



FINANCIAL EDUCATION

Booklet 3 of 4, Section II: Savings

TEXT HIGHLIGHTED AND BOLDED IN GREEN IS INTENDED TO INFORM THE FIELD AGENT OF INSTRUCTIONS TO BE PROVIDED TO THE GROUP DURING GROUP EXERCISES.



You can use the information and exercises in this manual to plan how to work with farmers to develop their agro-enterprises. Every farmer group and every situation is different, so this manual does not try to tell you exactly what to do. Instead, choose those items that you think the farmers need and can benefit from, and use this manual as a basis for building your own series of learning events so you can pass this information on to farmers.

It is important to adapt the exercises, field lessons and quizzes to suit your own situation. Before teaching these materials, review and modify the following elements to your own local situation:

- Names of people, villages, and groups
- Currency
- Amounts of the items shared in the examples. These amounts could vary based on the target group's income levels. If the amounts are either too large or too small, participants may not feel that these tools apply to them.
- Stories. There may be more relevant examples for your community that will better communicate the objectives.
- Items being bought and sold.
- Types of income generating activities.
- When items are sold, based on the local seasons.

Wherever possible, work in a participatory manner with the farmers. This means you should make sure that it is the farmers who are gathering and analyzing information and making decisions that will affect them. Your role is to facilitate their learning, not to do the job for them.

Cover photo: Michael Stulman/CRS

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SECTION II – SAVING

To **save** is to put aside money or spend less today so that you can use it in the future. People save for many reasons, for example to have money to cover an emergency (a child falling ill) or to meet a family need or dream (buying a bicycle). Saving money is often difficult because there are always many demands for your money. Having savings can help you to make future purchases more easily and achieve your financial goals.

Some people think “I do not have enough money to save.” That is not true! People of all income levels—including the poor—can and do successfully save. The first step is to review your list of expenses, label them as wants and needs, and prioritize (refer to Lesson 4: Different Types of Expenses and Reviewing Your Budget). After doing this review, Jacob and Sarah decided to purchase water, instead of buying their usual sodas, when they go to the market each week. By making this change, they saved 500 per week. Using these funds they were able to purchase fertilizer without borrowing additional money, which was a key financial goal for the family. For many people, it is easier to put a small amount aside each day or week, rather than a large lump sum at the end of the month. Savings can provide the means to improve your farm or business and to achieve your financial goals.

This section will introduce you to a few strategies that make saving a little bit easier. It is easier to save with a **specific goal** or future purchase in mind. As discussed in the first section, a well-structured goal is specific, is realistic, has a timeframe, has an action plan, and has milestones. **Saving for emergencies** makes it possible to plan and pay for life’s unexpected events, such as an illness or a time of reduced or no income. How you can save will depend on where you live and the available **saving services**. By examining and comparing these saving services with specific financial goals, you can select the appropriate saving service for you.

This section is made up of three lessons:

Lesson 5: Choosing where to save. There are many different ways to save and each method has different benefits and challenges.

Lesson 6: Creating a savings plan. Having a specific plan for saving (goal, cost, time), will help you achieve your financial goals.

Lesson 7: Saving for emergencies. Savings can help you to pay for emergencies when they arise.

LESSON 5.

CHOOSING WHERE TO SAVE

- Know and apply the criteria for evaluating savings options.
- Ability to choose the best option for saving amongst available sources.

Savings are the accumulation of **assets**. Any physical item that you own is an asset. Assets can include cash, money owed to you, animals, and any item within your household or business. There are five elements or criteria to think about when evaluating saving options.

1. Liquidity. How easy it is to change into cash? Very liquid assets can be used immediately. The most liquid asset is **cash** kept in your home. The more steps needed to turn an asset into cash, the less liquid the asset. If your savings is in the form of animals or jewelry, to use the assets to purchase something else, usually you must first sell the item, such as a goat (transfer its value into money) and then use this money to make your purchase. Electronic money transfers in some countries allow for quick access to cash.



2. Level of risk. How likely can savings lose their value? Savings kept in a bank or other formal financial institution carry minimal risk. Savings kept in your home are more vulnerable to theft, fire or other dangers. It is easier to spend monies in your home on less important wants because of easy access. Savings kept in animals or jewelry, while more difficult to spend, carry greater risks. If an animal dies, you will lose all of your savings. Market prices can vary and you may receive less money than you paid for these assets, if you need to sell the asset quickly.



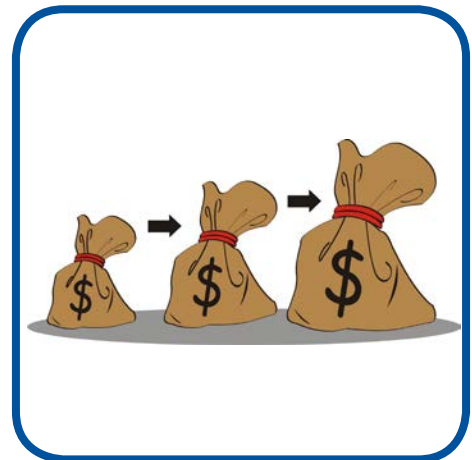
3. Cost: What is the price for the service? A bank or other formal financial institution may charge fees on savings accounts. If the bank is far away, you must spend money (transportation—direct costs) and potentially lose money due to missed work (time to go to bank—indirect costs) to make your deposit or withdrawal. What costs are associated with keeping your savings in livestock? They require food and other maintenance costs. What costs are associated with keeping your savings at home? There are no fees or maintenance costs, but there is easy access to both you personally and other family members.



4. Profit. How much do you earn from your savings? For example, a bank may pay you **interest** on your savings or your savings' group may pay you a **dividend** on your savings at shareout. The **interest rate** is the percent that is applied to the amount of your savings.



5. Accumulating assets. How easy is it to increase your savings? To accumulate savings, the savings mechanism must allow you to easily make deposits and be more difficult to make withdrawals. It is easy to make deposits when saving money at home; however, it is also very easy to access and spend this money, especially when neighbors or family members ask for assistance. Saving with a formal banking institution reduces the temptation to spend the money; however, if the bank is far away or difficult to reach, it could be very difficult to make deposits.



When evaluating savings options, it is important to think about **when** and **how** you will want to access your savings, the **frequency** of your deposits, and the acceptable **level of risk**. Your savings goal could influence the best option for savings. There are two general types of savings services: **informal** and **formal**. The key difference between the two services is that formal services are **regulated by the government** and informal services are not.

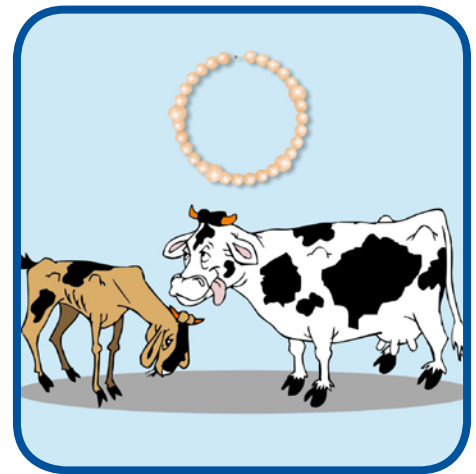
INFORMAL SAVINGS SERVICES

Informal savings services are services that are not regulated by the government.

Saving at home. When saving money at home, it is easy to make deposits. It has risks. Money kept at home can be easily spent or stolen. Sarah regularly puts 200 in coins in a box in her cupboard. In a conversation with the neighborhood shopkeeper, she found out that her daughter Nadine has been buying a lot of candy with 200 in coins. Sarah talked to Nadine and indeed she confessed to taking money out of the box to buy candy.



Saving in assets. Keeping savings as goods (assets), such as **animals, jewelry, grain, or a house**, is safer than savings in cash. It is not easy for Nadine to sell the goat to buy candy and many goods actually help increase the value of the savings as they increase in value.



Saving in assets carries risk. A couple of years ago, Jacob had bought another goat. The goat became ill and Jacob spent half the cost of the goat on veterinary services and medicine. The goat still died. So Jacob lost his savings, the additional money spent for medicine, and all the money spent on food for the goat.

