FINANZ FIT

BASIC ECONOMIC TRAINING
FOR EUROPEAN ADULTS

WORKSHOP #1:

FINANCIAL ASSETS

Co-funded by the
Erasmus+ Programme
of the European Union

AN IMPORTANT NOTE ABOUT THE ENGLISH WORKSHOPS

The English workshops have been conceived as translation blueprints for the individual languages. Since the creation of the workshops has been organized in Germany, most of the country specific information in the English workshops refers to Germany. While teachers and learners should beware of topics that can be very country specific like “Retirement planning” or “Insurance”, most of the advice on relatively universal topics like “Financial assets” and “Liquidity” should apply internationally.

Our decision to upload the English versions is based on the hope, that this fundamental financial knowledge can reach a wider audience, if we publish our project in multiple languages as well as the current *lingua franca*, which is English. In addition, even the parts that are specific to Germany might be used to educate non-German speakers, like immigrants, on the financial specifics of German life.

ROLLOUT

The Finanzfit-Workshop #1 on the topic of "Financial Assets" is intended to support teachers and is not suitable for independent learning. The workshop is designed to be about 4 hours long and to be worked on in a group. Individual exercises or materials can and may of course be used independently of the rest of the workshop. In order to help structure the workshop or the use of the exercises, all exercises are provided with their planned duration. It should be noted that this workshop is still a work-in-progress at the moment.

In five teaching phases, basic knowledge about dealing with money is developed. The focus in this workshop is, of course, on *Financial Assets*.

The five phases build on each other as follows:

1. First, learners approach the topic with their own knowledge and intuition.
2. In the next phase, basic financial skills are taught. To this end, the learners are taught to reflect on their income and expenditure and to think about their own ability to save.
3. The acquired competencies are expanded by having the learners think about how they can invest their savings. More complex topics - such as calculating interest rates and different types of investments - will be taught.
4. To control the learning success, learners can perform mini-games in the finance webapp.
5. Finally, media content is available in the web app to secure the learning success and to deepen the topics digitally.

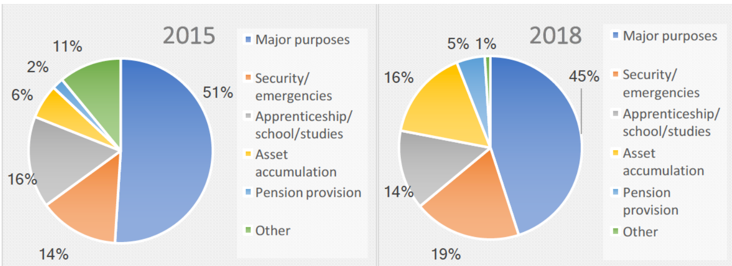
OVERVIEW OF THE INDIVIDUAL PHASES

PHASE 1: INTRODUCTION

1.1 WELCOME AND THEMATIC INTRODUCTION IN THE PLENARY SESSION: WHAT HAPPENS IN THE FOLLOWING TEACHING UNIT AND WHAT ARE THE AIMS OF IT?

1.2 INTRODUCTION

The teacher shows a graph of the savings motives of German young people.



Query: What would you like to save for? What are your short-term goals (within one year)? What are your medium-term goals (about 5-10 years)? What are your long-term goals (from 10 years)?

Learning objective: The pupils are encouraged to participate, the pupils think about their level of knowledge, the teacher gets a picture of the level of knowledge and can adapt the event if necessary.

Method: Plenary discussion

Working material: M1 Slide saving motives of young Germans

Duration: 15 minutes

Teacher's role: Observer, moderator

Reflection: Individual pupils who consider their knowledge to be low can be asked what they would like to learn in the event. If many pupils estimate their knowledge as high, the knowledge can be "collected" more from the class.

PHASE 2: TRANSITION

2.1 INCOME AND EXPENDITURE

Learning objective: The learners should get an idea of how high their saving capacity could be by comparing their income and expenditure.

Method: Individual work, discussion in plenum

Working material: M2 Income and expenditure

Duration: 30 minutes

Teacher's role: Observer, moderator

Reflection: Afterwards, students consider how long they would need to save with their monthly saving capacity in order to achieve their (short/medium/long-term) saving goals.

2.2 SAVINGS CAPABILITY

Using an example, the teacher explains how investment advisors would invest the monthly savings.

Learning objective: Students recognize that 20% of net income should be saved and could be invested.

Method: Plenary discussion

Working material: M3 slide savings capability

Duration: 30 minutes

Teacher's role: Observer, moderator

Reflection: Pupils discuss why it can make sense to leave money not only in a current account but also in an investment.

