WELL_YOUTH! - Mental Wellbeing for Youth Unemployed
Affected by the Pandemic Context of Coronavirus, with the ref.
no. 2022-1-RO01-KA220-YOU-000089447

Well-Youth!

MODULE 2

FINANCIAL LITERACY AND BUDGETING

Developed by LoPe

Co-funded by the European Union

Erasmus+

CONTENTS

Co-funded by the European Union

Erasmus+

TOPIC 1: INTRODUCTION TO FINANCIAL LITERACY

1.1: The Importance of Financial Literacy

What is financial literacy?

Financial literacy refers to the ability and knowledge necessary to understand and manage various financial aspects effectively. It encompasses a range of skills and understanding related to personal finance, including but not limited to

Budgeting: The ability to create and manage a budget that outlines income and expenses, helping individuals control their spending and save for financial goals.

Savings: Knowing how to save money, establish an emergency fund, and plan for future financial needs, including retirement and education.

Debt Management: Managing and reducing debt responsibly, including credit card debt, student loans, and mortgages.

Financial Planning: Creating a comprehensive financial plan that aligns with one's financial goals and accounts for factors like income, expenses, savings, investments, and insurance.

Risk Management: Understanding the role of insurance in protecting against unexpected events, such as health issues or accidents.

Investing: Understanding different investment options, such as stocks, bonds, mutual funds, and real estate, and how they can help grow wealth over time.

Estate Planning: Knowledge of how to plan for the distribution of assets and the well-being of loved ones after one's passing, often involving wills, trusts, and beneficiaries.

Taxation: Awareness of how taxes work, tax deductions, and strategies for optimising tax efficiency.

Why financial literacy is crucial for personal and financial well-being?

Effective Decision-Making: Financial literacy equips individuals with the knowledge and skills needed to make informed financial decisions. This includes budgeting, saving, investing, and managing debt. Informed decisions lead to better financial outcomes and less stress.

Co-funded by the European Union

Erasmus+

The European Commission support for the production of this publication does not constitute an endorsement of the contents which reflects the views only of the authors, and the National Agency and Commission cannot be held responsible for any use which may be made of the information contained therein.

Financial Security: Being financially literate helps people build a strong financial foundation, including emergency funds and retirement savings. This security provides a safety net in case of unexpected events such as medical emergencies or job loss.

Debt Management: Financial literacy enables individuals to understand the implications of taking on debt and make responsible choices regarding borrowing. It helps prevent the accumulation of high-interest debt and fosters strategies for debt reduction.

Long-Term Goals: Financial literacy allows individuals to plan for and achieve their long-term financial goals, such as buying a home, sending children to college, or retiring comfortably. Without financial knowledge, these objectives may remain out of reach.

Investment and Wealth Building: Understanding how investments work and the concept of compound interest empowers individuals to grow their wealth over time. This is essential for achieving financial independence and retiring with financial security.

Financial Stress Reduction: Financial literacy can alleviate stress related to money matters. When individuals are confident in their financial abilities, they are less likely to experience stress and anxiety associated with financial uncertainty.

Responsible Financial Behaviour: Financial literacy encourages responsible financial behaviour, including living within one's means, saving for the future, and avoiding impulsive spending. These habits contribute to overall well-being and financial stability.

Protection Against Scams and Fraud: Financial literacy includes recognizing and avoiding financial scams and fraud. This knowledge safeguards individuals from falling victim to fraudulent schemes that can lead to financial losses.

Empowerment: Being financially literate empowers individuals to take control of their financial lives. They can advocate for their financial interests, negotiate better deals, and make choices aligned with their values and goals.

Generational Impact: When parents are financially literate, they can pass on these skills and values to their children, setting them on a path to financial success. This helps break cycles of financial insecurity and poverty.

Co-funded by the European Union
Erasmus+

Economic Stability: Widespread financial literacy contributes to economic stability on a broader scale. When individuals and families are financially secure, they are less likely to rely on social services, reducing the burden on governments and communities.

Common financial challenges faced by young adults.

Young adults and adults often face a range of common financial challenges that can impact their financial well-being. These challenges can vary depending on individual circumstances, but some of the most prevalent ones include:

Student Loan Debt: Many young adults carry substantial student loan debt from pursuing higher education. Repaying these loans can be a significant financial burden, impacting their ability to save, invest, or achieve other financial goals.

Insufficient Emergency Savings: A lack of emergency savings can leave individuals vulnerable to unexpected expenses, such as medical bills or car repairs. Without a financial safety net, they may resort to high-interest credit card debt or loans.