Jacob's neighbor Mohammed always buys a bag of fertilizer at the end of the harvest season when he has extra cash. He does not have to worry about fertilizer for the next planting season and is unlikely to sell the fertilizer during the year as he needs it for his farm. Saving with any asset has the risk of the asset losing value from spoilage or spillage or being stolen.





Another risk of saving in assets is that the asset value may be low when you need to sell the asset for money. For example, prices of agriculture products and jewelry can change throughout the year. Right after the harvest, prices are low for agriculture products and higher for jewelry. During the lean times, prices may be higher for the agriculture products, as there is less of the product available in the market, and lower for jewelry, because more people are selling their jewelry to pay for their needs. Depending on when you buy and sell the asset, you could either gain or lose money.



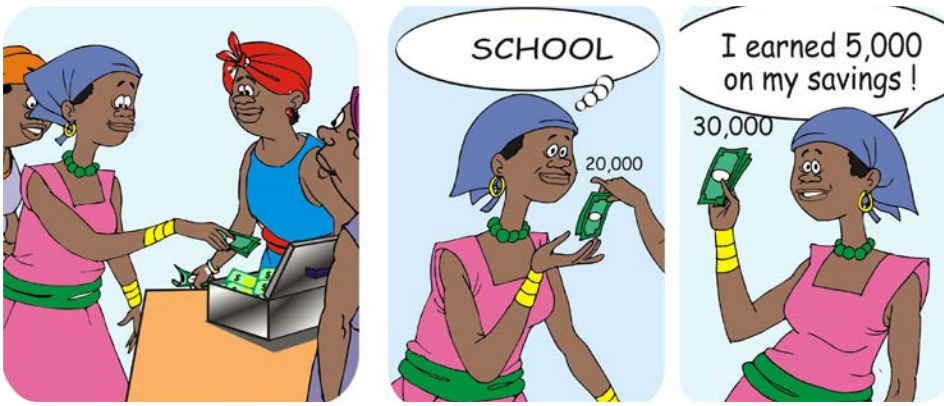
Rotating Savings and credit Associations (ROSCA). ROSCAs are known under other names, such as merry-go-rounds, susus, and tontines. ROSCAs are groups where each member contributes a specified amount of money at agreed intervals. A different person takes home the contributions each time the group meets or at each contribution period until everyone has received their savings.⁵ Group members can only access their savings when it is their turn to take home the money. Some ROSCAs allow members to bid on when they receive the pool of funds. The person who receives the funds first may be required to pay a fee for that privilege. Susu collectors or ROSCAs coordinators may charge a small fee for their services.

⁵ The SEEP Network, Savings Led Financial Services Working Group, "Savings Groups: What are they?" June 2010, page 2.



Accumulating Savings and credit associations (ASCA). ASCAs are known as savings groups. In a savings group, self-selected members of 15 to 30 people commit to making a savings contribution at regular meetings (every week). During these meetings, members can request loans from the accumulated savings contributions. The savings group establishes the rules for savings contributions, loans, participation, membership, and all other relevant aspects, in the savings group's constitution. Many savings groups create a separate fund for emergencies. Everyone contributes to this fund and can receive money in the event of an emergency. All transactions take place in the presence of all members and according to the savings group's constitution to ensure transparency. Each savings group elects a management committee who facilitates the meetings. The savings group funds are kept in a box with multiple locks, normally three padlocks. Different group members hold the keys to these locks to ensure that no one can access the money between group meetings. Some groups keep written records. Other groups use a memorization process to keep track of the funds saved and loans disbursed. At an agreed upon time, each member receives his or her accumulated savings contributions, along with a little bit of extra money, which is known as a dividend. The extra money is the member's portion of the savings group profits accumulated from the interest on loans and other fees (for example penalties paid by members who have missed a meeting or who arrived late).⁶

⁶ Adapted from Mabel Guevara and Catalino Miculax, Catholic Relief Services, "Savings-Led Microfinance, Community Savings and Loan Group Organization, Guide for Technical Staff," page 7.



Sarah joined a savings group to save money to buy a chicken coop and access small loans to fund other key family expenses, such as school fees. Her savings group meets weekly and is close to Sarah's home. The group has a minimum weekly savings contribution of 500, but Sarah puts in more money when she can. During the harvest, Sarah contributed as much as 2,500 on a few occasions. When it was time to pay for school fees, Sarah had accumulated 11,000 of savings and took out a loan of 20,000. By the end of the year, Sarah saved 25,000. The group earned a profit of 20% on the savings, so she had accumulated a total of 30,000.

While not quite enough for the chicken coop, it is a good start. Sarah put aside the 20,000 in a bank for the next round of school fees. She reinvested the remaining 10,000 in the next cycle of the savings group. Sarah is excited that she will not need to borrow to pay for the school fees this year and that she is well on her way towards being able to buy her chicken coop.

FORMAL SAVINGS SERVICES


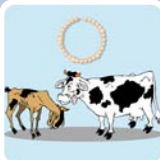


Formal savings services are regulated by the government. They can include commercial banks, microfinance institutions, credit unions, government banks, and post office savings banks. What institutions are regulated can vary based on the country. Generally, the government issues these organizations formal licenses to take voluntary savings. Deposit taking institutions have different types of fees: for transactions (a fee per transaction, deposit or withdrawal, or for exceeding a set number of transactions per month), for having an account, for opening an account, or for a number of other items. Most financial institutions are in urban and peri-urban areas, so accessing a financial institution can be both expensive and time consuming for farmers who live outside the city.

Each person has different needs and should select the appropriate savings service according to their needs. Most people use several savings mechanisms. Some choose to belong to multiple savings groups or to combine a savings group with having a bank account.


Table Lesson 7.1: Savings criteria and savings options compares the five savings criteria with different types of savings mechanisms. Most people have multiple savings goals, such as building an emergency fund, saving for school fees, and saving for a business investment. When evaluating savings options, it is helpful to decide which criteria are most important for achieving that goal so as to use most suitable savings tool. The criteria of high, medium, or low is used to designate each savings option. The selections are generally how each savings mechanism would rate against each criterion. The responses could vary based on available savings services and other factors within your community. Use the chart as a guide and make adjustments to adapt to your community.



Savings criteria and savings options

SAVINGS MECHANISM	LIQUIDITY HOW EASY IT IS TO CHANGE INTO CASH?	RISK HOW LIKELY CAN SAVINGS LOSE THEIR VALUE?	COST WHAT IS THE PRICE FOR THE SERVICE?	PROFIT HOW MUCH DO YOU EARN FROM YOUR SAVINGS?	EASE TO ACCUMULATE ASSETS HOW EASY IS IT TO INCREASE YOUR SAVINGS?
INFORMAL SAVINGS SERVICES					
Keeping cash in your home. 	High Cash is available when needed.	High Potential for theft, use by other family members, use for wants, or loss from fire.	Low	Low	Medium Easy to add money regularly to savings. Easy access makes it easy to use for any purpose and can decrease ability to accumulate.
Buying livestock, jewelry, or grain / other types of goods. 	Medium Can be sold fairly quickly in time of need.	Medium to High Potential for theft, loss from fire, death, or sickness of animal.	Medium Potential loss of value when sold, especially if sold when prices are lower.	Medium Potential to make a profit if sold when prices are higher.	Medium Need to save funds or wait for harvest to have enough funds to buy another asset. Difficult to spend.
Rotating savings and credit associations 	Low Members receive money when it is 'their turn.'	Medium Members who receive money early in the cycle could stop making the payments with the later recipients receiving less money.	Depends on region Most often none. In some regions, members can pay more to have an earlier turn to receive the money.	Depends on region Most often none.	High Requires periodic deposits.
Savings groups / accumulating savings and credit associations 	Medium Funds are accessible during 'share out' or as a loan during the cycle.	Medium Can lose savings when other members do not repay loans, if cash box is stolen, or if records are changed.	Medium Fines established by group and interest paid on loans.	Medium to High Profit depends on the group. Average profit earned after one year is 20 – 30%. ⁷	High Required periodic savings deposits. all savings accumulated during cycle distributed at share out.
Others?					

⁷ The Economist, 10 December 2011, "Small Wonder, a new model of microfinance for the very poor is spreading," From the print edition in Finance and Economics, <http://www.economist.com/node/21541429>.

