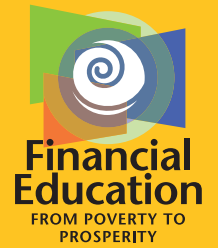


Budgeting

USE MONEY WISELY



Trainer's Guide

Microfinance
Opportunities
"Putting Clients First"

Citi Foundation

citi

freedom
from Hunger

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For inquiries regarding rights, please contact:

Microfinance Opportunities
1701 K Street NW, Suite 650
Washington DC 20006 USA
Tel.: 202-721-0050
Fax: 202-721-0010
E-mail: info@mfopps.org
www.MicrofinanceOpportunities.org

For other inquiries please contact either
Microfinance Opportunities or Freedom from Hunger

Freedom from Hunger
1644 DaVinci Court
Davis, CA 95616 USA
Tel.: 530-758-6200
Fax: 530-758-6241
E-mail: education@freefromhunger.org
www.freefromhunger.org
www.ffhresource.org

BUDGETING

Use Money Wisely

Trainer's Guide

Financial Education for the Poor Project

Washington, D.C.

2006

PREFACE

Budgeting Trainer's Guide

Based on guidance from the Financial Education for the Poor Project, the initial budgeting learning sessions were created and tested by the staff of CARD in the Philippines led by Aniceta Alip, Edzel Ramos, Leslie Ramirez, Glenda Madrigal and Aurea Magpantay. Market research assistance was provided by Ellen Vor der Bruegge and Marc Bavois of Freedom from Hunger. The generic learning sessions were pilot tested by Teba Bank in South Africa and subsequently reviewed by Financial Education for the Poor partner organizations. Kathleen Stack drafted the final version of the learning sessions with significant input from Candace Nelson. Danielle Hopkins of Microfinance Opportunities and Nesal Shah from SEWA Bank made technical contributions. Monique Cohen provided input to the final version. The Content Note was written by Jennefer Sebstad and edited by Candace Nelson. Stacey Sechrest of Citi and Leslie Meek of Citi Foundation reviewed the final document.

Microfinance
Opportunities
"Putting Clients First"

MICROFINANCE OPPORTUNITIES

Microfinance Opportunities was established in 2002 as a microenterprise resource center that promotes client-led microfinance. It seeks to help poor people increase their access to well-designed and delivered financial services. Microfinance Opportunities provides action-research, training and technical assistance in three areas focused on the clients of microfinance services: Financial Education, Microinsurance and Client Assessment.



FREEDOM FROM HUNGER

Founded in 1946, Freedom from Hunger is a nonprofit, international development organization bringing innovative and sustainable self-help solutions to the fight against chronic hunger and poverty. Freedom from Hunger specializes in ensuring that the poor have access to microfinance and health protection services, and life skills training to achieve food security for their families.

Citi Foundation



CITI FOUNDATION

The Citi Foundation, which makes grants in more than 85 countries around the world, focuses its funding primarily in three areas: financial education, educating the next generation, and building communities and entrepreneurs. Additional information can be found at www.citigroupfoundation.com.

ACKNOWLEDGEMENTS



SHRI MAHILA SEWA
SAHAKARI BANK LTD.

The idea to develop a financial education curriculum for the poor grew out of a dinner-table conversation with Jayshree Vyas, the managing director of SEWA Bank. She argued, quite correctly, that financial literacy is critical for improving money-management skills and promoting asset-building for the poor. When the idea was first proposed to Citi Foundation in 2002, financial education for microfinance clients was new and different.



Aside from SEWA Bank, few, if any, institutions in developing countries had ventured into financial education. On the face of it, a major program to promote financial literacy in poor countries looked like a challenging venture, both for Microfinance Opportunities and for Citi Foundation. Freedom from Hunger had worked with SEWA on its financial literacy training program and was invited to become a major partner in 2003. Since then, there has been an outpouring of interest from microfinance practitioners who want to join the program. While many wondered out loud why it had taken the microfinance industry so long to recognize the importance of financial education, they immediately saw it as a “win-win” for both microfinance institutions and their clients.



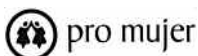
First and foremost we would like to thank Citi Foundation for investing in this program. Chip Raymond, the former President of the Foundation, and Leslie Meek, our Program Officer, took a double risk, embarking on a new area of microfinance and supporting a start-up organization, Microfinance Opportunities. They have been superior partners in their strong support for this work. Subsequently others from Citi have joined us in our work. They include Stacey Sechrest of Citi’s Office of Financial Education and Amy Feldman of Citi Foundation and they have provided valuable inputs as we have moved towards finalizing the curriculum.



We want to express our appreciation to the partner organizations and their clients who made the development of this curriculum possible. They are Al Amana (Morocco), CARD Bank (Philippines), Equity Building Society (Kenya), the Microfinance Centre (Poland), Pro Mujer (Bolivia), SEWA Bank (India) and Teba Bank (South Africa). Over the three years of this project, they have worked diligently in conducting market research, as well as developing and testing training modules.



We owe a huge debt of thanks to Candace Nelson for her technical and editorial contributions. It is also timely to express our appreciation of members of our staff who have provided us with the support to get the work done. They include Tracy Gerstle, Diana Tasnadi, Danielle Hopkins and Liz McGuinness of Microfinance Opportunities, and Christopher Dunford, Rossana Ramirez, Ellen Vor der Bruegge, Marc Bavois, Joan Dickey, Julie Uejio, Bobbi Gray and Wava Haggard of Freedom from Hunger.



Monique Cohen
Microfinance Opportunities

Jennefer Sebstad, Consultant
Microfinance Opportunities

Kathleen Stack
Freedom from Hunger

December 2005

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INTRODUCTION TO FINANCIAL EDUCATION

WELCOME to Financial Education! With this trainer's guide and the other four guides in the Financial Education for the Poor series, you can begin to promote basic financial literacy for those who want to learn how to manage their money.

Before you start, however, let's ask and answer two key questions:

What is financial education? Why is it important?

The answers to these two questions contain good news and bad news about poor people and their money. While the poor share the same goals as all people—economic security for themselves, their families, and future generations—their limited resources and options often lead to a sense of hopelessness and inertia. Careful management of what little money they do have is critical to meet day-to-day needs, cope with unexpected emergencies, and take advantage of opportunities when they come along. The bad news is that the poor too often lack the knowledge and experience they need to be these careful money managers.

This is the purpose of financial education. It teaches people concepts of money and how to manage it wisely. It offers the opportunity to learn basic skills related to earning, spending, budgeting, saving, and borrowing. The good news is that when people do become more informed financial decision-makers, they can plan for and realize their goals. Moreover, once people have acquired financial literacy skills, those skills cannot be taken away. A one-time course in financial education can have lifelong rewards.

Financial education is relevant for anyone who makes decisions about money and finances. Women, in particular, often assume responsibility for household cash management in unstable circumstances and with few resources to draw on. Financial literacy can prepare them to anticipate life-cycle needs and deal with unexpected emergencies without assuming unnecessary debt. For youth, financial literacy can reduce their vulnerability to the many risks associated with the transition to adulthood, and enhance their skills in managing money as they enter the world of work.

The Financial Education for the Poor Project, led by Microfinance Opportunities and Freedom from Hunger, has started with a focus on micro-entrepreneurs and clients of microfinance programs. For this group, financial education is more relevant now than ever before. Why? Many who seek credit and savings services have more choices than ever before. In many parts of the world, borrowers now can choose from a variety of informal lenders. In addition, microfinance institutions (MFIs) are beginning to offer a wider range of products and services

to their clients, such as voluntary savings, insurance, and money transfers. That is the good news. The bad news is that clients often do not understand these new options and may not use them to their advantage. To date, MFIs' promotion of their new products has not always included careful explanation and education about their features. To weigh alternatives and select the products most appropriate for their needs, clients need to understand how their features differ, how to calculate and compare their costs, and how to determine what they can afford.

By focusing on informed and strategic decision-making, the Financial Education for the Poor Project goes beyond providing information. Its goal is to strengthen those behaviors that lead to increased saving, more prudent spending and borrowing for sound reasons. To achieve sustained behavior change, the curriculum is based on a learner-centered approach, capturing how adults learn best. It builds on what adult learners already know, makes the new content relevant to their lives, and provides the opportunity to practice the new skills.

The Financial Education for the Poor Project developed five training modules over a three-year period spanning 2003 to 2005. Seven partners around the globe actively participated in the project, starting with market research in their countries to identify the priority topics, learning objectives and training methods, and culminating with curriculum design and testing. The participating partners were Teba Bank (South Africa), SEWA Bank (India), ProMujer (Bolivia), The Equity Building Society (Kenya), Al Amana (Morocco), CARD Bank (the Philippines) and the Microfinance Centre (Poland). Their commitment to this process has ensured that the financial education curriculum responds to the real needs of poor clients.

This curriculum consists of five modules on five distinct topics. They are as follows:

- Budgeting: Use Money Wisely
- Savings: You Can Do It!
- Debt Management: Handle With Care
- Bank Services: Know Your Options
- Financial Negotiations: Communicate With Confidence

For each module, the curriculum offers:

- a content note that provides basic discussion of the topic;
- a trainer's guide with detailed instructions for the conduct of each learning session in the module; and
- a training of trainers manual to prepare those who will conduct the training.

You can choose to use these modules in any number and order that fits your training needs. You may only be interested in one or two of the topics covered by these modules; alternatively, you may want to start with budgeting and proceed through all of them. Because each module consists of multiple learning sessions that start with basic information and progress to more complex aspects of the topic, you can choose only those learning sessions within each module that address your specific needs. The next section, “How to Use This Guide,” provides more guidance on these options.

Turn the page. Read on. The content notes and the Learning Sessions at a Glance section will give you a good idea of the content, while the step-by-step instructions for the trainer capture the participatory, learner-centered activities that make this training in financial education both fun and effective.

HOW TO USE THIS GUIDE

Budgeting: Use Money Wisely is a complete training course to help people learn how to set financial goals, to make a budget and to track monthly cash flow to make better financial decisions. It contains both background information to orient you, the trainer, to the topic and step-by-step descriptions of learning activities you can carry out with trainees.

The Content Note

The Content Note at the end of this guide provides a discussion of budgeting. Reading this short piece will give you a good idea about the content of the module—the concepts that participants will learn and the skills they will practice. You will see that this module—as well as others in the series—is aimed at those with limited education and experience. Therefore, you don't need to be an expert on the topic in order to help others develop some very useful skills. So, if you are confused about something in the Content Note, don't be alarmed. Find someone to help you clarify the information. But if you find that the Content Note is very basic, don't be alarmed either. It is not, and does not need to be, a full textbook on the topic.

The Content Note is background reading for trainers. But you should decide whether the participants in your training will benefit from reading it as well. Your decision will depend on their level of literacy and ease with written materials. You might consider having some photocopies on hand for those who want one.

The Learning Sessions

This module contains ten learning sessions. Each session takes between 30 and 65 minutes to complete. Sessions 7 through 10 involve calculating and tracking monthly cash flow. As the trainer, you need to decide how and if these sessions can be adapted to the participants.

The “Learning Sessions at a Glance” on page 1 provides an overview to these ten sessions, listing the title and purpose of each one. However, with this as with all the financial education modules, you should use your own judgment to decide which learning sessions are most relevant and useful for your clients. You can use one, two or all of them, depending on the experience participants have with the topic, or the time they are able to commit to training.

Each session contains two to four learning activities that are described in step-by-step detail. These learning activities are based on the principles of adult learning (see the *Adult Learning Principles and Curriculum Design for Financial Education*). They include stories, exercises, small-group discussions and role-plays which actively engage the participants in the learning process. They also promote teamwork and learning from peers. As you read the step-by-step instructions, give yourself permission to imagine a training session that is active, sometimes noisy, and fun. As the trainer, you will not be doing all the talking. Instead, you will be part of a dynamic learning process.

A Word About Adaptation

Because the learning sessions are spelled out in detail, you do not have to create anything from scratch. However, you will need to spend time preparing before the training begins, and its success depends on your work at this stage. When you have selected the learning sessions you want to facilitate, you will need to adapt each one. Read them carefully and take note of those details that must be changed in order to make the materials familiar to your participants. In the stories, you may need to change the names of the people and places to reflect your culture and geographic location. Take note of the types of businesses presented as examples. Are they familiar, common businesses in your area? Should you change them? Do you need to change the currency used in the exercises?

In addition to these types of adjustments, you may find the opportunities to add activities to the module that are not in the guide. Field trips to relevant sites are a great way to expose participants to new experiences. Also, think about inviting professionals from the community who have expertise related to the topic at hand to speak to your group.

