ECONEETS@WORK

Financial Literacy

Module no. 1

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(*) Action: C = Creation, I = Insert, U = Update, R = Replace, D = Delete

REFERENCED DOCUMENTS

ID	Reference		Title
1	2022-1-CY02-KA210-YOU-000083292		EcoNEETs@Work Proposal
2			

APPLICABLE DOCUMENTS

ID	Reference		Title
1			
2			

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Contents

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Executive summary

This module will provide basic knowledge on financial management and organisation and encourage young people to further build on their own financial literacy so that they can be in control of their finances and be able to set specific realistic goals and make sound financial decisions. The objective of this module is to train young people in specific, useful applicable skills, which their can use as a starting point in their own life-journey. This module opts to raise awareness among young people regarding the importance of financial literacy and research in the process of financial decision-making. The readers of this module will get an idea of the benefits of financial literacy in our every-day lives and gain some basic knowledge on how to create their own budget, how to set a financial plan either personal or in business. After having read this module readers will have an overview of fundamental elements in financial management, budgeting, bookkeeping and the financial aspect of a business.

1. Introduction

In recent years digitalization and economic growth has been a main topic of discussion and research in the European Union and the world. There are more and more resources with information about financial literacy and growth as well as saving opportunities, and this alone shows how important it is for young people and their future. This module focuses on basic concepts of financial literacy, financial management and planning, budgeting, and research skills. Some basic financial concepts for business and personal financial management are going to be presented, along with tips on how to create your own budget and plan your finances for the future. Resources on EU initiatives for young people will also be presented, that will help you get started on your own research regarding your financial literacy skills.

1.1 Learning objectives

After reading this module, you will be able to:

- LO1- Understand basic financial concepts for business and personal financial management
- LO2- Develop basic budgeting skills and organise one's own finances
- LO3- Create one's own budget by setting specific SMART financial goals and by analysing data available in order to make sound financial decisions
- LO4- Discover and evaluate resources in order to find solutions to financial challenges in life

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1.2 Skills to be acquired

The current module is focused on the development of your Financial skills, and provides information particularly on:

- **Skill 1- Budgeting skills**
- **Skill 2- SMART GOAL setting skills**
- **Skill 3- Financial planning skills**
- **Skill 4- Basic financial management skills**
- **Skill 5- Basic Research skills**

1.3 Diving into Financial literacy

The module consists of 5 topics. Each topic aims to increase your knowledge and skills in financial literacy:

1. **Financial Literacy skills**
2. **Effective Budgeting skills**
3. **Introduction to Business Financial Management skills**
4. **Financial Planning and goals setting**
5. **Research skills**

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1.3.1 Financial Literacy skills

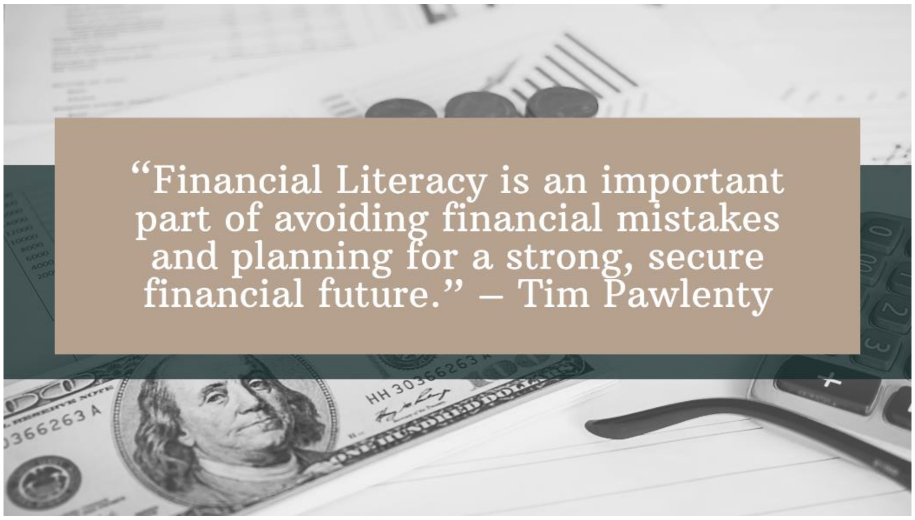

Figure 1
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1.3.1.1 Financial literacy

Many definitions have been given for financial literacy, you can pick and choose the one that resonates with you the most and fits your perspective on life and financial management:

- 'A combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.' (Atkinson and Messy, 2012)

- Financial Literacy refers to "knowledge, skills and confidence to manage one's finances well, taking into account one's economic and social circumstances".

- Financial literacy refers to the knowledge and skills required to understand and manage personal finances. It involves the ability to make informed decisions about financial matters, including budgeting, saving, investing, and managing debt. Financial literacy also involves understanding financial concepts and terminology, such as interest rates, credit scores, and taxes.

All of the above definitions and attempts to describe the concept of financial literacy include words such as **knowledge, skills, attitude and awareness**. Financial literacy has to do with how you use the knowledge you acquire on the subject. Your attitude towards it and your attitude towards life and decision-making in general.

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Having financial literacy is important for you because it can help you make informed decisions about your financial growth, avoid financial pitfalls, and achieve financial goals. For example, individuals who are financially literate are better equipped to create and stick to a budget, save for emergencies and retirement, and make informed decisions about investments and loans.

Financial literacy is also important for society as a whole because it can help to promote financial stability and reduce economic inequality. When individuals are financially literate, they are less likely to fall into debt, or depend on loans. This can help to reduce the burden on social services of a country and promote economic growth.

There have been many efforts to encourage people to become more financially literate, including educational programs, financial counselling services, and public awareness campaigns. By promoting awareness on financial literacy, individuals and society as a whole can benefit from improved financial stability and well-being.

- **Financial literacy is the ability to understand and make good use of a variety of financial skills.**
- **People with higher levels of financial literacy are more likely to spend less of their earnings, create an emergency fund, and open a retirement account than those with lower levels.**
- **Some of the basics of financial literacy and the implementation of those skills in everyday life include banking, budgeting, handling debt and credit, and investing.**

(source: https://www.investopedia.com/terms/f/financial-literacy.asp)

1.3.1.2 Financial concepts that affect our daily life

Knowledge on financial management can contribute to the life of individuals on both a professional/business and personal level.

Here are some basic terms and knowledge in finance that can help you start forming an idea of how the financial system works:

- **Numerical proficiency:**

Numerical proficiency refers to the ability to understand and work with numbers. It involves the basic skills of arithmetic, such as addition, subtraction, multiplication, and division, as well as more advanced concepts such as algebra, geometry, and statistics. Numerical proficiency also involves the ability to interpret and analyze numerical data, including graphs, charts, and tables.

Having numerical proficiency is important in many areas of life, including education, work, and personal finance. For example, students who are numerically proficient are better equipped to understand and solve math

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problems, while employees with numerical proficiency are better equipped to analyze data and make informed decisions. In personal finance, numerical proficiency is essential for managing a budget, calculating interest rates, and making informed investment decisions.

By promoting numerical proficiency, individuals can benefit from improved problem-solving skills, better job prospects, and improved financial literacy. Additionally, society as a whole can benefit from a more numerically proficient population, as it can lead to a more informed and productive workforce, improved economic growth, and better decision-making at all levels.

- **Banking**

Banking refers to the industry and practice of managing financial transactions, such as deposits, loans, and investments. Banks are financial institutions that offer a wide range of services, including checking and savings accounts, credit cards, personal loans, mortgages, and investment products.

The primary functions of banking include:

- accepting deposits
- lending money
- facilitating financial transactions

Bank deposits can be conducted by individuals and business entities. These deposits are used by banks to make loans to other customers. Banks also facilitate financial transactions, such as wire transfers and electronic payments, and provide other services such as safe deposit boxes and currency exchange.

Banks provide a source of credit and liquidity and help to allocate capital to businesses and individuals.

- **Investing**

Investing refers to the act of allocating money or resources with the expectation of generating a return or profit over time. It involves purchasing assets, such as stocks, bonds, real estate, or mutual funds, with the goal of growing wealth or achieving specific financial objectives.

Investing can be done through various avenues, including:

1. Stock market: Investing in individual stocks or exchange-traded funds (ETFs) allows individuals to own a portion of a company's shares and potentially benefit from its growth and profitability.

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Stocks, also known as shares or equities, might be the most well-known and simple type of investment. When you buy stock, you’re buying an ownership stake in a publicly-traded company. Many of the biggest companies in the country are publicly traded, meaning you can buy stock in them. Some examples include Exxon, Apple and Microsoft.

In other words a stock is part ownership of a company. When an individual owns stock in a company they actually own a percentage of the company itself, including its assets and a percentage of the profits.

When a company has stocks it can go on the stock market. When you buy a stock, you’re hoping that the price will go up so you can then sell it for a profit. The risk, of course, is that the price of the stock could go down, in which case you would lose money. Therefore, owning, buying selling stocks entails a lot of risk and should be thoroughly considered and investigated before anyone invests in a company’s stocks.

2. Bonds: Bonds are a type of investment security that represents a loan made to a government, corporation, or other entity. When an investor buys a bond, they are essentially lending money to the issuer of the bond, who agrees to pay back the principal amount plus interest over a set period of time. Bonds are commonly used by governments and businesses to raise money for various projects or to finance their operations. They are also used by investors to diversify their investment portfolios and generate income.

* Stock vs Bond

When someone buys a stock they buy part of the company’s ownership, but a bond is more of a loan to the company and the promise that the company will pay this person back the amount of money they lent plus interest.

3. Real estate: Investing in real estate involves purchasing properties, such as residential or commercial buildings, with the expectation of earning rental income or capital appreciation.

4. Mutual funds: Investing in mutual funds allows individuals to pool their money with other investors to invest in a diversified portfolio of stocks, bonds, or other assets managed by professional fund managers. A mutual fund is a pool of many investors’ money that is invested broadly in a number of companies. Mutual funds can be actively managed or passively managed. An actively managed fund has a fund manager who picks securities in which to put investors’ money. Fund managers often try to beat a designated market index by choosing investments that will outperform such an index. A passively managed fund, also known as an index fund, simply tracks a major stock market index like the Dow Jones Industrial Average or the S&P 500. Mutual funds can invest in a broad array of securities: equities, bonds, commodities, currencies and derivatives.

(source:Investopedia)

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5. Retirement accounts: Retirement accounts are specialized investment accounts designed to help individuals save and invest for their retirement.

Investing carries risks, including the potential for loss of principal. It is important to conduct thorough research, diversify investments, and consider one's risk tolerance and investment goals before making investment decisions. Many individuals seek the guidance of financial advisors or investment professionals to help them navigate the complexities of investing.

- **Risk Management**

Every investment involves some degree of risk. Risk management involves identifying, analyzing, and accepting or mitigating uncertainty in investment decisions. In other words, it is the process of monitoring and dealing with the financial risks associated with investing. Managing risks in personal finances is essential to protect your financial stability and achieve your financial goals.