Credit Card Debt: Accumulating credit card debt due to overspending or high-interest rates can be a challenge for adults of all ages. Carrying high levels of credit card debt can hinder financial progress and lead to a cycle of debt.

Inadequate Retirement Savings: Many adults struggle to save enough for retirement, often due to competing financial priorities. Insufficient retirement savings can result in financial insecurity in later years.

Living Beyond Means: Overspending or living beyond one's means is a common financial challenge. This behavior can lead to constant financial stress and an inability to build wealth or save for the future.

Lack of Financial Literacy: Limited knowledge of personal finance can hinder individuals from making informed financial decisions. Without financial literacy, people may not fully understand investments, taxes, or how to create a budget.

Healthcare Costs: Rising healthcare costs can be a significant financial challenge, especially for those without adequate insurance coverage. Medical bills, prescription costs, and unexpected health issues can strain finances.

Co-funded by the European Union

Erasmus+

Housing Costs: High rent or mortgage payments, property taxes, and maintenance expenses can make housing one of the most substantial monthly expenses for many individuals, putting pressure on their budgets.

Unemployment or Underemployment: Periods of unemployment or underemployment can disrupt financial stability, making it challenging to cover basic living expenses and meet financial goals.

Family and Dependent Expenses: Raising children or caring for elderly parents can be financially demanding. Childcare, education, and healthcare costs can strain budgets.

Inadequate Insurance Coverage: A lack of appropriate insurance coverage (e.g., health, auto, home) can leave individuals vulnerable to financial setbacks in the event of accidents, natural disasters, or health issues.

Economic Downturns: Economic recessions or downturns can impact job security and income levels, making it challenging to maintain financial stability.

Debt Collection and Legal Issues: Dealing with debt collection agencies, lawsuits, or legal issues related to financial matters can be stressful and costly.

TOPIC 2: SETTING FINANCIAL GOALS

Teach participants how to set SMART financial goals.

Setting SMART financial goals means making clear and practical plans for your money. SMART is a word made up of five parts that help you make strong goals: Specific, Measurable, Achievable, Relevant, and Time-bound.

Here's how to set SMART financial goals:

1. Specific (S): Be really clear about what you want to do with your money. Ask yourself:

What do you want to do with your money?

Why is it important to you?

Who's involved (like you and your family)?

Co-funded by the European Union

Erasmus+

Are there any rules or limits?

Example (Specific): "I want to save $5,000 for a family vacation to Disneyland in three years."

2. Measurable (M): Make sure you can count or measure your progress. Ask:

How can you see if you're getting closer to your goal?

How much do you need to save?

How will you know when you've reached your goal?

Example (Measurable): "I'll check my savings every month to make sure I'm on track to save $5,000 in three years."

3. Achievable (A): Your goal should be something you can actually do with your current situation. Ask:

Can you really do this with your money right now?

Do you have what it takes?

Can you commit to it?

Example (Achievable): "Considering my income and expenses, I think I can save $5,000 in three years by cutting some spending and maybe doing a part-time job."

4. Relevant (R): Make sure your goal makes sense for your life and your money plan. Ask:

Does this goal fit in with your bigger money plan?

Is it really important right now?

Example (Relevant): "Saving for a fun family vacation fits into my bigger plan to enjoy quality time with my loved ones."

5. Time-bound (T): Give your goal a deadline to keep yourself on track. Ask:

When do you want to reach this goal?

Is it something you'll do soon or later?

Example (Time-bound): "I'll save $5,000 for our Disneyland vacation in three years from now."

The role of goals in financial planning.

Goals are super important in money planning for these reasons:

Direction and Purpose: Goals give you a reason to manage your money. They answer, "Why am I doing this?" When you have clear goals, it makes you want to make smart money choices.

Choosing What's Most Important: Money can't do everything, so you need to decide where to spend it. Goals help you pick what's most important and where you should put your money.

Seeing How You're Doing: Goals help you know if you're doing well with your money plans. You can check if you're saving, investing, and achieving your goals. It's like keeping score to stay motivated.

Making Good Money Choices: Goals act like guides when you have to make money decisions. You can ask, "Does this help me reach my goals?" It stops you from making quick or bad choices.

Planning Your Money: Goals are like the foundation of your money plan. They help you make budgets that match your goals. A budget that fits your goals works better.

Handling Risks: Goals help you decide how much risk you can take with your money. It's different for short-term and long-term goals.

Being Secure in the Future: Many goals are about things you want in the far future, like retiring or paying for your kids' college. Goals make sure you'll be okay financially later.