SAVINGS MECHANISM	LIQUIDITY HOW EASY IT IS TO CHANGE INTO CASH?	RISK HOW LIKELY CAN SAVINGS LOSE THEIR VALUE?	COST WHAT IS THE PRICE FOR THE SERVICE?	PROFIT HOW MUCH DO YOU EARN FROM YOUR SAVINGS?	EASE TO ACCUMULATE ASSETS HOW EASY IS IT TO INCREASE YOUR SAVINGS?
FORMAL FINANCIAL INSTITUTIONS, INCLUDES BANKS, CREDIT UNIONS, MICROFINANCE INSTITUTIONS					
<p>Savings account. Allows for multiple deposits and withdrawals based on the timing defined by the account holder.</p> 	<p>Medium Depends on the financial institution and its location. Generally allows for immediate withdrawal. Some financial institutions limit the number of withdrawals per month.</p>	<p>Low Most financial institutions are safe and many countries insure the deposits. There may be risks in saving at financial institutions in some countries that do not have enforced or developed banking regulations.</p>	<p>Medium Fees depend on the account. Some financial institutions charge fees for withdrawals, if a minimum amount of savings is not maintained. There may be transportation costs.</p>	<p>Low While many savings accounts generate some interest, it is usually minimal.</p>	<p>Medium Can be difficult to get to a financial institution. There can be limitations on the number of transactions per month. Fees can limit asset accumulation.</p>
<p>Others?</p>					

QUIZ FOR LESSON 5.

CHOOSING WHERE TO SAVE

Match the criteria for evaluating a savings option to the appropriate definition.

1. Liquidity _____	a. Vulnerability of savings to losing value
2. Risk _____	b. The ease of changing an asset into cash
3. Cost _____	c. Return or earnings on the savings
4. Profit _____	d. Ability to increase your savings amount
5. Ease to accumulate assets _____	e. Price of the savings service.

6. True or false: Formal financial services are generally regulated by the government?
7. True or false: All types of savings institutions, whether formal or informal have the same level of risk?

Answers are located on the inside back cover of the booklet.

FIELD EXERCISE 5.

CHOOSING WHERE TO SAVE

OBJECTIVES

- Compare the advantages and disadvantages of different savings services.
- Choose the best savings service for specific savings goals.

EQUIPMENT NEEDED

STANDARD	OPTIONAL
<ul style="list-style-type: none">• Flipchart paper or large pieces of paper.• Marker pens.• Tape, twine, or string.• A4 size note cards or similar sized pieces of paper.	<ul style="list-style-type: none">• Laminated A4 or letter paper sized cards, with images of different institutions that accept savings (one per card); e.g., cash at home, savings in kind, ROSCA, savings group, and commercial bank.

EXPECTED OUTPUTS

- Group members have compared the various savings services.
- Group members have examined and selected specific savings options for particular saving goals.

TIME

- 45 minutes in one session (meeting). However, it might be better to divide it into 2 sessions to give people the time between sessions (meetings) to think about the concepts, as this is a particularly complex lesson.

PREPARATION

- Review Lesson 5: Choosing Where to Save
- Understand the difference between the different types of savings mechanisms and know the available saving services in your area.
- Create a blank chart with the different savings services and the criteria to be completed together with the group.

SUGGESTED PROCEDURE

5.1 Tell participants that you will now discuss the different options for putting money aside. Ask participants to give some examples of how they or someone they know puts money aside. Allow a few participants to answer and stimulate a discussion for around 5 minutes. **Ask participants:**

- » **How do the people you know save money?**

Make sure that both informal and formal institutions are mentioned (rotating savings and credit associations, savings groups, banks, informal deposit takers, buying livestock, buying jewelry, keeping cash in the house, etc.). **Ask participants:**

- » **Why did they choose this savings service? What do they like or dislike about it?**
- » **Are they reaching their savings goals? In your opinion could they reach their goals faster if they saved using another service?**


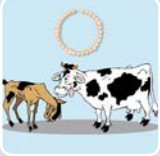


5.2 Tell participants: There are five key criteria for evaluating savings options: liquidity, risk, cost, profit, and ease by which you can accumulate assets.

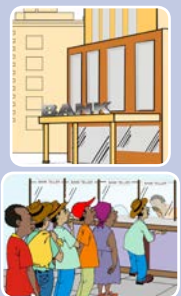
Use the pictures for each criteria and together with the group come up with the definitions. The definitions should include the following information:

- **Liquidity** is the ease in which assets can be converted into cash. It should answer the question, 'How easy is it to change into cash?'
- **Risk** refers to the potential of loss. It should answer the question, 'How likely can savings lose their value?'
- **Cost** is the price and fees associated with the savings mechanism. It should answer the question, 'What is the price for the service?'
- **Profit** refers to gains received from interest or return on the funds. It should answer the question, 'How much do you earn from your savings?'
- **Ease of accumulating assets:** To achieve savings goals, it is important to save small amounts regularly. The question, 'How easy is it to increase your savings?' will indicate how quickly you can accumulate assets.

5.3 Draw the following Table Field Exercise 5.1 on a flipchart paper. In the top headings write down the five key criteria for evaluating savings. If your group is illiterate, be sure to draw each of the savings mechanisms and criteria pictorially. In the left hand headings ask the group to name the available informal and savings mechanisms. Be sure that each of the following is listed. Split the group into small groups of 3. Assign the different savings mechanisms to the different groups. Some groups could look at multiple savings mechanisms if you do not have enough groups to do each savings mechanism separately. After 5-10 minutes have the different groups share what they came up with and allow other participants to add to each one. Write the group's answers on the "Table Field Exercise 5.1: Savings Options." Your table may look similar to the table that follows, although the savings mechanisms will depend on what is found within the community.

Table Field Exercise 5.1: Savings Options

SAVINGS MECHANISM	LIQUIDITY HOW EASY IT IS TO CHANGE INTO CASH?	RISK HOW LIKELY CAN SAVINGS LOSE THEIR VALUE?	COST WHAT IS THE PRICE FOR THE SERVICE?	PROFIT HOW MUCH DO YOU EARN FROM YOUR SAVINGS?	EASE TO ACCUMULATE ASSETS HOW EASY IS IT TO INCREASE YOUR SAVINGS?
INFORMAL SAVINGS SERVICES					
<p>Keeping cash in your home.</p> 	<p>High Cash is available when needed.</p>	<p>High Can be stolen, easily spent by family members, easily used on wants, or destroyed in fire.</p>	<p>None</p>	<p>None</p>	<p>Medium Easy to regularly add money to savings but easy access makes it easy to use for any purpose and can decrease ability to accumulate.</p>
<p>Saving in kind (buying livestock, jewelry, grain or other goods.)</p> 	<p>Medium Can be sold fairly quickly in time of need.</p>	<p>Medium to High Can be stolen or destroyed in fire. The animal could get sick or die.</p>	<p>Medium Potential loss of value when sold, especially if sold when prices are lower.</p>	<p>Medium Potential to make a profit if sold when prices are higher.</p>	<p>Medium Need to save funds or wait for harvest to have enough funds to buy another asset, but as it is more difficult to spend and can help accumulate value.</p>
<p>Rotating savings and credit associations</p> 	<p>Low Members receive savings when it is 'your turn.'</p>	<p>Medium Members who receive savings early in the cycle could stop making the savings payments, thus decreasing the payout for others.</p>	<p>None to Low In some regions, members can pay more to have an earlier turn to receive the money.</p>	<p>None to Low Depends on region, but most of the time there is no profit.</p>	<p>High Required periodic savings deposits.</p>
<p>Savings groups / accumulating savings and credit associations</p> 	<p>Medium Funds are accessible during 'share out' or as a loan during the cycle.</p>	<p>Medium Can lose savings if other members do not repay loans, if cash box is stolen, or if records are changed.</p>	<p>Medium Fines established by group and interest paid on loans.</p>	<p>Medium to High Profit depends on the group. average profit earned after one year is 20-30%.⁸</p>	<p>High Requires periodic savings deposits. All savings accumulated during cycle are distributed at share out.</p>
<p>Others?</p>					

