

Intelligent Investments: invest in savings

category	<i>Non business financial training for IGP "partners"</i>
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Keywords	Wise saving strategies for partners					
Comment	This document includes a module of Smart Investment strategies for NGO "partners" (Income generating programme's beneficiaries/clients). This document is a guide for facilitator.					
Created	Oct.-Nov. 08	Author(s)	Anjali	Status:	Started	
Version	1	Last Edited	Pratiques June 21, 2010	Total Time	Editing	259

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2 Background

- 1) People tend to favour short-term financial planning over long-term planning because the results of short term planning can be seen earlier. So they start to save accordingly to fulfill their short term goal.
- 2) The second reason is that the amount required to fulfill short-term goals is usually smaller in comparison to the amount required to fulfill long-term goals.
- 3) Many times, people start to save by keeping money with them instead of thinking to put it in a bank or cooperative because period of saving remains shorter. So it becomes very easy for them to withdraw the money as & when required, including for unnecessary reasons...
- 4) Whenever they need money, they usually use the all saved amount — and this consumes all the efforts in one go. They need to start again pigmy savings to build their savings. Thus they can not achieve their short-term goals either.

Therefore the Smart Investment Strategy is a tool to motivate the partner for investing smartly in order to achieve their goals & secure the future.

3 Objectives of the training

- To explain investments
 - What is the difference between Savings & Investments?
 - Why should one invest?
- When to start investing?
- To tell the participants the advantages of secure savings & disadvantages of insecure savings.
- To make participants aware about different financial products of secure savings.

4 Training details

- Total time required **55 min**
- Ideal group size **should be 5-10 partners.**

5 Who are the target participants?

- Participant who have attended FLT-1. It's not linked with FLT-2. So the partner can attend this training just after attending FLT-1also.

6 Material required

Blackboard, Chalks, Tool-Kit for FLT-3.

7 Training Time table

Sr.	Activity	Method	Time
1	Introduction: Self & Objectives of the training	Speech	03 Min
2	Difference between Investment & Savings	Discussion with Examples	05 Min
3	Why should one Invest?	Discussion	05 Min
4	Where to Invest- Different types of Investment – 7 types	Visualization & Discussion	20 Min
5	Details of different savings products	Explanation , Visualization	10 Min
6	Things to Consider When Choosing a Savings Account	Explaining by listing 3 factors	06 min
7	Rules for Investing & Motivational Debriefing	Pictures with Explanation	06 Min
	Total Time Required		55 Min.

8 Content

8.1 Introduction

Time required: 2 Min.

Introduction: Initially Facilitator will welcome the participants, introduce about himself, about the objectives & time required for the training.

Before explaining the objectives of the training, facilitator will explain the need of this training as per following:-

You all are well aware about the importance & need of saving. Many times we will to invest the money, but we could not understand where to invest or sometimes we know the ways of saving but get confused while taking the decision. Many times we decide to follow the way of our neighbours, friends, relatives due to unaware of the information about investment ways. So the purpose of today's training is mainly to discuss with you the different types of ways of investment which will be helpful for you to take the decision.

8.2 Difference between Investment & Savings

Objective: To explain the difference between savings & investments

Time required: 5 Min.

The money earned is partly spent & the rest can be saved for future expenses. Instead of keeping the savings idle, savings is used, or placed on an interest-bearing bank account, in order to get a return on it in the future. This is called investment.

Tips for Facilitator: Facilitator will explain the following examples:

Seetabai earns Rs. 3000/- per month. She spends Rs. 2500/- on household expenses & keeps the remaining Rs. 500 in a Tiffin/Cupboard at home.

Geetabai also earns Rs. 3 000 per month. She spends Rs 2 500 on household expenses & keeps the remaining amount of Rs. 500 on an interest-bearing bank account.

From above example, Facilitator will ask following questions:-

1) Tell me who is doing savings?

Both

2) Who is doing investment?

Geetabai

3) Why only Geeta?

She earns some interests on her savings whether Seetabai earns nothing more of her savings.

8.3 Why should one invest? (Advantages of savings)

Time required: 5 Min.