Remember, risk management in personal finances involves identifying potential risks, implementing strategies to mitigate those risks, and regularly reviewing and adjusting your financial plan. By proactively managing risks, you can protect your financial well-being and work towards achieving your financial objectives.

Financial risk management is a fundamental aspect of prudent financial planning and decision-making. It involves identifying, assessing, and mitigating potential risks that could impact an individual, organization, or economy. In an increasingly complex and interconnected financial landscape, effective risk management is essential to safeguard stability and ensure long-term success.

- **Saving**

Saving is an important financial practice that can help individuals and households achieve their financial goals and improve their financial security. It is setting aside a portion of one’s income for future use or investment.

Saving can help individuals build an emergency fund to cover unexpected expenses, such as medical bills or car repairs. It can also help individuals save for larger goals, such as a down payment on a house or retirement. Also saving money cutting back on expenses and using this funds for future investments is a common practice among businesses, too.

- Savings account: A savings account is an interest-bearing deposit account held at a bank or other financial institution. Savings accounts typically pay a low interest rate, but their safety and reliability make them a sensible option for saving available cash for short-term needs.

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- High-yield savings account: A high-yield savings account usually pays a much higher rate of interest than a standard savings account. The tradeoff for earning more interest on your money is that high-yield accounts tend to require bigger initial deposits, larger minimum balances, and higher fees.

There are several strategies that individuals can use to save money:

- setting a savings goal,
- creating a budget to track income and expenses,
- automating savings by setting up automatic transfers from a checking account to a savings account.

Other strategies include reducing expenses, such as by cutting back on unnecessary purchases or finding ways to save on regular expenses like utilities or groceries. Individuals can also look for ways to increase their income, such as by taking on a side job or negotiating a raise at work, or making a investment that provides them with some profit.

By making saving a priority and adopting effective saving strategies, individuals can improve their financial well-being and achieve their long-term financial goals.

- **Credit**

Credit refers to the ability of an individual or business to borrow money or obtain goods or services with the promise to pay for them later. Credit is typically extended by lenders or creditors, such as banks, credit card companies, or other financial institutions.

Credit can be a useful tool since it provides the opportunity to individuals and businesses to acquire money and invest it, but it can also include risks, since the borrower might be burdened with interest rates or other fees.

“Good credit” means that you’ve proven your ability to pay your sources of credit (i.e. credit cards, lines of credit, loans) in an agreed upon and timely manner.

There are many different types of credit, each with their own benefits and downfalls.

Credit cards are the most commonly used types of credit. When applying for a credit card, consider the following points before submitting any credit applications:

1. What is the interest rate charged on carried balances?

2. What fees are associated with the credit card (i.e. annual fees, transactional fees, etc.)?

3. What rewards or incentives are offered by the credit card issuer?

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4. Do the terms and conditions change after a certain period of time?

- **Debt management**

Debt management refers to the process of managing and paying off debt in a responsible and effective manner. It involves developing a plan to pay off existing debts, while also avoiding taking on new debt and minimizing interest charges and fees.

Effective debt management strategies include creating a budget to track income and expenses, prioritizing debt payments based on interest rates and balances, negotiating with creditors to lower interest rates or payment amounts, and consolidating debt into a single loan with a lower interest rate. Financial literacy is relevant to the ability of households to manage debt. The more financially literate someone is, the better they can manage their budget, debt and investments.

Debt Management:

a) Avoid excessive debt and manage existing debt responsibly.

b) Prioritize paying off high-interest debt and consider debt consolidation or refinancing options.

c) Keep track of your credit score and strive to maintain a good credit rating.

Digital Finance

We cannot talk about modern finance and not mention digital finance, also known as fintech (financial technology) It refers to the use of technology and digital platforms to deliver financial services and conduct financial transactions. It encompasses a wide range of activities, including online banking, mobile payments, digital wallets, peer-to-peer lending, crowdfunding, and cryptocurrency.

There is the umbrella term of Digital Banking, which consists of Online Banking (Traditional banking services, such as checking accounts, savings accounts, and bill payments, accessible through internet banking platforms) and Mobile Banking (Banking services delivered through mobile applications, allowing users to manage their finances on the go).

Nowadays there are

- Digital Payments:

a) Mobile Payments: The use of mobile devices, such as smartphones or tablets, to make payments via apps or mobile wallets.

b) Contactless Payments: Payments made by tapping or waving a contactless-enabled card or mobile device near a payment terminal.

c) Peer-to-Peer Payments: Direct transfer of funds between individuals using digital platforms or apps.

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- Digital Wallets: E-Wallets: Digital wallets that store payment information, such as credit card details or bank account information, for quick and secure online transactions.
- There is also Crowdfunding, that mostly refers to Online platforms that facilitate raising funds from a large number of individuals for a specific project or cause. Also, crowdfunding allows entrepreneurs, artists, and non-profit organizations to access capital from a diverse pool of contributors.

As technology continues to advance, digital finance will play a significant role in shaping the future of financial transactions and services. However, it is crucial to address security and privacy concerns we as users and customers should always do our research on any financial topics we are dealing with, in an effort to keep pace with financial developments.

1.3.1.3 The meaning of financial literacy for the labour market

Financial literate individuals are also more aware members of a business or corporation. Having knowledge on how the monetary system works and what it takes to generate, save and invest money is a valuable skill for every employee. High levels of financial literacy among employees often result in better savings, investment choices, and making sound financial decisions. This stability in their personal finances can improve work productivity and reduce the risk of financial scams or poor investment choices.

Benefits of financially literate workforce:

- Improved Job Performance and Productivity

- Improved Employee Retention

- Greater focus and profitability: Financial literacy eases the anxiety of financial pressure and debt management empowering employees with knowledge.

- Less absenteeism: Absenteeism is the practice of avoiding work. Employees that can manage their stress and feel healthier and happier are more likely to be committed to their work.

- Improved Employee Benefits Utilisation: Employees are able to make more informed decisions about their benefits and use them more effectively.

- Overall better Financial Decisions: For example, employees who are able to create a budget and manage their debt are likely to foresee or avoid financial trouble in the company.

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1.3.1.4 How to increase your financial understanding and literacy: Tips & tricks

Improving one's financial knowledge and skills is a life-long ongoing process. Here's some ideas on what you can do, to get you started in your financial journey:

1. Subscribe to financial newsletters from trusted sources. Keeping up-to-date with financial opportunities for saving or gaining insight about financial topics that interest you can make a great difference in the long run.

2. Listen to financial podcasts. Podcasts are a great way to get access to information from experts in any field, listen to financial news and learn about real- life stories and case studies. Here are a few podcasts you can start with. Always make your own research in order to find the ones that suit your needs and what you want to learn, these are just a few examples of the numerous podcasts that are out there:

    - The Ramsey Show https://www.ramseysolutions.com/shows
    - The Clark Howard Podcast https://clark.com/podcasts/
    - Women and Money https://www.suzeorman.com/podcast
    - BiggerPockets Money https://www.biggerpockets.com/podcasts/money
    - Optimal Finance Daily https://oldpodcast.com/optimal-finance-daily-podcast/
    - Money for the Rest of Us https://moneyfortherestofus.com/

3. Read personal finance books. There is a plethora of books in the market about budgeting and saving basics, paying off debt, advice for first-time investors and strategies for building wealth. You can make your own research on topics that interest you specifically, since there are numerous books out there related to financial literacy. Here are some examples:

- Money: A User's Guide by Laura Whateley
- The Meaningful Money Handbook by Pete Matthew
- The Richest Man in Babylon by George S. Clason

4. Use social media: Social media is a great way to gain knowledge, since many people are uploading their stories and financial journey online and are willing to share their experiences on financial management and personal growth.

5. Keep a budget. For starters, a simple thing, like an excel spreadsheet can help you a lot with having control on your income and expenses. In the following topics we will elaborate more on effective budgeting in everyday life. In the next chapter about Budgeting we'll go into detail about what a budget is and what to include in it.

6. Talk to a financial professional about the specifications of finances in each country.

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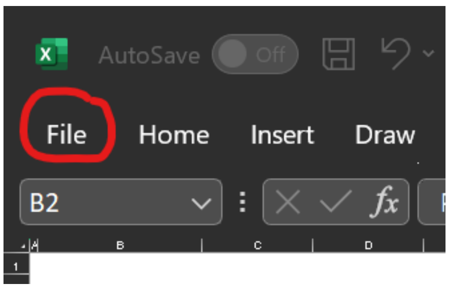
֍ See below instructions on how you can create your own spreadsheet in excel, by opening a new excel file clicking on “File” and then “New” :

Step1 :



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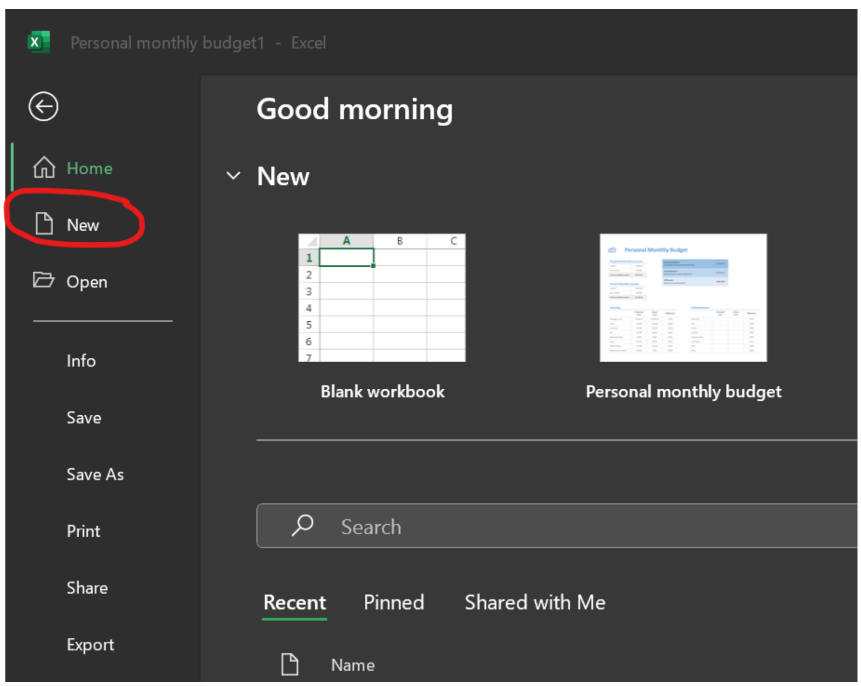

