Solving and Critical Thinking Abilities:*** finance professionals are often confronted with complex challenges that require innovative solutions. Employers value candidates who possess strong problem-solving and critical thinking skills, allowing them to analyze situations, identify opportunities, and implement effective strategies.

- ***Attention to Detail and Accuracy:*** in finance, precision is paramount. Attention to detail ensures accurate financial analysis, error-free reporting, and compliance with regulatory frameworks. Employers seek candidates who possess meticulousness and a keen eye for detail.

- ***Teamwork and Collaboration:*** finance professionals seldom work in isolation. The ability to collaborate with cross-functional teams, communicate effectively, and contribute to group objectives is highly valued. Strong teamwork skills foster a cooperative and productive work environment.

- ***Adaptability and Flexibility:*** the finance industry is constantly evolving, requiring professionals to adapt to changing market conditions and regulations. Demonstrating flexibility and adaptability allows individuals to navigate uncertain situations and seize opportunities for growth.

Of course, one must not neglect the *Industry Knowledge related skills:*

- ***Understanding of Financial Markets and Instruments:*** a comprehensive understanding of financial markets, including stocks, bonds, derivatives, and commodities, is essential. Knowledge of various financial instruments and their dynamics enables professionals to make informed investment decisions.

- ***Knowledge of Regulatory Frameworks and Compliance:*** Finance professionals must comply with a multitude of regulations and frameworks. Familiarity with key regulatory bodies, such as SEC, FCA, and RBI, and adherence to compliance standards is critical to maintain ethical practices and avoid legal issues.

- ***Awareness of Current Trends and Developments in the Finance Industry:*** staying up-to-date with the latest trends, innovations, and developments in the finance industry

showcases a proactive approach to professional growth. Being aware of emerging technologies and market dynamics equips professionals with a competitive edge.

- **Familiarity with Different Sectors:** finance encompasses various sectors, such as investment banking, asset management, and corporate finance. Gaining exposure to different sectors enhances professionals' versatility and widens their career opportunities.

Last but not least, there are the **Quantitative and Analytical Skills:**

- **Proficiency in Mathematics and Statistics:** finance professionals often work with complex mathematical and statistical models. Strong quantitative skills allow professionals to analyze financial data, perform risk assessments, and develop accurate forecasts.

- **Ability to Analyze and Interpret Financial Data:** the ability to extract insights from financial data and convert them into actionable strategies is highly valued. Proficiency in data analysis techniques enables professionals to identify patterns, trends, and potential risks.

- **Strong Decision-Making and Risk Management Skills:** finance professionals are frequently faced with high-stakes decisions. The ability to assess risks, evaluate alternatives, and make sound judgments is critical. Effective risk management skills are essential to safeguard investments and ensure financial stability.

International Job Portals

To find global job opportunities, explore international job portals and recruitment websites. These platforms cater specifically to international job seekers and provide filters for location and industry preferences. Consider the following options:



- **Indeed** is one of the largest job search engines, aggregating job listings from various sources including company websites, job boards, and recruitment agencies. You can search for jobs by location, industry, and keyword.

- **LinkedIn** is a professional networking platform where you can not only search for job openings but also connect with professionals in your field, join industry-related groups, and access resources for career development.

- **Glassdoor** provides job listings, company reviews, salary information, and interview insights contributed by employees and job seekers. It's a valuable resource for researching companies and understanding the job market landscape.

- **Monster** is another popular job search platform offering a wide range of job listings across industries and locations. It provides tools for resume building, career advice, and job search customization.

- **CareerBuilder** is a comprehensive job board featuring millions of job listings, resume search tools for employers, and resources for job seekers including resume writing tips and career advice.

- **Job Boards and Career Portals:** Many companies and organizations have their own career portals and job boards where they advertise job openings. Visiting the websites of companies you're interested in working for can provide you with direct access to their job listings and recruitment information.

- **EURES:** the European Employment Services, is a cooperation network established by the EU to facilitate the free movement of workers within the European Economic Area countries (EU countries plus Iceland, Liechtenstein, and Norway) and Switzerland. It is designed to connect job seekers with employers across borders and to provide information, guidance, and support on employment opportunities and labor market conditions in these countries.



- **Bureau of Labor Statistics (BLS):** If we look for national-level data and statistics on the job market, the BLS website provides a wealth of information on employment trends, wages, occupational outlook, and labor market indicators.

- **World Bank Data,** for global insights into the job market, the World Bank offers data and research on various economic indicators, including labor market statistics, employment trends, and workforce demographics.

- **Professional Associations and Industry Forums** Industry-specific professional associations and forums often have job boards and resources tailored to professionals in that field. Joining these associations and participating in discussions can help you stay informed about job opportunities and industry trends.

The salary breakup structure

Understanding the breakdown of a salary structure is essential for gaining clarity about income and financial planning. A typical salary structure consists of several components, each serving a specific purpose (see Figure no. 10.2, as an example). Here’s an overview of the common elements found in a salary breakup:

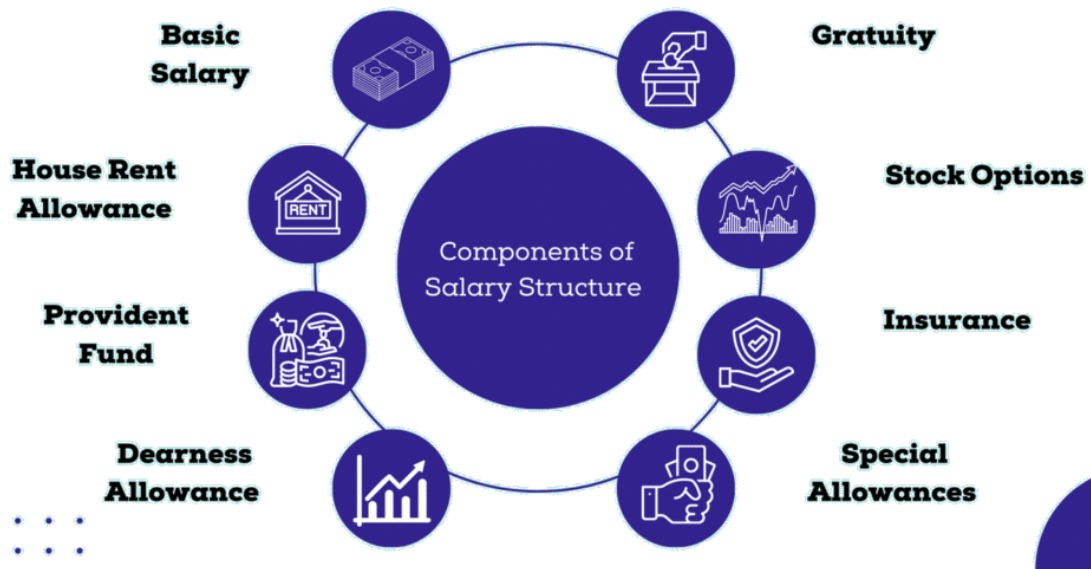


Figure no. 10.2 – Components of salary structure

Source: <https://www.cheggindia.com/career-guidance/salary-breakup-structure/>

1. Basic salary

The basic salary is a fundamental element of any compensation package, representing the fixed portion of income earned for providing services. It serves as the foundation upon which other salary components and benefits are structured. Typically, the basic salary constitutes about 40-50% of the total salary and is fully taxable. Various additional elements, such as allowances and contributions, are calculated as a percentage of this fixed amount. Paid in the local currency of the country of employment, the basic salary is influenced by factors such as professional experience, qualifications, and prevailing market conditions.

For instance, the base salary for a software engineer in the United States may be significantly higher compared to a similar role in **Romania**, **Bulgaria** or **Lithuania**. This variation reflects differences in living costs, labor market demand, and regional economic factors. Understanding these nuances helps in assessing the value of the basic salary within the broader context of total compensation.

2. Allowances

There are companies that provide allowances to support employees in managing additional expenses, especially when working in locations with unique cost considerations, such as international assignments or cities with a high cost of living. These allowances are offered in addition to the basic salary and can serve specific purposes, such as covering housing, transportation, or education expenses. Allowances are structured to address various needs and can be either taxable or exempt from taxes, depending on their type and applicable conditions. Common examples of allowances include:

- *House Rent Allowance*: Designed to help employees manage house rent expenses, this allowance can be partially tax-exempt if specific criteria are met, such as the amount of rent paid and the location of residence.
- *Dearness Allowance*: Primarily offered to government employees, this allowance aims to counteract inflation. It is calculated as a percentage of the basic salary and is fully taxable.
- *Conveyance Allowance*: Provided to cover commuting costs between home and work, this allowance is tax-free up to a specified limit.
- *Medical Allowance*: This is allocated for healthcare-related expenses and may be tax-exempt if supported by valid bills and within defined limits.
- *Special Allowance*: Serving as a miscellaneous category, it encompasses benefits not covered under other specific allowances and is generally fully taxable.

3. Bonus, Incentives and Benefits

Bonuses and incentives play a key role in employee compensation, offering additional earnings for achieving specific goals or targets in that job. These payments are designed to reward performance, enhance motivation, and align individual efforts with organizational objectives. A bonus is typically a one-time payment provided when a particular milestone is reached and is generally taxable. Common examples include, but are not limited to:

- *Annual Bonuses*: Awarded at the end of the year based on company performance or individual contributions.
- *Performance Bonuses*: Paid to employees who exceed performance expectations or meet key targets.
- *Sign-On Bonuses*: Offered to new employees as an incentive to join the organization.

Incentives, on the other hand, are designed to encourage employees to meet ongoing or specific targets. These payments can be regular or occasional and may vary in structure

depending on the company. Incentives are often tied to individual or team achievements, such as exceeding sales goals or delivering exceptional results on a project.

In addition to bonuses and incentives, benefits form a critical part of a salary package and can significantly enhance overall compensation. These benefits vary by company and country but often include:

- *Health Insurance*: A comprehensive health plan can reduce out-of-pocket expenses, especially in regions with high healthcare costs.
- *Retirement Plans*: Contributions toward pension or savings schemes help employees secure their financial future.
- *Paid Time Off*: Vacation days, sick leave, and holidays contribute to a healthy work-life balance.
- *Other Perks*: Some companies provide additional benefits like childcare support, education assistance, or wellness programs.

4. Stock Options or Equity Grants

In some cases, employees may receive stock options or equity grants as part of their compensation package. Stock options give employees the right to purchase company stock at a predetermined price within a specified time frame, while equity grants provide ownership stakes in the company. Stock options and equity grants can serve as incentives for employees to contribute to the company's growth and success.

5. Deductions

Deductions represent the amounts subtracted from the gross salary (basic salary plus other benefits) to arrive at the net salary, also known as *take-home pay*. These deductions serve various purposes, including social security contributions, taxes, and compliance with legal requirements. Common deductions include the following:

- *Provident Fund*: Both the employer and employee contribute to this fund, typically 12% of the basic salary. The employee's contribution is tax-exempt up to a specific limit, and the PF serves as a long-term savings scheme for retirement or other financial needs.
- *Employee State Insurance*: This deduction is part of a social security scheme that provides medical benefits and other services to eligible employees under the Employees' State Insurance Act of 1948. Contributions to the ESI fund are mandatory for qualifying employees.

- Deductions for Pillar III pensions: this would appear under voluntary deductions or employee benefits, alongside other optional contributions such as health savings accounts or additional insurance premiums (see previous chapter on Insurance and Private Pension).

- *Professional Tax*: Imposed by state governments, this tax is deducted based on state-specific regulations. The amount varies across regions and is mandatory for salaried employees.

- *Income Tax*: Tax Deducted at Source is calculated based on the employee's income tax slab. The employer withholds this and submits it to the government on behalf of the employee.

6. Other components

Gratuity and overtime pay are additional components of employee compensation, reflecting efforts made beyond regular duties or tenure with the organization. These payments can significantly impact overall earnings and are subject to specific rules and calculations:

- *Gratuity*: This is a lump-sum payment made to employees when they leave the company, provided they have worked for a minimum of five years. Gratuity is calculated using a formula based on the last drawn salary and years of service.

- *Overtime Pay*: Employees who work beyond their regular working hours are entitled to overtime pay, calculated at a higher rate than regular hours.

7. In-hand or Take-Home Salary

The in-hand salary (also referred to as the take-home salary) is the amount that an employee actually receives after all necessary deductions from the gross salary have been made. It is the final amount that is deposited into an employee's bank account at the end of each month.