Better Money Habits: Having clear goals makes people save and invest more. It keeps you on track.

Adapting to Change: Sometimes things change, like your job or your family. Goals can change too, and that's okay. It's part of planning.

Talking and Working Together: When you're with family or others, sharing your goals and plans helps everyone work together. It makes sure you're all on the same page.

Learning About Money: Working toward goals means you'll learn more about money. That's a good thing because it helps you make smart choices.

Co-funded by the European Union

Erasmus+

The European Commission support for the production of this publication does not constitute an endorsement of the contents which reflects the views only of the authors, and the National Agency and Commission cannot be held responsible for any use which may be made of the information contained therein.

Examples of short-term and long-term goals:

Short-Term Goals (usually within a year or less):

- Save 5000 NOK for a weekend getaway.
- Pay off a credit card with a 10,000 NOK balance.
- Build an emergency fund of 10,000.
- Buy a new laptop for work or school.
- Take a one-week vacation.

Long-Term Goals (usually several years or more):

- Save 500,000 NOK for a down payment on a house in five years.
- Pay off a 30-year mortgage.
- Save 100,000 NOK for your child's college education in 15 years.
- Achieve financial independence and retire comfortably at age 60.
- Start a business and make it profitable within five years.

Co-funded by the European Union
Erasmus+

TOPIC 3: UNDERSTANDING INCOME AND EXPENSES

3.1: Types of Income

Explain different sources of income (e.g., salary, investments, side money).

Income means the money you get for doing different things, like working, investing, or having a business. There are many ways people earn money. Here are some common ones:

Salary/Wages: This is what most people get paid for their regular jobs. It's usually the same amount of money each time, and taxes are taken out.

Hourly Pay: Some people get paid based on how many hours they work. If you work more hours, you get more money.

Self-Employment Income: If you have your own business or work for yourself, you get money from the work you do. You have more control over how much you earn, but you also have to take care of things like taxes and healthcare.

Business Profits: If you own a business, the money you make after all the expenses are paid is your income.

Investment Income: This comes from things like stocks, bonds, or real estate. You can earn money from them in different ways, like getting paid regularly (dividends), selling them for more than you paid (capital gains), or getting paid interest.

Retirement Income: When you retire, you might get money from things like pensions, Social Security, or savings accounts.

Royalties: If you create things like books, music, or art, you can get paid when others use or buy your work.

Rental Income: If you own a property like a house or apartment, you can earn money by renting it to someone else.

Commissions: Some jobs, like sales or real estate, pay you a percentage of the money you bring in.

Dividend Income: If you own certain stocks, you can get paid a share of the company's profits.

Co-funded by the European Union

Erasmus+

Interest Income: If you lend your money to a bank or buy certain types of bonds, they pay you extra money over time.

Capital Gains: If you sell something for more money than you paid for it, the extra money is your income.

Child Support: Some people get money from their ex-spouses or the other parent to help with expenses.

Side Money Economy Income: Doing short-term or freelance work (like driving for Oda or renting out your home on Airbnb) can earn you money.

Government Assistance: In some cases, people get help from the government, like unemployment benefits or food assistance.

Knowing these different sources of income helps you plan your finances better. It's a good idea to have money coming from different places to be more financially secure. Plus, each type of income can have different tax rules and planning needs.

The concept of net income (take-home pay).

Net income, or take-home pay, is the money you get after your employer takes out things like taxes and other necessary costs from your paycheck. It's the cash you actually have to spend, save, or use for anything you like.

Here's how it works:

You earn money at your job (your salary or wages).

Your employer takes some money out for things like income taxes and Social Security.

What's left after these deductions is your net income, and that's what you receive in your paycheck.

Net income is super important because it tells you how much money you really have to manage your daily expenses, save for the future, or spend on fun stuff. It's like your starting point for making a budget and smart financial choices.

Co-funded by the European Union

Erasmus+

2.2: Managing Expenses

Introduce common expense categories (e.g., fixed, variable, discretionary).

1. Fixed Expenses: These are like the bills you have to pay every month, and they usually stay the same or are very predictable. Think of them as the "must-pay" expenses. Some examples include:

Rent or mortgage: What you pay to live in your home.

Utilities: Like electricity, water, and gas bills.

Loan payments: Money you owe every month, like a car loan or student loan.

Insurance: Payments for things like car insurance or health insurance.

Subscriptions: Money for things like streaming services or gym memberships.

