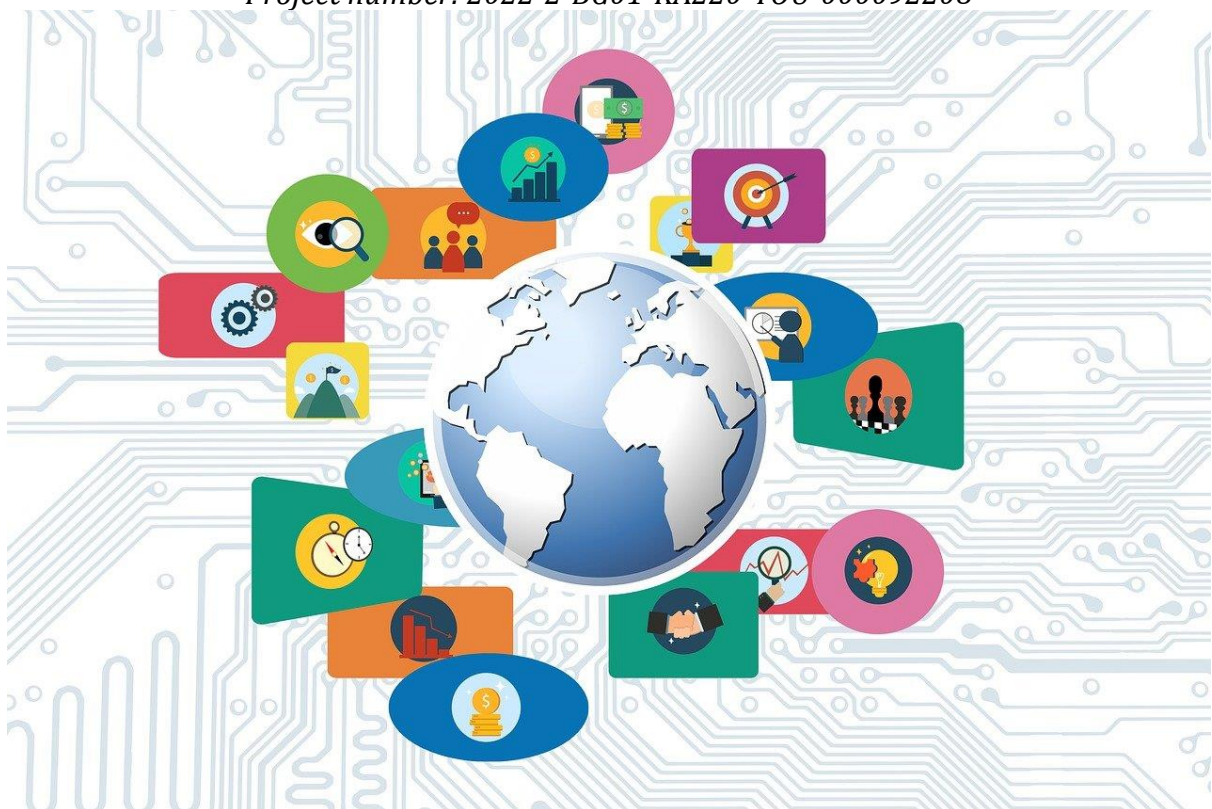




Erasmus+ Cooperation partnership project for Youth

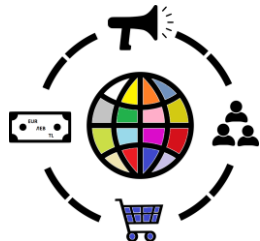
"Digital training on financial literacy for youth with fewer opportunities"

Project number: 2022-2-BG01-KA220-YOU-000092208










Result 1: Handbook and educative videos for youth with fewer opportunities and youth with fewer opportunities youth in terms of financial literacy

WP2: Project deliverables - Version 2, March, 2024



Authors:

 <p>BULGARIAN INCLUSION SUPPORT TEAM</p>	<p>SDRUJENIE "BYLGARSKI EKIP ZA PRIOBSHTAVASHTA PODKREPA" - BULGARIAN INCLUSION SUPPORT TEAM, Sofia, Bulgaria</p> <ul style="list-style-type: none">• Andrean Lazarov• Stanislav Georgiev• Viktoria Georgieva• Gergana Arabcheva• Delyan Plachkov
 <p>94 CY <small>Димитър Страшимиров</small></p>	<p>94 High School "Dimitar Strashimirov", Sofia, Bulgaria</p> <ul style="list-style-type: none">• Latinka Kovacheva• Penka Nikolova• Nevena Apostolova• Elena Stoyanova• Klara Ilieva• Petar Kalpakchiev• Nevena Vukova• Petya Milanova• Rumiana Petrova• Velislava Nikolova• Violeta Guyzeleva• Vladislava Ubina• Zlatka Yaneva
 <p>AMPAT <small>ASOCIACIÓN MADRILEÑA DE PROFESIONALES DE LA ATENCIÓN TEMPRANA</small> 0831193435</p> 	<p>ASOCIACIÓN MADRILEÑA DE PROFESIONALES DE LA ATENCIÓN TEMPRANA, Madrid, Spain</p> <ul style="list-style-type: none">• Prof. Pilat Gutiez Cuevas, PhD• Castellar López Guinea• Viviana Sofia Sanchez Bobadilla
	<p>HAVZA İLÇE MİLLİ EĞİTİM MÜDÜRLÜĞÜ, Samsun, Türkiye</p> <ul style="list-style-type: none">• Seyit Ahmet Dikmen• Turan Demir
 	<p>AtlasCo Academy, Istanbul, Türkiye</p> <ul style="list-style-type: none">• Alpay Karaca• Huliya Karaca

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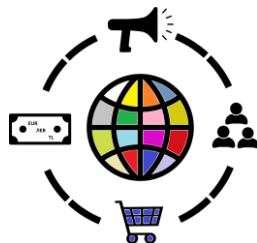


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INTRODUCTION

Dear reader,

Have you ever seen your parents discussing something related to money, and when you try to join the conversation, they either switch the topic or say something like “we are doing something important, don’t disturb”?

Most of us wonder why they do this, why can’t we know about money?

Well, you are not exactly financially literate, so quite frankly, they think it would be of no help at the moment.

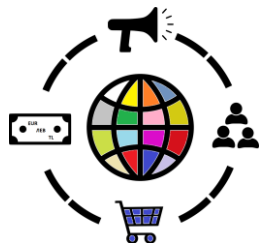
Our international team is introducing this handbook to you to provide you with important knowledge, which can lead to skills, which will enable you to make informed decisions about managing money, which is a crucial life skill. People who can budget, save for retirement, understand credit and debt, and avoid impulse purchases will make better financial decisions than those who haven’t been taught how to handle money.

Financial education is extremely important, as it will help you in building wealth, achieving goals, tackling challenges in case of emergencies, and securing your family’s present and future!

Doing so will help them become more responsible towards their spending habits, as you will realize how to spend money and save as much as possible for when they need it. Remember, when you were young children and when you go to school with happy faces when handed some money by your parents. This is your parents’ introduction to the financial realm. Most of them believe that an individual’s financial journey starts when they begin with adulthood, but it begins in childhood, because in these days you have easy access to almost any resources, whether it is money or some asset that money can buy.

This did not exist in the older generation, where even when resources were available, they did not have things handed to them. Hence, they understood the real value of money.

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Asking your parents for expensive gifts like an iPhone or an Apple Watch, and then throwing tantrums over it shows how you are not ready for the world out there.

We believe your parents tried somehow to explain this to you, but sometimes teenagers, rarely understand this. If not taught the importance of thinking critically before spending, there will come a time when the next generation faces issues, and not learn how to manage finances as an adult (a person 18+). This makes financial literacy more important than ever.

Early learning the difference between needs and wants, delayed gratification, opportunity cost and most importantly responsibility will hold you as the next generation in good stead.

Values of assets and money cannot be taught overnight, therefore starting young is imperative. In other words, whether you like it or not, financial management slowly becomes an integral part of your life, and the sooner you start inculcating the habit; the earlier you will master it, and the better you will be prepared for the real life and for your own family.

Maybe you are trying to figure out what is financial literacy?

With our project and training we will make you fully confident and aware what it is about and how it impacts your life, development and success.

Financial literacy refers to your ability to understand and apply different financial skills effectively, including personal financial management, budgeting, and saving. It will make you to become self-sufficient, so that financial stability can be accomplished.

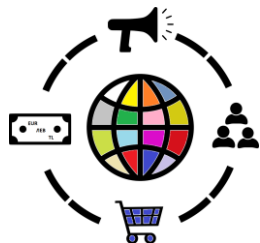
With this handbook, we would like to provide you with important information to understand and to know how money are made, spent, and saved, as well as to obtain skills and ability to use your financial resources and how to make important decisions in terms of how to generate, invest, spend, and save money.

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Why this training is important for you?

- 1** • Financial literacy is the ability to make wise decisions with your money.
- 2** • The five principles of financial literacy are earning, saving, borrowing, spending and protecting assets.
- 3** • Financial literacy helps you make better financial decisions and improves overall financial well-being.
- 4** • Financial literacy skills include finding, understanding and using resources for informed decision-making.
- 5** • Developing financial literacy skills promotes financial self-sufficiency and stability.



Key financial literacy terms that you should be aware of?

Financial literacy	Financial literacy means having the knowledge and skills needed to make financial decisions, which will promote your financial stability and well-being.
Budgeting	Budgeting is the process of prioritizing your needs and obligations and assigning portions of your income toward those costs.
Credit score	Your credit score is a number that financial institutions or credit bureaus assign to you based on your credit history to help them measure the risk of extending credit to you.
Emergency fund	Emergency funds are cash reserves you set aside for financial emergencies or other unplanned expenses. They are typically equal to three to six months of your income or expenses.
Expenses	The amount of money you have to spend including for bills, rent, mortgage, food, transportation and other costs associated with your lifestyle.
Income	Income is all money you earn including wages, salaries, tips and other pay.
Inflation	Inflation occurs when the prices of commonly used goods and services increase in cost over time, impacting the personal finances of consumers.
Interest	Interest is the money charged by a lender when you borrow money through a loan, credit card transaction or any other means of borrowing. Interest is also the money a bank, credit union or other financial institution may pay you for depositing money in certain types of accounts.
Investment	Investments involve committing money to earn a financial return on investment, such as strategically buying stocks, bonds or other assets with the plan to sell them when they increase.
Risk	Risk is your exposure to danger, harm or loss through any financial transaction, especially those you make intending to profit from, such as an investment.

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How financial literacy knowledge will impact your life in future?

Achieving financial goals

- Being financially literate enables individuals to set realistic short-term and long-term financial goals and develop strategies. This could include buying a house, funding higher education, or building a retirement nest egg.

Improved financial decision-making

- A strong foundation in financial literacy allows you to make informed decisions about their money, such as choosing suitable investment options (buying flat or an office or shop), managing your debt effectively, and selecting appropriate insurance policies.

Increased financial stability

- Financially literate person is more likely to live within their means, save consistently, and maintain an emergency fund, leading to greater financial stability and resilience during economic downturns or unforeseen events.

Reduced stress and enhanced well-being

- Being in control of your finances and clearly understanding your personal financial matters can significantly reduce stress levels and improve mental and emotional well-being.

Promotion of financial independence

- Financial literacy helps you to build wealth over time, allowing you to achieve financial independence and enjoy greater freedom to pursue your passions and interests.



MODULE 1 MONEY AND TRANSACTIONS



Unit 1. Money and currencies. Forms and use of money.

Money has value, because people trust that it has value today and will continue having value in the future.

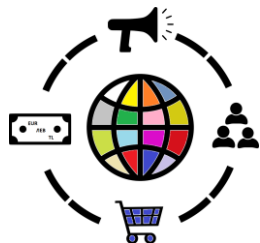
There are **three main forms of money** that exist in modern economies:

- coins and banknotes (i.e. currency)
- crypto currency (i.e. Bitcoins)
- deposits held in accounts at banks or other authorised deposit-taking institutions.

Currency is a physical form of money, while deposits held in accounts with a financial institution are a digital form of money and comprise the greatest share of money in a modern economy.

Nowadays, in Europe the currency is EURO. Designers of the euro banknotes consulted the European Blind Association to help develop a currency recognisable to all citizens. Several features were incorporated in the banknotes:

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Each denomination is a different size. Each different banknote has a dominant colour and contrasting colours for pairs of banknotes in sequence (e.g. red for 10-euro notes, blue for 20s).

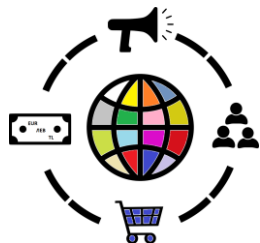
Values are printed in large, bold figures. Elements of the notes are printed in relief using the 'intaglio' printing method which generates tactile marks along the edges of the 200- and 500-euro notes.



The lev (Bulgarian: лев, plural: лева, левове / leva, levove; abbreviation: BGN) is the currency of Republic of Bulgaria. In old Bulgarian the word "lev" meant "lion", the word 'lion' in the modern language is lav. The lev is divided in 100 stotinki (стотинки, singular: stotinka, стотинка). Stotinka in Bulgarian means "a hundredth.



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The lira (Turkish: Türk lirası; sign: ₺; abbreviation: TL) is the official currency of Republic of Türkiye and Northern Cyprus. One lira is divided into one hundred kuruş.



Money changed their form many times over the years, but for as long as complex societies have existed, there has been money. The only confident prediction that can be made about money is that as long as people want to trade with each other, money will continue to exist in some form because the functions it performs are central to sustaining economic activity.

While a single, stable form of money used by every country in the world would help people spend and save with confidence and plan for the future, it would make it harder for individual economies to respond to economic shocks.

By having their own unit of account (i.e. their own currency), countries have more flexibility in economic management. They can choose to allow the value of their currency to fluctuate freely in response to economic events and to conduct their own economic policies (monetary policy) independently of those in other countries.

Money also has certain properties that allow for the smooth exchange of goods:

- It is fungible, or exchangeable, so that it doesn't need to be re-valued for every transaction.

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- It is durable so that it lasts for many exchanges over time.
- It is convenient to carry and divide.
- It is recognizable so that people can trust it and confidently complete their exchanges of goods and services.
- The supply of money should be stable so that its value is reliable.



Bitcoin, and other ‘crypto currencies’, fulfil some of the attributes of money, but not all of them. Most notably, they can be used as a medium of exchange – some businesses and individuals will accept bitcoin as payment, though the number of businesses willing to accept bitcoin is low (i.e. it is not a widely accepted means of payment).

On the other two attributes of money – being a unit of account and a store of value – bitcoin fails. Shops do not quote prices in bitcoins; rather, shops that accept bitcoin typically quote prices in the local currency and then do a conversion to bitcoin at the current exchange rate if someone wants to pay that way. They do this in part because the price of bitcoin is very volatile, with this volatility being one reason why bitcoin is a poor store of value.

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Banknotes and coins (EUR, ЛЕВ, TL)

Under the scope of our project, we will explain you the main currencies in partners' countries – euro, lev and lira.

EURO

The banknotes – inspired by the architectural styles of seven periods in Europe's cultural history – are identical throughout the euro area. You can use any euro banknote anywhere in the euro area. The euro banknotes range from 5 euro to 500.



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The coins range from €2 to 1 cent. Each one has a 'European' side and a 'national' side.



Bulgarian leva

The Bulgarian notes range from 2 leva to 100 BGN.



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The coins range from 1 stotinka to 2 leva.



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Turkish lira

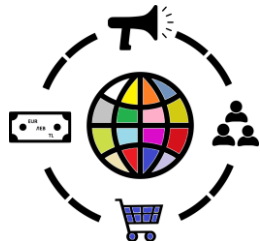
Currently there are 5, 10, 20, 50, 100 and 200 lira banknotes.



There are 1, 5, 10, 25 and 50 kuruş coins (100 kuruş make up one lira) and 1 lira coins.