One needs to invest to

- Earn return on idle resources
- Generate a specified sum of money for a specific goal in life
- Make provision for an uncertain future

One of the important reasons why one needs to invest wisely is to meet cost of inflation. Inflation is the rate at which cost of living increases. Inflation causes money to lose value because it will not buy the same amount of goods or a service in the future as it does it now or did it in the past.

To raise the participants' awareness about the drawbacks of not saving, ask the participants what could happen if you get no money from your savings?

Example: Before 2 years, We were buying the Jawar @ 10/Kg. Nowadays we are buying the same quantity @13/Kg.

8.4 Advantages of saving & disadvantages of not saving

Secure saving	Insecure saving
Gives you confidence that you will get your money back.-Safety	No/ less guarantee to get your savings back.
Increased savings with interest	Saving without interest = losing money (inflation)
Access to loans	No other benefit like loan.
Ability to check account	No passbook.
You can save for a longer duration safely	You cannot save for a longer duration & probably will withdraw in-between.

Tips for Facilitator: Facilitator will ask to the participants about the advantages of secure savings & thereby explain the types of losses occurred when choosing insecure ways of saving, in a participatory manner.

8.5 Where to invest?

Time required: 20 Min.

Tool used : Pre-drawn chart, Circles, Pictures of 7 ways of Investment

Tool code : A

Total pieces : Pre-drawn chart, 21 Circles, Pictures of 7 ways of Investment

One should invest where risk of losing capital is nil.

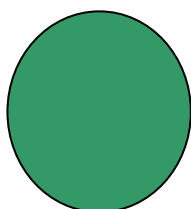
Tips for Facilitator:-Facilitator will ask to the participants where they are investing presently. If they are not able to answer, ask them where people usually invest their money. Then facilitator will list the different ways of investing in a pictorial form in accordance with the chronological factor, considering the safety of investment in a vertical order on a paper sheet. Then facilitator will ask the reasons to each group behind choosing that type of investment & list that in a horizontal order, like safety, liquidity & returns. So the chart will be ready as follows:-

Sr.	Where	Pictures	Safety	Liquidity	Returns
1	Bank				
2	Gold / Silver				
3	Land House /				
4	NGO	Hard copy picture is available. Need to scan & place.			
5	SHG				
6	Bhishi	Hard copy picture is available. Need to scan & place.			
7	MLM				
8	Fund				
9	LIC				

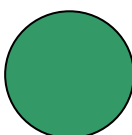
Tips for Facilitator: Then Facilitator will call to 7 Volunteers & give them cheques of different amounts. Tell them that they need to invest this money in anyone of above mentioned ways. Each participant can choose only one way.

Sr.	Where	Cheque Amt.	Frequency of Distribution
1	Bank	25,000/-	Only Once
2	Gold	1 Lakh/-	Only Once
3	Land / House	10 Lakhs/-	Only Once
4	NGO	250/-	Per Month
5	SHG	100/-	Per Month
6	Bhishi	1000/-	Per Month
7	MLM	5,000/-	Only Once
8	Fund	1.5 Lakhs/-	Only Once
9	LIC	350/-	Per month

After selection of the kind of investment, Facilitator asks the reasons behind selection of item, one by one to the participants & at the same time paste the following size circles accordingly on the pre-drawn chart. If any of these symbols is not applicable, keep that block blank. If any one of them do not select the asset, ask that participant that why he has not chosen the remaining asset.



High





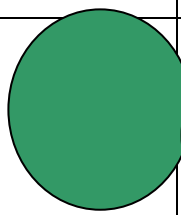
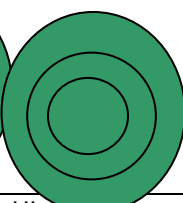
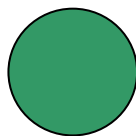


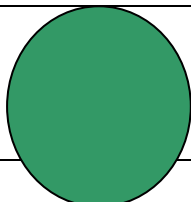
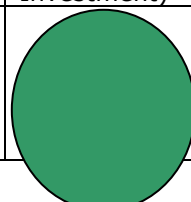
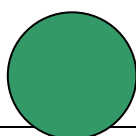