In the event that the module needs significant re-working to fit your context, don't take on this job alone. See the "Adaptation Guidance" in *Financial Education for the Poor: Implementation Guidance* for direction on what needs to be a team effort.

Don't Leave the Learning Materials to the Last Minute!

Each learning session starts with a "trainer's information box" that summarizes the session objectives, materials and activities. Review the list of materials well ahead of the actual training session. Most sessions require flip-chart paper, markers and tape. You will use these materials to record important points of participants' discussions. As you fill each sheet of paper with their responses, you should tape it to a wall for display and reference.

Many items on the materials list will require that you prepare charts or checklists. All of these are provided for you in the guide, but you will need to re-create them in a large format that everyone can see. Most often this involves re-drawing the chart or table or form on a large piece of paper such as a flip chart or even inexpensive brown wrapping paper. Some sessions call for cards that you can cut from heavier card-stock paper (if it is not available, regular paper will do). Note if the instructions call for cards of different colors. Session #4 calls for calculators for literate groups and for simple drawings for illiterate groups. Session #10 calls for copies of various financial transaction documents and records to be placed in bags, files or boxes.

Handouts mentioned in the step-by-step instructions are located at the end of each session. They should be photocopied and distributed to participants at the appropriate time.

Don't underestimate the time you will need to prepare. You don't want to be caught unprepared in the middle of a session! If you are ready ahead of time, you can spend your time during the session facilitating and enjoying the process.

BUDGETING: USE MONEY WISELY

Learning Sessions at a Glance

The goal of this guide is to help participants improve their household budgeting and money management so they will be able to make better spending, savings and investment decisions. Since the poor have so little money, carefully managing what they have is critical for meeting day-to-day needs, dealing with life-cycle events and unexpected emergencies, and taking advantage of opportunities when they present themselves. The poor can benefit by tracking the amount of money they have, expanding their planning horizons to set realistic financial goals and identifying steps they can take to achieve them.

The following table presents the learning sessions and their purposes for *Budgeting: Use Money Wisely*. Note that the last four learning sessions are advanced sessions that are most appropriate for participants with higher levels of literacy.

SESSION TITLE	PURPOSE OF THE SESSION
1. Set Financial Goals	<ul style="list-style-type: none"> ■ Discuss introduction to the <i>Budget: Use Money Wisely</i> learning sessions ■ Explore the causes of household financial pressure ■ Set financial goals and explain how to reach them ■ Describe what a financial plan is and how it can help achieve financial well-being
2. Examine Your Money Management	<ul style="list-style-type: none"> ■ List and categorize common household expenses ■ Identify and categorize household income sources ■ Explain how to cope with irregular income and expenses

3. Describe the Importance of a Budget	<ul style="list-style-type: none"> ■ Define the term “budget” and explained how a budget is useful ■ Assess current money management strategies ■ Identify ways to improve money management through budgeting
4. Make a Budget	<ul style="list-style-type: none"> ■ Describe the steps to create a budget ■ Make a budget ■ Give advice to each other about how to adhere to the budget ■ Identify something new about budgeting to share with family members
5. Make Spending Decisions	<ul style="list-style-type: none"> ■ Prioritize a broad range of expenses ■ Identify a set of guidelines to help choose spending priorities ■ Compare spending priorities with what expert financial planners recommend
6. Stay Within Your Budget	<ul style="list-style-type: none"> ■ Define ways to address difficulties of staying within a budget ■ Practice identifying ways to cut spending

Advanced Sessions:

7. Track Daily Income and Expenses	<ul style="list-style-type: none"> ■ Practice using an income and expense daily tracking form ■ Discuss how to use the daily tracking of income and expenses
8. Track Monthly Income and Expenses	<ul style="list-style-type: none"> ■ Practice putting daily income and expenses into a monthly summary ■ Explain how monthly tracking of income and expenses can be useful for managing household cash flow
9. Use Cash-Flow Tracking to Make Decisions	<ul style="list-style-type: none"> ■ Practice analyzing sample cash flow ■ Practice making decisions using the sample cash flow
10. Keep Records to Manage Your Money	<ul style="list-style-type: none"> ■ Identify the different types of financial records and their purposes ■ Describe how to organize and safeguard financial records

FEATURES OF THE LEARNING SESSIONS

Trainer's Information Box

The box at the left hand side of page at the start of each learning session contains four elements.

Objectives—list of actions that the steps in the learning session are constructed to accomplish.

Time—the estimated time needed to implement all of the steps designed for the learning session.

Preparations/Materials—list of materials that the trainer must prepare before the activity can be presented.

Flip charts are listed and incorporated into the step in which they occur. Their shaded borders easily identify the flip charts.

Handouts needed for each activity are found at the end of the session.

Steps—a list of activities needed to complete the learning session. The titles capture the process to be used and the content to be covered.

Steps

The steps needed to complete the learning session are listed in the order in which they should be implemented. Special features for the trainer to note include the following:

Italics font (*italic*) = instructions for the trainer (not to be read to the trainees)

Regular font (regular) = specific information, instructions or questions for the trainer to read or closely paraphrase to the trainees

Arrow (➤) = symbol that highlights specific open questions to ask

Box = special technical or summary information to share with the trainees

Box with Shaded Borders = recommended flip-chart design to consider using with the trainees

[Square Brackets] = the “correct” answer to expect from a technical question

(Parenthesis) = additional instructions or information

Each learning session guide in this module begins with a summary box that contains the following:

- Learning objectives for the session.
- The estimated time you will need to conduct the session.
- A list of materials you will need to prepare **before** each session.
Being prepared for the learning session will make your job much easier.
Review this information carefully.
- A list of the steps for each activity. The guide provides detailed instructions for the learning activities that will help participants learn and work with the concepts of the session. Please follow the steps as outlined. However, you should use your own words to explain each point.

The box below is a reminder of some important principles and practices of adult learning to keep in mind as you lead each session. Remember that you, the trainer, do not have all the answers. The participants come to the learning sessions with a great deal of experience and have many things to add. It is important that all participants (including you) teach and learn.

IMPORTANT PRINCIPLES TO REMEMBER

- Create a **safe** learning environment
- Give feedback to the participants and **praise** them for their efforts
- Think about ways of making the topic **useful** to all the participants present
- Let the participants know that you are a **learner** with them
- Use **small groups** (as suggested in the session guide). Small groups help involve all participants, build a sense of teamwork and create safety
- Show **respect** by valuing the participants' knowledge and experience with the subject
- Be sure that throughout the session there is an opportunity for **thinking, acting** and **feeling**

Set Financial Goals

OBJECTIVES

BY THE END OF THE LEARNING SESSION, PARTICIPANTS WILL HAVE:

1. Discussed the introduction to Budgeting: Use Money Wisely
2. Explored the causes of household financial pressure
3. Set financial goals and explained how to reach them
4. Described what a financial plan is and how it can help achieve financial well-being

TIME

45 MINUTES

PREPARATIONS/MATERIALS

■ STORIES

Step 2:

- Jerome and Precy's Financial Situation

Step 3:

- Alwina and Ajay: Reaching Their Goals

STEPS

1. Introduce the learning sessions for Budgeting: Use Money Wisely
5 MINUTES
2. Describe financial pressures using a story
15 MINUTES
3. Set financial goals and explain what a financial plan is with a small-group discussion and story
25 MINUTES

STEP 1

Introduce the Learning Sessions for Budgeting: Use Money Wisely

5 MINUTES

Say the following:

Welcome to the financial education training about budgeting. This training will teach you how to plan and manage your money. You will learn to set your financial goals, to make a budget and to track how your cash flows to make better financial decisions. The following topics will be covered:

1. Set Financial Goals
2. Examine Your Money Management
3. Describe the Importance of a Budget
4. Make a Budget
5. Make Spending Decisions
6. Stay Within Your Budget

Also mention the following learning sessions if you plan to teach them:

7. Track Daily Income and Expenses
8. Track Monthly Cash Flow
9. Use Cash-Flow Tracking to Make Decisions
10. Keep Records to Manage Your Money

STEP 2

Describe Financial Pressures Using a Story 15 MINUTES

Introduce the new topic. Say:

People everywhere work to have enough money to meet their day-to-day spending needs, pay down debts, keep the business going, meet future needs for housing, pay for school and marriage for their children, and ensure a secure old age. Often there is not enough money to reach all these goals. Listen to the story of Jerome and Precy.

Tell the story of Jerome and Precy.

JEROME AND PRECY'S FINANCIAL SITUATION

Jerome and Precy have to pay regularly for food, clothing and household repairs. They also have loan repayments to a financial institution and owe a shopkeeper who has sold them goods on credit.

Their roof is rusting and they want to change it before the rainy season. Their eldest son will get married in the near future.

They have to pay high school fees for their other 2 children. They must travel to take care of family or business matters.

Jerome and Precy also know that unexpected things happen. Family members get sick. Things break and need to be repaired.

Ask the following question:

► **What are the financial pressures that Jerome and Precy feel?**

Why? *[They must meet day-to-day spending requirements and save at the same time to meet all these financial pressures. This can be difficult if there is barely enough money to meet everyday needs. Paying off debt is important to have future access to credit. If they do not repair the house, it could be dangerous. They want to educate and marry off their children and help them get started in life. It is tough to find money for unexpected needs.]*

Summarize their ideas, then say the following:

Please form small groups of 3. Discuss how you would answer the following question.

► **What are financial pressures people experience in this area?** *[Illness forces unexpected expenses; poor business performance brings in less income and makes it hard to pay back the loan; children's weddings can be very costly; funeral expenses use up all our savings.]*

After 5 minutes, ask the groups to share their ideas. Summarize these ideas.

STEP 3

Set Financial Goals and Explain What a Financial Plan is with a Small-Group Discussion and Story

25 MINUTES

Ask the participants to find a partner and discuss how to answer the following question:

➤ **What are your goals for a happy future?**

Give the groups 5 minutes for this discussion. Then ask for volunteers to share their goals. They will likely include goals such as sending children to school, home improvements, more income, less debt, larger business, no sickness in the family and so on.

Then ask the participants:

➤ **What can you do to achieve your goals?**

Encourage participants to give as many ideas as they can. Give positive acknowledgement for all ideas. It is likely they will include ideas such as save more, work harder, earn more, pay off debt and so on.

Then ask them to listen to the story of Alwina and Ajay.

ALWINA AND AJAY: REACHING THEIR GOALS

Alwina and Ajay think together about their goals for the future. They want their children to go to school. They want to repair the house. They want to keep debt low. They want to travel to visit family every year. They also want to put more money into their business to earn more.

They decide together to do something to reach their goals. First, they count the money coming into and going out of the household every day for several weeks or months to know the actual amount they earn and spend. They find out the costs of school, travel and home repairs. They decide to save something, no matter how small, every week. They decide the amount of income they will set aside every week or month for paying debts. They plan how much and when they will invest more in the business.

After all these decisions, Alwina and Ajay feel relieved. They are happy about their decisions. They are confident now that, if they stick with these decisions, they can achieve their goals.

➤ **What are Alwina's and Ajay's goals for the future?** *[School for children, house repair, control their debt, travel, invest in the business.]*

➤ **What do Alwina and Ajay do to reach their goals for the future?**

Summarize participant answers. Make sure the following points are made:

To reach their goals for the future, Alwina and Ajay:

- Figure out the amount of money they earn and spend
- Determine the costs of their goals
- Make decisions about how much to save, how to pay off debt and how much to invest in their business
- Decide on the timing for doing these things

This is called financial planning.

Present the definition of a financial plan.

WHAT IS A FINANCIAL PLAN?

A Financial Plan is a tool to help you decide how to earn more and use your money to achieve your goals.

Ask participants the following question:

➤ **How can financial planning be helpful to you and your family?**

Summarize their ideas. Be sure to include the following:

- Helps you decide your spending priorities for the future
- Gives you discipline for spending and saving
- Helps avoid unexpected money shortages
- Help you feel less financial stress

Talk with your partner again about the following:

➤ **What can you do to make your own financial plan?** *[Decide goals or objectives for the future, decide how much money I earn and how I will use my money to save and invest to reach my goals.]*

Ask for volunteers to share their ideas. Congratulate them for their good work.

SESSION 2

Examine Your Money Management

OBJECTIVES

BY THE END OF THE LEARNING SESSION, PARTICIPANTS WILL HAVE:

1. Listed and grouped common household expenses
2. Identified and grouped household income sources
3. Explained how to cope with irregular income and expenses

TIME

40 MINUTES

PREPARATIONS/MATERIALS

■ PICTURE

Step 1:

- Picture 1: Alwina (on 8.5 x 11 paper or larger)

■ BLANK NOTE CARDS

■ CARDS

Step 1:

- Illustrations of common expenses (e.g., food school fees, transport). These can be very simple drawings that represent the expenses.

