Ethiopian TVET-System

Basic Account Works
Level-II

Based on August 2012GC Occupational standard

Module Title*:* Developing and Using a Savings Plan
TTLM Code: EIS BAW2 TTLM 0919v1

This module includes the following Learning Guides

LG33:Discuss the Place of Saving and Investing

LG Code*:* :EIS BAW2 M09LO1-LG-33

LG34: Understand risk as it relates to saving and investing

LG Code*:* :EIS BAW2 M09LO2-LG-34

LG35: Develop your own savings plan

LG Code: :EIS BAW2 M09LO3-LG-35

LG36:Implement your own savings plan

LG Code: :EIS BAW2 M09LO4-LG-36

Instruction Sheet	LG33:Discuss the Place of Saving and Investing

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

- Explain Attitudes to savings and investment differ
- *Financial goals* and developing a saving and investment plan
  - Discuss the place of saving and investing today
  - Understand risk as it relates to saving and investing
  - Develop your own savings plan
  - Implement your own savings plan

- set specific, measurable, realistic, and timely financial goals
- The impact of increasingly high cost of living
- Increasing levels of *consumer debt*

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described below 3 to 6.

3 Read the information written in the information "Sheet 1, Sheet 2, Sheet 3 and Sheet 4".

4 Accomplish the "Self-check ,Self-check t 2, Self-check 3 and Self-check 4" **in page -6, 9, 12 and 14** respectively.

If you earned a satisfactory evaluation from the "Self-check" proceed to "Operation Sheet 1, Operation Sheet 2 and Operation Sheet 3 "**in page -15**

Information sheet 1	Discuss the place of saving and investing today

1.1Introduction to the Module

Saving money can help you pay for the things you want to buy. Some people decide they want to save to buy a car, a computer or to send some money home to their family.
It helps to decide what you want to save for. This is called your *savings goal*. Your savings goal is the amount of money you need to save to buy the things you want that you do not have the money for right now. So you need
to save money to buy what you want.

1,2Explain Attitudes to savings and investment differ

No one is born knowing how to save or to invest. Every successful investor starts with the basics the information in this brochure. A few people may stumble into financial security a wealthy relative may die, or a business may take off. But for most people, the only way to attain financial security is to save and invest over a long period of time

Saving Your “savings” are usually put into the safest places, or products, that allow you access to your money at any time.

Savings products include savings accounts, checking accounts, and certificates of deposit. Some deposits in these products may be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration. But there’s a tradeoff for security and ready availability. Your money is paid a low wage as it works for you. After paying off credit cards or other high interest debt, most smart investors put enough money in a savings product to cover an emergency, like sudden unemployment. Some make sure they have up to six months of their income in savings so that they know it will absolutely be there for them when they need it. But how “safe” is a savings account if you leave all of your money there for a long time, and the interest it earns doesn’t keep up with inflation? What if you save a dollar when it can buy a loaf of bread? But years later when you withdraw that dollar plus the interest you earned on it, it can only buy half a loaf? This is why many people put some of their money in savings, but look to investing so they can earn more over long periods of time, say three years or longer.

Investing When you "invest," you have a greater chance of losing your money than when you "save." The money you invest in securities, mutual funds, and other similar investments typically is not federally insured. You could lose your "principal"—the amount you've invested. But you also have the opportunity to earn more money.

*,Small Savings Add Up to Big Money

What are the things you want to save and invest for?

• a home

• a car

• an education

• a comfortable retirement

• your children

• medical or other emergencies

• periods of unemployment

• caring for parents

Make your own list and then think about which goals are the most important to you. List your most important goals first

What are the best investments for me?

The answer depends on when you will need the money, your goals, and if you will be able to sleep at night if you purchase a risky investment where you could lose your principal. For instance, if you are saving for retirement, and you have 35 years before you retire, you may want to consider riskier investment products, knowing that if you stick to only the "savings" products or to less risky investment products, your money will grow too slowly—or, given inflation and taxes, you may lose the purchasing power of your money. A frequent mistake people make is putting money they will not need for a very long time in investments that pay a low amount of interest. On the other hand, if you are saving for a short-term goal, five years or less, you don't want to choose risky investments, because when it's time to sell, you may have to take a loss.

Since investments often move up and down in value rapidly, you want to make sure that you can wait and sell at the best possible time.

SAVING AND INVESTING

What are investments all about?

When you make an investment, you are giving your money to a company or enterprise, hoping that it will be successful and pay you back with even more money.