To calculate the in-hand salary, the following formula is commonly used:

$$\text{In-hand Salary} = \text{Basic Salary} + \text{Allowances} - (\text{Provident Fund} + \text{Gratuity} + \text{Tax Deducted at Source} + \text{Professional Tax})$$

where:

- Basic Salary refers to the fixed portion of the salary.
- Allowances are additional benefits, such as housing or transport allowances.
- Provident Fund, Gratuity, Tax Deducted at Source, and Professional Tax are deductions that reduce the total salary.

The components of the in-hand salary may vary based on factors like the company's policies, the employee's position, the industry they work in, their location, and their years of experience. Understanding the in-hand salary is essential, as it reflects the actual income available for personal expenses after all deductions have been accounted for.

When considering a job offer, particularly in a global context, understanding the tax and deduction structure is essential. Different countries have unique tax laws, rates, and social security requirements. It's also critical to determine whether taxes must be paid in the home country, the host country, or both, based on bilateral tax agreements or individual circumstances.

Seeking guidance from a tax professional or financial advisor can simplify these complexities and ensure compliance with all regulations. This understanding not only helps in planning personal finances but also provides clarity on the actual take-home pay and the overall financial benefits of the role.

Negotiating the salary

Negotiating a salary is another important skill one must have. It typically occurs at specific times during the career journey. It is important for anyone that the negotiation of a salary comes after an informed and rational analysis.

There are some situations when one can negotiate the salary:

- *during the job offer stage* – the most common time to negotiate a salary is when one receives a job offer from a potential employer. After going through the interview process and the employer extends a formal job offer, there is the opportunity to negotiate the terms of employment, including salary, allowances, benefits, and other compensation-related aspects (mentioned earlier).
- *during performance reviews or salary reviews* – performance reviews or annual salary reviews provide an opportunity to discuss the compensation with the current employer. If strong performance and added value has demonstrated to the organization, it's appropriate to request a salary increase or adjustment during these reviews.
- *when taking on new responsibilities* – when assigned new responsibilities or take on additional duties beyond the current job description, it may warrant a discussion about salary adjustments. It is important to articulate how the increased responsibilities contribute to the organization's success and why a salary adjustment is justified.

- *when transitioning to a new role or promotion* – when transitioning to a new role within the same company or receiving a promotion, it's common to negotiate the salary for the new position. It is important to be prepared to demonstrate how the skills, experience, and qualifications align with the requirements of the new role and justify the salary expectations accordingly.

- *in response to market trends or changes* – external factors such as changes in market conditions, industry standards, or cost of living may necessitate a salary negotiation. If one believes the current salary no longer reflects market rates or is insufficient to meet the financial needs, it's appropriate to initiate a discussion about salary adjustments.

- *upon receiving a counteroffer* – when considering a job offer from a new employer and upon receiving the counteroffer from the current employer, there is a great opportunity to negotiate the salary. It is



important to evaluate both offers carefully and consider factors such as salary, benefits, career advancement opportunities, and how these overall fit with the career goals before making a decision.

It's important to approach salary negotiations with professionalism, preparation, and clear communication. Negotiating salary is a normal part of the job search and career advancement process, and it's essential to ensure one's fairly compensated for their skills, experience, and contributions.



Reflect & Discuss

Reflect on the technical, soft, and industry-specific skills needed in finance. Which of these skills do you feel you are most confident in, and which do you believe require more development?

Have you used any international job portals like LinkedIn, Indeed, or Glassdoor in your job search? What features did you find most helpful, and how can these tools help you understand the job market in your field?

Reflect on the breakdown of a salary structure. How would you prioritize different components (such as basic salary, allowances, and bonuses) when considering a job offer?

Why is it important to understand the deductions from a salary? What impact do taxes, provident funds, and insurance premiums have on your take-home pay?

When do you think it is the right time to negotiate your salary, and why? How would you approach a salary negotiation after receiving a job offer or promotion?

Non-formal education exercises

1. Shades of jobs

Let's live our dream in our soul city!

Consider each of your team wants to move from a city to other, please compare cost of living between the 2 cities. Taking into consideration needs and wants estimate a net income you will need in order to live there.

- Team 1: Vilnius-Barcelona
- Team 2: Varna-Florence
- Team 3: Iasi-Amsterdam

2. How to negotiate a salary (role-play)

Age: 18 - 24

Group size: 10-30

Materials: flipchart and markers to summarise OR presentation

Time: 30-40 minutes

This activity aims to teach participants practical negotiation skills using interactive role-play and feedback.

1. First Trial - Improv + Change:

- Participants pair up. One person assumes the role of the job applicant, while the other acts as the employer.
- The "applicant" improvises a salary negotiation based on their current knowledge and instincts.
- The "employer" provides feedback on the applicant's performance, focusing on strengths and areas for improvement.
- Pairs then swap roles.

2. Discussion - Winning strategies and Rules for negotiation:

- After the first round, the group reconvenes for a guided discussion.
- The trainer facilitates a conversation on effective strategies for negotiation, encouraging participants to share observations from the first trial.

- The trainer introduces three essential rules for successful salary negotiation:
 1. **Do your homework:** Research the typical salary range for the role, industry standards, and regional market rates. Be prepared to back up your request with data and examples.
 2. **Be confident, but flexible:** Clearly articulate your value and desired salary, but remain open to compromise, such as benefits, bonuses, or non-monetary perks.
 3. **Focus on mutual benefit:** Frame your request in terms of how your skills and contributions will benefit the company, making it a win-win conversation.
- 3. **Second Trial - Informed Negotiation + Change:**
 - Participants return to their pairs for a second round of negotiations, applying the strategies and rules discussed.
 - Each pair provides constructive feedback after the second trial, focusing on how effectively the new strategies were implemented.

3. *Smart goals*

Objectives:

- Guide students in setting realistic work and income goals.
- Help students understand how to apply the SMART method to financial planning.
- Encourage critical thinking about career choices and financial independence.

Preparation:

- Divide students into 3-5 per group.
- Provide each team with an outline of the SMART goals.
- Ask students to think about their reasons for working and what they hope to achieve financially.

Understand smart goals

Specific

The goal must be specific and clearly defined. For example, if it involves money, it's useful to think of an exact amount. If it's about experiences, consider what kind they should be.

Measurable

The goal should be measurable so that you can determine whether you have achieved it. For instance, if you write down a specific amount, at the end of the work period, you can compare how much you aimed to earn versus how much you actually earned.

Attainable

The goal should be ambitious but realistic. Expecting a high salary without any work experience or skills is not rational. It's better to research market rates for similar work and calculate how much you could realistically earn.

