

Remittances

MAKE THE MOST OF THEM



Trainer's Guide



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REMITTANCES: Make the Most of Them

Trainer's Guide

By Danielle Hopkins and Maria E. Perdomo

Global Financial Education Program

Washington, D.C.

2008



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



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The Citi Foundation is committed to enhancing economic opportunities for underserved individuals and families in the communities where it works throughout the world. Globally, the Citi Foundation is focusing its giving on Microfinance and Microentrepreneurship, which helps individuals become economically self-sufficient; Small and Growing Businesses, leading to economic expansion and job creation; Education, which prepares young people for personal and professional success; Financial Education, which helps individuals make informed financial decisions; and the Environment with a focus on sustainable enterprises that generate jobs and stimulate economic growth while preserving the environment. Additional information can be found at www.citigroupfoundation.com.

ACKNOWLEDGEMENTS



First and foremost we would like to thank the Citi Foundation for investing in this program. Chip Raymond, the former President of the Foundation, and Leslie Meek and Amy Feldman, our Program Officers, 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 the Citi Foundation have joined us in our work.



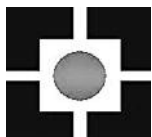
Many people were involved in the design, testing and finalization of the Global Financial Education Program curriculum, based on the methodology jointly developed by Microfinance Opportunities and Freedom from Hunger.



In particular, we would like to acknowledge the primary authors of *Remittances: Make the Most of Them*, Danielle Hopkins (Microfinance Opportunities) and Maria E. Perdomo (Freedom from Hunger). They were supported by Maria Jaramillo from ACCION International in the market research and Carlos Mario Reyes of Dialogo de Gestiones in the market research and design of the draft version of the module. Input was also provided by Kathleen Stack, Monique Cohen and Julie Lee. The Content Note was written by Danielle Hopkins and Meredith Fox.



We want to express our appreciation to the partner organizations and their clients who made the development of this module possible. They are ACCIÓN International, Banco Solidario (Ecuador), ADOPEM (Dominican Republic), ALPIMED (El Salvador), FEDECACES (El Salvador), Habitat for Humanity (Central America), First Valley Bank (Philippines), SEDPI (Philippines) and Bank of the Philippines Islands (Philippines). During the two years of the development of this module, they have worked diligently in conducting market research as well as developing and pilot testing the Remittances module.



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June 2008

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INTRODUCTION

WELCOME to *Remittances: Make the Most of Them*, one of several modules in a financial education curriculum designed to promote financial literacy among low income people in developing countries. One of the first of its kind targeted to the developing world, this curriculum can guide you to build basic financial literacy for those who want to improve how they 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.

The Global Financial Education Program, led by Microfinance Opportunities and Freedom from Hunger, started in 2003 by developing a core financial education curriculum with a focus on microentrepreneurs and clients of microfinance programs. It is believed that, for this group, financial education is still very relevant because those who seek credit and savings services have more choices of financial institutions and products than ever before. To weigh alternatives and select the products most appropriate for their needs, clients need to understand how the features differ, how to calculate and compare the costs, and how to determine what financial products and services they can afford.

This module is targeted at families receiving remittance income. These families exist everywhere; they may or may not be associated with microfinance. Yet, the remittances represent a sacrifice for the family, both by the sender who works very hard apart from his/her family, and by the family members left

behind. Remittances therefore are a financial opportunity to be managed wisely in order to meet the family's short and longer term goals. *Remittances: Make the Most of Them* sets out to help learners do just that.

This module on remittances builds on basic concepts of money management, but in the context of those who receive remittances. It provides guidance on the financial issues that our market research found to be common to these families, including how to avoid dependence on remittance income, how to use remittances to reach their own financial goals, how to choose among the remittance service providers and how to use their remittances to gain access to financial products.

By focusing on informed and strategic decision-making, the Global Financial Education Program 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 Global Financial Education Program developed five training modules over a three-year period spanning 2003 to 2005. The five modules were designed with seven partners around the globe¹ and constitute the core curriculum. They are:

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

Starting in 2006, the Global Financial Education Program developed four new modules with a different set of partners. Each module targets a specific population or a specific product. The modules are:

- Young People: Your Future, Your Money
- Remittances: Make The Most Of Them
- Risk Management and Insurance: Protect Your Family's Future
- Consumer Protection: Balancing Rights and Responsibilities

¹ Teba Bank (South Africa), SEWA Bank (India), ProMujer (Bolivia), The Equity Building Society (Kenya), Al Amana (Morocco), CARD Bank (Philippines) and the Microfinance Center (Poland)

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.

Because each module starts with basic information and progresses 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

Remittances: Make The Most of Them is a complete training course to help remittance receivers make the most of their remittances through recognizing the remittance as a temporary and inconsistent flow of income, saving or investing a portion of their remittances, developing their own financial goals, leveraging the remittance to access other financial products and receiving the remittance through a formal financial institution. 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 participants.

The Content Note

The Content Note at the end of this guide provides a discussion of remittances. 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—and the others in the series—are targeted to 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 Learning Sessions

This module contains eleven learning sessions. Each session takes between 30 and 65 minutes to complete. The “Learning Sessions at a Glance” on page 1 provides an overview to these eleven sessions, listing the title and purpose of each one. With this and 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. 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 must 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 to your specific situation. 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. A visit to the local bank will help demystify an institution that the poor often perceive as closed to them. At the bank, participants can gain practice asking questions about loan products in order to make decisions about where and how much they will borrow. 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 the Global Financial Education Program's *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.

However, many items of 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 includes a short script that will be read aloud and requires two people who can read. You need to anticipate this before the session, and identify some readers to work with you.

Handouts and pictures mentioned in the step-by-step instructions are located at the end of each session. They are identified by number for easy reference. 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.

REMITTANCES: MAKE THE MOST OF THEM

Learning Sessions at a Glance

The goal of this module is to raise participants' awareness of the temporary nature of remittances, improve their management of remittances and help them recognize the value of receiving their remittances in a formal financial institution. The following table presents the learning sessions for the Remittance Module and their purposes.

SESSION TITLE	PURPOSE OF THE SESSION
1. Three Stages of the Migration Process	<ul style="list-style-type: none"> ■ Recognize the enormous effort and hard work of family members living abroad ■ List the three stages of the migration process and relate their current situation to one stage
2. Use of Remittance	<ul style="list-style-type: none"> ■ Identify actions that they can take to make the most of the remittance at their current stage of the migration process ■ Commit to taking one action to make the most of their remittance
3. Remittance as Source of Income	<ul style="list-style-type: none"> ■ Recognize remittance as a temporary and inconsistent flow of income ■ Calculate remittance as a portion of monthly income
4. Cost of Dependency on the Remittance	<ul style="list-style-type: none"> ■ Acknowledge the danger of dependency on the remittance ■ Generate strategies to break the cycle of dependency

5. Management of Remittance	<ul style="list-style-type: none"> ■ Differentiate between needs and wants ■ Identify benefits of reducing or giving up unnecessary expenses paid for by the remittance
6. Savings	<ul style="list-style-type: none"> ■ Identify obstacles to saving a portion of the remittance ■ Develop strategies to overcome obstacles to saving a portion of the remittance
7. Setting Financial Goals	<ul style="list-style-type: none"> ■ Identify differences between sender's financial goals and receiver's financial goals ■ Set own financial goals in relation to the three stages of the migration process ■ Recognize the importance of communicating own financial goals to sender
8. Budgeting	<ul style="list-style-type: none"> ■ Create a budget to achieve financial goals at their current stage of the migration process including the remittance as a separate source of income
9. Financial Products	<ul style="list-style-type: none"> ■ Identify ways remittance can be used to leverage financial products ■ Match financial products with financial goals according to different stages of the migration process
10. Remittance Service Providers	<ul style="list-style-type: none"> ■ Discuss different types of remittance service providers ■ Generate a list of questions to ask providers about products available to remittance receivers ■ Practice convincing family member abroad to send remittance using financial institutions
11. Getting the Most from Your Remittance	<ul style="list-style-type: none"> ■ Review the main points of the remittances module

FEATURES OF THE LEARNING SESSIONS

Trainer's Information Box

The box 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 and pictures needed for each activity are found at the end of the session. They are identified by number for easy reference.

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 participants)

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

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

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

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

[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**.

OBJECTIVES

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

1. Recognized the enormous effort and hard work of family members living abroad
2. Listed the three stages of the migration process and related their current situation to one stage

PREPARATIONS/MATERIALS

■ FLIP CHARTS FOR USE IN THE FOLLOWING STEPS:

Step 2:

- Three Stages of the Migration Process

Step 3:

- Blank flip chart with title: Difficulties Faced by People Who Stay
- Blank flip chart with title: Difficulties Faced by People Who Migrate

■ PICTURES:

Step 2:

- Picture 1: Sandro During Stage 1: Sandro Finds a Construction Job
- Picture 2: Sandro During Stage 2: Sandro Rents a Room and Takes the Bus
- Picture 3: Sandro During Stage 3: Sandro Buys a Car and Sends Money to Buy Property at Home

■ NOTE CARDS

■ TAPE

TIME

45 MINUTES

STEPS

1. Introduce the module on remittances
5 MINUTES
2. Present stories of migrants living abroad
20 MINUTES
3. Identify one's current stage in the migration process
20 MINUTES

Three Stages of the Migration Process

STEP 1

Introduce the Module on Remittances

5 MINUTES

Say the following:

Welcome to the financial education training about remittances. The following topics will be covered:

1. Three Stages of the Migration Process
2. Use of Remittance
3. Remittance as Source Of Income
4. Cost of Dependency on the Remittance
5. Management of Remittance
6. Savings
7. Setting Financial Goals
8. Budgeting
9. Financial Products
10. Remittance Service Providers
11. Getting the Most from Your Remittance

Before we start, let us share some of our own experiences with remittances.

Say:

Raise your hand if you've been receiving remittances for 1 year. Raise your hand if you've been receiving remittances for 2-3 years. Raise your hand if you've been receiving remittances for more than 3 years.

Ask the large group the following question:

- **What is one thing you've been able to achieve with income from remittances?**

Encourage 4 or 5 participants to share their experiences and then say the following:

Thank you for sharing all of your experiences. Through the sessions in this module we will work with you to make the most from the remittance.

STEP 2

Present Stories of Migrants Living Abroad 20 MINUTES

As you tell the story, show Pictures 1-3. Say:

Today we are going to talk about the different stages of the migration process. To help us identify these stages, I'm going to present the story of Sandro.

Tell the following story:

The Story of Sandro

5 years ago Sandro left the small town of San Isidro to work in the United States. Before he left, he took out a _____ (*insert realistic amount of money for trip of migrant*) loan from a local moneylender in his community to pay for the trip. His trip lasted three whole weeks. He arrived at his uncle's house where he had to share a room with his four other cousins. During the first month, he talked frequently to his family back in San Isidro. They informed him that the local moneylender was pressuring them to start repaying the loan since he had arrived safely in the United States. He searched desperately for a job to repay his loan and alleviate the pressure on his family. Finally after three long months, he was able to find a physically demanding job in construction. (*Show participants Picture 1: Sandro During Stage 1: Sandro Finds a Construction Job.*) The construction company contracted him to work 6 days a week with the option to work a seventh day when necessary. Under so much financial pressure from his family he often worked 7 days a week. His earnings from the job allowed him to send \$600 a month back home.

Ask the large group the following questions:

- **What motivated Sandro to send money home?** *[To pay off debt that was the responsibility of his family back home]*
- **What were the difficulties that Sandro faced?** *[Long trip to the U.S., difficult living situation, pressure from his family to start sending money, difficulties finding a job right away, physical demands of his job, working seven days a week]*
- **What were the difficulties that his family in San Isidro faced?** *[Pressure from the local moneylender to start paying back the loan as soon as he arrived in the U.S.]*

Continue the story:

After two years, Sandro successfully finished paying off the loan. This was a big relief for both Sandro and his family. After that, he sent \$100-\$300 a month on a regular basis which he understood would be used to pay for food, clothing, medical and school expenses for his family. Feeling under less pressure, he worked only six days a week. He rented a small room in the basement of a neighbor's house that cost him \$500 a month. *(Show participants Picture 2: Sandro During Stage 2: Sandro Rents a Room and Takes the Bus.)* This left him with only \$200 a month to pay for his food and the bus to get him to work. Meanwhile he was also trying to save to buy a car since the bus trip to and from work took him 3 hours each day.

- **What motivated Sandro to send money home?** *[Once he paid off the loan, he sent money to cover basic household needs]*
- **What difficulties did Sandro face?** *[Felt the need to send money home to replace lost income; with living conditions and difficult transportation to and from work, he was left with only \$200 a month to pay for his basic needs]*

Continue the story:

Two years later, Sandro was able to save enough money to pay cash for a used car. *(Show participants Picture 3: Sandro During Stage 3: Sandro Buys a Car and Sends Money to Buy Property at Home.)* Now he only spends 30 minutes to go to work instead of 3 hours! Then since he didn't need to save for a car, he was able to send \$500 per month home and finally realize his dream of purchasing property to build a large home in San Isidro where he and his entire family could retire.

- **What motivated Sandro to send money home?** *[Wanted to buy property to build a house for him and his family to retire]*

Post the following flip chart.

THREE STAGES OF MIGRATION PROCESS

- **Short Term:** The migrant is focused on paying off the debt of the trip. The receiver pays off the debt with the money sent. During this stage there is little or no money left over from the remittance.
- **Medium Term:** The migrant desires stability for family back home and sends money to cover basic household needs and home improvements.
- **Long Term:** The migrant sends money home to invest in a productive project such as buying a house or starting a business. The receiver may use some of the money to achieve his/her own financial goal.

Then say:

Throughout Sandro's story, you have identified the different reasons that caused Sandro to send money home to his family. Sandro's story is not very different from other migrants. The motivation of a migrant to send money home usually depends on which stage of the migration process he/she is currently in. There are typically three stages of the migration process. This may vary though according to the situation of your family.