Stocks and Bonds Many companies offer investors the opportunity to buy either stocks or bonds. The example below shows you how stocks and bonds differ. Let's say you believe that a company that makes automobiles may be a good investment. Everyone you know is buying one of its cars, and your friends report that the company's cars rarely break down and run well for years. You either have an investment professional investigate the company and read as much as possible about it, or you do it yourself. After your research, you're convinced it's a solid company that will sell many more cars in the years ahead. The automobile company offers both stocks and bonds. With the bonds, the company agrees to pay you back your initial investment in ten years, plus pay you interest twice a year at the rate of 8% a year. If you buy the stock, you take on the risk of potentially losing a portion or all of your initial investment if the company does poorly or the stock market drops in value. But you also may see the stock increase in value beyond what you could earn from the bonds. If you buy the stock, you become an "owner" of the company. You wrestle with the decision. If you buy the bonds, you will get your money back plus the 8% interest a year. And you think the company will be able to honor its promise to you on the bonds because it has been in business for many years and doesn't look like it could go bankrupt. The company has a long history of making cars and you know that its stock has gone up in price by an average of 9% a year, plus it has typically paid stockholders a dividend of 3% from its profits each year.

THE MAIN DIFFERENCES BETWEEN STOCKS AND BONDS

Stocks

If the company profits or is perceived as having strong potential, its stock may go up in value and pay dividends. You may make more money than from the bonds

Risk: The company may do poorly, and you'll lose a portion or all of your investment

. Bonds

The company promises to return money plus interest.

Risk: If the company goes bankrupt, your money may be lost. But if there is any money left, you will be paid before stockholders

Self-Check -1.2	Written Test

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

1________________ Make your own list and then think about which goals are the most important to you. List your most important goals first save and invest (3 points)

2 What are the relationship between saving and invest? (5points**)**

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

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

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________ Date: _______________

1.3 ***Financial goals*** and developing a saving and investment plan

Develop Your Financial Goals

Once you have evaluated your current financial situation, you are ready to move forward in the financial planning process. The second step is developing your financial goals. Setting goals will give you a direction for your plan and a destination toward which you want to head.

When creating financial goals, you will want to consider obvious objectives such as monthly savings or retirement investments. However, also consider other goals you have which may not immediately stick out as financial ones. The goal of backpacking through Europe upon graduation may not seem like a financial goal on its face. But, when considering the cost of a three-week European vacation, you may want to think about adding this goal to your personal financial plan. Do you think you may need a new computer within the next couple of years? Maybe add purchasing a new computer in two years to your list of goals. Anticipating future expenditures, you would like to make and incorporating them into your financial plan can help you put yourself in a position to afford them as they arise without having to make sacrifices elsewhere in your budget.

As you develop your financial goals, recall the first tip from Chapter One which discussed setting your goals. Your goals should be SMART, that is specific, measurable, attainable, realistic, and time-based. You should also develop short-term, intermediate, and long-term goals. Developing each of these types of goals will allow you to achieve successes early in the plan while also keeping your eye toward the future. Short-term or intermediate goals may also serve as stepping stones to reach long-term goals. For instance, a short term goal of saving $200 a month may help you accumulate funds for the down payment on a home. An intermediate goal of paying off student loan debt a year ahead of schedule may help you free-up monthly income that could instead be used to make a car payment.

When developing your goals, be sure to differentiate between necessities and wants. Establish priorities. Consider the net worth you calculated in step one and how realistically your goals align with your current financial situation.

Considering the points in this section, reexamine the financial goals you set in Chapter One. Using the worksheet on the following page, add to, amend or re-record those goals for incorporation into your personal financial plan. Be sure to prioritize your financial goals in order of their importance to assist you later in the planning process.

Once you have set your goals, refer to your target date and the duration of your goals' costs to determine a monthly cost that will be associated with working toward your goal.

Financial Plan Goals Worksheet

Short-Term Goals (Less than 1 year

Priority	Goal	Total Cost	Duration	Monthly CostTarget Date

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

1_______________ explain financial goals, recall the first tip from Chapter One which discussed setting your goals. Your goals should be SMART(3 points)

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

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

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________ Date: _______________

Short Answer Question

1 When creating financial goals, you will want to consider obvious objectives such as monthly savings or retirement investments. However, also consider other goals you have which may not immediately stick out as financial ones

Your goals should be SMART, that is specific, measurable, attainable, realistic, and time-based

1.4 set specific, measurable, realistic, and timely financial goals

2 **Savings goal** The amount of money you need to save to buy something you want that you do not have the money for right now. So you need to save money to buy the item.

3 **Savings plan** Deciding what you would like to save money for, creating a plan for how to do this and then following this plan.