2. Variable Expenses: These are costs that can change from month to month, and they're a bit more flexible. They depend on how much you use or spend. Some examples are:

Groceries: How much you spend on food can vary.

Transportation: Gas and public transportation costs may change.

Entertainment: Money for going out, movies, or hobbies.

Clothing: It depends on whether you need new clothes or not.

3. Discretionary Expenses: These are your "wants," not your "needs." They're things you can choose to spend on but could live without. Some examples include:

Dining out at restaurants

Travel and vacations

Shopping for non-essential items

Going to concerts, shows, or events

Knowing these expense categories helps you manage your money better. It's important to cover your fixed expenses first, then plan for your variable

Co-funded by the European Union

Erasmus+

expenses, and finally, decide how much you want to spend on discretionary items. This way, you can make sure your money goes where you want it to go!

Discuss the importance of tracking expenses.

Tracking expenses is very important for managing your money wisely. Here's why in simple terms:

Know Where Your Money Goes: When you track your expenses, you see exactly where your money is going. It's like keeping score of your spending. This helps you understand if you're using your money on things that matter most to you.

Stick to a Budget: If you have a budget (a plan for your money), tracking expenses helps you stay on track. You can see if you're following your plan or if you need to make adjustments.

Avoid Overspending: Tracking expenses helps you avoid spending more money than you have. It's like a warning if you're getting close to running out of cash before your next paycheck.

Find Ways to Save: When you see where you're spending too much, you can find ways to save. Maybe you notice you're eating out a lot, so you decide to cook more at home and save money.

Plan for the Future: Tracking expenses helps you save for things you want, like a vacation or a new gadget. It also helps you plan for emergencies, like a car repair.

Reduce Stress: Knowing where your money is going can reduce money-related stress. It helps you feel more in control and less worried about bills.

Build Good Habits: Tracking expenses is a great money habit. When you do it regularly, you become better at managing your money, which sets you up for financial success in the long run.

In simple terms, tracking expenses is like keeping an eye on your money to make sure it's doing what you want it to do. It's a smart way to take charge of your finances and make sure you have enough for both your needs and your wants.

Share practical tips for reducing unnecessary expenses.

Here are some simple tips for spending less money:

Make a List: Write down what you need to buy before going shopping, so you don't buy extra stuff.

Decide on a Budget: Figure out how much money you can spend and stick to it. This helps you avoid overspending.

Tell Wants from Needs: Ask yourself if you really need something or if it's just something you want. Focus on buying what you need first.

Keep Track: Write down what you spend your money on for a month. This helps you see where you can save.

Eat at Home: Cooking at home is usually cheaper than eating out at restaurants.

Cancel Unneeded Subscriptions: If you're not using a service, like a streaming subscription, cancel it and save that money.

Buy Store Brands: Store-brand products are often cheaper than name brands and work just as well.

Avoid Buying on a Whim (impulsive purchase): Think before you buy something. Don't rush into purchases, especially big ones.

Use Coupons and Sales: Look for discounts and use coupons when you shop to save money.

Cut Down on Entertainment Costs: Find cheaper ways to have fun, like free activities or streaming instead of cable TV.

Save Energy: Turn off lights and unplug devices when you're not using them to save on your energy bills.

Pay with Cash: Using cash can help you spend less because you can't spend more than you have.

Do It Yourself: Try fixing things or doing tasks yourself instead of paying someone else.

Sell What You Don't Need: Sell items you no longer use to make some extra cash.

Plan Your Shopping: Make a list before going shopping and stick to it to avoid buying extra stuff.

Find Free Alternatives: Look for free or cheaper alternatives to things you pay for, like gym memberships or apps.

Co-funded by the European Union

Erasmus+

Check Your Bills: Review your bills for any services you can get for less or if you're eligible for discounts.

Avoid High-Interest Debt: Try not to use credit cards with high interest rates. Interest can make things more expensive.

Think Before You Buy: Take time to decide if you really need something expensive. If it's not urgent, wait a bit.

Save Automatically: Set up automatic transfers to a savings account, so you save money before you spend it.

Remember, these small changes can help you save money without giving up all the things you enjoy!

TOPIC 4. CREATING A BUDGET

4.1: Budgeting Basics

Define budgeting and its purpose.

Budgeting is like making a plan for your money. It helps you decide how much you want to spend and save. It's like telling your money where to go instead of wondering where it went.

The purpose of budgeting is to:

Control Your Money: It helps you make sure you don't spend more than you earn.

Reach Your Goals: You can save for things you want, like a vacation or a new phone.