SAVINGS MECHANISM	LIQUIDITY HOW EASY IT IS TO CHANGE INTO CASH?	RISK HOW LIKELY CAN SAVINGS LOSE THEIR VALUE?	COST WHAT IS THE PRICE FOR THE SERVICE?	PROFIT HOW MUCH DO YOU EARN FROM YOUR SAVINGS?	EASE TO ACCUMULATE ASSETS HOW EASY IS IT TO INCREASE YOUR SAVINGS?
FORMAL (INCLUDING BANKS, CREDIT UNIONS, MICROFINANCE INSTITUTIONS, ETC.)					
<p>Current/Savings account (allows for multiple deposits and withdraws based on the timing defined by the account holder)</p> 	<p>Medium Depends on the bank. Generally allows for immediate withdrawal. Some banks limit number of deposits and withdrawals per month. Depends on proximity to banks.</p>	<p>Low Most banks are safe and many countries insure deposits. There may be risks in saving at financial institutions in some countries that do not have enforced or developed banking regulations.</p>	<p>Medium Bank fees depend on the account. Some banks charge fees for withdrawals, if a minimum amount of savings is not maintained, etc. Clients must pay transportation costs to get to the bank.</p>	<p>Low While many current accounts generate some interest, it is generally minimal.</p>	<p>Medium Can be difficult to get to the financial institution. There can be limitations on withdrawals.</p>
Others?					

5.4 The idea of the following activity is to get the participants to think about different savings options, and to get a broad picture of available savings options. Participant experiences can change risk levels. Remind participants that to achieve their goals, multiple savings mechanisms may be appropriate.

Say: We will take a look at a few examples of different savings options now.

5.5 Tell participants to recall the example of Jacob. **Say to participants: Let us look at how Jacob’s wife Sarah looked for different ways to protect her savings.**

Read out loud Sarah’s story:

Sarah has been saving a bit of money every month and putting it in her locker. Recently, Sarah decided to start doing something to protect her savings. She has joined a savings group.

8 The Economist, 10 December 2011, “Small Wonder, A new model of microfinance for the very poor is spreading,” From the print edition in Finance and Economics, <http://www.economist.com/node/21541429>.

Stop the story and **ask**:

- » **How does saving in the group help Sarah protect her savings better than saving in her locker at home?**

Answer: She cannot spend the money until share out. The money is kept in a locked box. The group has a constitution that determine how much each person should save and penalties for late or non-payment of loans.

- » **How will the group help Sarah save more of her income?**

Answer: It requires regular weekly saving. usually a minimum contribution that everyone can afford.

5.6 After the discussion, continue the story.

After about a year, Sarah has accumulated more savings. With the extra money, she opened an individual savings account at the credit union in the nearest town. She deposits money there each time she goes to town (about once a month). The town is far from her village.

5.7 Stop the story and ask:

- » **How does the individual account at the cooperative credit union help Sarah protect her savings?**

Answer: She is less tempted to withdraw and spend the money. The money is kept in a safe, so it is prevented from theft.

- » **What other benefits does Sarah have from owning an individual bank account?**

Answer: She receives interest on her savings. She can take out loans. She can get a small advance to pay her bills if needed. She personally controls this money, etc.

Encourage a short discussion for five minutes and then continue the story.

During the holiday season Sarah made some extra money. She used this income to buy two goats, which she plans to sell in September. This will give her enough money to pay for her child's school tuition, books and uniform.

End the story and **ask**:

- » **How does saving in kind (in livestock) help Sarah protect her savings?**

Answer: When Sarah purchases livestock, she can sell the animals later at higher price. She cannot easily spend this money on wants.

Encourage a short discussion, and then thank the group for its good work.

5.8 Take out the cards and present them as Jacob's savings goals. **Tell participants: We will now help Jacob decide where to save his money so that he can reach his savings goals.**

Present one of the cards and ask:

» **What are the key needs for this savings goal?**

Possible answers (depending on the goal): The money should be available in a particular month. The sum needs to be available at all times. He needs to accumulate a certain amount of money every week, etc.)

» **What savings options are the best?**

Possible answers: at home, a savings group, a ROSCA, a bank, etc.

5.9 Continue asking and answering these two questions for a few (2-4) of the other savings goal cards that the participants selected.

LESSON 6. CREATING A SAVINGS PLAN

- Develop the skills to create a savings plan and be able to communicate its importance.
- Identify strategies to overcome challenges to saving.
- Identify successful ways to save.


When you save money, you take a portion of the money that you receive today and put it aside for tomorrow. You have seen the category ‘savings’ in the budget and in the seasonal calendar from previous lessons. Why is it there? Savings is in the budget because you should plan to save regularly. It is in the seasonal calendar so that you can plan out periods when your income is higher and save more. Jacob is saving for fertilizer and for the lean season. Sarah is saving for a chicken coop and to pay for their children’s school fees.


Creating a savings plan is easier once you have clear financial goals and are already in the habit of saving regularly. A savings plan has three parts:

- **Goal:** What are you saving for?
A savings goal could be a new pair of shoes, a goat, or your children’s education. You can think back to your future goals that you set in lesson 1, establishing goals.
- **Cost:** How much does your goal cost?
Determine the exact amount of money you will need for each goal.
- **Time:** How long do you have to save?
Sometimes there is a fixed deadline. For example, school fees are due at a specific time each year and agricultural inputs are needed before the planting season. Other times you enjoy flexibility and can determine the deadline yourself. If you want to buy a new pair of shoes, you can decide when you will buy it.



Once you know what your goals are, the cost to reach them, and the time period for saving, you can create your savings plan. Here is the formula:



$$\frac{\text{Total Cost}}{\text{Number of weeks}} = \text{Savings per Week}$$


A savings plan is similar to a budget: you write down the things you want and the date that you want to have them. This knowledge will make you more aware of how you are handling money and what you need to do to achieve your goals.

Table Lesson 6.1: Jacob and Sarah's savings plan

GOAL	AMOUNT	MONEY DUE IN	SAVINGS PER WEEK
Fertilizer	25,000	20 weeks	$25,000 \div 20 = 1,250$ per week
Money for the lean season	50,000	20 weeks	$50,000 \div 20 = 2,500$ per week
Chicken coop	100,000	50 weeks	$100,000 \div 50 = 2,000$ per week
School fees (10,000 per child for 2 children)	20,000	5 weeks	$20,000 \div 5 = 4,000$ per week

Jacob and Sarah have limited resources. They can save 2,500 per week. More immediate and important expenses, such as paying school fees and having money for the lean season, are priority saving goals. After Jacob and Sarah have saved for these goals, they will then start saving for fertilizer and the chicken coop. Note that the more time Jacob and Sarah have to reach a savings goal, the less money they need to save per week.

Jacob and Sarah needed to save 4,000 per week for five weeks to fully pay for the school fees of their children, David and Nadine. Even though they could only save 2,500 per week, they were not discouraged! They saved 2,500 per week and by the time the school fees were due, they had accumulated 12,500 of the required 20,000. Thanks to these savings they only had to borrow 7,500. As we will discuss in Lesson 8 Borrowing Concepts, most loans require interest payments. Borrowing 7,500 instead of 20,000 will reduce the interest costs and payments on the loan. Lesson 8 will go over the concepts and costs of borrowing in more detail. For now, it is important to remember as an incentive to save money that it is cheaper to borrow less money.

Table Lesson 6.2: Saving versus Borrowing

Goal: Have 20,000 to pay school fees in 5 weeks

OPTION 1: SAVE 2,500 PER WEEK FOR 5 WEEKS AND BORROW 7,500	OPTION 2: BORROW 20,000
SCHOOL FEE PAYMENT	
Savings: $2,500 \times 5 = 12,500$	Savings: 0
Loan: 7,500	Loan: 20,000
10% loan fee: $7,500 \times .10 = 750$	10% loan fee: $20,000 \times .10 = 2,000$
Additional cost: 750	Additional cost: 2,000

OVERCOMING CHALLENGES TO SAVING

Saving money can be challenging. There will always be many competing demands on your money. Sometimes family members and neighbors may make demands on your savings. Some people choose to not tell many others that they are saving or how much they have saved. Saving money in a place that requires planning for withdrawals, such as a microfinance institution or savings group, can help. Saving money is hard work. It takes discipline to do it well. If you save consistently, you can accumulate money to achieve your savings goals. Successful savings practices come from setting aside a small amount of your income every time you earn something and from spending less than you earn.