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Currency operations

Currency exchange rates represent the value of one currency in terms of another. Exchange rates fluctuate daily based on supply and demand, economic factors, and political events. In next sections you will need to understand the concept of bank accounts, including checking, savings, and investment accounts. You need to know how to open and manage these accounts, as well as the importance of maintaining a good balance and avoiding overdraft fees.

Depending on customer's wishes the bank performs cash and / or non-cash foreign currency exchange. In foreign currency exchange the current bank official "buy" and "sell" rates at the time of the accounting of the transaction are applied. The bank has the right to change the official rates at its sole discretion and at any time according to changes in the market conditions. Note that for currency exchange in cash above the equivalent of 10 000, a Declaration about the origin of money is necessary to be filled in. This is very important especially when you travel abroad.



Unit 2 Income



Sources of income

Money doesn't grow on trees. So where does it come from? You might be surprised to learn how many different types of income sources there are, especially in today's economy. Understanding the big picture could help you manage your finances. Income is anything you gain that you can put in the plus or revenue column of your budget.

Other types of income could include:

- Making tips and commissions on top of your regular wages or salary
- Selling goods or providing services at a profit
- Earning interest, dividends, or capital gains on investments
- Winning prizes, awards, and scholarship money
- Receiving gifts, allowances, or inheritances
- Obtaining government benefits and tax refunds
- Withdrawing from retirement or pension funds

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What are the different types of income?

There are different types of income, but three of the most common are earned income, passive income and portfolio income. Three of the main types of income are **earned, passive and portfolio**.

- **Earned** income includes wages, salary, tips and commissions.
- **Passive** or unearned income could come from rental properties, royalties and limited partnerships.
- **Portfolio** or investment income includes interest, dividends and capital gains on investments.

Knowing about different income streams could help you plan for your future.

a) Earned income

Did you get paid to babysit, mow lawns or deliver newspapers as a kid? Even then, you were earning income.

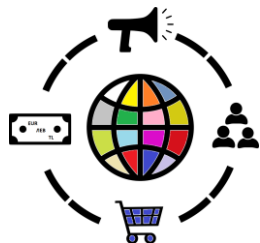
Earned income is exactly what it sounds like: It's money you earn by working—either for yourself, someone else or a business you own. It's also called “active income” because you actively perform a service for it.

If you work for a company—from a small business to a large corporation—your employer may pay you an hourly wage based on the amount of time you work. Or your employer might pay you a salary, which is a fixed amount to do a certain job. Salaries can be paid weekly, biweekly or monthly, but it's common for them to be expressed as annual figures.

Earned income could also include bonuses and extra pay. For example, taxi drivers and restaurant servers can earn tips. And people who work in sales can earn commissions.

Gigs can be another option for earning income. People who want to be independent, self-employed or work a part-time job may want to consider gig work.

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These side hustles are often temporary or short-term jobs performing a single task on demand. Musicians are a prime example. So are babysitters, freelance writers and food delivery drivers.

b) Passive income

Want to make money while you sleep? It's possible to make money without actively working for it. That's why it's considered unearned or passive income. Rental income and income from royalties and limited partnerships are some examples of passive income.

Do you own anything other people may want to use? It's common for people to rent or lease a second home or even a spare bedroom in their own house, which is considered rental income. Leasing a commercial building could also be a source of monthly income. Businesses can lease vehicles and equipment for a profit too.

Have you written a song or a book? Invented something? If you've designed, built or made something unique, you could get paid royalties for it. Royalties can be paid by someone who uses your work or other property for their own purposes. They may pay per item or by period of time.

If you loan friend money to open a craft brewery in exchange for a share of their profits, for example, that could be considered a limited partnership. As long as you don't actively work in the brewery, those earnings could be considered passive income.

Other examples of passive income include alimony, child support, unemployment, Social Security and worker's compensation.

c) Portfolio income

A financial portfolio is a collection of your monetary assets. And portfolio or investment income can include interest, dividends and capital gains on investments.

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Your bank or credit union may pay you interest to deposit your money into one of their accounts. For example, you can earn interest on checking accounts, savings accounts, money market accounts and certificates of deposit—commonly called CDs. The amount of money you make in interest can vary.

You could also earn money by investing in stocks, bonds and mutual funds. When you buy bonds, you're essentially loaning money to a corporation or a government in exchange for them paying you interest on your money. When you buy stock in a company, you're a part owner in that company, so you can share in its profits. Similarly, you can make money from mutual funds, which pool money from investors to make and manage investments.

Think of dividends as the payday on your investments. When a company makes money, it can pay a portion of its profits to shareholders. Corporations commonly pay dividends in cash. But you can also receive more stocks or other assets, such as property.

When you sell something for more than you paid for it, the difference is called your capital gain. With financial investments, you can earn capital gains when you sell a stock or cash out a pension fund whose value has increased since you bought it.

The more you know about the different types of income sources, the better you can manage your finances—and maybe even earn more money.

Documentation

What is proof of income, and when do you need it?

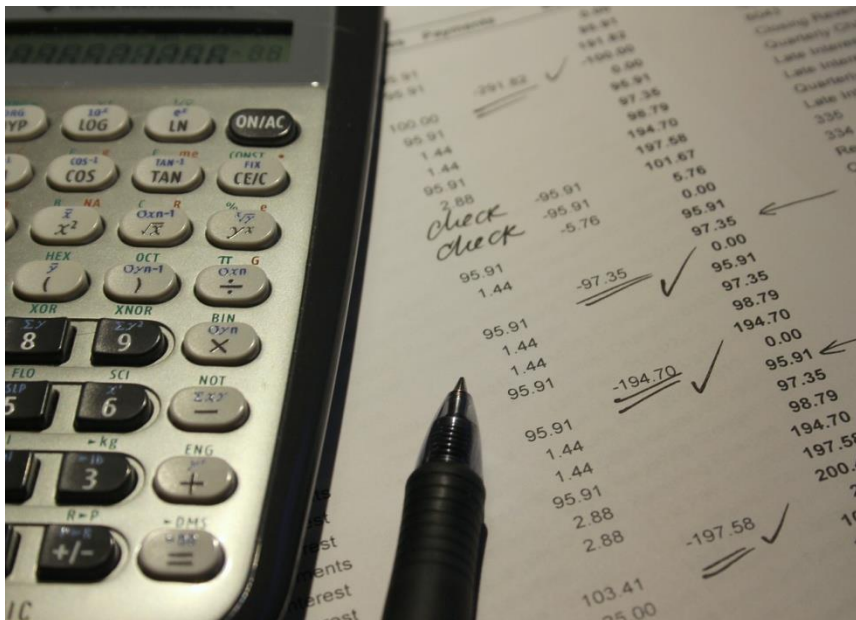
You've been saving up your money, and you're ready to put down a deposit on a new apartment or rental property — but the property manager wants to see proof of income first.

Renting an apartment is just one scenario in which you may need to provide proof of income documents. Banks, utility companies, and credit card companies may also require income verification before you can open an account with them.

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Proof of income is simply documentation that shows how much you earn over a certain period of time. Typically, you're being asked for proof of a steady source of income.



These can include bank statements, pay stubs, tax returns, and other legal documents.

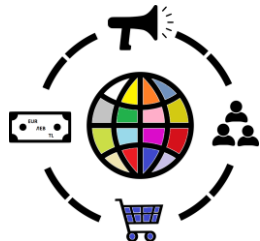
1. Pay stub

A pay stub is usually the easiest way to show proof of income. That's because it shows the income you earned during a specific pay period as well as your year-to-date (YTD) income. Since a pay stub is an official document from your employer, it may be enough to serve as proof of income without additional income verification documents. However, if you've only started your job recently, have multiple jobs, or earned income from tips or commissions that aren't shown, it may not give the full picture.

2. Bank statement

A bank statement can be used to back up other documents, such as to prove that your self-employment income is genuine. A bank statement shows the total balance of your bank account as well as any transactions you've made during that time period. This is a great way to show regular cash flow, such as monthly deposits from a client or employer, or proof of significant savings.

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If you're worried about sharing too much personal information, ask if you can provide a statement of balance only or omit sensitive purchases.

3. Unemployment benefits or worker's compensation

If you aren't currently working, but receive unemployment payments, worker's compensation, or disability insurance, you can use this as proof of income. Simply request the relevant documents from your insurance company, state unemployment division, or employer.

4. Pension distribution or Social Security benefits

The Social Security Administrations usually sends monthly Social Security payments to people with disabilities (after state decision to become pensioner), eligible retirees, while pensions are retirement benefits that are common in some professions, such as education, local government, and the military.

5. Profit and loss statement

Self-employed individuals may have a harder time providing an income statement, especially if your income varies over time. For example, maybe you're a freelance entrepreneur who only gets paid when you complete a project.

6. Proof of income letter

Finally, if none of these proofs of income documents are a good fit, you could ask your employer to write a proof of income letter. This could be useful if there are gaps in your employment documents related to a sabbatical or leave of absence, or if you have an unusual compensation package that isn't reflected on your pay stubs. Your employer can verify that you do, in fact, work for them and confirm your salary or the length of your employment with them.

How to show proof of income?

The best way to show proof of income depends on your employment situation and the reason for the request.

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Your proof of income documents should state your full name, the date, and any other identifying information, such as your ID number or Social Security number.

An application may request proof of income from a specific time, such as the last three months or the previous year. If you have a full-time job, then your proof of income documents should show how much you earn during each pay period.

For self-employed individuals, you may need to provide proof of income over a longer period to show that your income remains consistent over time.

Impact of income

The income effect may have positive or negative consequences on a small business, depending on many factors. The income effect relates to how a consumer spends money based on an increase or decrease in their income. An increase in income (the ability to spend more money) results in a demand for more services and goods. A decrease in income results in the exact opposite.

Remember:

- The income effect seeks to understand how individuals change their spending habits due to a change in their income.
- Due to changes in spending habits, the income effect may have positive or negative consequences on a small business, depending on many factors.
- An increase in income results in an increase in the demand for goods and services while a decrease in income results in a decrease in demand; though not always.
- The marginal propensity to spend and the marginal propensity to save are looked at when determining the influences of the income effect.
- The substitution effect also plays a role in how consumers spend their income in times of rising or declining income.

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Unit 3 Pricing, purchases and payments



Prices and consequences of purchases

There are two most common definitions of price:

- a) the amount of money given or set as consideration for the sale of a specified thing.
- b) the quantity of one thing that is exchanged or demanded in barter or sale for another.

When a customer goes to a grocery store to buy some wheat flour or uses a food delivery app to order a burger, the customer is expected to pay for these offerings. The money charged here is the price. But the price that we pay for these offerings has more to it than just that.

What exactly is price? What determines the price of an offering? Is it the same as cost?

Let's find out!

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In simple terms, a price is the measure of the value a customer exchanges to purchase an offering. Prices serve as an economic mechanism using which offerings can be distributed among customers in the marketplace.

They also act as indicators of the extent to which an offering is demanded and also the extent to which it is supplied or available. The price of a product is the overall value of the offering, including the value of all raw materials and service that went into making an offering. The price of service considers all elements involved in the making of the service what it is.

Prices depend on the law of demand and supply. That is, it rises or falls till the quantity demanded equals the quantity supplied. This point is called the equilibrium price.

If the demand of an offering is more than its supply, the price rises, allowing only those buyers to access the offering who have the willingness and ability to buy it.

While the price of an offering is the monetary amount a customer pays to acquire a certain offering, the cost of offering considers the seller's expenses in manufacturing the offering. Simply put, the price concerns the buyer, while the cost concerns the seller or the producer of an offering.

We're all guilty of buying unnecessary things from time to time. But, we often don't stop to think about the negative consequences of our shopping habits. Although buying stuff gives us instant gratification, our consumer behaviours may be having a much greater impact than we think.

Buying unnecessary things often leads to over-consumption which harms the environment. To keep up with consumer demands, fast fashion and other goods are producing lots of waste that have toxic chemicals. They are using non-biodegradable materials and contributing to the destruction of our environment.

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Buying unnecessary things all the time is environmentally unethical. The goods that we buy are treated as easily disposable and mean we're more likely to majorly pollute the earth. This is because, in the world of fast fashion and never-ending quick supplies, tonnes of rubbish are being thrown out every year.

Consequently, our seas are now becoming filled with plastic causing severe damage to marine life. Toxic chemicals used to make products also go back into the ground in landfills and contaminate the surrounding areas. This ruins the quality of the land and will affect our agriculture as the chemicals impact the soil quality. Also, landfills are continuing to increase in size because of our waste generation, which is leaving less space for a thriving environment.

The growing demand for unnecessary items also drives more pointless things to be made by profit-driven companies. This increases our carbon footprints as items need to be shipped all over the world. Such demand also drives deforestation, destroying vital habitats for our wildlife and reducing the number of trees which provide the oxygen that we breathe.

One thing you'll notice when you stop buying unnecessary things is that you will start to save a lot more money. Buying things gives us instant pleasure, especially when we are bored. But the things we buy only bring us happiness for a short while. Hence, we want to buy more and more to keep ourselves entertained.

But, if you were to save your money instead, you could eventually save up for things that will bring you long-lasting happiness. Whether it's a deposit for your dream home or a car, saving little bits of money here and there goes a long way. You could put the money towards the holiday on your bucket list! While it isn't an immediate reward for saving your money, the experience would be worth it.

Another thing you will notice is that you will have more time on your hands to do the things that you love. Hours spent online shopping every week can add up to hundreds of hours a year.

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So, when you stop unnecessarily shopping, you can focus your energy on hobbies, seeing your loved ones, or working on yourself instead.

Generally, people buy unnecessary items because they are unhappy in their own lives. Often, people equate their self-worth with the items that they buy and obsess over being trendy or impressing other people. So, many of us become reliant on buying new things to make ourselves feel better rather than working on ourselves for whom we are.

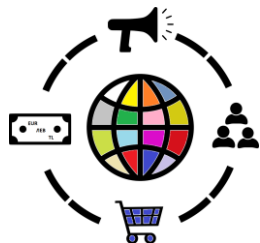
E-shopping – methods of payment and money transfer / Verify and track payments and purchases

E-commerce, or electronic commerce (e-shopping), refers to the buying and selling of goods and services over the Internet. E-commerce has transformed the way in which businesses operate, providing a platform for companies of all sizes to reach a wider audience and operate on a global scale. It also offers several advantages over traditional brick-and-mortar shops, such as 24/7 availability, global reach, and lower operating costs.



E-commerce platforms require secure online payment processing as well as mechanisms for product selection, order fulfilment, and shipping. Many e-commerce platforms also provide additional features such as customer reviews, product recommendations and customer support.

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Just because e-commerce payments occur over the Internet doesn't mean that they all happen in the same way. As e-commerce has expanded at a rapid rate, the methods by which people pay for goods and services online have diversified. Customer preferences around e-commerce payment methods vary considerably in different parts of the world, and the field is constantly evolving. Globally, credit and debit cards and digital wallets are the most popular e-commerce payment methods, but other payment methods, like bank transfers and cash on delivery (COD), remain popular in certain regions. The use of mobile payments is also growing, particularly in markets with high smart phone penetration.