Savings plan[1]

Name ____ **Date** _______

Savings Goal	Total amount needed	Months to reach Goal	Monthly amount to save	Strategies for saving	Amount saved per month	Safe and secure place for savings
Example: *To save $1,000 in an emergency fund within 10 months.*	*$1,000*	*10*	*$100*	*Cut back to basic cable*	*$40*	*Savings account at a bank or credit union. Will generally require a minimum deposit*
				Cut out one fast food meal per week for family	*$60*	
				Total saved per month	**$100**	

Self-Check -1,4	Written Test

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

1 explain the term saving goal and saving plan(3 points)

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

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

Answer Sheet

Score = ___________

Rating: ____________

Name: ________________________ Date: _______________

Short Answer Question

Savings goal The amount of money you need to save to buy something you want that you do not have the money for right now. So you need to save money to buy the item.

Savings plan Deciding what you would like to save money for, creating a plan for how to do this and then following this plan.

1,5The impact of increasingly high cost of living

What's the Difference Between Inflation and Cost of Living?

People often use the phrases "cost of living" and "inflation" as if they were synonymous. They are not the same, although closely related. Inflation is the big picture: As the cost of goods and services rises, the buying power of the dollar falls. The inflation rate is often measured by the Consumer Price Index(CPI) – a monthly measure by the Bureau of Labor Statistics that averages the cost of a representative basket of goods and services from areas around the country. It then reports the result as a percentage rise or fall.

Cost of living, on the other hand, is a more focused picture. This number averages the cost of an accepted standard of living that includes food, housing, transportation, taxes and healthcare. Cost of living is frequently used to compare life in different locations around the country or the world. For example, if you made $50,000 per year living in New York City, you could maintain the same standard of living in Chapel Hill, NC on less than half that annual salary – the cost of living in Chapel Hill is estimated to be 58% lower than that in New York City, according to Pascale.

When the Going Gets Expensive

It's easy for most people to feel the effects of cost-of-living increases in their daily life. But rising prices hit the lower and middle classes especially hard. Higher food, gasoline and utility costs mean less money remains once these necessities are paid for, leaving little for savings or discretionary spending. To compensate for the rise in prices, consumers tend to buy less, switch to less-expensive substitutes or drive farther to find bargains.

It's especially difficult to keep up with the rising cost of living when your paycheck isn't growing at a similar rate. According to the Bureau of Labor Statistics, the median weekly earnings for full-time wage earners was $857 in the fourth quarter of 2017 – 0.9% higher than a year's earlier, although the CPI has risen 2.1% since then.

How Inflation Hits the Housing Market

You would assume that higher inflation means higher prices for real estate, and that is often the case, at least at the start of a significant spike in inflation. But then things can get complicated. To keep inflation rates under control, the Federal Open Market Committee (FOMC) often steps in and raises the Federal Funds Rate, which is the interest rate charged to other institutions using the Federal Reserve Bank. As the cost of home loans goes up, many consumers are squeezed out of the market, leading to a slowdown in home sales. With homes on the market for longer periods, sellers tend to drop their asking price to attract buyers. Although economic recovery is far more complicated than any single factor, lower interest rates have helped the devastated housing market begin its slow recovery since 2008

Self-Check -1.5	Written Test

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

1 explain the term cost of living and inflation (3 points)

2what do you mean by higher inflation means(3)

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

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

Answer Sheet

Score = ___________

Rating: ____________

Name: ____________________________ Date: ________________

Short Answer Questions

1People often use the phrases "cost of living" and "inflation" as if they were synonymous. They are not the same, although closely related. Inflation is the big picture: As the cost of goods and services rises, the buying power of the dollar falls. The inflation rate is often measured by the Consumer Price Index(CPI) – a monthly measure by the Bureau of Labor Statistics that averages the cost of a representative basket of goods and services from areas around the country. It then reports the result as a percentage rise or fall.

Cost of living, on the other hand, is a more focused picture. This number averages the cost of an accepted standard of living that includes food, housing, transportation, taxes and healthcare. Cost of living is frequently used to compare life in different locations around the country or the world

2 that higher inflation means higher prices for real estate, and that is often the case, at least at the start of a significant spike in inflation

1,6 Increasing levels of *consumer debt*

In economics, **consumer debt** is the amount owed by consumers (as opposed to amounts owed by businesses or governments). It includes debts incurred on purchase of goods that are consumable and/or do not appreciate. In macroeconomic terms, it is debt which is used to fund consumption rather than investment. [1]

The most common forms of consumer debt are credit card debt, payday loans, and other consumer finance, which are often at higher interest ratesthan long-term secured loans, such as mortgages.