In the short term, a migrant usually sends money to pay off the debt of his trip. Then, in a second stage, once free of his debt, he sends money to cover any basic household needs, such as food, clothing, medical, and school expenses. In the final stage, a migrant usually sends money home to invest in a productive project, such as buying a house or starting a new business.

Ask the following questions that relate the stages to the experience of the participants and ask for a show of hands:

- **Who thinks that they are in the first stage now?**
- **Who moved from the first stage to the second stage?**
- **Who moved from the second stage to the third stage?**

STEP 3

Identify One's Current Stage in the Migration Process

20 MINUTES

Hand out note cards to all participants. Then say:

Turn to your partner and discuss the following questions for 10 minutes.

- **What stage of the migration process is your family in?**
- **What difficulties do you and your family face because of migration?**
- **How do these compare to the difficulties of Sandro and his family?**

Say:

Write down on one note card the difficulties you face. On a second note card write down the difficulties your family abroad faces. List one difficulty per note card. As you do this, keep in mind the different stages in the migration process. You have 10 minutes.

After 10 minutes, ask for participants to post their note cards on two blank flip charts according to the stages in the migration process.

The two flip charts should look like the following flip charts:

DIFFICULTIES FACED BY PEOPLE WHO STAY

STAGE 1	STAGE 2	STAGE 3

DIFFICULTIES FACED BY PEOPLE WHO MIGRATE

STAGE 1	STAGE 2	STAGE 3

Review answers with the group. Then ask:

➤ **Why is it important to know the different stages of the migration process?**

Encourage 2 or 3 participants to answer. Then say:

Thank you for sharing your experiences with the group. We have seen through Sandro's story and your own stories that the migrant faces many difficulties abroad and makes many sacrifices to send money home. Recognizing the sacrifices of your family abroad can help us to place more value on the remittance and manage it better.

Understanding the stages of the migration process can help us make the most of the remittance. These stages can serve as a tool to help you identify where you are in the process and plan where you want to go. It is your road map to help you use the money wisely at each stage and reach at least one financial goal by the time your family abroad returns. It is important to try and graduate or move from one stage to the next stage, until you reach the final stage.

In the following sessions, we will refer to the three stages of the migration process to set financial goals, to better manage the remittance, and to select financial products appropriate for the different stages.

➤ **What questions do you have?**

Thank participants for their participation.

PICTURE 1

Sandro During Stage 1

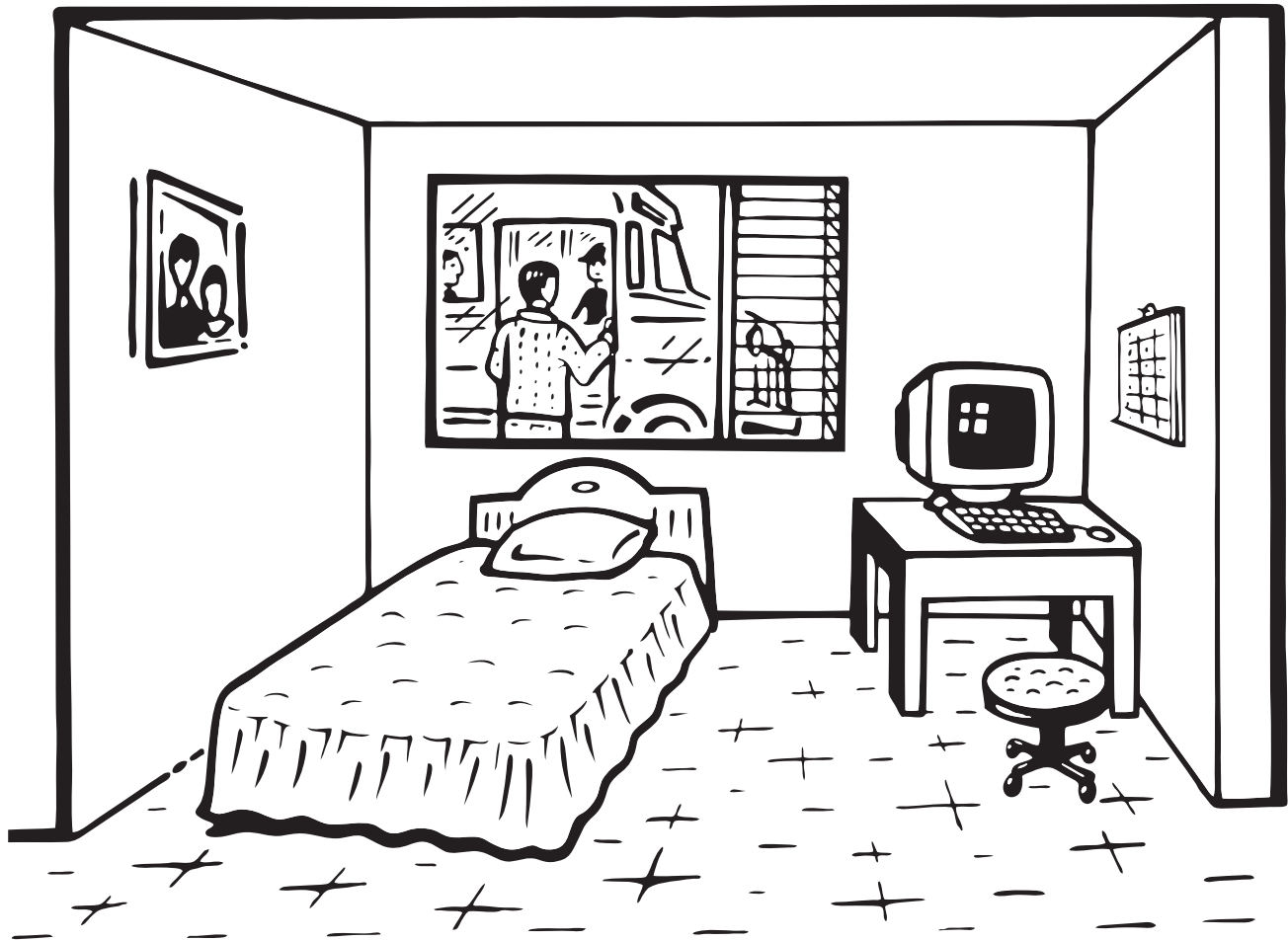
Sandro Finds a Construction Job



PICTURE 2

Sandro During Stage 2

Sandro Rents a Room and Takes the Bus



PICTURE 3

Sandro During Stage 3

Sandro Buys a Car and Sends Money to Buy Property at Home



SESSION 2

OBJECTIVES

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

1. Identified actions that they can take to make the most of the remittance at their current stage of the migration process
2. Committed to taking one action to make the most of their remittance

PREPARATIONS/MATERIALS

■ HANDOUTS FOR USE IN THE FOLLOWING STEP:

Step 1:

- Handout 2.1: The Story of Sandro's Family

■ FLIP CHARTS FOR USE IN THE FOLLOWING STEPS:

Step 2:

- Blank flip chart with title: Use of Remittance During Three Stages

Step 3:

- Blank flip chart with title: Actions to Make the Most of Your Remittance

■ PICTURES:

Step 2:

- Picture 4: Sandro's Family During Stage 1: Sandro's Family Pays the Moneylender
- Picture 5: Sandro's Family During Stage 2: Sandro's Family Pays for Basic Household Needs
- Picture 6: Sandro's Family During Stage 3: Sandro's Family Opens a Small Business

■ NOTE CARDS

■ TAPE

TIME

60 MINUTES

STEPS

1. Read the story of Sandro's family
10 MINUTES
2. Identify different uses of remittance by Sandro's family for different stages
15 MINUTES
3. Identify actions to make the most of the remittance at one's current stage
10 MINUTES
4. Reinforce actions to make the most of one's remittance
25 MINUTES

Use of Remittance

STEP 1

Read the Story of Sandro's Family

10 MINUTES

Say the following:

Today we are going to talk about the different ways we can use the remittance we receive.

Now we are going to read the story of Sandro's family. While reading the story, think about the three stages of the migration process. Underline anything that surprises you.

Distribute Handout 2.1: Story of Sandro's Family.

(Note: If participants in your group cannot read, tell the story on Handout 2.1 in your own words. After each paragraph, ask participants what stage of the migration process the paragraph refers to.)

Once participants have finished reading the story, or you have finished telling the story, ask:

- **What surprised you about the story of Sandro's family? Why?**

STEP 2

Identify Different Uses of Remittance by Sandro's Family for Different Stages

15 MINUTES

Divide the participants into 3 groups. Assign each group one of the three stages of the migration process. Distribute note cards to each group and ask them to do the following:

On each note card, identify one way that the remittance is used by Sandro's family during your assigned stage of the migration process. You will have 5 minutes to review your stage and write or draw a picture of the uses of the remittance on your note cards.

Post the following blank flip chart:

USE OF REMITTANCE DURING THREE STAGES

STAGE 1	STAGE 2	STAGE 3

After 5 minutes, ask the participants to post their note cards on their corresponding stage in the migration process on the flip chart.

At the end of the activity, the flip chart should look like the following flip chart:

USE OF REMITTANCE DURING THREE STAGES

STAGE 1	STAGE 2	STAGE 3
<ul style="list-style-type: none"> ■ Pay off debt of trip 	<ul style="list-style-type: none"> ■ Sister's operation ■ School expense ■ Food ■ Clothing ■ Roof repair 	<ul style="list-style-type: none"> ■ Start small business

At the end of the activity ask:

- **What is the difference in the use of the remittance by Sandro's family for the three stages?** *[In the first stage they are using the money to pay off Sandro's trip (while discussing the first stage, show participants Picture 4: Sandro's Family During Stage 1: Sandro's Family Pays the Moneylender); in the second stage they are paying for basic household needs and saving a portion of the remittance for repair of the roof (while discussing the second stage, show participants Picture 5: Sandro's Family During Stage 2: Sandro's Family Pays for Basic Household Needs); in the third stage they invest the money in a small business (while discussing the third stage, show participants Picture 6: Sandro's Family During Stage 3: Sandro's Family Opens a Small Business). The second and third stages allow them to make the most of the remittance to save or generate additional sources of income.]*

STEP 3

Identify Actions to Make the Most of the Remittance at One's Current Stage

10 MINUTES

Ask the participants to work in pairs for 5 minutes and discuss the following questions:

- **How are YOU using your remittance right now?**
- **What could YOU do to make the most of your remittance at your current stage?**

After 5 minutes, ask for volunteers to share their answers with the group and record their answers on a blank flip chart.

ACTIONS TO MAKE THE MOST OF YOUR REMITTANCE

Be sure they mention the following actions:

ACTIONS TO MAKE THE MOST OF YOUR REMITTANCE

- Look for more affordable loan than moneylender to pay off trip of migrant
- Save for emergencies (i.e. health)
- Use remittance to generate additional income (i.e. business) and invest in your future
- Differentiate between needs and wants
- Prioritize expenses and forgo unnecessary ones

STEP 4

Reinforce Actions to Make the Most of One's Remittance

25 MINUTES

Say the following:

Thank you for sharing the actions you will take to make the most of your remittance. Now we are going to create a song, a role-play or a poem with some of these actions.

Choose 3 actions from the flip chart "Actions to Make the Most of Your Remittance" from Step 3. Divide the participants into 3 groups and assign each group one of the actions. Tell them to develop a song, role-play or poem to demonstrate that action. Tell them they will have 10 minutes to prepare their presentation and 2 or 3 minutes to present it. After each presentation, ask:

➤ **What did you observe in this presentation?**

After all of the groups have presented, give the participants a note card and ask each person to write down the response to the following question:

➤ **What is something you will do to make the most of your remittance?**

Ask everyone to turn to their partners and share their action with them.

Thank the participants for their hard work. Then say:

I encourage you to try the action that you identified today that could help you to make the most of your remittance.

HANDOUT 2.1

The Story of Sandro's Family

Sandro's family has lived in the rural town of San Isidro for 25 years. His father passed away 10 years ago from a heart attack while working abroad. His mother sells milk and cheese and takes care of their few animals. His brother and sister work on a rose farm picking roses to help with the household expenses. They are barely able to survive off of their meager income. To help the family out, they decide to send Sandro abroad to work in the United States. He took out a _____ (*insert realistic amount of money for trip of migrant*) loan from a local moneylender in his community to pay for his trip. After 3 months, Sandro was able to find a job and send \$600 a month back home. Although Sandro was able to send \$1800 after 3 months, this only paid half the loan from the moneylender who came by every month without fail to collect his money. During this time, they used all of the money they received from Sandro to pay the local moneylender. There was no money left over for any other expenses. To pay off the remainder of the loan, the family borrowed from a local cooperative at a much lower interest rate.

After 2 years, Sandro's family was able to pay off his entire loan. Sandro sent them \$300 and they used it to pay for the medical expenses of his sister who was sick for a few months. After that they spent the money he sent them to pay for food, clothing, and school expenses for Sandro's brother and sister. They were able to save a small amount from the remittance in a local cooperative and decided they were going to use this savings towards a new roof for their house. The roof was leaking for several months and the rainy season was quickly approaching.

Two years later, Sandro increased his monthly remittance and the family was able to save \$100 a month towards the small business that was his mother's dream. She opened up a small store in the community.