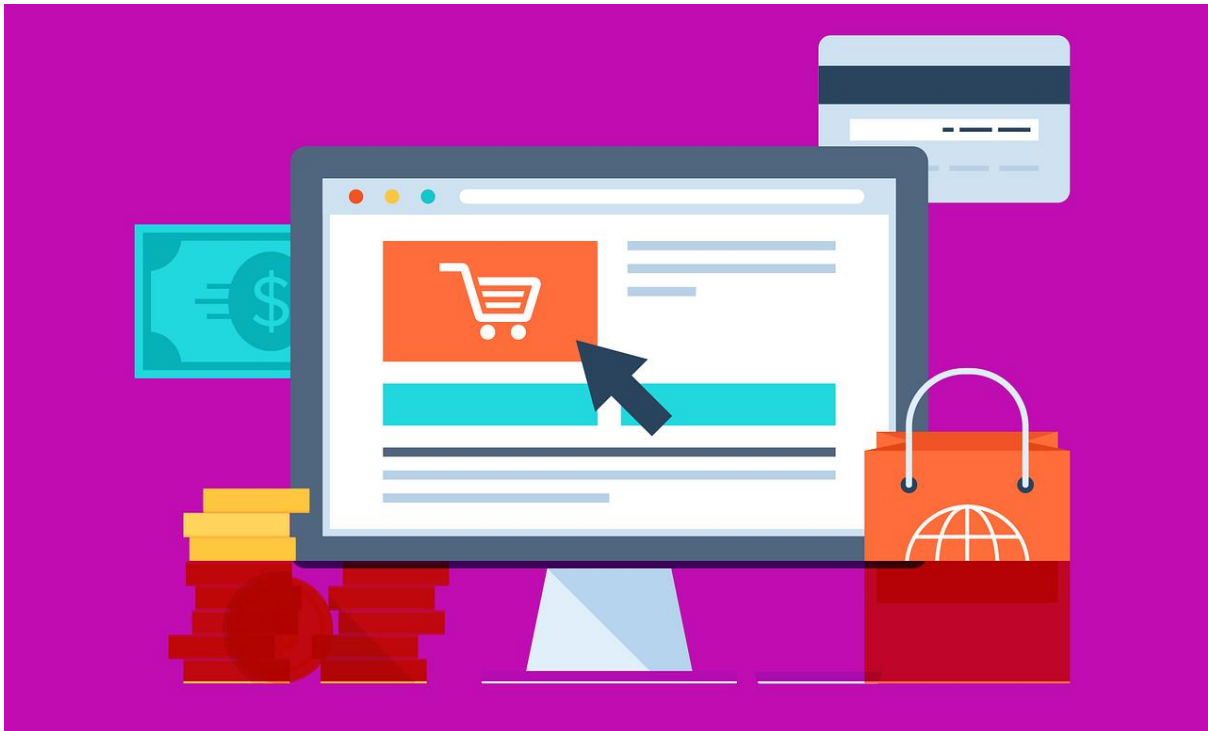
Here are some of the most popular global e-commerce payment methods available today:

- **Credit and debit cards** - the most common payment methods for e-commerce transactions. They allow customers to make payments quickly and conveniently.
- **Digital wallets** - such as PayPal, Apple Pay and Google Pay, have become increasingly popular. They allow customers to store payment information securely and make payments with just a few clicks.
- **Bank transfers** - they allow customers to transfer money from their bank account to the business's bank account.
- **Cash on delivery** - a payment method in which customers pay for their purchases when they receive them, not before. This payment method is common in countries where credit and debit card usage is low.
- **Mobile payments** - they allow customers to pay using their mobile devices. Mobile payments are projected to account for more than 43% of total retail e-commerce sales in 2023, an increase from around 42% in 2022.
- **Buy now, pay later** - a payment option that allows customers to purchase goods or services upfront and delay payment until a later date, often with interest or fees.
- **Crypto currency** - such as Bitcoin and Ethereum, is a digital currency that can be used to make e-commerce transactions. This payment method is becoming more widely accepted by online retailers.

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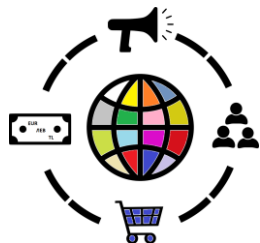
- **Prepaid cards** - a type of debit card that is loaded with a specific amount of money, which a customer can use to pay for online purchases, just as they would with a regular debit card.



Your online shopping security largely depends on how you behave online. While this may sound obvious, it's all too easy to overlook the importance of these basic steps when purchasing items online.

Here are a few online shopping pointers to consider next time you're about to purchase something on the web:

- **Avoid using public Wi-Fi** - While buying something online from the comfort of your favourite coffee shop may seem appealing, it comes with a few hidden risks. Public Wi-Fi networks are vulnerable to abuse, allowing hackers to intercept all kinds of personal data, including your browsing history, and access to your email and your passwords. What's more, if you decide to shop online while using a public Wi-Fi connection, you also

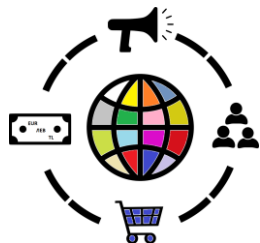


risk giving away your credit card details and your name. Therefore, it's much safer to do all of your online shopping at home, using a secure internet connection.

- **Check your passwords** - Again, this may seem obvious, but the amount of people who continue to use weak passwords is staggering. There are more than 23.2 million victims of account fraud worldwide were hacked because they used the easily guessable password 123456.

To make sure your passwords are strong, and to encourage safe online shopping habits, consider doing the following:

- Don't use the same password across all accounts, as if one gets hacked, they can all get hacked
- Using a long phrase as it is much more effective than using a single word
- Consider using a password manager which creates unique, strong passwords for every website that requires you to log in
- Watch out for email scams
- As email scams are becoming increasingly more sophisticated and difficult to detect, you need to be extra vigilant when opening up your inbox. However, if you receive a strange email from an unknown address, or an oddly written email that seems to be from one of your contacts, it's very likely to be a fraudulent email.
- Do not click on any links in the email as they could infect your computer with a virus. Instead, immediately delete the email, and if the email seems to come from a friend, contact them to let them know their email account may have been hacked.
- Regularly update your computer and your phone
- Making sure that your computer and your phone are using the most up-to-date operating systems protects them from being infected by malware. This is because hackers locate weak spots in different computer and mobile phone operating systems. Phone and computer companies are constantly working to try to spot these vulnerabilities and patch them up before the hackers can exploit them. However, if you don't update your device, you leave it vulnerable to attack.



While it is always better to shop with a retailer that you know and trust, sometimes you find the product that you want, but it's on a site you've never visited before. Here are some pointers to help you work out if the website is safe:

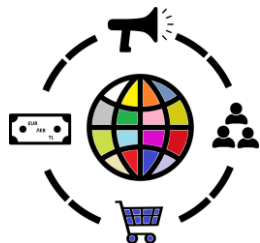
- **Look for the lock** - A key feature to look for is the little lock symbol that appears in the corner of the URL field. Known as an SSL (secure sockets layer), this lock indicates that the website you are on is safe. Also, make sure that the website address is "https" and not "http" as the 's' stands for secure. While some sites do try to recreate the image of the lock to make it seem as though they are trustworthy, always make sure that the lock is in the usual place for your browser before confirming that the website is legitimate.
- **Shop with trusted retailers** - Trust is an essential feature of safe online shopping.

If you've found a product that you'd like to buy, but it's on an unfamiliar website, check the following to gauge whether or not you feel safe purchasing from it:

- Look for any spelling mistakes throughout the website. If you find a lot of them, this is a sign that the shop may not be legitimate.
- Find out if they have a social media following and if they regularly interact with their customers. If they seem to have a thriving social media community, this is a sign that the website is more trustworthy.
- Search for any customer reviews on websites such as [trustpilot.com](https://www.trustpilot.com), which aims to bring customers more transparency over their online purchases.
- **Check the returns policy** - Before you commit to buying anything online, check the returns policy first. If the website doesn't seem to have a returns policy, this is a red flag. Before purchasing the item, try to contact them directly to enquire about how they manage their returns. If, however, you can't find an email address, phone number, or physical address for the company, these could all be signs that the business is fraudulent and that the website isn't safe.

If it sounds too good to be true, it probably is!

There is a huge online market for counterfeit goods which creates another hurdle for safe online shopping. As we cannot physically inspect the goods beforehand, it can be difficult to make sure



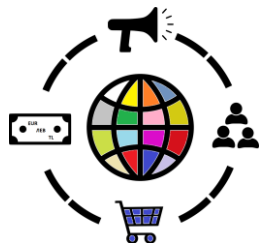
whether what we are buying online is genuine, or a fake. Usually, counterfeit items are sold via more dubious websites, many of which would not pass the trusted retailer criteria listed above.

However, some counterfeit stores have sophisticated online storefronts. The trick to answering “is this website safe?”: check the price. Fake goods are nearly always priced significantly lower than their genuine counterparts. While it may appear that you have found a good deal at first, it is unlikely that a retailer of a genuine article would sell it at a significantly lower price than their competitors, unless of course the article is not genuine at all.

Note the following with special attention:

- **Payment security** - When safe online shopping, payment security is essential. Handing over your credit card and personal details to a fraudulent website can cause a great deal of unnecessary stress and puts your money at risk. If a website is asking you for unnecessary personal information such as your tax number, where you were born, or information concerning your family members, the likelihood is that it is fraudulent. If you're confused as to why a website wants to know any additional personal information, try getting in contact with them. Failing that, it's safer just to walk away.
- **Only pay via trusted methods** - An e-commerce security red flag is any website which asks you to pay via methods such as writing them a check or asking you to wire them the money directly. If you can't pay using your credit or debit card, or through a trusted payment system such as PayPal, the chances are that this website is fraudulent and you shouldn't purchase anything from them.
- **Check your statements regularly** - It's really important to check your statements regularly. Fraudsters can be very sneaky, only taking small amounts out of your accounts monthly so that it's difficult for you to even register that you're a victim of fraud. Gradually, however, these small amounts can really add up, and by the time you notice what's going on, it's often too late to claim a lot of it back. Therefore, it's a great idea to go through your bank statements each month and to make sure that you know exactly what each transaction is, preventing any fraudsters from blindsiding you, and thus keeping your finances secure.

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Tracking your spending on a regular basis can give you an accurate picture of where your money is going — and where you'd like it to go instead.

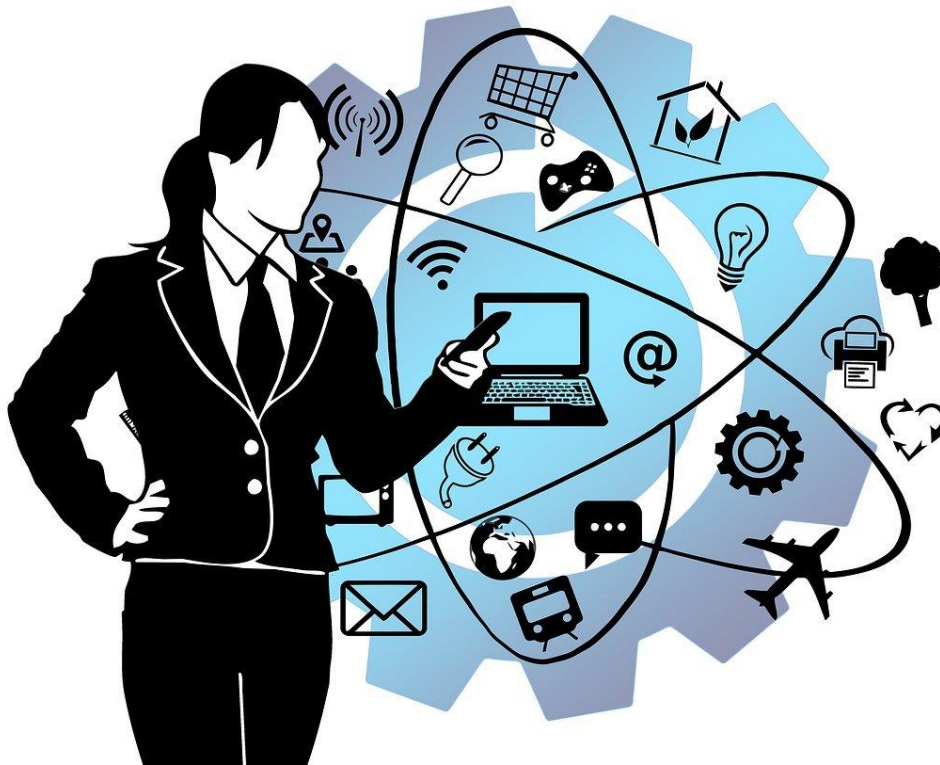
Then, by using a budget, you can accurately account for all the bills you need to pay going forward. Here's how to get started tracking your monthly expenses.

Pinpoint your money habits by taking inventory of all of your accounts, including your checking account and all credit/debit cards you have. Looking at your accounts will help you identify your spending patterns.

Your spending will consist of both fixed expenses and variable expenses. Fixed expenses are less likely to change from month to month. They include mortgage or rent, utilities, insurance and debt payments. You'll have more room to adjust variable expenses like food, clothing and travel.



MODULE 2 PLANNING AND MANAGING PERSONAL FINANCES



Unit 1. Financial planning and budgeting

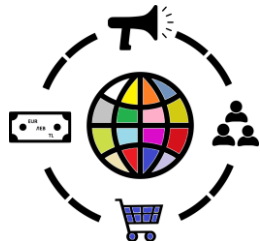
Main components of personal and family financial planning

When it comes to life's biggest moments, you probably had a plan. Your wedding, for example, followed a timeline, a budget—even if you busted it with that last-minute table for extended family—and involved compromise and conversation. Smart financial planning follows the same logic.

Financial planning is the process of developing a personal roadmap for your financial well being. The inputs to the financial planning process are: your finances, i.e., your income, assets, and liabilities, your goals, i.e., your current and future financial needs and.

In seven steps, you have a nice framework to build on throughout your life.

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It's OK if you've already started a few of these steps. It's also OK if you haven't. Just start with one task and keep going. (Or just tackle the whole thing on a long, rainy weekend with a big pot of coffee and a dog at your feet.)

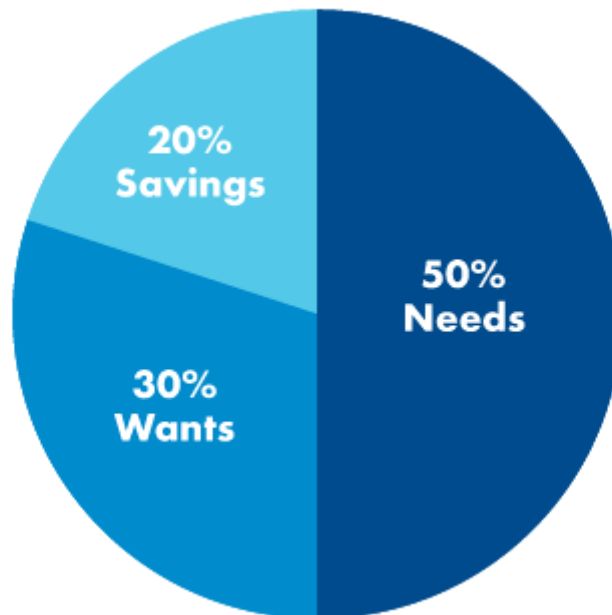
Let's get started.

1. **Set financial goals** - It's always good to have a clear idea of why you're saving your hard-earned money.
2. **Plan for taxes** - It can go a long way toward helping you keep more of your money next year.
3. **Build an emergency fund** - All the planning in the world won't help if life throws you a curveball and you're not prepared financially. That's where an emergency fund comes in handy. Our quiz will help you decide when to use these savings.
4. **Manage debt** - Understanding and managing debt is a key part of creating a financial plan.
5. **Protect with insurance** - Life can change in an instant. People with a good financial plan hope for the best, but plan for the unexpected. Insurance helps with that.
6. **Plan for retirement** - Even if it's a long way off, think about what you want your money to do for you when you retire, and create a plan to make it happen.
7. **Create an estate plan** - You don't have to be wealthy, old, married, or a parent to need an estate plan, which also lies out who makes financial and health care decisions for you if you can't make them yourself.

Creating a budget can help you make confident decisions and enjoy peace of mind. A detailed budget, though, can be complex to manage. For one easy way to plan your spending, you might try using the **50-30-20 rule**.



The 50-30-20 rule splits expenses into just three categories. It also offers recommendations on how much money to use for each. With some basic information, you can get on the road to financial well-being.