Prepare for Emergencies: Budgeting helps you have money saved up for unexpected expenses.

Reduce Stress: Knowing where your money is going can make you feel more in control and less worried about bills.

Make Informed Choices: With a budget, you can decide what's most important to you and use your money for those things.

In simple terms, budgeting is like making a money plan so you can have what you need, save for what you want, and not worry too much about money problems.

Co-funded by the European Union

Erasmus+

Teach participants how to create a simple budget.

Here's how to create a simple budget in easy steps:

Step 1: *Add up Your Money:*

Figure out how much money you get each month, like your salary or wages. This is your income.

Step 2: *List Your Expenses:*

Make a list of things you spend money on every month. Start with important stuff like rent or mortgage, groceries, and bills.

Add in things you want to spend on, like eating out, entertainment, or shopping.

Step 3: *Add Up Your Expenses:*

Add all your expenses together to see how much you spend each month.

Step 4: *Compare Income and Expenses:*

Subtract your expenses from your income. If you have money left, that's good. You can save it or spend it on more fun things.

If your expenses are bigger than your income, you might need to cut back on spending or find ways to make more money.

Step 5: *Divide Your Money:*

Split your money into categories, like housing, food, transportation, and fun stuff.

Decide how much you'll spend in each category based on your needs and what's most important to you.

Step 6: *Keep Track:*

As the month goes on, write down what you spend in each category. This helps you see where your money goes.

Step 7: *Check Your Budget:*

At the end of the month, see if you stuck to your budget. If you overspent in one category, try to spend less in another next month.

Co-funded by the European Union

Erasmus+

Step 8: *Keep Going:*

Make budgeting a habit. Keep tracking your spending and adjusting your budget as needed to reach your money goals. Budgeting is like having a plan for your money, so you can have what you need and still enjoy what you want. It's a great way to be in control of your finances!

Emphasise the importance of living within one's means.

Living within your means means only spending the money you have.

Here's what’s important:

No Debt: You won't owe money to others, so you won't have to pay it back with interest (extra money).

Less Stress: You won't worry about bills and debts, so life feels less stressful.

Saving for Goals: You can save money for things you really want, like a car or a vacation.

More Freedom: You can make choices with your money instead of being stuck with debt.

Good Credit: You'll have a good reputation for handling money, which is handy when you need to borrow money for important things.

Peace of Mind: You'll feel relaxed knowing you can handle surprise expenses without a money crisis.

Reaching Goals: You can achieve your money dreams, like buying a house or retiring comfortably.

Note: In simple words, it's like spending your allowance wisely instead of blowing it all and getting into trouble. It makes life smoother and helps you get what you want!

4.2: Tracking and Adjusting Your Budget

Introduce tools and apps for tracking expenses.

Discuss how to analyze and adjust the budget as needed.

Provide strategies for dealing with unexpected expenses.

TOPIC 5. SAVING AND INVESTING

5.1. Strategies for saving money

Here are some super simple ways to save money:

1. *Piggy Bank Method:* Like when you put coins in a piggy bank, set aside a small amount of money every week or month. It adds up over time.
2. *Skip Expensive Coffee:* Instead of buying pricey coffee from cafes, make your coffee at home. It's much cheaper.
3. *Buy on Sale:* Look for discounts and sales when you shop. You'll pay less for the same stuff.
4. *Join a membership:* Some shops offer you to join their membership and offer members discount. Use them when you shop for groceries or other things.
5. *Cook at Home:* Making your meals at home is usually cheaper than eating out or ordering takeout.
6. *Turn Off Lights:* Don't forget to turn off lights and electronics when you're not using them. It saves on electricity.
7. *Wait Before Buying:* When you want something, wait a little while. If you still want it after a week or a month, then buy it.
8. *Share Costs:* If you're going out with friends, consider sharing expenses like gas or food. It's cheaper when everyone chips in.
9. *Avoid ATM Fees:* Use your bank's ATMs to avoid paying extra fees for withdrawing money.
10. *Cancel Unused Subscriptions:* If you're not using a service, like a streaming subscription, cancel it and save that money.
11. *DIY (Do It Yourself):* Try fixing things or doing tasks yourself instead of paying someone. It can save you money on home repairs or maintenance.

