

COURSE II

Module 1: Financial literacy and entrepreneurship
Unit 1: The basics of Financial Literacy



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Financial Literacy and Entrepreneurship

The pre-course aims to prepare newly resettled immigrants and refugees with no or little education for the learning process of a new language. Getting a basic introduction of how to master life in a new country, allows the participants to have more focus on the process of learning.

The basics of Financial Literacy

In this section we will explore topics such as the origin of money, the use of money, different currencies, the difference between needs and wants, as well as other basic concepts of money managing.

Introduction

Financial literacy means having the information and skills to manage your money in a smart and responsible way. Personal finance includes making a budget, saving money, trading, borrowing money, and protecting yourself from financial risks.

Making a **budget**, **saving money**, the **distinction between desires and needs**, **investing**, planning for **retirement**, and **saving** are all basic financial skills.

What is Financial Literacy?

Financial literacy is the ability to understand and effectively use various **financial skills**, including **personal financial management**, **budgeting**, and **investing**.

Being financially literate gives you the basic framework for a healthy financial relationship and will set up a lifelong learning process about all things financial related. Since **education is the secret to financial success**, the earlier you start, the better equipped you will become.

Financial literacy, as defined by the OECD, is the process of enhancing the financial well-being of financial product consumers by ensuring that they are aware of financial concepts and products or are aware that they have options when it comes to managing their money.

In addition to improving people's long-term well-being, financial literacy promotes saving, which accelerates the growth of national economies.

Watch this video:

<https://www.youtube.com/watch?v=q5JWp47z4bY>

Benefits of Financial Literacy

Financial Literacy is crucial for managing day-to-day expenses but also for long term budget. But what are the benefits of Financial Literacy?

- Financial literacy can **prevent crucial money mistakes**;
- Helps **prepare** individuals **for emergencies**; through an emergency fund
- It can help **grow confidence** and belief in oneself;
- It can help **plan for the future**;

What is money ?

According to the International Monetary Fund (IMF), money is **'a medium of exchange, something that people can use to buy and sell from one another'**.

Other definitions include:
'A **store of value**, which means people can save it and use it later – smoothing their purchases over time' or **'a unit of account**, that is, it provides a common base for prices'.



<https://marketbusinessnews.com/financial-glossary/money/>

The origin of money

Money is said to be invented before written history began. A significant amount of evidence establishes that **many things were traded in ancient markets that could be described as a medium of exchange.**

These include precious **stones**, cowrie **shells**, **gold**, **copper**, **silver**, salt and **other objects** considered as precious, which were exchanged for different useful commodities.



Paper money is widely thought to have occurred during the reign **(997–1022 CE)** of Emperor Zhenzong, in China. **By the late 18th and early 19th centuries, paper money had spread to other parts of the world.** The bulk of this currency, however, was not money in the traditional sense. Instead, it served as promissory notes—promises to pay specified amounts of gold or silver.

https://en.wikipedia.org/wiki/History_of_money

<https://www.britannica.com/story/a-brief-and-fascinating-history-of-money>

Different Currencies

Currency describes the **money or official means of payment in a country or region.**

But why are there different currencies?

Most countries have unique economic situations and want to make monetary decisions based on their specific interests and needs.

The most common currencies around the world are:

U.S. Dollar

Euro

Japanese Yen

British Pound

Swiss Franc

Different Currencies

U.S. Dollar



Euro



British Pound



Japanese Yen



Swiss Franc



Needs and Wants

Needs are anything required for human survival. Food, water, and shelter and basic human needs.

Wants are anything people would like to have, or desire. A new bicycle or a new handbag are accurate examples of wants.

Watch this [video](#), by Columbia College, in order to understand the difference between Needs and Wants.

More resources can be found [here](#).



Retirement

Retirement is the process of withdrawing from active professional life. Many people choose to retire when it becomes possible, although some people are forced to retire when their physical condition does not allow them to continue working.

A person may also semi-retire by reducing work hours or workload.



Retirement

Germany was the first country to introduce retirement benefits in 1889.

Nowadays, **most developed countries have systems to provide pensions on retirement in old age**, funded by employers or the state. In many poorer countries, there is no support for the elderly beyond that provided through the family.

<https://en.wikipedia.org/wiki/Retirement>



Savings

Saving money is an essential aspect of personal finance and involves setting aside a portion of income for future needs or goals.



Steps and strategies for saving money



Set savings Goals: You will be more likely to save regularly if you have clear goals.



Create a Budget: Write down everything you earn and spend every month to see where your money is going. Find ways to spend less and save more by finding places where you can cut back.



Start Small and Gradually Increase:

If you've never saved before, start with a small amount and slowly raise it as you get used to your budget and how you spend your money.



Reduce Expenses: Look for ways to cut costs that aren't necessary and save money. This could mean spending less on things like entertainment, subscription services, eating out, or finding ways to save money on energy and other home costs.



Track Your Progress: Keep an eye on your progress in saving money on a regular basis to stay inspired and make changes to your budget as needed. When you see your savings grow, it can really push you to keep saving.

Steps and strategies for saving money



Create an Emergency Fund:

Try to save enough money in an emergency fund to cover your living costs for three to six months. This fund will give you a safety net in case of accidents or costs that you didn't plan for.



Avoid Impulse Spending

Spend money carefully and don't buy things you don't need. Before you buy something, think about how it fits in with your savings goals and whether it's worth giving up progress on those goals.



Summary

Through **Financial Literacy Education**, people can make **smart choices about how to handle their money, reach their financial goals, and build a safe financial future** by learning financial literacy skills and information.