■ FLIP CHART PAPER

■ MARKERS

■ MASKING TAPE

STEPS

1. Identify expenses and sort them into categories
30 MINUTES
2. Identify examples of income sources
10 MINUTES

STEP 1

Identify Expenses and Sort Them into Categories

30 MINUTES

Introduce the session. Say:

By the end of this session you will be able to describe all the different ways you earn and spend money. When you understand how your money flows in and out of the household, you are able to plan better how to save and spend it wisely.

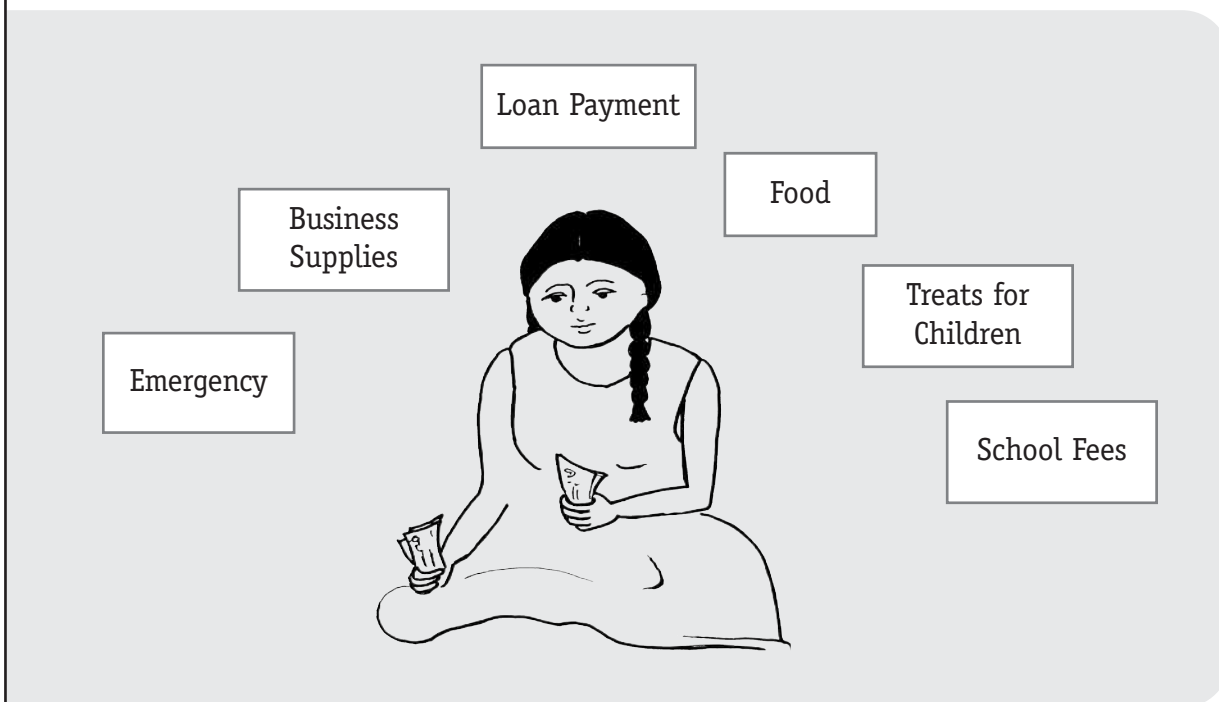
Show an image of a mother contemplating the family's finances. (You can draw this image on a flip chart or use Picture 1: Alwina at end of this session.)

This is Alwina. Alwina is worried about her family's finances.

➤ What expenses is Alwina thinking about?

Please give me your ideas and I will show an image of the expense—each one on a separate card. If an idea has already been mentioned, please give me a different idea.

As the participants give ideas, post the card with the appropriate word or image of the common expense around Alwina's head as her thoughts (see next page). If an idea is mentioned for which there is no card, quickly draw or write it on a blank card.



Ask:

- **What are the ways that people spend their money that are not listed here?**

Add cards as needed.

When the participants have finished, ask for volunteers to come to the wall where you have posted the cards and classify them, organizing them into categories of similar expenses off to the side (away from Alwina).

Say:

May I have 2 volunteers to sort the expense cards into groups that are similar? Please put the cards that are similar next to each other.

Assist the volunteers and encourage the participants to call out their ideas. Encourage participants to give reasons for their suggestions. When the cards are organized, review them with the participants.

- **What changes are needed to improve the groups?**

Make any changes. Then say:

Now we have many groups. Let us give each group a name that sets it apart from the others.

- **What suggestions do you have?**

Lead the large group in assigning names to each group. Write these or make a symbol representing the name on cards, and post above the groupings as headings. Make sure that the following groups are included (even if you choose different names for the groups). It is likely that you will have to help the group separate expected and unexpected events.

Necessary Expenses	Expected Events	Debt Repayment	Optional Expenses	Unexpected Events	Business Costs
Food	School Fees	Group Loan Payment	Treats for Children	Medicine for Illness	Fabric
Rent	Child's Wedding	Money-lender	New Dress	Loss of Property	Sewing Supplies

Say:

Look at these expenses again.

- **What are the expenses you pay once in awhile as opposed to every day or every week?**

Place a checkmark or star by those expenses that participants identify as infrequent or irregular.

- **How do you plan for expenses that occur only once in awhile?**

Summarize their answers and say:

It is important for good money management to plan for expenses that do not occur regularly. You have mentioned many ways this can be done, including saving and putting off purchases until the money is available.

STEP 2

Identify Examples of Income Sources

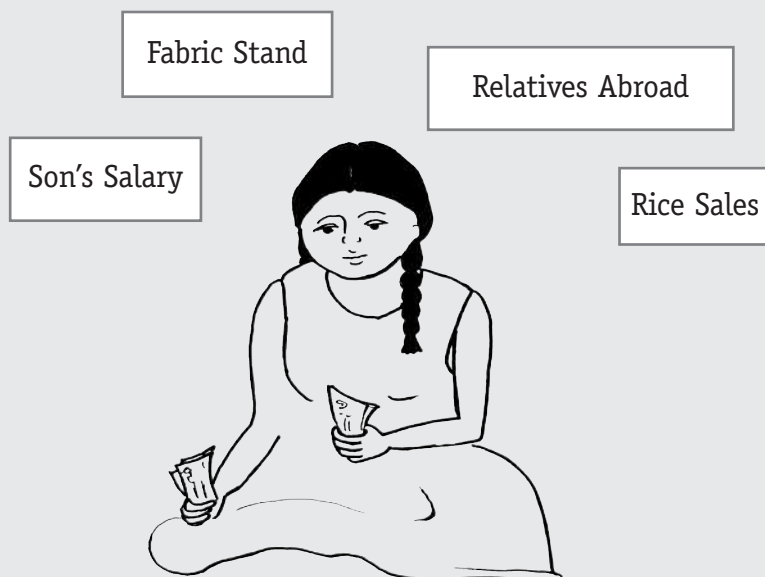
10 MINUTES

Say:

We have talked about the ways that Alwina and her family spend their money. Now let us talk about where that money comes from.

► **Where does Alwina's money come from?**

Quickly write each idea or draw a picture on a card and post it next to the image of Alwina on the wall. The sources of income shown below are examples only. Participants will likely suggest different income sources.



Ask the participants to sort these sources of income into similar types of income. You should end up with something like this:

<i>Farm Income</i>	<i>Business Income</i>	<i>Salary</i>	<i>Other</i>
Rice Sales	Fabric Stand	Son's Salary	Relatives Abroad (remittances)

Ask:

- **Which of these sources of income are infrequent or irregular? Why?**

Ask volunteers to talk about their infrequent sources of income. Check the cards with the sources they mention.

- **When you get income in one large amount every once in awhile, how do you plan to use it to pay for expenses throughout the year?**

Summarize participant responses by saying to the group:

It is nice to get a large amount of income at one time. It is important to think about how to use this money wisely to pay off debts, make sure you can meet basic necessities and save to meet expenses that will occur in the future.

Explain:

In the next sessions we will learn what a budget is and how to make one. This tool will help you plan for both regular and infrequent expenses and income.

PICTURE 1

ALWINA



Describe the Importance of a Budget

OBJECTIVES

BY THE END OF THE LEARNING SESSION, PARTICIPANTS WILL HAVE:

1. Defined the term “budget” and explained how a budget is useful
2. Assessed their current money management strategies
3. Identified ways to improve their own money management through budgeting

TIME

30 MINUTES

PREPARATIONS/MATERIALS

- FLIP CHARTS FOR USE IN THE FOLLOWING STEPS:

Step 1:

- What is a Budget?
- Alwina’s Family Budget for 12 Months

STEPS

1. Explain what a budget is and why it is useful
20 MINUTES
2. Examine your own budgeting practices
10 MINUTES

STEP 1

Explain What a Budget is and Why it is Useful 20 MINUTES

Say:

We have discussed your expenses and income. Expenses and income are 2 key components of a budget. But what is a budget?

Present the definition of a budget.

WHAT IS A BUDGET?

A budget is a summary of estimated income and how it will be spent over a defined period.

Say:

We are here to learn how to manage money. A budget is an important tool for this. It is a plan that divides your income among necessary living expenses, savings and investment during a certain period.

In order to budget, we must know how much money we have coming in and how we want to spend that money during a set period of time that we choose. To budget, it is important to identify and organize spending.

Put up the following flip chart of Alwina's budget and say:

Here is an example of a budget for Alwina's family for a year.

ALWINA'S FAMILY BUDGET FOR 12 MONTHS

<i>Income</i>	<i>Amount</i>
Farm Income	\$175
Business Income	\$500
Wages	\$200
Other	
Remittances	\$75
Rental Income	\$50
Interest on Savings	
Gifts	
Total Income	\$1,000
<i>Expenses</i>	
Debt Payments (Principal and Interest)	
Moneylenders	\$50
Supplier Credit	\$35
Bank Loan	\$85
Sub-total	\$170
Necessary Household Spending	
Utilities	\$45
Food	\$100
Clothing	\$20
School Fees	\$75
Transportation	\$25
Healthcare	\$50
Rent	\$250
Sub-total	\$565
Business Spending	
Supplies/Inputs	\$100
Other (Transportation, etc.)	\$30
Sub-total	\$130
Optional Spending	
Ice Cream	\$8
Jewelry	\$32
Church Offering	\$40
Sub-total	\$80
Total Expenses	\$945
<i>Savings</i>	\$55

If there are participants who can read, ask for volunteers to describe Alwina's family's sources of income and the expenses they have. Otherwise, say the following while pointing to the relevant parts of the budget.

ALWINA'S FAMILY BUDGET

The family has income from the farm and her business. A family member living in a different country sends money from time to time. They also have rental income. Here is the total yearly income for the family.

The family owes money on several loans from moneylenders, suppliers and the bank. They also spend for basic household necessities such as food, transportation, health, school fees, clothing, rent and utilities.

They must pay for business supplies and other business costs as well.

In Alwina's family budget there is also a place for optional spending on non-essential items such as ice cream, jewelry, parties and luxuries. You should anticipate this type of expense; including it in your budget with a specified amount may help you control your spending in this category. Alwina has also set aside money for savings.

Then ask participants the following:

➤ What information does the budget give you?

Encourage responses until participants have mentioned the following. Fill in with any information they miss.

INFORMATION PROVIDED BY ALWINA'S FAMILY BUDGET

- Different types of income sources
- Amount of income by source
- Total planned income
- Types of expenditures, including business and household expenses
- Amount of expenditures
- Total planned expenditures
- Total savings

Please turn to the person sitting next to you and answer the following question:

➤ Why is a budget useful?

After a few minutes, ask volunteers to share their ideas. Summarize the ideas of the group. Be sure to cover the following points:

WHY IS A BUDGET USEFUL?

A budget:

- Allows you to assign your income to different types of expenses
- Helps you make decisions about spending and saving
- Encourages cautious and disciplined spending
- Allows you to take control of your financial situation
- Helps you organize and manage money more effectively
- Helps you plan for your future and meet your financial goals

STEP 2

Examine Your Own Budgeting Practices

10 MINUTES

Say:

Please choose a partner and answer these questions:

- **How do you currently manage your income and expenditures to meet your family's needs?**
- **What can you do to improve budgeting in your household?**

Give the participants up to 5 minutes to exchange ideas. Then ask 3 or 4 volunteers to report back to the large group. Summarize their ideas, ensuring that the following points are mentioned:

WAYS TO IMPROVE BUDGETING

- List all income sources
- List all expenses
- Plan ahead to prevent spending more than your income
- Save surpluses to meet future expenses when income is low

Ask a volunteer to briefly summarize what was accomplished in the session. The summary will be something similar to the following. Fill in any ideas that participants do not mention.

