What if something happens? Let’s learn how to manage risks

FLITIN

Financial Literacy International Network

MONEY MASTER CHALLENGE
V EDITION

FLITIN

WHO?
A network of Ambassadors of Intesa Sanpaolo Group operating in 11 Countries to spread financial literacy by sharing knowledge, skills, methodologies, tools, resources, and experiences.

WHERE?
Albania, Bosnia and Herzegovina, Croatia, Egypt, Hungary, Italy, Moldova, Romania, Serbia, Slovakia, Slovene

WHY?
We aim at introducing children and teenagers to the fundamentals of money management through play and interactive activities.

How will the quiz take place?

NATIONAL QUALIFICATION

Qualifying stage in each country and identification of the National Winning Class.

INTERNATIONAL FINAL

Final stage and online Award Ceremony

KAHOOT PLATFORM

Participation in the Money Master Challenge will take place individually, through an electronic device (mobile phone, tablet or PC) owned by the student or made available by the school. The Quiz software “Kahoot!” will automatically identify the winner, based on the number of correct answers and speed of response.

Financial Education: what is it?

Financial education is the set of basic economic knowledge and skills that enable individuals to be informed consumers, savers, and investors.

Financial education is important because it helps us to:

- ✓ achieve our goals
- ✓ reach retirement with more savings
- ✓ cope with unexpected events with greater peace of mind