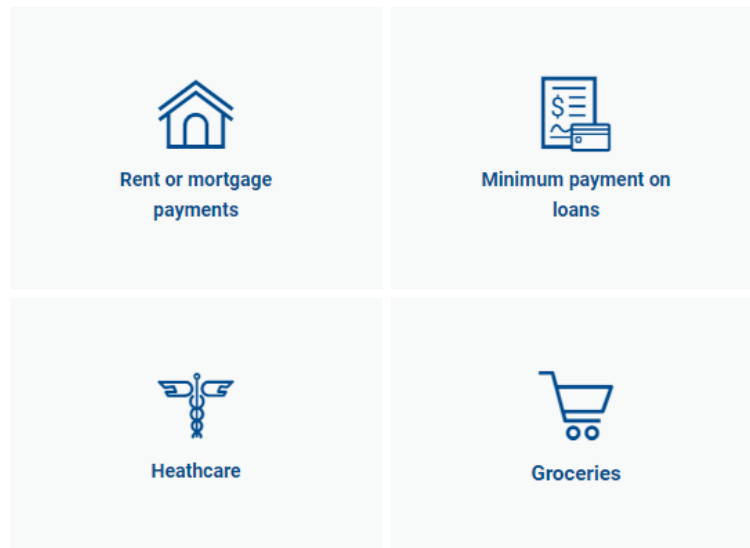
The 50-30-20 rule recommends putting 50% of your money toward needs, 30% toward wants, and 20% toward savings. The savings category also includes money you will need to realize your future goals.

Let's take a closer look at each category.

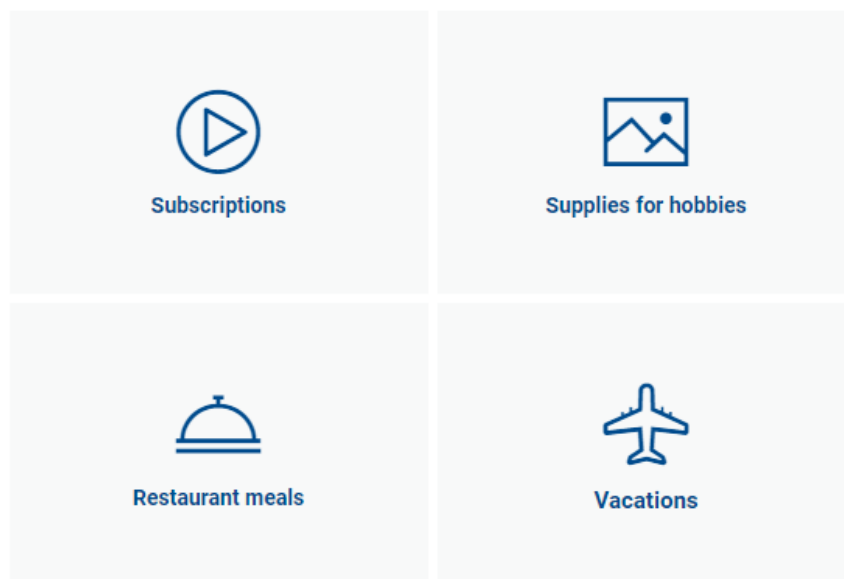
- **Needs: 50%** - About half of your budget should go toward needs. These are expenses that must be met no matter what, like your utility bills.

If you can honestly say “I can't live without it,” you have identified a need. Minimum required payments on a credit card or a loan also belong in this category.

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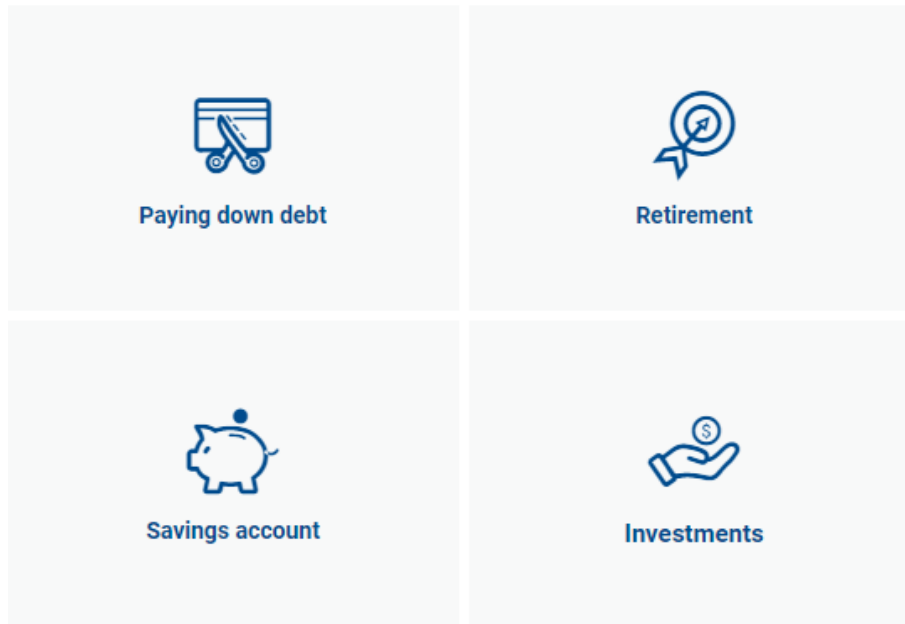


- **Wants: 30%** - You subscribe to a streaming service to watch your favourite show, not because you need the subscription to live. Wants are things you enjoy that you spend money on by choice.





- **Savings: 20%** - The remaining 20% of your budget should go toward the future. You may put money in an emergency fund, or save toward a down payment on a home. Paying down debt beyond the minimum payment amount belongs in this category, too.





Family budgeting



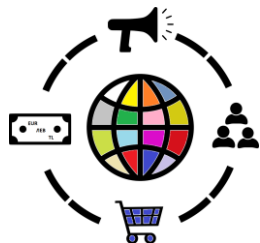
Family financial planning can help you create a comprehensive strategy for managing your money as you move through different life stages. It starts with the basics – setting up a budget, paying down debt and saving – but a family financial plan can also include things like investing for retirement and setting aside money for college. Creating a long-term plan for your family finances is something you can do yourself but it’s also something you might need a financial advisor’s help with.

Family financial planning is all of the above, with a focus on specific scenarios that families may need to plan for. This type of financial planning accounts for the various ways marriage or having children can affect the way you manage your money.

Family financial planning is important for several reasons. Firstly, it allows you to create a roadmap for your financial future. By setting clear goals and creating a plan to achieve them, you’ll be better equipped to make informed decisions about your finances.

Additionally, family financial planning can help you to identify potential risks and opportunities. By reviewing your family’s financial situation regularly, you’ll be able to make adjustments to your plan as needed and take advantage of new opportunities that arise.

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Finally, family financial planning can help to ensure that everyone in your family is on the same page when it comes to finances. By involving your spouse, children, and other family members in the planning process, you'll be able to create a shared vision for your financial future and work together towards common goals.

Preparation of a personal and family budget

There's no set way to create a **financial plan**. But, generally speaking, you should consider:

- Your goals and those of your family
- What you're currently spending?
- How much you can afford to save while still paying for essentials?
- How you can pay off, or consolidate, debt to reduce how much it's costing you?
- What an achievable budget would look like for you?

What are yours and your family's goals?

Many people find it helpful to have a goal in mind to help them focus on what's important. Goals can help to motivate you to make "sensible" decisions when you feel tempted to buy something that you could probably do without.

But to keep you motivated, it needs to be the right goal for you.

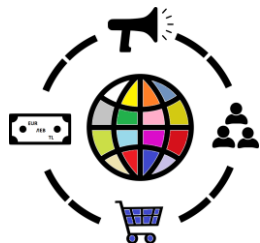
Most families would list financial stability as one of their key priorities. A stable financial situation is not something that happens accidentally. It requires planning. Thankfully, financial planning is not as difficult as some might think.

The following are **five steps** for making a solid financial plan for your family.

1. Keep track of where you are spending your money

The first step toward creating a financial plan is making a budget that lays out how you are spending your money and where your money is coming from every month. Budget creation can be simple. You could use a pen and paper to track your income and expenses in a notebook.

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There are budgeting apps that link to your bank account, investment accounts, and credit cards to help you automatically track your income and expenses. Once you have a clear picture of your expenses, you can make a plan.

2. Set goals

Most financial experts recommend that your first goal be to build an emergency fund that you can use during a personal financial crisis. It is recommended that you have enough money to live on for three to six months. Ask yourself, where do you want your family to be five or 10 years from now? If you have specific goals, you can stay on track with your financial plan.

3. Make your debt disappear

With a clear picture of your finances in hand, an emergency fund set aside for a few months, and your specific goals for the future, the next step is to make your debt disappear. One method is the snowball method. You will pay the minimum on all of your credit cards or other sources of debt, but you aggressively pay the source of debt that has the lowest balance.

If you have four credit cards and the first one has a balance of 5,000, the second has a balance of 4,000, the third has a balance of 3,000, and the fourth has a balance of 1,000, you would pay the minimum payment on the highest three cards, but you would aggressively put all of your extra money into paying off the card with the 1,000 balance. Once that card has been paid off, you will switch to aggressively attacking the card with the 3,000 balance and so on.

It may be beneficial to do a debt assessment. Many people have been able to achieve financial stability by settling their debts for less than what they owe.

4. Start saving for major goals

Once you have an emergency fund and your debt paid off, it's time to start saving for your long-term goals. You may need to re-examine how you are spending your money and see if there are ways to cut expenses or increase your income. Many have turned to the gig economy to add



more money to their budget. It's important to make sure that the extra income you are earning is being put into some form of savings account directed toward your goals.

5. Monitor and adjust your financial plan

Financial planning is not just a one-and-done type of system. You will always need to review your personal financial situation. With time, your goals might change. Your income might increase, or your debt might drastically go down. You may see that your investments are performing better than expected, or there may be pressing financial situations, like health issues, that require you to divert from your original plan.

As you make a financial plan for your family or as you review your plan, don't confuse your long-term goals with short-term fluctuations in your personal situation. Don't change your family's financial plan without considering the entire picture.

The sooner you make a financial plan for your family, the more control you will have over all your money. You will soon see that instead of working for your money, your money is working for you.

Unit 2 Savings



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Savings refers to the money that a person has left over after they subtract out their consumer spending from their disposable income over a given time period. Savings, therefore, represents a net surplus of funds for an individual or household after all expenses and obligations have been paid.

One of the best ways to save money is to set a goal. Start by thinking about what you might want to save for—both in the short term (one to three years) and the long term (four or more years). Then estimate how much money you'll need and how long it might take you to save it.

Remember:

Set a small, achievable short-term goal for something that's fun and goes beyond your monthly budget, such as a new smart phone or holiday gifts. Reaching smaller goals—and enjoying the reward you've saved for—can give you a psychological boost, making the payoff of saving more immediate and reinforces the habit.

After your expenses and income, your goals are likely to have the biggest impact on how you allocate your savings. For example, if you know you're going to need to replace your car in the near future, you could start putting away money for one now. But be sure to remember long-term goals—it's important that planning for retirement doesn't take a back seat to shorter-term needs.

That's why, it is important to consider the following:

- Learn how to prioritize your savings goals can give you a clear idea of how to allocate your savings.
- Review your budget and check your progress every month. That will help you not only stick to your personal savings plan, but also identify and fix problems quickly. Understanding how to save money may even inspire you to find more ways to save and hit your goals faster.



Savings management

In order to ensure proper savings management, note the following **steps to stay financially fit**:

When you're young, checking in on your financial status might seem like something that can wait. But routinely assessing where you stand can benefit you today and down the road. Here are steps to consider.

1. Understand your assets and liabilities

The assets you own and the debts or liabilities you have determine your net worth. Assets might include cash, savings, stocks, bonds, retirement accounts, real estate and anything else of value such as cars or collectibles. Liabilities might include a mortgage, student loans, auto loans, bills due and credit card debt. Consider calculating your net worth annually by adding the value of all your assets and subtracting your liabilities. This can help you keep tabs on your overall financial picture.

Tip: If you're just out of college and have a lot of student loan debt, you may have a negative net worth. That's not necessarily bad. It just means you have some work to do.

2. Assess your goals

Once a year, think about your short-, medium- and long-term goals. Are each still relevant? How much do they cost? Are you on track to meet them? Some long-term goals, such as travelling in retirement, may not change substantially year to year. Short-term goals, such as paying off a credit card bill, and medium-term goals, including saving for a house, may change more frequently. You might decide to re-evaluate those every three to six months.

Tip: Make simple short-term and long-term goals on a paper or on your smart phone and regularly check them and update on the strategy to achieve each goal.

3. Manage your taxes

It's important to make sure you have enough set aside to pay your tax bill well before the annual deadline (generally around end of April each year).

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In most cases your employer withholds taxes from your pay check, although the amount withheld will often differ from what you ultimately owe. If you are self-employed, however, you will likely need to pay an estimated amount of tax instead, usually on a quarterly basis. Failure to make estimated tax payments when required may result in penalties.

Tip: Each fall, when you still have time to make adjustments before year-end, consider checking the amount you've set aside for taxes against last year's tax forms.

4. Determine if you have the right insurance

About once a year it's important to assess the type and amount of insurance you need. If you rent your home, you may want to consider renters insurance to protect your belongings.

When you buy a home, you need homeowners' insurance.

Your policy should cover what it would cost you to rebuild your home—which is often more than your home's face value—as well as the current price of replacing your household items.

Tip: If you have dependents, you may wish to consider life insurance, which, in the event of your death, would pay them cash to help make up for the loss of your income.

Long-term planning and asset growth

You might feel overwhelmed when thinking about your finances several years down the road. The responsibility of a mortgage, credit card debt and personal loan can feel unmanageable all together. The key to overcoming this feeling is to prepare you long before the need arises.

A long-term financial goal is something you want to complete related to your finances in the distant future – for example a goal to be accomplished in 5 or more years.

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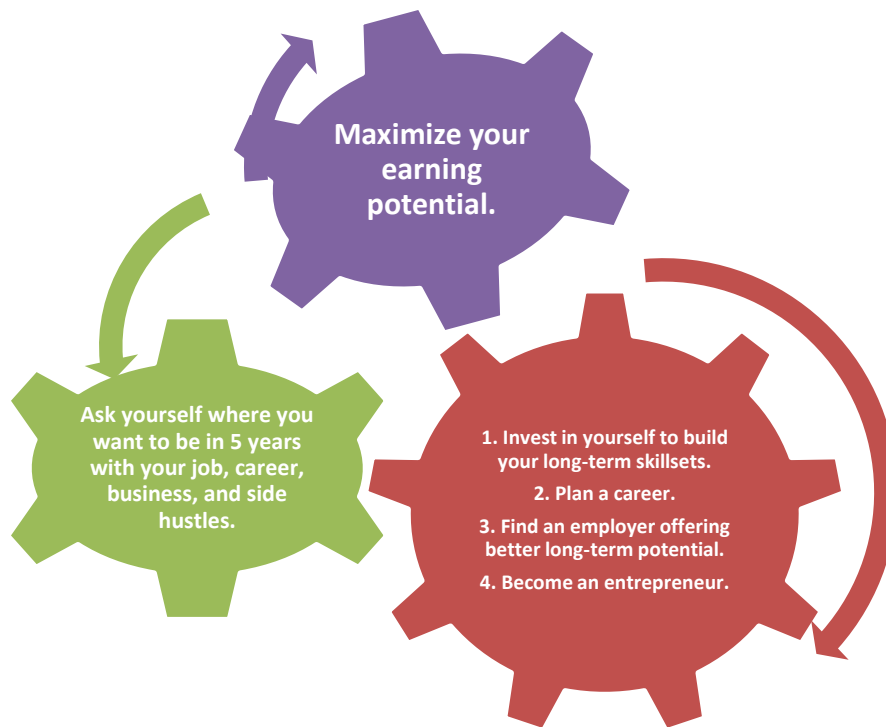
For example, you can set up a cash emergency fund. That is a short-term financial goal - a task to be accomplished in 1 year or less.