Long-term consumer debt is often considered fiscally suboptimal. While some consumer items such as automobiles may be marketed as having high levels of utility that justify incurring short-term debt, most consumer goods are not. For example, incurring high-interest consumer debt through buying a big-screen television "now", rather than saving for it, cannot usually be financially justified by the subjective benefits of having the television early.

In many countries, the ease with which individuals can accumulate consumer debt beyond their means to repay has precipitated a growth industry in debt consolidation and credit counseling.

The amount of debt outstanding versus the consumer's disposable income is expressed as the consumer leverage ratio. On a monthly basis, this debt ratio is advised to be no more than 20 percent of an individuals take-home pay.[2] The interest rate charged depends on a range of factors, including the economic climate, perceived ability of the customer to repay, competitive pressures from other lenders, and the inherent structure and security of the credit product. Rates generally range from 0.25 percent above base rate, to well into double figures. Consumer debt is also associated with predatory lending, although there is much debate as to what exactly constitutes predatory lending.

In recent years, an alternative analysis might view consumer debt as a way to increase domestic production, on the grounds that if credit is easily available, the increased demand for consumer goods should cause an increase of overall domestic production. The hypothesis suggests that consumers take debt to smooth consumption throughout their lives, borrowing to finance expenditures (particularly housing and schooling) earlier in their lives and paying down debt during higher-earning periods.

Personal debt is on the rise, particularly in the United States and the United Kingdom. However, according to the US Federal Reserve, the US household debt service ratio is at the lowest level since its peak in the Fall of 2007.[3]

debt-to-GDP ratio, consumer leverage ratio[edit]

A country's private debt can be measured as a 'debt-to-GDP ratio', which is the total outstanding private debt of its residents divided by that nation's annual GDP. A variant is the consumer leverage ratio, which is the ratio of debt to personal income.

Consumer debt may refer to:	• credit card debt • mobile telephone debt • mortgages on residential and investment properties • personal loans to purchase: ➢ motor vehicles ➢ travel ➢ domestic white goods • store credit • student loans including the Higher Education Contribution Scheme.

Self-Check -1.6	Written Test

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

1 list the most common consumer debt(3 points)

2 what are Long-term consumer debt (5points

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

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

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________ Date: _______________

Short Answer Questions

1 credit card debt, payday loans, and other consumer finance, which are often at higher interest rates than long-term secured loans, such as mortgages.

2 Long-term consumer debt is often considered fiscally suboptimal. While some consumer items such as automobiles may be marketed as having high levels of utility that justify incurring short-term debt, most consumer goods are not. For example, incurring high-interest consumer debt through buying a big-screen television "now", rather than saving for it, cannot usually be financially justified by the subjective benefits of having the television early.

Lo2. Understanding risk as it relates to saving and investing

2.1 Explain concept of *risk **and** risk versus return*

2.1.1 the higher the risk of the investment, the higher the expected return

2.1.2. the lower the risk of the investment, the lower the expected return

2.2 . Individual's *risk profile* and The impact of *inflation*

- **2.3.** understand risk and return in relation to savings and investment
- 2,4 . selecting a financial product for savings or investment

Instruction Sheet	LG34: understanding risk as it relates to saving and investing

understanding risk as it relates to saving and investing

Regardless of the type of investment, there will always be some risk involved. You must weigh the potential reward against the risk to decide if it's worth putting your money on the line. Understanding the relationship between risk and reward is a crucial piece in building your investment philosophy.

Investments—such as stocks, bonds, and mutual funds—each have their own risk profile and understanding the differences can help you more effectively diversify and protect your investment portfolio.

2.1.1the higher the risk of the investment, the higher the expected return

While the traditional rule of thumb is “the higher the risk, the higher the potential return,” a more accurate statement is, “the higher the risk, the higher the potential return, and the less likely it will achieve the higher return.” To understand this relationship completely, you must know what your risk tolerance is and be able to gauge the relative risk of a particular investment correctly. When you choose to put your money into investments that are riskier than a standard savings or money market deposit account, you run the possibility of experiencing any or all of the following to some degree:

Losing your principal: Individual stocks or high-yield bonds could cause you to lose everything.