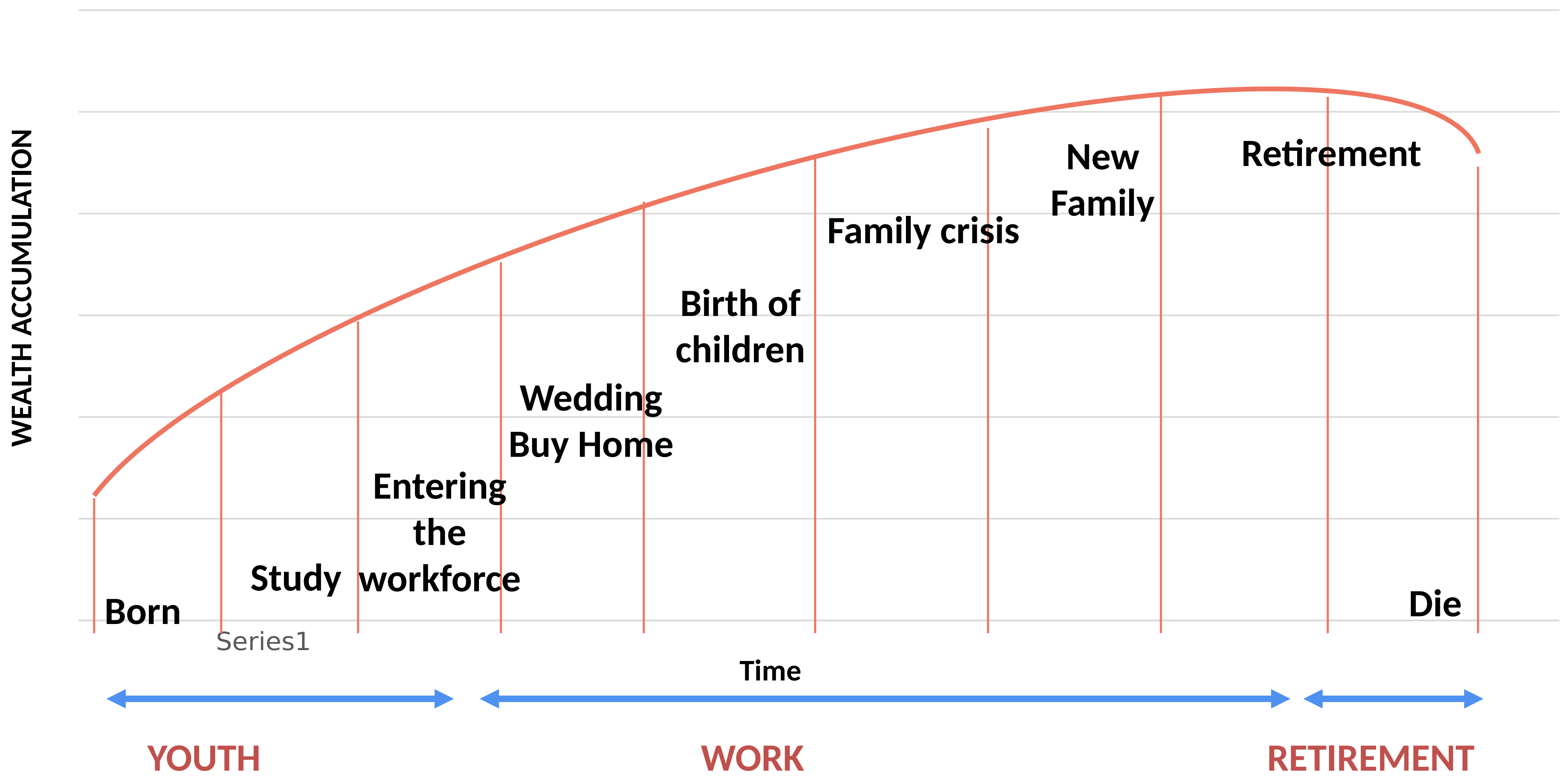
Financial Literacy in the world

OECD/INFE 2023 INTERNATIONAL SURVEY OF ADULT FINANCIAL LITERACY

- ✓ Across all participating countries and economies, the average financial literacy score **is 60 out of 100** (63 among OECD countries).

- ✓ Only about **34% of adults**, on average, reach the minimum benchmark of financial literacy—defined as scoring at least 70 out of 100 (39% in OECD countries).

Life Cycle


WEALTH ACCUMULATION
Retirement
New Family
Family crisis
Birth of children
Wedding Buy Home
Entering the workforce
Study
Born
Die
Series1
Time
YOUTH
WORK
RETIREMENT

The future matters

At school, as we study, we invest in ourselves to ensure our professional growth during our working years.

Then, as we work, we set aside the money we'll need to manage the events and unexpected situations that may arise throughout our lives, and to face retirement with peace of mind.

OUR DECISIONS TODAY SHAPE OUR OPPORTUNITIES TOMORROW.

WE NEED TO THINK LONG TERM!

Public welfare

WHEN BEING FORWARD-THINKING ISN'T ENOUGH, THE STATE CAN HELP US!

The **WELFARE STATE** is a system is a system through which governments support people’s well-being and provide protection when they need it most.

How is that possible?

Through taxes

What is risk?

Risk is a concept that applies to every aspect of life.

It is, in fact, the possibility that something **will turn out differently than we expected**, with consequences for our future.

Since **we cannot eliminate risks entirely**, it is important to be familiar with all the tools that can help us manage risks and protect our finances.

«What is Risk?»

Risks Map

WORK
- Job Loss
- Salary Reduction
- Job Instability

HEALTH
- Illnesses
- Injuries
- Disability

FINANCE
- Inflation
- High-risk Investments
- Market Crashes

HOME

Damage (fires, flooding)

Extraordinary maintenance expenses
- Decline in the property's value over time

FAMILY
- Divorce
- Birth of children (increase in household expenses)
- Death of a family member resulting in a loss of income

DEBT

Over-indebtedness
- Difficulty repaying loans or mortgages

SCAMS

Online Scams Identity Theft and Personal Data Theft
- Financial Fraud

RISKS RELATED TO THE ECONOMIC ENVIRONMENT
Wars and geopolitical instability
Pandemics
Sudden regulatory changes