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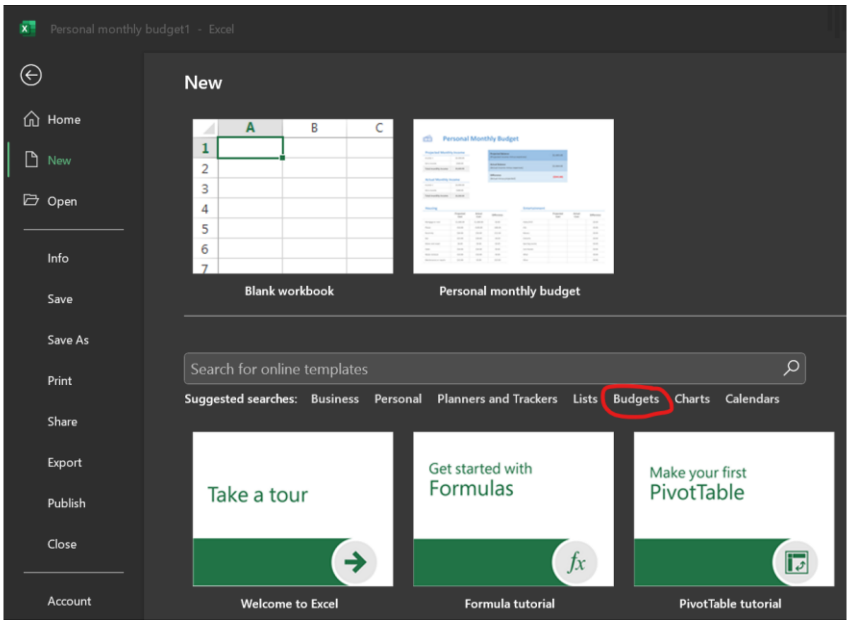
Step 3 :



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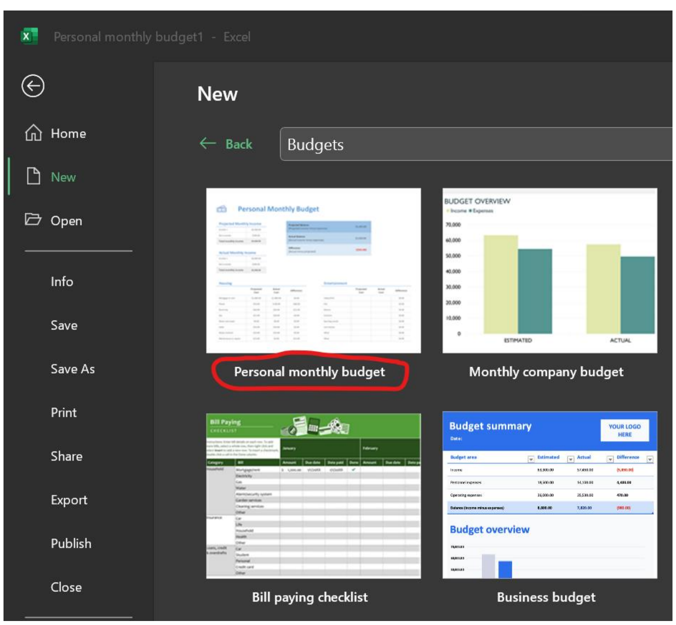

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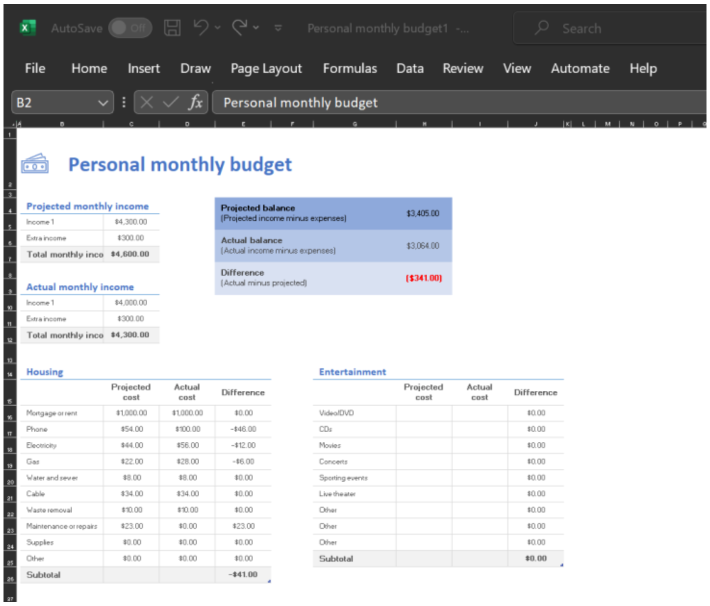
Step 5:



If you want to print your excel sheet (either on paper or just in a pdf file) you will have something that looks like this:

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Personal monthly budget

Projected monthly income

Income 1	$4,300.00
Extra income	$300.00
Total monthly income	**$4,600.00**

Actual monthly income

Income 1	$4,000.00
Extra income	$300.00
Total monthly income	**$4,300.00**

Projected balance (Projected income minus expenses)	$3,405.00
Actual balance (Actual income minus expenses)	$3,064.00
Difference (Actual minus projected)	**($341.00)**

Housing

	Projected cost	Actual cost	Difference
Mortgage or rent	$1,000.00	$1,000.00	$0.00
Phone	$54.00	$100.00	-$46.00
Electricity	$44.00	$56.00	-$12.00
Gas	$22.00	$28.00	-$6.00
Water and sewer	$8.00	$8.00	$0.00
Cable	$34.00	$34.00	$0.00
Waste removal	$10.00	$10.00	$0.00
Maintenance or repairs	$23.00	$0.00	$23.00
Supplies	$0.00	$0.00	$0.00
Other	$0.00	$0.00	$0.00
Subtotal			**-$41.00**

Entertainment

	Projected cost	Actual cost	Difference
Video/DVD			$0.00
CDs			$0.00
Movies			$0.00
Concerts			$0.00
Sporting events			$0.00
Live theater			$0.00
Other			$0.00
Other			$0.00
Other			$0.00
Subtotal			**$0.00**

Transportation

	Projected cost	Actual cost	Difference
Vehicle payment			$0.00
Bus/taxi fare			$0.00
Insurance			$0.00
Licensing			$0.00
Fuel			$0.00
Maintenance			$0.00
Other			$0.00
Subtotal			**$0.00**

Loans

	Projected cost	Actual cost	Difference
Personal			$0.00
Student			$0.00
Credit card			$0.00
Credit card			$0.00
Credit card			$0.00
Other			$0.00
Subtotal			**$0.00**

Insurance

	Projected cost	Actual cost	Difference
Home			$0.00

Taxes

	Projected cost	Actual cost	Difference
Federal			$0.00

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	Projected cost	Actual cost	Difference
Health			$0.00
Life			$0.00
Other			$0.00
Subtotal			**$0.00**

Food

	Projected cost	Actual cost	Difference
Groceries			$0.00
Dining out			$0.00
Other			$0.00
Subtotal			**$0.00**

Pets

	Projected cost	Actual cost	Difference
Food			$0.00
Medical			$0.00
Grooming			$0.00
Toys			$0.00
Other			$0.00
Subtotal			**$0.00**

Personal care

	Projected cost	Actual cost	Difference
Medical			$0.00
Hair/nails			$0.00
Clothing			$0.00
Dry cleaning			$0.00
Health club			$0.00
Organization dues or fees			$0.00
Other			$0.00
Subtotal			**$0.00**

	Projected cost	Actual cost	Difference
State			$0.00
Local			$0.00
Other			$0.00
Subtotal			**$0.00**

Savings or investments

	Projected cost	Actual cost	Difference
Retirement account			$0.00
Investment account			$0.00
Other			$0.00
Subtotal			**$0.00**

Gifts and donations

	Projected cost	Actual cost	Difference
Charity 1			$0.00
Charity 2			$0.00
Charity 3			$0.00
Subtotal			**$0.00**

Legal

LEGAL	Projected cost	Actual cost	Difference
Attorney			$0.00
Alimony			$0.00
Payments on lien or judgment			$0.00
Other			$0.00
Subtotal			**$0.00**

Total projected cost	$1,195.00
Total actual cost	$1,236.00
Total difference	**($41.00)**

Page 2 of 2

This way a very simple but effective way to get an overview on your budget and start organizing your finances.

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Just a thought before we wrap up the topic of financial literacy:

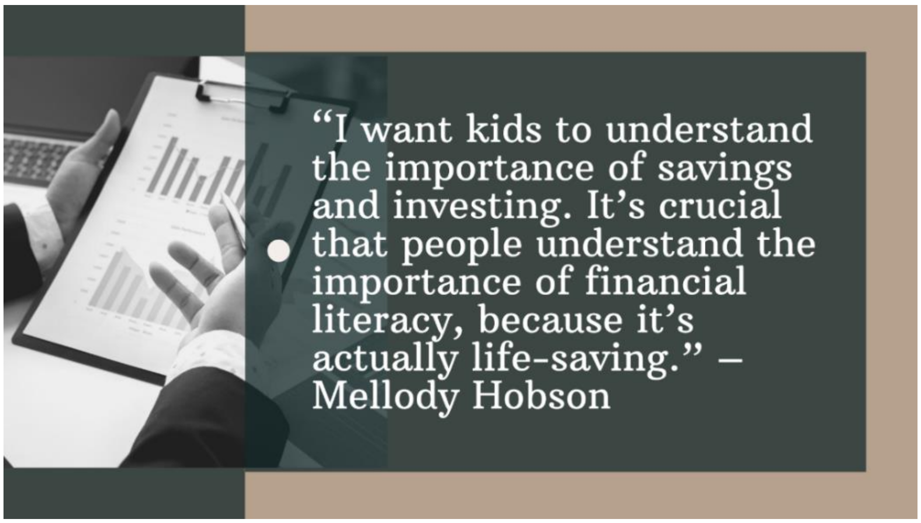

Figure 2
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1.3.2 Effective Budgeting skills

Figure 3
Created by ECONEETS@work partnership

1.3.2.1 Increasing your skills and understanding on Budgeting

From personal finances to business financial management budget is a necessary tool to keep track of income, expenses, savings and overall financial transactions of an individual or organization. A budget could be a spending plan of how your income will be spent over a set period of time. It helps you create a forecast of income and expenses over a specific period of time. The term Budget is the process of creating an income / spending plan.

A personal budget can be created for daily, weekly, monthly, or annual timelines. It's beneficial to have budgets for different time periods or different purposes so you can track unexpected expenses and plan your future budgets accordingly.

The most basic element of a budget is your income. Income represents how much money you earn, and it can be the result from a variety of sources and activities. There are two types of income to know: gross income and net income.

- **Gross income** is the amount of money you receive before deductions.

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- **Net income** is the amount of money you receive after deductions.

Important tip: Net Income is the amount to be used in your budget

A budget usually consists of the following basic elements:

FIXED EXPENSES: These are the expenses that exist in rotation every week/month etc and are vital for your everyday life, such as your rent, mortgage, or insurance payments, and other household expenses.

FLEXIBLE or VARIABLE EXPENSES: These expenses change each month/ week and you can determine how much you spend on them. These expenses related more to what you want, but don't necessarily need, such as take-out meals or entertainment costs. So, you are in control on how much you can spend in this category or save in order to keep money for one of the categories above.