BOX 1. SUCCESSFUL SAVINGS PRACTICE

- Spend less than you earn!
- Save a portion—no matter how little - every time you have money coming in!
- Find a safe place and way to save. Review Lesson 5, which looked at choosing a place to save.

QUIZ FOR LESSON 6.

CREATING A SAVINGS PLAN

1. Ibrahim wants to purchase a plow for 50,000 in 10 weeks for the planting season. Assuming he has no other savings to put towards this goal, how much money should he save each week to achieve his goal?
 - a. 10,000
 - b. 5,000
 - c. 2,500
 - d. 25,000
2. Robert needs 30,000 to pay for his children's school fees in 3 weeks. He wants to pay for the school fees with savings. He can only save 5,000 per week. What should he do?
 - a. Plan to borrow the entire 30,000.
 - b. Save what he can towards the school fees and then borrow the remainder.
 - c. Have his children start school late, after he has saved all of the money.
3. Which of the following are successful savings practices? Select all that apply.
 - a. Spend less than you earn.
 - b. Save something, regardless of the amount, every time you earn money.
 - c. Find a safe place to save.
 - d. Only save when you have extra money.

Answers are located on the inside back cover of the booklet.

4. Maureen has two goals. First, she needs 5,000 to pay for her children's school fees that must be paid in 10 weeks. Second, Maureen wants to buy a chicken coop that costs 25,000. She wants to purchase it as soon as possible without needing to borrow money. Maureen can save a total of 2,000 per week. Help Maureen to create a savings plan by completing the blank chart below.

This is the information you know:

- The first goal is the most urgent goal, which is: School fees
- The second goal is the less urgent goal, which is: Chicken coop
- Maureen needs this much money to achieve her first goal: 5,000
- Maureen needs this much money to achieve her second goal: 25,000
- The money for the first goal is due in: 10 weeks
- Maureen can save this amount of money each week: 2,000

GOAL		AMOUNT NEEDED	NUMBER OF WEEKS OF SAVINGS	SAVINGS PER WEEK
1	(a) _____	(c) _____	(f) _____ weeks	(i) _____
2	(b) _____	(d) _____	(g) _____ weeks	(j) _____
Total		(e) _____	(h) _____ weeks	(k) _____

This is the information you must calculate:

- The amount that she must save weekly for school fees
- The number of weeks she must save to pay for the chicken coop
- The amount that she must save weekly for the chicken coop
- The total amount of money she needs to save
- The total number of weeks she must save a total of 2,000

FIELD EXERCISE 6.

CREATING A SAVINGS PLAN

OBJECTIVE

- Understand the importance and purpose of a savings plan.
- Learn how to create a savings plan.

EQUIPMENT NEEDED

STANDARD	OPTIONAL
<ul style="list-style-type: none">• Flipchart paper or large pieces of paper.• Marker pens.• Tape, twine, or string.• A4 size note cards or similar sized pieces of paper.	<ul style="list-style-type: none">• Laminated A4 or letter paper sized cards, with images of needs and wants. Suggested images (as found on on pages 96-97 – one per page): (a) plow and hoe, (b) dress and shoes, (c) lotion, (d) mobile phone, (e) chickens, (f) pots and pans, (g) bed and chest of drawers, (h) small house, (i) new shoes, (j) school supplies; and (k) seeds and fertilizer.

EXPECTED OUTPUTS

- Group members have learned how to make a savings plan.

TIME

- 60 minutes, split into 2 sessions (meetings) of 30 minutes each.

Session 1 will cover will cover a review of savings goals, how to meet those goals, and types of savings goals.

Session 2 will cover will cover answering savings plan questions, calculating the weekly savings goals, and creating a savings plan worksheet.

PREPARATION

- Review Lesson 6: Creating a savings plan
- Draw the savings Plan Worksheet (seeTable Field Exercise 6.2) on the flipchart.
- Review the calculations in this field exercise and complete each calculation on your own in advance to be able to answer participant questions.

SUGGESTED PROCEDURE

Ask the participants the following questions. Allow 2-3 volunteers to answer each question before moving on to the next question.

- **Thinking back to the goals and visions we discussed during Lesson 2, what goal do you want to achieve in the next month? What goal do you want to achieve sometime in the next year?**
- **How do you plan to pay for this goal?**

After the discussion, **say:** **We have talked a lot about seasonality and how your financial situation can change from season to season or even day to day. There will be moments when you are earning more than you spend, and other moments when you need to spend more than you have coming in. These reasons are precisely why it is so important to put some money aside. Another way of saying “putting money aside” is saving, and the best way to save is to have a savings plan.**

Read and discuss the following stories:

Leonardo constantly struggles to pay for all of his family's needs each month. There is never any money left over and many times Leonardo needs to borrow money to pay for school fees, some need for his farm, or food for the family. During the harvest, Leonardo and his family buy many things that they have wanted throughout the year and never have much money remaining. Leonardo puts money aside in his home when he can, although his son, Luke knows where the money is hidden and will use that money to buy things from time to time. This year, Leonardo was unable to find the money for the children's school fees when they came due.

6.1 Have the participants break out into groups of 3-4 people. Ask the participants the following questions. After 5 minutes of discussion, have some of the groups share their responses.

- » **Why was Leonardo unable to pay for his children's school fees?**
Answer: The family spent all of their money when they had money. Since they always spend all of their money, they always borrow money for any needs that come up.
- » **Why is saving money difficult?**
Possible answers: Do not have regular income, do not have any extra money, give any leftover money to parents for household expenses, spend extra money on things like new clothes or makeup, do not have a safe place to keep money, etc.)

- » **What are some things you would suggest that Leonardo do to be able to pay for his children's school fees in the future?**

Possible answers: Do not spend all of the money earned right after the harvest and save that money for future needs. Look for ways to cut spending, such as buying less soda, candies, cell phone minutes, or other wants, join a savings group, put extra money in a savings account so it is harder to spend.)

Mohammed struggles to pay for all of his family's needs. He and his family have some goals they would like to reach in the future. During the harvest, Mohammed generally earns a surplus. He knows that if he does not have a budget or a way to decide what's most important to spend money on. He and his family would quickly spend the surplus earned during the harvest on wants that are good to have, but are not as important as some of his goals. To prevent the family from spending their surplus and to make it easier to tell other family members that he does not have money to give them, Mohammed buys animals, such as goats, with his surplus. When the school fees came due, Mohammed sold one of his goats to make the payment. This way it was a bit easier to make it through the lean season.

6.2 Have the participants remain in the same small groups. Ask the participants the following questions. After 5 minutes of discussion, have some of the groups share their responses. **Ask:**

- » **Why was Mohammed able to pay for his children's school fees?**
- » **What helped Mohammed to save money?**
- » **What are some other ways that you and your families can save money?**
- » **Why is saving important?**

Say: In this lesson, we will focus on the value of saving and learn things that we can do to help us save. Our savings can help us meet our goals – perhaps in school, perhaps related to your family, perhaps in your work. A goal might be to visit a relative who lives in another place, to buy a bag of fertilizer, or to pay for the children's school fees. Goals that involve what we want to do with the money we save are called savings goals. Having a greater goal in mind can help you to limit smaller unnecessary purchases.

