Financial Literacy for School Children

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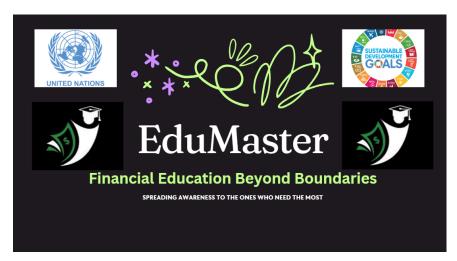
EduMaster



Financial Education Beyond Boundaries

SPREADING AWARENESS TO THE ONES WHO NEED THE MOST

This booklet is distributed by EduMaster NGO as a part of Financial Literacy program conducted across India.



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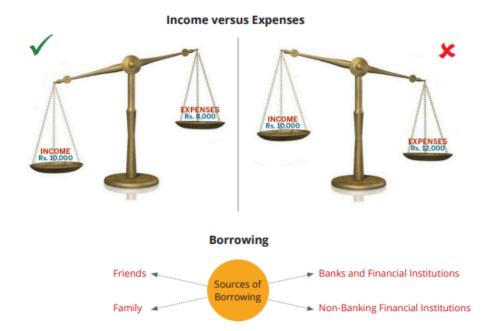
Message 1: Needs versus Wants



The first step in managing money successfully is being able to differentiate between NEEDS and WANTS. As we can see from the photos above, NEEDS are a must-have, whereas WANTS are good to have. WANTS can be postponed and acquired later. When we learn to identify our WANTS and inculcate the habit of postponing those WANTS, we should be able to achieve most of our financial goals.

Budgeting

Budgeting is the art of balancing income and expenses to ensure that expenses are always less than income. The surplus generated, if any, can be invested for future needs.



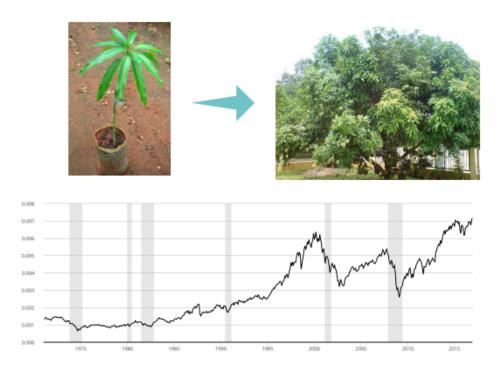
Message 2: Introduction to Banking

BANKS (Financial institutions which accept deposits and provide loans.)	Savings and Current Accounts Provide facilities like Cheque Book, Funds Transfer, Debit Card, and Unified Payments Facility.	Savings Account Can be opened by one person or jointly. Nominal interest is paid on an account balance. Some accounts may require maintenance of minimum balance. Current Account Meant for business entities such as proprietorships, partnership firms, public and private companies, trusts, association of persons, etc. No restrictions on the number and amount of deposits and withdrawals as long as the account holder has funds in the bank. No interest is paid on the account balance. Savings Accounts for Minors A savings account can be opened by a minor of any age through his/her natural or legally appointed guardian. Minors above the age of 10 years are allowed to open and operate savings bank accounts independently, if they so desire. On reaching 18 years and of age, the age of majority in India, the erstwhile minor should confirm the balance in his/her account. If the account is operated by their natural/legal guardian, fresh operating instructions and a specimen signature of the erstwhile minor should be obtained and kept on record for all operational purposes.
	Deposits	Recurring Deposits A Recurring Deposit is popularly known as RD. A certain fixed amount is accepted every month for a specified period and the total amount is repaid with interest at the end of the period. Deposits can be opened for periods ranging from 6 months to 120 months. RDs are suitable for those who do not have a large amount of savings, but are ready to save small amounts every month. No withdrawals are allowed. However, the bank may allow the account to be closed before the maturity period. Any default in payment within the month attracts a small penalty. Fixed Deposits Fixed deposits or FDs are opened for a particular period, ranging from 7 days to 10 years. The rate of interest depends on the amount and the term of the deposit. Interest is usually paid as a lump sum at the end of the term. However, there are also options to receive interest at periodic intervals. Deposits can be withdrawn prematurely provided the account holder has opted for it.
	Loans	Personal Loan: This type of loan can be used for any purpose. It is usually taken for emergencies like medical expenses, marriage expenses, etc. The interest rate is higher on such loans. Vehicle Loan: This type of loan is provided for the purpose of buying a vehicle. The vehicle is hypothecated to the bank and in case of default of the loan, the bank may take possession of the vehicle. Home Loan: Everyone dreams of having their own home, but buying a home requires a large amount of money, which many people cannot afford. To fill this gap, banks provide home loans. Education Loan: Banks offer education loans to students who want to pursue higher studies. Once the student completes his/her course and starts earning, he/she can repay the loan. Agricultural Loans:

To cater to the needs of farmers, banks offer various types of loans. Farmers can buy seeds, insecticides, tractors and other equipment needed for agriculture using this loan

Message 3: Basics of Investment, Insurance and Pension

An investment is like planting a tree. If monitored regularly and allowed sufficient time to grow, good returns can be expected.