Today we have defined “budgeting” and talked about the key elements of a budget—income listed by source and expenses, and by type of expense such as basic necessities, loan repayment, business and optional expenses. We saw how a budget includes a line for savings. We talked about how all of us currently manage our money and what we can do to improve our own budgets.

Thank the participants for their good work!

OBJECTIVES

BY THE END OF THE LEARNING SESSION, PARTICIPANTS WILL HAVE:

1. Described the steps to create a budget
2. Made a budget
3. Given advice to each other about how to adhere to the budget
4. Identified something new about budgeting to share with family members

TIME

45 MINUTES

PREPARATIONS/MATERIALS

Decide on the appropriate activities based on participants' literacy levels and prepare the corresponding materials.

LITERATE GROUPS

■ CARDS

Step 1:

- "Steps to Create a Budget" (one set for each group of 5 or 6)

■ CALCULATORS FOR EACH PARTICIPANT

■ HANDOUTS

Step 2:

- 4.1: Budget Worksheet (*Decide ahead of time the number of months to use based on the level of education of the participants. One or 2 months may be enough for a participant with little education.*)
- 4.2: Infrequent Expenses and Income Worksheets

ILLITERATE GROUPS

■ HANDOUT

Step 2:

- 4.3 Calendar of Income and Expenses

■ STORY

Step 1:

- Alwina Makes a Budget

■ SMALL OBJECTS SUCH AS BEANS OR PEBBLES

STEPS

1. Explain the steps of how to make a budget
15 MINUTES
2. Make a budget
30 MINUTES

Make a Budget

STEP 1

Explain the Steps of How to Make a Budget

15 MINUTES

Say:

It is important to learn the steps involved in creating a budget.

FOR LITERATE GROUPS

If participants can read, ask them to form groups of 5 or 6. Give each group a set of budget step cards in random order. Ask them to organize the cards into the sequence they think is right for creating a budget. Give them 5 minutes for this activity.

"STEPS TO CREATE A BUDGET" CARDS

Review your Financial Goals	Estimate Amount of Income by Source
List All Expenses and Amount Needed for Each One	Make Sure Your Expenses are Not More than Your Income
Decide How Much You Will Save	Review and Adjust as Needed

STEPS TO CREATE A BUDGET

1. Review your financial goals
2. Estimate amount of income by source
3. List all expenses and amount needed for each one
4. Make sure your expenses are not more than your income
5. Decide how much you will save
6. Review and adjust as needed

FOR GROUPS THAT HAVE LOW LITERACY SKILLS

If participants do not read, tell the following story:

ALWINA MAKES A BUDGET

Alwina does not read and write very well, but she still knows how to make a budget. Here is what she does.

She remembers the family's goals for the future and how much it will cost to reach them.

She thinks about the family situation. She asks herself, "What is happening in this family that will bring in money and require us to spend money for the next month?"

She thinks about how much money is coming in to the house weekly or monthly from the farm, business and other sources. She thinks about how much they will need to spend during the same period. If she can, she asks a family member to write down what she thinks her income and spending will be in the next month or more.

Then Alwina checks to be sure she does not plan to spend more than the income she will receive. She also decides how much to save.

She follows the income and spending closely over time to compare her plan with what really happens. She changes her estimates for the next month based on what she learns.

Ask the group:

- **What does Alwina do to make a budget?**

Ask volunteers to respond. Reinforce their ideas and make sure they mention the following steps to make a budget.

1. Review your financial goals
2. Estimate amount of income by source
3. List all expenses and amount needed for each one
4. Make sure your expenses are not more than your income
5. Decide how much you will save
6. Review and adjust as needed

STEP 2

Make a Budget

30 MINUTES

FOR LITERATE GROUPS

Distribute a set of 2 worksheets to each participant: Handout 4.1: Budget Worksheet and Handout 4.2: Infrequent Income and Expenses. Explain to participants that they will learn how to fill in the worksheets step-by-step as outlined below.

As you explain each step, demonstrate how to do it using your own example.

INCOME

1. On the Budget worksheet, define your sources of income and write them in the first column under "Income." Some of these sources may provide income every month and some may provide income only at certain periods of the year.
2. Estimate the expected income by month from each source and write it in the appropriate box on the worksheet. Some of your income may come infrequently in larger sums. To figure out what this irregular income is on a monthly basis, **determine how much you receive annually and divide this by 12** (see the example below). Use Handout 4.2: Infrequent Income and Expenses worksheet for this calculation. Transfer the monthly amount you calculate for infrequent income to the Budget Worksheet.

INFREQUENT INCOME

<i>Income</i>	<i>No. of Times Received</i>	<i>Amount</i>	<i>Annual Amount</i>	<i>Monthly Income (divide annual amount by 12)</i>
Farming	2	1) 100 2) 20	240	20
Livestock Sales	1	120	120	10

3. Add up the total income for each month.

Walk around the room and offer to help anyone who needs it.

EXPENDITURES

4. On Handout 4.1: Budget Worksheet, write your expenses for each category of expense: debt payment, necessities, optional expenditures and so on.
5. **Estimate** your expenses for each category for each month. You may pay some expenses only once a year or once every quarter. If you have an infrequent expense like this, it is useful to spread it across months in your budget. **To figure out how much your irregular expenses would be on a monthly basis, calculate the total expense per year and divide by 12** (*See example below*). Use Handout 4.2 to figure this out and transfer the monthly amount you calculate to the Budget Worksheet.

INFREQUENT EXPENSES

<i>Expense</i>	<i>No. of Times Paid</i>	<i>Cost per Time Paid</i>	<i>Annual Costs</i>	<i>Monthly Cost (divide annual cost by 12)</i>
School Fees	2	60	120	10
Holidays	1	30	30	2.5
Member Dues	3	4	12	1

6. Add up the total expenses for each month on the Budget Worksheet.

COMPARE INCOME AND EXPENDITURES

7. Subtract the total spending for each month from total expected income for each month.

Ask the participants the following questions:

- **What can you do if the number is positive?** *[Save more, pay off debts.]*
- **What can you do if the number is negative?** *[Cut spending, find ways to earn more until you can control spending.]*

Say to participants:

Make sure you budget what you think you can save each month on the savings line.

FOR GROUPS THAT HAVE LOW LITERACY SKILLS

Give each member Handout 4.3: Budget Calendar.






*Next, give each person 50 small objects. Tell the participants to place up to 5 small objects in each box based on how much income they think is coming in or going out of the household for that category and time period. The objects **do not** represent specific amounts, rather 1 object represents the smallest amount of income or expenditure and 5 objects represent the largest amount of income or expenditure.*

See example below. Demonstrate how to fill in the income row and 1 of the expenses rows with the whole group before giving each participant a worksheet.

Give the participants 15 minutes for this activity. Go around and assist them as needed.

Budget Calendar

Please note that you can use weeks instead of months.

	MONTH 1	MONTH 2	MONTH 3
Income			
	○ ○ ○ ○	○ ○ ○ ○	○ ○ ○
Spending			
Business 	○ ○ ○	○ ○ ○	○ ○
Household 	○ ○ ○	○ ○ ○	○ ○ ○
Loan Payments 	○	○	
Savings 		○	○

When they are finished filling in the rows, ask the following:

- **What times of year is income more or less than other times? What times of year are expenses more or less than income?**
- **What can you do to meet expenses when income for that period is not enough?**

Make sure the group mentions the following:

- **Save** when you have surplus income, to spend during times when income is less than you need
- **Spend less** during the low-income periods
- **Plan ahead** so you do not have to borrow to meet your household needs

Then say:

Look again at your budget calendar.

- **What will you change to plan for irregular income and expenses?**

After a few minutes, ask the group:

- **What did you do to make sure you will have enough income to meet your expenses?**

Ask a few volunteers to share their ideas.

FOR ALL

Turn to a partner and discuss how to answer the following.

- **How will you use at home what you learned today about budgeting?**

Listen to volunteers and then say:

Budgeting is an important tool to think about how you will use your income to pay expenses—including loan repayments—as well as to decide how much you can save for the future.

“Steps to Create a Budget” Cards

**Review Your
Financial Goals**

**Estimate Amount of
Income by Source**

**List All Expenses
and Amount Needed
for Each One**

**Make Sure Your
Expenses are Not
More than Your
Income**

**Decide How Much
You Will Save**

**Review and Adjust
as Needed**

HANDOUT 4.1

Budget Worksheet

	MONTH 1	MONTH 2	MONTH 3	MONTH 4	MONTH 5	MONTH 6
INCOME						
Total Income						
EXPENSES						
Debt Payments						
Business Spending						
Necessary Household Spending						
Optional Spending						
Total Expenses						
SAVINGS						

HANDOUT 4.2

Infrequent Income and Expenses Worksheet

INFREQUENT INCOME






Income	No. of Times Received	Amount	Annual Amount	Monthly Income (divide annual amount by 12)

INFREQUENT EXPENSES

Expense	No. of Times Paid	Cost per Time Paid	Annual Cost	Monthly Cost (divide annual cost by 12)

HANDOUT 4.3

Budget Calendar

	MONTH 1	MONTH 2	MONTH 3
Income			
			
Spending			
Business 			
Household 			
Loan Payments 			
Savings 			

Make Spending Decisions

OBJECTIVES

BY THE END OF THE LEARNING SESSION, PARTICIPANTS WILL HAVE:

1. Prioritized a broad range of expenses
2. Identified a set of guidelines to help them choose financial priorities in the future
3. Compared their priorities with what the expert financial planners recommend

TIME

30 MINUTES

PREPARATIONS/MATERIALS

- FLIP CHART FOR USE IN THE FOLLOWING STEP:

Step 1:

- Alwina's Expenses (*for groups that cannot read, make drawings to represent expenses*)

- HANDOUT

Step 1:

- 5.1: Alwina's Expenses (*1 for each group*)

- PAPER AND PENS

- CARDS

- MARKERS

STEPS

1. Set financial priorities for Alwina's family
20 MINUTES
2. Compare priorities with what the expert financial planners recommend
10 MINUTES

STEP 1

Set Financial Priorities for Alwina's Family

20 MINUTES

Explain:

We are going to talk about prioritizing expenses. Very few people in the world have so much income that they can pay for everything they want to buy or do. Most of us must make difficult decisions and trade-offs, especially during times when our income does not cover all of our expenses.

There are no perfect answers when it comes to prioritizing and choosing among expenses, but there are some general guidelines. Today we will talk about how you currently make these decisions, and we will highlight some common ways to help you set your own personal financial priorities and handle your financial difficulties in the future.

Post the flip chart with Alwina's expenses. Use drawings of each item for those who cannot read. Describe these expenses to the participants with the following story.

ALWINA'S EXPENSES

Alwina has loan payments due every month. She also has a weekly payment to

her supplier who sold her goods on credit. Every 2 weeks there are fees for the children's school. Her son is very sick and she wants to buy medicine the doctor prescribed. Her mother is aging and will need care and support in the future.

In a month she will need farm inputs, as the planting season is about to begin. Her son is going to be married in about a year. She also plans to buy a new table for her business. Every day she needs food for the family. She wants new jewelry. In 2 months the rains will come and the roof needs repairs. Alwina and her husband like to go to a restaurant for dinner on Sundays. She also likes to save regularly for emergencies.

ALWINA'S EXPENSES

<i>Expense</i>	<i>When Needed</i>
Bank loan payments	Regularly—monthly
Supplier credit	Regularly—weekly
School fees	2 weeks
Medicine for sick son	Immediately
Care for aging mother	Future
Farm inputs	1 month
Son's wedding	About 10 months
Business investment (new table)	—
Food for family	Regularly—daily
New jewelry for Alwina	—
Roof repairs	About 2 months
Going out to dinner	—
Savings for emergencies	—

Alwina does not have enough money this month to meet all of her expenses and savings needs for the future. Pretend you are Alwina and answer the following question:

- **How will you decide which are the most important things to use your money for this month?**

Please form groups of 3 or 4 people and decide how you want to prioritize these expenses.

➤ **Which are the most important?**

➤ **Which are the least important?**

Distribute Handout 5.1: Alwina's Expenses to each group.

Put a number "1" next to the item if it is the highest priority; a "2" next to the item if it is somewhat high; a "3" if the item has medium priority; and a "4" if the item is the lowest priority for spending. One person should be responsible for numbering and someone should be prepared to present your priorities to the large group. You will have 10 minutes to do this.