Tools protect our future

1. PLANNING
2. PENSION
3. INSURANCE

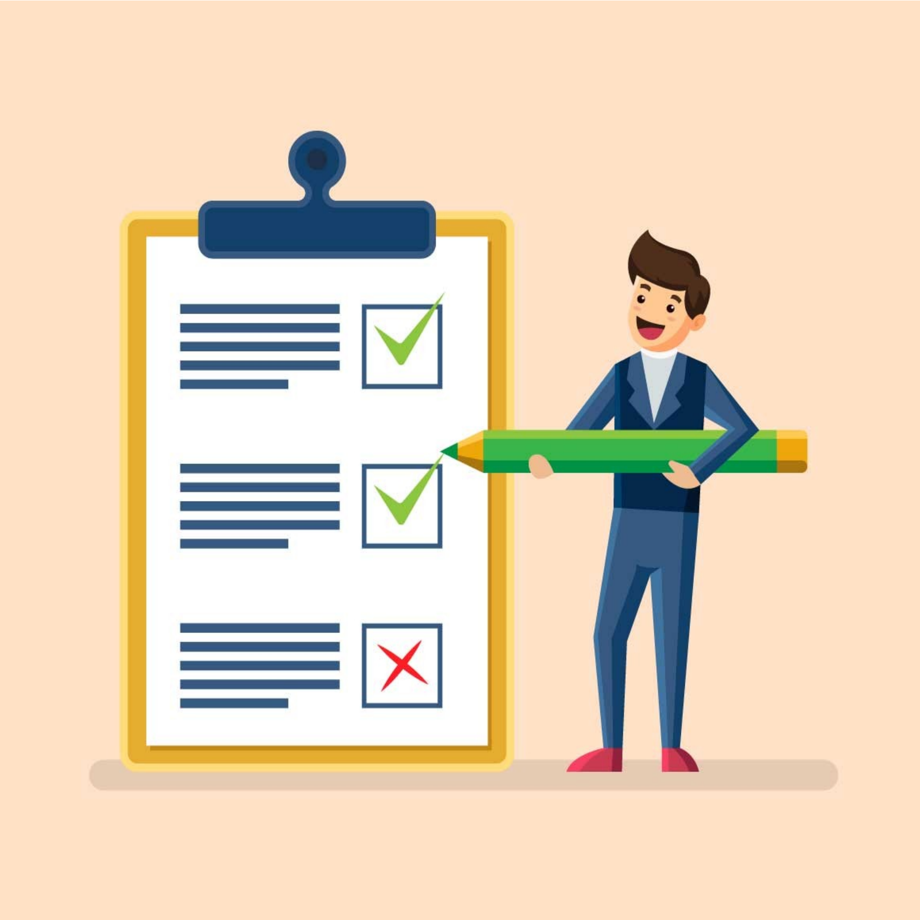
The power of planning

Learning to plan means getting used to thinking about the future and **reasoning by goals.**

Plan = plan our economic behaviors (i.e., consumption and saving decisions) based on our desires/needs.

Planning is a five-step process:

1. Identify objectives
2. Value revenue
3. Giving a value to exits
4. Estimate the sum we can set aside
5. Calculate the time needed



1. Identify objectives

Set a **SMART** goal:


- **Specific** (clear and precise)
- **Measurable** (to see if we are achieving it)
- **Achievable** (realistic, not impossible)
- **Relevant** (interesting and motivating)
- **Time set** (a deadline helps you proceed with determination)


Sort priorities
You can have more than one goal, but it's important to determine whether they can all be achieved and which should come first.

2. Define your income

Income is the money that «enters» our pockets for work done, for a donation, or for other reasons (for example, for a gift).

What type of INCOME do you know?

3. Track your expenses

- **Fixed:** these are the recurring ones that we can't do without (e.g. rent, bills, transportation costs, food expenses, medical expenses...)

- **Variable**: these are those related to our free time and hobbies (e.g. restaurants, cinema, theater, travel...), which we can eventually reduce.

4. Calculate how much you set aside

INCOME - **EXPENSE (FIXED and VARIABLE)** = **SAVING**

! **REMEMBER TO BUILD AN EMERGENCY FUND**

- We must not forget a third type of unexpected expenses: for example, those for an accident or a dental problem…
- They are difficult to deal with if you haven't put something aside.
- That is why it is good to create an EMERGENCY FUND, setting aside month after month a fixed amount that will help us deal with them.

5. Calculate the time needed

- After subtracting the EXPENSES from the INCOME, and defining the monthly amount to be allocated to the EMERGENCY FUND, The remaining amount can be used to reach your goal.

- You will then be able to calculate the length of time it takes to reach your goals.

- ❑ **Short term (< 1 ye** 

- ❑ **Medium term (1 – 5 year** 

- ❑ **Long term (> 5 yea** 

Let's try together

If a phone costs **150 euros**

and I earn **800 euros** a month

but I spend **750 euros**,

and I've already saved **50 euros**,

How many months are needed to buy it?

What about provisions? The phone could break!

Insurance

IT'S AN «UMBRELLA» FOR RAINY DAYS

Premium: amount of money you pay to the insurance company to get risk coverage

Policy: A contract that transfers an economic risk from an individual to an insurance company, upon payment of a premium.

Insurance

RISK SHARING…

Through the concept of **risk sharing**, risk is not eliminated, but it can be distributed among many, thus weighing less on individuals.