EMERGENCY FUND: This part of your budget will be dedicated for a time of need. Dedicate an amount of your income to be put into an emergency fund to cover unexpected costs, like a broken-down car or a replacement of a household appliance.

SAVINGS: Every successful budget includes part of your income being put towards savings that remain untouched and grow over time. Savings are a different category and separate from your emergency fund.

1.3.2.2 Why budgeting skills are important for your daily life

Benefits of Estimating and Balancing expenses and income:

- ✓ You take control of your finances and your personal goals in your own hands
- ✓ Helps you have a clear picture of your spending habits
- ✓ Helps you prevent impulse and unnecessary spending
- ✓ Helps you make more sane financial decisions and based on what you can and cannot afford
- ✓ Enables you to keep track of how much you earn and spend your money
- ✓ Helps you create a savings plan, and be more prepared for the future and to tackle unforeseen events.
- ✓ By practicing keeping a budget and an expense log you will start thinking outside the box and become more creative regarding your sources of income. You will also change your attitude towards income an expense and become more sensible regarding your expenses.

(source: https://www.incharge.org/wp-content/uploads/2015/07/Teacher-College-Lesson-1.pdf)

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1.3.2.3 The meaning of effective budgeting for the labour market

Employees that are knowledgeable on the concept of budgeting and other financial concepts are valuable members of a company and these skills can boost their performance, specially in roles that have to do with project management and budget management. Apart from academic skills, modern employees should have an idea of what it means to run a business, or at least have a grasp of what managing the finances of an organization is like.

Budgeting for example is essential in business strategy and it is used in businesses and even governments. The method is more or less the same but when we talk about the budgeting of a company or country the amounts of money are on a much larger scale, and there are more factors to consider when creating a business plan.

Similarly, to a household budget, a company's budget is based on the Income / Expenses concept.

Important tip: Fixed expenses in a business are the expenses that are not variable or dependent on production volumes and sales.

A business budget is a financial plan based on a company's revenue and expenses it expects over a period. Budgets can help businesses estimate spending, identify capital and predict revenue. A budget can also help leadership understand how the company is performing. (source: https://www.indeed.com/career-advice/career-development/budgeting-in-business)

Businesses depend on their budget to estimate cash flow and expenses so that they can make informed and sane decisions about the financial and operational aspects of a business. Also, business budget is estimated based on a particular timeframe; annual basis, quarterly basis etc. , rather than on a monthly basis.

Entrepreneurs use business budget to have a realistic overview of the business's expenditures and revenues and their budget dictates important business decisions regarding their marketing strategy, finding ways to cut down on expenses, hiring staff, investing in new equipment, and improve company's facilities in other ways. Budget also affects your organization's financial and operational goals, so it can be a first step for developing an action plan that will help the business re-allocate resources, evaluate performances, and formulate plans. So, a budget estimates an organization's revenue and expenses over a specific period of time and drives important business decisions, as well as contributes to business efficiency.

Types of Budgets in Business:

Master Budget: is a projection for the overall company. Master budgets typically forecast the entire fiscal year.

Static Budget: is a budget with numbers based on planned outputs and inputs for each of the company's departments. It is often the first step when budgeting and it allows the company to see how much a company already has and how much it will spend. The fixed budget overviews the fixed expenses of a company like rent, loan payments etc. Some industries such as non-profits receive donations and grants resulting in a static budget from which they can't deviate. Other industries and businesses use static budgets as a starting point or a baseline number, similar to the master budget, and make adjustments at the end of the fiscal year if more or less is needed in the budget.

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Operating budget: The operating budget includes the expenses and revenue generated from the day-to-day business operations of the company. The annual operating budget is mainly connected with the estimations of all revenues and costs that the entity will incur over a specific predetermined time to achieve the objective of the business. It keeps track of all income and expense that the business incurs daily and helps in assessing the company's financial condition and its ability to meet manage the daily activities.

Revenue Budgets: are budgets about the expected revenues that will occur from the business over a set period.

Expenses Budgets are budgets that forecast the expenses over that set period.

Profit Budget: It is the difference between the above two budgets (RB- EB = PB)

Cash-flow Budget

This is the budget that helps entrepreneurs and financial managers have an overview over the amount of cash being generated by a company during a specific period. Keeping track of inflows and outflows of cash for a company are important because expenses need to be paid in a timely manner from the cash generated.

1.3.2.4 How to increase your budgeting skills: Tips & tricks

In the case of Budgeting, practice make perfect. The more you practice the habit of keeping track of your income/ expenses, the easier it will be to have control over your finances.

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Here are some tips to keep in mind when creating your own budget →

Figure 4- Budget Tips
Created by ECONEETS@work partnership

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The following budget sheet will help you visualize your income and expenses and how your money is distributed in the categories we already mentioned:

Income

TYPE OF INCOME	**Amount of money**
NET MONTHLY INCOME:	**(example 1000 €)**
OTHER MONTHLY INCOME	
TOTAL NET INCOME (A)=	

Fixed expenses

Type of Expenses	Details	Amount of money
HOUSING	**Rent or Mortgage**	
	Property Tax	
	Apartment/ Condominium fees	
	Other:	
UTILITIES	**Heating**	
	Electricity	
	Water	
	Other:	
LOANS	**Vehicle payment**	
	Student Loan	
	Other:	
INSURANCE	**Auto**	
	Home/Property	
	Life/Disability	
	Other:	
	Childcare	

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FAMILY RESPONSIBILITIES	**Child/ Spousal support**	
	Other:	
TELECOMMUNICATIONS (some telecommunications may be optional and negotiable and might belong to flexible expenses)	**TV/Cable/ Satellite**	
	Phone (mobile/landline)	
	Internet connection	
	Other:	
	TOTAL FIXED EXPENSES (B)=	

Savings & Emergency fund

SAVINGS GOAL	TOTAL SAVINGS NEEDED ÷ TIME FRAME	CONTRIBUTION
Example: buy a car	**7000 EUR ÷ 24 months**	**291 EUR/ month**
Emergency Fund		
	TOTAL SAVINGS CONTRIBUTIONS (C) =	

Flexible expenses:

Type of flexible expenses	Details	Amount of money
FOOD	**Groceries**	
	Takeout/ Beverages	
	Other	
PERSONAL CARE	**Items (toiletries, laundry etc.)**	

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	Services (haircuts, nail care etc.)	
	Clothing/footware	
	Other:	
HOUSEHOLD EXPENSES	**Cleaning**	
	Maintenance	
	Other:	
Transportation	**Transit**	
	Fuel	
	Vehicle maintenance	
	Other:	
Recreation	**Sports/Lessons**	
	Clubs/Memberships	
	Entertainment (concerts, cinema etc.)	
	Vacation/Travel	
	Gifts/ Charitable donations	
	Other:	
EDUCATION	**Tuition**	
	Books	
	Professional Development	
	Other:	
	TOTAL FLEXIBLED EXPENSES (D)=	

Calculate and adjust:

Subtract your monthly expenses from your total net income and see your balance at the end of the month. You can have either a surplus (+) or deficit (-)

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TOTAL NET INCOME (A)	
TOTAL FIXED EXPENSES (B)	**- €**
TOTAL SAVINGS/EMERGENCY FUND CONTRIBUTIONS (C)	**- €**
TOTAL FLEXIBLE EXPENSES (D)	**- €**
MONTHLY SURPLUS (+) OR DEFICIT (-)	**= €**

If the result of your monthly budget is a deficit, you need to either increase your income or cut down on your expenses. Take a look at your expenses and think about how you can reduce them. Also consider the possibility of finding another source of income.

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1.3.3 Introduction to Business Financial Management

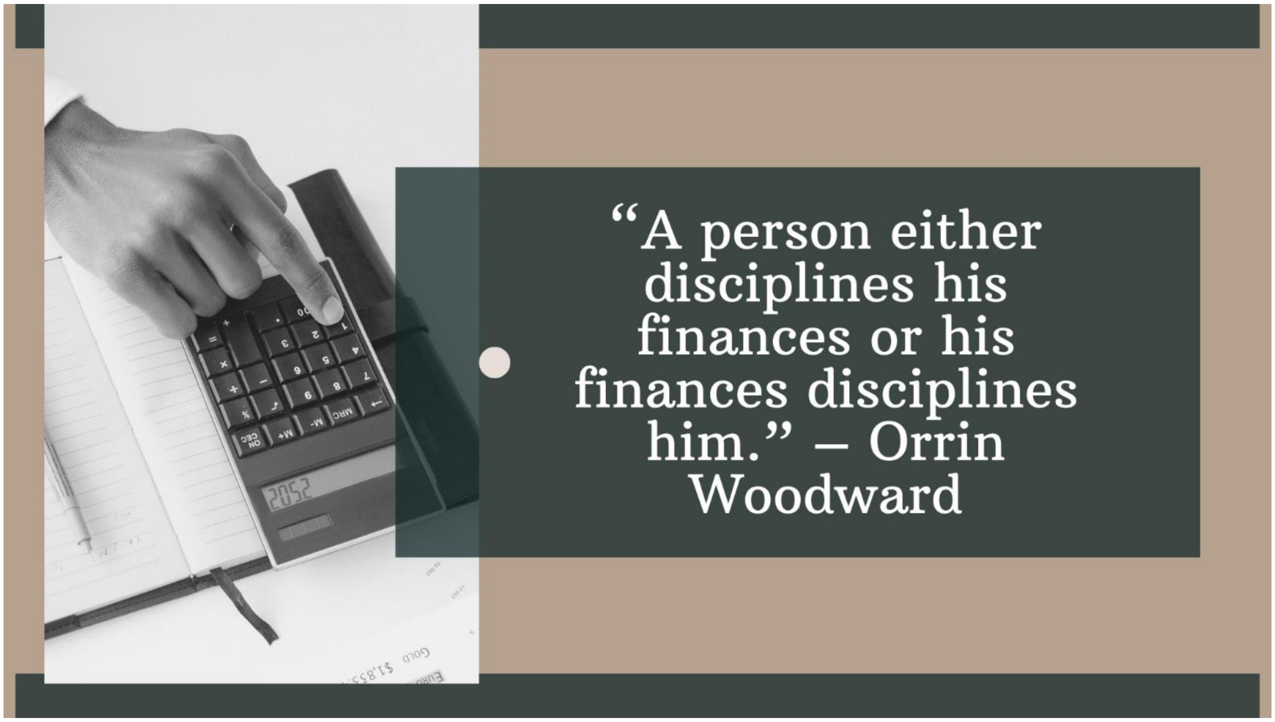

Figure 5
Created by ECONEETS@work partnership

1.3.3.1 Business financial management

This section is an introduction to the financial management of a business. Financial management is a whole field of studies that covers a very wide spectrum of activities, documents processes and methodology. Here we are going to cover the basics of what a company or business is and what they consist of in terms of basic bookkeeping and management. In this section a glossary of useful terms related to business and finance is included.