Remember that although some of the larger expenses do not occur this month, they will be necessary in the future.

Demonstrate, using "food for the family." Put a "1" next to the item.

➤ **What questions do you have?**

Walk around to the teams to answer any questions.

After the teams have finished, invite 2 of them to present their decisions. Ask them to present the order of their priorities and describe their reasons.

STEP 2

Compare Priorities with What the Expert Financial Planners Recommend 10 MINUTES

Explain:

Expert financial planners recommend the following order of priorities for spending:

1. Take care of debt
2. Meet necessary day-to-day expenses
3. Save for future goals and needs

Ask the group the following:

➤ **How do your spending priorities compare with what the experts recommend?**

Encourage a number of responses from the participants. Then ask:

➤ **Why do you think the experts recommend these priorities?**

Invite a number of volunteers to answer. Make the following points if the participants omit them.

- Debt is costly.
 - When payments are missed, the loan costs grow even higher.
 - Failure to make payments can lead to the loss of future access to credit.
 - Loan fees on late payments can increase the amount of money you owe and increase the risk of having to make loan payments with money intended for basic necessities.
 - When debt is out of control it can threaten the well-being of your family.
- Basic expenses must be taken care of for the well-being of the household.
- Money not needed to pay debt and necessary expenses is available to set aside for the future or spend on treats or luxury items.

Ask the participants to do the following:

Return to your groups and decide if there is anything you want to change in the spending priorities you determined for Alwina's family.

Give the groups a few minutes for this exercise. Then ask for volunteers to share their new ideas.

➤ **What did you change and why?**

Say:

Making spending decisions can be difficult. Individuals and families must decide what is the right decision for them at the time. What is important is to think very carefully when making decisions and have a plan for dealing with the consequences. For example, Alwina will likely first want to buy medicines for her sick child and make sure her family has enough food. She also wants to make some payment on her loans because she knows that if she does not, one day she may lack the money to buy food and medicine. Each family must balance the need to meet basic expenses, pay down debt and find something to save.

HANDOUT 5.1

Alwina’s Expenses

EXPENSE	WHEN NEEDED
Bank loan payments	Regularly—monthly
Supplier credit	Regularly—weekly
School fees	2 weeks
Medicine for sick son	Immediately
Care for aging mother	Future
Farm inputs	1 month
Son’s wedding	About 10 months
Business investment (new table)	—
Food for family	Regularly—daily
New jewelry for Alwina	—
Roof repairs	About 2 months
Going out to dinner	—
Savings for emergencies	—

Stay Within Your Budget

OBJECTIVES

BY THE END OF THE LEARNING SESSION, PARTICIPANTS WILL HAVE:

1. Defined ways to address difficulties of staying within a budget
2. Practiced identifying ways to cut spending

TIME

45 MINUTES

PREPARATIONS/MATERIALS

■ STORY

Step 1:

- Katia's Story
- Mara's Story

STEPS

1. Identify ways to stay within a budget
30 MINUTES
2. Make a list of ways you can cut spending
15 MINUTES

STEP 1

Identify Ways to Stay Within a Budget 30 MINUTES

Say:

Expert financial planners say that people must make a regular habit of paying off their loans, paying for basic necessities and saving something. There are many competing priorities for very little money. Please take a minute to think about your own financial situation and answer this question.

- **What are your 3 most important financial priorities after feeding your family? Why?**

Ask the participants to list their choices in order of priority. Then ask for volunteers to explain their choices. Allow 2 or 3 volunteers to respond. Next, ask the question:

- **What are the day-to-day pressures that make sticking with recommended spending priorities difficult?** *[Examples: The income only covers the most basic necessities and there is nothing left to pay off debt or save; family pressures lead to unplanned spending, etc.]*

Allow the participants to describe a number of situations. Then say:

It is one thing to make a budget and another thing to stay within the budget. Please form groups of 5 and discuss how to answer the following question.

- **What makes it hard to stay within a budget?** *[Unexpected events happen that must be paid for; lack of discipline; pressures from family members; poor revenues from the business or farm, etc.]*

Give the groups 5 minutes.

Ask for volunteers to share why people have trouble staying within a budget. Say:

Many people have these experiences. Some manage to stay within the budget, managing their income and expenses. Listen to the following stories. At the end of each I will ask you to tell me how each person manages to stay within her budget.

KATIA'S STORY

Katia made a budget with her family. She was at the market a week or so later and a close friend wanted to sell her some beautiful cloth she had recently purchased in the city. Katia was tempted but remembered there was no money for expensive cloth in her budget. She was also glad she had put her savings in her account with the bank so it was not readily available. Later that week, her children broke her cooking pot. She was able to buy a new pot with some money she had set aside for unexpected expenses.

- **What did Katia do to stay within her budget?** *[Remembered what was planned in her budget and stayed with the plan; put savings out of reach so it was not easy to spend; set aside some money for unexpected expenses.]*

MARA'S STORY

Mara had many expenses during the festival season. She planned for this in her budget. During the season, she purchased gifts for family and friends and special foods. From time to time, she added up her expenses to find out how much was left in her budget. She realized that she spent more on gifts than expected, so she looked carefully at her budget. She had put an amount in to buy a new dress. She decided to spend less on the dress to make up for overspending on gifts and food.

- **What did Mara do to stay within her budget?** *[She kept track of her spending so she did not spend more than budgeted; when she overspent on some things, she cut costs on others.]*

Tell the participants to get back into their groups and discuss how to answer the following question:

➤ **What can you do to stay within your budget?**

Give the groups 5 minutes to discuss how to answer the question. Ask participants to share their ideas. Summarize their ideas and be sure the following are mentioned.

HOW TO STAY WITHIN YOUR BUDGET

- Remind yourself often what you planned to spend
- Put in the budget something for unexpected spending needs
- Keep savings out of reach so you do not spend them
- Keep track of what you spend
- Make sure you do not spend more than is budgeted
- If you spend more for one item, spend less for something else
- Make a list of ways to cut planned expenses
- Get the family to participate in developing and sticking with the budget
- When investing money in business, consider what to do if the investment fails

STEP 2

Make a List of Ways You Can Cut Spending 15 MINUTES

Tell the participants the following:

Think about all the things you spend money on during a day, week or year. Remember the small things as well as the big things. Work on your own to answer the following question.

➤ **What are 3 ways to cut down spending?**

Give participants 3 or 4 minutes for this exercise. Then ask for volunteers to share their lists. Ask each new volunteer to offer a new idea. Be sure that the following ideas are mentioned:

WAYS TO CUT SPENDING

- Consume less of non-essential items (beverages, snacks, luxuries)
- Spend less on parties and festivals
- Lower expenses on life events such as marriages and funerals
- Save enough to buy necessities in larger amounts at lower costs
- Plan ahead to buy necessities when the prices are lower
- Buy less on credit
- Carry less money or save money in a safe place; the temptation to spend it won't be there

Say:

Turn to the person next to you and answer the following.

- **What is one thing you learned today about staying within your budget that you can apply at home?**

After a few minutes, ask a few volunteers to share their ideas. Then, thank the participants for their good work today.

SESSION 7

OBJECTIVES

BY THE END OF THE LEARNING SESSION, PARTICIPANTS WILL HAVE:

1. Practiced using income and expenses daily tracking sheets
2. Discussed how they will use daily tracking of income and expenses in their own lives

TIME

65 MINUTES

PREPARATIONS/MATERIALS

■ FLIP CHARTS FOR THE FOLLOWING STEPS:

Step 1:

- Blank Daily Income Tracking Sheet
- Blank Daily Expenses Tracking Sheet

Step 3:

- Blank Daily Cash-Flow Tracking Sheet

■ HANDOUTS

Step 4:

- 7.1: Daily Income Tracking Sheet
- 7.2: Daily Expenses Tracking Sheet
- 7.3: Daily Cash-Flow Tracking Sheet

■ CARDS

Step 4:

- Income and expense cards, small enough to fit in the boxes or cells on the Tracking Sheet flip charts

■ FLIP CHART PAPER

■ MARKERS

■ SMALL BLANK CARDS

■ MASKING TAPE

STEPS

1. Present the income and expenses daily tracking sheets
10 MINUTES
2. Practice using the Daily Income and Expense Tracking Sheets
30 MINUTES
3. Track daily cash balance using information from income and expenses tracking sheets
15 MINUTES
4. Decide how to use the tracking sheets
10 MINUTES

Track Daily Income and Expenses

STEP 1

Present the Income and Expenses Daily Tracking Sheets 10 MINUTES

Explain:

This learning session is about how to track income and expenses. Tracking income and expenses is a good way to prepare to make a budget. It allows you to know better how much you are earning and spending over time.

Post the blank Daily Income Tracking Sheet on the wall.

Review the row headings. One by one, explain the different income categories and ask for examples to ensure participants understand the differences in categories. (Ex.: farm income includes sales of crops and animals; wages include salary earned by husband or grown son; business income includes income from self-employment such as selling cooked food or running a small shop.) Make sure everyone understands that each person will develop his/her own list of income sources depending on how the money is earned.

DAILY INCOME TRACKING SHEET (1 WEEK)

Sources of Income	Day 1 Mon.	Day 2 Tues.	Day 3 Wed.	Day 4 Thurs.	Day 5 Fri.	Day 6 Sat.	Day 7 Sun.	TOTAL
Farm Income (Production and sale of agriculture and livestock)								
Farm Labor								
Non-Farm Labor								
Wages (Employed and paid weekly or monthly)								
Business								
Other Remittances Rental Income Interest Income (from Savings) Gifts								
Total Income								

Ask:

➤ **What questions or comments do you have?**

Provide clarification as needed. Remind participants how to include irregular income and expenses in their budget.

Next, post the Daily Expenses Tracking Sheet on the wall. Review the expense categories and the specific expenses under each. Explain that under the major categories such as "Debt Repayment," "Necessary Household Spending," and "Business Spending," each person will write in their own specific expenses. For example, under "Optional Spending," you might put "movies" in place of "ice cream" if you go to the cinema regularly.

Ask participants for examples of relevant expenditures under each one of these categories.

Be sure to point out that savings is on the sheet after the expenses. Say:

Savings is not an expense. It is money set aside to meet future needs.

DAILY EXPENSES TRACKING SHEET (1 WEEK)

<i>Types of Expense</i>	<i>Day 1 Mon.</i>	<i>Day 2 Tues.</i>	<i>Day 3 Wed.</i>	<i>Day 4 Thurs.</i>	<i>Day 5 Fri.</i>	<i>Day 6 Sat.</i>	<i>Day 7 Sun.</i>	<i>TOTAL</i>
Debt Payments (Principal and Interest)								
Moneylender								
Loan Payment to Bank/ MFI								
Sub-total								
Necessary Household Spending								
Utilities (electricity)								
Food								
Clothing								
School Fees								
Transportation								
Healthcare								
Rent/Water								
Other								
Sub-total								
Business Spending								
Supplies/Inputs								
Other (Transportation, etc.)								
Sub-total								
Optional Spending								
Ice Cream/Snacks								
Jewelry								
Church Offering								
Other								
Sub-total								
Total Expenses								
Savings								

Ask:

- **What questions or comments do you have about the Daily Expenses Tracking Sheet?**

Provide clarification.

STEP 2

Practice Using the Daily Income and Expenses Tracking Sheets

30 MINUTES

Read the story of Alwina.

ALWINA'S STORY

Alwina is engaged in hog-fattening and runs a small store while her husband works as a carpenter. As a client of a local microfinance program, she receives financial education. At 1 of the learning sessions she learned how to track her income and expenses, both for her household and her enterprises. She recorded the following for the first 3 days of the week.

Hand out income/expense cards to participants. You should have 1 card for each entry on Alwina's Daily Income Tracking Sheet and the Daily Expenses Tracking Sheet below.

Use the example Daily Income Tracking Sheet below (completed for 3 days) to read what Alwina earned. Ask the participants who have the income cards to paste them in the appropriate place on the blank Daily Income Tracking Sheet chart on the wall.

ALWINA'S INCOME DAILY INCOME TRACKING SHEET (WEEK 1)

<i>Sources of Income</i>	<i>Day 1 Mon.</i>	<i>Day 2 Tues.</i>	<i>Day 3 Wed.</i>	<i>TOTAL (1 Week)</i>
Farm Income (Banana)		300		300
Wages (Husband)			1,050	1,050
Business Income (Store)	2,000	1,800	1,500	5,300
Other Remittances Rental Income Interest Income (from Savings) Gifts				
Total Income	2,000	2,100	2,550	6,650

Ask participants to sum the rows and columns and put the total on a card in the appropriate place on the chart. (See bolded figures on the chart.)