PICTURE 4

Sandro's Family During Stage 1

Sandro's Family Pays the Moneylender



PICTURE 5

Sandro's Family During Stage 2

Sandro's Family Pays for Basic Household Needs



PICTURE 6

Sandro's Family During Stage 3

Sandro's Family Opens a Small Business



OBJECTIVES

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

1. Recognized remittance as a temporary and inconsistent flow of income
2. Calculated remittance as a portion of monthly income

PREPARATIONS/MATERIALS

■ PICTURES:

Step 1:

- Picture 7: Income from Farm
- Picture 8: Income from Wages
- Picture 9: Income from Remittance

■ FLIP CHARTS FOR USE IN THE FOLLOWING STEPS:

Step 1 and Step 2:

- Source of Income for Sandro's Family Over 1 Year

■ DRAWING FOR USE IN THE FOLLOWING STEP:

Step 2:

- Sandro's Family Income in Month 1

■ HANDOUTS FOR USE IN THE FOLLOWING STEP:

Step 3:

- Handout 3.1: Sources of Income Over 4 Months

■ BLANK SHEETS OF PAPER

Step 2:

- 2 sheets for each group

Step 3:

- 4 sheets for each participant

■ NOTE CARDS

■ TAPE

■ BLACK MARKER AND COLORED MARKERS FOR EACH GROUP

TIME

55 MINUTES

STEPS

1. Examine flows of remittance from Sandro as source of income for his family
5 MINUTES
2. Compare remittance from Sandro with total income of his family
25 MINUTES
3. Calculate own remittance as a portion of total income
25 MINUTES

Remittance as Source of Income

STEP 1

Examine Flows of Remittance from Sandro as Source of Income for His Family

5 MINUTES

Say the following:

We are now going to examine the flows of Sandro's remittance as a source of income for his family.

Show participants Picture 7: Income from Farm, Picture 8: Income from Wages, and Picture 9: Income from Remittance.

Post the following flip chart with the total income row blank. Participants will fill in the total income row in Step 2.

(Note: For illiterate populations, show participants Pictures 7-9 to illustrate sources of income).

SOURCE OF INCOME FOR SANDRO'S FAMILY OVER 1 YEAR

	<i>Months</i>											
Income	1	2	3	4	5	6	7	8	9	10	11	12
Farm Income (Sale of cheese and milk)	50	100	50	100	100	25	100	100	100	75	50	25
Wages (Children picking roses)	50	15	35	50	25	10	30	50	30	50	60	40
Remittance	200	0	300	100	0	200	50	100	0	250	100	300
Total Income	300	115	385	250	125	235	180	250	130	375	210	365

Ask the large group the following questions:

- **How does the amount of the remittance change over time?** *[It is not the same amount each month; during some months they do not receive a remittance — i.e. Months 2, 5, and 9).]*
- **What could cause the flow of remittance to change?** *[Challenging living conditions for the remittance sender; unexpected expenses due to illness, theft, natural disaster, etc.]*

Say the following:

The remittance income may not always be consistent or frequent. This is why it is important to think about what would happen if you were to stop receiving the remittance tomorrow. Today we are going to examine how the remittance is entering your household income flow so we can plan ahead for those months when you will not receive the remittance.

STEP 2

Compare Remittance from Sandro with Total Income of His Family

25 MINUTES

Refer to the flip chart “Source of Income for Sandro’s Family Over 1 Year” from Step 1.

Say:

Now let’s refer back to the income of Sandro’s family. Let’s calculate together the total income of Sandro’s family for the first 2 months.

Work with the group to calculate total income for Month 1 as \$300 and total income for Month 2 as \$115. Then divide the participants into 5 groups and assign each group 2 months (i.e. Months 3 and 4, Months 5 and 6, etc). Give each group two note cards and say:

For each of the 2 months that your group has been assigned, calculate the total income for that month. Write your answer for one month on one note card and the answer for the other month on the second note card. You will have 5 minutes for this activity.

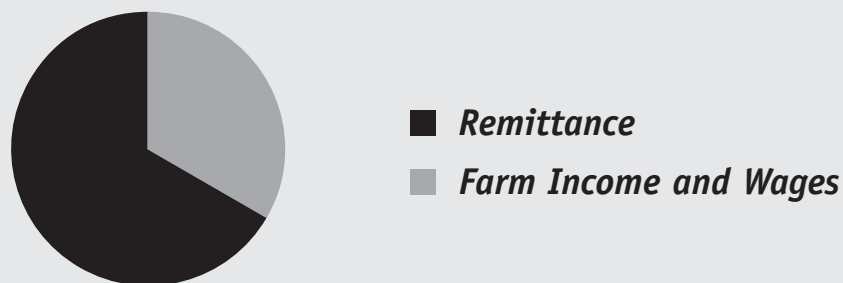
Ask each group to place their note cards for the corresponding months on the total income row located on the flip chart.

Then ask:

- **Let’s look first at Month 1. How does the amount of the remittance compare with the total income?** *[It is very large—the remittance is \$200 and the total income is \$300.]*
- **What are the dangers with this situation?** *[Sandro’s family is very dependent on the remittance in Month 1 to cover their expenses.]*

Show them the following drawing:

SANDRO’S FAMILY INCOME IN MONTH 1



Say:

This chart represents Sandro's family's total household income during Month 1. The dark part is what they get from his remittance and the light part is what they receive from farming and wages.

Ask:

- **How does this drawing represent the dependency on the remittance of Sandro's family during Month 1?** *[In this drawing you can see that farm income and wages represents one portion of the total pie since together they were \$100 (\$50+\$50) and the total income was \$300. The remittance represents 2 portions of the pie since it was \$200 and the total income was \$300.]*

Place the drawing representing Month 1 of Sandro's income under the flip chart "Source of Income for Sandro's Family Over 1 Year." Then say:

Work in your same groups to draw the remittance as a portion of the total income for the 2 months you were assigned in the previous activity. Be creative. You can use a pie, cake or even a planted field as your drawing. Use a black marker to represent the income from remittances and colored markers to represent other sources of income. You will have 10 minutes for this activity.

Hand out 2 blank sheets of paper, a black marker and colored markers to each group. After the groups are finished, ask for a few of the groups to share with the rest of the participants their drawings. Place the drawings underneath or above the corresponding months on the flip chart.

After all the groups have shared their drawings, ask:

- **What do these drawings tell us?** *[Portion of remittance income as compared to portion from other income]*
- **Why is it dangerous to have the remittance portion significantly greater than the other part?** *[It can lead to dependency on the remittance because if the remittance does not come or is less than expected, the receiver may not have the cash required to pay for basic needs]*
- **What can Sandro's family do to reduce the portion of the remittance and make the other part bigger?** *[Make sure they have other income from savings or investing in a business to cover some of the basic household expenses/needs]*

STEP 3

Calculate Own Remittance as a Portion of Total Income

25 MINUTES

Distribute Handout 3.1: Sources of Income Over 4 Months to the participants. Also distribute 4 blank sheets of paper to each participant. Then say:

Now that we've looked at the frequency of the remittance that Sandro's family receives and compared their remittances as a portion of total income, let's do the same for your family. First record the next 4 months of your income in the table and calculate the total income.

Circulate around the room to make sure participants aren't having difficulty with the calculations. After 5 minutes, ask for a few volunteers to share their results.

Then say:

Now draw a pie that represents your remittance as a portion of your income for each of the 4 months.

Circulate around the room again to answer any questions. After 10 more minutes, ask for a few volunteers to share their results. Ask them:

- **How does your situation compare to the situation of Sandro's family?**
- **Is your remittance income a bigger or smaller portion of your total household income?**
- **What can you do to better balance your income?**

Close by saying:

If the size of your income from remittance represents more than half of your total household income, then you may depend too much on your remittance. If it is not, then this means that you are contributing a larger amount to the household income. It is important to recognize how much income your remittance represents to avoid dependency on the remittance. As we saw in the case of Sandro's family, they were often very dependent on the remittance. In the next session we will discuss ways to avoid depending too much on the remittance and how you can contribute more to your total household income.

PICTURE 7

Income from Farm



PICTURE 8

Income from Wages



PICTURE 9

Income from Remittance



HANDOUT 3.1

Sources of Income Over 4 Months

<i>Income</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
<i>Remittance</i>				
<i>Total Income</i>				

Cost of Dependency on the Remittance

STEP 1

Use Role-Play to Present Dangers of Dependency on the Remittance

30 MINUTES

OBJECTIVES

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

1. Acknowledged the danger of dependency on the remittance
2. Generated strategies to break the cycle of dependency

PREPARATIONS/MATERIALS

■ HANDOUTS FOR USE IN THE FOLLOWING STEP

Step 1:

- Handout 4.1: Juana and Teresa (2 copies). Ask 2 participants in advance to prepare the role-play.

■ FLIP CHARTS FOR USE IN THE FOLLOWING STEPS

Step 1:

- Blank flip chart with title: Consequences of Depending on the Remittance

Step 2:

- Blank flip chart with title: Suggestions to Reduce Dependency on the Remittance

TIME

50 MINUTES

STEPS

1. Use role-play to present dangers of dependency on the remittance
30 MINUTES
2. Brainstorm ways to reduce dependency on the remittance
20 MINUTES

Ask 2 volunteers in advance to prepare the role-play in Handout 4.1. Say the following:

Today we are going to talk about the dangers of getting stuck in the second stage of the migration process. But first, let's meet Juana and Teresa.

Ask the 2 volunteers to come forward and act out the role-play of Juana and Teresa.

Role-play: Juana and Teresa (Part 1)

Juana: I can't believe it! Teresa, is that you?

Teresa: Hey Juana! It's so good to see you!

Teresa and Juana hug each other.

Juana: It has been 5 years since the last time I saw you!

Teresa: I know. There are so many things I have to tell you!

Juana: Me too. My parents left for the U.S. 5 years ago.

Teresa: Noooo. Mine too!

Juana: Well, it has been very hard for me. But finally I'm getting used to it. It is not so bad after all. Once a month, they send me money. The money is enough to pay my bills. Then, sometimes they send me a little extra. You know, they feel guilty because they left. So I just take that extra money. For example last month, with the extra \$100 they sent me, I went to the center of town and bought new speakers for my stereo!

Teresa: You are kidding me! I'll have to come to your house and listen to music with you on your new speakers.

Juana: Absolutely! But tell me how are things going for you?

Teresa: Well, for me it has also been difficult. It is really hard that my parents are away, but they have already sacrificed so much that I feel that I must do something to reward all of their sacrifices. Even though I know I will receive money every month, I just behave as if I won't. That helps me to have discipline and make sure that the money from my salary is enough to cover my basic needs. You never know when you may need some money for an emergency, so I save the money my parents send me for that. I also want to be able to start up my own business some day. So every time I receive an extra dollar from my parents, I save it for my business.

Juana: Oh wow! So that means that I can have a party with my new speakers and you will have a business?

Teresa: Well, if you want to see it that way. I guess next month you'll invite me to your party, and I'll invite you to my business!!!!

Teresa and Juana leave laughing and hugging each other.

Applaud and thank the volunteers when they finish. Then ask:

- **What is similar in the lives of Juana and Teresa?** *[They live in the same town, they both have their parents in the U.S., they both receive a remittance once a month]*
- **What is different?** *[Juana lives day by day; she has no long-term goals. She pays her bills and then spends the rest on entertainment or luxury items. Teresa has dreams; she saves for the future. She has a job even though her parents send her money; she always tries to save extra money, she is saving for an emergency and to start up a business.]*

Say:

Now let's return to Juana and Teresa who meet in a grocery store one year later.

Ask the same 2 volunteers to continue the story of Juana and Teresa.

Role-play: Juana and Teresa (Part 2)

Juana: Teresa, is that you? I can't believe my eyes. Do you own this small grocery store?

Teresa: Hey Juana! Yes, it is my store. Since I saw you over a year ago, my parents stopped sending me money, but it didn't matter because I was able to save up money from my remittance before this happened and get a loan to start this small business. How are you doing?

Juana: Actually I haven't been doing that well. My parents also stopped sending me money because they were trying to save up money for a house in the U.S. Since it is so expensive over there, they couldn't send me any more money. They also are trying to save money for me to go over there and join them.

Teresa: That is too bad. So what are you doing?

Juana: I had to sell my speakers, stereo, TV, cell phone and other things I bought with the remittance so I had enough money to buy food. I also had to borrow money from some of my other distant relatives and neighbors to have enough money to buy food.

Teresa: That is too bad. Is there anything I can do to help you?

Juana: Well, actually yes. I am embarrassed to ask you this, but could I buy some food from your store on credit? I hope to get a job sometime soon.

Teresa: Sure, no problem. I can sell you some food on credit. I actually could use someone to clean my store each day. The job doesn't pay a lot of money, but would you be interested? You could start tomorrow.

Juana: Absolutely! Thank you so much, Teresa. I really appreciate it. You are so lucky you have this business. I'll see you tomorrow then.

Teresa: Bye Juana. See you tomorrow.

Applaud and thank the volunteers when they finish. Then ask:

- **What happened to Juana when her parents stopped sending her money? Why?** *[She first had to sell her stereo, speakers, TV, cell phone and other things she bought with her remittance so she could buy food. Then she had to borrow money from her distant relatives and neighbors to buy food.]*

Write participants' answers on the following blank flip chart.

CONSEQUENCES OF DEPENDING ON THE REMITTANCE

Thank participants for their answers.

STEP 2

Brainstorm Ways to Reduce Dependency on the Remittance

20 MINUTES

Say:

Find a partner and take 10 minutes with your partner to discuss the following questions:

- **What happened to Teresa when her parents stopped sending her money? Why?** *[She was not affected because she had saved money before they stopped and took out a loan to start a small grocery store in town.]*
- **What was the difference in Juana and Teresa's lives when both of their parents stopped sending them remittances?** *[Juana was not prepared because she had spent all of the money on luxury goods and did not think of the future or what would happen if she stopped receiving money from her parents. Teresa thought more about her future and what would happen if she stopped receiving money so she was prepared for when this happened. She saved money, took out a loan and started a small business so she had other sources of income.]*

After 10 minutes, ask 4 or 5 volunteers to share their answers. Write their answers down on the following blank flip chart.

SUGGESTIONS TO REDUCE DEPENDENCY ON THE REMITTANCE

Make sure participants mention the following:

SUGGESTIONS TO REDUCE DEPENDENCY ON THE REMITTANCE

- Behave as if you won't receive the remittance next month.
- Have other sources of income (small business, salaried job).
- Cover your basic household needs with income from your business or job.
- Manage your remittance as a separate source of income.

Thank participants for their ideas.