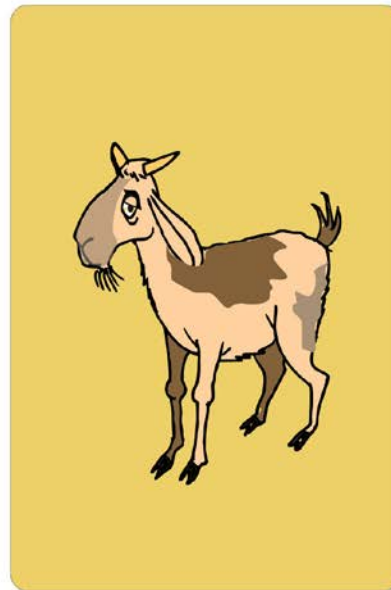
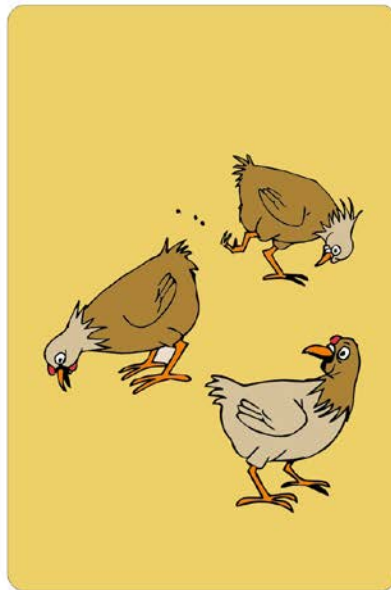
6.3 Separate participants into groups of 3 or 4. **Explain:** Now we will learn how to make a savings plan. You already have a budget to help you look at your income and your expenses as a whole. The savings plan helps us to link the savings part of our budget to a goal or dream in the future. Think back to our first session together where you thought of your financial goals. Remember that financial goals are decisions about how you want to spend your money over a specific period of time. Savings goals can be thought of as part of the plan to achieving some of your financial goals. They are the specific items for which you are putting aside savings.

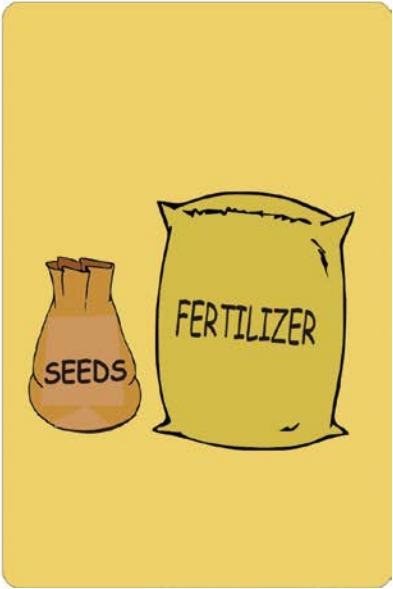
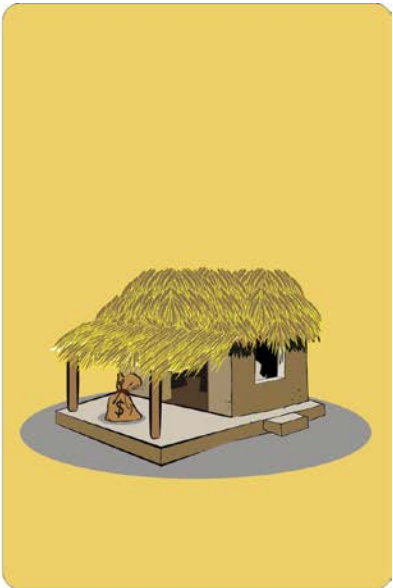
» **What are some of your savings goals?** (Allow for 5-6 participants to give answers.)

You have several options for this activity. You can:

- Ask each group to think of a savings goal.
- Assign each group a savings goal based on the ideas they have just given.
- Use the suggestions from Table Field Exercise 5.1: Saving Goals. You can either draw or print the names for the following items on note cards or small pieces of paper. Feel free to use other items that could be more appropriate for your group.

Table Field Exercise 6.1. Savings Goals





6.4 Say: Please work together to answer these 6 savings' plan questions:

- » **Question 1: How much money do you need for this savings goal?**
- » **Question 2: When will you need or want to have this item?**
- » **Question 3: How many weeks is it between now and then?**
- » **Question 4: How much money do you need to save each week?**
- » **Question 5: Where will this money come from?**
- » **Question 6: Is there something that you will have to sacrifice in the short-term to achieve this goal?**

Do an example together with the participants. **Say:** For example, I want to buy a goat in the market.

- » **1. How much will it cost?** Write the number on a flipchart.
- » **2. When do I need the goat?**
Allow some discussion from participants until they reach an agreement.
- » **3. How many weeks will it take to save enough money?**
Write the number of weeks on the flipchart.
- » **4. How much do we need to save per week?**
Participants should be able to calculate by dividing the amount to save by the number of weeks. Write the equation from box 1 on the flipchart.
- » **5. Where will this money come from?**
- » **6. What are some of the possible sources from which this savings can come from?**

The answers could look like this

- » Q1: Cost of the goat = 25,000
- » Q2: I would like this before the holiday
- » Q3: Time when goat is needed = 10 weeks
- » Q4: $25,000 \div 10$ weeks = 2,500 in savings per week
- » Q6: From reducing purchase of "want" items
- » Q6: Stop buying sodas, use fewer phone minutes

BOX 2. CALCULATING THE WEEKLY SAVINGS GOAL

$$\begin{array}{r} \text{Amount to save} \div \text{Number of weeks} \\ = \\ \text{Amount to save each week} \end{array}$$

Say: We want to make our own savings' plan to buy a goat. Make your savings plan by deciding how much you are able to save each week. Then divide the total costs of the goat by this amount to calculate how long it will take.

For example, a person can save 1,250 per week.

The cost of the goat = 25,000

$25,000 \div 1,250$ savings per week = 20 weeks that will needed to save for this goal.

Demonstrate on the flipchart.

6.5 Ask participants: Please answer the 6 saving plan questions for your savings goal.

Allow participants 5 minutes to discuss in their groups. While participants are talking, circulate to make sure that everyone understands the task. When 5 minutes have passed, ask a few groups to describe their saving goal and their saving plan to reach that goal. Ask the others for comments. Draw Table Field Exercise 6.2: Savings Plan Worksheet on a flipchart paper and fill in each of the 4 boxes for each savings goal mentioned by the group. Use the following questions to generate discussion:

- » **What is the cost of the item you are saving for or the saving goal?**
- » **How much money have you decided to save each week?**
- » **Can you realistically save this amount every week?**
- » **Can you save more or less?**

Table Field Exercise 6.2: Savings Plan Worksheet – Sample data

SAVINGS GOAL	TOTAL COST AMOUNT	MONEY DUE IN	SAVINGS PER DAY, WEEK, OR MONTH
Short-term: Buy goat	25,000	10 weeks	2,500
Long-term: Build chicken coop	100,000	50 weeks	2,000

6.6 Say: Let us look at what happens to the amount we have to save per week if the saving period is longer.

Use the example of the goat from before. Now divide the costs by 25 weeks instead of 10 weeks.

Q3: $25,000 \div 25 \text{ weeks} = 1,000$ savings per week.

Say: What's the difference between saving for the goat over 20 weeks and saving over 25 weeks? Answer: With a longer period of time, you do not have to save as much money each week. This can make the goal easier to achieve.

6.7 Say: Now, let us look at what happens when we make the saving period shorter.

Now divide the cost of the goat by 5 weeks.

Q3: $25,000 \div 5 \text{ weeks} = 5,000$ savings per week.

6.8 Take a few minutes to lead a short discussion around these questions:

- » **Which savings period would be the easiest to save for?**
- » **Which savings period would be the hardest to save for?**
- » **Why?**
- » **Even if it's harder to save a larger amount each week, what is the benefit to doing so?**

Answer: The more you save, the sooner you reach your goal.

- » **Once you have saved enough money for the goat and purchased it, does this mean that you no longer need to set aside money?**

Answer: It's important to remember that there are costs associated with keeping livestock. It is a form of savings, but you need to think about providing it with food, shelter, and vaccinations. If you do not factor in these costs, you risk losing your savings by not properly caring for your investment.

Once everyone has finished discussing their goals, **ask:**

- » **What do you do if you have multiple savings goals? Let us return to the goals that you developed in your groups. We will pretend that one family has all of these different savings goals. Remember that savings goals are what you want to do with the money you save.**

- » **How much can a family realistically save each week?**

Answer: Groups will use this number to help the group prioritize their savings goals. Be sure that the amount is less than the weekly savings needed. Discuss with the group and help group members to understand that they have less money than needed to achieve all of their goals.

- » **What could you do if you are not able to save for all of your savings goals at one time?**

Answer: Prioritize the goals by picking the most important goals (the goals that would have the biggest long term impact for you or has the first payment deadline) and save for the most important goals first, buy something later.