A company, either a small business or a larger organization is a complex and multifaceted entity that comprises of all sorts of different divisions and teams working together for the effective operation of daily business, financial management and of course profitable activities. Below you can see a basic general structure of a business, that usually is comprised by these departments (in small businesses and start-ups these departments can have just one person in them, or one person can undertake tasks from various departments):

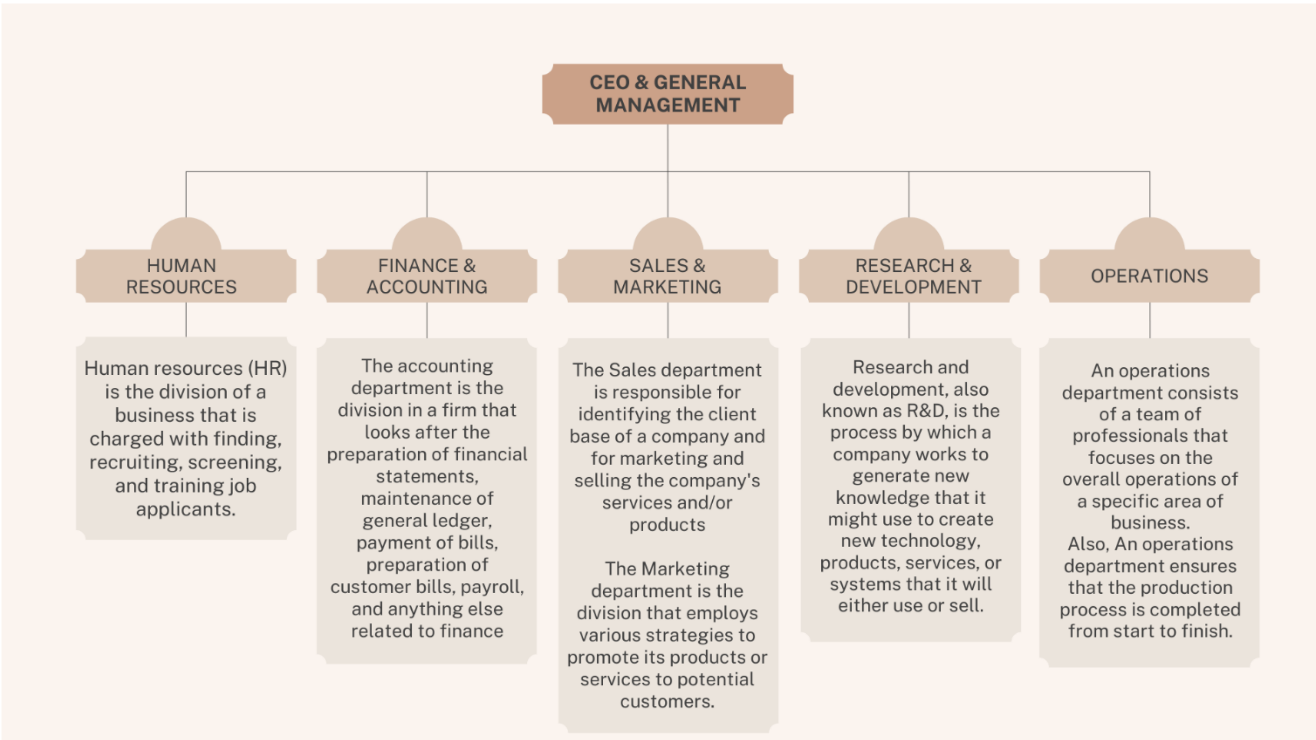

Figure 6
Created by ECONEETS@work partnership

In this section, we are going to focus on financial operations, that is finance and accounting, by presenting some information about what financial management is and why it is useful for running a small business or a large corporation. Apart from the bigger picture of financial management, we will also touch upon some basic accounting information that we'll help you understand how daily business is conducted.

Financial Management is related to planning, organizing, directing and controlling the financial activities of a company, such as procurement and utilization of funds of an enterprise.

Also, financial management uses financial forecasts and estimates, in order to determine the financial and business decisions of organizations. The financial management enables businesses to plan, to use projects, future financial realizations of capital, property and necessary stuff for maximization of the return of investments.

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The main objective of every entrepreneurial endeavor is profit and the financial growth of the business.

A very Important term related to profit is : ROI, Return on Investment - Return on investment (ROI) is a mathematical formula that is used to evaluate the profitability of an investment or compare the efficiency of a number of different investments. ROI is used to directly measure the amount of return on a particular investment, relative to the investment's cost. (source: Investopedia)

The formula for calculating ROI is:

(Current Value - Beginning Value) / Beginning Value = ROI

Some of the main objectives of financial management are:

- To ensure regular and adequate supply of funds and cash flow.

- To ensure adequate ROI

- Keep the financial aspect of the company organized and make accurate forecasts and estimates for quarters to come

- To advise about investments and financial growth of the company

Main functions of financial management of a company:

Management of cash flow

Determining capital structure

Investment of funds

Financial controls

A finance manager ensures that the financial resources are maximally utilized in the best possible manner at least cost in order to get maximum returns on investment.

<u>**Basic accounting (cash handling, statements, cash flow management, data analysis)**</u>

Accounting Glossary:

Fiscal year: A fiscal year is a one-year period that companies and governments use for financial reporting and budgeting.

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Financial statements: Financial statements are written records that convey the business activities and the financial performance of an entity. The financial statements are used by investors, market analysts, and creditors to evaluate a company's financial health and earnings potential.

- The **balance sheet** provides an overview of assets, liabilities, and shareholders' equity as a snapshot in time.
- The **income statement** primarily focuses on a company's revenues and expenses during a particular period. Once expenses are subtracted from revenues, the statement produces a company's profit figure called net income.
- The **cash flow statement (CFS)** measures how well a company generates cash to pay its debt obligations, fund its operating expenses, and fund investments.
- The **statement of changes in equity records** how profits are retained within a company for future growth or distributed to external parties.

(source: Investopedia)

Data analysis

Data analysis- is the practice of collecting, modelling and analyzing data in order to make an informed decision, by using various statistical and logical methods and techniques. Data analysis is very often used in financial management as well as in other divisions in a company, like marketing for example. Businesses rely on analytics processes and tools to extract insights that support strategic and operational decision-making.

Companies are gaining knowledge and are making more informed decisions thanks to the benefits of leveraging data. Data analysis can be used in various different organizations i.e help a company to personalize customer interactions, a health care system to predict future health needs, or an entertainment company to create the next big blockbuster or streaming hit.

Data Analysis process entails:

Identify the business question you'd like to answer. You need to identify what the needs, problems are, what you need to measure, and how you will measure it.

Collect the raw data sets you'll need to help you answer the identified question. Data collection might derive from internal sources, like a company's client relationship management (CRM) software, or from secondary sources, like government records or social media application programming interfaces (APIs).

Clean the data to prepare it for analysis. Often times raw data include duplicate and anomalous data, reconciling inconsistencies, standardizing data structure and format, and dealing with white spaces and other syntax errors.

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Analyze the data. By manipulating the data using various data analysis techniques and tools, you can begin to find trends, correlations depending on the problem/topic you are working on. During this stage, you might use data mining to discover patterns within databases or data visualization software to help transform data into an easy-to-understand graphical format.

Interpret the results of your analysis to see how well the data answered your original question. What recommendations can you make based on the data? What are the limitations to your conclusions?

(source: https://www.coursera.org/articles/what-is-data-analysis-with-examples)

Types of data analysis:

Descriptive analysis answers the question, "what happened?" This analysis helps describe or summarize quantitative data by presenting statistics.

Diagnostic analysis answers the question, "why did it happen?" For example the initial data might show the influx of number of patients in a hospital but digging deeper into the data might show that these patients had symptoms of the same virus.

Predictive analysis answers the question, "what might happen in the future?" Predictive analysis uses the data that you have collected so far to make an entimate about the near future. For example if a company's product has had its best sales in specific months, you can estimate that this will be the case also in the coming year.

Prescriptive analysis answers the question, "what should we do about it?" This analysis takes all the insights and information gathered from the first three types of analysis and uses them to form recommendations for how a company should plan for the future.

Examples of Data Analysis Software Applications and some basic tutorials on Youtube:

- Excel (https://www.youtube.com/watch?v=_g5roKHj95o)
- R (https://www.youtube.com/watch?v=I4NRCN9DPTI)
- Python (https://www.youtube.com/watch?v=r-uOLxNrNk8)
- Tableau (https://www.youtube.com/watch?v=6xv1KvCMF1Q)
- Jupyter Notebook AS (https://www.youtube.com/watch?v=IMrxB8Mq5KU)

Cash-flow handling/ management

Cash flow vs. revenue : Revenue measures how much money is coming into your business, while cash flow measures both how much comes in and how much is going out.

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Financial management begins and ends with cash. Cash flow management is tracking and controlling how much money comes in and out of a business in order to accurately forecast cash flow needs.

How to manage cashflow effectively

Managing your cash flow is all about figuring out when you're going to have cash in your hands, figuring out how to get more of it in your hands faster, and how to manage your spending so you don't run into cash flow problems. Learning to manage cash flow is a foundational building block for managing your business finances. If you've got that down, then you can start thinking about how to really grow your business and improve your margins and profit.

1. Effective and accurate bookkeeping
2. Analyse your cash flow
3. Decide whether you need to increase cash flow
4. Cut down on unnecessary expenses to increase cash flow
5. Speed up your accounts receivable (i.e invoice payments from clients)

Basic accounting in business: Company's assets, liabilities, and equity, statements

Useful Basic Bookkeeping Terms:

(source: https://www.easybooksapp.com/blog/how-to-do-bookkeeping-basics-every-small-business-owner-needs-to-know)

Bookkeeping is the recording of financial transactions on a day-to-day basis. It helps to make sure that records of individual financial transactions are accurate and up-to-date.

Bookkeeping vs Accounting:

Bookkeeping traditionally refers to the day-to-day upkeep of a business's financial records. Whereas accounting refers to the analysis, reporting of all the data that bookkeepers handle in everyday business operations. Accounting reports demonstrate the financial performance of a business, and calculate how much tax is owed.

Accounts Payable: Accounts payable is the account which is used to track all of the money that you owe to a third party, such as supplier companies, banks, governments or anyone you borrowed money from. An easy example to think about is a mortgage as when you take one out, you sign a contract telling the bank you'll pay them over a period of time in instalments.

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Accounts Receivable: On the flip side, accounts receivable is the account that keeps track of all the money that third parties owe to you. Again, it can be customers, banks, companies or anyone that purchased or borrowed from your business.

Assets: Assets are simply all the things you or your company owns to help you successfully run the business. It can range from cash, buildings and land right through to tools, vehicles and furniture.

Balance Sheet: A balance sheet is a detailed report which breaks down the financial situation of your business. In this report, you'll find aspects such as assets, liabilities and the capital of your business. The point of a balance sheet helps to show what your business owns and owes.