Relevant

It is crucial that the goal is meaningful to you. If you are passionate about a particular field, financial rewards might be less motivating than the experience and knowledge you gain.

Time-based

It is useful to set a deadline for achieving or measuring the goal. For example, if you want to earn a specific amount over the summer, setting a clear timeframe helps track progress.

Activity Steps (40-60 min)

Step 1: Understanding SMART Goals

Introduce the SMART goal-setting method and explain its components:

- **Specific:** Define a clear goal (e.g., "I want to earn €500 for a new bike").
- **Measurable:** Track progress (e.g., "I will work 10 hours a week at €10/hour").
- **Attainable:** Ensure the goal is realistic (e.g., "This is possible with my schedule").
- **Relevant:** Connect it to personal motivation (e.g., "Having a bike will help me get to school faster").
- **Time-based:** Set a deadline (e.g., "I will save this amount in 3 months").

Questions to Encourage a Discussion About Work and Earnings:

- Why is it important to have the opportunity to earn extra income?
- How does this impact a family's finances?
- What jobs can minors do, and under what conditions?
- How can work experience gained while still in school help in building a future career?
- Where can teenagers look for job opportunities?

Step 2: Setting Personal Work Goals

Students individually or in teams answer key questions to create an earnings plan:

Creating an earning plan:

Earning plan is based on specific questions that will help to determine a work plan/ career path that would suit a young person at the moment.

01 Is there a specific goal for which I want to earn money? If so, how much money do I need to achieve it?

02 What job would allow me to utilize my talents and skills?

03 What kind of job would be interesting to do?

04 Which companies seem attractive to me?

05 How much time per week can I dedicate to work while still having enough time for studies, rest, and leisure?

06 What can I write about myself and my desire to work in a cover letter to convince an employer that my intentions are serious and that my skills and determination make me a good fit for the desired position?

Step 3: Discussion & Reflection

Each team presents their earnings plan and explains their decisions.

- Why did they choose this goal?
- What challenges might they face in achieving it?
- How will they stay motivated if progress is slow?

Note:

- Discuss how goal-setting can help with future financial planning.
- Reflect on how work experience gained at a young age can contribute to long-term career growth.
- Encourage students to revisit and refine their goals as their priorities change.

Treasure hunt on financial terms (Revising activity)- General Revision (Applicable Across Multiple Chapters)

This activity is a fun and interactive way to reinforce key financial literacy concepts, perfect for a revision or wrap-up session. The group will work in teams and visit different locations, each hosted by a volunteer or facilitator. At each location, the team will face a challenge related to financial literacy—these challenges could involve tasks like comparing different types of loans, choosing the right definition for financial terms, or arranging the rules for achieving financial independence in the correct order.

To move on to the next location, teams must successfully solve the challenge. Each solved challenge earns the team some “money” to add to their pot. But there’s a catch! Some challenges might include complications—such as adjusting a family’s monthly budget to meet their financial goals—which, if solved correctly, will earn the team a bonus.

The first team to reach the final destination wins an extra prize in the form of additional “USD,” while the second and third-place teams will receive smaller prizes (50 and 25 USD respectively). The teams that complete the most challenges and gather the most money throughout the hunt will be the winners.

Example Challenges:

1. Loan Comparison: Teams are given two loan offers with different terms and must decide which one is more advantageous based on factors like interest rates and repayment schedules. -> **Chapter 5: The Essentials of Retail Banking: From Accounts to Loans**
2. Budget Reproportioning: A family’s budget is given, and teams must reorganize it to meet a new monthly savings goal, ensuring they don’t overspend.→ **Chapter 2: Budgeting Basics**
3. Financial Definitions: Teams will receive a list of terms like “interest rate,” “credit score,” and “savings account.” They must match each term with the correct definition or choose the most accurate explanation from a list of options.→ **Chapter 1: Introduction to Financial Education** (General financial literacy concepts)

The Personal Budget

Objective

... to aid readers in understanding the importance of managing personal finances by tracking income and expenses.

Learning outcomes:

- understanding how to compute their own budget.
- identifying the main sources of income and expenses.

How can I compute my own budget?

Tracking monthly expenses is an essential step in understanding personal finances and planning for the future. Start by reviewing all the costs that occur throughout the month. These might include regular bills such as rent or mortgage payments, utility bills for electricity, water, and gas, and subscriptions like internet or phone services. Other monthly commitments may include health or car insurance, loan repayments, and memberships to various services. These are fixed expenses that come up consistently, and knowing how much is spent on them each month helps to establish a baseline budget.

In addition to the fixed expenses, it's also important to track variable costs. These are expenses that change from month to month. Examples include spending on groceries, transportation (whether it's fuel, public transportation, or parking), dining out, entertainment, and healthcare. These costs can fluctuate, so it's a good idea to keep track of them to get a clear picture of where the money is going.

Sometimes, there are expenses that don't happen every month but still need to be accounted for. These could include one-off purchases, occasional trips, or irregular payments like annual fees or gifts. These should be categorized as "Other expenses this month." Tracking these as well will ensure that all financial outflows are covered, helping to plan for future months. Using this information, a clear budget can be made for the following month, with a better understanding of spending habits and areas for improvement.

Tracking my monthly income

Here are the main categories of income or salary-related sources.

Income sources	Monthly
Paychecks	A
Salary 1 (primary salary income from a job or employment)	?
Salary 2 (additional salary income, possibly from another job or freelance work)	?
Commissions/Bonuses (earnings from performance-based incentives or bonuses, often tied to sales or targets)	?
Independent Income	B
Independent Income 1 (income generated from freelance work, consulting, or other self-employed activities)	?
Royalties (earnings from intellectual property, such as books, music, patents, etc.)	?
Investment Income	C
Dividends (profits distributed from shares of stock or other business investments)	?
Asset Sales (income generated from selling assets such as property, equipment, or other valuable items)	?
Pension (regular income received after retirement from a pension plan or government scheme)	?
Rent (income received from renting out property or land)	?
Interest (income earned from savings, bonds, or loans)	?
Other (any other form of income that doesn't fall into the categories above)	?
Total monthly income	A+B+C

Tracking my monthly expenses

Here are the main categories of expenses that one must consider.