Long-term financial goals apply to major life events and can take five or more years to accomplish. This section breaks down how to set a long-term financial goal at any stage of your life and provides tangible financial goal examples to inspire your planning.

Your twenties represent a unique time in your financial journey, with many people starting out with a blank financial page. Knowing where to begin can be a challenge, but this time in your life has the power to set the stage for decades to come.

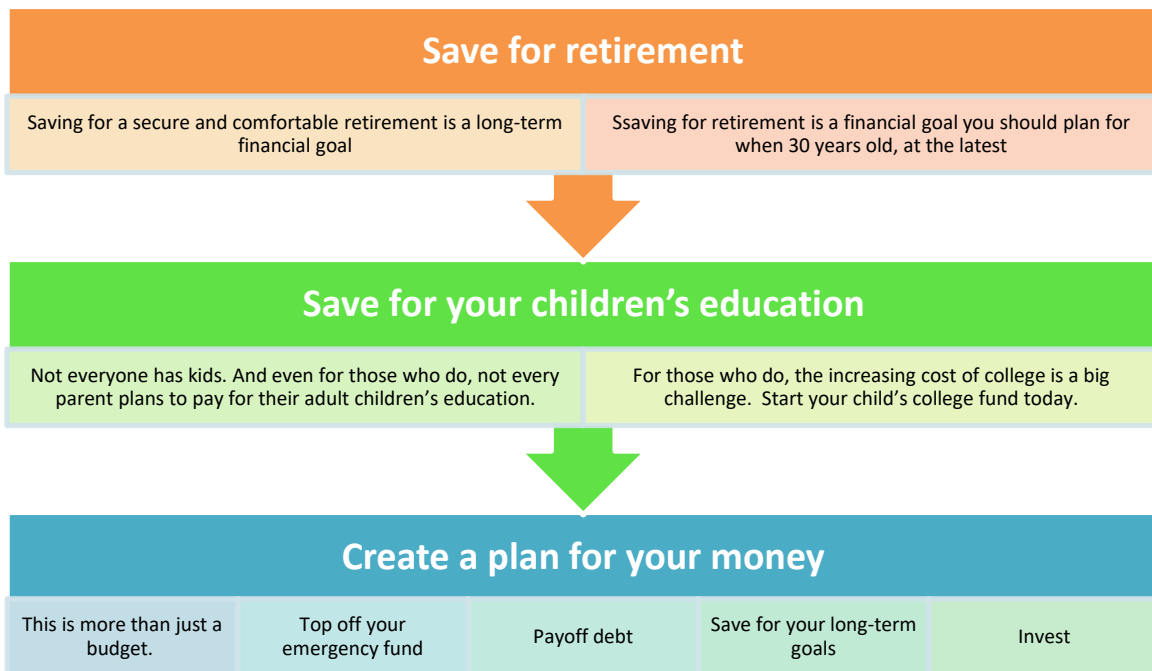
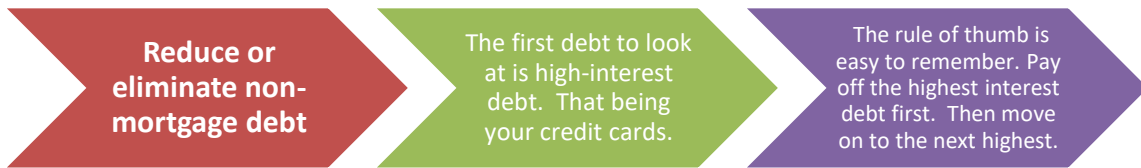
Here is a strong list of long-term financial goals examples in order to consider for your financial planning efforts.



Optimize the finances for your home

Buying a home in an area you desire can be a good financial goal. But first, you must save for a down payment.

Set a long-term financial goal to locate your affordable dream home and plan for the purchase.



Like other goals, ones involving finances should be **Specific, Measurable, Achievable, Relevant, and Time-bound (i.e., SMART)**. Focusing on the time-bound aspect, it's important that you set a date for when you want to achieve a particular goal.

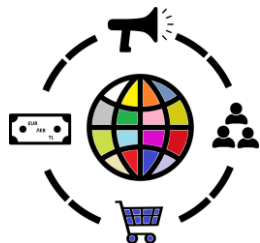
Try to answer these questions:

Exactly what is to be accomplished?

Who needs to be involved?

Why is it important to achieve the goal?

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The more details about the goal, that you can document, the better. Because you will become more and more clear on exactly what you want to achieve.

Setting long-term goals and taking a proactive approach is a great step towards securing the future lifestyle you want to live. However, the potential for accidents and the unexpected always exist, jeopardizing your ability to meet long-term financial goals.

When setting your goals, consider different safeguards to protect against risks, such as having life or disability insurance. Establishing an estate plan with a will or trust may also help your long-term financial goals in worst-case scenarios by providing for your family.

Remember: Make your financial goals in life measurable.

To do so, answer this: what information are you going to use to measure your progress en route to the goal. And measure whether the goal has been achieved?

Fortunately, long-term financial goals tend to be easy to measure. So, make yours measurable.

Now, think of achieving goals in 3 steps. Those steps are plan, act, and monitor.

- **Create a written action plan.** Detailing a plan may not be necessary for shorter-term goals. It depends on the type of financial goal, and the complexity of the financial goal. An action plan is nothing more than the detailed steps required achieving your goal. Once again, just like creating a SMART financial goal, write your action plan down.

Now it's time to act. Work your action plan.



Next, monitor your progress - your SMART financial goals should be measurable and time-bound. So, measure your progress as often as necessary. For long-term financial goals, it makes sense to assess your progress once or maybe twice per year.

Okay. You made it this far. And it's time to wrap up.

We have covered a ton of information. So now it's time to start setting and working on an action plan toward your long-term financial goals.



Sourced by: <https://www.holisticinvestment.in/smart-way-to-achieve-financial-goals/>



Print and try the following exercise:

SHORT TERM GOALS	MID-TERM GOALS	LONG-TERM GOALS
<i>What do I want to achieve this year?</i>	<i>What do I want to achieve in next five years?</i>	<i>What do I want to achieve 10 years from now?</i>
1. Create an emergency fund.	1. Pay off high-interest credit card debt.	1. Save for a down payment on a house.
2.	2.	2.
3.	3.	3.
4.	4.	4.
5.	5.	5.
...

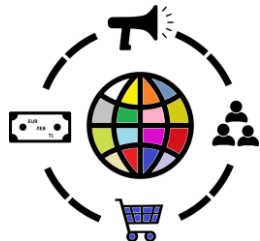
Unit 3 Debt/credit



Considerations before applying for debt/credit

Responsible borrowing can help you build a good credit history. However, using credit to spend beyond your means can cause you financial problems.

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Ask yourself the following questions before you take out a loan or a line of credit:

- *How much do you want to borrow?*
- *How much can you afford?*
- *Do you need the money now or can the expense wait until you've saved for it?*
- *How much will you be able to pay back each month?*
- *Will you still be able to afford the payments when interest rates rise?*
- *What happens if you miss a payment?*
- *Do you need loan insurance?*

What is the difference between a good debt and a bad debt?

Good debt is an investment in something that creates value or produces more wealth in the long run.

Examples of a good debt may include:

- a loan for home renovations which may increase your home's value
- a student loan that may help you to get a job with a higher income.

Bad debt is borrowing to buy something that goes down in value or that you can't repay on time and in full, thus incurring interest charges and more debt.

Examples may include:

- going into debt for a vacation
- buying an expensive dinner with your credit card while knowing you can't repay it by the end of the billing period

You may end up paying for these purchases long after you've enjoyed the holiday or the dinner.

What happens to your loan payments if interest rates rise?

If your loan or line of credit has a variable interest rate, your monthly payments may go up if interest rates rise.

What you can do?

- Learn how to manage your money when interest rates rise.
- Reviewing your credit or loan agreement

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- Read the terms and conditions of the credit or loan agreement carefully.
- Take a close look at interest rates and fees. You may be able to negotiate the interest rate and terms of the agreement.
- Ask your lender about anything you don't understand.

Lenders must get your consent before adding services to:

- your loan
- your line of credit
- your credit card.

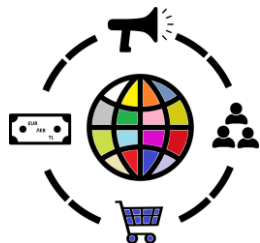
To find a bad credit loan, you will need to know your financial situation and spend time comparing at least three lenders — preferably more. Bad credit loans are primarily available from online lenders, although there are some credit unions that offer an alternative option with

Bad credit loans are far from your only option. There are several alternatives if you have bad credit. You may face higher rates if you opt for a credit card or home equity loan, and they do have different risks you will need to consider. And while help from friends and family may not come with high rates, it has its own drawbacks you should be aware of.

In addition to these, consider credit counselling. It can help you manage your finances, negotiate with lenders and improve your situation for future loans.

For frequent small expenses, you may want to compare credit cards for bad credit. These give you much more flexibility than a loan, can help you build your credit and may give you access to perks like cash back bonuses.

Your friends and family may be able and willing to help you out when you are facing a bill or financial setback. Be clear about your ability to repay, be willing to pay interest and put everything in writing. Ultimately, this can be a danger to your relationship, so be upfront with your loved one and stay on track with repayments.



Choice of products and related risks



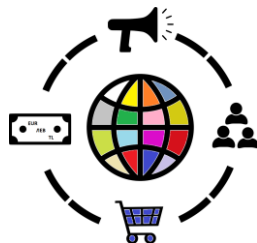
Payday loans are becoming more popular over time, mostly because of their affordability. Regardless of whether you have an employment contract or less-than-stellar credit history, anyone can apply and have a chance of being approved. Before you borrow money, however, you should consider the possibility of returning it on time.

Sometimes we find ourselves in a situation where we have to react urgently - whether it's an urgent car repair before a planned vacation, an unexpected repair at home or a holiday event. When the occasion is unexpected, we cannot always cover these extraordinary expenses. In order not to have to postpone urgent obligations, we can rely on a quick loan.

Requirements:

- Fill out the application form;
- In case of fast credit, you don't have to prove income;
- You determine the number of your instalments yourself;
- You choose the date on which to pay your contributions;
- You can choose a special product that meets your needs - a loan in monthly instalments, a loan in bi-weekly instalments, a payday loan etc.

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The ability to choose the product that is right for you is not to be underestimated. Almost all fast loan companies have the option of lending entirely online. This is not accidental, because **taking a loan entirely online has many advantages.**

Some of them are:

- You don't have to go to an office just to fill out a few documents;
- You have the opportunity and time to check which company offers what conditions and to make an informed choice;
- You have the peace of mind to familiarize yourself with the documents you receive and which you will have to sign;
- Possibility to apply at any time of the day;

Do I need a guarantor when taking an online loan?

Different companies offer different terms. It is important to read carefully because there are companies with unfair practices that do not mention that there is a condition for a guarantor and present you with lower prices and interest rates, and in the contract it is described that there is a mandatory requirement for one and if you do not provide up to several days a person who is responsible for the loan with you, the price changes noticeably.

Debt management, renegotiations and overdraft

Debt management

Good debt management is crucial for maintaining financial health and stability. It involves tracking and controlling your debts, ensuring timely payments, and making informed decisions about borrowing and repayment. Effective debt management can prevent late fees, high-interest costs, and damage to your credit score. It also provides peace of mind, knowing that your financial obligations are under control.

Good debt management can open doors to future opportunities. A strong credit history can lead to better interest rates on loans and credit cards, potentially saving you thousands of dollars over time.

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One of the simplest yet most effective strategies for managing debt is to pay your bills as soon as they arrive. This reduces the risk of forgetting a payment and incurring late fees or interest charges.

Regardless of your debt repayment strategy, always make at least the minimum payment on all your debts each month. Failure to do so can result in late fees, increased interest rates, and a negative impact on your credit score. Even if you can't pay off a debt in full, making the minimum payment shows lenders that you're committed to meeting your financial obligations.

Remember, the minimum payment is just that – the minimum. While making only the minimum payment will keep your account in good standing, it won't do much to reduce the principal debt.

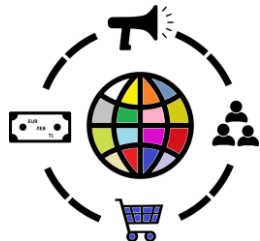
Before you can effectively manage your debt, it's important to have a clear understanding of your financial obligations. Start by creating an overview of everything you owe. This includes listing all your debts, such as credit card balances, student loans, mortgages, car loans, and any other outstanding loans.

For each debt, note down the outstanding balance, interest rate, minimum payment, and the due date. This comprehensive overview will provide you with a snapshot of your financial situation and help you prioritize your debt repayment efforts.

Building an emergency fund is an essential step in managing debt. Life is full of unexpected expenses, such as medical bills, car repairs, or sudden job loss. Without an emergency fund, you may be forced to rely on credit cards or loans to cover these expenses, leading to additional debt.

Strive to save three to six months' worth of living expenses in an easily accessible emergency fund. Start by setting aside a small portion of your income each month and gradually increase your savings over time.

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When managing your debt, it's crucial to pay what you can truly afford rather than just the minimum payments. While minimum payments keep your accounts in good standing, they often only cover the interest charges, leaving the principal balance untouched.

If you've experienced debt issues in the past that have negatively impacted your credit score, it's important to take steps to rebuild your credit.

Here are some strategies to consider:

- Pay on time
- Reduce your credit utilization
- Diversify your credit
- Limit new credit applications
- Use secured credit cards or credit builder loans

Renegotiations

Renegotiations are related to how to refinance a personal loan. Before refinancing a personal loan, calculate how much it'll cost. *For example, if your existing loan has a prepayment penalty for paying it off early and your refinanced loan would require an origination fee, costs can add up quickly.*

You'll also want to review your credit to see if you'd likely qualify for a new personal loan with competitive terms.

There are **two common ways to refinance your debt: personal loans and balance transfer cards.**

Personal loans can offer larger borrowing limits than a credit card, so taking one out is a common technique for combining multiple debts at once. Personal loans also have a structured payment plan with a single, fixed payment each month.



On the other hand, balance **transfer cards** can come with special offers, like a zero-interest introductory period. These cards let you pay down your debt without incurring high interest costs, as long as you pay off the balance in full before the introductory period ends.

If you don't, you could be charged interest on your remaining balance and wind up deeper in debt than before. When you prequalify for a loan or credit card, lenders quickly assess your creditworthiness based on a few factors, like your income and savings. They'll often also conduct a soft credit inquiry, which doesn't affect your credit score.

You should always prequalify for refinancing debt, as this gives you the opportunity to see what repayment terms you could receive and compare offers from different lenders.

You'll also want to compare your offers to your existing debt and decide whether refinancing makes sense for you. Make sure you understand exactly how much your newly refinanced loan will cost you, including interest charges, origination fees, your estimated monthly payment and any other costs.

Pros and cons of refinancing a personal loan

<i>PROS</i>	<i>CONS</i>
Lower interest rates: Depending on your credit and financial profile, the lender and market conditions, you could receive a lower rate.	Additional fees: Taking out a new loan can come with added fees, like an origination fee. You may also be penalized for repaying your original loan early.
Favorable loan terms: You may be able to find a longer loan term with a lower monthly payment, or a shorter loan term with lower interest paid overall.	Higher interest costs: If you're struggling to make payments on your loan, you may find it helpful to refinance and get a lower monthly payment. However, extending your term could mean that you'll pay more in interest over time.
Fixed interest rates: Switching from a variable interest rate debt to a fixed interest rate loan allows you to plan your budget around a fixed monthly payment.	Need to qualify: If you're struggling financially, qualifying for a new loan could be difficult.