Accepting Higher Risk

,All investors need to find their comfort level with risk and construct an investment strategy around that level. A portfolio that carries a significant degree of risk may have the potential for outstanding returns, but it may also cause you to lose your life savings. Your comfort level with risk should pass the “good night’s sleep” test, which means you should not worry about the amount of risk in your portfolio so much that it causes you to lose sleep

Self-Check -2.1.1	Written Test

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

1 explain the term high risk relates with saving and investment(3 points)

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

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

Answer Sheet

Score = ___________
Rating: ____________

Name: _________________________ Date: _______________

Short Answer Questions

1 the higher the risk, the higher the potential return," a more accurate statement is, "the higher the risk, the higher the potential

2.1.2. the lower the risk of the investment, the lower the expected return

The most common type of risk is the danger that your investment will lose money. You can make investments that guarantee you won't lose money, but you will give up most of the opportunity to earn a decent return in exchange. For example, U.S. Treasury bonds and bills carry the full faith and credit of the United States behind them, which makes these issues the safest in the world. Bank certificates of deposit (CDs) with a federally insured bank are also very secure. However, the price for this safety is a very low return on your investment.

When you calculate the effects of inflation on your investment and the taxes you pay on the earnings, your investment may return very little in real growth

Self-Check -2.1.2.	Written Test

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

1 what does mean the lower the risk investment(3 points)

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

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

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________ Date: _______________

Short Answer Questions

risk is the danger that your investment will lose money. You can make investments that guarantee you won't lose money

2,2 Individual's *risk profile* and The impact of *inflation*

Inflation is an economy-wide, sustained trend of increasing prices from one year to the next. An economic concept, the rate of inflation is important as it represents the rate at which the real value of an investment is eroded and the loss in spending or purchasing power over time. Inflation also tells investors exactly how much of a return (in percentage terms) their investments need to make for them to maintain their standard of living.

The easiest way to illustrate inflation is through an example. Suppose you can buy a burger for $2 this year and yearly inflation rate is 10%. Theoretically, 10% inflation means that next year the same burger will cost 10% more, or $2.20. So, if your income doesn't increase by at least the same rate of inflation, you will not be able to buy as many burgers. However, a one-time jump in the price level caused by a jump in the price of oil or the introduction of a new sales tax is not true inflation, unless it causes wages and other costs to increase into a wage-price spiral. Likewise, a rise in the price of only one product is not in itself inflation, but may just be a relative change reflecting a decrease in supply for that product. Inflation is ultimately about money growth, and it is a reflection of too much money chasing too few products.

Inflation occurs when the supply of money increases relative to the level of productive output in the economy. Prices tend to rise because more dollars are chasing relatively fewer goods. Another way of stating this phenomenon is that the purchasing power of each money unit declines.

With this idea in mind, investors should try to buy investment products with returns that are equal to or greater than inflation. For example, if ABC stock returned 4% and inflation was 5%, then the real return on investment would be minus 1% (5% - 4%).

Self-Check	Written Test

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

1 Explain the term inflation (3 points)

2 explain the term real value and purchasing power (5 points)

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

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

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________ Date: _______________

Short Answer Question

1 Inflation occurs when the supply of money increases relative to the level of productive output in the economy. Prices tend to rise because more dollars are chasing relatively fewer good

2 real value of an investment is eroded and the loss in spending

3 purchasing power over time. Inflation also tells investors exactly how much of a return (in percentage terms) their investments need to make for them to maintain their standard of living

2.3. understand risk and return in relation to savings and investment

Definition: Higher **risk** is associated with greater probability of higher **return** and lower **risk** with a greater probability of smaller **return**. This trade off which an **investor** faces between **risk and return** while considering **investment** decisions is called the **risk return** trade off

Risk comes from not knowing what you are doing. - Warren Buffett

The simplest way to define risk / return tradeoff is the "ability-to-sleep-well-at-night" test. Some investors handle financial risks better than others due to their current financial health, investment time horizon and realistic returns expectations.

'Risk' is the probability that the actual returns on your investments are different compared to your expectations. This is measured by standard deviation in statistics. Simply put, risk means that there is a probability of losing some, or even all, of your initial investment.

Deciding what amount of risk you are willing to take comfortably with your investments is extremely critical and will help you take crucial decisions while investing.

Risk/Return Tradeoff is all about achieving the fine balance between lowest possible risk and highest possible return. Low levels of risk are usually associated with low potential returns while higher levels of risk are normally expected to yield higher returns. The graph below depicts the typical risk / return relationship.

It is important to note that higher risk does not always mean higher returns. While the risk / return tradeoff indicates that higher risk gives us the probability of higher returns, there are no guarantees. Higher potential returns could also lead to higher potential losses.