Sources of expense	Monthly
Housing	A
Rent or mortgage	?
Renter's insurance or homeowner's insurance	?
Utilities: electricity	?
Utilities: gas	?
Utilities: water and sewerage	?
Utilities: garbage collection	?
Internet, cable, and phones	?

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Sources of expense	Monthly
Maintenance and repairs	?
Household products (e.g., cleaning supplies, toiletries, and other household necessities)	?
Other housing expenses (like property taxes)	?
Food	B
Groceries and household supplies	?
Meals out	?
Other food expenses	?
Transportation	C
Public transportation and taxis	?
Gas for car	?
Parking and tolls	?
Car maintenance (like oil changes)	?
Car insurance	?
Car loan	?
Other transportation expenses	?
Health	D
Medicine	?
Health insurance	?
Other health expenses (like doctors' appointments and eyeglasses)	?
Personal care	E
Hairdresser	?
Clothing	?
Cleaning	?
Fitness Club	?
Association Fees	?
Entertainment	?
Other	?
Family care (where applicable)	F
Child care	?
Child support	?
Money given or sent to family	?
Clothing and shoes	?
Laundry	?
Donations	?
Entertainment (like movies and amusement parks)	?

Sources of expense	Monthly
Other personal or family expenses (like beauty care)	?
Finance	G
Fees for cashier's checks and money transfers	?
Credit/Loans reimbursement	?
Savings account	?
Investment account	?
Prepaid cards and phone cards	?
Bank or credit card fees	?
Other fees	?
Pets	H
Food	?
Medical	?
Care	?
Toys	?
Other related expenses	?
Other	I
School costs (like supplies, tuition, student loans)	?
Lawyer	?
Alimony	?
Other payments (like credit cards)	?
Other expenses this month	?
Total expenses	A+B+C+D+E+F+G+H+I

Understanding the result

Income minus **Expenses** gives you an overview of your **financial situation**.

If your income exceeds your expenses, you have extra money that can be saved or spent as you wish. This is a good opportunity to set aside funds for future goals, like building an emergency fund or investing.

However, if your expenses are higher than your income, it's time to take a closer look at your budget. Review your spending habits and identify areas where you can cut back. This might involve reducing discretionary spending or finding ways to save on essential expenses. Balancing your income and expenses ensures that you're living within your means and staying on track financially.

Main Takeaways

Objective

... to provide readers with a concise summary of the main topics covered in the previous chapters, reinforcing the essential skills and knowledge needed to make informed financial decisions, manage personal finances effectively, and navigate the financial landscape confidently.

Chapter 1 introduced the concept of financial literacy, emphasizing its importance in making informed decisions about money. Readers learned that financial education builds the foundation for long-term financial well-being, highlighting the five key financial competencies: saving, investing, earning, sharing, and spending. These competencies provided a structured framework for understanding effective money management.

Chapter 2 focused on budgeting as a fundamental financial tool. The content explained what a budget is, underscored the importance of setting financial goals, and clarified the distinction between needs and wants. Readers were guided through the essential steps of creating a budget, offering practical advice for managing personal finances. Additionally, a practical resource titled **The Personal Budget** was included to help apply the concepts learned in this chapter.

Chapter 3 explored financial planning, offering insights into its significance for achieving both short- and long-term financial stability. The chapter outlined the benefits of financial planning and introduced seven types of financial planning, including budgeting, saving, investing, and retirement planning. Readers gained a comprehensive understanding of how these elements work together to create a roadmap for financial success.

Chapter 4 addressed the differences between saving and investing, highlighting their roles in achieving financial security and growth. Readers examined the unique characteristics of each approach, including the safety and accessibility of savings versus the risks and rewards of investing. The chapter emphasized the importance of balancing these two practices while incorporating real-world statistics to contextualize financial decisions.

Chapter 5 delved into retail banking, offering an overview of the products and services available to individual consumers. The chapter explained the role of retail banking in managing personal finances, with a focus on checking accounts and loans. Readers gained practical

knowledge on how to navigate the banking system and select appropriate financial tools to meet their needs.

Chapter 6 introduced the principles of investing, starting with the concept of risk-return tradeoff. Readers explored various types of investments, such as stocks, bonds, and mutual funds, and learned how these options contribute to building a diversified portfolio. The chapter aimed to equip readers with the ability to evaluate investment opportunities and make informed choices.

Chapter 7 covered insurance and private pensions, emphasizing their importance in managing financial risks and securing future stability. Readers explored different types of insurance policies and their benefits, along with the process of joining a privately managed pension fund. The chapter highlighted how these tools protect against uncertainties and support retirement planning.

Chapter 8 provided an introduction to entrepreneurship, defining what it means to be an entrepreneur and examining the qualities necessary for success. Readers learned about the four types of entrepreneurship and explored financial tips for starting and growing a business. The chapter encouraged financial independence and highlighted strategies for achieving long-term business success.

Chapter 9 focused on financial consumer protection, offering guidance on recognizing and avoiding financial fraud and scams. The chapter outlined the common types of scams and provided practical tips for safeguarding personal finances. Readers gained a deeper understanding of their rights as financial consumers and how to navigate the risks associated with financial products and services.

Chapter 10 explored the job market, particularly within the finance sector, emphasizing the skills needed to succeed. The chapter provided an overview of job opportunities in the European Union, guidance on salary structures, and tips for negotiating salaries. Readers gained confidence in preparing for a career in finance and understanding the dynamics of the job market.

At the end of the manuscript, a **Glossary** with concise definitions of key terms/concepts used throughout the book.

Glossary

A

account number – a unique identifier assigned to each bank account, used for transactions and tracking.

added value – the contribution of a sector to the economy, measured as the difference between output and intermediate consumption.

allowances (salary) – additional payments for specific expenses like housing or transportation.

appreciation – the increase in an asset's value over time.

asset – anything of material value owned by an individual or company.

asset management – the process of managing investments such as stocks, bonds, and mutual funds, with the goal of growing and protecting financial assets.

auto insurance – insurance that protects against losses related to vehicle ownership and accidents, including liability, collision, and comprehensive coverage.

automated teller machine (ATM) – a machine that provides customers with access to their bank accounts for withdrawals, deposits, and account inquiries.