Then ask participants to take 5 minutes to discuss with their partner the following questions:

- **What would you do if all of a sudden you stopped receiving your remittance?**
- **What are you going to do to reduce your dependency on the remittance?**

After 5 minutes ask some volunteers to share their answers with the plenary. Then say:

As we know, there are many factors that could affect the life of our family members living abroad. They could buy a house or a car abroad. They could also lose their jobs, they could get sick, or they could even be deported from abroad. All of these factors could affect their ability to send you money. I encourage you to put into practice all of the suggestions you generated throughout today's session to reduce your dependency on the remittance.

Management of Remittance

OBJECTIVES

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

1. Differentiated between needs and wants
2. Identified benefits of reducing or giving up unnecessary expenses paid for by the remittance

PREPARATIONS/MATERIALS

■ PICTURES TO USE IN THE FOLLOWING STEPS:

Step 1:

- Picture 10: Food
- Picture 11: Loan Payment
- Picture 12: Rent
- Picture 13: Stereo
- Picture 14: Blender
- Picture 15: Visit to Beauty Salon

■ GREEN AND RED DOTS OR GREEN AND RED MARKERS

■ NOTE CARDS

■ TAPE

TIME

35 MINUTES

STEPS

1. Classify expenses by needs and wants
20 MINUTES
2. Prioritize use of remittance for different expenses
15 MINUTES

STEP 1

Classify Expenses by Needs and Wants

20 MINUTES

Say:

During this session, we are going to talk about prioritizing expenses as a way to avoid depending too much on the remittance to help us move forward in the stages of the migration process.

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. Let us first look at some typical monthly expenses. I need 6 volunteers.

Say each monthly expense. As you mention each expense, give one corresponding picture from Pictures 10-15: Food, Loan Payment, Rent, Stereo, Blender, Visit to Beauty Salon to each volunteer. Ask the volunteers to come to the front and hold the pictures for everyone to see. Then say:

Let us consider each of these monthly expenses one by one. If it is an expense that is essential for you to live, then say “STAY” and the participant holding the picture will continue standing. If it is not an expense that you consider essential to live, then say “GO” and the participant holding the picture will sit down.

Stand beside the participant holding Picture 10: Food and say:

► **Do you need food? Does this expense “STAY” or “GO”?**

If there is agreement about whether the expense stays or goes, have the participant holding the picture stay standing or sit down as appropriate.

If there is disagreement and the expense is not a need, then ask the group:

► **If you don’t receive your remittance during that month, or you lose your job, or your business, what will you do about that expense?**

Repeat the exercise with the rest of the pictures, Pictures 11-15.

Make sure participants classify the expenses as suggested in the following box:

STAYS OR GOES

<i>Stays</i>	<i>Goes</i>
Food	Stereo
Loan payment	Blender
Rent	Visit to Beauty Salon

Thank volunteers for their participation and ask them to sit down. Post the pictures on the wall in the 2 columns and then say:

Good. Now we know what your most important expenses are during any given month. We are going to call these expenses “NEEDS.”

Write “NEEDS” on a note card and place it on top of the “NEEDS” pictures. Then say:

We also know what those expenses that are not essential to live are. We are going to call these expenses “WANTS.”







Write “WANTS” on a note card and post it on top of the “WANTS” pictures. At the end, the board should look like the following table:

CATEGORIES OF EXPENSES	
Needs	Wants
	
	
	

Ask:

- What other needs or wants would you add to this list?

Write each suggestion on a note card and post it on the respective column. Make sure they have at least 6 expenses for each category.

CATEGORIES OF EXPENSES	
<i>Needs</i>	<i>Wants</i>
	
	
	
Transportation	Cell Phone
Water	Speakers for the Stereo
Medicine	Television
School Fees	

Thank participants for their hard work in categorizing their expenses.

STEP 2

Prioritize Use of Remittance for Different Expenses

15 MINUTES

Say:

In pairs take 5 minutes to discuss the following questions:

- **What do you use your remittance for?**
- **From the list of needs and wants we just generated, what are the top 3 needs and top 3 wants that you use your remittance for?**

After 5 minutes, ask participants to come up and place green dots on their top 3 needs and red dots on their top 3 wants. Identify what their top 3 needs are. Then identify what their top 3 wants are. Ask:

- **From this list of wants, which ones do you think you could give up?**
- **Which ones do you think you could spend less on?**
- **What can be the benefits of giving up or reducing these expenses?**
[To be less dependent on the remittance, to save more money]
- **How can classifying your expenses by needs and wants help you and your family?** *[It helps us to save money, to make sure we have enough money from our jobs and other sources of income aside from remittance to cover our basic needs.]*

Thank participants for their hard work on classifying their expenses.

PICTURE 10

Food



PICTURE 11

Loan Payment



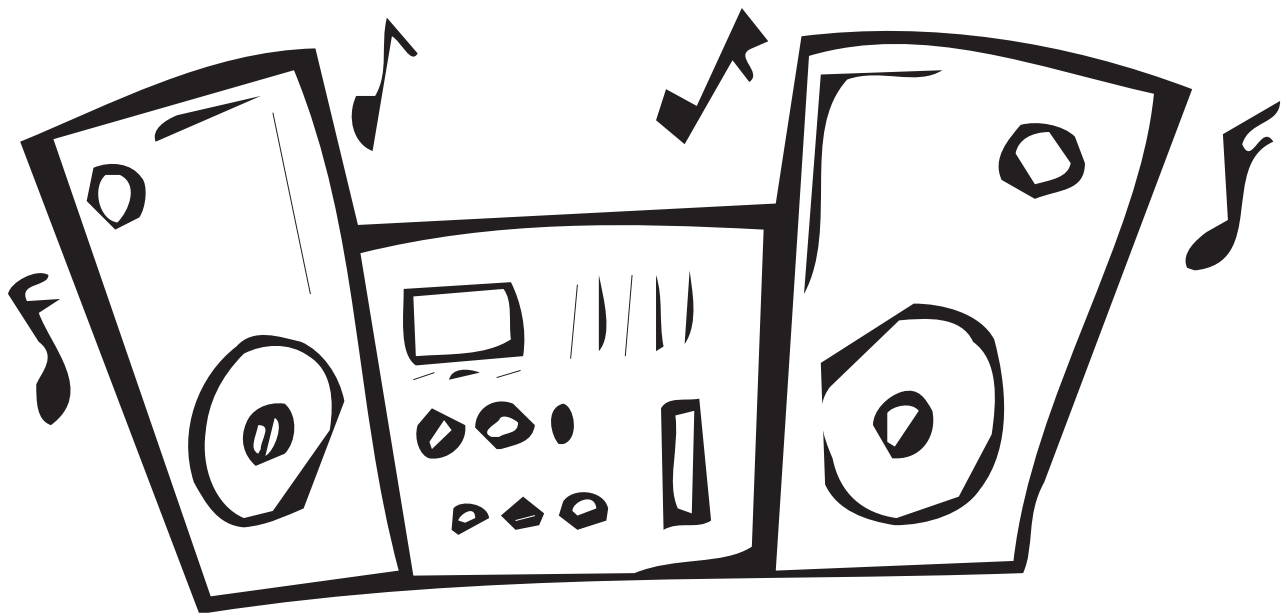
PICTURE 12

Rent



PICTURE 13

Stereo



PICTURE 14

Blender



PICTURE 15

Visit to Beauty Salon



Savings

OBJECTIVES

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

1. Identified obstacles to saving a portion of the remittance
2. Developed strategies to overcome obstacles to saving a portion of the remittance

PREPARATIONS/MATERIALS

■ FLIP CHARTS FOR USE IN THE FOLLOWING STEPS:

Step 1:

- Blank flip chart with title: Challenges to Saving a Portion of the Remittance

Step 3:

- Blank flip chart with title: Solutions to Saving a Portion of the Remittance

TIME

30 MINUTES

STEPS

1. List obstacles to saving a portion of the remittance
5 MINUTES
2. Listen to the story of Mylene
10 MINUTES
3. Identify strategies to overcome obstacles to saving a portion of the remittance
15 MINUTES

STEP 1

List Obstacles to Saving a Portion of the Remittance

5 MINUTES

Ask the group the following in a plenary:

- **What do you do now with money that is left over from the remittance you receive?**

Listen to a sample of their responses. It is very likely they will say they do not have any money left over. Be sure to remind participants of the earlier activity during which they prioritized their expenses and identified expenses they could give up. Then ask:

- **What are the main obstacles you face to saving a portion of this remittance?**

Record their answers on the following blank flip chart.

CHALLENGES TO SAVING A PORTION OF THE REMITTANCE

Review their answers and summarize them.

STEP 2

Listen to the Story of Mylene

10 MINUTES

Say:

You have identified some of the possible challenges to saving a portion of your remittance. Now let's listen to the story of Mylene to think about some possible solutions to these challenges.

Say:

Story of Mylene

Mylene has received \$200 every week for the past two years from her husband. He usually sends her the money on Saturdays and Sundays. These are the market days. So after getting the money every Sunday, she spends it all at the market on food and clothes. Once, her child got very sick. Because she did not have any savings, she had to go to the local moneylender to borrow some money to take him to the clinic. Mylene's child got better, but she spent over one year paying off her debt to the moneylender!

Stop the story and ask:

- **What happened to Mylene?** *[Her child got sick and because she did not have any savings, she had to borrow money from a local moneylender which took her one year to repay.]*

Continue with the story of Mylene:

After the incident with her child, Mylene decided that she will never be unprepared for an emergency again. So she started saving part of the remittance. She opened a savings account at the Credit Union where her husband sends her the money. Even though her husband still sends the remittance on market days, she now leaves part of it in her savings account before she goes to the market. She is now prepared for whatever the future might hold for her and her family.

Ask:

- **How does Mylene change the use of her remittance in the story?** *[She used to take out all of the remittance on market days and spend it on food and clothes. Now she does not take out all of her remittance but instead saves a portion.]*
- **How is Mylene able to save?** *[She opened a savings account at the Credit Union where she can leave some of her money safely.]*

- **How does this change benefit her?** *[Since she does not take out all of her remittance on the market days, this helps her avoid the temptation to spend all of it when she gets it. She saves part of her remittance in an account so she is prepared for the future.]*

STEP 3

Identify Strategies to Overcome Obstacles to Saving a Portion of Remittance

15 MINUTES

Ask each participant to work with a partner. Assign each pair one challenge from the flip chart 'Challenges to Saving a Portion of the Remittance' from Step 1. If you do not have enough participants, assign each pair 2 challenges. Then tell them to answer the following question for their assigned challenge:

- **What is one solution for your challenges?**

Give them note cards to record their answers and 10 minutes to discuss. Tell them to write one solution per card. Circulate the room to answer any questions. Then ask for a few volunteers to post their responses on the blank flip chart.

SOLUTIONS TO SAVING A PORTION OF REMITTANCE

Make sure this flip chart is placed right next to the flip chart "Challenges to Saving Portion of Remittance." Alternatively, you can create one horizontal flip chart with 2 columns for challenges and solutions.

Some of the possible challenges and solutions may be:

CHALLENGES	SOLUTIONS
The remittance is barely enough to feed my family and pay for other basic necessities.	<ul style="list-style-type: none"> ■ Start setting aside something, even if it is only a very small amount, every day or every week. The amount will grow. ■ Look hard for ways to cut unnecessary spending.
My remittance income is irregular.	<ul style="list-style-type: none"> ■ Save different amounts each time you receive your remittance.
I must use all of the remittance to pay off debts such as the trip of a family member.	<ul style="list-style-type: none"> ■ Shop around for a cheaper loan.
I don't have any other income aside from the remittance.	<ul style="list-style-type: none"> ■ Try to find ways to generate additional sources of income.
I take out large amounts of the remittance from my account due to the long distance between the institution from my home. Thus I am more tempted to spend the remittance instead of saving it.	<ul style="list-style-type: none"> ■ Save part of your remittance in a nearby formal or informal savings institution.

Summarize the ideas given by the volunteers. Make sure to cover the following ideas for strategies to save a portion of remittance.

STRATEGIES TO SAVE A PORTION OF REMITTANCE

- Decide to save a portion of your remittance.
- Agree with family here and abroad to save a portion of your remittance.
- Decide what amount you want to save every day or week based on your financial goals.
- Find ways to spend less and save the remittance to reach your financial goals.
- Find people who save their remittance and ask them for ideas about how to save your remittance.
- Don't carry a lot of cash—avoid temptation to spend it!
- Try to avoid claiming your remittance on market days.
- Spend carefully. Look for opportunities to save money by bulk buying of non-perishables.
- Cut costs such as household expenditures, debt payments and optional expenses.

Summarize the discussion by saying:

You have identified many ways to save your remittance during this session. It is important to have a plan and discipline to save a portion of your remittance. If you apply some of these actions, you can increase your ability to save a portion of your remittance.

Ask:

- **What is one thing you will do this week to help yourself save a portion of your remittance?**

Encourage 3 or 4 participants to share their ideas. Then say:

Thank you for your participation. I encourage you to put all of these wonderful ideas into action.

SESSION 7

OBJECTIVES

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

1. Identified differences between sender's financial goals and receiver's financial goals
2. Set own financial goals in relation to the three stages of the migration process
3. Recognized the importance of communicating own financial goals to sender

PREPARATIONS/MATERIALS

■ HANDOUTS FOR USE IN THE FOLLOWING STEPS:

Step 1:

- Handout 7.1: Weekly Communication Between Sandro and His Mother (2 copies)

Step 2:

- Handout 7.2: Goals of Sandro's Family
- Handout 7.3: Plan to Achieve Your Goals

■ PICTURES:

Step 1:

- Pictures # 1-3 from Session 1

■ FLIP CHART FOR USE IN THE FOLLOWING STEP:

Step 2:

- Important Steps to Make a Financial Plan

■ CELL PHONES AS PROPS FOR PHONE CONVERSATION

■ BLANK SHEETS OF PAPER

TIME

60 MINUTES

STEPS

1. Differentiate between sender's financial goals and receiver's financial goals
15 MINUTES
2. Set own goals according to the three stages of the migration process
30 MINUTES
3. Practice sharing own plan with a family member
15 MINUTES

Setting Financial Goals

STEP 1

Differentiate between Sender's Financial Goals and Receiver's Financial Goals

15 MINUTES

Say:

Today we will talk about another way to make the most of your remittances. First, let us remember the story of Sandro.