Now read Alwina's expenses listed on the Daily Expenses Tracking Sheet below and ask participants with the appropriate cards to put them in the right column on the blank Daily Expenses Tracking Sheet on the wall.

ALWINA'S EXPENSES

DAILY EXPENSES TRACKING SHEET (WEEK 1)

<i>Types of Expense</i>	<i>Day 1 Mon.</i>	<i>Day 2 Tues.</i>	<i>Day 3 Wed.</i>	<i>TOTAL</i>
Debt Payments (Principal and Interest)				
Moneylender			200	200
Loan Payment to Bank/ MFI		180		180
Sub-total		180	200	380
Necessary Household Spending				
Utilities (electricity)				
Food			2,000	2,000
Clothing				
School Fees	800			800
Transportation				
Healthcare				
Rent/Water				
Other				
Sub-total	800		2,000	2,800
Business Spending				
Supplies/Inputs		1,000		1,000
Other (Transportation, etc.)				
Farm Spending	300			300
Sub-total	300	1,000		1,300
Optional Spending				
Ice Cream/Snacks			50	50
Jewelry		500		500
Church Offering				
Other				
Sub-total		500	50	550
Total Expenses	1,100	1,680	2,250	5,030
Savings*	30	30	30	90

**Alwina regularly puts money in a bank account.*

After the participants have pasted expense amounts on the chart, ask someone to help add up the totals. Then ask:

- **What strikes you about Alwina's income and expenses?** *[She has enough income to cover her expenses; food is her biggest expense for these 3 days; she sets aside savings every day; she has some optional expenses which she could drop in order to save more.]*

After listening to a number of ideas from participants, say the following:

- A key step in financial planning is to list all income and expenses and track them every day, week and month.
- To get a real picture of your financial situation you must list all income and expenses.

STEP 3

Track Daily Cash Balance Using Information from Income and Expenses Tracking Sheets 15 MINUTES

Put a blank Daily Cash-Flow Tracking Sheet on the wall. Demonstrate how to transfer the information from the Income and Expenses Tracking Sheets to the Daily Cash-Flow Tracking Sheet for Monday only.

DAILY CASH-FLOW TRACKING SHEET

	<i>Day 1 Mon.</i>	<i>Day 2 Tues.</i>	<i>Day 3 Wed.</i>	<i>Day 4 Thurs.</i>	<i>Day 5 Fri.</i>	<i>Day 6 Sat.</i>	<i>Day 7 Sun.</i>	<i>TOTAL (1 Week)</i>
Starting Cash								
Add: Total Income								
Less Total Expense								
Less Savings in Institution or Group								
Ending Cash								

Explain that savings that are not kept at home are recorded on this sheet in order to determine the actual cash on hand (in the household).

Ask the participants to help you fill in Day 2 and Day 3. See below:

DAILY CASH-FLOW TRACKING SHEET

	<i>Day 1 Mon.</i>	<i>Day 2 Tues.</i>	<i>Day 3 Wed.</i>	<i>Day 4 Thurs.</i>	<i>Day 5 Fri.</i>	<i>Day 6 Sat.</i>	<i>Day 7 Sun.</i>	<i>TOTAL (1 Week)</i>
Starting Cash	0	870	1,260	1,530				
Add: Total Income	2,000	2,100	2,550					
Less Total Expense	1,100	1,680	2,250					
Less Savings in Institution or Group	30	30	30					
Ending Cash	870	1,260	1,530					

Ask:

- **What questions do you have?**

STEP 4

Decide How To Use the Tracking Sheets

10 MINUTES

Pass out handouts 7.1, 7.2 and 7.3.

Ask participants to choose a partner and discuss how to answer the following:

- **How can you use these tracking sheets for your own household financial management?**
- **Where can you keep the information?**

After 3 minutes of discussions, ask some participants to share their ideas.

Summarize all answers and thank the participants.

Income Cards

300	1,050	300	1,050	2,000	1,800
1,500	5,300	2,000	2,100	2,550	6,650

Expense Cards

200	200	180	180	180	200
380	2,000	2,000	800	800	800
2,000	2,800	1,000	1,000	300	300
300	1,000	1,300	50	50	500
500	50	550	1,100	1,680	2,250
5,030	30	30	30	90	500

HANDOUT 7.1

Daily Income Tracking Sheet

SOURCES OF INCOME	DAY 1 MON.	DAY 2 TUES.	DAY 3 WED.	DAY 4 THURS.	DAY 5 FRI.	DAY 6 SAT.	DAY 7 SUN.	TOTAL
Farm Income (Production and sale of agriculture and livestock)								
Farm Labor								
Non-Farm Labor								
Wages (Employed and paid weekly or monthly)								
Business								
Other Remittances Rental Income Interest Income (from Savings) Gifts								
Total Income								

HANDOUT 7.2

Daily Expenses Tracking Sheet

TYPES OF EXPENSE	DAY 1 MON.	DAY 2 TUES.	DAY 3 WED.	DAY 4 THURS.	DAY 5 FRI.	DAY 6 SAT.	DAY 7 SUN.	TOTAL
Debt Payments (Principal and Interest)								
Moneylender								
Loan Payment to Bank/ MFI								
Sub-total								
Necessary Household Spending								
Utilities (Electricity)								
Food								
Clothing								
School Fees								
Transportation								
Healthcare								
Rent/Water								
Other								
Sub-total								
Business Spending								
Supplies/Inputs								
Other (Transportation, etc.)								
Farm Spending								
Sub-total								
Optional Spending								
Ice Cream/Snacks								
Jewelry								
Church Offering								
Other								
Sub-total								
Total Expenses								
Savings								

HANDOUT 7.3

Daily Cash-Flow Tracking Sheet

	Day 1 Mon.	Day 2 Tues.	Day 3 Wed.	Day 4 Thurs.	Day 5 Fri.	Day 6 Sat.	Day 7 Sun.	TOTAL (1 Week)
Starting Cash								
<i>Add:</i> Total Income								
<i>Less</i> Total Expense								
<i>Less</i> Savings in Institution or Group								
Ending Cash								

OBJECTIVES

BY THE END OF THE LEARNING SESSION, PARTICIPANTS WILL HAVE:

1. Practiced putting daily income and expenses into a monthly summary
2. Explained how monthly tracking of income and expenses can be useful for managing household cash flow

TIME

35 MINUTES

PREPARATIONS/MATERIALS

■ FLIP CHARTS FOR USE IN THE FOLLOWING STEP:

Step 1:

- Alwina's Daily Income Tracking Sheet (Week 1)
- Alwina's Daily Income Tracking Sheet (Week 2)
- Alwina's Daily Expenses and Savings Tracking Sheet (Week 1)
- Alwina's Daily Expenses and Savings Tracking Sheet (Week 2)
- Blank Monthly Cash-Flow Tracking Sheet

■ HANDOUT

Step 2:

- 8.1: Monthly Cash-Flow Tracking Sheet

■ MARKERS

STEPS

1. Practice transferring daily cash flow onto monthly summary
30 MINUTES
2. Discuss how to use the tracking forms to manage cash flow
5 MINUTES

Track Monthly Income and Expenses

STEP 1

Practice Transferring Daily Cash Flow onto Monthly Summary

30 MINUTES

Now we will practice how to track income and expenses monthly. We will examine how cash flows in and out of the household and discuss how tracking can improve our cash-flow management.

Post and explain the 2 flip charts with Alwina's income for 2 weeks—1 week on each flip chart.

ALWINA'S DAILY INCOME TRACKING SHEET (WEEK 1)

<i>Type of Income</i>	<i>Day 1 Mon.</i>	<i>Day 2 Tues.</i>	<i>Day 3 Wed.</i>	<i>Day 4 Thurs.</i>	<i>Day 5 Fri.</i>	<i>Day 6 Sat.</i>	<i>Day 7 Sun.</i>	<i>TOTAL</i>
Farm Income (Banana)		300					400	700
Wages (Husband)			1,050			1,050		2,100
Business Income (Store)	2,000	1,800	1,500	1,200	1,000	2,500		10,000
Other Remittances Rental income Interest on savings Gifts								
Total Income	2,000	2,100	2,550	1,200	1,000	3,550	400	12,800

ALWINA'S DAILY INCOME TRACKING SHEET (WEEK 2)

<i>Type of Income</i>	<i>Day 1 Mon.</i>	<i>Day 2 Tues.</i>	<i>Day 3 Wed.</i>	<i>Day 4 Thurs.</i>	<i>Day 5 Fri.</i>	<i>Day 6 Sat.</i>	<i>Day 7 Sun.</i>	<i>TOTAL</i>
Farm Income (Banana)			300 300				500	800 300
Wages (Husband)						2,100		2,100
Business Income (Store)	2,000	1,800	1,000	1,000	1,500	1,800		9,100
Other Remittances Rental income Interest on savings Gifts						100		100
Total Income	2,000	1,800	1,600	1,000	1,500	4,000	500	12,400

Put up a blank monthly Cash-Flow Tracking Sheet (below) and show only the Starting Cash and Income sections.

MONTHLY CASH-FLOW TRACKING SHEET

	<i>Week 1</i>	<i>Week 2</i>	<i>Week 3</i>	<i>Week 4</i>
Starting Cash				
Income				
Farm				
Wages				
Business				
Other				
Add Total Income				
Less Expense				
Less Savings in Institution or Group				
Ending Cash				

MONTHLY CASH-FLOW TRACKING SHEET

	<i>Week 1</i>	<i>Week 2</i>	<i>Week 3</i>	<i>Week 4</i>
Starting Cash	0			
Income				
Farm	700	1,100		
Wages	2,100	2,100		
Business	10,000	9,100		
Other		100		
Add Total Income	12,800	12,400		
Less Expense				
Less Savings in Institution or Group				
Ending Cash				

Demonstrate how to transfer the income for Week 1 onto the Monthly Cash-Flow Tracking Sheet.

Next, ask participants to transfer income for Week 2 onto the Monthly Cash-Flow Tracking Sheet.

Next, post the weekly expenses sheets for Alwina.

ALWINA'S DAILY EXPENSES TRACKING SHEET (WEEK 1)

<i>Types of Expense</i>	<i>Day 1 Mon.</i>	<i>Day 2 Tues.</i>	<i>Day 3 Wed.</i>	<i>Day 4 Thurs.</i>	<i>Day 5 Fri.</i>	<i>Day 6 Sat.</i>	<i>Day 7 Sun.</i>	<i>TOTAL</i>
Debt Payments (Principal and Interest)								
Moneylender			200					200
Loan Payment to Bank/ MFI		180						180
Sub-total		180	200					380
Necessary Household Spending								
Utilities (Electricity)								
Food			2,000	400		1,500		3,900
Clothing						2,000		2,000
School Fees	1,500							1,500
Transportation	200	200	200	200	200			1,000
Healthcare								
Rent/Water				1,000				1,000
Other								
Sub-total	1,700	200	2,200	1,600	200	3,500		9,400
Business Spending								
Supplies/Inputs		1,000						1,000
Other (Transportation, etc.)								
Farm Spending	300				300			600
Sub-total	300	1,000			300			1,600
Optional Spending								
IceCream/Snacks		150	25			25		200
Jewelry							230	230
Church Offering		350						350
Other			25		30		70	125
Sub-total		500	50		30	25	300	905
Total Expenses	2,000	1,880	2,450	1,600	530	3,525	300	12,285
Savings	30	30	30	30	30			150

ALWINA'S DAILY EXPENSES TRACKING SHEET (WEEK 2)

<i>Types of Expense</i>	<i>Day 1 Mon.</i>	<i>Day 2 Tues.</i>	<i>Day 3 Wed.</i>	<i>Day 4 Thurs.</i>	<i>Day 5 Fri.</i>	<i>Day 6 Sat.</i>	<i>Day 7 Sun.</i>	<i>TOTAL</i>
Debt Payments (Principal and Interest)								
Moneylender								
Loan Payment to Bank/ MFI		180						180
Sub-total		180						180
Necessary Household Spending								
Utilities (Electricity)				500				500
Food			1,200		400			1,600
Clothing								
School Fees	200							200
Transportation								
Healthcare								
Rent/Water								
Other				200				200
Sub-total	200		1,200	700	400			2,500
Business Spending								
Supplies/Inputs		1,000			1,200			2,200
Other (Transportation, etc.)								
Farm Spending	300							300
Sub-total	300	1,000			1,200			2,500
Optional Spending								
IceCream/Snacks			50				100	
Jewelry								
Church Offering								
Other						50		
Sub-total			50			50	100	200
Total Expenses	500	1,180	1,250	700	1,600	50	100	5,380
Savings	30	30	30	30	30			150

Demonstrate how to transfer expenses and savings onto the Monthly Cash-Flow Tracking Sheet for Week 1. Then ask the participants to transfer expenses and savings onto the sheet for Week 2.