B

bad debt – debt taken on for items that a consumer does not need and cannot afford.

bank – a financial institution that invests money deposited by customers, provides loans and exchanges currency.

bank fees – charges levied by a bank for various services, such as ATM withdrawals, account maintenance, or overdrafts.

basic salary – fixed portion of income as the foundation of compensation.

bonds – debt securities where an investor loans money to an issuer (e.g., government or corporation) in exchange for periodic interest payments and the return of principal at maturity.

bonuses and incentives (salary) – rewards for achieving performance targets.

budget – a financial plan designed to help individuals manage their income, savings, and expenditures.

budgeting – creating a plan for managing income and expenses to ensure financial stability and alignment with goals.

business plan – a detailed document outlining a business's goals, strategy, financial projections, and plans for success.

C

capital – wealth in the form of money or property.

capital preservation – the investment goal of protecting the initial investment from losses, often associated with low-risk investments such as savings accounts.

cash flow – the total amount of money being transferred into or out of a business, account or an individual's budget.

cash flow planning – the process of assessing and managing the movement of money into and out of an individual's finances, ensuring that financial goals are met and sufficient savings are available for emergencies.

Certificate of Deposit (CD) – a savings certificate issued by a bank, depositing money for a specified length of time.

claims – a request made by the insured to the insurer for compensation or coverage of a loss.

collateral – an asset pledged by a borrower to secure a loan, which can be seized by the lender if the borrower fails to repay.

collision coverage – auto insurance coverage that pays for damage to one's own car due to a collision.

commodities – tangible assets like energy resources, agricultural goods, and metals, which can be traded as investments.

common stock – a type of stock that allows shareholders to vote at meetings and receive dividends.

compound interest – interest calculated on both the principal and the accrued interest.

compounding – the process of earning returns on both the initial investment and the accumulated interest or gains from previous periods.

comprehensive coverage – auto insurance that covers non-collision damages such as theft, vandalism, or natural disasters.

consumer banking – another term for retail banking, focused on serving personal customers with services like checking accounts and personal loans.

credit card – a card issued by a bank or other business for purchases using borrowed funds to be paid pay back later.

credit card fraud – unauthorized use of credit card information for financial gain.

credit limit – the maximum dollar amount that can be charged on a specific credit card account.

credit rating – a financial institution's evaluation of an individual's ability to manage debt.

credit risk – the risk that a borrower or institution will default on a loan.

credit score – a number representing a person's creditworthiness, based on past credit and payment history.

Credit Union – a member-owned, not-for-profit financial institution that offers similar services to banks but with an emphasis on serving the financial needs of its members.

creditor – a person or business to whom money is owed.

creditworthiness – an assessment of a borrower’s ability to repay a loan, often determined by credit scores, income, and other financial factors.

cryptocurrency – a type of digital or virtual currency that uses cryptography for security; unlike traditional currencies issued by governments (fiat currencies), cryptocurrencies operate on decentralized networks based on blockchain technology (a distributed ledger enforced by a network of computers, or nodes).

D

debit card – a card that allows consumers to make purchases using money from their checking account.

debt – the state of owing money to another individual or business, or the amount of money borrowed.

debt repayment strategy – a plan for managing and paying off debts, which may be a crucial component of financial planning to improve overall financial health.

debt-to-income ratio – a financial measure used by lenders to assess a borrower’s ability to repay a loan, calculated by dividing the borrower’s monthly debt payments by their monthly income.

deductions (salary) – mandatory amounts subtracted from gross salary, including taxes and social security.

digital financial services – financial products and services offered through digital platforms, such as mobile banking and online payment systems.

disability benefits – benefits provided by a pension plan to an individual who becomes disabled and unable to work.

diversification – the strategy of spreading investments across various asset classes and sectors to reduce the risk of a portfolio.

dividend – a sum paid regularly by a company to its shareholders.

E

earning – the process of generating income through work, investments, or entrepreneurial ventures.

economic resources – key factors in production, including land, labor, capital, and entrepreneurship.

education planning – financial strategies designed to save for and fund educational expenses, especially higher education costs for dependents.

emergency fund – a savings buffer set aside to cover unexpected expenses or financial emergencies, often an important first step in financial planning.

entrepreneur – an individual who establishes a new business, assuming significant risks and reaping most of the rewards.

entrepreneurship – the act of starting and managing a business, often involving significant risk, with the potential for profit and growth.

EURES – The European Employment Services network for cross-border job opportunities.

expenses – fixed – recurring costs that remain the same amount every month or year, regardless of changes in income or consumption; examples include rent or mortgage payments, insurance premiums, and subscription services

expenses – variable – costs that fluctuate based on usage, consumption, or other factors, and can vary from month to month; examples include groceries, entertainment, utilities (like electricity and water), and transportation costs

F

financial competencies – the essential skills involved in managing money, including saving, investing, earning, sharing, and spending.

financial consumer protection – policies and regulations aimed at ensuring fair and responsible treatment of financial consumers.

financial cushion – savings and investments set aside to protect against unexpected financial emergencies.

financial decision-making – the process of making choices related to money management, such as investments, savings plans, and loans.

financial education – the process of learning and acquiring knowledge, tools, and strategies to improve financial literacy and enable individuals to manage money effectively.

financial fraud – deceptive practices aimed at gaining unauthorized access to financial assets.

financial freedom – the state of having sufficient income, savings, or investments to support one's lifestyle and make choices without financial stress.

financial goals – a roadmap, guiding individuals toward what they aim to achieve with their money and helping them align their financial decisions with their personal priorities.

financial inclusion – ensuring that individuals and businesses have access to affordable financial products and services.

financial independence – the result of consistently applying financial knowledge, reaching a point where individuals no longer depend on traditional jobs or external sources to support their lifestyle; being financially independent means having sufficient income, savings, or investments to live comfortably for life and meet all of one's obligations without relying on a paycheck.

financial instruments – assets such as stocks, bonds, or mutual funds that can be bought and sold in financial markets.

financial literacy – the ability to understand and apply financial concepts, such as managing personal money, budgeting, saving, investing, and borrowing, to make informed and effective decisions; it is a fundamental skill that enables individuals to navigate the complexities of personal finance and make choices that align with their goals and values.

financial milestones – key financial achievements or events, such as buying a home, funding education, or achieving retirement, that are set within a financial plan.

financial monitoring and adjustment – the ongoing process of tracking progress toward financial goals and making adjustments to strategies as necessary.

financial planner – a professional who assists individuals or families in creating a financial plan by offering expert advice, tailored solutions, and asset management services.

financial planning – the process of assessing an individual's or family's financial situation and creating a comprehensive plan to achieve future financial goals, encompassing various areas such as investing, taxes, savings, retirement planning, insurance, and estate management.

financial tools – the various methods, techniques, and strategies used to manage, invest, or grow wealth, such as budgeting apps, investment accounts, and financial advisors.

financial well-being – the state of an individual of having financial security and resilience to meet current and future financial obligations.

fixed deposit – a type of savings account where money is deposited for a fixed term, usually offering higher interest rates than regular savings accounts, but with penalties for early withdrawal.

futures contracts – agreements to buy or sell a commodity at a future date at an agreed-upon price.