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When you ask to renegotiate a personal loan, you can request to lower your monthly payment, interest rate or principal balance, or a combination of the three. By making your loan more affordable for you, your lender hopes to reduce the chances of you defaulting on debt payments. However, lenders have no obligation to renegotiate your loan and may not consider it unless you can demonstrate some extenuating circumstances that prevent you from paying. Modifying an existing loan usually doesn't include fees, and you can put in multiple requests. However, each lender will have its own eligibility criteria when considering borrowers for loan modification, including meeting a minimum credit score and having a monthly income. Not everyone will qualify. Similarly, you may be able to negotiate a lower interest rate on your credit card, especially on accounts you've had for several years. You can try to leverage your payment history and credit score.

Overdraft

An overdraft lets you borrow money through your current account by taking out more money than you have in the account – in other words you go “overdrawn”. There's usually a charge for this. You can ask your bank for an overdraft – or they might just give you one – but don't forget that an overdraft is a type of loan. If you need to borrow money, there might be cheaper ways to do it. It's important to always find the cheapest way to borrow.

Types of overdraft:

- **Authorised overdrafts:** are arranged in advance, so they're also known as 'arranged' overdrafts. You agree a limit with your bank and can spend money up to that limit.
- **Unauthorised overdrafts:** these are also known as 'unplanned' or 'unarranged' overdrafts and happen when you spend more than you have in your bank account without agreeing it in advance. This includes going over the limit of an authorised overdraft. Overdrafts can be useful for some people. They can help you avoid fees for bounced or returned payments. These happen when you try to make a payment but your account doesn't have enough money in it. But overdrafts should only be used for emergencies or as a short-term option.

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MODULE 3 FINANCIAL RISK MANAGEMENT AND PREVENTION OF SCAMS



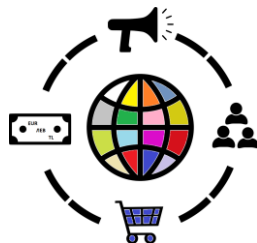
Unit 1 Financial risk management

Financial risk takes a variety of forms, including investing, borrowing, and other types like volatility, inflation, and interest rate risk. Knowing how to budget and manage money can provide a strong financial foundation to minimize financial risk. Educating yourself are all ways to minimize financial risk when investing or managing money as a young person.

Financial risk refers to the uncertainty of losing money, typically through investments or running a business. *“Financial risk can be identified by analyzing any potential threat that can cause a loss of value,”* says Cory Moore, CFP, founder of Moore Financial Planning LLC in Oklahoma City.

Financial risk in investing applies to the possibility of losing money when using money to purchase assets. While the hope is to increase your funds, there is a level of risk wherein you could lose some or all your money instead.

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Financial risk in borrowing

Financial risk in borrowing refers to the uncertainty of not being able to repay a debt such as a car loan, credit card, or student loan. If you fall behind or default on payments, you could incur late fees, interest, and penalties. You could even lose the asset, such as a car. And the harm to your credit could take years to repair.

Financial risk in the real world

Financial risk is a possibility in many instances that affect everyone, even teenagers.

Examples include:

- Running up credit card debt and not having money to pay it off
- Taking out a student loan, but not making payments
- Lending money to a friend who doesn't repay it
- Buying stocks in a popular company, then losing that money when the company files for bankruptcy

Sources and management of risk

Several types of financial risks could affect how youth spend and invest their money:

- **Volatility risk** - This type of risk often refers to stocks, whose prices can rise and fall drastically in short order.
- **Inflation risk** - This risk refers to the value of your money and how it could change in the future.
- **Interest rate risk** - With the car loan, the interest rate could drop to 3.5% after you sign your loan agreement. That means you are paying more in interest on the car loan than if you had waited for lower rates.

By educating yourself and evaluating these risks, you could increase your finances without incurring losses.

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4 Ways To Manage Personal Risk





Source by:Yadnya Academy Pvt Ltd.

You can manage risk in four ways, as detailed below:

1. Assume risk

As the name itself suggests, one must assume the risk associated with various aspects and objects of life. Which, if not taken care of may lead to financial losses. Thus, in order to safeguard and avoid the financial losses, you should first list out the possible risks associated.

Example: having a life insurance cover or health insurance, would be a remedy for you, in case of any uncertain situation such as disability, death etc.

That means, if any of such unseen and unfortunate risk occurs, in such case you would be ready with the remedy taken at your end. So, you don't have to pay the full cost of such loss out of your own assets, because it will affect adversely the achievement of your financial goals.

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2. Avoid risk

Avoiding the risk may not be easy, but this is one of the ways to reduce the risk management costs by doing so. Risk avoidance can lower the financial cost of risk, which is why insurance premiums are lower for persons and businesses, which take measures to lower the risk.

Example: the automobile insurance premiums are lower for drivers with good driving records (no accidents and no cited violations of driving laws).

3. Share risk

Sharing the risk divides the cost of risk among those who are the participants in the risk sharing.

Example: in a household where there are two earners, the family income might be reduced in case if one earner loses the job or has lost some money, at least in such case all the money/ income is not lost. Meaning, at least to some extent the risk can be shared and adjusted with the earning member of the family.

4. Transfer risk

Finally, for those who cannot tolerate any financial risk, risk can be transferred to someone else, usually an insurance company, who assumes full responsibility for it. Of course, this method of risk management has the highest premium cost. An insurer i.e. the insurance company will pay the costs of loss to an insured, in consideration of a fees called premium, which is usually a very small fraction of the benefits to be paid. Insurance works because an insurer can determine the mathematical probability of a risk occurring and the financial risk at stake.

Example: anyone who owns an automobile knows that he or she is required to have the automobile insurance in order to cover the risk of damage to someone else.

However, with many years of statistics on automobile damage costs, the insurers i.e. the insurance companies are able to determine the amount of premium necessary, to provide the benefits to insure the automobile owners. Using the same principles, one can buy the insurance

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to minimize the financial loss due to accident, illness, disability and even death. The purpose of insurance is to provide the financial relief from catastrophic losses. Money from many people is pooled to pay for the losses, incurred by few.

Insurances



Insurance is a form a risk management that transfers your risk to a third party, like an insurance company. There are many types of insurance policies to consider. This section is focusing on homeowner's insurance and car insurance.

You might also want to consider getting: life insurance, which provides your family with money should you die at a young age; and health insurance, which is offered by many employers and provides you with coverage should you get sick or injured.

Take some time to figure out what is available to you and what you really need.

Here are a few last things to be aware in regard to insurance policies:

- Your deductible is how much you have to pay before the insurance company will pay anything.
- Your premium is how much you pay annually or monthly to the insurance company.

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Homeowner's Insurance

There are a number of different homeowner's insurance plans, which covers your home and its contents against damage and theft, as well as you, the owner, against personal liability if someone is injured while on your property. Some plans cover damaged caused by earthquakes and floods, so depending on where you live you may want to purchase an additional insurance plan. The cost of insurance is determined by the likelihood of disasters where you live; what your house is made out of; crime rates; the size and condition of your house; and your proximity to fire hydrants and a fire station.

Even if you don't plan to own a home for a few years, you should consider purchasing renter's insurance. This insures your personal belongings, such as clothes, electronics, and furniture.

Car Insurance

Car insurance is required in every country in the European union as well as in Turkiye. The price you pay will change based on a number of factors, including: the value of your car; where you live; how much you drive your car; your age; your gender; and your driving record. Consider these factors when purchasing a car, and be sure to drive safely!

Regular car insurance policy may include:

- **Liability:** This protects you if you unintentionally cause bodily harm or property damage to a third party.
- **Collision:** This covers damages to your vehicle if you hit another vehicle or object.
- **Comprehensive:** This coverage protects you against damage caused by "fire, wind, hail, flood, vandalism or theft."
- **Medical coverage:** Pays medical expenses for injuries caused in an accident.
- **Personal injury protection:** Pays medical expenses of the insured driver for injuries caused in an accident.
- **Uninsured motorist:** This coverage pays for damage to your car caused by a driver without liability insurance (meaning they don't have insurance to pay for your damages).

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- **Underinsured motorist:** This coverage pays for damage to your car caused by a driver with too little liability insurance.
- **Rental reimbursement (optional):** If your car is damaged in an accident, your insurance will provide an allowance for you to pay for a rental car.

Not all of these elements are required and there are different coverage levels for each. Different providers have different requirements so make sure you know what the requirements are where you live. It's also important to take the time to compare insurance providers; you may save yourself a lot of money.

Unit 2 Prevention of scams



You as young person nowadays could face risks of becoming victims of crime – or unwitting perpetrators of crime – that previous generations could never have imagined. The volume of personal information you share about yourself – via websites, social media and apps – is unprecedented, as is the growing sophistication of those criminals working to take advantage of that information. Also unprecedented is the technology available to young people to, not only fall victim to financial crime, but also be tempted to commit it.

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There's a wide range of online behaviour that you need to be more cautious about. You need to know what good cyber and identity protection looks like, as what you're doing and sharing online can enable a criminal to impersonate you, potentially ruining your digital lives. You also need a clear understanding of why someone may recruit you to act as a money mule (*a money mule is a person who transfers stolen money, usually through their own bank account, on behalf of others.*).

Types of scams

1. Social media scams

Social media is prime territory for Internet-based scams that target teens. Among scams, common to social media are those involving identity theft. Chief among these are surveys or contests that request personal information and catfishing in which the scammer poses as someone they are not and befriends the victim intending to take money, personal information, or more. Though these are the most common social media scams, many other fraudulent activities appear on these platforms, including most of the rest of the scams.

2. Online shopping scams

You as teens and millennials are also big online spenders for expensive goods. Often you are lured into phony websites that take your money and sell to you nothing, lured you into providing personal information used for purposes of identity theft or tricked into clicking on links and downloading malware. Finding the latest iPhone, designer handbag, or newest headphones for a fraction of the retail price may sound too good to be true. Unfortunately, that's exactly what it is: too good to be true. When paid for, online bargain-basement-priced goods rarely arrive.

Another version of this scam involves knock-offs or counterfeit products pretending to be the real deal. Once the province of shady back-alley salespeople from the trunk of a car, online knock-off sales have found a new home and, in bargain-hunting teens, new victims.

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Like many adults, teens can often be so embarrassed about being duped that they won't tell their parents or the authorities, so many of these scams go unreported.

3. Identity theft

This scam deserves special mention because it is one of the most prevalent and also because social media is just one online area where it appears. Others include websites, email, messaging apps, and pop-up windows. You as young person don't always realize that you're handing over personal data that can be used for identity theft. Any online interaction that asks for personal information could be an identity theft operation. This includes:

- False employment opportunities
- Fake applications for credit cards, scholarships and grants, and student loans

4. Skill or talent contests

Another popular online scam that thrives outside of social media is a variation on acting and modelling scams, which are also alive and well on the Internet. More recent scams involve skill-based contests in which teens are urged to enter artwork, music compositions, or creative writing to win money and, more importantly, fame. These scams may or may not require an entry fee, and if the teen wins, even more cash.

5. Scholarship and grant scams

As college costs loom and young people (and their parents) worry about financing higher education, scepticism about unsolicited scholarships and grant offers may not be as strong as it should be. The goal of these scams may be simple identity theft, or it may be a more direct attempt to charge for so-called proprietary information about scholarships or free money the public doesn't know exists. These bogus offers sometimes guarantee you will get your money back if you don't receive the scholarship; special fee-based scholarships; and even unclaimed scholarships only available through a special fund you can access by—you guessed it—paying a fee.



6. Student loan debt forgiveness scams

The scam companies often have names that make it appear they are government affiliated. However, real student loan forgiveness only applies to federal student loans and involves no fees. In addition to promises of forgiveness, some scammers promise consolidation loans that also appear to be from the government. In fact, these are private loans that charge high fees just to apply. Legitimate student loan consolidation does not require a fee.

7. Online auctions

Auction scams have been found to target unsuspecting teens in various ways. One scam involves an auction that the teen wins for an item that doesn't exist or never arrives—even though the teen has paid for it. Alternatively, when an unsuspecting person is encouraged to auction off possessions, the scam artist (the auction house rep) requires the teen to send in the item in advance, before the buyer's payment arrives, or even before bids are placed. Of course, the funds never arrive, the auction never happens, and the rep disappears.

8. Cell phone freebies

All teens having access to cell phones, scammers have flocked to the space with confusing offers of free ringtones and wallpaper images that arrive regularly. Missing from the pitch is clear language about the fact the teen has subscribed to an expensive service with monthly fees that can add up quickly. Worse yet, the fees often come with confusing names that do not clarify the purpose of the fee.

9. Weight loss scams

We know that many teens have body image issues. Though social media has received plenty of attention for its role in this, scammers are equally guilty because they weaponize insecurity and use it to encourage teens to spend money on useless and sometimes dangerous products and services. Scams include everything from so-called “keto” diet pills to free trial offers that lead to long-term contracts, doctored images in ads, and more. Eating a healthy diet and regular exercise are the keys to weight loss, but scammers promise quicker and easier results for a fee.

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10. Webcam security

Another type of fraudulent activity magnified by the pandemic is webcam security. Zoom or Teams classes, a desire on the part of teens to connect with classmates while in quarantine, and a general desire to remain socially active, resulted in the growing use of webcams and an understandable but dangerous lack of webcam security. The scam part of this situation involves the ability of hackers to infiltrate webcams that are not covered or otherwise disabled and, as a result, collect information and images that can be used to blackmail teens and their parents.

Remember: You can't trust anyone. It's an old but eternally important life lesson.

Then, we would like to advise you how to protect yourself from scam practices:

- Install malware and antivirus software and activate it.
- Use unique passwords for every site you visit.
- Don't click on links from anyone you don't know or trust.
- Unsolicited messages or offers should always be treated with a great deal of skepticism.
- Check online reviews before visiting a website.
- Don't give out personal information unless you know you can trust the person receiving it.
- Never pay to enter a contest, apply for a scholarship, or get a job.
- Learn what a reverse lookup search engine is and how to use it.
- Don't be embarrassed to tell your parents or a trusted adult if you think you've been scammed.

Another important type of scam is the catfishing on the Internet.

Catfishing is when someone uses images and information to create a new identity online. They then use that identity to damage someone's reputation or befriend an unsuspecting person to scam them or worse. **Do not take the risk to be involved in such practices!**

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If you've ever asked yourself, "*Am I being catfished?*" the answer might not always seem obvious. This is especially true if the catfisher you're dealing with has a detailed and realistic profile.

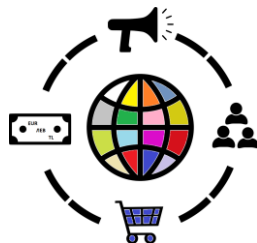
So, what are the signs of a catfish?

We've compiled **10 warning signs of catfishing online** to keep an eye out for.

1. They avoid video calls

If they always refuse your calls, they might be a catfish. Catfishers tend to avoid live communication because they won't be able to hide their identity. To avoid this, they may come up with excuses, ranging from fake illnesses to phony travel plans. If this behaviour continues, it's likely that the person is lying and is afraid of being caught.

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2. They don't have many followers or friends

One warning sign of a catfisher is if they have very few followers or friends on social media. The catfisher could be intentionally avoiding interacting with multiple people, as each additional friend or follower could be another chance of getting caught. Catfishers tend to keep their social circle small to fly under the radar.

3. They avoid meeting up in person

An invite to meet up in person is a catfisher's worst nightmare. Because of this, many catfishers will target people outside their geographical region. If the person you're talking to has said they are in your area and still refuses to meet up, they might be lying to conceal their identity.

4. They ask you for money

Another common sign of a catfishing scheme is if they ask you for money or gifts. In some situations, the catfisher may ask you to help pay for their travel so they can come to see you. In any case, never send money to anyone you're unable to confirm the identity of.

5. They have a new profile

If their social media account looks freshly made, they could be a catfish. Many catfishers frequently create new profiles to catfish other people and to avoid being caught. To be safe, always keep an eye out to see how long the profile has been active.