PHASE 3: DEVELOPMENT

3.1 THE "MAGIC TRIANGLE" OF INVESTMENT

Learning objective: Using the "magic triangle", the students work out the three characteristics / terms yield, security and liquidity.

Method: Individual work, discussion in plenary

Working material: M4 The magic triangle

Duration: 30 minutes

Teacher's role: Observer, knowledge mediator

Reflection: The pupils assess which of the three characteristics of the "magic triangle" would be most important for them.

3.2 INVESTMENT FORMS

Learning objective: The students work out seven forms of investment and evaluate in each case which form of investment best fulfils the three characteristics of the "magic triangle".

Method: Teamwork, plenary discussion

Working material: M5 investment forms

Duration: 60 minutes

Teacher's role: Observer, knowledge mediator

Reflection: Why are the three properties referred to as the „magic" triangle?

Every investor dreams of an investment that fulfils all three characteristics in the best possible way. The "magic triangle of investment" shows, however, that this remains "wishful thinking", because all three characteristics are so closely related to each other that they can never all be achieved at the same time (field of tension).

3.3 CALCULATION OF INTEREST FOR ONE YEAR AND COMPOUND INTEREST

Learning objective: Together with the teacher, the students work out the calculation for interest and compound interest with the teacher.

Method: Plenary discussion

Working material: M6 Calculation of compound interest

Duration: 25 minutes

Teacher's role: Moderator

Reflection: Talk in class about the financial benefits of investing money by gain of interest

Reconciliation to 3.4: How do you find the right form of investment?

→ In any case, one should arrange a consultation with an investment consultant!

3.4 THE CONSULTATION

Learning objective: The students see an example of a successful counselling interview.

Method: Plenary discussion

Working material: M7 the consultation

Duration: 30 minutes

Teacher's role: Observer, Moderator

Reflection: The pupils recognize the importance of a consultation with an investment advisor and consider how they could prepare themselves.

- bring an independent witness

- contact reliable friends, acquaintances and relatives who have the relevant investment expertise to give you valuable advice

- always obtain several offers

- act without time pressure

THE “GOOD” ADVISER:

- explains his legal status and the resulting liability
- considers your overall financial situation
- asks about the willingness to take risks based on my preferences
- clarifies, explains costs, offers alternatives
- does not press for immediate conclusion, does not create time pressure
- does not offer a product that has a high chance of yield and yet should be safe

PHASE 4: CONTROL

To check the learning success, the learners complete the mini-game "Puzzle" in the "Financial Assets" section of the Finanzfit WebApp (https://finanzfit.whkt.de/e-learning-webapp/). The learning goal is checked digitally. The learners receive an immediate check of their solutions, as there is only one correct answer/assignment in each case.

PHASE 5: SECURING OF THE LEARNING OUTCOMES

To secure the learning success, additional media are available in the Finanzfit WebApp (https://finanzfit.whkt.de/e-learning-webapp/).

In the "Media" section, videos are available for digital intensification of the learning content, providing learners with information on the relevant topics in language appropriate to the target group.

The first edition of the Finanzfit magazine, which is also available for download (pdf file) in the Media section, takes up the topics covered in the workshops "Financial assets," "Financing" and "Liquidity" in an entertaining way. The second edition of the Finanzfit magazine deals with the topics "Insurance," "Current Account" and "Retirement Planning".