G

goals (achievable) – the goal can be reached by taking actionable steps, breaking it down into smaller, manageable tasks.

goals (long-term) – goals which usually extend beyond five years and involve significant planning and commitment.

goals (measurable) – there are clear milestones to track progress and evaluate how close you are to achieving your goal.

goals (medium-term) –goals which generally span between three to five years and may involve saving for larger expenses.

goals (realistic) – the goal is feasible based on your available resources, such as time, money, support, and external factors. Each goal may require different resources to succeed.

goals (short-term) –are objectives an individual wants to accomplish within the next one to three years.

goals (specific) – the goal is clearly defined, with a precise monetary target.

goals (time-bound) – the goal has a set deadline or timeframe for completion.

good debt – the concept that sometimes it is worth taking on certain types of debt in order to generate income in the long run; common examples include college education debt and real estate.

gross income – the total amount of money an individual has earned before taxes are taken out.

H

hacker – a hacker is a person who breaks into a computer system; the reasons for hacking can be many: installing malware, stealing, or destroying data, disrupting service, and more.

health insurance – insurance that covers medical expenses arising from illness or injury.

home insurance – insurance that covers the cost of repairing or replacing a home due to damage caused by various risks such as fire, theft, or flooding.

household investment rate – the percentage of disposable income allocated to investments, such as in housing or financial assets.

household saving rate – the percentage of disposable income that households save, typically used to measure financial security and trends.

I

identity verification – the process used by banks to confirm the identity of a customer to prevent fraud and ensure compliance with regulations.

income – the money received regularly, either as payment for work or through investments; examples include salaries, wages, business profits, dividends, interest, or rental income.

inflation – the rate at which the general level of prices for goods and services rises, eroding purchasing power.

inflation risk – the risk that inflation will erode the purchasing power of returns.

in-hand/take-home salary – net salary received after all deductions.

initial deposit – the first deposit made to open a bank account, which may vary depending on the account type and bank policies.

innovation – the introduction of new ideas, products, or services that add value to the market.

insurance – a financial tool used to manage risks and protect against financial loss by transferring the risk to an insurer.

insurance planning – the process of selecting appropriate insurance policies to provide financial protection against unexpected risks, including life, health, auto, and property insurance.

insurer – the company or entity that provides insurance coverage.

interest – the amount earned on saved money, typically paid by banks or financial institutions on savings accounts or CDs.

interest rate – the percentage at which interest is charged or earned on loans or deposits.

interest rate risk – the risk that changes in interest rates will affect the value of bonds.

intermediary – a financial institution, such as a retail bank, that facilitates the flow of funds between depositors and borrowers (and, in general, perceives some fees).

investing – the process of allocating money to financial instruments like stocks, bonds, and mutual funds to generate higher returns over the long term, involving some level of risk.

investment – an asset purchased with the expectation of generating income or selling it at a higher price in the future.

investment fraud – deceptive practices in offering or selling investments.

investment planning – a strategy for allocating funds into various investments in order to achieve financial goals, with a focus on risk tolerance, expected returns, and diversification.

investment portfolio – a collection of investments (e.g., stocks, bonds, real estate) held by a pension fund or individual.

investment risk ladder – a tool that ranks investments from low risk/low return to high risk/high return, helping investors make decisions based on their risk tolerance.

J

job – a specific arrangement where you do tasks for an employer.

job application – an official form that employers ask all applicants for a position to fill out.

job market/labor market – the conceptual space where employers and job seekers interact to match labor supply and demand.

L

large company entrepreneurship – the creation of new business divisions within an established company to capitalize on new market opportunities.

liability coverage – a part of auto insurance that covers bodily injury and property damage caused to others in an accident.

liquidity – the ease with which assets can be converted into cash without significant loss of value.

liquidity restrictions – limitations on how easily an investment can be sold or converted into cash.

liquidity risk – the risk that an asset cannot be quickly converted into cash without a significant loss.

loan (mortgage-backed) – a type of loan secured by the borrower’s real estate property, often used for home purchases.

loan (personal) – a loan provided by a bank to an individual for personal use, often unsecured and requiring repayment with interest over time.

loan (secured) – a loan that requires collateral (e.g., property or vehicle) to back the loan in case the borrower defaults.

loan (unsecured) – a loan that does not require collateral, typically based on the borrower’s creditworthiness.

loan approval – the process by which a lender agrees to provide a loan after evaluating the borrower’s financial status and ability to repay.

loan term – the length of time over which a loan must be repaid.

long-term disability insurance – insurance that provides income replacement if an individual becomes unable to work due to long-term illness or injury.

M

management fees (pension fund) – fees charged by pension fund administrators for managing the pension fund’s investments.

market volatility – the degree of fluctuation in the market, which can lead to gains or losses in investments.

mobile banking – a service that allows customers to manage their bank accounts via mobile apps on smartphones, offering 24/7 access to banking features.

mortgage – a loan secured in order to purchase property.

mutual funds – pooled investments where many investors combine their money to invest in a diverse set of assets.

N

needs – the basic items required for one’s overall health and well-being, whether it’s physical, emotional, mental, or financial; who will stop spending money on their needs, it would likely lead to serious negative consequences.

neobank – A digital-only bank that operates without physical branches and typically offers banking services through online and mobile platforms.

net asset value (NAV) – the value of an investment in a mutual fund, calculated by the current market value of its assets.

net turnover – the total revenue generated by businesses in a sector before expenses.

non-profit social entrepreneurship – social entrepreneurship aimed at benefiting society, with surplus earnings reinvested into the mission rather than distributed to investors.