Co-funded by the European Union

Erasmus+

12. *Set Goals:* Decide what you want to save for, like a vacation or a new phone. It helps you stay motivated to save.
13. *Track Spending:* Write down what you spend your money on. It helps you see where you can save.
14. *Compare Prices:* Before buying something, check different stores or websites to find the best price.
15. *Sell What You Don't Need:* Sell items you no longer use to make some extra cash.
16. *Use Public Transportation:* If possible, use buses or trains instead of driving. It saves on gas and parking. Gas prices in Norway change every day, often within the same day. Check gas prices regularly.
17. *Get an AutoPASS:* AutoPASS offers discounts on tolls and ferry routes in Norway.
18. *Make a Shopping List:* Before shopping, make a list of what you need. Stick to it to avoid buying extra stuff.
19. *Pay Bills on Time:* Avoid late fees by paying your bills on time. It's a waste of money to pay extra for being late.
20. *Save Coins:* Collect spare change in a jar. It might surprise you how much it adds up over time.
21.

5.2. Introduction to basic investment concepts

Some basic investing concepts in simple terms:

1. *Investment:* Investing means using your money to buy assets like stocks, bonds, real estate, or businesses with the expectation that they will grow in value over time.
2. *Return on Investment (ROI):* ROI is like the profit you make from your investments. It's the difference between what you put in and what you get back. A positive ROI means you earned more than you invested.
3. *Risk:* Investing involves taking risks because there's a chance you could lose money. Risk and potential reward are often connected – higher-risk investments may offer higher returns, but they can also result in bigger losses.

Co-funded by the European Union

Erasmus+

4. *Diversification:* Diversification is like spreading your investments across different types of assets. It helps reduce risk because if one investment does poorly, others may do well and balance it out.

5. *Asset Classes:* Asset classes are different categories of investments. Common ones include stocks (shares of companies), bonds (debt securities), real estate (property), and cash equivalents (like savings accounts).

6. *Stock*: When you own a stock, you own a piece of a company. Stocks can go up (gain value) or down (lose value) in price based on how well the company is doing.

7. *Bond:* Buying a bond is like lending money to a company or government. They promise to pay you back with interest over time. Bonds are generally less risky than stocks.

8. *Dividend*: Some stocks pay dividends, which are like regular payouts to shareholders. It's a way to earn money from your investments.

9. *Portfolio:* A portfolio is like a collection of your investments. It can include stocks, bonds, and other assets. Diversifying your portfolio can help manage risk.

10. *Time Horizon:* Your time horizon is like how long you plan to invest before you need the money. Longer time horizons may allow you to take more risks because you have more time to recover from losses.

11. *Compound Interest:* Compound interest is like earning interest not just on your initial investment but also on the interest you've already earned. It can make your money grow faster over time.

12. *Market Volatility:* Markets can go up and down over the short term. This is called volatility. It's normal, but it can be unpredictable.

13. *Investment Goals:* These are like the reasons you're investing. It could be for retirement, buying a house, or funding your child's education.

14. *Risk Tolerance*: Your risk tolerance is like how comfortable you are with taking risks in your investments. It's important to invest in a way that matches your risk tolerance.

15. *Investment Strategy:* This is like your plan for how you'll invest. It includes what types of assets you'll buy, how long you'll hold them, and how you'll manage your investments.

Co-funded by the European Union

Erasmus+

Note: Investing is a way to potentially grow your money, but it comes with risks. It's essential to understand these basic concepts and consider seeking advice from a financial professional before making investment decisions.

5.3. Building Financial Security

Building financial security is like creating a safety net for your future and the future of your children. Here are simple steps to help you get started:

1. Set Clear Goals:

   Decide what you want to achieve with your money. Whether it's buying a home, saving for retirement, or paying off debt, having clear goals gives you direction.

2. Create a Budget:

   Make a plan for your money. Create a budget that outlines how much you'll spend on necessities, savings, and discretionary spending (fun stuff).

3. Save Regularly:

   Save a portion of your income consistently. Start with an emergency fund (enough to cover at least 3-6 months of living expenses) and then save for your goals.

4. Avoid High-Interest Debt:

   High-interest debt, like credit card debt, can be a roadblock to financial security. Pay it off as soon as possible to stop wasting money on interest.

5. Invest Wisely:

   Consider investing your money in assets like stocks and bonds to make it grow over time. Diversify your investments to manage risk.

6. Live Within Your Means:

   Spend less than you earn. Avoid unnecessary expenses and prioritize needs over wants.

7. Build an Emergency Fund:

Co-funded by the European Union

Erasmus+

Having an emergency fund helps you handle unexpected expenses without derailing your financial plans.

8. Stay Insured:

   Protect yourself and your assets with insurance, such as health insurance, car insurance, and renter's or homeowner's insurance.