Self-Check -	Written Test

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

1 explain the term high risk(3 points)

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

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

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________ Date: _______________

Short Answer Question

Definition: Higher **risk** is associated with greater probability of higher **return** and lower **risk** with a greater probability of smaller **return**. This trade off which an **investor** faces between **risk and return** while considering **investment** decisions is called the **risk return** trade off

Risk comes from not knowing what you are doing. - Warren Buffett

2.4 selecting a financial product for savings or investment

you **save** and **invest** wisely. Knowing how to secure your **financial** well-being is one ... this brochure, we'll cover the basics on **saving** and **investing**. At the SEC, we ..... high interest debt, most smart **investors** put enough money in a **savings product** to .... companies, the fund's **investment** adviser will **pick** the stocks or bonds

The best place to **invest** your **savings**, from CDs and bond funds t To do this, many or all of the **products** featured here are from our partners. ... Here's how to **invest** money for short-, mid- and long-term **financial** goals

- **saving** is income not spent, or deferred consumption. Methods of saving include putting money aside in, for example, a deposit account, a pension account, an investment fund, or as cash.[1] Saving also involves reducing expenditures, such as recurring costs. In terms of personal finance, saving generally specifies low-risk preservation of money, as in a deposit account, versus investment, wherein risk is a lot higher; in economics more b

THE BASIC TYPES OF PRODUCTS

Savings **Investments**

❖ Savings accounts + Bonds

❖ Certificates of deposit + Stocks

❖ Checking accounts + Mutual funds

+ Real estate

+ Commodities (gold, silver, etc,

it refers to any income not used for immediate consumption

Self-Check -2.4	Written Test

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

1 what are the method of saving (3 points)

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

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

Answer Sheet

Score = ___________
Rating: ____________

Name: ___________________________ Date: ________________

Short Answer Question

1 Methods of saving include putting money aside in, for example, a deposit account, a pension account, an investment fund, or as cash.[1] Saving also involves reducing expenditures, such as recurring costs. I

LG35. Developing your own savings plan

3.1. Personal savings *goals*

3.1.1. role of budgeting and savings in establishing personal wealth

3.1.2. develop a basic savings plan based on surplus income

3.2. A personal budget development

3.3. Range of financial ***product options***

Lo3. Developing your own savings plan

Plan for Savings

When making out your budget, plan for savings first. You can grow richer each month if you pay yourself first. Here's an idea you might want to try. Before paying any bills, decide on an amount, to pay yourself first--say five or ten percent--or whatever you decide-- of your paycheck. Then, deposit the amount into a savings account before paying any bills. When you do this at the beginning of the month, your entire paycheck will not slip through your fingers. If you wait until the end of the month, there may be nothing left to save.

Paying yourself first gives you a systematic way to make your money grow. Regardless of the kind of job you have or your income, this system works! Another technique you might try for saving money is to empty your change into a coffee can or jar each day. At the end of the month, roll the coins and put them into your savings account. You may be able to save up to 30 a month this way.

Remember, good money management is more than a mathematical formula. It's too closely tied with the ups and downs of living for that. Your money management plan is always subject to change if your life situation changes. The object of a good budget is to make your money help you reach your goals, not to force you to conform to rigid rules. Don't be discouraged if this budget plan doesn't work out right away. You may have to revise it several times until it fits your wants and needs. Then, review it from time to time; to be sure it continues to help you use your income in the best way.

3.1Personal savings *goals*

Personal savings ***goals*** are identified and quantified into dollar amounts and arranged in order of priority. A personal budget is developed to reveal funds available to contribute towards savings goals.

The range of financial ***product options*** available to maximize earnings on savings are investigated and the most appropriate is selected according to own ***requirements***

Goals need to be:	• Specific • measurable • achievable • realistic • timely.

Requirements for Opening a Checking Account

Before you spend too much time deciding what bank to use, you should first make sure you will qualify to open a checking account. Here's what banks generally need from customers.

1. **Opening Deposit**

   you'll usually need at least birr1 to open an account, but some banks will require a higher amount, such as birr 100, birr 500, or more, depending on the type of checking account you want. For example, checking accounts that pay interest often have higher opening deposit and ongoing balance requirements.

2. **Identification**

   Acceptable identification includes your Social Security number, tax identification number, or permanent resident card and driver's license or state identification card. If you are opening a U.S. bank account and are not a U.S. resident, you'll need at least one and probably two of the following: foreign passport with photo, foreign driver's license, nonimmigrant Visa and border crossing card (DSP-150 with photo), nonresident alien border crossing card (I-586 with photo).

3. **Contact Information**

   This will include your address, phone number and email address.

The reason banks ask for all this information is to comply with federal laws that require them to obtain and verify identifying information for every person who opens an account. According to the United States Department of the Treasury, the Patriot Act imposes such requirements on financial institutions in order to detect and prosecute money laundering and the funding of terrorism; to prevent use of the U.S. banking system by corrupt foreign officials; to identify and report suspicious banking activities and more. For the average person, these requirements might be a mild inconvenience, but shouldn't pose any real problem.