OVERVIEW MATERIAL

M1 Slide saving motives of young Germans

M2 Monthly income and monthly expenses

M3 Slide savings capability

M4 The "magic triangle" of investment

M5 Investment forms

M6 Interest calculation for one year and compound interest

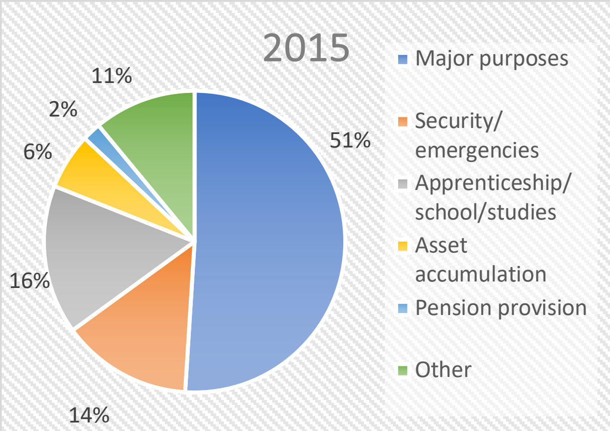
M7 The consultation

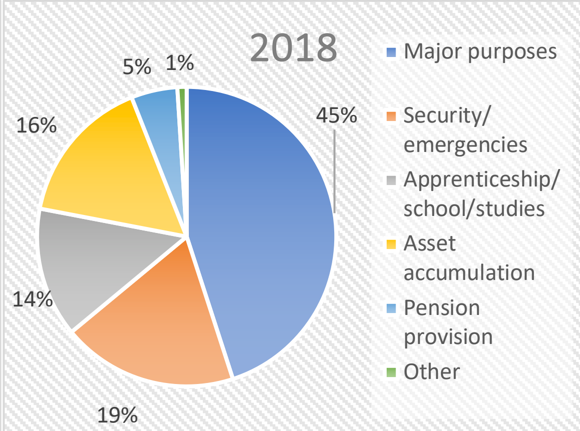
SOLUTIONS FOR THE TEACHER ON M5 INVESTMENT FORMS

Investment form	Security	Profitability	Liquidity
Savings account	Very well fulfilled	Barely fulfilled	Partially fulfilled
Daily allowance	Very well fulfilled	Barely fulfilled	Very well fulfilled
Installment savings contract	Very well fulfilled	Partially fulfilled	Barely fulfilled
Time deposit	Very well fulfilled	Partially fulfilled	Barely fulfilled
Real estate	Very well fulfilled	Partially fulfilled	Barely fulfilled
Share	Very well fulfilled	Very well fulfilled	Very well fulfilled
Investment funds	Partially fulfilled	Very well fulfilled	Very well fulfilled

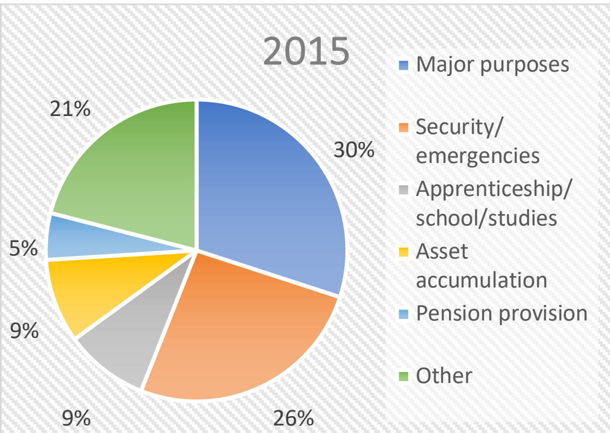
M1 SAVING MOTIVES OF YOUNG GERMANS

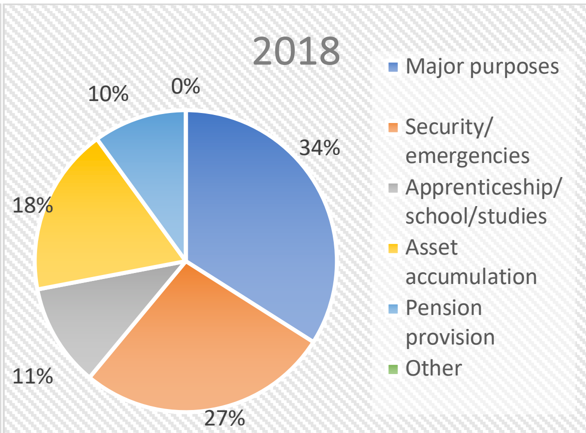
TEENAGERS (14-17 YEARS)





YOUNG ADULTS (18-24 YEARS)





M2 MONTHLY INCOME – MONTHLY EXPENDITURES

M2 Monthly income – monthly expenditures

Task: Fill in the table with your monthly income and expenses (10 minutes).

Comparison of income and expenditures

Income	Amount	Expenditures	Amount
Salary		Rent	
Side job		Service charges, e.g. power, water	
Child benefit		Car, tickets	
Other		Smartphone	
		Insurances	
		Savings agreements	
		Clothing	
		Hobbies	
		Free time, e.g. cinema, festivals etc.	
		Other	
Total:	- €	**Total:**	- €

Surplus/Shortfall (Income-Expenditures): - €

M3 SAVINGS CAPABILITY

The usual way is to build up your savings yourself. Unfortunately, only in very rare cases do you receive a gift of money or make an inheritance.

It is **important** to know how high the **saving capacity** actually is. What can I save in a month?