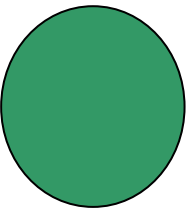

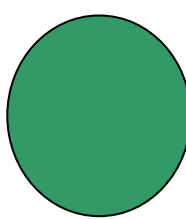

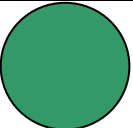
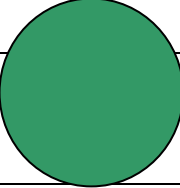
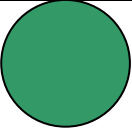
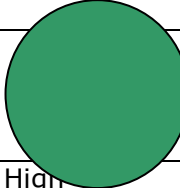



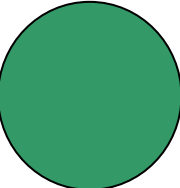
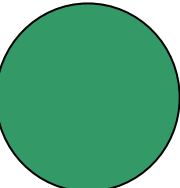


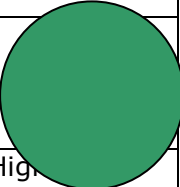
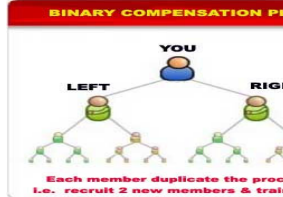


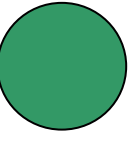
Moderate



Low

8.5.1 : Different Places of Investment & their importance

Sr.	Where	Pictures	Safety	Liquidity	Returns	Feasibility
						
1	Bank					
	Tips for Facilitator	In words	High	High Moderate- Low (depends on your duration of Investment)	Moderate	Low/No
2	Gold / Silver					

	Tips for Facilitator	In words	HIGH (dependent on how & where we keep it?)	High	Moderate-	Low
3	Land / House					
	Tips for Facilitator	In words	High	Low	High	Low
4	NGO	Hard copy picture is available. Need to scan & place.				
	Tips for Facilitator	In words	Moderate	High	Moderate	High
5	SHG					
	Tips for Facilitator	In words	Low	Low	High	High
6	Bhishi	Hard copy picture is available. Need to scan & place.				
	Tips for Facilitator	In words	Low	Low	No	High
7	MLM					
	Tips for Facilitator	In words	Low	Low	No	Medium

Tips for Facilitator:

- 1) Safety: While investing one must make sure that the investment is safe. Safe investment means one should be sure about getting the investment back. While explaining this factor, facilitator will discuss the example of lottery.
- 2) Liquidity: One may want his/her money back. In emergency, a person may want liquid cash. It is important to know before investing, whether you would need the amount immediately or may be after 10 years.



- 3) Returns: Rate of return is very important.
- 4) Feasibility: Whether this facility of investment is easily available in my area?

While investing, one has to look into the purpose & should choose the appropriate place for the investment.

- 1) BANK: It's safety investment. But liquidity & returns depends on the duration of investment. If you deposit the amount in a fixed deposit account, you cannot get it back as and when required, but you will get higher returns. If you deposit the money in savings bank account, interest rate will be less but liquidity will be high. Returns are also moderate.

In terms of feasibility, is this possible for you to access a bank facility easily? Yes/No.

If yes, what do you require to become a Bank account holder?

Is that possible for everyone? If yes, put bigger size circle.

If not, why? It requires to open the account & to open account, you need Photo-proof (Picture ID). You all have that? If not, put small or no circle. Depends on discussion, select the circle size accordingly.