Ask a volunteer to answer the following questions:

- **What were Sandro's goals ?** *[Build a large home in San Isidro for him and his family to retire]*
- **What were the goals of Sandro's family?** *[His mother wanted to start her own business.]*

If the participants have problems remembering what the goals of Sandro were, refer to the Pictures 1-3 from Session 1.

Then say:

As you can see, these 2 goals are very different. However, Sandro and his family can work together to achieve them. Let's listen to how they make this happen. I am going to read the part of Sandro's mother. Can I have a volunteer to read the part of Sandro?

Give Handout 7.1 to volunteer. Use cell phones as props to represent the phone conversation between Sandro and his mother.

Weekly Communication Between Sandro and His Mother

Sandro: Hi Mom. How are you today?

Mother: I'm good, love. I'm just getting the food ready to feed the animals.

Sandro: Oh, I see. Here in Washington D.C. the weather is very cold. I just came back from work. I'm really exhausted. Mom, now that I paid off my car, I want to think about buying a house near San Isidro. What do you think about that?

Mother: I think that is a great idea. I'll check out some property around town. What price range are you looking for?

Sandro: Well... I was thinking I could send you \$2,000 right now, and after that, I could start sending you \$500 a month.

Stop the story and ask:

► **What happened in the conversation between Sandro and his mother?**

[Dialogue and open communication about Sandro's dream, Sandro asks for his mother's opinion, Sandro talks about how much he can send to realize his dream, willingness of his mother to help him reach his goal]

Then say:

Let's listen to what happens a week later.

Continue the role-play:

Sandro: Hi Mom. How are you today?

Mother: I'm good, love. I have great news! I just got back from looking at a wonderful piece of land for sale. It is a real bargain! The down payment is only \$1,500 and the monthly payments are just \$400 a month!

Sandro: Oh, that is wonderful news! Where is the land?

Mother: It is just one kilometer away from our house. Now with the savings on the cheaper property, I was thinking I could use that money to start my own business. You know how the work in the farm is getting harder and harder for me as I get older, and I want to start a little basic goods store. What do you think about this idea?

Sandro: Yes, I always worry about your health especially since I left and I can't help take care of the farm any more. How much do you think you will need for that?

Mother: Well, since the payment for the land will only be \$400, and you said you could send \$500, I could deposit the extra \$100 a month in the local cooperative to start saving for the business.

Sandro: Great! Let's do that. I will start sending the money next week.

Stop the story and ask:

- **How do Sandro and his mother work together to achieve their goals?**
[Dialogue and open communication about the dreams of Sandro's mother, the mother asks for Sandro's opinion, the mother talks about how much she needs to realize her dream, and the willingness of Sandro to help her reach her goal]

STEP 2

Set Own Goals According to the Three Stages of the Migration Process

30 MINUTES

Hand out a blank sheet of paper to each participant. Ask the participants to think about their answers to the following question:

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

Now you will have 5 minutes to draw a picture of your goals.

Give participants 5 minutes to finish their drawings. 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 say:

Those are wonderful goals. It is important to make a plan to achieve those goals. Here are some important steps to make a financial plan.

Post the following flip chart:

IMPORTANT STEPS TO MAKE A FINANCIAL PLAN

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

Say:

Now let's look at how we can make a plan to achieve those goals.

Distribute Handout 7.2: Goals of Sandro's Family and say:

This is an example of the plan that Sandro's family made to achieve their goals.

Then ask:

➤ **What are your questions about this example?**

Answer participants' questions as necessary. Then distribute Handout 7.3: Plan to Achieve Your Goals and say:

Now you are going to make your own plan. Please take 15 minutes to complete your plan for at least 1 or 2 goals in your current and future stages of the migration process.

Circulate the room and make sure you answer participants' questions as necessary.

STEP 3

Practice Sharing Own Plan with a Family Member

15 MINUTES

Say:

Congratulations, now that you have created a plan to achieve your goals, let's practice how we will communicate these plans to your family member abroad. Turn to your partner. Pretend you are talking over the phone to your family member abroad and tell him/her your plans. After your partner is done, switch roles. Each one of you has 5 minutes to practice.

Circulate the room and answer any questions. After 10 minutes ask:

- **How can sharing your goals with your family members abroad help you make the most of your remittance?**

Ask 4 or 5 volunteers to share their answers. Then say:

I encourage you to share your plans with your family and start saving for a happy future!

HANDOUT 7.1

Weekly Communication Between Sandro and His Mother

PART 1

Sandro: Hi Mom. How are you today?

Mother: I'm good, love. I'm just getting the food ready to feed the animals.

Sandro: Oh, I see. Here in Washington D.C. the weather is very cold. I just came back from work. I'm really exhausted. Mom, now that I paid off my car, I want to think about buying a house near San Isidro. What do you think about that?

Mother: I think that is a great idea. I'll check out some property around town. What price range are you looking for?

Sandro: Well... I was thinking I could send you \$2,000 right now, and after that I could start sending you \$500 a month.

PART 2

Sandro: Hi Mom, how are you today?

Mother: I'm good, love. I have great news! I just got back from looking at a wonderful piece of land for sale! It is a real bargain! The down payment is only \$1,500 and the monthly payments are just \$400 a month!

Sandro: Oh, that is wonderful news! Where is the land?

Mother: It is just one kilometer away from our house. Now with the savings on the cheaper property, I was thinking I could use that money to start my own business. You know how the work in the farm is getting harder and harder for me as I get older, and I want to start a little basic goods store. What do you think about this idea?

Sandro: Yes, I always worry about your health especially since I left and I can't help take care of the farm any more. How much do you think you will need for that?

Mother: Well, since the payment for the land will only be \$400 and you said you could send \$500, I could deposit the extra \$100 a month in the local cooperative to start saving for the business.

Sandro: Great! Let's do that. I will start sending the money next week.

HANDOUT 7.2

Goals of Sandro's Family

	<i>Description of Financial Goal</i>	<i>Lump Sum Needed</i>	<i>Length of Time Needed</i>	<i>Amount of Money Required per Week or Month</i>
<i>Financial goals during the first stage</i>	Pay off debt of trip loan	\$9,000	2 years	\$375 per month
<i>Financial goals during the second stage</i>	Pay for roof	\$600	1 year	\$50 per month
<i>Financial goals during the third stage</i>	Starting a business	\$600	6 months	\$100 per month

HANDOUT 7.3

Plan to Achieve Your Goals

	<i>Description of Financial Goal</i>	<i>Lump Sum Needed</i>	<i>Length of Time Needed</i>	<i>Amount of Money Required per Week or Month</i>
<i>Financial goals during the first stage</i>				
<i>Financial goals during the second stage</i>				
<i>Financial goals during the third stage</i>				

OBJECTIVES

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

1. Created a budget to achieve financial goals at their current stage of the migration process including the remittance as a separate source of income

PREPARATIONS/MATERIALS

■ HANDOUTS FOR USE IN THE FOLLOWING STEPS:

Step 1:

- Handout 3.1: Sources of Income Over 4 Months (distributed in Session 3). Ask participants before the session begins to bring the handout.
- Handout 8.1: Sandro's Family Budget for 1 Month During the Second Stage of the Migration Process
- Handout 8.2: Sandro's Family Budget for 1 Month During the Second Stage of the Migration Process (for illiterate population)

Step 4:

- Handout 8.3: My Own Budget
- Handout 8.4: Budget Calendar (for illiterate population)

■ FLIP CHARTS FOR USE IN THE FOLLOWING STEP:

Step 1:

- What is a Budget?
- Sandro's Family Budget for 1 Month During the Second Stage of the Migration Process.

■ PLAY MONEY (FOR ILLITERATE POPULATION)

TIME

1 HOUR AND 5 MINUTES

STEPS

1. Define what a budget is
15 MINUTES
2. Estimate total income of Sandro's family
15 MINUTES
3. Calculate Sandro's family expenses and portion to save for financial goals
15 MINUTES
4. Make own budget
20 MINUTES

Budgeting

STEP 1

Define What a Budget Is

15 MINUTES

Ask participants to take out Handout 3.1 from Session 3. Then say:

In this session, we are going to see how we can put all these things together in one tool that will serve as your road map to make the most of your remittance.

This road map is called a budget.

Post and present the following flip chart:

WHAT IS A BUDGET?

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

Distribute Handout 8.1: Sandro's Family Budget for One Month During the Second Stage of the Migration Process. (Note: For illiterate population, use Handout 8.2) Then say:

Here is an example of the budget for Sandro's family during one month of the second stage of the migration process.

Post the following flip chart:

SANDRO'S FAMILY BUDGET FOR 1 MONTH DURING THE SECOND STAGE OF THE MIGRATION PROCESS

<i>Income</i>	<i>Amount</i>
Farm Income (Sell cheese and milk)	
Wages (Children picking roses)	
Sub-total	
Other	
Remittance	
Total Income	
<i>Expenses</i>	
Necessary Household Spending (Needs)	
Utilities	
Food	
Transportation	
Healthcare/Medicine	
Rent	
Other	
Sub-total (Needs)	
Optional Spending (Wants)	
Eating out for lunch/dinner	
Ice Cream	
Sub-total (Wants)	
Total Expenses	
<i>Income – Expenses</i>	
<i>Savings to pay for roof</i>	

Ask the group:

- **What are the three main parts of this budget?** *[Income, expenses, and savings]*

Read the handout. Then with your partner discuss the three main parts of the budget of Sandro's family. You have 5 minutes.

After 5 minutes, ask:

- **What are the different sources of income?** *[Farm income (sell cheese and milk), wages (children picking roses), and remittance]*
- **Why do you think it is important to record the remittance as a separate source of income?** *[To help you reduce your dependency on the remittance and keep better track of how you spend your remittance]*

Ask the following questions:

- **What are the expenses that are necessary (needs)?** *[Utilities, food, transportation, health care/medicine, rent]*
- **What are the expenses that are optional (wants)?** *[Eating out for lunch/dinner, ice cream]*
- **What are your questions about the main parts of a budget?**

Answer participants' questions as necessary.

STEP 2

Estimate Total Income of Sandro's Family

15 MINUTES

Tell the following story:

Sandro's Family Budget

At the end of each month, Sandro's mother estimates her income and how she will spend it in the following month. The next month, August, is usually a great month for her business. Therefore, she estimates she will earn \$200 from working on the farm, selling cheese and milk. The children usually bring home wages of \$50 from picking roses. Yesterday she talked to Sandro, and he told her he will be able to send her \$100.

Stop the story and ask:

- **When does Sandro's mother complete her budget?** *[At the end of each month, she estimates her income and how she will spend it in the following month.]*
- **How much income does Sandro's mother estimate she will earn next month from her farm income?** *[\$200]*

Ask a volunteer to write down the amount on the flip chart. Ask the group to record the amount on their handouts.

(Note: For illiterate population, give participants play money for each category and place the amount of play money under each income item.)

- **How much income will Sandro's mother earn from her children's wages?** *[\$50]*

Ask a volunteer to write down the amount in the flip chart. Ask the group to record the amount on their handouts.

- **How much money is Sandro planning to send his mother next month?** *[\$100]*

Ask a volunteer to write down the amount in the flip chart. Ask the group to record the amount on their handouts.

- **How much money in total is Sandro's family planning to earn during the month of August?** *[\$350]*

Ask a volunteer to write down the amount in the flip chart. Ask the group to record the amount in their handouts.

- **How did you calculate that amount?** *[\$200+\$50+\$100]*

Make sure everybody was able to calculate the amount and answer their questions as necessary. At the end of this step, the flip chart should look like the one on the right:

SANDRO'S FAMILY BUDGET FOR 1 MONTH DURING THE SECOND STAGE OF THE MIGRATION PROCESS

<i>Income</i>	<i>Amount</i>
Farm Income (Sell cheese and milk)	200
Wages (Children picking roses)	50
Sub-total	
Other	
Remittance	100
Total Income	350
<i>Expenses</i>	
Necessary Household Spending (Needs)	
Utilities	
Food	
Transportation	
Healthcare/Medicine	
Rent	
Other	
Sub-total (Needs)	
Optional Spending (Wants)	
Eating out for lunch/dinner	
Ice Cream	
Sub-total (Wants)	
Total Expenses	
<i>Income – Expenses</i>	
<i>Savings to pay for roof</i>	

STEP 3

Calculate Sandro's Family Expenses and Portion to Save for Financial Goals

15 MINUTES

Say:

Now we are going to calculate how Sandro's mother is planning to spend her income during the month of August. Please, on your handout, record the expenses as I tell the story.

Ask for a volunteer to record the expenses on the flip chart as you continue the story:

When Sandro's mother estimates her income for the month of August, she starts planning how she will spend that money. She first sets aside \$50 to repair the roof. For utilities, she estimates she will spend \$10. The monthly rent costs her \$200. For food, she estimates she will spend \$50, on transportation, \$10, and for her medicine for the pain in her back, \$20. Even though she tries to avoid eating out, once a month when she goes to the market, she treats herself to some food in the market. She spends \$5. Once a month, she buys some ice cream for her kids. She spends \$5.

Then say:

With your partner, take 10 minutes to calculate the total that Sandro's mother thinks her family expenses will be during the month of August.

Circulate around the room and make sure to answer participants' questions as necessary. After 10 minutes, ask for volunteers to answer the following question:

- **What is the total amount that Sandro's mother thinks she will spend during the month of August? [\$300]**

Then ask:

- **How did you calculate this amount? [\$50+\$10+\$200+\$50+\$10+\$20+\$5+\$5]**

Ask:

- **How much money does Sandro's mother think she will spend on her needs? [\$290]**
- **How did you calculate this amount? [\$10+\$50+\$10+\$20+\$200]**

Record the amount in the flip chart.