Capital: This is simply the money or other assets which personally belong to the owner and not the actual profit that is generated generate from your business or self-employment.

Costs of Goods Sold: The amount of money you spend on products or services which you plan to sell to customers.

Depreciation: Depreciation is when an asset loses value over time which can happen through wear and tear, for example. The decreased value is what's measured as depreciation.

Equity: Equity is all of the money you invest in the company as the owner plus all the accumulated profits. As a small business owner, your equity is shown in a capital account.

Expenses: This is all of the money that you spend to operate your business which isn't directly related to the sale of goods or services.

General Ledger: A general ledger account is an account you use to store, sort and summarise all of your transactions. These accounts are arranged in the general ledger which also features the balance sheet and the income statement.

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Income Statement: This is the financial statement which presents a summary of your financial activity over a certain period of time. After working out the revenue earned, the costs of goods sold and the expenses, it works out your net profit or loss.

Journals: Journals are the place bookkeepers store their records of daily transactions. For every active account you use, such as cash, accounts payable and accounts receivable, you'll have separate journals for each one.

Liabilities: Liabilities are basically all of the debts someone owes. A liability is something a company owes to another individual or another entity (e.g bank). Examples of liabilities include employee wages, income taxes, mortgage loans, and accounts payable.

Payroll: If you have a small business and you have employees, then payroll is the way you pay your employees. It's a big part of bookkeeping and involves reporting a lot of payroll aspects to the government. This includes taxes that need to be paid on behalf of employees, compensation and more.

Revenue: Revenue is all of the money you collect in the process of selling your services and goods. There are even some companies that collect revenue in other ways, such as selling assets their business doesn't need.

Accounts: Accounts categorize transactions into specific categories such as assets, revenue, and expenses.

Balance sheets measure what a company owns and owes. This type of statement provides a clear picture of a small business's financial health at a specific point in time. Bookkeepers can view the company's assets and liability figures at a glance. Companies typically prepare balance sheets at the end of every quarter, but individuals can prepare them at any time. Assets, liabilities, and shareholders' equity comprise a balance sheet.

Assets - Examples of assets include real estate, inventory, cash, and accounts receivable. Balance sheets list assets in order of liquidity — how easily they can be sold, consumed, or turned into cash.

Shareholders' Equity

Shareholders' equity represents a company's net worth, that is the amount of money shareholders would receive if they liquidated all assets and repaid all debts. Net worth can also be understood as assets minus liabilities. For example, a company with $10,000 in assets and $2,000 in liabilities would have an $8,000 shareholders' equity.

(source: https://www.accounting.com/resources/accounting-basics-small-business/)

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Chart of accounts (COA)

A chart of accounts (COA) is an index of all of the financial accounts in a company's general ledger. In short, it is an organizational tool that lists by category and line item all of the financial transactions that a company conducted during a specific accounting period. Separating **expenditures, revenue, assets, and liabilities** helps to achieve this and ensures that financial statements are in compliance with reporting standards.

(source: https://www.investopedia.com/terms/c/chart-accounts.asp)

1.3.3.2 Why knowledge on financial management is important for your daily life

As a young person, educating yourself on how a business works, will expand your understanding of the business world. Employees who have an understanding about the financial aspect of a business are more likely to ascend in the corporate ladder, instead of clocking in and out of a job. Having an understanding of a company's growth journey as an employee can direct your professional choices towards better career paths within a company. Being aware of the finances of a business/organization and the profitability, enhances employees to measure and scale their own productivity and the profitability that bring to the company with their own work. So, this way you can detect opportunities easier or suggest an idea for an investment or a new profitable market that the company could expand its business in.

Having this type of skill set makes an employee develop a clearer picture of what a company is and how it responds to the changes in any industry, as well as how the company can deploy financial resources and potential opportunities.

No matter your role in a company, being financially literate can help you succeed in business. At a time when the demand for financial literacy is high, gaining knowledge about finance can enable you to make better decisions, negotiate more effectively, and positively impact your organization. Financial literacy is up to you: you can read about finance, network with other professionals, or take an online course.

1.3.3.3 The benefits of financially literate young people for the labour market

More and more countries are investing in educational youth programs, that offer training on financial literacy and management. This is not random. We live in an era that financial literacy is as important as academic qualifications and this affects the labour market as well. A workforce with well-rounded education on topics such as financial management is a valuable asset for any business. The skillset required for most job positions include the understanding of how a business works and what are the elements that affect day-to-day business as well as business strategy and growth. The labour market can only benefit from knowledgeable individuals who can contribute to any organisation with their skills and personality.

You can start your own research here:

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https://finance.ec.europa.eu/consumer-finance-and-payments/financial-literacy_en

https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/capital-markets-union/capital-markets-union-2020-action-plan/action-7-empowering-citizens-through-financial-literacy_en

https://europa.eu/europass/en

Employees that are financial literate and are able to make more informed monetary decisions are a valuable asset in any business or industry. Financially informed people can help in business growth and can participate in financial decision making. Being financially literate also provides you with the opportunity to opt for better jobs, have a financial understanding of the business entity, therefore negotiate your position and salary in a company much more effectively.

1.3.3.4 How to increase your understanding in business and financial management: Tips & tricks – example of Invoice

Whether you want to be an employee or you strive to start-up your own business a very basic concept for any business transaction is Invoicing.

“An **invoice** is a document that maintains a record of a transaction between a buyer and seller, such as a paper receipt from a store or an online record from an e-tailer” (source: Investopedia)

What is an invoice used for?

-An invoice is generally used to document what products or services are sold and delivered to a customer, so it is considered a bill. A receipt on the other hand is a document that shows payment was received.

- Besides notifying a customer that payment is due, it also serves as a paper trail for accounting purposes.

- Invoices are a critical element of accounting internal controls and audits.

In an invoice the following must be stated:

- Name of Seller and Buyer

- An invoice must state it is an invoice on the face of the bill

- A unique identifier called the invoice number

- Contact information for the seller or service provider in case there is an error relating to the billing

- Payment terms may be outlined on the invoice

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- If a company sends out a month-end statement as the invoice for all outstanding transactions, then the statement must indicate that no subsequent invoices will be sent.

-Time and date

Up until the digital era invoices have been recorded on paper, often with multiple copies generated, so the buyer and seller each have a transaction record. Nowadays it is more common that invoices are sent via email or other digital portals, but also printed invoices may still be required in some cases.

Tip! Computer-generated invoices are very useful, since they can be printed on demand or sent by email to each party. Keeping electronic records, using a variety of digital software tools, also allow you to search and sort transactions easier by number, date, goods, or client.

- **E-voicing:** Electronic invoicing, or e-invoicing, is a form of electronic billing that generates, stores, and monitors transaction-related documents between parties and ensures the terms of their agreements are fulfilled.

These e-documents may include invoices and receipts, purchase orders, debit and credit notes, payment terms and instructions, and remittance slips. Digital invoices are typically sent via email, web page, or app.

Advantages of e-voicing:

Permanence and resistance to physical damage

Ease of searching and sorting for specific names, terms, or dates

Increased ability to audit

The ability to print or reproduce on demand

The capacity for data collection and business intelligence

Reduction of paper use

(source: Investopedia)

When you're doing business within the European Union:

In the EU full VAT invoices are required.

* The Value Added Tax, or VAT, in the European Union is a general, broadly based consumption tax assessed on the value added to goods and services.

VAT rates: EU law only requires that the standard VAT rate must be at least 15% and the reduced rate at least 5% (only for supplies of goods and services referred to in an exhaustive list). Actual rates applied vary between

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EU countries and between certain types of products. More info: https://europa.eu/youreurope/business/taxation/vat/vat-rules-rates/index_en.htm

Information required in the Invoice:

1. Date of issue
2. Unique sequential number identifying the invoice
3. Customer's VAT identification number (if the customer is liable for the tax on the transaction)
4. Supplier's full name & address
5. Customer's full name & address
6. Description of quantity & type of goods supplied or type & extent of services rendered
7. Date of transaction or payment (if different from invoice date)
8. VAT rate applied
9. VAT amount payable
10. Breakdown of VAT amount payable by VAT rate or exemption
11. Unit price of goods or services – exclusive of tax, discounts or rebates (unless included in the unit price).

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Example of basic invoice template

[Business Name]
[Business Address 1]
[City], [State] [Postal Code]

[Business Phone Number]
[Business Email Address]

Tax Invoice

Bill To [Client Name]
[Client Address line 1]
[City], [State] [Postal code]

Invoice Number	2001321
Date	7/4/2023
VAT identification number	
P.O. No.	
Due Date	
Terms	

Description	Quantity	Unit price	Amount
Product 1	5	10,00€	50,00€
Service 1	1	150,00€	150,00€
		Subtotal	200,00€
		VAT	40,00€
		Total with VAT	240,00€

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1.3.4 Financial Planning and goals setting

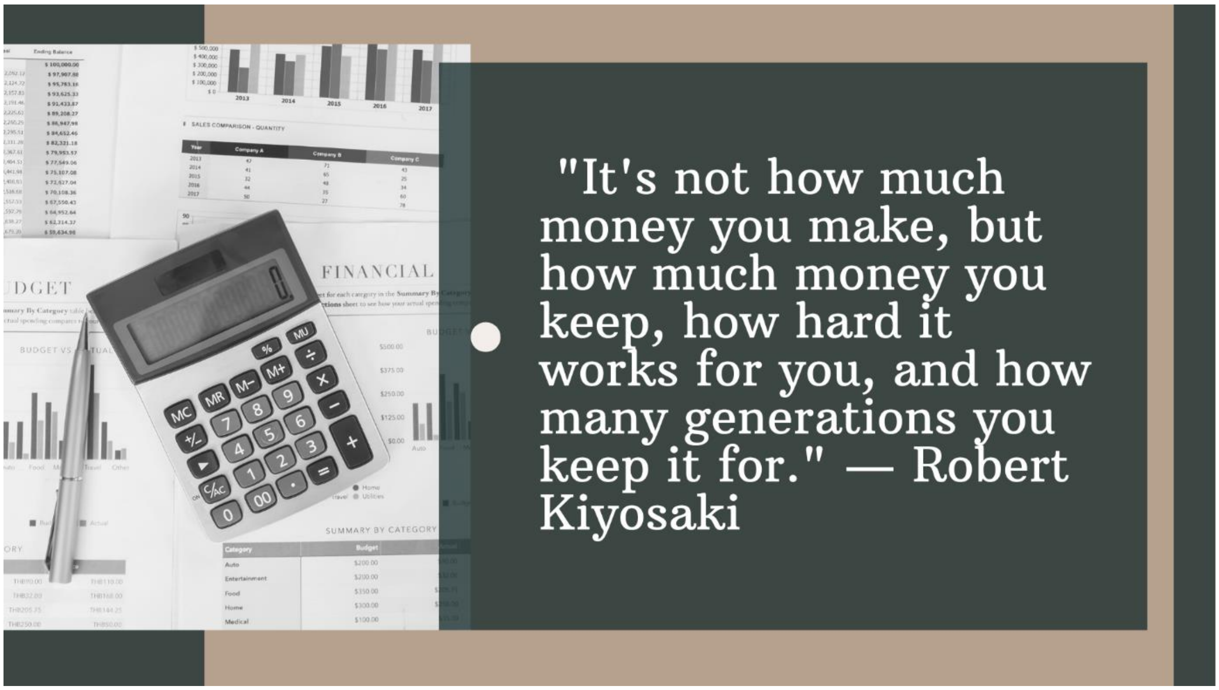

Figure 7
Created by ECONEETS@work partnership

1.3.4.1 Increasing your financial planning skills

More and more individuals are prioritizing their financial well-being and improvement of quality of living, therefore personal financial planning is increasingly becoming a very common practice, especially young people. Economic instability, how income and other challenges have encourage young people to look for ways to develop a sound personal financial plan that allows them to be aware of ways to deal better with financial matters. It is evident that financial literacy level of individuals affects their approach in personal financial planning.