6. They use stolen pictures

One of the biggest indicators of a catfisher is the use of stolen pictures. These pictures may be stock images, pictures of a model, or profile pictures from other accounts. You can use a reverse image search tool to see if the image has been taken from someone else.

7. They ask for explicit content

Being asked to send explicit videos or pictures is a huge red flag that you may be dealing with a catfish. If you send them what they ask for, they may use it to blackmail you for money or other sensitive content. In all cases, never send explicit content to someone you don't know.

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8. They have very few images

If a catfisher is trying to impersonate someone they don't know, they may only have access to a select number of images. If you notice that the person you're chatting with never changes their profile pictures or they seem outdated based on their age, it may be because they aren't who they say they are.

9. They act over the top

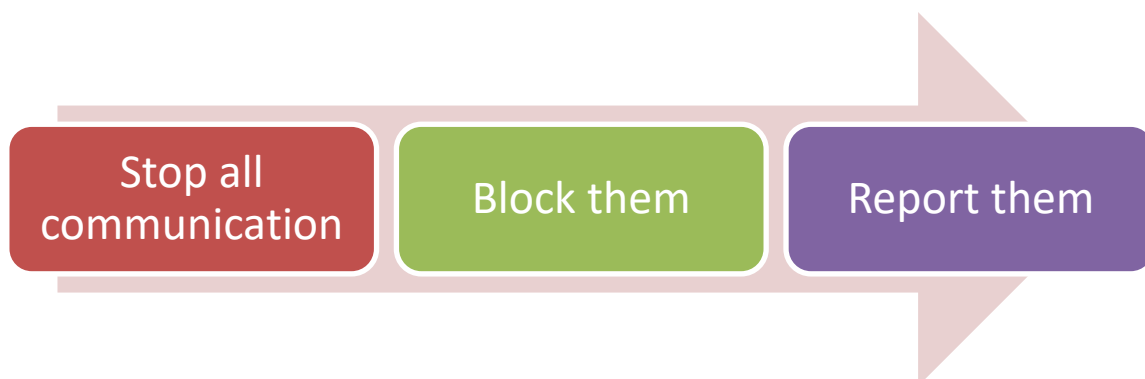
Whether they say they love you or try to plan a business venture together, many catfishes send over-the-top messages to build your trust. If you notice the person trying to rapidly escalate your relationship, take a step back and assess their online profile before you continue engaging with them, as it could be a romance scam.

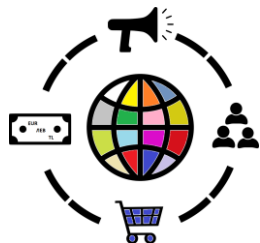
10. They have a small online presence

In today's age, it is common for people to have multiple social media accounts. For example, you may have a profile on Facebook, Instagram, and LinkedIn. If the person in question only has one account and you can't find evidence of them anywhere else, you may be interacting with an account that isn't a real person.

How to deal with being catfished?

Now that you know how to tell if someone is a catfish, you may be wondering what you should do if it happens to you. If you end up finding out that the person you're talking to isn't who they say they are, act quickly and follow these steps:

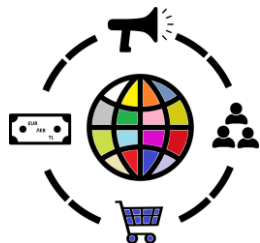




- **Stop all communication:** In a last-minute attempt to win back your trust, a catfisher may tell you anything you want to hear. Because of this, it's important that you stop all communication with them immediately.
- **Block them:** Next, you should block the catfisher on every platform they've used to communicate with you. This will keep them from ever seeing your profile or messaging you again.
- **Report them:** Lastly, you should report the catfish's account to the website or platform you used to communicate with them. This can help prevent them from catfishing people again.

Follow these cyber security tips to avoid catfishes and safely browse the web.

- **Stay cautious:** Whenever you're talking to somebody online who you've never met in person, you must always be cautious. This is especially important if you are just now learning about them or have no proof that they are who they say they are.
- **Ask for an audio or video call:** Asking for a video call is a surefire way to discover if the person you're chatting with is the same as the one in their pictures. If they continuously refuse, it could be because they're afraid they'll get caught.
- **Run a reverse image search:** To see if a person's pictures actually are their own, you can perform a reverse image search. In some cases, a stolen image may show up on another person's social media account or in a stock photograph.
- **Do your research:** If you're engaging with someone new online, be sure to do your research. Even a simple Google search can help you quickly uncover a catfish. While watching for red flags, input the person's name into other social media sites to see if their profile seems legit.
- **Ask specific questions:** If you're suspicious you're dealing with a catfish, ask them questions only someone with their specific background would know. For example, if they say they live in your area, ask them a question only a local could answer.
- **Update your privacy settings:** If you keep your social media accounts private, you can vet and control who can see your profile. By only letting in people you know and trust, a



catfisher will be unable to message you or learn personal details about you from your profile.

- **Ask your friends or parents for advice:** When in doubt, reach out to your friends for a second opinion. This is especially helpful if you've already begun speaking to the suspicious person, as you may not have a clear view of the situation due to your connection with them.

Reporting in cases of scam/ fraud

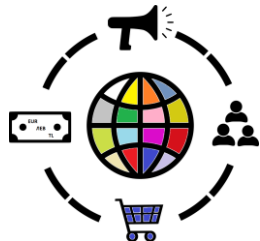
If you suspect someone is a scammer, immediately stop contact and report them to the site where you first met, whether that was on social media or a dating app. If you have mistakenly sent someone money, file a **report to your bank as soon as possible and don't hesitate to report your experience to your local law enforcement and local police office.**

If you've been scammed, there are organisations you should report the scam to. Don't feel embarrassed about reporting a scam – scammers are clever and scams can happen to anyone. Reporting a scam helps track down and stop scammers. This prevents other people from being scammed.

You should:

- protect yourself from further risks
- gather all the details of the scam
- report the scam to us
- report the scam to other people

Before you report a scam, there are steps you can take to protect yourself from things getting worse. Check what to do if you've been scammed.



When to call the police:

Contact the police immediately by calling 112 if:

- the scammer is in your area
- you've transferred money to the scammer in the last 24 hours

Gather all the details of the scam

Write down the details of your scam. This will help you remember all the important information when you report it.

Make sure you include:

- Who you've been in contact with – write down names, numbers and addresses if you have them?
- Why you're suspicious?
- What information you've shared – for example, passwords, pins, or bank details?
- Whether you've paid any money?
- How you've paid – for example, credit card or bank transfer?

You should be aware that on EU level - fraud is a deliberate act of deception intended for personal gain or to cause a loss to another party. *(See more in Article 3(2) of Directive (EU) 2017/1371).*

An irregularity is an act which doesn't comply with EU rules and which has a potentially negative impact on EU financial interests, but which may be the result of genuine errors committed both by beneficiaries claiming funds and by the authorities responsible for making payments. **If an irregularity is committed deliberately, however, it's fraud.** *(See more in Article 1 of Council Regulation 2988/95)*



The organisation which deals with EU related fraud actions is called OLAF (European Anti-Fraud Office)

How to report to OLAF?

You can contact us **anonymously**. There are no formalities. Just give as precise and detailed information as possible, including documents when available. You can communicate with OLAF in any of the **24 official EU languages**.

It is possible to report as follows:

<p>Online via the Fraud Notification System (anonymous, with secured document transmission) Go to Fraud Notification System (FNS) More about the Fraud Notification System Data protection terms</p>	<p>Report by post European Commission European Anti-Fraud Office (OLAF) 1049 Brussels Belgium</p>
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OLAF can investigate allegations of:

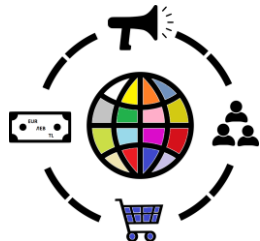
- fraud or other serious irregularities with a potentially negative impact for EU public funds, whether EU revenue, expenditure or assets held by the EU institutions.
- serious misconduct by Members or staff of EU Institutions and bodies.

What can I expect if OLAF opens an investigation concerning my allegation?

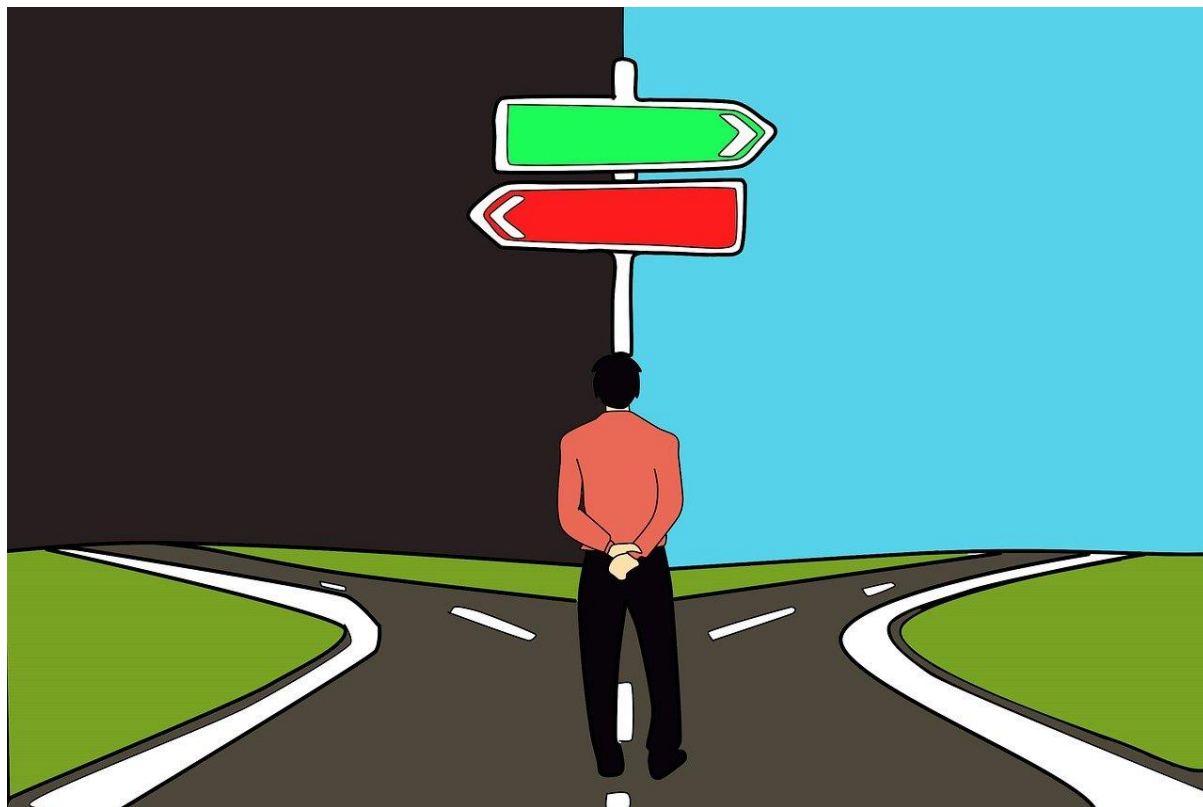
If OLAF decides to open an investigation or coordination case, the investigator assigned to the case **may** contact you for further information. Please note, however, that unless you are contacted directly by the investigator, there will be **no communication from OLAF during the course of the investigation**.

There is no specific timeline for the investigator to contact you, thus you may be contacted immediately or after several months. In order to protect the confidentiality of investigative processes OLAF will not, under any circumstances, provide you with the "status" of the investigation. At the conclusion of the investigation, OLAF may inform you of the action taken, if you have given us a contact address.

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MODULE 4 CONDITIONS OF THE FINANCIAL ENVIRONMENT



Unit 1 Consumer rights

The definition of Consumer right is 'the right to have information about the quality, potency, quantity, purity, price and standard of goods or services', as it may be the case, but the consumer is to be protected against any unfair practices of trade. It is very essential for the consumers to know these rights.

Consumer rights concern everyone, also – or even more – young people. With the digital sphere gradually intertwining with every part of our daily lives, youth and young adults are confronted with limitless possibilities of consumption.

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That's why, the earlier your awareness is raised for own consumer rights, the better you can preventively protect yourself and can be equipped with the measures of protection offered in case of serious problems.

Below is a list of some of the top consumer tips:

- **The Consumer laws**

The EU Consumer Law sets out the national shopping laws. It states anything you buy must match the description given and be of good enough quality to be used for its described purpose. EU consumer protection rules ensure that when you buy goods and services in the EU you have clear information on the product or service you're buying, its price, shipping and delivery costs as well as on your rights when things go wrong.

However, if you buy from a non-EU online trader who has specifically targeted EU consumers you should also be covered by EU rules, but you may find it difficult to assert your rights with a trader who is based outside the EU.

When promoting, selling or supplying products, companies must give you enough accurate information to enable you to make an informed buying decision. They must provide all mandatory details in a 'clear and comprehensible manner' and in 'plain, intelligible language'.

It covers your refunds/returns and warranty rights. Any problems with something you buy must be dealt with by the seller. Sometimes shops will tell customers to speak to the manufacturer (whoever made the item). They are wrong to say that though. The business, which took the money for the product should fix the problem.

- **Online purchases**

Be careful though as sometimes your rights change if you buy online. Almost in all EU countries you have 14 days to return if you are not happy with the product or if the received product does not match with the online advertisement. As a consumer you have a right to know the status of any online seller. Online marketplaces must indicate whether a seller is a trader (registered

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company or individual entrepreneur) or a private individual. This distinction is important because you are protected under EU consumer legislation only if you buy from a trader. The marketplace must warn you about this when choosing an offer from a private individual.

- **Refund**

Signs which say “No refunds” are illegal. Putting them up in shops, or displaying the message on receipts, is breaking the EU Consumer Law. A shop cannot take away your rights. Signs which make you think you cannot bring something back, or that there is a time-limit on when you can return it, are misleading.

You can get a repair, replacement or refund if there is a problem with your purchase, like it doesn't work or it is not as described on the packaging.

If you see signs with the words below displayed in a shop, or on a retailer's website, contact Consumer Protection office in your region.

- **Return check-list**

Take the item back to the seller, with the receipt or proof of purchase, as soon as possible. Explain what is wrong and that you would like it fixed or an exchange or your money back. If they tell you to go to the people who made the item (manufacturer) explain that they are wrong and you know your rights. Under the EU Consumer Law they must give you a repair, replacement or refund. If they still won't help you can call Consumer Protection Office.

Top tip: always keep your receipts!

Receipts prove where and when you bought something. If you're buying online make sure you print out your receipt and keep a copy.



Customer protection

You are protected against 2 main categories of unfair commercial practices:

- misleading practices, either through action (giving false information) or omission (leaving out important information)
- aggressive practices that aim to bully you into buying

Certain commercial practices are prohibited in all circumstances:

- **Bait advertising**

Sellers are not allowed to advertise products/services at a very low price when they do not have enough stock available. They must tell customers how many items are available for sale and for how long offers remain valid.

Sample story

Alex saw an advert on offering a special promotion for flights: "Bask in Barcelona for just €1!" When he tried to book the flight, the €1 ticket was no longer available. He phoned the company's customer services and was told that a very limited number of seats had been offered at the reduced rate. He complained to his national consumer centre. They confirmed that the airline should offer a reasonable number of seats at the advertised price, depending on the scale of the advertising campaign and/or (at least) show the number of seats available at the special price. Although Alex couldn't get a ticket at the advertised price, the national consumer centre advised the company to remove the advert, saving other consumers from falling into the same trap.

- **Non-transparent ranking of search results**

EU rules require websites to clearly indicate when a search result is sponsored or made more prominent as a result of paid advertising (with a label such as "Sponsored" or "Ad"). Online platforms are obliged to disclose the advantages given to sponsored products in the ranking and to explain to you the parameters upon which the ranking is based. To find unbiased choices, you usually need to scroll beyond the first page of any search results.