- **How much money does Sandro's mother think she will spend on her wants? [\$10]**
- **How did you calculate that amount? [\$5+\$5]**

Record the amount in the flip chart.

- **How much does she think she will earn for the month minus the amount she thinks she will spend for the month? [\$50]**
- **How did you calculate this amount? [\$350-\$300]**
- **How much money does Sandro's mother set aside for her financial goal of paying for the roof? [\$50]**

Make sure everybody was able to calculate the amount and answer their questions as necessary.

At the end of this step, the flip chart should look like the one on the next page:

SANDRO'S FAMILY BUDGET FOR 1 MONTH DURING THE SECOND STAGE OF THE MIGRATION PROCESS

<i>Income</i>	<i>Amount</i>
Farm Income (Sell cheese and milk)	200
Wages (Children picking roses)	50
Sub-total	
Other	
Remittance	100
Total Income	350
<i>Expenses</i>	
Necessary Household Spending (Needs)	
Utilities	10
Food	50
Transportation	10
Healthcare/Medicine	20
Rent	200
Other	
Sub-total (Needs)	290
Optional Spending (Wants)	
Eating out for lunch/dinner	5
Ice Cream	5
Sub-total (Wants)	10
Total Expenses	300
<i>Income – Expenses</i>	50
<i>Savings to pay for roof</i>	50

Then ask:

- What questions do you have about creating a budget?

STEP 4

Make Own Budget

20 MINUTES

Distribute Handout 8.3: My Own Budget. Explain to participants that they will learn how to fill in the worksheets step-by-step as outlined below. Say:

Now you have an opportunity to estimate your income, expenses, and savings for next month.

1. First, identify your sources of income and write them in the first column under "Income." Remember to record all your sources of income and make sure to include the remittance as a separate source of income.
2. Then add up the total income for the next month.

Please take 5 minutes to do this first step.

Walk around the room and offer to help anyone who needs it. After 5 minutes, say:

3. Now, estimate your expenses for each category for next month. You may pay some expenses only once a year or once every quarter.
4. Then add up the total expenses for next month.

Please take 5 minutes to do this second step.

Walk around the room and offer to help anyone who needs it. After 5 minutes, say:

Now let's compare your income to your expenses.

5. Subtract the total expenses for next month from total income for next month.

Please take 5 minutes to do this third step.

Walk around the room and offer to help anyone who needs it. After 5 minutes, ask:

Now look at the last line in your budget and figure out the current amount you are saving to reach your financial goals. Write down your financial goal from Session 7. If you have more than one goal, list all goals and amount needed for each goal.

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

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.]*

Ask participants with a negative number to pair with participants with a positive number. Give the pairs 5 minutes to adjust the budgets of partners with a negative number. Walk around the room and offer to help anyone who needs it.

After 5 minutes, say:

Remember, it is important that your budget reflects what you think you can save each month on the savings line to reach your financial goals. A budget can help you better manage and make the most of your remittance too. Congratulations for your hard work during this session. I encourage you to create a budget every month and stick to it!

FOR GROUPS THAT HAVE LOW LITERACY SKILLS:

Distribute Handout 8.4 Budget Calendar for participants to work on their own budgets. Give each person play money.

Demonstrate how to fill in the income row and one of the expenses rows with the whole group.

Then ask participants to place the respective amounts on each item on their own budget calendar. Give the participants 15 minutes for this activity. Go around and assist them as needed.

Then 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.]*

Ask participants with a negative number to pair with participants with a positive number. Give the pairs 5 minutes to adjust the budgets of partners with a negative number. Walk around the room and offer to help anyone who needs it.

After 5 minutes, say:

Remember, it is important that your budget reflects what you think you can save each month on the savings line to reach your financial goals. A budget can help you better manage and make the most of your remittance too. Congratulations for your hard work during this session. I encourage you to create a budget every month and stick to it!





HANDOUT 8.1







Sandro's Family Budget for 1 Month During the Second Stage of the Migration Process

<i>Income</i>	<i>Amount</i>
Farm Income (Sell cheese and milk)	
Wages (Children picking roses)	
Sub-total	
Other	
Remittance	
Total Income	
<i>Expenses</i>	
Necessary Household Spending (Needs)	
Utilities	
Food	
Transportation	
Healthcare/Medicine	
Rent	
Other	
Sub-total (Needs)	
Optional Spending (Wants)	
Eating out for lunch/dinner	
Ice Cream	
Sub-total (Wants)	
Total Expenses	
<i>Income – Expenses</i>	
<i>Savings to pay for roof</i>	

HANDOUT 8.2

Sandro's Family Budget for 1 Month During the Second Stage of the Migration Process

Income	Amount (use play money to show the amount)
	
	
Sub-total	
Other	
	
Total Income	
Expenses	
Necessary Household Spending (Needs)	
	

<i>Expenses</i>	<i>Amount</i>
	
	
	
	
Other	
Sub-total (Needs)	
Optional Spending (Wants)	
	
	
Sub-total (Wants)	
Total Expenses	
<i>Income – Expenses</i>	
<i>Savings (to pay for roof)</i>	

HANDOUT 8.3


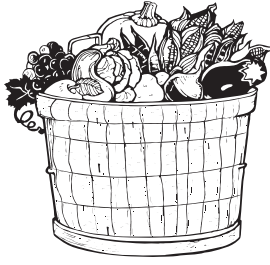


My Own Budget

<i>Income</i>	<i>Amount</i>
Sub-total	
Other	
Remittance	
Total Income	
<i>Expenses</i>	
Necessary Household Spending (Needs)	
Utilities	
Food	
Transportation	
Healthcare/Medicine	
School Fees	
Clothing	
Rent	
Other	
Sub-total (Needs)	
Optional Spending (Wants)	
Eating out for lunch/dinner	
Ice Cream	
Other	
Other	
Other	
Sub-total (Wants)	
Total Expenses	
<i>Income – Expenses</i>	
<i>Savings for Financial Goal 1:</i>	
<i>Savings for Financial Goal 2:</i>	
<i>Savings for Financial Goal 3:</i>	

HANDOUT 8.4

Budget Calendar

(Please note that you can use weeks instead of months.)

	<i>Month 1</i>
Income 	○○○○
Spending	
Needs 	○○○
Wants 	○○○
Savings 	○○

Financial Products

OBJECTIVES

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

1. Identified ways remittance can be used to leverage financial products
2. Matched financial products with financial goals according to different stages of the migration process

PREPARATIONS/MATERIALS

■ HANDOUTS FOR USE IN THE FOLLOWING STEPS:

Step 1:

- Handout 9.1: Luisa and Josephina (2 copies). Ask two volunteers before the session to prepare the role-play in advance.

Step 3:

- Handout 9.2: Financial Products to Meet Your Financial Goals

■ FLIP CHARTS FOR USE IN THE FOLLOWING STEPS:

Step 1:

- Definition of Financial Products

Step 2:

- Three Stages of Migration Process (posted in Session 1)
- Blank flip chart with title: Financial Products for Three Stages

■ NOTE CARDS

■ TAPE

TIME

1 HOUR AND 10 MINUTES

STEPS

1. Identify financial products available in the community
30 MINUTES
2. Identify financial products appropriate for each of the three stages of migration process
20 MINUTES
3. Match financial products with financial goals in current stage
20 MINUTES

STEP 1

Identify Financial Products Available in the Community

30 MINUTES

Say:

Now let's talk about different financial products that are available to people who receive remittance. First we are going to watch a role-play about two women, Luisa and Josefina, who meet each other at the market after one year of not seeing each other.

I am now going to invite 2 volunteers to do the role-play.

Ask the 2 volunteers to come forward and act out the role-play of Luisa and Josefina.

Role-Play: Luisa and Josefina

Luisa: Josefina, you look so great! What have you done?

Josefina: Thank you, Luisa. Well, as you know, my son was sending me money for a while. At first, I did not know what to do with all that money he was sending me. So I used to spend it on food and clothes for the family. One day, he told me that he would start sending me the money directly to the credit union.

Luisa: Oh yes! I have heard about it. What did you tell him?

Josefina: Well, I told him that if that was cheaper for him, then I was OK with it. Then I started receiving my remittance there and you won't believe what happened... They offered me the opportunity to open a savings account! So the remittance would be deposited directly into that savings account!

Luisa: Wow! Is there anything else you can get in that credit union?

Josefina: Well, a lot of things. They also offer loans, so if you want to start your own business, you can ask them for some help. So now, I save some of my money, and I took out a loan to start up my OWN business!

Luisa: Josefina, I am so happy for you. Please take me to the credit union next time you go!

Luisa and Josefina leave laughing and hugging each other.

After the role-play, thank the volunteers for their help and ask the group:

- **What did Josefina do that helped her make the most of her remittance?** *[She started receiving her remittance at a credit union, and was able to open a savings account and receive a loan for her business.]*

Then say:

A savings account and a loan are two examples of financial products that you can access at a financial institution in your community. During the next exercise, you will be asked to think about all the various types financial products you know or heard about.

Divide the group into 4 smaller groups. Give each group note cards. Give the group 10 minutes for this activity. Explain:

Write down every kind of financial product you know that is available from a financial institution in this community or another community you know. Write the name of one product per card or draw something that represents that product. You will have 10 minutes for this activity.

When the groups are finished, ask the first group to come up and place its cards on the wall in a vertical line. The remaining groups should place their cards next to those that are similar to the first group. When they are finished, the loan cards should be grouped together, the savings cards should be grouped together, etc.

Review the cards and how they have been grouped with participants. Make any needed corrections and additions by moving the cards. Encourage discussion.

Post the following flip chart.

(Note: Because this flip chart contains so much information, you may decide to create a separate flip chart for each product type and place them on the walls around the room.)

DEFINITION OF FINANCIAL PRODUCTS

<i>Savings</i>	<i>Loans</i>	<i>Insurance</i>	<i>Current Account</i>	<i>Payment Services</i>
<ul style="list-style-type: none"> ■ Accounts that hold deposits and pay interest. ■ Different types of savings products are tailored to short- or long-term savings goals. ■ Interest rate varies with type of account and length of time money is held in account. 	<ul style="list-style-type: none"> ■ Money lent to client for various purposes. ■ Type of loans and terms vary with purpose. 	<ul style="list-style-type: none"> ■ Client makes regular payments (called premiums) to insurance provider or MFI for purchase of protection in event of accident or loss. ■ Insurance products cover specific events, e.g.: <ul style="list-style-type: none"> • Accident • Death • Hospitalization • Property loss 	<ul style="list-style-type: none"> ■ Bank account that enables client to make regular transactions—deposits and withdrawals. ■ May offer ATM and debit cards for easy withdrawals. 	<ul style="list-style-type: none"> ■ Bank transfers money from client account to designated recipient, e.g.: <ul style="list-style-type: none"> • Remittance to family members • Bill payment

Review the definition of each product type. Clarify any questions that participants have.

Ask a few participants to share their experiences with these financial products. Refer back to participants' cards to reinforce that each of these products incorporates several distinct products (e.g. loans include housing loans, transportation loans, school fee loans).

(Note: You can also invite a representative of a financial institution in your community and ask her/him to give a brief presentation of the products they offer that people can access with their remittances. You can also ask them to give participants a brochure of their products.)

Say in the plenary:

There are many ways that your remittance can be used to access other financial products. For example, you can use your remittance as a guarantee or collateral to obtain a business or housing loan at some financial institutions. You may also receive your remittance in a savings account and earn interest on the portion of the remittance left in the account. These products can help you better manage your remittance.

STEP 2

Identify Financial Products Appropriate for Each of the Three Stages of the Migration Process

20 MINUTES

Post the flip chart "Three Stages of Migration Process" from Session 1 and say:

Let's remember the three stages of the migration process and time line for each stage.

Ask for a volunteer to read the following flip chart.

THREE STAGES OF MIGRATION PROCESS

- **Short Term:** The migrant is focused on paying off the debt of the trip. The receiver pays off the debt with the money sent. During this stage there is little or no money left over from the remittance.
- **Medium Term:** The migrant desires stability for family back home and sends money to cover basic household needs and home improvements.
- **Long Term:** The migrant sends money home to invest in a productive project, such as buying a house or starting a business. The receiver may use some of the money to achieve his/her own financial goal.

Then say:

Now let's think about what financial products might be appropriate at each of these three stages.

Divide the participants into three groups and give each group a set of note cards. Assign each group one of the three stages. Then say:

Identify in your group 3 or 4 products that would be appropriate for your assigned stage. Refer to the flip chart "Three Stages of Migration Process" to remember the three stages of short term, medium term, and long term. You will have 10 minutes for this activity.

Post the following blank flip chart:

FINANCIAL PRODUCTS FOR THREE STAGES

STAGE 1 (Short Term)	STAGE 2 (Medium Term)	STAGE 3 (Long Term)

Be sure the following products are mentioned for each stage:

FINANCIAL PRODUCTS FOR THREE STAGES

STAGE 1 (Short Term)	STAGE 2 (Medium Term)	STAGE 3 (Long Term)
<ul style="list-style-type: none"> ■ Loan to pay off trip of family member ■ Savings account to save up for job placement fees and trip 	<ul style="list-style-type: none"> ■ Savings for emergency ■ Savings for home improvements ■ Loan for home improvements ■ Insurance 	<ul style="list-style-type: none"> ■ Loan to start small business ■ Loan for house construction ■ Insurance ■ Pension products ■ Long-term savings

STEP 3

Match Financial Products with Financial Goals for Current Stage

20 MINUTES

Say:

Now that we have identified some appropriate financial products in the short term, medium term, and long term according to the three stages of the migration process, let's refer back to the financial goals we set in the previous session.

Tell the participants to review their financial goals worksheet they created in Session 7. Then ask:

- **Who can tell me one of their financial goals for their current stage in the migration process?**

Ask for one volunteer to share one of their financial goals. Then ask:

- **Which financial product that is listed on the flip chart will be most appropriate for _____ [say person's name's] goals?**

Ask for a few ideas. Distribute Handout 9.2: Financial Products to Meet Your Financial Goals. Then say:

Now spend 5 minutes identifying the most appropriate financial products for your financial goals. Fill this in the last column marked "Appropriate Financial Product for Financial Goal."