“Personal financial planning is the development and implementation of total, coordinated plans for achieving one’s overall financial objectives. The term private wealth management also is increasingly being applied to this process, particularly when it involves larger investment portfolios and estates” (Hallman & Rosenblum 2003).

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Steps of financial planning:

- Goal setting & prioritizing
- Information gathering
- Information analysis
- Developing financial plan
- Execution

Financial plan may include:

- Credit and cash management
- Investment management
- Risk management & insurance
- Tax planning
- Retirement planning
- Estate planning

Setting financial goals will give you a reason and the drive to stay motivated. If you have no clear plan of what you are saving up for, you will most likely spend your hard-earned money on something that has no substantial value to you. Carefully define your short and long-term goals. Are you saving up for retirement or planning to start a family? Do you have plans of being an entrepreneur, or are you eyeing a house in the market?

Make sure that your financial goals are realistic, feasible, specific, and quantifiable. You should also set a timeline for these goals to ensure that you stay the course.

Creating a plan for your future

Once you have established your financial goals, you can now create a plan to achieve them. Envision how you want your future to look like and craft a financial plan that coincides with your life milestones. To make it easier, start with a three-year plan, then work on further goals. Be honest with yourself and take the time when developing your financial plan.

Order your goals by priority so that you know which ones you need to tackle first. It may be overwhelming to plan everything out at this point in your life, but doing so can prevent you from wasting your time and resources on irrelevant and unnecessary endeavors.

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Budgeting your money

One of the basic skills you need to work on as a young adult is budgeting. As you grow older, your budgeting scope will become more complicated, so you must have a strong foundation early on.

Your budget tells you how much money is coming in and out of your accounts, and where they are going. Creating a budget can help you determine if you have a healthy cash flow and if you are spending more than you should. An effective budget can also help you make better financial choices and veer you away from unhealthy transactions.

You can either use a budgeting application, track your finances in a spreadsheet, or write it down with a pen and paper.

Saving up for emergencies & Safeguarding your savings

As a young adult, you may still tend to rely on your parents for your emergency purchases. However, this habit can only turn you into a dependent individual who can only survive by heavily relying on someone else.

You must build up an emergency fund to cover unexpected expenses. The last thing you want to do is max out your credit cards whenever you run out of money. Strive to have at least three to six months' worth of savings. Ideally, you should have a separate bank account to store your emergency fund so that you won't be tempted to withdraw anytime.

There are many different methods of saving, here is an example:

- THE 50/30/20 RULE
  This is a simple saving rule of thumb. This method has you set aside 50% of your income for your needs, 30% for your wants, and 20% for your savings.

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Understanding credit card and interest rates : If used correctly and in moderation, credit cards can be excellent tools to build up your credit.

You need to learn how to use your credit cards wisely on your everyday purchases or more expensive purchases like houshold appliances or buying a car. Make it a fixed point in your budget to pay off your balance every month and take advantage of rebates and reward points. Only use your credit card on items you can quickly pay off and do not spend more than you earn.

֍ **Remember that your credit card should not serve as your emergency fund, so use it responsibly.**

Educating & protecting yourself

If you want to be financially healthy, you must continuously find ways to educate yourself. Aside from learning the basics of financing, try to explore other financial terms and alternative earning methods. You can start learning how to invest, how to become an entrepreneur, and the different ways to earn additional income. Widening your financial knowledge at an early age can give you more leverage in the future.

In this era we live in, there are many opportunities for scammers to take advantage of unsuspecting victims. Even the most careful individuals fall victim to clever scams. Knowing how to detect fraudulent activity, and understanding what information scammers are trying to get from you will help your financial information stay protected.

Scammers can contact you over the phone, via email even through job posting scams. Always do background research on any potential opportunity for financial growth or employment that you come across.

(source: https://www.skillsyouneed.com/rhubarb/young-adults-finance.html)

1.3.4.2 Why personal financial planning is important for your daily life

Individuals who practice financial planning can adverse the impacts of inadequate or complete lack of financial organization in their lives. Of course, financial literacy is clearly a useful indicator of an individual's financial planning decision.

A financial goal is a goal or objective that you set for what you want to do with your money. Examples of financial goals would be:

• Reduce my debt

• Improve my credit score

• Save money for a vacation

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1.3.4.3 The meaning of financial planning for society & the labour market

Individuals who benefit from personal financial planning are increasing in the European Union. This practice, when adopted in everyday life, improves your understanding on how you can effectively use your money so that you can create a more secure future for you and your families. And this practice could potentially lead to more economic growth for countries and individuals, as well as alleviate some social problems arising from insufficient financial management.

1.3.4.4 How to increase your financial planning skills: Tips & tricks

A method that can be applied both in a **business context** as well as **our personal lives is SMART**:

It can be useful to make your goals and sub-goals fit the **SMART** criteria:

S – Specific: Make each goal specific, so you know exactly what it is.

M – Measurable: Make each goal measurable so you know how you are progressing.

A – Attainable: Don't set impossible goals, make sure each goal and sub-goal is attainable. split your big goals into simple sub-goals then you will find each step is more attainable.

R – Relevant: Make your goals relevant. Try not to set goals that don't ultimately help you to achieve your overall life goals.

T – Timed: Set time-limits or deadlines for each goal and sub-goal. Time limits can help you overcome distractions or procrastination and keep yourself motivated.

֍ EXAMPLE OF A BASIC GOAL: I want to buy a car and save some money for a trip.

֍ EXAMPLE OF A S.M.A.R.T GOAL: I want to save money in order to buy a car (4000€) and save 300€ so I can take a vacation to visit my family in 12 months. I'll need to save about 350€ each month to reach this goal.

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Notice that the S.M.A.R.T goal above is:

1. Specific – it's defined and focused on what needs to be accomplished and by when

2. Measurable – both money and timeframes are measurable

3. Attainable – always set savings goas that are possible, based on your income and expenses

4. Realistic – over the set time period, this savings goal is possible

5. Timely – a timeline of 12 months is given to reach this goal

Tips for better financial planning:

1. Set Financial Goals- S.M.A.R.T. method

2. Create a Budget

3. Track Your Spending

4. Reduce Debt

5. Increase Savings

6. Invest in Your Future

7. Plan for Retirement

8. Protect Your Finances

9. Evaluate Your Insurance

10. Manage your credit/ debts effective and responsibly

13. Negotiate Bills and Expenses

14. Seek Professional Advice

15. Use Technology to Manage Finances : Direct deposit, automatic bill pay, automatic savings plans, and more can all help you use technology to implement your financial plan more efficient.

Figure 8 – Setting Financial Goals
Created by ECONEETS@work partnership

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Financial Planning in Business:

When it comes to businesses a **financial business plan** is the cornerstone for the success of any entrepreneurial. A financial plan helps determine if an idea for a company is sustainable, and then keeps you on track to financial health as your business matures. It's an integral part of an overall business plan and it consists of three financial statements:

- cash flow statement,

- income statement

- balance sheet.

In your plan, elaborate on each point in order to present a realistic image of your business.

4 Steps to Creating a Financial Plan for Your Small Business:

Create a strategic plan: A strategic plan helps you visualise what you want your company to accomplish. Before looking at the numbers, set your specific goals and think about what you'll need to achieve these goals:

- more equipment ?

- more staff ?

- how do your goals affect your cash flow?

- what other resources will you need?

In each specific case the goals and needs will be very different form each other

First step to a strategic plan is to create **a list of existing expenses and assets** to help with your next steps.

Create financial projections: This should be based on anticipated expenses and sales forecasts. Look at your goals and include the costs needed to achieve them. Include different scenarios. Create a range that is optimistic, pessimistic and most likely to happen, so you can anticipate the impact each one will have. Present your plan to your accountant, if you're working with one ,to understand how to pitch it to lenders and investors.

Plan for contingencies: Look at your cash flow statement and assets, and create a plan for when there's no money coming in or your business has taken an unexpected turn. Consider having cash reserves or a substantial line of credit if you need cash fast. You may also need to contemplate selling off assets if necessary

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Monitor and compare goals: Look at the actual results in your cash flow statement, income projections and even business ratios as necessary throughout the year to see if you need to modify your plan or if you're right on target.

(source: https://www.netsuite.com/portal/resource/articles/financial-management/small-business-financial-plan.shtml)

https://www.bdc.ca/en/articles-tools/start-buy-business/start-business/6-steps-making-financial-projections-new-business

1.3.5 Research skills

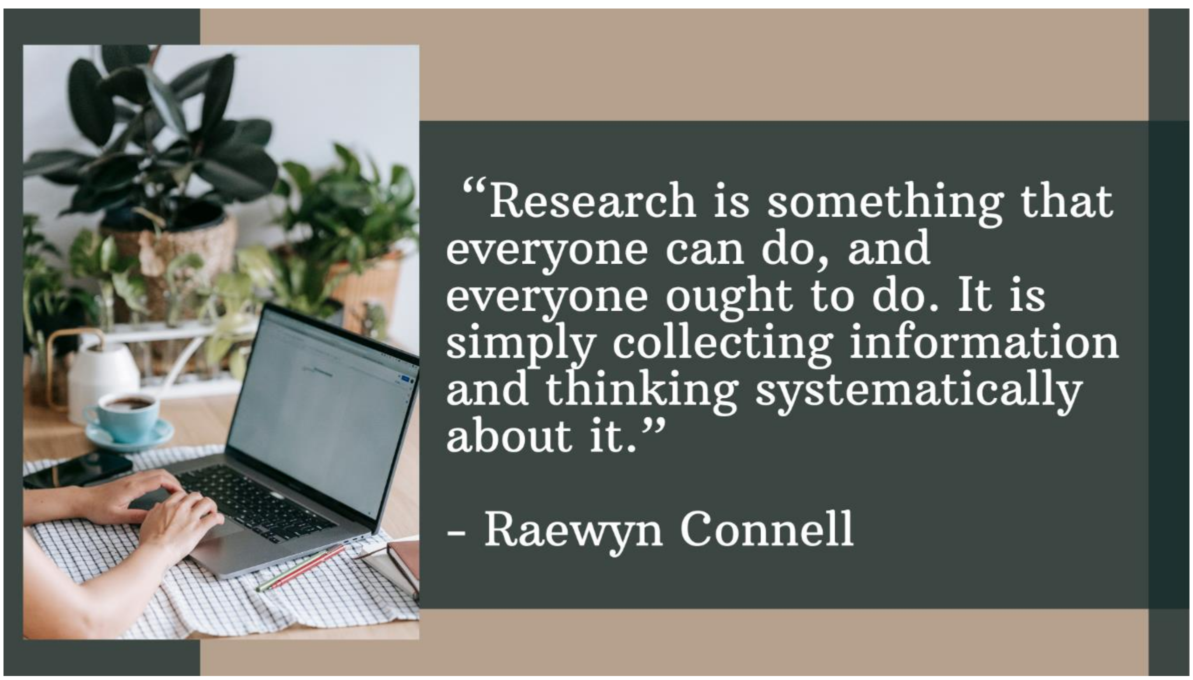

Figure 9
Created by ECONEETS@work partnership

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1.3.5.1 Increasing your Research Skills

Research skills is the ability of finding the right information, or solution on specific topic. In the era of internet and globalization research skills are of utmost importance in all areas of life. Research skills are necessary in school or university when you are conducting research, they are crucial in finding opportunities to study or gain knowledge on a field. Research is conducted even when you are looking for a restaurant to have dinner. A simple task as that also requires basic research skills.