- » **What could you do if you are unable to save the needed amount each week and do not have the full amount to meet your goal?**

Answers should include: Save what you can, it is better to have some of the money you need even if it is not the full amount, look at expenses that you could decrease or cut to increase your savings, buy the item later if you can, or borrow the remaining amount needed).

- » **How do you think a savings plan can help you to save?**

Remember to review what you learned about choosing a good place to save money in lesson 5.

6.9 Optional: If participants are literate, either give them a **Table Field**

Exercise 6.3: Savings Plan Worksheet – so that they can work on their personal savings plans at home or draw the worksheet on a flipchart paper and have the participants copy it in their notebooks.

Table Field Exercise 6.3: Savings Plan Worksheet – Exercise form

SAVINGS GOAL	TOTAL COST / AMOUNT	MONEY DUE IN	SAVINGS PER DAY, WEEK, OR MONTH

Tip: To decide the amount to save every week, divide the total amount of money you need by the number of days, weeks or months between now and when you want to reach your savings goal.

Amount to save ÷ number of (days/weeks/months) = amount to save each (day/week/month) to meet a savings goal

LESSON 7. SAVING FOR EMERGENCIES

- Communicate the importance as to why everyone should have an emergency fund.
- Know the guidelines for determining the amount and how to calculate the size of an emergency fund.

Life is full of surprises. Sometimes these surprises are very costly. Some emergencies, such as falling mildly ill, can be small and you may be able to find the resources needed. Other emergencies, such as having a serious accident, can require large amounts of money. These types of emergencies could prevent you from earning your normal income for some time. It is important to prepare for unexpected events, both big and small. Being prepared will prevent the unexpected from seriously disrupting your daily finances and long-term goals.

Creating an **emergency fund** is a good way to prepare for unexpected events. An emergency fund is a savings fund that is **only used** to pay for unexpected events. An emergency fund is something that should be part of everyone's savings goals. A good standard amount for an emergency fund is having enough money to cover average household expenses for 12 weeks (3 months). After tracking their expenses for several months, Jacob and Sarah calculated the amount necessary for their emergency fund. They took the average they spent per week (8,000) and multiplied it by 12 to get the total amount for their emergency fund (96,000).

Table Lesson 7.1: Jacob's Family Expenses

Jacob's Family expenses

AVERAGE EXPENSES PER WEEK	NUMBER OF WEEKS	TOTAL
8,000	x 12	96,000

To make this calculation for yourself, think about how much you spend on household expenses in a normal week and multiply that number by twelve. If it is easier to use months, take how much you spend on household expenses in a normal month and multiply that by 3. An emergency fund is accumulated over a longer period of time, so don't be discouraged if the amount seems large. Set the emergency fund as one of your priority financial goals. Pick a realistic deadline and start saving.

WHY DOES AN EMERGENCY FUND NEED TO BE SO LARGE?

The purpose of an emergency fund is to help you pay for very difficult situations such as if you become very sick or injured, if you have a bad season with one of your crops, if your animals die, if there is a natural disaster or drought, or if there is another emergency. If any of these events occur, you and your family could be

Trainer's note: If your area has reliable health, life, funeral, or crop insurance programs, it is advisable to explore investing in one or more of these programs based on your needs. If possible, do some research in advance on types of insurance programs that are available for the trainees.

without an income for a number of months. The emergency fund would help you to get through this period.

If Sarah became very sick and could not tend to her garden or the chickens for several weeks, what would she do? Since Jacob and Sarah have an emergency fund, they will use it to help them to pay for the medicine and doctor's visits for Sarah and to cover some of the income they lost when Sarah could not work.

Some people are able to finance these emergencies through insurance programs. The availability and quality of insurance programs vary greatly depending on where you live.

QUIZ FOR LESSON 7.

SAVING FOR EMERGENCIES

1. What are the reasons for creating an emergency fund? (Check all that apply)
 - a. To pay for doctor's bills in the case of illness.
 - b. To pay for household expenses if one of your crops does not produce a return.
 - c. To pay for expenses for an annual holiday or festival.
 - d. To pay for expenses in the case of a death.

2. How many weeks of average household expenses should you have in your emergency fund?
 - a. 8 weeks
 - b. 12 weeks
 - c. 16 weeks
 - d. 4 weeks
 - e. It does not matter.

3. Why does an emergency fund need to be so large? (Check all that apply)
 - a. It should have sufficient funds to cover your household expenses for a few months.
 - b. It should enable you to pay for large expenses associated with many different kinds of urgent needs.
 - c. It should be large enough for you to pay for the next holiday celebration.
 - d. It should be large enough to replace your income for a few months in the event that something prevents you from earning income.

Answers are located on the inside back cover of the booklet.

FIELD EXERCISE 7.

SAVING FOR EMERGENCIES

OBJECTIVES

- Understand some of the challenges to accumulate savings.
- Understand potential emergencies to which participants may be vulnerable.
- Calculate how much to save for emergencies.

EQUIPMENT NEEDED

STANDARD

- Flipchart paper or large pieces of paper
- Marker pens.
- Tape, twine, or string.
- A4 size or letter size note cards or similar sized pieces of paper.

EXPECTED OUTPUTS

- Group members have the tools to decide how much they need to put aside for emergencies.
- Work through the calculations for the emergency fund.

TIME

- 60 minutes split into 2 sessions (meetings) 30 minutes each.

Session 1 will cover the challenges to accumulating savings and what are emergencies and their costs.

Session 2 will cover how to start an emergency fund, how to calculate how much is needed, and how to plan the regular savings amount to reach the goal.

PREPARATION

- Review Lesson 7. Saving for Emergencies.
- Prepare the pictures to help illustrate the story.
- Work out the calculations in advance and draw the tables of the calculations on a flipchart or place to show the participants.
- Review the story of the farmer family created in lesson 3.

7.1 Explain: I am going to read a short story about Samuel. Samuel's family wants to save more money and they need your help.

SAMUEL'S STORY

Samuel and his wife Hannah live in Robaka village. Samuel is a maize and wheat farmer. Hannah grows and sells vegetables. After the last harvest Samuel used some of his surplus income to purchase fertilizer and seeds for the next season and made some small home repairs. He hid the rest as cash in his home. Samuel collects firewood during the off season and occasionally works as a day laborer on a farm. Hannah raises chickens that she sells throughout the year. They have four children, the youngest is 6 months old, the next 4 years old, the third is 6 years old, and the oldest is 8 years.

The two older kids and Hannah know where Samuel hides his cash. When a need arises, everyone helps themselves to the cash. Right after the harvest, Samuel uses the money to buy a new mobile phone and a plow that he has wanted throughout the year.

Each year, Samuel and Hannah struggle to pay the school fees for their two oldest children. During the hungry season, Hannah struggles to provide food for the family. Hannah takes loans from friends, her savings group, and the local money lender to pay for the school fees and other needs during the hungry season. Unfortunately, Hannah needed to borrow money to repay her loans. All of these loans charge interest.

During times when income is low, Samuel and Hannah struggle to meet the family needs. They feel that they do not have enough money when they need it.

Training tip Feel free to add details or change the story and questions so that it fits your audience. You should have pictures of the different items in the story, such as chickens, a mobile phone, school fees, etc., to help clarify the story and to reference during the questions.

7.2 When you have finished the story, ask the following question and write the answers down on the flipchart paper.

» **What are the expenses that Samuel's family had problems covering during the hungry season?**

Answers: Pay school fees, get quality food, purchase farming inputs

Say: These are the family's savings goals.

7.3 Ask participants to get into groups of 3 and answer the following question:

» **What are some of the challenges for Samuel's family to accumulate savings?**

Answers: Decreases in income during the lean season, illnesses of their children, demands from other family members, variations in prices and crop yields.

7.4 When and how can Samuel's family save more money? How can they overcome these challenges?

If necessary, read the story back again. Give participants 5 minutes to discuss in their groups. Call everyone together and ask several groups to share their strategies.