MONTHLY CASH-FLOW TRACKING SHEET

	<i>Week 1</i>	<i>Week 2</i>	<i>Week 3</i>	<i>Week 4</i>
Starting Cash				
Income				
Farm				
Wages				
Business				
Other				
Add Total Income				
Expenses				
Debt Payments	380	180		
Necessary Household Expenses	9,400	2,500		
Business Expenses	1,600	2,500		
Optional Spending	905	200		
Less Total Expenses	12,285	5,380		
Less Savings Out of Home	150	150		
Ending Cash				

Calculate the ending cash with the participants for Week 1. Then say:

The cash available at the end of the week is also available at the beginning of the next week. I will transfer the 365 in "Ending Cash" for Week 1 to the "Starting Cash" for Week 2.

Demonstrate this.

Then calculate the "Ending Cash" for Week 2 with the participants and enter it on the sheet. Ask participants the following:

► **What will be the Starting Cash for Week 3?**

Enter 7,235 in the "Starting Cash" row for Week 3.

MONTHLY CASH-FLOW TRACKING SHEET

	<i>Week 1</i>	<i>Week 2</i>	<i>Week 3</i>	<i>Week 4</i>
Starting Cash	0	365	7,235	
Income				
Farm	700	1,100		
Wages	2,100	2,100		
Business	10,000	9,100		
Other		100		
Add Total Income	12,800	12,400		
Expenses				
Debt Payments	380	180		
Necessary Household Expenses	9,400	2,500		
Business Expenses	1,600	2,500		
Optional Spending	905	200		
Less Total Expenses	12,285	5,380		
Less Savings Out of Home	150	150		
Ending Cash	365	7,235		

Ask the following questions:

- **What do you notice about Alwina's ending cash during the 2-week period?** [At the end of Week 2, Alwina had much more "Ending Cash" than at the end of Week 1.]
- **Why do you think has this occurred?** [Her household expenses in Week 2 were much lower; she did not pay the moneylender in Week 2.]

STEP 2

Discuss How to Use the Tracking Forms to Manage Cash-Flow

5 MINUTES

Pass out Handout 8.1: Monthly Cash-Flow Tracking Sheet

Say:

Now you have forms to track income and expenses, daily, weekly and monthly. You also have a form to track your ending cash each week and month.

Ask the participants:

- **How can you use this monthly tracking system to manage your cash-flow?**

Summarize their ideas, making sure to cover the following points:

BENEFITS OF TRACKING MONTHLY CASH-FLOW

- Determine how much income is coming into the household
- Determine if and when you will have shortfalls
- Make decisions on how much to save
- See where spending is high
- Make decisions about spending, and saving and investing more in the business

After listening to a number of responses, say:

Please raise your hand if you will try this tracking system.

Thank the participants.

Congratulate the participants for their good work.

HANDOUT 8.1

Monthly Cash-Flow Tracking Sheet

	WEEK 1	WEEK 2	WEEK 3	WEEK 4
Starting Cash				
Income				
Farm				
Wages				
Business				
Other				
Add Total Income				
Expenses				
Debt Payments				
Necessary Household Expenses				
Business Expenses				
Optional Spending				
Less Total Expenses				
Less Savings Out of Home				
Ending Cash				

Use Cash-Flow Tracking to Make Decisions

OBJECTIVES

BY THE END OF THE LEARNING SESSION, PARTICIPANTS WILL HAVE:

1. Practiced analyzing a sample cash flow
2. Practiced making decisions using the sample cash flow

TIME

40 MINUTES

PREPARATIONS/MATERIALS

- FLIP CHART FOR USE IN THE FOLLOWING STEP:

Step 1:

- Monthly Cash-Flow Tracking Sheet

- FLIP CHART PAPER

- MARKERS

STEPS

1. Analyze monthly cash inflows and outflows
20 MINUTES
2. Identify ways to manage cash flow variations over the long term
15 MINUTES
3. Commit to analyzing cash flow to improve household money management
5 MINUTES

STEP 1

Analyze Monthly Cash Inflows and Outflows

20 MINUTES

During this learning session we will practice how to use information about our monthly cash inflows and outflows to make household financial decisions.

Post the chart below so all participants can see it.

MONTHLY CASH-FLOW TRACKING SHEET

	<i>Week 1</i>	<i>Week 2</i>	<i>Week 3</i>	<i>Week 4</i>
Starting Cash	0	365	7,235	335
Income				
Farm	700	1,100	300	500
Wages	2,100	2,100	1,000	2,400
Business	10,000	9,100	0	8,000
Other		100		
Add Total Income	12,800	12,400	1,300	10,900
Expenses				
Debt Payments	380	180	0	360
Necessary Household Expenses	9,400	2,500	5,000	4,000
Business Expenses	1,600	2,500	2,700	2,200
Optional Spending	905	200	500	200
Less Total Expenses	12,285	5,380	8,200	6,760
Less Savings Out of Home	150	150		
Ending Cash	365	7,235	335	4,475

Divide participants into groups of 3. Ask them to discuss how to answer the following questions:

- **What can you observe about Alwina's monthly cash-flow?**
- **What decisions should Alwina make to ensure she maintains a strong financial situation?**

After 5–10 minutes, ask volunteers to report their findings. Encourage them to find as many things as they can from Alwina's Monthly Cash-Flow Sheet. Their observations should include the following:

- Alwina's expenses are greater than her income in Week 3. Her business income is way down compared to that of Weeks 1 and 2. Perhaps Alwina was not able to do business in Week 3. Alwina might have excess stock from Week 3 which she sells in the next week to compensate for the deficit. However, if that is not the case and she has spent money on something other than her business, she has taken a dangerous risk.
- She can cover the deficit from the surplus in Week 2 as long as she does not spend that surplus on something else. She should save her surplus income for future deficits.

- Household expenses were very high in Week 1. Alwina might see if she can cut some of these expenses.
- Alwina missed her loan payment to the bank in Week 3 but she made it up in Week 4. She could use savings from the previous week to pay her loan. There is no need to skip it.
- She did not save in Weeks 3 and 4. This could be dangerous if it continues.

Then ask:

- **In your view, why is it important to review income and expenses regularly?**

Summarize the answers of the participants and share the following:

Reviewing income and expenses is very important in order to know:

- whether your business is earning or not;
- whether you are spending too much and not utilizing your resources properly; and
- how to plan future expenditures.

STEP 2

Identify Ways to Manage Cash-Flow Variations Over the Long Term

15 MINUTES

Ask the participants:

- **During what periods of the year is there a lot of variation in cash inflows and outflows? Why?** *[Ex: More income during holidays, harvests, etc.; less income during the agricultural growing season; more expenditures when school opens, beginning of business or agricultural cycles, during holidays, etc.]*

Encourage discussion about variations in cash-flow. Then say:

Please form small groups of 3 or 4 persons each and answer the following question.

- **How can people manage changes in weekly, monthly or seasonal income and expenses to ensure they have enough money to meet expenses and save for the future?**

After 5 minutes, bring the participants back together and ask volunteers to share the results of their discussions. Make the following points:

WAYS TO MANAGE CHANGES IN INCOME

- Track your income and expenses regularly to know when there are likely to be surpluses and shortages of cash
- Save when you have a surplus to cover expenses during times when your income is low

STEP 3

Commit to Analyzing Cash Flow to Improve Household Money Management

5 MINUTES

Ask participants to turn to the person beside them and answer the following question:

- **How can you review your own income and expenses to improve your household money management?**

After 3 minutes, ask for a few volunteers to report what they said. Then ask:

- **Who will try this and what will you do differently from now on?**

Ask for volunteers to raise their hands if they will agree to review their own income and expenses to make decisions about household money management.

Invite 2 or 3 volunteers to discuss what they will do differently from now on.

Thank the participants for their time and participation.

Keep Records to Manage Your Money

OBJECTIVES

BY THE END OF THE LEARNING SESSION, PARTICIPANTS WILL HAVE:

1. Identified the different types of financial records and their purposes
2. Described how they can organize and safeguard their financial records

TIME

30 MINUTES

PREPARATIONS/MATERIALS

- PREPARE COPIES OF DIFFERENT TYPES OF FINANCIAL TRANSACTION DOCUMENTS AND RECORDS, INCLUDING:
 - Income records, pay stubs
 - Debts payments due
 - Expense records
 - Receipts for payments made
 - Savings passbook
 - Bank statements
 - Insurance agreements
 - Loan agreements
- FLIP CHART PAPER
- MASKING TAPE
- MARKERS
- FILES, ENVELOPES, BOXES, NOTEBOOKS, PLASTIC BAGS

STEPS

1. Identify financial records and their purposes
20 MINUTES
2. Discuss how to organize and safeguard your financial records
10 MINUTES

STEP 1

Identify Financial Records and Their Purposes

20 MINUTES

Tell the participants the following:

Keeping records of your financial transactions is helpful for managing your money. You can always refer to the recorded information to check past transactions as well as to inform future planning.

► What are some other reasons to keep financial records?

Listen to a number of responses. Then review the following information:

- Good records provide the financial information you can use to operate more efficiently and increase your profitability. Accurate and complete records enable you to identify all your business assets, liabilities, income and expenses. This information helps you pinpoint both the strong and weak aspects and phases of your business operations.
- Good records provide the specific amounts of past expenses that will help you develop a budget for the future.
- If you operate a business, good records will help you prepare current financial statements, such as the income statement (profit and loss) and cash-flow projection. These statements, in

turn, are critical for maintaining good relations with your banker. If you plan to ask for a loan, your banker is likely to ask for these records in order to get a financial picture of your business.

- Good records are critical at tax time. Poor records could cause you to underpay or overpay your taxes. Up-to-date and accurate records are essential if you are ever audited.

Ask the participants the following:

- **What documents and records do you currently use to manage your money?**

List these on a flip chart as they are cited.

Distribute the examples of these documents that you have collected to small groups of 2 or 3 participants. Ask each group to study 1 or 2 documents and discuss the following.

- **What information is provided by the document?**

After a few minutes, ask participants to respond and list the information next to the document type.

Here is an example of what the lists can look like.

<i>Financial Documents</i>	<i>Information Provided</i>
Budget	Projected income and allocation to different expenditures
Receipts	Amount and date of payments made
Loan Agreements	Amount of loan, duration, installment amounts, due dates
Weekly Income and Expenses Form	Daily expense and income record by week
Monthly Tracking Form	Weekly and/or monthly income and expense record
Savings Passbook	Amount and date of savings withdrawals and deposits
Bank Statement	Deposits, withdrawals, interest earnings, fees on bank accounts
Insurance Agreement	Insurance payments, terms and conditions
Pay Stubs	Amount of wages earned and date

Turn to a person sitting next to you and tell them which documents you have and which ones you do not have, but think you need, to improve your money management. How would these help you?

Give the groups 3 minutes for this. Then ask for a few volunteers to respond to the following.

- **What documents do you need to improve your money management and how will they help you?**

STEP 2

Discuss How to Organize and Safeguard your Financial Records

10 MINUTES

Ask participants to pick a partner and discuss how to answer the following question:

- **How can you organize and safeguard these records?**

Ask a volunteer to report on their discussion. Ask others for additional contributions. Make sure that the following points are mentioned.

MAINTAINING FINANCIAL RECORDS

- Keep budgets and cash-flow tracking records in a notebook
- Have envelopes, files, boxes or plastic bags to separate and keep receipts, passbooks, loan documents, insurance forms, etc.
- Keep all the documents for 1 year together
- Keep records where they are least subject to fire, floods, theft and other hazards

Demonstrate the record-keeping methods and techniques using the envelopes, files, plastic bags and boxes you have brought. As you show these, ask participants to comment on which of the methods they use and how. Ask them to comment on the method(s) that are most attractive to them.

Tell the participants:

Now think about how you organize and safeguard your financial records and identify 1 or 2 ways you can improve your methods.

Give the participants a few minutes to think individually about this. Then ask for a few volunteers to share their ideas.

Thank the group for their good work today.

Budgeting: Use Money Wisely

To take control of your money, be aware of how and where you spend it, and give it more purpose.¹

Definition

"A budget is a plan that lays out what you will do with your money."²

A budget is a fairly simple tool that anyone, rich or poor, can use to manage money. A budget serves as a master plan for the future. Budgets are a road map that can help you get from where you are now to a financial goal down the road. Financial goals can be short-term, such as getting out of debt, meeting day-to-day expenses without borrowing, paying school fees, or saving for a special need or desire. Goals also can be long-term, such as saving for a house or retirement. Making a budget will help you allocate your resources to meet multiple goals.