The best way to do this is to draw up a small budget:

Here is an example:

Monthly earnings:		Monthly expenses:	
Training salary:	900 €	Way to work (ticket, car):	200 €
VL:	20 €	Rent / Cost money:	300 €
	920 €	Power:	50 €
		Smartphone:	50 €
		Insurances:	20 €
			620 €

The saving in our example is 300€ per month (920€ minus 620€ = 300€)

ADVICE 1:

One should save 20 % of the net income (salary after taxes). If you don't pay rent, you should even save 50 % to 70 % of your net income.

The savings in our example could be divided as follows:

100 € into the old-age provision (make provisions for the future)

100 € in investment funds (as medium-term investment)

100 € to a saving account (as a short-term reserve)

ADVICE 2:

A savings account serves as a short-term reserve. Two to three net salaries should be set aside for holidays or the broken washing machine, so that there are no shortages in case of emergency.

ADVICE 3:

For what, how much and how long should savings be made? Which investment products are possible?

M4 THE "MAGIC TRIANGLE" OF INVESTMENT

Task: Read the texts and highlight important terms.

THE PROFITABILITY / THE YIELD / THE RETURN (FROM ITAL. *RENDITA* = INCOME)

The return usually consists of the interest on the investment amount. This can be variable, i.e. it can change repeatedly during the investment period, or it can be fixed. It is usually higher for long-term investments than for short-term ones.

In the case of shares, one also speaks of price gains, i.e. the amount by which the share price has risen compared to the purchase value of the share. In addition to this, the so-called dividend is paid out annually. This is a predetermined share of the profit of the company whose shares have been bought.

CAUTION: Many forms of investment incur costs that reduce the overall return.

[1] In return for making your money available to the bank or other institution, you receive a certain percentage of the invested amount of money paid out monthly or annually as so-called interest, e.g. 0.5% per year for the call account.

THE SECURITY

The security of an investment is measured by the risk of loss, i.e. how likely it is to lose money. More risky investments can lose value at any time, but they can also increase in value. As a rule, more security means a lower return.

THE LIQUIDITY (FROM LAT. *LIQUIDUS* = LIQUID)

This factor is concerned with how "liquid" an investment form is, i.e. how quickly the invested money can be disposed of. In the case of long-term investments (e.g. over ten years), you usually cannot get hold of your money beforehand or not without additional costs. This means that liquidity is lower with long-term investments than with short-term ones.

Conclusion: The decision for a certain type of investment must be well considered. Once the savings target has been set, it is important to consider what this means in terms of risk tolerance and availability. There is no such thing as a form of investment that simultaneously offers a high return, no risk and permanent liquidity.

M5 INVESTMENT FORMS

Task: Work in pairs. Read through the seven investment forms and mark important terms. Then evaluate how the three characteristics of the "magic triangle" of investment are fulfilled in the investment forms. Ratings from "hardly fulfilled" to "partially fulfilled" to "very well fulfilled" are possible. Attention: sometimes it helps to compare investment forms before you decide!

THE SAVINGS ACCOUNT

Unlike a current account, a savings account (with an associated savings book or a savings card) is not intended for payment transactions, but for investment. The interest rates vary depending on the general interest rate level on the financial market. For savings deposits, you can usually withdraw €2000 per calendar month. If you need money once more, you have to cancel it at least 3 months in advance, otherwise the bank charges so-called advance interest. You cannot overdraw a savings account.

If you have a saving card for your savings account, you can also use it to withdraw cash from an ATM. If the savings account is lost, the bank should be informed immediately.

DAILY ALLOWANCE

Money can be transferred to the overnight money account at any time and it can also be called up again. The interest rate can be slightly higher than that of the classic savings account or current account[1], but can be adapted again and again. Like all bank balances, call money accounts are also protected by the so-called deposit insurance.

[1] If the general interest level is low, as it is at present, there is very little interest on savings everywhere. At present, you can hardly get more than 0,02% interest on classic savings accounts, and usually none at all on current accounts.

THE INSTALMENT SAVINGS CONTRACT / SAVINGS PLAN

With the instalment savings plan, you pay a monthly instalment agreed with the bank. Usually a term of up to 25 years is offered. The bank pays a so-called current basic interest rate for instalment savings contracts. This usually corresponds to the interest rate for savings books or overnight money and is continuously adjusted by the bank if interest rates generally rise or fall. In some contracts, the saver also receives an extra interest (bonus), which is higher the longer the savings are deposited. The instalment savings contract is also protected by the deposit insurance.