After 5 minutes, ask for a few volunteers to share the products they selected to match their financial goals. Then ask:

- **What is one financial product we discussed today that you will consider using?**
- **What will tell your family member abroad about this financial product?**

Allow a few participants to respond. Then thank them for their work.

HANDOUT 9.1

Role-Play: Luisa and Josefina

Luisa: Josefina, you look so great! What have you done?

Josefina: Thank you, Luisa. Well, as you know, my son was sending me money for a while. At first, I did not know what to do with all that money he was sending me. So I used to spend it on food and clothes for the family. One day, he told me that he would start sending me the money directly to the credit union.

Luisa: Oh yes! I have heard about it. What did you tell him?

Josefina: Well, I told him that if that was cheaper for him, then I was OK with it. Then I started receiving my remittance there and you won't believe what happened...They offered me the opportunity to open a savings account! So the remittance would be deposited directly into that savings account!

Luisa: Wow! Is there anything else you can get in that credit union?

Josefina: Well, a lot of things. They also offer loans, so if you want to start your own business, you can ask them for some help. So now, I save some of my money, and I took out a loan to start up my OWN business!

Luisa: Josefina, I am so happy for you. Please take me to the credit union next time you go!

Luisa and Josefina leave laughing and hugging each other.

HANDOUT 9.2

Financial Products to Achieve Your Goals

	<i>Description of Financial Goal</i>	<i>Appropriate Financial Product for Financial Goal</i>
<i>Financial goals during the first stage</i>		
<i>Financial goals during the second stage</i>		
<i>Financial goals during the third stage</i>		

SESSION 10

OBJECTIVES

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

1. Discussed different types of remittance service providers
2. Generated a list of questions to ask remittance service providers about products available to remittance receivers
3. Practiced convincing family member abroad to send remittance using financial institutions

PREPARATIONS/MATERIALS

■ HANDOUTS FOR USE IN THE FOLLOWING STEPS:

Step 1:

- Handout 10.1: Definitions of Formal and Informal Remittance Service Providers

Step 2:

- Handout 10.2: Benefits of Receiving Remittance through Formal Remittance Service Provider

■ FLIP CHARTS FOR USE IN THE FOLLOWING STEPS:

Step 1:

- Blank flip chart with title: Remittance Service Providers
- Definitions of Formal and Informal Remittance Service Providers

Step 2:

- Blank flip chart with title: Advantages and Disadvantages of Remittance Service Providers

Step 3:

- Blank flip chart with title: Questions to Ask Formal Remittance Service Provider

■ MARKERS

■ TAPE

TIME

55 MINUTES

STEPS

1. List the different remittance service providers in the community
10 MINUTES
2. Identify advantages and disadvantages of different types of remittance service providers
15 MINUTES
3. Create a list of questions to ask the formal remittance service provider
15 MINUTES
4. Practice convincing family member to use formal remittance service provider
15 MINUTES

Remittance Service Providers

STEP 1

List the Different Remittance Service Providers in the Community

10 MINUTES

Explain:

Today, we are going to explore the options you have for receiving remittance in your community —as well as their advantages and disadvantages.

Ask:

- **Where can you and members of your community receive remittances?**

List participants' responses on a blank flip chart.

REMITTANCE SERVICE PROVIDERS

Your list should include:

REMITTANCE SERVICE PROVIDERS

- Bank
- Savings and Credit Association
- MFI
- Cooperative
- Retail Stores
- MTO (Money Transfer Operator (Western Union, Moneygram)
- Other (Couriers, Travelers)

Next, post the following flip chart.

DEFINITIONS OF FORMAL AND INFORMAL REMITTANCE SERVICE PROVIDERS

Informal Remittance Service Providers

These organizations provide transactions involving only money transfers or remittances. This type of provider includes money transfer operators (MTOs), retail shops, and couriers.

Formal Remittance Service Providers

These organizations provide several types of financial transactions or services, including money transfers/remittances, loans, deposits and insurance. This type of provider includes commercial and rural banks, MFIs, cooperatives and credit unions.

Distribute Handout 10.1: Definitions of Formal and Informal Remittance Service Providers to each participant. Ask for volunteers to read the definitions of each type of remittance service provider.

Ask the participants:

- **What comments or questions do you have about these different types of remittance service providers?**

STEP 2

Identify Advantages and Disadvantages of Different Types of Remittance Service Providers

15 MINUTES

Divide the participants into 4 groups. Assign 2 groups to discuss formal remittance service providers and 2 groups to discuss informal remittance service providers. Explain:

Within your group, discuss the following question and assign someone to report your results to the larger group. You have 10 minutes.

- **What are 3 or 4 advantages and disadvantages of your assigned type of remittance service provider?**

After 10 minutes, post a blank flip chart with a format similar to the example below.

ADVANTAGES AND DISADVANTAGES OF REMITTANCE SERVICE PROVIDERS

<i>Remittance Provider</i>	<i>Advantages</i>	<i>Disadvantages</i>
Formal		
Informal		

Say:

Please tell us what you think are the advantages and disadvantages of your assigned type of remittance service provider.

Fill in the flip chart as the groups report their results. (See completed chart on the following page for more guidance.)

Summarize the groups' responses in the chart. Repeat for each group until everyone has reported. Be sure they mention the following:

ADVANTAGES AND DISADVANTAGES OF REMITTANCE SERVICE PROVIDERS

<i>Remittance Provider</i>	<i>Advantages</i>	<i>Disadvantages</i>
Formal	<ul style="list-style-type: none"> ■ Security (money is safe) ■ Liquidity (for savings) ■ Large, long-term loans ■ Cost ■ Reliability ■ Privacy ■ Income (money earns interest) ■ Choice of products ■ Allows you to build a credit history ■ Operates within banking laws if registered ■ Access to financial advice and other financial products 	<ul style="list-style-type: none"> ■ Can be far for rural residents ■ Restricted hours ■ Minimum deposit requirements may be too high ■ Charge fees on many accounts ■ Long lines take time
Informal	<ul style="list-style-type: none"> ■ Access ■ Proximity ■ Speed ■ Trust (it may be located at the local store and you may have known the person for a long time) 	<ul style="list-style-type: none"> ■ They don't offer other financial services that might help you make the most of your remittance ■ It might be unsafe to claim your remittance in that place ■ It is more expensive to your family members abroad

Ask:

- **What do you notice about the advantages of formal remittance service providers in comparison with informal remittance service providers?**

Summarize the group's discussion. Distribute Handout 10.2: Benefits of Receiving Remittance through Formal Service Remittance Provider and ask participants to spend 5 minutes reading the list.

BENEFITS OF RECEIVING REMITTANCE THROUGH FORMAL REMITTANCE SERVICE PROVIDER

- You can save part of the remittance in a savings account, earn interest and be less tempted to spend it.
- You have access to other products such as loans or insurance.
- It is more secure than an informal provider because thieves may not know you are taking out remittance money.
- It has lower transaction costs and thus is cheaper to send.
- You may be able to receive the remittance through debit card, pre-paid card, or ATM which is faster, often cheaper, and more convenient.
- A formal remittance provider has products that can meet your financial goals in the short, medium, and long term according to different stages of migration process.
- The remittance can be deposited directly into a savings account.
- You can receive bank account statements with all your transactions including deposits or remittance, withdrawals, and account balance. This can help better manage the remittance.

Ask participants:

- **What else you would add to this list?**

STEP 3

Create a List of Questions to Ask the Formal Remittance Service Provider

15 MINUTES

Say:

There are many factors that we can take into account when we evaluate where to receive our remittances. We just identified the key benefits of receiving our remittances through a formal service provider. Let's work now to develop a list of questions that we can ask remittance service providers before making a recommendation to our family member abroad to use them.

Suppose that there is a new formal remittance service provider in your community _____. (fill in most appropriate name for community and financial institution). Pretend that you and a partner will interview one of the staff from _____. (fill in name of financial institution). With your partner, develop a list of questions that you should ask

this staff member. You want to make sure that the remittance service provider meets your financial needs and offers you the advantages that we identified earlier.

Give pairs 10 minutes to generate a list of questions for the financial institution. After 10 minutes, ask a few volunteers to share their questions and record them on a blank flip chart.

QUESTIONS TO ASK FORMAL REMITTANCE SERVICE PROVIDER

Be sure they mention the following:

QUESTIONS TO ASK FORMAL REMITTANCE SERVICE PROVIDER

- Can I receive the remittance directly into a savings account?
- Will I receive a bank statement for my account with remittance deposits?
- Can I receive the remittance with an ATM or debit card?
- What other products would be available to me if I receive the remittance here?
- Could I receive a loan for a small business or a house if I receive the remittance here?
- Do you have branches in the city where my family member lives abroad?
- How much does it cost for him/her to send me the money?
- How long does it take to receive a remittance from _____ (*insert city where family member lives*)?

Summarize the discussion and thank them for their participation.

STEP 4

Practice Convincing Family Member to Use Formal Remittance Service Provider

15 MINUTES

Say:

As you see, there are many benefits of receiving your remittance from a formal remittance service provider. However, in many cases it is the family member abroad who decides how to send the remittance. But you too can have a voice in this decision that can benefit both parties.

Let's practice how to communicate this information to your family member abroad. Turn to your partner and pretend you are talking over the phone to your family member abroad. Share with him/her the benefits of sending the remittance through a formal remittance service provider that will be most convincing to him/her. After your partner is done, switch roles with your partner. Each one of you has 5 minutes to practice.

Circulate around the room and answer any questions. After 10 minutes, ask:

- **How could sharing this information with your family member abroad help to make the most of your remittance?**

Say:

Please raise your hand if you plan to talk to your family member abroad about sending your remittance through a formal remittance service provider.

Applaud the show of hands and close by saying:

I encourage you to visit a formal remittance service provider and share this information with your family member abroad.

HANDOUT 10.1

Definitions of Formal and Informal Remittance Service Providers

INFORMAL REMITTANCE SERVICE PROVIDERS

These organizations provide transactions involving only money transfers or remittances. This type of provider includes money transfer operators (MTOs), retail shops, and couriers.

FORMAL REMITTANCE SERVICE PROVIDERS

These organizations provide several types of financial transactions or services, including money transfers/remittances, loans, deposits and insurance. This type of provider includes commercial and rural banks, MFIs, cooperatives and credit unions.

HANDOUT 10.2

Benefits of Receiving Remittance through Formal Remittance Service Provider

- You can save part of the remittance in a savings account, earn interest and be less tempted to spend it.
- You have access to other products such as loans or insurance.
- It is more secure than an informal provider because thieves may not know you are taking out remittance money.
- It has lower transaction costs and thus is cheaper to send.
- You may be able to receive the remittance through debit card, pre-paid card, or ATM which is faster, often cheaper, and more convenient.
- A formal remittance provider has products that can meet your financial goals in the short, medium, and long term according to different stages of migration process.
- The remittance can be deposited directly into a savings account.
- You can receive bank account statements with all your transactions including deposits or remittance, withdrawals, and account balance. This can help better manage the remittance.

Getting the Most From Your Remittance

OBJECTIVES

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

1. Reviewed the main points of the remittance module

PREPARATIONS/MATERIALS

- BLANK SHEETS OF PAPER

TIME

30 MINUTES

STEPS

1. Take true/false test and discuss answers
10 MINUTES
2. Develop own review questions
20 MINUTES

STEP 1

Take True/False Test and Discuss Answers

10 MINUTES

Say:

We talked about and worked on many different ideas. Now let's play a game to review all the information you learned in the sessions about remittances. For each statement I read, tell me whether you think it is true or false. We'll start with a practice exercise. Everyone stand up in a line, one behind the other. I will read the statement twice. When I say "Go," move to the right if it is "True" and to the left if it is "False."

Read each statement below twice and then say "One, Two, Three, Go!"

Today is _____ (*insert absolutely incorrect weather—sunny, rainy*). [False]

My name is _____ (*insert a correct name*). [True]

Our husbands appreciate all the work we do. [Answers will vary]

Okay, let's try the same exercise with statements about getting the most from your remittance. These statements will draw from several of the sessions we have had.

When participants are divided in how they answer, stop and explore the question; ask someone who answered correctly to explain his or her answer, then tell everyone the correct answer and clarify any questions. After each discussion, give participants time to re-position themselves before reading the next true/false statement.

REMITTANCE GAME

Statements	Answers
1. During the second stage of the migration process, your family member sends money to pay off the loan from the trip.	FALSE: Your family member abroad sends you money to pay off the loan from the trip during the first stage of the migration process.
2. Behaving as if you won't receive your remittance next month will help you save part of it.	TRUE: If you behave as if you won't receive the remittance next month, you can look for other sources of income that will help meet your household needs.
3. We should rely on our remittances to cover our basic household needs.	FALSE: You should look for other sources of income to cover your household needs. This will help you to save the remittance so you reach your own financial goals.
4. One way to reach your financial goals and the goals of your family abroad is through open and frequent communication.	TRUE: Talk to your family about your financial goals. This will help you reach them faster.
5. A good strategy to save a portion of your remittance is to deposit part of it in a savings account right after you claim it.	TRUE: Depositing part of your remittance right away into a savings account will help you reduce the temptation to spend it.
6. The best way to make the most of your remittance during the first stage of the migration process is to keep paying the loan to the local moneylender.	FALSE: The best way to make the most of your remittance during the first stage of the migration process is by looking for a cheaper loan in a formal financial institution. This will help your family member abroad pay off the loan quicker.

7. Receiving your remittance in a cooperative or in a bank provides you with access to other financial services they offer.

TRUE: Receiving your remittance through a formal remittance provider allows you to access other services like loans, savings accounts, and insurance.

Ask if there are any questions before moving on to the next review exercise.

STEP 2

Develop Own Review Questions

20 MINUTES

Explain:

Now it is your turn to help each other review and remember what you have learned. Think over the topics related to remittances that we have discussed. Think of one question you can ask the group. It should be a question for which you already know the answer. Let's see if your colleagues also know the correct answer.