Also, you will generally need to be at least 16 and sometimes 18 years old to open a bank account. If you're younger, you may be able to open a joint account with a parent or legal guardian. (If you're opening your very first account, check out *Your First Checking Account*.)

How To Choose A Bank

With a little common sense, most people won't have any trouble selecting a reputable bank. It's true that even reputable, big-name banks can fail (like Washington Mutual in 2008), but like we said, FDIC insurance will protect your money in those situations. Here are some criteria to consider when choosing where to open a checking account

Self-Check -3.1	Written Test

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

1. ____________________is the probability that the actual returns on your investments are different compared to your expectations. (3 points)

A. saving C. investmint

B. risk D.All

2 explain the term personal saving goal

-

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

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

Score = ___________
Rating: ____________

Answer Sheet

1 B,

2 Personal savings ***goals*** are identified and quantified into dollar amounts and arranged in order of priority. A personal budget is developed to reveal funds available to contribute towards savings goals.

Name: _________________________ Date: _______________

Short Answer Questions

3.1.1. role of budgeting and savings in establishing personal wealth

Budgeting is essential because it can help you begin to **establish wealth** and reach your **savings** goals. Here are a few key steps to **budgeting** as a young person. The first step to **creating** a **budget** is to find out how much money you have and what you are spending it on

A **personal budget** or **home budget** is a finance plan that allocates future personal income towards expenses, savings and debt repayment. Past spending and personal debt are considered when creating a personal budget. There are several methods and tools available for creating, using and adjusting a personal budget. For example, jobs are an income source, while bills and rent payments are expenses.

Self-Check -3.1	Written Test

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

1A **personal budget** or **home budget** is a finance plan that allocates future personal income towards expenses, savings and debt repayment. Past spending and personal debt are considered when creating a personal budget

A **personal budget** B company budget

C saving goal D All

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

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

Answer Sheet

1 A

Score = ___________
Rating: ____________

3.1.2. develop a basic savings plan based on surplus income

Popular financial personality Dave Ramsey ... Both are important, and complement one another: **Saving** money today ... After you determine your financial goals, you need a **plan** for reaching them. ... Start by **making** a list of your monthly **income** sources, including your salary

How To Add Your **Income** And Expenses To Make A Budget; How To Use A Budget Calculator and Budget Spreadsheet To List Expenses, Find **Savings** And Set Goals. ... **Making** a budget is the most important step you can take to get out of credit card debt faster, ... Even fewer, 30 percent, have a long-term financial **plan**.

Self-Check -3.1	Written Test

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

11 explainHow To Add Your **Income** And Expenses To Make A Budget

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

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

Answer Short

1 The different between income and expenditure

Score = ___________

Rating: ____________

3.2A personal budget development

FINDING MONEY TO SAVE OR INVEST

If you are spending all your income, and never have money to save or invest, you'll need to look for ways to cut back on your expenses. When you watch where you spend your money, you will be surprised how small everyday expenses that you can do without add up over a year.

KNOW YOUR INCOME AND WHAT YOU SPEND

Monthly Income ---

Monthly Expenses Savings ---------------------------------

Investments ________________

Housing ________________

Rent or mortgage ________________

Electricity ________________

Gas/oil ________________

Telephone ________________

Water/sewer ________________

Property tax ________________

Furniture ________________

Food ________________

Transportation ________________

Loans ________________

Insurance ________________

Education ________________

Recreation ________________

Child care ________________

Health care ________________

Gifts ________________

Other ________________

TOTAL--

3.3Range of financial ***product options***

The **range of financial product options** available to maximize earnings on savings are investigated and the most appropriate is selected according to own

PRODUCTS

We offer a wide array of investment & wealth management products including:

- Equity
- Debt
- Alternate Assets
- Real Estate
- Financing Option

Self-Check -3	Written Test

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

-

1 **.explain the financial product options** available to maximize earnings on savings

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

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

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________ Date: _______________

LG36. Implementing your own savings plan

4.1 The ***requirements to open an account***

4.2 open an account include providing personal identification from a range of source

4,3 Adjustments to savings goal

Lo4. Implementing your own savings plan

4.1The ***requirements to open an account***

Requirements to consider when selecting a financial product for savings or investment may include:

- account keeping fees, ongoing fees and charges and other non-government fees and charges
- additional services offered
- ease of access to funds
- level of risk involved
- locality of the institution
- minimum opening balance required
- potential tax implications
- rate of interest earned
- Reputation of the financial institution term to maturity.
- The requirements to open an account include providing personal identification from a range of sources which may comprise but not limited to:Kebele/woreda ID cards;
- Farmers associations' ID cards;
- Employment and pension ID cards;
- School, college and university ID cards;
- Driver's/operator's licenses;
- Tax identification ID card;
- Passports;
- Work or residence permits; and
- Foreign-nationals-of-Ethiopian-origin ID card, together with a valid passport.
- Ethiopian Community ID

Self-Check -4.1	Written Test

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

-

1.what are **Requirements for Opening a Checking Account**

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

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

Answer Sheet

Score = ___________
Rating: ____________

Name: _________________________ Date: _______________

Short Answer Questions

4.2open an account include providing personal identification from a range of source

Requirements for Opening a Checking Account

Before you spend too much time deciding what bank to use, you should first make sure you will qualify to open a checking account. Here's what banks generally need from customers.

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you'll usually need at least birr1 to open an account, but some banks will require a higher amount, such as birr 100, birr 500, or more, depending on the type of checking account you want. For example, checking accounts that pay interest often have higher opening deposit and ongoing balance requirements.

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Self-Check -4.1	Written Test

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

-

1.what are **contact information and personal to open account**

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

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

Answer Sheet

Score = ___________
Rating: ____________

Name: _________________________ Date: _______________

4,3 Adjustments to savings goal

Banking: Managing Your Checking Account

Because your checking account is the nexus of all your banking activity - the main place that your money flows in and out of - you'll need to do a few things to keep an eye on your money and avoid problems.

Balancing Your Checkbook

The most basic way to manage your checking account is by balancing your checkbook, which is nothing more than recording the dates and amounts of all your withdrawals and deposits so that you know how much money is available to you at all times. This is important because between the time that you write a check and when the recipient deposits it, you might forget all about it and end up overdrawing your account and incurring unnecessary fees.

Online Banking Precautions and Safeguards

If you bank online, you can be an easy target for hackers. To improve your odds of avoiding them, follow these guidelines.

Never do online banking in a public place.

If you're using the internet at a library, for example, you shouldn't log in to your bank account there, whether you're on your own computer and accessing the library's wireless network or on a library computer. You really have no way of knowing how secure their network is or whether any of the library computers have been infected with key loggers or other methods of stealing your banking information. Also, there's the risk that someone else could be watching you type your login information. In addition to libraries, you should also avoid online banking in coffee shops, airports, and anywhere else where network security is questionable.

Certificates of Deposit

A certificate of deposit (CD) is a savings certificate entitling the bearer to receive interest.

In many ways, it is similar to a bond, except that instead of paying interest periodically over the life of the investment, it pays all its interest at once when it matures. Also, because CDs are a bank product, they come with FDIC insurance.

A CD bears a maturity date, a specified fixed interest rate, and can be issued in any denomination. The term of a CD generally ranges from one month to five years. The amount of interest a CD pays depends on its term, with longer terms generally paying higher rates, as well as on market conditions.

In exchange for the higher interest rate you'll earn with a CD come restrictions on withdrawing your money. Taking your money out of a CD before it matures will often cost you money in the form of a penalty. (Find out everything you need to know about this investment vehicle in our *Certificates of Deposit Tutorial*.)

Automatic Savings Plans

Many banks offer automatic savings plans, and these can be a great way to develop a regular habit of saving money. At some banks, establishing such a plan is also a way to obtain lower banking fees.

An automatic savings plan is something you need to set up. It simply involves choosing a specific dollar amount that you're willing to have automatically transferred from your checking account to your savings account once a month, on the same day every month (except when that day falls on a weekend or holiday).

Information Sheet – 1	

Purpose:

This learning outcome aims to provide trainees with the knowledge, skill and attitude teamwork. Understanding the concept of teamwork helps to make easy the daily work activity.

Equipment, Tools and Materials:

- ✓ Computer
- ✓ Projector
- ✓ White board
- ✓ White board marker &Duster
- ✓ Lecture room
- ✓ Printer

Condition:

Students and trainer's are legally required to lock the health and safety of trainer. This applies to all organizations and including voluntary organizations.

- Students must provide safe working environment.
- Students must not put themselves or others at risk.

Procedure:

- ✓ Need to establish a team
- ✓ Identify the team objective
- ✓ Prepare effective common plan
- ✓ Apply practically

Self-Check -4	Written Test

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

-

1 discuses and explain The reason banks ask for all this information is to comply with federal laws that require them to obtain and verify identifying information for every person who opens an account

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

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

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________ Date: _______________

Short Answer Questions