THE TIME DEPOSIT

A fixed-term deposit is a larger amount (from approx. 2,500 euros), which is invested with the bank over a certain period of time (= term: a few months to ten years) and at a fixed interest rate. The higher the investment amount and the longer the term, the higher the interest rate that is credited to the account. This is usually higher than the interest rate for overnight money or the basic interest rate for the instalment savings contract. The fixed-term deposit is also protected by the deposit insurance.

Deposit protection: If a bank becomes insolvent (bankruptcy), the investor can reclaim his deposit (= investment amount) up to a maximum of 100,000 euros. This is a legal requirement throughout the EU.

THE REAL ESTATE (THE MATERIAL ASSET)

Investors can also invest their money in real estate by buying an apartment or a house. This means that the money is tied up until a possible resale. The return on real estate depends largely on the later selling price, but also on rental income and maintenance costs. It can be higher than with overnight money or fixed-term deposits, but also lower. The risk of losing everything is rather low, but if the situation deteriorates (e.g. due to the development of a road or an airport) after the purchase, the value of the property can drop sharply.

THE SHARE

By buying one (or usually several) shares, one takes a financial stake in a company. This means that you share in the profits of this company. The return on an investment in shares depends on the earnings (dividends) and on the price change after the purchase. In good stock market phases or when the company's profits are rising sharply, you can achieve a very high return, but in bad phases (e.g. when the company is making losses) you may also lose a great deal. On average, the return is significantly higher than for real estate and fixed-term deposits. Shares are traded on the stock exchange, where you can buy and sell them. The performance of a share can never be predicted.

THE INVESTMENT FUNDS

When you buy an investment fund, you are virtually participating in a large pot: many investors put their money in it, and the fund manager uses it to buy various shares, fixed-interest securities or even real estate, for example. Depending on the orientation of the fund, he or she is bound by conditions. Thus, he may not only buy high-risk shares, which at best yield high profits, but should also try to compensate by buying low-risk securities. Depending on the investment objectives, you can choose from various types of fund: Equity funds invest exclusively in shares, while funds with fixed-interest securities are called bond funds. If both are combined, they are mixed funds.

The value of a fund unit is determined daily by the fund company. Changes result from interest (of the fixed-interest securities in the fund) or dividends (equity funds) and from the price changes of the securities contained in the fund itself. Like the prices of the securities in which the fund invests, fund prices also fluctuate to varying degrees: more so in equity funds than in mixed funds, which in turn fluctuate more than bond funds. Fees must be paid when acquiring fund units, either a so-called front-end load when purchasing the fund or annual management fees. This is why the purchase of investment funds is intended as a longer-term investment, but you can sell your units at any time.

M6 INTEREST CALCULATION FOR ONE YEAR AND COMPOUND INTEREST

INTEREST CALCULATION FOR ONE YEAR:

The calculation of interest for one year serves as a simple introduction to interest calculation. This means that money is invested for 12 months and there is interest on it. If money is invested for a year, the interest is obtained by multiplying the capital by the interest calculation numerator and dividing by 100.

I = Interests

C= Initial capital / seed capital before interest

P = Interest calculation numerator (interest rate without percentage sign)

$$I = \frac{C*p}{100}$$

Task: The Müller family has saved 3,500 €. The money will be invested at 2% for one year. How much interest is there? How much money will the family get back after one year?

Solution: C = 3.500 €, p = 2

$$I = \frac{3500\text{ €} * 2}{100}$$

I = 70 €

The Müller family receives 70 € in interest after one year. We add this 70 € to the initial capital of 3,500 €. Thus, we receive the final capital. After one year the Müller family has a capital of 3570 €.

INTEREST CALCULATION FOR SEVERAL YEARS (COMPOUND INTEREST):

Compound interest means that interest is added to the initial capital and that in the future not only the original initial capital pays interest, but that interest is also paid on the interest earned.

Sample calculation: How much interest will be earned if I invest 5000 € for 3 years in a savings account? (Calculation with compound interest calculation, interest rate 2%)

5.000 € * 2 % = 100 €

+ 5.000 €

5.100 € * 2% = 102 €

+ 5.100 €

5.202 € * 2% = 104,04 €

+ 5.202 €

5306,04 € final capital after 3 years

M7 CONSULTATION

Form: Animated movie

SCENE 1: INTRODUCTION

Speaker from offstage introduces young people: Tim, 21 years old, painter, 1250 Euro salary (net), knowledge of investment forms: not available, request/ aim: saving

SCENE 2:

- Tim goes to the consultant.
- Welcome
- Small Talk

ANALYSIS

- Consultant clarifies (investment) goals and wishes of the customer
- Consultant clarifies financial situation
- Consultant clarifies risk appetite

OFFER

- Consultant explains the products in detail
- Consultant makes two offers, taking into account the client's goals and wishes as well as risk tolerance
- Consultant clarifies open questions

COMPLETION

- Customer decides on a product
- Consultant opens account

DOCUMENTATION IN THE CONSULTATION PROTOCOL

The conversation is documented by the consultant to create legal certainty for both sides.