Give participants blank paper on which to write a question. Circulate to help those who cannot write. When everyone has formulated a question, ask for volunteers to pose their question to the rest of the group. (You can make this into a game with 2 teams; each team develops questions to ask the other team.)

Reinforce everything that participants have learned. Ask participants if they have any remaining questions about what they learned. If there are questions, ask participants to give answers, and clarify as needed. Thank participants for their participation and encourage them to support each other and apply everything they learned during the remittances module.

Remittances: Make the Most of Them

Introduction

Being separated from family is never easy, but there are an estimated 150 million people worldwide who are making that sacrifice to earn better wages and send remittances home to their families. Recorded migrant remittances have skyrocketed over the past fifteen years from just \$30.4 million in 1990 to \$240 billion in 2006. The true size of remittances, including unrecorded flows, is even larger (Ratha 2007). Remittance flows are second in size to foreign direct investment and larger than official development assistance.

There are three types of remittances: intra-regional, domestic and international. Domestic remittances are the most common in developing countries. The majority of remittance receivers in Latin America and other regions are women. The main recipients of remittances from the U.S. in 2006 were Southeast Asia, Latin America, and Eastern Europe (IFAD 2007).

The typical amount of money a remittance sender sends to developing countries is \$100-\$300 per month. Approximately 80 to 90% of remittances go towards consumption, while 10 to 20% are used for formal or informal savings and investments (IFAD 2007). Remittances make up 10% of the household income of people sending money from the U.S. to Latin America and 50 to 80% of the income of people in Latin America receiving money from the U.S. (IDB 2004).

Many remittance receivers find themselves with an array of financial choices and options that they do not fully understand. They also lack trust in financial institutions to further explore these financial options. As a result, new financial products and service options offered by formal remittance service providers (banks, microfinance institutions (MFIs), credit unions, etc) are not used effectively or to their full advantage. For example, all too often remittances received through formal financial institutions are saved “under the mattress” rather than in a formal financial institution. As a result, many remittance receivers do not leverage their remittances to access other financial products such as loans to start up a small business. Consequently, they may miss out on an opportunity to improve their economic well-being.

Financial education can help remittance receivers around the world to manage their money better and become more informed consumers of financial services. Financial education can provide remittance receivers with the knowledge and skills to evaluate their options and select the most appropriate financial products, to understand how product features differ, to calculate and compare costs and to determine what they can afford and what products are best suited to their needs. Financial education empowers the remittance receiver with the knowledge and skills to engage in a dialogue with the sender about different options for sending remittances through formal channels and how remittances can be used to meet the financial goals of both the sender and the receiver.

Stages of Migration Process

How the remittance is used often depends on where the sender is in the migration process, as well as the relationship of the sender with the receiver and level of communication between the sender and receiver about how to use the remittance. If the remittance receivers don't have financial goals of their own, they are more likely to perpetuate their dependency on remittances.

The motivation of a migrant to send money home usually depends on which stage of the migration process he or she is currently in. There are typically three stages in the migration process:

- **Stage 1: (Short Term)** The migrant is focused on paying off the debt of the trip. The receiver pays off the debt with the money sent. During this stage, there is little or no money left over from the remittance.
- **Stage 2: (Medium Term)** The migrant desires stability for family back home and sends money to cover basic household needs and home improvements.
- **Stage 3: (Long Term)** The migrant sends money home to invest in a productive project such as buying a house or starting a business. The receiver may use some of the money to achieve his/her own financial goal.

The length of time a migrant stays at each stage can vary according to the situation of each family. Understanding the stages of the migration process can serve as a tool to help remittance receivers identify where they are in the process and plan how to use their remittances wisely. It is important for the receiver to graduate or move from one stage to the next stage, until they reach the final stage and invest the remittance in a productive project such as buying a house or starting a business since this allows them to make the most of the remittance.

Current Behaviors of Remittance Receivers

Remittances are used mainly for basic needs such as schooling, food and healthcare. They are also used for education, housing, land purchase, investments, savings and unexpected events such as funerals and weddings.

A study done by the IDB/MIF in 2003 found that in Honduras, 77% of remittance recipients use the funds for general expenditures while 4% use the funds for savings, 4% for investment and 10% for education. In Guatemala, 68% of the remittance recipients use the money for general expenditures, 11% for savings, 10% for investments and 7% for education. Finally, in Mexico, 78% of remittance recipients used the money for basic needs such as rent, food and medicine, 10% for savings, 8% for investments, 1% for the purchase of land and 7% for education (WOCCU 2004).

In a regional technical assistance project implemented by the Asian Development Bank (ADB), the objective was to understand remittance flows in specific Southeast Asian sender and recipient countries. The main difference between Southeast Asian sending behavior and Latin American sending behavior is that in Southeast Asia, remittance sending behavior remains consistent over time and does not diminish the longer the migrant stays in the host country as it does in Latin America.

According to a study by the ADB, in the Philippines 60% of remittance receivers first use their remittances for food, followed by education and savings. In Indonesia, 72% of remittance receivers prioritize their spending on food, followed by housing and education. Savings, followed by education and food, is the number one priority of 81% of remittance receivers in Malaysia.

Unfortunately, many remittance receivers do not manage their remittances in a way that makes the most of their remittances. For example, they combine the remittance income with other sources of income causing remittances to be used only for daily or basic financial household needs instead of using them as means to accumulate assets and generate additional income. Often times, the remittance income is taken for granted and the receiver does not save a portion of it.

In many cases, remittance receivers assume that they will continue receiving the remittance for an indefinite period of time and begin to depend on the remittance as a frequent and consistent source of income. However, in many cases the remittance income may not always be consistent or frequent. Studies show that migrants who are further along in their life-cycle and have fewer family responsibilities in their home country remit less money home (Pozo 2002) than those migrants who are not as far along in their life-cycle. For example, although half of the Latino immigrants who have been in the U.S. for ten years or less are regular remittance senders, the money flow declines the longer they stay. Also, the frequency of the remittance may decrease over time. A study in Mexico showed that in cases where the remittance sender has been away for five years or less, the remittance receivers are nearly twice as likely to

report receiving regular remittances as receivers whose family members have been away for longer (Pew Hispanic Center 2003).

Productive Ways to Use Remittance

Given the possibility that the remittance could be inconsistent or decline, it is important for remittance receivers to have a contingency plan so they are prepared if and when they stop receiving the remittance. If the money from remittances represents more than half of the receiver's total income, then he or she may depend too much on the remittance. It is important to recognize the proportion of income that the remittance represents in order to avoid dependency on it. Some suggestions for remittance receivers to minimize dependency on remittances include:

- Behave as if they won't receive the remittance next month
- Have other sources of income (small business, salaried job)
- Cover basic household needs with income from a business or job
- Manage the remittance as a separate source of income

In addition to reducing dependency on remittances, there are many strategies that receivers can use to make the most of their remittances. For example, if migrants are in stage one of the remittance process, receivers can look for a more affordable loan than a loan from the money lender to pay off the trip of the migrant. One option for making good use of the remittance is to use it to generate additional income by starting a business. This can help receivers invest in their future and ensure they will have an income even if they stop receiving the remittance. Another strategy for maximizing the benefits of the remittance is to prioritize saving and create an emergency fund.

STRATEGIES FOR REMITTANCE RECEIVERS TO SAVE A PORTION OF REMITTANCES

- Decide to save a portion of the remittance.
- Agree with family here and abroad to save a portion of the remittance.
- Decide what amount they want to save every day or week based on their financial goals.
- Find ways to spend less and save the remittance to reach their financial goals.
- Find people who save their remittances and ask them for ideas about how to save the remittance.
- Don't carry a lot of cash—avoid temptation to spend it!
- Try to avoid claiming the remittance on market days.
- Spend carefully. Look for opportunities to save money by bulk buying of non-perishables.
- Cut costs such as household expenditures, debt payments and optional expenses.

A remittance can also be used to access other financial products. For example, a remittance can be used as a guarantee or collateral to obtain a business or housing loan at some financial institutions. A remittance can also be received in a savings account, allowing the receiver to earn interest on the portion of the remittance left in the account. These products are two examples of financial products that can help receivers better manage and leverage their remittances.

Options for Receiving Remittances

There are many options for receiving remittances. Remittance service providers fall into two categories: informal and formal.

Informal Remittance Service Providers are organizations that provide transactions involving only money transfers or remittances. This type of provider includes money transfer operators (MTOs), retail shops, and couriers.

Formal Remittance Service Providers are organizations that provide several types of financial transactions or services, including money transfers/remittances, loans, deposits and insurance. This type of provider includes commercial and rural banks, MFIs, cooperatives and credit unions.

In the best case scenario, the choice of remittance channels is made through a mutual agreement between the sender and receiver, but often times the decision is made by just the sender. Senders may look at cost and convenience

while recipients look mostly at convenience. Remittance transfers by informal remittance service providers involve a minimum amount of paperwork which is often easier and more appealing for clients that lack documentation. Speed is also important to both senders and receivers, and despite the higher transaction costs associated with MTOs, many people still choose MTOs as their preferred remittance service provider instead of banks or MFIs because of their speed, reliability, convenience and customer service. Others choose banks or MFIs because these remittance service providers allow clients to have access to numerous financial products.

Remittances can serve as an entry point to the financial sector and then as leverage for other financial products ranging from personal savings to loans. Below are key points for remittance senders and receivers to consider about the two types of remittance service providers.

<i>Remittance Service Provider</i>	<i>Advantages</i>	<i>Disadvantages</i>
Formal	<ul style="list-style-type: none"> ■ Security (money is safe) ■ Liquidity (for savings) ■ Large, long-term loans ■ Cost ■ Reliability ■ Privacy ■ Income (money earns interest) ■ Choice of products ■ Allows clients to build a credit history ■ Operates within banking laws if registered ■ Access to financial advice and other financial products 	<ul style="list-style-type: none"> ■ Can be far away for rural residents ■ Restricted hours ■ Minimum deposit requirements may be too high ■ Charge fees on many accounts ■ Long lines take time
Informal	<ul style="list-style-type: none"> ■ Access ■ Proximity ■ Speed ■ Trust (it may be located at the local store and the client may have known the person for a long time) 	<ul style="list-style-type: none"> ■ They don't offer other financial services that might help receivers make the most of their remittances. ■ It might be unsafe to claim the remittance in that place ■ It is more expensive for the family members abroad

To help remittance receivers choose the best remittance service provider for their needs, it is important to ask the remittance service provider questions related to accessibility, cost, safety, convenience, ease of use and other factors and then communicate their findings to the sender. Some questions for remittance receivers to consider include the following:

- Can they receive the remittance directly into a savings account?
- Will they receive a bank statement for their account with remittance deposits?
- Can they receive the remittance with an ATM or debit card?
- What other products will be available to them if they receive the remittance here?
- Can they receive a loan for a small business or a house if they receive the remittance here?
- Does the remittance service provider have branches in the city where their family member lives abroad?
- How expensive is it to send the receiver the money?
- How long does it take to receive a remittance from the city where the sender lives?

Benefits of Receiving Remittances Through Formal Channels

The advantages of using banks/MFIs for remittance transfers include the ability to purchase linked products and have access to a range of financial products such as savings accounts, loans, mortgages, credit cards and insurance. Banks and MFIs provide greater security and are able to charge lower transaction costs than informal remittance service providers. They also offer a range of remittance products such as cash-to-cash, in which the sender gives the money transmitter cash and then the receiver is paid out in cash by the receiving agent; cash-to-account, in which the sender provides cash to the money transmitter and it is deposited in the receiver's account; and account-to-account, in which money is transferred directly from the remittance sender's account to the receiver's account (GAO 2005).

Many formal financial institutions also offer debit cards, which are the least expensive of any remittance transfer method and have become a popular way to send and receive remittances. For example, remittance transfers can be transferred through two debit cards linked to the same account. In this system, both the sender and the receiver have a debit card linked to the same account and the sender can transfer funds from a checking or savings account into the remittance account or deposit funds directly into that account.

Despite the benefits of using formal remittance service providers, less than 5% of remittance transfers in Latin America are done through deposit institutions such as credit unions, banks or MFIs (Orozco 2004). A study by the Pew Hispanic Center (2003) showed that 70% use Western Union or MoneyGram, 11% use banks and 17% use informal means (mail or couriers).

Many remittance receivers don't want to save their remittances in a formal financial institution due to lack of trust or access to financial institutions. However, formal financial institutions can provide many benefits for clients who participate in the remittance transfer process. These benefits include:

- Ability to save part of remittance in a savings account, earn interest and be less tempted to spend it
- Access to other products such as loans or insurance
- More security than informal remittance service provider because thieves may not know the receiver is taking out remittance
- Lower transaction costs and thus cheaper to send
- Possibility to receive remittance through debit card, pre-paid card, or ATM, which is faster, often cheaper, and more convenient
- Range of products that can meet financial goals in short, medium, and long term according to different stages of migration process
- Remittance can be deposited directly to savings account
- Ability to receive bank account statements detailing all transactions including deposit of remittance, withdrawals, and account balance. This can help better manage the remittance.

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Financial Education

A ROAD MAP FOR THE CURRICULUM



CORE CURRICULUM

TRAINERS' GUIDES &
TRAINING OF
TRAINERS MANUALS

BUDGETING:

Use Money Wisely

SAVINGS:

You Can Do It!

DEBT MANAGEMENT:

Handle with Care

BANK SERVICES:

Know Your Options

FINANCIAL NEGOTIATIONS:

Communicate with Confidence

SPECIALIZED CURRICULUM

TRAINERS' GUIDES &
TRAINING OF
TRAINERS MANUALS

YOUNG PEOPLE:

Your Future, Your Money

REMITTANCES:

Make the Most of Them

RISK MANAGEMENT

AND INSURANCE:

Protect Your Family's Future

CONSUMER PROTECTION:

*Balancing Rights and
Responsibilities*

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