… AND THE LAW OF LARGE NUMBERS

The probability that the future frequency of a risk is roughly equal to the frequency already observed in the past, is greater the greater the number of observations made.

Let's discover some risk-related events

MORAL HAZARD

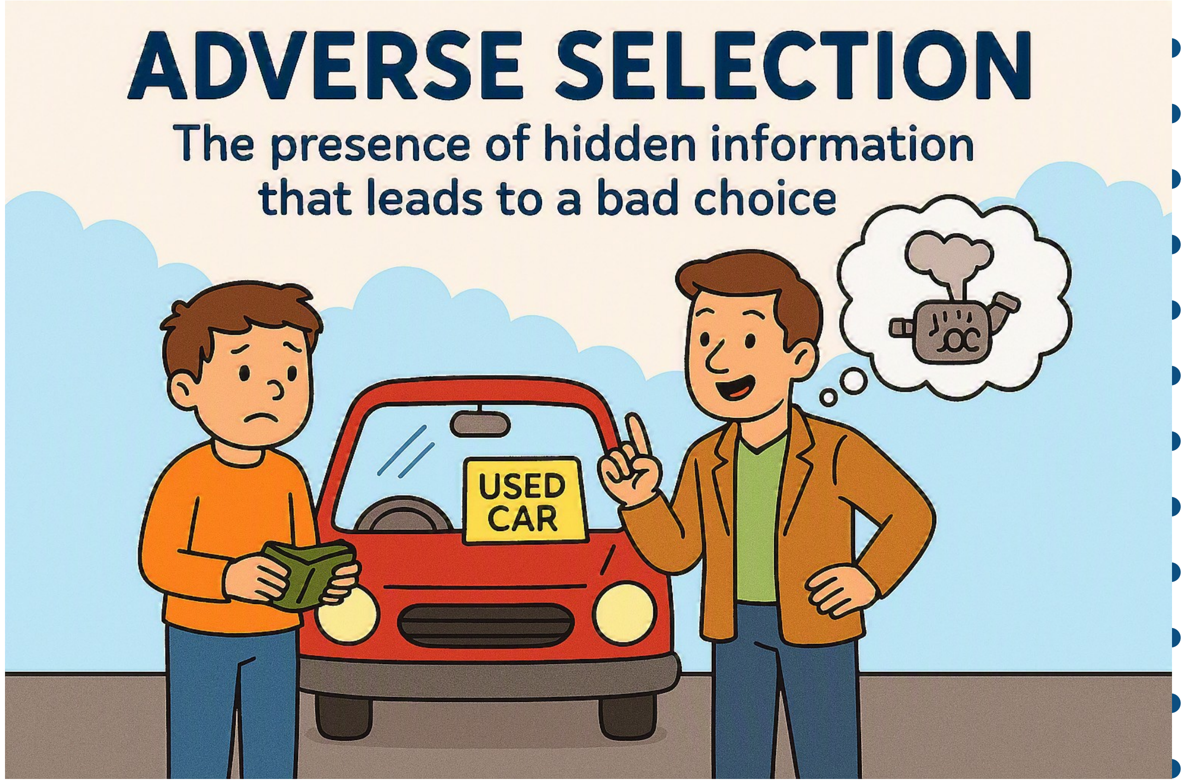
A situation where an individual, being protected from risk, tends to be more reckless because the negative economic consequences will be borne by others.

Simply put it's the tendency to be less diligent when someone else pays the price.

Let's discover some risk-related events

ADVERSE SELECTION

It occurs when one of the parties involved in a transaction, before the contract is signed, has information that the other party does not have and uses it to their advantage.



Simply put, “the one who knows more” uses this advantage to the other party's detriment!

Pension system

The pension system helps protect us financially when our working life comes to an end, by

> guaranteeing us a stable future income
> helping us maintain our standard of living after we retire

Public pension

It is financed through compulsory contributions made by workers, which are paid back at the end of a person's working life.

Private pension

IT IS FUNDED BY PERIODIC VOLUNTARY CONTRIBUTIONS TO SPECIALIZED INSTITUTIONS (PENSION FUNDS), WHICH INVEST THE MONEY TO GENERATE RETURNS OVER TIME.

! Upon retirement, it provides an additional source of income beyond what is guaranteed by the government.

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