9. Pay Off Debts Strategically:

   Focus on paying off high-interest debts first. Then, tackle other debts systematically.

10. Automate Savings:

    Set up automatic transfers to your savings and investment accounts. It ensures you save consistently.

11. Increase Your Income:

    Look for opportunities to boost your income through a raise, a side hustle, or additional skills.

12. Continuously Educate Yourself:

    Learn about personal finance and investment to make informed decisions.

13. Plan for Retirement:

    Contribute to retirement accounts like a 401(k) or IRA. Saving for retirement ensures financial security in your later years.

14. Review and Adjust:

    Regularly review your financial goals and adjust your plans as needed. Life circumstances change, so your financial plan should adapt too.

Seek Professional Advice:

Note: Consider consulting a financial advisor for personalised guidance. Building financial security takes time and discipline, but it's a journey worth taking. With careful planning and consistent effort, you can achieve a stable and secure financial future.

Co-funded by the European Union

Erasmus+

TOPIC 6: MANAGING DEBT AND CREDIT

6.1: Types of Debt

In Norway, common types of debt are similar to those in many other countries, including:

1. *Mortgage Debt (Boliglån):* Many Norwegians take out loans to buy homes. These mortgage loans can be quite substantial and are often paid off over many years.
2. *Consumer Loans (Forbrukslån):* These are unsecured personal loans that people use for various purposes, such as home improvements, vacations, or other expenses.
3. *Car Loans (Billån):* Loans to finance the purchase of a car are also common. These loans may be secured by the car itself and come with varying terms and interest rates.
4. *Student Loans (Studielån):* Norwegian students often rely on government-sponsored student loans to cover tuition fees and living expenses while studying.
5. *Credit Card Debt (Kredittkortgjeld):* Credit card usage is widespread, and if balances are not paid in full each month, it can lead to credit card debt with high-interest rates.
6. *Home Equity Loans (Boliglån med sikkerhet i bolig):* Homeowners can use the equity in their homes to secure loans for various purposes.
7. *Overdraft (Kredittkonto):* Some individuals may have overdraft facilities linked to their bank accounts, allowing them to temporarily spend more money than they have.
8. *Car Leases (Billeasing):* Leasing a car is an alternative to buying one, and it involves regular payments for the use of the vehicle.

Co-funded by the European Union

Erasmus+

9. *Installment Plans (Avbetalingsordninger):* Some purchases, like furniture or electronics, offer installment payment options, allowing customers to pay in smaller amounts over time.

10. *Debt Consolidation Loans (Gjeldssammenslåing):* Borrowers may consolidate multiple debts into a single loan with more favorable terms.

11. *Housing Cooperative Loans (Borettslaglån):* In Norway, housing cooperatives are a common way to own a home, and residents often take out loans to purchase their shares in these cooperatives.

Note: Some debts can be country, or culture specific. It's essential to manage debt responsibly, make on-time payments, and understand the terms and interest rates associated with each type of debt to maintain good financial health in Norway.

6.2: Debt Management Strategies

Share strategies for managing and reducing debt.

Understanding Credit Scores and Reports

Understanding credit scores and reports in Norway is essential for managing your financial health.

Here's a simple overview:

1. Credit Score (Kredittscore):

    - A credit score is a number that represents your creditworthiness. In Norway, credit scores typically range from 0 to 100, with higher scores indicating better creditworthiness.
    - Your credit score is calculated based on your credit history, including factors like payment history, outstanding debts, length of credit history, and new credit applications.
    - Lenders use your credit score to assess your risk as a borrower. A higher score makes it easier to get loans and credit on favorable terms.

2. Credit Report (Kredittsjekk):

Co-funded by the European Union

Erasmus+

- A credit report is a detailed record of your credit history. In Norway, credit reports are maintained by credit bureaus like Gjeldsregisteret, Creditsafe.
- Your credit report includes information about your loans, credit cards, payment history, and any defaults or late payments.
- You can request a free credit report once a year from credit bureaus to review your credit history.

3. Factors That Affect Your Credit Score:

   - *Payment History (Betalingshistorikk):* Paying bills on time is crucial. Late or missed payments can lower your score.
   - *Credit Utilization (Kredittutnyttelse):* Using a high percentage of your available credit can negatively impact your score.
   - *Length of Credit History (Kredithistorikk):* A longer credit history can improve your score.
   - *Types of Credit (Kredittype):* A mix of different types of credit (e.g., credit cards, loans) can be positive.
   - *New Credit Applications (Nye kredittsøknader):* Applying for multiple new credit accounts in a short time can lower your score.