Traditionally, investors preferred gold, land and real estate as investment. Lately, however, the number of investors choosing financial assets like stocks or mutual funds is on the rise.

Stocks and Mutual Funds

Shares/stocks reflect ownership interest in a company. Shares offer the investor shareholder rights wherein the investor can participate in the annual general meeting and has the right to vote. These products earn returns, depending on the profits made by the company. The returns may thus fluctuate depending upon the profitability of the company's business. These products offer a number of benefits but investors must understand the company business well before investing. One can choose to invest in these instruments when they have a longer investment horizon.

An investment is an allocation of resources into an asset or group of assets with the expectation of generating future income or appreciation in value (e.g., investments in land, business enterprises, etc.). A large number of people invest in the stock market through mutual funds or direct trading in stocks.

A mutual fund is a mechanism for pooling resources by issuing units to the investors and investing funds in securities in accordance with objectives as disclosed in offer documents. Investments in securities are spread across a wide cross-section of industries and sectors and thus the risk is reduced. Diversification reduces the overall risk because all stocks may not move in the same direction or in the same proportion at the same time. Mutual funds issue units to the investors in accordance with the quantum of money invested by them. Investors of mutual funds are known as unit holders.

Mutual funds are normally started with a number of schemes with different investment objectives that are launched from time to time. A mutual fund is required to be registered with the Securities and Exchange Board of India (SEBI) which regulates securities markets before it can collect funds from the public.

Growth/Equity oriented Scheme

The aim of growth funds is to provide capital appreciation over the medium and long term. Such schemes normally invest a major part of their corpus in equities. They have comparatively high risks.

Income/Debt oriented Scheme

The aim of income funds is to provide regular and steady income to investors. Such schemes generally invest in fixed income securities such as bonds, corporate debentures, government securities and money market instruments. Such funds are less risky compared to equity schemes.





Stocks of over 5,000 companies are available for investment through India's two leading stock exchanges, namely the National Stock Exchange and the Bombay Stock Exchange. Stocks can be bought through brokers registered with SEBI.

Introduction to Insurance

Insurance is an arrangement through which one can plan for the continuation of income when certain events like disasters, illness, accident, death, or old age may disrupt one's ability to earn his/her livelihood.



Universally, the insurance business is classified into life insurance and general insurance. Life insurance policies are termed as benefit policies of protection and are normally considered to be a means of protecting one's family against the unforeseen circumstance of death of the earning member.



Further, there are various types of life insurance policies which help in accumulating savings, making life insurance a common long-term investment.

Therefore, it is also seen as a savings and investment option catering to an individual's needs at various stages of life. The general insurance industry provides many benefits to society by offering financial protection to individuals, families, businessmen and industries, in the event of unforeseen catastrophes, losses to their assets and property.

Introduction to Pension



It is important to know how much money one will need for retirement as it can vary with one's individual circumstances. Life expectancy, inflation and retirement age are some of the key factors to be taken into consideration while calculating retirement needs.



Inflation is the rising cost of consumer goods and services. It affects one's retirement needs in two ways. First, the cost of goods increases which means buying the same amount of goods becomes costlier. Second, due to inflation, retirement savings also lose value. Both these factors must be taken into account when a retirement fund is created.

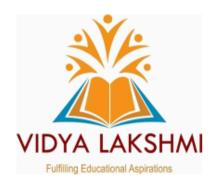


National Pension System (NPS)

The national pension system is a pension plan by the Government of India to provide financial security and stability during old age, when people don't have a regular source of income. It is open to all citizens of the country between the ages of 18 and 60 on a voluntary basis. One can subscribe to the NPS and be able to save and invest systematically during the duration of one's working life. A minimum saving of Rs. 500 per year is required to subscribe to the scheme. When one retires, normally at age 60, one will get a part of the money and the remaining can be withdrawn on a monthly basis. Savings in NPS up to a certain limit are also exempt from tax.