You can do three things with your money: spend it, save it, or invest it:

- You spend money for day-to-day needs such as food, housing, transportation, clothing, healthcare, debt repayment, and discretionary expenses such as tea, movies or vacations.
- You save money for unexpected emergencies, unexpected opportunities, or to meet short- and medium-term financial goals.
- You invest money in business ventures to earn income over the long-term.

¹Griffith, William C., *Bill Griffith's 10 Steps to Financial Prosperity*, Probus Publishing, IL, 1994.

²Godfrey, Neale, S. and Caroline Edwards, *Money Doesn't Grow on Trees, A parent's guide to raising financially responsible children*, Children's Financial Network/Fireside. NY. 1994.

The best advice for how to manage these three parts of your financial life is simple to say but harder to accomplish:

*Spend wisely,
Save regularly,
Invest prudently.*

These are the fundamentals of money management. A budget will help you allocate your money across these three categories and make your daily money decisions a little easier.

"A good budget helps you to pay for what you need and save up for what you want."³

BUDGET BENEFITS

A budget:

- Eases decision-making about spending and saving
- Encourages cautious spending
- Encourages disciplined saving
- If followed, helps you to meet financial goals
- Helps you take control of your money

How Do You Make a Budget?

1. Keep track of your income and expenses

The first step is to keep careful records of the money coming in to your household (income from all sources) and the money going out (expenses). You can then use this information to create a *cash-flow statement* that shows where your money comes from and where it goes during a specified period of time. In other words, it tracks the *flow* of your income. Analyzing your cash-flow can help you figure out whether your expenses are greater than your income. It will help you identify where you can cut back on spending and ways you can save more (Gardner and Gardner 1998).

To make a cash-flow statement, select a recent time period—a week or a month—for analysis. List all your sources and amounts of income during this

³Godfrey, Neale, S. and Caroline Edwards, *Money Doesn't Grow on Trees, A parent's guide to raising financially responsible children*, Children's Financial Network/Fireside. NY. 1994.

period. Your *total income* should include any of the following types of income that pertain to your household: your salary after all deductions, average business income, spouse's income, other household members' incomes, rental income, remittances and any other sources of income. If you have a source of income that comes in only periodically (e.g. quarterly, or twice a year), you can estimate how much it amounts to over one year, and divide by 12 to determine how much this income would be on a monthly basis.

Next, list your *expenditures*, including necessities (food, housing, clothes, transport, etc.), debt repayments and discretionary or optional expenditures. Do not include extraordinary or one-time expenses, only those expenses you typically have during this period.

Finally, subtract the total expenditures from the total income. The result is your *net income*—the difference between your income and expenses during the period. In the sample cash-flow statement in Figure 1, Josephine has \$35 at the end of the month that she can decide to save, invest or spend.

Repeat your record-keeping over several periods (weeks or months) so that you can identify the differences between periods and come to know the fluctuations in income and expenses. When are you likely to spend more money than you have coming in as income? When is your income higher? Can you save more during those periods? When are your expenses higher? What irregular expenses do you have? Are these necessary expenditures?

FIGURE 1:

**JOSEPHINE'S CASH-FLOW STATEMENT
NOVEMBER 2003**

	Amount
THE MONEY JOSEPHINE MAKES	
Business income	
Kiosk	\$200
Used clothes sales	\$300
Farm income	\$175
Husband's casual work	\$200
Rental income	\$50
Remittances	\$75
TOTAL INCOME	\$1,000
THE MONEY JOSEPHINE SPENDS	
Necessary Expenses	
House rent	\$300
Utilities	\$45
Food	\$150
Transportation	\$25
School fees	\$75
Medical expenses	\$50
Clothing	\$20
Sub-total	\$665
Discretionary Spending	
Video rental	\$32
Ice cream	\$18
Church offering	\$80
Sub-total	\$130
Debt Repayment	
School tuition	\$35
Bank loan	\$85
Moneylender loan	\$50
Sub-total	\$170
TOTAL SPENDING	\$965
NET INCOME +\$35	
(income - spending)	

2. *Create budget categories that are appropriate for you*

Once you have estimated your monthly net income (Step 1 above), the next step is to think about appropriate categories for your budget. You must decide how specific or general to make each category. Keep it simple. The two most basic budget categories are spending and saving. Figure 2 shows some of the specific items under each of these categories.

FIGURE 2: POSSIBLE BUDGET CATEGORIES

Spending	Savings
■ Necessities (rent, school fees, health, utilities, food, insurance, transportation, clothing, ROSCAs)	■ Emergency fund
■ Debt repayment (loans, hire purchase, other debt)	■ Short-term savings
■ Discretionary expenses (entertainment, charitable contributions)	■ Medium-term savings
	■ Long-term savings

3. *Set your financial goals*

Goals can vary—from meeting basic needs, to getting out of debt, to educating children, to buying a house. Some are short-term to be accomplished quickly, others are long-term. Once you decide on your priority goals, figure out the cost of each and set a time frame for achieving it. Next, estimate how much you must allocate to savings every month to achieve each goal. If this amount is more than you think you can afford, make adjustments—extend the time you need to save the desired amount, reduce the cost, or change the goal.

Figure 3 provides an example of financial goals. Comparing the amount that Josephine wants to save each month towards her short-term goals (Figure 3) to the amount she has available for saving (Figure 1), a shortfall is evident. With

FIGURE 3: JOSEPHINE’S SHORT-TERM FINANCIAL GOALS

Goal	Cost	When?	Savings/Month
1) House Repairs	\$180	12 months	\$15/month
2) School Fees	\$320	8 months	\$40/month
3) Son’s Operation	\$160	4 months	\$40/month
TOTAL SAVINGS NEEDED PER MONTH \$95			

her current income and expenses, Josephine cannot save as much as she wants to each month. She can adjust her savings goals, saving less for each specific goal and extending the time it will take her to accomplish them. And, she can look hard at her expenses to find places to cut down in order to free up more of her income for saving.

4. *Allocate your income across your budget categories*

If your cash-flow statement provides a good and detailed estimate of your current income and expenditures, you should be able to identify opportunities to reduce spending and save more. When you allocate money across budget categories, consider your priorities and financial goals. If, like Josephine in the example, you don't have enough income to pay for daily necessities, repay debt *and* save for specific goals, you know that you will need to make adjustments in the budget. You can reduce your price expectations (for example, use less expensive materials to repair your house) or extend the time for achieving your goals (give yourself 18 months instead of 12 months to save for house repairs). Be realistic. See Figure 4 for an example of a budget allocation.

FIGURE 4: A SIMPLE BUDGET ALLOCATION

Spending		Savings	
Necessities (housing, food, etc.)	60%	Emergency fund	10%
Debt Repayment	10%	Short-term savings	5%
Discretionary expenses	10%	Long-term savings	5%
TOTAL SPENDING	80%	TOTAL SAVINGS	20%

What Other Factors Will Influence Your Budget?

1. *Your money beliefs*

Beliefs about money are based on what we have seen, heard, and experienced in the past. We build our behaviors on them. However, some common beliefs about money are not accurate and they hold us back unnecessarily. For example, many of us believe that we cannot manage money well because we are not good at math (Pohl 2001). Figure 5 offers some common beliefs about money. Can you think of any others? What are some of your personal beliefs about money? What ideas about money or cash or banking are common in your area or particular to your ethnic group?

FIGURE 5: RATE YOURSELF: TRUE OR FALSE?

- Managing money is complicated
- A person needs to be good at math to be good with money
- My friends would leave me if I earned more money than they did
- It takes a lot of money to invest
- My debt is too big to do anything about it
- I trust my husband to make good choices for me
- Poor people cannot save money

2. Your money personality

Your past behavior in managing money is a reflection of your money personality. Are you a hoarder? A spender? A money avoider (such a person may spend easily but understand little about money)? A money amasser? A risk taker? A risk avoider?

Most people are a blend of more than one personality. Knowing your “personality” can help you counteract tendencies that may get in the way of achieving your financial goals (Godfrey and Edwards 1994; Pohl 2001).

3. The “financial phase” of your life

The amount of money coming in and amounts you allocate to spending, saving, or investing varies at different stages of life. When you are young, you will spend most of your money, but as you reach middle age, you will be able to save more. If you are over 65, falling income may force you to save less and spend more. When you make a budget, think about the financial phase of your life. In designing financial education, consider common patterns in the financial phase of life among your clients.

Nothing Ever Stays the Same—Your Budget Will Change!

Over time, changing circumstances may require you to revise your budget. If your income goes up, you can allocate more to savings. If your income goes down, you may have to save less in order to pay for basic necessities. If you have another child, you may decide to save more for education. If the price of basic needs go up at a faster rate than income, your budget will need to be adjusted. Monitor your budget regularly so that you are prepared to adjust it in response to your changing circumstances.

Budgets will also sometimes fail. Failure is generally due to (1) a serious emergency (a natural disaster or sudden illness) that forces unplanned spending; (2) lack of commitment or self-discipline; or (3) unrealistic goals. For emergencies, you can protect yourself against the negative impact of unexpected events by creating an emergency fund that is part of your budget. As you learn about and understand money and finances, you will be able to set more realistic financial goals and find the self-discipline to achieve them.

How Do You Stay Within Your Budget? Discipline!

Making a budget is a simple task. Anyone can do it. But following a budget, and sticking to it, can be much harder. It takes discipline! You must respect each part of the budget, from establishing financial goals, to controlling your spending, to honoring your commitment to save. The following guidelines will help you find the discipline you need for each aspect of your budget.

FOR SETTING FINANCIAL GOALS:

- Set specific short- and long-term goals for your money.
- Set up at least one goal that you can reach quickly to reward yourself for saving.
- Review your financial goals and budgets over time.

FOR SPENDING:

- Reduce what “goes out” as a key form of saving (Rutherford 2000). Wise spending helps you save.
- Make a list of all the possible ways to spend less on daily expenses. You can save more over time by cutting back on regular day-to-day expenses than by cutting back on one big-ticket item.
- Keep track of how much you spend on everything.

FOR SAVING:

- Save first! Follow the 10 percent solution—save 10 percent of what you earn. One strategy is to save first and then think about how to spend what’s left over. Easier said than done, this strategy is a good way to achieve your financial goals.
- Save 3–6 months of operating expenses in an emergency fund before you allocate saving for other purposes. This will protect you in case of family illness or unemployment and reduce your reliance on short-term debt to meet emergency needs.
- Keep savings out of reach. If you keep your savings at home, you are likely to feel pressure from your family members to spend that money.

FOR INVESTING:

- When you are considering an investment, identify the nature and psychology of its associated risk. You can think about risk as a matter of chance, and ask, “What are the chances that I will make a big profit or suffer a big loss?” But a second aspect of risk is much more important, “What are the consequences of taking this risk?” In other words, what will happen to me if the investment fails?
- Figure out your tolerance for risk. Remember other occasions in your life that involved taking risks. How did you handle those? How did they make you feel?

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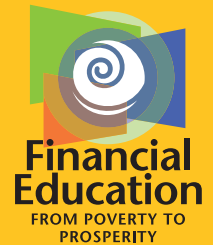
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Financial Education

A ROAD MAP FOR THE CURRICULUM



IMPLEMENTATION GUIDANCE

INTRODUCTION: THE RATIONALE FOR FINANCIAL EDUCATION

MARKET RESEARCH GUIDANCE

OUTCOMES GUIDANCE

ADAPTATION GUIDANCE

ADULT LEARNING PRINCIPLES AND CURRICULUM DESIGN FOR FINANCIAL EDUCATION

Working Papers

MARKET RESEARCH FOR FINANCIAL EDUCATION

ASSESSING THE OUTCOMES OF FINANCIAL EDUCATION

TRAINERS' GUIDES

BUDGETING:
Use Money Wisely
Curriculum and Content Note

SAVINGS:
You Can Do It!
Curriculum and Content Note

DEBT MANAGEMENT:
Handle with Care
Curriculum and Content Note

BANK SERVICES:
Know Your Options
Curriculum and Content Note

FINANCIAL NEGOTIATIONS:
Communicate with Confidence
Curriculum and Content Note

TRAINING OF TRAINERS MANUALS

BUDGETING:
Use Money Wisely
TOT Manual and Toolkit

SAVINGS:
You Can Do It!
TOT Manual and Toolkit

DEBT MANAGEMENT:
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