- 2) NGO: Sometimes NGOs propose saving accounts by assuring they'll provide a higher interest rate. But some NGOs may disappear after some days, stealing the people's money. So the security is moderate. But liquidity is high as you can get the money as & when required. Returns are moderate. Is this service is easily accessible to you? If partners say yes, put bigger size circle.
- 3) BHISHI: It is not definite that you will get your money back. The person who is collecting Bhishi can run away & you will not get your money back. Also you are not getting any interest. Only the advantage is that you can borrow a big amount so that you can fulfil your need at once & can return the amount in several instalments. But also it is not sure that you will get the Bhishi in a first rank. You can be the last person also. So liquidity is very low. But is Bhishi available easily in your Vasti? People allow you to become member of Bhishi?
- 4) SHG (Self-help groups): if one member takes the loan from the group, the amount isn't available for others. So that you cannot get the amount in your need. The interest rate is 2% i.e. high. So is the return. But if SHG secretary makes fraud in accounting, there may be possibility to loose the money. So the safety is low. Can you become member of SHG easily or not? SHGs are available in your vasti?
- 5) GOLD: Invest in Gold can provide you the surety to get your money back but care should be taken to keep the asset securely. So higher safety. Also liquidity is also high. Rate of gold is not fluctuating much higher so the returns are moderate. You can not invest small amount in gold. If you have large amount & you are willing to invest in Gold, are the shops available in Vasti?
- 6) MLM: Multi level marketing. In this you need to keep some initial deposit with the companies & you need to do promotion of their products. If you motivate 2 persons to buy the products, you will get --% amount as a Benefit. Again these two persons need to do the same. Thus as the chain expands, you will get more & more amount. This kind of thing we usually hear in our Vastis. E.g. Selling Shoes. We get motivated & invest our money in MLM. But after some days we discover that there is no company of such name with which we have invested. Or sometimes we will get the amount at the start but it lowers gradually & closes after some time. Thus the safety & liquidity is less. But as the company

person assures us about high returns, so the returns could be high. These types of money investing companies are available in your vasti?

- 7) Land/House: To invest in Land is always safe but the liquidity is very less. Returns can be high because the rate of land increases gradually. Also to built up house & provide it on rent can give higher returns & safety. But can you buy land/house nearby to your vasti? Also we need to check the documents of land property; we need not believe on others when buying it.

Tool Used: Pre-drawn chart, Pictures of Investment Places, Rupees, Colourful circles of different sizes.

Tool code: B

Total Pieces: 7

8.6 What are the different financial products available for investments?

Time required: 10 Min.

Objective:

- To raise the partners¹ awareness about the various saving products
- To help partners choose the intelligent way of saving according to their need and to their capacity of putting money aside.

Tool Used : Pre-drawn Chart, Circles of Various sizes

Tool Code : B

Total Pieces : 1 Pre-drawn Chart, 9 Circles

Tips for Facilitator: I will like to quote some examples:

Now out of above 7 ways, Bank is the safest way to save. We known about most of them but we do not know much about the Bank. So presently we will discuss about bank in detail.

Anita needs to buy a mixer after one year. So she has started to save Rs. 5/- per day.

Vanita has started to save money for renovating her house after 5 Yrs. She is saving Rs. 500/- per month.

Kavita has started to save money for the marriage of her daughter². Presently her daughter is 5 yrs. old & she will do the marriage after 15 yrs. She has started to save from last 3 yrs, 500/- month.

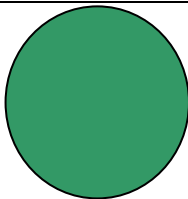
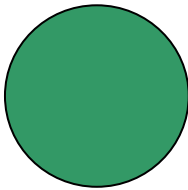

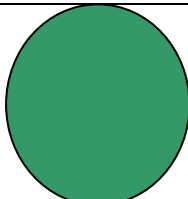

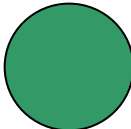
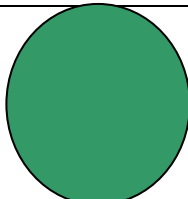

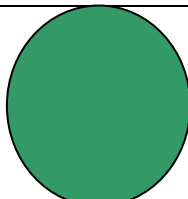
From the above 3 examples, it is clear that the purpose of saving varies from person to person & the duration of saving depends on the purpose of savings. So according to purpose i.e need, there are 3 main products of savings available with banks & post offices.

Facilitator will explain different saving products in details with the help of following chart.