Message 4: Education Loan

The popularity of an education loan option is increasing with each passing year. More students are exploring the option of funding the cost of their higher education through education loans. Recognising the growing need for education loans, a new portal has been launched to provide not only information on education loans, but also a single-window application process to multiple banks.



Step 1	Register
Step 2	Fill up single form
Step 3	Apply to multiple banks

www.vidyalakshmi.co.in

Vidya Lakshmi (https://www.vidyalakshmi.co.in) is a web-based portal developed for the benefit of students seeking educational loans. It is a single-window electronic platform providing all information about the educational loan schemes of various banks. The Common Educational Loan Application form available on the portal enables the student to apply to multiple banks. Students can apply, view, and track the status of their education loan application anytime, anywhere, by accessing the portal.

More than one lakh students have already benefited from the portal and over 40 banks have registered to provide education loans to students.

Important note on educational loans:

- → As per the Model Education Loan Scheme 2015, formulated by the Indian Banks' Association, the maximum loan amount is Rs. 10 lakhs for higher education in India and Rs. 20 lakhs for study abroad.
- → No margin/security is required to avail an education loan of up to Rs. 4 lakhs.
- → Repayment of the loan will be in equated monthly installments (EMIs) for a period of 15 years for all categories of loans.
- → Repayment starts after completion of the course with a one-year moratorium period.

Message 5: Financial Sector Regulators

Reserve Bank of India (RBI)

The Reserve Bank of India (RBI) is the apex monetary authority and central bank of the country. It was established on 1st April 1935, in accordance with the provision of the Reserve Bank of India Act, 1934. The general direction and superintendence of the RBI is entrusted with the Central Board of Directors headed by the Governor of the RBI. The central board is supported by four local boards at Delhi, Kolkata, Chennai and Mumbai.

Role of the RBI

Issue of currency:

Along with the Government of India, the RBI is responsible for the design, production and overall management of the nation's currency, with the goal of ensuring an adequate supply of clean and genuine notes.

Banker to the government:

The RBI is the banker to the central government and also acts as the banker to state governments that have entered into an agreement with it.

Banker to banks:

As the banker to banks, the RBI focuses on the clearing and settlement of inter-bank obligations, providing an efficient means of funds transfer for banks, maintaining banks' accounts for the purpose of statutory reserve requirements, and acting as lender of last resort.

Conduct of monetary policy:

Price stability is a necessary precondition to sustainable growth. The primary objective of monetary policy is to maintain price stability while keeping in mind the objective of growth.

Developmental role:

The RBI aims to (a) ensure credit availability to the productive sectors of the economy, (b) establish institutions designed to build the country's financial infrastructure, (c) expand access to affordable financial services and (d) promote financial literacy.

Regulator and supervisor of the banks:

As the regulator and supervisor of the banking system, the RBI protects the interests of depositors, ensures a framework for the orderly development and conduct of banking operations conducive to customer interests, and maintains overall financial stability through preventive and corrective measures.

· Regulator of the payment and settlement system:

RBI focuses on the development and functioning of a safe, secure, sound, efficient, accessible and authorised payment system in the country.

Maintains financial stability:

The RBI maintains financial stability through continuous monitoring of the financial system.

Other Financial Regulators

Securities and Exchange Board of India (SEBI)

The Securities and Exchange Board of India (SEBI) was established in 1988 as an administrative body. It became an autonomous statutory body on 12 April 1992 as per the provisions of the SEBI Act, 1992. SEBI was established with the prime mandate to protect the interests of investors in the securities market. It is also mandated to promote the development and regulation of the securities market. The head office of SEBI is located in Mumbai.

Insurance Regulatory and Development Authority of India (IRDAI)

The Insurance Regulatory and Development Authority of India (IRDAI) is a statutory body which is mandated to regulate and develop the insurance sector in India. It was established as per the provisions of the IRDAI Act, 1999. IRDAI's head office is located in Hyderabad.

Other Financial Sector Regulators

The financial system in India is regulated by independent regulators in the areas of insurance, capital markets, and pension funds.

Pension Fund Regulatory and Development Authority (PFRDA)

The Pension Fund Regulatory and Development Authority (PFRDA) was established by the Government of India on 23 August 2003. The government has, through an executive order dated 10 October 2003, mandated the PFRDA to act as a regulator for the pension sector. The mandate of the PFRDA is development and regulation of the pension sector in India. It has been accorded statutory status as per the provisions of the PFRDA Act, 2013. Its head office is located in New Delhi.

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