4. Why Credit Scores Matter:

   - Lenders use credit scores to decide whether to approve your loan or credit card application.
   - A higher credit score can help you qualify for better interest rates and terms on loans and credit.
   - Landlords and employers may also check your credit report when making rental or employment decisions.

5. Improving Your Credit Score:

   - Pay bills on time.
   - Keep credit card balances low.
   - Avoid applying for too much credit at once.
   - Monitor your credit report for errors and disputes inaccuracies.

Co-funded by the European Union

Erasmus+

Avoiding Financial Pitfalls

Avoiding financial pitfalls is essential for maintaining financial well-being. Here are Norway-specific tips for avoiding financial pitfalls:

- *Plan for High Living Costs:* Norway has a high cost of living. Create a budget that considers expenses like housing, groceries, and transportation.
- *Use Public Transportation:* Owning and maintaining a car, or taking a taxi can be expensive. Consider using public transportation or biking, especially in urban areas.
- *Save for Winter Expenses:* Prepare for higher heating costs in the winter by setting aside money throughout the year.
- *Understand Tax Rules:* Norway has complex tax rules. Familiarize yourself with the tax system and consider seeking professional advice for tax planning.
- *Maximize Tax Deductions:* Take advantage of available tax deductions and credits to reduce your tax liability.
- *Invest Wisely for Tax Benefits*: Norway offers tax-advantaged investment accounts like the IPS (Individuell Pensjonssparing) and BSU (Boligsparing for Ungdom). Utilize them to save on taxes.
- *Avoid Consumer Debt:* High-interest consumer loans can be costly. Prioritize paying off high-interest debts to avoid financial strain.
- *Save for Retirement:* Norway's pension system relies on a combination of public and private pension schemes. Start saving for retirement early to secure your financial future.
- *Buy Smartly:* The price of goods can vary in Norway. Shop around and consider buying some items in neighboring countries, especially if you live near the border.
- *Emergency Fund:* As in any country, have an emergency fund to cover unexpected expenses, such as healthcare costs or home repairs.
- *Learn About Norwegian Banking:* Familiarize yourself with the Norwegian banking system and the use of electronic payment methods like Vipps for convenience.
- Insurance Coverage: Ensure you have appropriate insurance coverage.

Co-funded by the European Union

Erasmus+

- *Plan for Housing Costs:* Housing is a significant expense in Norway. Plan your housing budget carefully and explore options like cooperative housing (borettslag) or renting.
- *Language Skills:* Learning Norwegian can improve your job prospects and help you navigate financial matters more effectively.
- *Avoid Currency Exchange Fees:* When transferring money internationally, use services that offer competitive exchange rates and low fees.
- *Understand Local Investment Options:* Familiarize yourself with Norway's investment options, such as the Norwegian stock market (Oslo Børs) and tax-efficient investment accounts.
- *Seek Legal Advice:* If you have complex legal or financial matters, consult with a Norwegian legal or financial professional who understands the local regulations, or talk to a youth worker.

Co-funded by the European Union

Erasmus+

References

Bungalow Team, Bungalow Team. “How to Make a Personal Budget in 8 Easy Steps—plus Tips for Actually Using It.” *Bungalow*, 2022, bungalow.com/articles/how-to-make-a-personal-budget-in-8-easy-steps-plus-tips-for-actually-using.

Forbes, Forbes. “Why Financial Literacy Is Important And How You Can Improve Yours.” *Forbes,* 2023, www.forbes.com/sites/truetamplin/2023/09/21/financial-literacy--meaning-components-benefits--strategies/?sh=730910168cde.

Tamplin, True. “What Are Financial Goals?” *Https://Www.Financestrategists.Com/Financial-Advisor/Financial-Planning/Financial-Goals/*, 2024, www.financestrategists.com/financial-advisor/financial-planning/financial-goals/.

Investing Explained: Types of Investments and How To Get .... (2024). retrieved April 22, 2024, from www.investopedia.com/terms/i/investing.asp

Tax Planning: 7 Tax Strategies to Consider. (2024). retrieved April 22, 2024, from www.nerdwallet.com/article/taxes/tax-planning

Financial Planning: A Step-by-Step Guide. (2024). retrieved April 22, 2024, from www.nerdwallet.com

Co-funded by the European Union

Erasmus+

Well-Youth!

Institutul Român de Educație a Adulților
Romanian Institute for Adult Education Timisoara

European Association for Adult Development

virtualcampus

Co-funded by the European Union

Erasmus+