

Saving Money

Unit 1: My Savings



Objectives

By the end of the lesson, the students will be able to:

- a) Identify various financial institutions in their community
- b) Understand how to save using available financial institutions



Instructions

1. Ask students to share as many places as possible where people keep money and ask for a volunteer to write the ideas on the board.
2. Divide the students into groups of five to seven and ask them to discuss the following questions in their groups.
 - o Where do people in your community save most often?
 - o Where would you prefer to save?
3. Next, draw the KWL Chart (below) on the board:

About Financial Institutions for:	Know <i>What do we already know</i>	Want <i>What do we want to learn</i>	Learn <i>What did we learn today</i>
Saving			
Borrowing			

4. Ask students to share what they already know about financial institutions and have a new volunteer write the answers in the *Know* column in the relevant row,
5. Then ask students to do the same with what they want to learn about financial institutions in the *Want* column in the relevant row. Remind the students that they will come back to this chart and fill in the final column at the end of the activity.
6. In their groups ask the students to discuss the following questions. After they finish discussing ask one person from each group to share their thoughts with the rest of the class.
 - From what types of financial institutions can you save and borrow money? Include both formal and informal institutions or locations for borrowing.
 - What are the different types of financial institutions commonly found/available?
 - Are there any financial institutions in your community? What are they?
 - How do you borrow money from a financial institution?
 - What is a loan?
 - How can you create a connection/relationship with a person from the financial institution, or make him/her an offer of some kind? Is this corruption?
 - What is corruption?
 - What is the difference between corruption and assistance?
7. Finally, have the groups fill in the final column of their KWL Charts with what they learnt in the discussion.
8. End the class by learning and singing the following song

Ping-pong, Ping-pong, come one come all
 Let's save money, let's play ball
 Money grows money, don't be left behind
 Small becomes big, this you'll yourself find!
 On Aflatoun music, we'll dance and sing
 We'll play games & learn lot of things!

New thoughts & new ideas we'll learn to do and act
We'll save money, save water, save time & that's a fact!
Let's learn the business of the world,
and store it in our think-tank
Then save the knowledge in our bank!
The bank belongs to everyone
All the schools will have one!

9. End the class by sharing the information materials below on Types of Financial Accounts, their Advantages, important banking terms, and questions to ask when visiting a bank.



Materials: Types of Information on Banking

Types of Accounts

Current Accounts: Some people have businesses, shops. They have to deposit or withdraw money often. Such accounts are called Current Accounts. The money in these accounts does not accrue any interest. But the account holders can deposit or withdraw money from their accounts several times in a day.

Savings Accounts: Majority of the people however, deposit or withdraw money only a few times. The money saved by them accrues interest. Such accounts are called Savings Accounts. Money can be deposited in these accounts for any number of times, but there are rules about the number of times that money can be withdrawn from the account in one week.

Fixed Deposit Accounts: Some people deposit money for a particular duration, like 1 year or 2 years, etc. This is called Fixed Deposit Account. The account holder cannot use the money for the duration for which it has been deposited. If there is a severe need, then the fixed deposit can be broken and the money can be used but the interest accrued is reduced. If the money is taken after completing the duration, the interest accrued is more.

Recurring Deposit Accounts: Some people decide that they will save a fixed amount every month regularly for a period of 2 years or 3 years without withdrawing it. For e.g. saving Rs.500/- per month for a period of 3 years. The account holder cannot use this money for the duration that he decides to save. If there is a severe need, then the fixed deposit can be broken and the money can be used but the interest accrued is reduced. If the money is taken after completing the duration, the interest accrued is more. Such an account is known as Recurring Deposit account.

Advantages of Opening and Using an Account

Safety: Money kept at home in a box, under the mattresses or even in purses can be stolen. It can also be lost during natural calamities like floods, etc. while in the bank money is safer. Since the banks insure our bank accounts and also gets help from the Reserve Bank of India, our money is well-protected.

Growth: We accrue interest on the money kept in the bank account, this helps our money to grow. Money kept at home cannot grow. Similarly money invested in other trades or businesses cannot be guaranteed to grow.

Loans: On the basis of our savings, fixed deposits or recurring deposits, bank can give us loans for our needs like buying a house or for education. Other financial institutions also provide loans on the basis of the savings in your bank account.

Important Banking Terms

Withdrawal: This is the money that you take out of your account to pay for something. It is also called a 'debit'.

Deposit: This is the money that you add to your account. It is also called a 'credit'.

Balance: This is the amount of money that you currently have in your account. When you calculate your balance it is the total of all deposits minus the total amount of withdrawal.

Interest: Interest is a percentage that determines the growth of the amount of money you have or owe, such as 15% per year. The simplest way to calculate the effect of interest is to follow the following calculations called the *Rule of 72*: If you divide 72 by the yearly percentage of interest, the result is the number of years you have to wait for your money to double if you don't add or remove any! So an interest rate of 15% on a savings account means you have to divide 72 by 15 and you'll find that your money will double by itself in just 4.8 years.

The Central Bank of India and the Indian Banking Association are aiming to help young people throughout India open accounts. Your school will be paired with a branch and they will help your students gain access to their account. The account features are as follow:

- Any person of twelve years of age can open this account individually or joint with another person/s. Account can be opened in the name of minor with natural guardian.
- An account can be opened with initial deposit of Rs.50/-. Minimum balance of Rs.50/-
- No service charges for non maintenance of the minimum balance.
- 50 (Fifty) withdrawals per year free of charge.
- One cheque book per year free of charge.
- Total credits in a year should not exceed Rs.1,00,000/- lac and balance in the account should not exceed Rs.50,000/- in all accounts taken together.
- For introduction simplified KYC procedure is applicable. Bank's existing client who has fulfilled full KYC norms can introduce the customer's identity and certify the address.
- Interest at Saving Bank rate i.e. @ 3.5% is allowed.
- Account can be opened in any Branch of Bank

Questions Guide for Banker/Financial Institute Employee

General Questions

- Do the accounts that you offer have a minimum amount of money that we must have in it at all times to benefit?
- How much interest do the accounts earn as an interest?
- What monthly fees do you charge?
- How much do you charge if...
 - I do not keep the minimum balance necessary in my account?
 - I make a deposit or withdrawal?
 - I go overdrawn by pulling out more money than I have in the account?
 - I close my account (with or without notice)
 - I make an inquiry such as what my balance is?
- How much money can I withdraw at one time? How often can I withdraw money? How soon can I withdraw my money after depositing it?

Regarding modern technological ways to operate

- Can I use an ATM machine?
- Can I use the telephone or Internet to inquire about account information?
- Can I use the Internet to manage my account?

Regarding rules of owning an account

- Do you offer special student or youth accounts?
- If not, how can a student/youth have an account? (There have been instances where students/youth have opened an account as a group, or have had a parent/guardian stand in for them.)

Regarding other financial services that Banks/Financial Institutions provide

- Apart from account management, what other services does your institute provide?
- Are these services available to children and young people our age?