¹ IGP beneficiaries / clients

² Remind partners that dowry is prohibited since 1961. (cf. **Dowry** Prohibition Act, 1961)

Types of Saving Products	Savings Account	Recurring Account	Fixed Deposit
Meaning	Safe, convenient and affordable way to save money, You can withdraw the money twice in a week.	A person saves a specific amount in a bank on specific frequencies (weekly / monthly) for a specific period of time.	For the saver to deposit a certain amount of money in a bank which is blocked for a specified time period with a fixed rate of interest.

Types of Saving Products	Safety	Liquidity	Returns
Savings Account	High if kept in banks	High, can be withdrawn twice a week	Lower
			
Recurring Account	High if kept in banks	Low Can only be withdrawn only at the end of the tenure	Moderate, but less than Fixed deposit Returns will decrease if withdrawn before tenure
			
Fixed Deposit	High if kept in banks	Low Can only be withdrawn only at the end of the tenure.	High & more than Recurring Deposit Returns will decrease if withdrawn before tenure
			

Tips for Facilitator: Facilitator will ask the participants: now who is willing to do the investment & what is the purpose?

After listening to the purpose, ask the participant which account he needs to select?

Accordingly, discuss 2 more examples with the participants.

I have started to save Rs. 1000/- per month from my salary for renovating my house

after 2 Yrs. So for the initial first year, I can keep that amount in a recurring deposit & after one year the cumulative amount can be kept in a fixed deposit & the saving for the balanced period can be continued in a recurring account.

If my daughter is in 5th Std. & I have saved the amount of Rs. 5000/- from last 2 years. I am willing to use that money to send her for a Computer course after 10th Std. In this case that means I require that amount after 5 years. So I can keep that money in a Fixed Deposit

While keeping your savings, remind following 4 important things:-

1) **Purpose of saving:** If my husband is often ill & I have started to save money for his treatment but I will need this money frequently. So it will be better to save the money in a regular saving account so that I can withdraw the money as & when required.

2) Safety of the savings

While investing in anything, we should be confident that this investment will surely provide me the returns.

3) Liquidity:

If my husband is often ill & I need to save money for his treatment, I will need this money frequently. So it is better to save the money in a regular saving account.

Suppose I choose the most profitable way of saving but my owned savings would not become available for me in case of emergency due to Bank Rules, it seems to be worthless. So before choosing the way for saving, think about this.

4) Returns

Depending on the need of money, choose the most profitable way of saving. If we need safety & liquidity, then we should compromise with the returns.

5) Feasibility/Accessibility

Can I access this way of investment easily?

8.7 When to start investing?

Time required: 6 Min.

Three golden rules to be followed

1. Invest early
2. Invest Regularly
3. Invest for long term & not short term

With the help of following activity, Facilitator will debrief the above three rules.

Tips of Facilitator: Facilitator will show some pictures of animals & you need to describe it.

- 1) Picture of cow: a calf can stand up on his legs just within one hr. after birth. That means Invest early.



- 2) Ants store food daily for future purpose. Which teaches us to invest regularly.



- 3) Camel also stores water in its hump & uses it during scarcity period. Which shows us invest on the long-term to be ready for the future.



Tool Used : A3 size Pictures
Tool code : C
Total Pieces : 3

8.8 Motivational Debriefing

Facilitator will conclude the session with thanks to participants.

8.9 Session Plan for FLT-3

Sr	Activity	Method	Time	Required Tool	Code of Tool	Total Pieces
1	Introduction : Self & Objectives of the training	Speech	03 Min	----	----	----
2	Difference between Investment & Savings	Discussion with Examples	05 Min	Blackboard & chalk	----	----
3	Why should one Invest?	Discussion	05 Min	-----	----	----
4	Where to Invest- Different types of Investment – 7 types	Visualization & Discussion	20 Min	Predrawn Chart, Circles, Pictures	A	1 Chart, 7 ways pictures, 21 Circles
5	Details of different savings products	Explanation , Visualization	10 Min	Predrawn chart, circles	B	1 Chart, 9 Circles
6	Things to Consider When Choosing a Savings Account	Explaining by listing 3 factors	6 min	Black Board & Chalk Min	---	----
7	Rules for Investing & Motivational Debriefing	Pictures with Explanation	06 Min	Pictorial charts	C	3
	Total Time Required		55 Min.			