O

online banking – a service that allows customers to access and manage their bank accounts over the internet, including transferring funds and paying bills.

overdraft – a situation where a bank account has a negative balance, often resulting in fees and interest charges.

over-the-limit fee – a fee charged by the card issuer when they process/pay a transaction on your behalf greater than the amount available within your credit limit.

online shopping – a form of electronic commerce which allows consumers to directly buy goods or services from a seller over the internet using a web browser or a mobile app.

occupation – describes a type of work with associated tasks, education and training, typical wages, work settings, and more.

opportunity cost – the loss of potential gain from other alternatives when one option is chosen.

overdraft fees – fees incurred when a customer withdraws more money from an account than what is available in the account.

P

payment fraud – deceptive practices to gain unauthorized financial transactions.

pension – a retirement plan established by an employer, usually in the public sector nowadays.

pension fund – a type of retirement plan where money is set aside and invested to provide income in retirement.

pension portability – the ability to transfer pension benefits from one employer to another or between different pension plans.

personal identification number (PIN) – a secure numeric code used by customers to access their accounts and authorize transactions.

philanthropic planning – a strategy for making charitable contributions, ensuring that donations are made efficiently while maximizing impact and potential tax benefits.

phishing – cybercrime that uses deceptive tactics to obtain sensitive personal and financial information.

pillar II pension (mandatory private pension) – a pension fund into which a portion of the social insurance contributions are directed to provide additional retirement savings.

pillar III pension (voluntary private pension) – a voluntary pension fund where individuals or their employers contribute to accumulate additional retirement funds.

Ponzi scheme – a fraudulent investment operation that pays returns to earlier investors using capital from newer investors.

preferred stock – a type of stock that typically offers dividends before common stockholders but without voting rights.

premium – the amount of money paid periodically to an insurer for coverage.

principal – the initial amount of money borrowed in a loan or deposited in a savings account.

private pension – a pension plan provided by private entities, supplementing the public pension system to ensure additional retirement savings.

profit – money that is made in a business, through investment, etc., after all the costs and expenses are paid.

property – anything that a person or a business has legal title over, such as real estate, personal property, or intellectual property.

Q

quantitative and analytical skills – abilities to process numerical data, evaluate risks, and make informed decisions.

R

real estate – property consisting of land and the buildings or structures on it, which can generate income or profit.

real estate investment trusts (REITs) – investment vehicles that pool funds from multiple investors to purchase and manage real estate properties.

real estate planning – a strategy for investing in real estate, often focused on properties as a stable way to grow wealth and generate passive income through rental properties.

refund fraud – requesting refunds for purchases made with stolen card information.

resume – a brief outline of one's professional and educational experiences and qualifications, used for the purpose of gaining employment.

retail banking – a division of banking that deals directly with individual customers, providing services like savings accounts, loans, and credit cards.

retirement age – the age at which an individual is eligible to begin receiving pension benefits.

retirement planning – the process of creating a strategy to secure financial independence in retirement, often involving the Three-Pillar Pension System, including public, employer-sponsored, and voluntary private savings plans.

return on investment (ROI) – a measure used to evaluate the efficiency or profitability of an investment relative to its cost.

risk – the potential for loss or volatility in an investment's value.

risk management – the process of identifying, assessing, and mitigating risks associated with starting and running a business.

risk management skills – the ability to assess and mitigate financial risks.

risk tolerance – an individual's ability and willingness to endure the potential losses in their investment portfolio in pursuit of higher returns.

risk tolerance – an individual's ability and willingness to endure market fluctuations or potential losses in investments in exchange for the potential of higher returns.

risk tolerance – an investor's comfort level with taking on risk in their investments.

risk-return tradeoff – the relationship between the potential return on an investment and the associated risk.

S

saving – the process of setting aside a portion of income in a secure place, such as a savings account or certificate of deposit, for short-term financial needs or emergencies; it reflects the sacrifice of current consumption in favor of a future one.

scalable startup – a business model designed to rapidly grow and expand, often with external funding.

shareholder – an owner of shares of stock in a company. **stockbroker** – A professional that helps investors buy, sell and trade stocks on the stock market.

sharing – the act of distributing wealth, time, and resources, often through philanthropy or supporting causes aligned with personal values.

skimming – use of hidden devices to steal card information during legitimate transactions.

small business entrepreneurship – starting a business with the intention of keeping it relatively small, often funded by personal investments.

smishing – phishing conducted through SMS messages.

social engineering – manipulative tactics used to trick individuals into divulging confidential information.

social entrepreneurship – business initiatives focused on solving social or environmental issues rather than prioritizing profit.

soft skills – personal attributes enhancing interpersonal interactions, e.g., communication, teamwork, adaptability.

solidarity principle – the concept of pooling risks among a group to provide mutual protection against potential losses.

spear phishing – targeted phishing attacks personalized for specific individuals or organizations.

spending – the allocation of resources towards goods, services, and experiences, often guided by personal goals and needs versus wants.

stock market – a market in which shares of stock are bought and sold.

stocks (equities) – investments that represent ownership in a company, offering potential returns through capital appreciation and dividends.

student loan – a loan offered to students for education-related expenses that must be repaid.

sustainable finance – financial services incorporating environmental, social, and governance (ESG) factors.

T

tax deductions – reductions in taxable income, often provided as incentives to contribute to pension plans.

tax exemption – a factor that reduces or eliminates a person's obligation to pay tax.

tax planning – the process of identifying strategies to minimize tax liabilities, which may involve investing in tax-saving instruments and managing taxes throughout the year to maximize deductions and credits.

tax(es) – a compulsory payment by individual/organizations to the government; fees placed on income, property, or goods to support government programs.

tax-deferred – refers to investments, like retirement accounts, where taxes on income or gains are delayed until the funds are withdrawn.

term life insurance – life insurance that provides coverage for a specific period (e.g., 10, 20, or 30 years) with fixed premiums.

time horizon (investor) – the period of time an investor plans to hold an investment, impacting their risk tolerance and investment choices.

total return – a combination of income and capital appreciation from an investment.

travel insurance – ensures an individual has access to quality medical care when abroad; or, insurance that protects you.

trigger event – an event or condition that activates the insurance policy and requires the insurer to pay out.

V

venture capital – funding provided to businesses, often startups, with high growth potential in exchange for equity.

vesting period – the time period an individual must work for an employer before they are entitled to certain pension benefits.

vishing – voice phishing conducted through phone calls.

W

wants – items or services that a person would like to have but are not essential for life; cutting back on these items might feel uncomfortable, but it wouldn't affect the ability to get by.

whaling attack – phishing attacks targeting high-level executives.

whole life insurance – a type of life insurance that provides both a death benefit and a cash value component that grows over time.

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