FAREWELL

LEGAL NOTICE

Provider:

Europe Unlimited e.V.
Am Dorfweg 2 | 52525 Heinsberg
Tel.: +49 (0)1 77 527 61 08
E-Mail: erasmus@europe-unlimited.org

Authorised representatives:

Europe Unlimited e.V. is jointly represented by the Managing Director Dirk Leisten.

Association register:

Europe Unlimited e.V. is registered in the association register of the Aachen Local Court under the registration number VR 5515.

Editorial responsibility pursuant to § 55(2) Interstate Broadcasting Treaty:

Managing Director Dirk Leisten

Acknowledgements and sources:

This workshop contains teaching material courtesy of the *Bundesverband deutscher Banken e.V.* and *Westdeutscher Handwerkskammertag.*

Exclusion of liability:

Europe Unlimited e.V. has carefully checked all information provided in this area to the best of its knowledge and belief. However, no guarantee is given for the topicality, correctness, completeness or quality and constant availability of the information provided.

Notwithstanding the provisions of § 675(2) of the German Civil Code (BGB), Europe Unlimited e.V. and its employees are not liable for damages resulting from the use or non-use of the information or data provided in this document. This also applies to any damage caused by computer viruses when calling up or downloading data or when installing or using software.

This exclusion of liability does not apply to liability due to intent and if damage due to injury to life, body or health is due to a negligent breach of duty on the part of Europe Unlimited e.V. or to an intentional or grossly negligent breach of duty by a legal representative or vicarious agent.

Furthermore, damages caused by the Europe Unlimited e.V. through gross negligence or by their legal representatives or vicarious agents through intent or gross negligence are not excluded.

Furthermore, the exclusion of liability does not apply to liability due to the violation of essential obligations and if Europe Unlimited e.V. has expressly assumed a guarantee for a certain characteristic. Essential obligations are those obligations, the violation of which would endanger the achievement of the purpose of the contract or the purpose of the mutual relations, or the fulfilment of which only makes the proper execution of the contract or the mutual legal relations possible at all and on the observance of which the injured party may regularly rely, whereby in this case, in the case of simple negligence, liability is only assumed for the contract-typical, reasonably foreseeable damage.

The exclusion of liability also does not apply to damages which are covered by liability according to mandatory legal regulations. This applies in particular to the liability according to § 839 BGB (liability for breach of official duty).

Specially marked Internet pages reflect the opinions and findings of the persons named there.

Europe Unlimited e.V. expressly reserves the right to change, supplement or delete individual web pages or the entire offer without special notice or to discontinue publication temporarily or permanently.

Links and references (so-called disclaimers):

By cross-referencing to the websites of other providers (link), Europe Unlimited e.V. merely provides access to the use of these contents. It is not responsible for the content of these websites. Only the respective provider of the linked website is liable for illegal, incorrect or incomplete content and in particular for damages resulting from the use or non-use of such content and information.

At the time of the initial linking to these Internet offers, the editorial staff of Europe Unlimited e.V. checked these contents to the best of their knowledge and belief to determine whether they could give rise to any civil or criminal liability. However, no such responsibility could be established. However, the content of these pages can be changed at any time without the knowledge of Europe Unlimited e.V. As soon as Europe Unlimited e.V. establishes or is informed by a third party that a linked web page triggers civil or criminal liability, it will immediately remove the link, as far as this is technically possible.

Note:

The offer of Europe Unlimited e.V. is directed equally at men and women, unless otherwise expressly stated. Due to the better readability and comprehensibility of the texts, however, only the male form of person is generally used.

All legal disputes arising from this document are subject exclusively to German law.

Complaints/dispute resolution:

Under the link ec.europa.eu/odr/ the EU Commission provides a platform for out-of-court dispute resolution. This gives consumers the opportunity to resolve disputes in connection with their online order/service, initially without the involvement of a court.

General duty to inform according to § 39 Consumer Dispute Settlement Act (VSBG): Europe Unlimited e.V. does not participate in dispute settlement proceedings in the sense of the VSGB.