Answers:

- » Save as much as possible right after the harvest, or when income is highest, so that you have enough for the lean times.
- » Save in places that will make it more difficult to access the money (i.e., not at home but in a savings group). This reduces the temptation to spend on unnecessary wants and increases security.
- » Reduce the amount of loans.
- » Use a budget to help track and plan expenses.
- » Use a seasonal calendar to think about the year as a whole, and plan accordingly.
- » Find another business to generate income during the lean periods.
- » Purchase food and supplies in bulk when there is money to help save on expenses.
- » Limit spending on “wants.”

7.5 Ask participants the following:

- » **Are there other challenges and ideas for overcoming savings challenges in general that we have not discussed?**
- » **Since there are many reasons to save, what are some of the savings goals that we've discussed already?**

Possible answers: school fees, hungry season, home improvement, bicycle, business investments, gifts, babies, weddings, funerals, sickness, etc.

7.6 When you have finished, **say:** **Saving is a challenging activity, especially when it seems as though there isn't enough money to meet daily needs. Saving requires a lot of planning ahead, sacrifices, hard work, and discipline. Savings come from setting aside a small amount of your income every time money comes in and cutting unnecessary costs, which will help you to reach your goals and decrease your vulnerability to shocks in the future. Keep these two rules in mind as you start saving and they will help to keep you focused.**
Repeat after me:

- **Spend less than you earn!**
- **I will save something, even if it is only 1 (mention the local currency) every time I earn some money!**

7.7 Remind participants to go back over their budgets, their seasonal calendars and their savings goals to see if there's anything that can be adjusted. **Ask participants:**

- » **What questions do you have about saving on a limited income?**

7.8 Say to participants: Remember Jacob (or insert the name of the imaginary person created in the second session)? **We're going to do some brainstorming around him and his family.**

- » **Can someone remind us how old Jacob is?**
- » **What does he do for work?**
- » **How many children does he have?**
- » **What emergencies will Jacob and his family, or a typical smallholder farmer in your community, likely have over the course of a year?**
- » **What will be the consequences for his family if these emergencies were to occur?**
- » **What could be a potential cost for each of these emergencies?**

7.9 Allow participants to discuss for several minutes. Try to get them to list consequences for each emergency they mention. **Then say: Emergencies mean immediate costs to the family. The costs may include medical bills, rebuilding from a disaster, replacing stolen goods or keeping up loan payments even after a bad harvest. If a principal income earner is unable to work due to an emergency, the family will lose even more income.**

7.10 Ask participants the following question:

- » **How would Jacob and his family normally pay for and recover from such emergencies?**

Be sure that the following options are noted: raising money by selling assets, using one's savings, taking out a loan, or going without.

Say: One of the most important reasons to have savings is to pay for emergencies and other unexpected events. Every family should have an emergency fund to handle small emergencies. The emergency fund cannot replace a house or pay for a long-term illness, but it will help you to manage smaller unexpected events and prevent further losses. We will continue by discussing how to create an emergency savings fund. An emergency fund should cover your average household expenses for 12 weeks.

Facilitator's note: in case the group has forgotten it, it would be helpful to remind them of the description of the family they created.

7.11 Tell participants: **Let's practice estimating how much money to put in an emergency fund. The first step is to estimate your average expenses during the course of one week. Refer to "Lesson 3. Understanding Income, Expenses, and Creating a Budget" to learn how to estimate your expenses during a week. Multiply that number by 12 weeks to arrive at an ideal amount for your emergency fund.**

Jacob's Family expenses

AVERAGE EXPENSES PER WEEK	NUMBER OF WEEKS	TOTAL
8,000	x 12	96,000

7.12 Ask participants:

- » **What is the amount of Jacob's family's weekly expenses?**
Answer: 8,000
- » **If our rule is to have an emergency fund of 12 weeks expenses, how much should Jacob have in his emergency fund?**
Answer: 96,000

7.13 Say: Another strategy to save for an emergency is to think about how much was spent on or what assets you may have lost during past emergencies. Looking at costs or losses can help you set a savings goal for emergencies.

7.14 Start with the previous list of emergencies you have already developed. Now ask participants to name other common emergencies that may be missing from the list (illness or accident requiring health care, death in the family, etc. Help the group to think about how they responded to the emergency. Did they sell assets, what did they go without?

Split participants into 3 groups. Assign each group one of the following three scenarios.

SCENARIO 1

A family member becomes ill and must go to the hospital. What are the costs associated with going to the hospital: transportation, doctor's fees, medicines, etc.?

SCENARIO 2

The rains are late and the harvest comes in one month late with a lower yield than expected.

1. How much income would you lose?
2. How much money would your household need for its expenses?
3. How would your household manage the lost income?

SCENARIO 3

Some of your animals become sick and die. How would your household manage the lost income? How would you be able to replace these animals?

Have each group respond to the following questions for their scenarios. **Ask:**

- » **What are the costs involved with this situation?**
- » **Do you have options to purchase insurance? If yes, how much does the insurance cost? What does the insurance cover?**
- » **Besides insurance, what are other ways that you and your family can reduce your risk for disasters, illnesses, or other emergencies?**
- » **What are some ways you can build up to this amount?**

Possible answers: Shareout from a savings group, save a small amount every week.

- » **Where are some good places to keep it?**

Possible answers: In safe places like the savings group or a bank.

- » **What should you do if you have to take some money out?**

Answer: Replace it as soon as you can!

REFERENCE MATERIAL

LIST OF DOCUMENTS USED IN THE LESSONS AND FIELD EXERCISES

Lesson and Field Exercise 5: Choosing Where to Save

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The SEEP Network, Savings-led Financial Services Working Group, “Savings Groups: What are they?” June 2010.

Adapted from Mabel Guevara and Catalino Miculax, Catholic Relief Services, “Savings-Led Microfinance, Community Savings and Loan Group Organization, Guide for Technical staff,” 2009.

The Economist, “Small Wonder, a new model of microfinance for the very poor is spreading,” From the print edition in Finance and Economics, <http://www.economist.com/node/21541429>.

Lesson and Field Exercise 6: Creating a Savings Plan

Derived from the work entitled “Financial education for the Poor,” © Microfinance Opportunities 2011. All rights reserved.

Mabel Guevara and Catalino Miculax, Catholic Relief Services, “Savings-Led Microfinance, Community Savings and Loan Group Organization, Guide for Technical Staff,” 2009.

Lesson and Field Exercise 7: Saving for Emergencies

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QUIZ ANSWERS

QUIZ FOR LESSON 5. CHOOSING WHERE TO SAVE

Answers: 1. b; 2. a; 3. e; 4. c; and 5. d

6. Answer: True

7. Answer: False. Each type of institution that accepts savings has different levels of risk.

QUIZ FOR LESSON 6. CREATING A SAVINGS PLAN

1. Answer: b. The savings plan formula is total cost (50,000) ÷ number of weeks (10) = savings per week (5,000).

2. Answer b. Even if you do not have enough time to save for your goal, save what you can, so you can decrease the overall amount that you will need to borrow.

3. Answer: a, b, and c.

4. Answer: Note that Maureen will save a smaller portion towards the chicken coop until she reaches her first time sensitive goal of paying for the children's school fees. Then she will save only for the chicken coop until she has reached her goal.

First, she will save the remaining 1,500 per week ($2,000 - 500 = 1,500$) for 10 weeks. This will make a total of 15,000. Since she needs a total of 25,000 she will need to save the entire 2,000 for an addition 5 weeks to reach the additional 10,000 she needs to have the full 25,000 amount.

	GOAL	AMOUNT NEEDED	NUMBER OF WEEKS OF SAVINGS	SAVINGS PER WEEK
1	(a) School Fees	(c) 5,000	(f) 10 weeks	(i) 500
2	(b) Chicken Coop	(d) 25,000	(g) 15 weeks	(j) 1,500
	Total	(e) 30,000	(h) 15 weeks	(k) 2,000

QUIZ FOR LESSON 7. SAVING FOR EMERGENCIES

1. Answer: a, b, and d. There are many reasons to use the emergency fund. Generally, if it is an expected expense, such as for an annual holiday or festival, it is not an emergency and you should plan for saving for those expenses another way.

2. Answer: b, 12 weeks or 3 months of average household expenses.

3. Answer: a, b, and d. Your emergency fund should be large enough to replace your income in the event that you are unable to earn any money for a few months. It should be large enough to cover medical and other expenses that can arise with an emergency.

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