They include your ability to gather information about a topic, review that information and analyze and interpret the details in a way to support a solution. Having research skills is necessary to advance your career as they directly relate to your ability to gain insight and knowledge in fields that you are interested in.

Research skills require:

- **Data collection** : Data collection is the process of systematically gathering information in order to solve problems, answer questions and better understand a particular topic:

For example if you want to find a job in a particular industry in your country (let's say you want to work in a bookshop, you can gather data about how many bookshops are registered in your town, country. How many people already work in this industry, and what are the needs and the chances of a business like that to hire new people in the next months. Of course you can also research job postings in this industry, and gather data about the skills required by employers in this field, so that you can adjust your resume accordingly and have better chances of being hired.

- **Critical thinking:** Critical thinking is the ability to interpret and analyse information in order to form a particular judgement or evaluation.
- **Detail orientation:** Another key example of a research skill is detail orientation, or the ability to focus on small details. Someone who is detail-oriented will be able to notice small mistakes and will be able to deliver high-quality work and will have more developed problem solving-skills.
- **Time management**: Time management is the ability to organise your time when planning different activities and projects. This is important for your research skills, as it means you are able to effectively delegate your time between data collection, analysis and evaluation.

The more you practice your research skills the more knowledgeable you will be in several areas of life. Nowadays we all perform research through our cell phones laptops etc. Practice researching something small everyday to get you going. Try researching something your really interested in so that you can begin practicing. There is a vast pool of information out there, be careful and develop an eye for comparing resources and locating the trustworthy ones. A rule of thumb when it comes for identifying credible sources of information is the CRAAP test:

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CRAAP test:

- ✓ Currency: Is the source up-to-date?
- ✓ Relevance: Is the source relevant to your research?
- ✓ Authority: Where is the source published? Who is the author? Are they considered reputable and trustworthy in their field?
- ✓ Accuracy: Is the source supported by evidence? Are the claims cited correctly?
- ✓ Purpose: What was the motive behind publishing this source? (e.g Academic/ scientific knowledge with evidence/ advertisement/ promotion of a product or service etc.)

(sources: https://www.scribbr.com/working-with-sources/credible-sources/

https://guides.library.uwa.edu.au/evaluate_info/CRAAP_test)

Lastly, always cross-check your resources, compare your findings and always practice critical thinking.

1.3.5.2 Why having research skills is important for your daily life

Research skills are useful in all areas of life. Researching helps us to make informed decisions about everything from the food we eat to the medicines we take. Gaining knowledge and critically analysing information also allows us to better understand the world around us and find solutions to problems. Research is essential for our health, safety, and well-being and life-long learning.

1.3.5.3 The meaning of Research skills in the labour market and employment

In today's rapidly changing business environment, effective research skills are essential for informed decision-making and career development and growth. For a business this includes researching market trends, buyer behavior, and new technologies in order to stay relevant.

You can conduct research for all sorts of different reason, such as to identify cost-saving opportunities, financial growth, develop your consuming skills, find employment.

Also it is important to mention that strong research skills are essential in a wide range of careers. Employers value research skills because they help a company develop new products or services, identify the needs and wants of their customers, improve what they do, keep up with changes in the industry and compete in their market. Knowing how to develop good research skills and highlight them for employers can help you in several ways throughout your career. In the case that you contemplating the idea of starting your own business, research will be the most fundamental tool in the whole process of setting up and growing a self-employed endeavour

Research skills are necessary for the workplace for several reasons, including that they allow individuals and companies to:

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- Identify problems that are hindering performance or the ability to complete tasks
- Come up with viable solutions to those problems
- Evaluate resources and the best way to utilize those resources to promote increased efficiency
- Come up with new services or products
- Identify the needs of a company's target customer to better meet those needs through products and services
- Stay up-to-date with industry trends and market demands
- Learn new ways of doing things to adapt and evolve to meet workplace demands

According to LinkedIn Learning the Most In-Demand Skills for 2023 were :

1. Management
2. Communication
3. Customer service
4. Leadership
5. Sales
6. Project management
7. Research
8. Analytical skills
9. Marketing
10. Teamwork

(source : https://www.linkedin.com/business/talent/blog/talent-strategy/linkedin-most-in-demand-hard-and-soft-skills)

1.3.5.4 How to increase your research skills when job hunting: Tips & tricks

How you can improve your research skills

There are several things you can do to improve your research skills, including:

Identify your objective. Before you start researching something, it's important to clearly define your purpose for performing the research. For example, if you're researching for funding opportunities for your business, think about programs that have funded similar companies in your industry. Or do research on how other entrepreneurs financed their businesses.

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Learn how to identify quality sources. Not all sources are created equal, and knowing how to recognize quality sources will support your research efforts and ensure your findings are reliable. Ensuring that the author of the source is an expert in that field and that the source agrees with other similar sources is a good way to verify validity.

Practice good organization. When researching, you'll likely come across various pieces of information. Practicing good organization techniques, such as using bookmarks on your Internet browser or printing out information and using a filing system, ensures you don't lose important pieces necessary to draw viable conclusions.

Using research skills when job hunting

If you are interested in incorporating your research skills in the workplace, here are few steps you can take towards that direction: Before you starting a new project/task, take time to set goals and ensure you have everything you need to complete the research. Use various credible sources and cross-check the information you find. You can also compare your findings with colleagues is an important part of the research process and ensures that the same information is being found and utilized across the board. Practicing good communication is also an essential component of the research process

You can highlight your research in the following areas when applying and interviewing for jobs:

On your resume and cover letter:

Research skills is one of the most sought-after soft skills by employers. You can highlight these skills in both your cover letter and resume. On your resume, include any research skills you possess that are directly related to the job in the skills section and in your work history descriptions. In your cover letter, choose to focus on how research skills and also other skills have helped you develop as a professional and what you have learned by practicing research regardless of your purpose. Try to focus on the actual skill and how it influences your life and work. This of course can be applied for any other skill you want to highlight in your resume.

In an interview

The best way to portray your research skills before you get to the interview by researching the company and the job position and preparing insightful questions for the interview. You can also mention how research skills have helped you tackle an issue in your previous work or how it helped you make more informed decisions and provide effective problem-solving.

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Further Research for financial literacy and growth:

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1.4 Assessment

1.4.1 Knowledge assessment

Quiz-like assessment based on the main content. Please mark the correct answer with bold when required. Include 5 questions for your module. Increase gradually the level of difficulty. Delete these instructions once you are done!

Question 1(multiple choice or true/false): What is the definition of financial literacy?

[Having a high income]

[Understanding how money works and making informed financial decisions]

[Owning multiple credit cards]

Question 2 (multiple choice or true/false): Which of the following is an example of an asset?

[A house] [A car loan] [A credit card debt]

Question 3 (multiple choice or true/false): What is the purpose of an emergency fund?

[To have funds available for unexpected expenses] [To save money for a vacation] [To pay off credit card debt]

Question 4 (multiple answers correct): What is the purpose of reviewing and adjusting your budget regularly?

[To ensure you are staying on track with your financial goals]

[To account for changes in income or expenses]

[To find ways to spend more money]

[To treat yourself more often trips and other purchases]

Question 5 (multiple answers correct): Which of the following statements accurately describe the "Measurable" aspect of the SMART method?

[Goals should be quantifiable and trackable.]

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[Goals should be broken down into smaller milestones.]

[Goals should align with your values and priorities.]

[Goals should have a clear criteria for success.]

1.4.2 Skills assessment

Scenario: New startup struggling with financial management and raising capital:

You are the founder of a new start-up and have been struggling with financial management and raising capital. In this exercise, you will analyze your financial situation, create a budget, develop a financial management plan, and set SMART goals to improve your financial position and attract potential investors.

Instructions:

1. Assess your current financial situation. Determine your startup's current cash flow, expenses, and any outstanding debts or financial obligations.

2. Create a monthly budget that reflects your startup's financial situation. Prioritize essential expenses such as rent, utilities, payroll, and inventory costs. Consider potential areas where you can reduce expenses or optimize spending.

3. Evaluate your revenue streams and business model. Identify any opportunities to increase sales, explore partnerships, or diversify your product/service offerings.

4. Develop a financial management plan that includes strategies for tracking expenses, managing cash flow, and optimizing financial resources. Consider implementing accounting software or hiring a financial professional to assist with financial management.

5. Set three **SMART** goals related to financial management and raising capital. Ensure that each goal is specific, measurable, achievable, relevant, and time-bound. For example:

a) Reduce operating expenses by 10% within the next six months by renegotiating contracts or finding cost-saving alternatives.

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b) Increase monthly revenue by 20% within the next year through targeted marketing campaigns and expanding customer base.

c) Secure 50.000EUR in funding from investors within the next nine months through a well-prepared pitch deck and networking efforts.

6. Write a brief explanation for each SMART goal, outlining why it is important to your startup and how you plan to achieve it. Include specific actions you will take to accomplish each goal.

7. Reflect on your budget, financial management plan, and SMART goals. Identify any potential challenges or obstacles you may face and develop strategies to overcome them. Consider seeking advice from mentors or industry experts.

8. Share your budget, financial management plan, and SMART goals with a partner or in a small group. Discuss your strategies and receive feedback on your financial plan and fundraising approach.

9. Revise your budget, financial management plan, and SMART goals based on the feedback received and any insights gained during the discussion.

Assessment Criteria:

- Accuracy and completeness of the budget.

- Development of a financial management plan that addresses cash flow, expense tracking, and optimization.

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