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Sample story

Mary always scans the search results to check the status of the products in the list. If she sees a 'Sponsored' or 'Ad' label affixed to a listing, she knows this is actually an advertisement.

- **Phony 'free' offers**

Sellers must communicate the real prices of their goods and services. They may not portray a paying service as "free" or offer you an additional "free" service when in fact the real costs of such "free" services are already included in the regular price.

Sample story

Margo signed up for a text-messaging service. She noticed a box at the bottom of the webpage saying "5 free texts per day." When she clicked, she was taken to another page which again said "5 FREE TEXTS PER DAY." She followed the instructions and was informed that she was now registered and that the charge for the service was €3 per week. When she checked on the website, she saw in small print that it was a paying service.

You should pay close attention to such offers and carefully check the conditions.

- **Manipulation of children**

Sellers cannot tell your child to ask you to buy their products. Direct appeals like "Go buy the book now" or "Get your parents to buy you this game" are banned. This ban applies to all media, including television and – most importantly – internet.

Sample story

Anne was surprised when her daughter suddenly started asks her to buy a collection of DVDs with her favourite book character. Anne understood why, when she saw an advertisement for the release of the DVD set stating, "Your favourite book is now out on DVD – tell your mum to buy it for you." She consulted a consumer protection authority. They confirmed this was an unfair practice and filed a complaint against the company to stop the campaign.

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- **False claims about cures**

Whenever a product is advertised as therapeutic – curing allergies, reversing hair loss, helping you lose weight, etc. – you have the right to know if such claims have been scientifically confirmed. In many cases, claims like these are not medically backed up and are simply too good to be true.

Sample story

Nick received a letter from a company in another country claiming that their product would help his hair grow back in 3 weeks. Nick decided to order the product, as the letter said that it was "tried and tested". However, the product had not in fact been tested and did not work. Nick contacted his national consumer protection authority and learned that plenty of other misled consumers had also complained. He was advised to join the legal proceedings against the company which were already underway.

- **False green claims or greenwashing**

It is illegal for a business in the EU to advertise false, inaccurate, or exaggerated claims about its environmental achievements or commitments. This is a form of deceptive advertising called 'greenwashing'. If you consider you have experienced greenwashing, you have the right to report misleading claims and demand appropriate remedies.

Sample story

Susan cares about the environment and makes a conscious effort to buy products that are environmentally friendly and produced under fair conditions. Recently, Susan purchased some 'eco-friendly' branded cosmetics. Convinced by the salesperson that she was making the greenest possible choice, she was surprised to find so much single-use packaging inside the box.



- **Hidden advertisements in media (advertorials)**

You have the right to be informed if a newspaper article, TV programme or radio broadcast has been sponsored by a company as a way to advertise its products. This must be made clear by images, words or sound.

Sample story

Stanislav read an article in a travel magazine on trekking in Ireland. The article, published as a story by one of the readers, mentioned that a certain brand of equipment used during the trip was particularly good. Stanislav decided to double check on an online forum and learned that the brand's equipment was not considered to be very good quality. Many forum users said they were tricked into buying it, as they didn't know that the article had been sponsored by the producer of the equipment (known as an "advertorial"). When Stanislav contacted a consumer organisation, he learned that, under EU law, the travel magazine should have made it clear that the article was an advert. The consumer organisation contacted the publisher of the magazine who published a clarification and apologized to its readers for misleading them.

- **Ads by social media influencers**

Under EU law, you have the right to know if your favourite athlete, singer, blogger etc. is paid to endorse specific products and services. Sponsored (i.e. paid) endorsements need to be identified as such. Sponsoring can also be free gifts, trips or discount codes. It is obligatory for influencers acting as product sponsors to make it clear that they are not merely consumers of the product. The rules apply for every payment, discount, partnership arrangement, free product (including unsolicited gifts), free trip or event invitation.

Sample story

Olivia from Denmark is a passionate Instagrammer. She follows hundreds of people, many of them popular influencers. While the people that she follows on Instagram may share something about a product or a service because they loved it, it is obvious that they can sometimes also be paid or given free benefits for doing so.

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Olivia's favourite yoga coach, for example, has a few partnerships with specific companies that sell yoga equipment. Olivia is OK with this. However, like most consumers, she wants to know when somebody is paid or receives benefits for endorsing a product or a brand, so she checks bios and posts for this information.

- **Ads in games**

Many games have in-app ads. They appear suddenly and are hard to get rid of. Sometimes, it's not clear what is part of the game and what the ad is. Under EU rules, you have the right to know whether ads, endorsements and paid content are present in games or on gaming platforms. They must be clearly marked as such and comply with all relevant rules.

Sample story

Emma from Ireland is an avid on-line gamer. She noticed that ads were increasingly getting in her way and spoiling her enjoyment. She felt there were too many interactive game previews (which encouraged her to install new games). It became difficult to distinguish between her games and the ads.

- **Fake consumer reviews**

Under EU rules, traders publishing reviews must disclose how they ensure the reviews have been submitted by real consumers who have purchased the product or service. These rules explicitly prohibit traders from altering customer reviews and ratings of their products or services.

Similarly, traders are also prohibited from paying people to write fake reviews or make endorsements, including 'liking' or otherwise endorsing social media posts. Traders can only present them as consumer reviews if they have taken reasonable and proportionate efforts to verify the origin and authenticity of the reviews.

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Sample story

As an avid online shopper, Barbara from Austria always checks size charts and reviews about how the garments fit on real people, before she makes a purchase. She also checks the photographs customers have uploaded and trusts their feedback. That is why she did not even hesitate when purchasing her wedding dress online. What she saw in the photographs and customer review reflected reality, and her wedding dress was exactly as she expected it to be.

- **False offers of prizes, gifts**

Traders may not advertise free prizes or gifts, and then require you to pay in order to claim them. If you receive a letter or e mail that says: Congratulations, you have won a prize, be cautious because this may well be an unfair practice.

Sample story

Latinka received a letter from a company congratulating her for having won a €100 prize. She was told to call to claim her prize within a week. When she called the number in the letter, she was told that the offer was really just an advertisement. Instead of receiving a prize, she was requested to buy household appliances, after which she would be entered in a lottery. Latinka was upset and decided to check whether the company was allowed to do this. She contacted her national consumer organisation and learned that such practices are banned. The consumer organisation contacted the company, which finally ceased the practice.

- **Phony 'special' advantages**

Sellers may not claim that they are granting you special rights, when in fact you already enjoy those rights under the law.

Sample story

Ahmet decided to buy a computer on the internet. He chose an online shop that had a special offer giving buyers a 2-year guarantee covering repairs or replacement if the product turned out to be faulty or not as advertised. Ahmet was convinced this was a special offer, but the 2-year guarantee is an obligation imposed on every seller by law.

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Many sellers or manufacturers offer their own commercial guarantees, which promise to repair a product, e.g. for 1, 3 or 5 years. These may be free or for optional purchase. However, these additional commercial guarantees never replace the minimum 2-year guarantee, which you always have from the seller as your legal right.

Ahmet wrote to the trader, who agreed that an error had been made and agreed to give him an extra 1 year commercial guarantee.

- **False use of limited offers**

When sellers tell you that a particular offer will only be available for a very limited time, they might be trying to pressure you to buy before taking the time to make an informed choice. It is unfair to claim that an offer is limited in time when that is not in fact the case.

Sample story

Simon wanted to buy a bicycle. He found a special offer valid for just 24 hours on an online shop. The bicycle wasn't exactly what he was looking for, but he didn't have time to compare as the offer was valid only for such a short time. He quickly decided to buy the bicycle to take advantage of the 50% discount. To his surprise, when he browsed the internet shop a week later he saw exactly the same promotion. Simon realised it was a false offer to trick him into buying the bicycle. He complained to the trader but didn't get a response. He then went to the Consumer Centre and a short time later the centre told Simon that, thanks to their action, the trader had corrected the website.

- **Persistent unwanted offers**

Under EU law, companies may not make persistent and unwanted offers to you by telephone, fax, e mail or any other media suitable for distance selling.



Sample story

Alpay went to a shop with kitchen furniture and subscribed to a newsletter on new offers. He then started receiving adverts from magazines on cooking, gardening, parachuting, housekeeping... Although he had never asked to be put on any mailing list, he sometimes got as many as 10 emails a day! Alpay 's requests to be taken off the mailing list were ignored. A friend advised Alpay to contact the national consumer centre, because they had helped her solve a similar problem in the past. Following the centre's action, the company finally took Alpay off their list.

- **Illegal 'No' signs**

"No refunds on sale items"

"No exchanges"

"No warranties - for repairs deal directly with the manufacturer"

"7-day returns policy"

Note, that there are times when you do not have the right to a return such as you simply changed your mind.

The signs below are OK and do not break the law:

"Please choose carefully. No refunds for wrong choice/change of mind"

"Please keep your receipt. No refunds without proof of purchase"

- **Redress for victims of unfair commercial practices**

Apart from the existing options to seek redress, EU consumer rules enable national authorities to stop and prevent unfair commercial practices like false, inaccurate or misleading ads.

Under these rules you are also entitled to proportionate and effective remedies if you have been harmed by unfair commercial practices like misleading marketing. It's the responsibility of your national authorities to ensure you have access to these remedies, in particular compensation for damage and, where relevant, price reduction and contract termination.

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Sample story

After a long and busy winter, Mario simply can't wait to book his well-deserved summer vacation. While browsing online, he clicks on the first relevant ad on his social media feed. The ad was placed by a travel intermediary who markets it as the #1 online platform for holiday flight deals for obtaining the cheapest possible price. He books a flight right away. What luck! Unfortunately, Mario is in for a disappointment. Checking the airline's official website a few minutes later, he discovers a better deal. The airline is selling tickets for exactly the same flight at a cheaper price. Therefore, the travel intermediary had not been truthful about its marketing claim. Under EU rules, Mario can raise a complaint against misleading claims and demand redress from the intermediary for having misled him with deals that were not real.

How and where to ask for support?

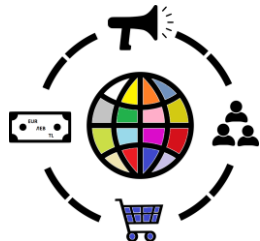
You need to be aware that the recent EU legislation is supporting your rights as a consumer. You may find more information in the links below:

- [EU Directive on consumer rights](#)
- [Guidance on the interpretation and application of the EU consumer rights directive](#)
- [Guidance on the interpretation and application of the EU unfair commercial practices directive](#)
- [EU Directive on contracts for the sale of goods](#)

In addition, **European Consumers Centres Network (ECC Net)** is a network of independently-managed offices co-funded by the European Commission. If you live in the EU, Iceland or Norway, the ECC in your country can explain your rights as a consumer help you settle a dispute with a seller based in another EU country (or Iceland or Norway) tell you who to contact if they can't help. As well as assisting consumers, ECC Net is an expert and trusted partner to stakeholders and policy makers seeking to promote consumer rights. It has an important role in alerting enforcement authorities about traders that are in breach of consumer law.

To find out more about ECC Net, visit the network's website - <https://www.eccnet.eu/>.

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Unit 2 Financial products and services, reports and contracts

Wherever you are in the EU, EU rules define your basic rights when you open a bank account, transfer money, take out a loan or buy insurance products.

In this section, you may find out more about:

- **Bank accounts in the EU: rights and limitations when opening and using a bank account in another EU country**

You may want or need to open a bank account in your home country or in another EU country. If you are legally resident in an EU country you are entitled to open a "basic payment account". Banks cannot refuse your application for a basic payment account just because you don't live in the country where the bank is established.

Warning: This right does not apply to other types of bank account, such as savings accounts.

When banks can refuse you a basic payment account

You can be refused an account if you do not comply with EU rules on money laundering and terrorist financing. In some EU countries, you may be refused a basic bank account if you already have a similar account with another bank in the same country.

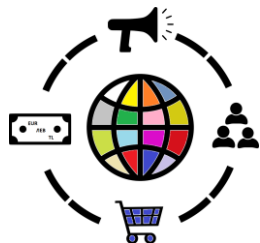
If you're applying for a basic payment account outside the country where you live, banks in some EU countries may also want you to prove a genuine interest for doing so – for example if you live in one country but work in another.

Features of a basic account

A "basic payment account" is an account that covers standard transactions that you use in daily life, such as:

- making deposits
- withdrawing cash
- receiving and carrying out payments (for example direct debits and card purchases)

It should also include a payment card that you can use to withdraw cash and make purchases - both online and in shops.



Where available, the bank should include access to online banking services with your account. However, they do not always have to include an overdraft or credit facility.

In some EU countries, your bank might still charge you an annual fee for this basic payment account. This fee should remain reasonable.

Fee information

Before you open your account, the bank should give you a document showing the most important services offered on the account and any related fees that you might have to pay. This is known as a "fee information document". You can use it to compare the cost of accounts at different banks.

Your bank must also give you a statement explaining the fees incurred on your bank account at least once a year. This "statement of fees" document should also give information on the interest rates applied to your account.

Switching bank accounts

You can switch your bank account to another bank account in the same EU country. Your new bank should help you with this.

If you want to switch to a new account in the same country, tell your new bank that you want to switch and transfer your recurring payments to the new account.

Your money protected in the EU

EU rules ensure that the money in your bank account (savings account and/or and current account) is protected if the bank holding your account fails. Your money is protected up to a limit of EUR 100 000 or the equivalent in local currency. This limit applies per person and per bank, meaning that if you have several accounts at the same bank, the limit of EUR 100 000 applies to your aggregated accounts.

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There are some exceptions to this rule. If you have a joint account with your partner, for example, the limit of EUR 100 000 applies to each of you, meaning up to a maximum of EUR 200 000 for your joint account.

In addition, your money will also be protected above EUR 100 000 in certain other cases for a limited time, such as:

- money you receive from selling a private residential property
- money you receive linked to a particular event in your life such as marriage, divorce, retirement, dismissal, redundancy, invalidity or death of a family member
- money you receive from the payment of insurance benefits or compensation for criminal injuries or a wrongful conviction

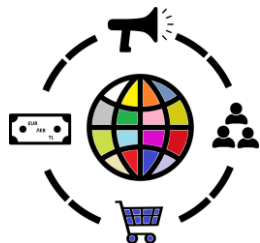
In these cases, amounts over EUR 100 000 are protected for at least three months and no more than 12 months after the money has been credited, or from the moment when the money became legally transferable, depending on the conditions and thresholds set by each EU country.

- **Payments, transfers and cheques: costs and charges of bank transactions between EU countries**

Your bank must charge you the same rate for payments in euro across the EU as it does for equivalent national transactions.

This includes any:

- transfers between bank accounts in different EU countries
- withdrawals from cash machines/ATMs in EU countries
- payments by debit or credit card across the EU
- direct debit transactions



Banks based in EU countries outside the euro area must also apply this rule, and may not charge more for a payment in Euros to/within another EU country than they do for a domestic payment in the national currency.

Secure online payments

If you want to make an online payment for more than €30, you will need to use a combination of at least two authentication elements, such as:

- something you have (such as your mobile phone or card reader) & something you know (a PIN or a password)
- something you have (your mobile phone or card reader) & something you are (your fingerprint)
- something you know (a PIN or a password) & something you are (your fingerprint)

This makes your payments safer and more secure.

Charges for using your card

When you pay for something in the EU using your credit or debit card, traders and banks cannot charge you an extra fee – also known as "surcharging" – just for using a particular card. This rule applies to all card purchases (in shops and online) made within your home country or in another EU country.

Warning: *Credit and debit cards issued by three party schemes (such as American Express and Diners Club), and business or corporate credit cards, where your employer is billed instead of you, are not covered by EU rules on payment services, and you can still be charged extra for using these cards.*

You should be aware that if you're paying in EU currencies other than Euros, you may still be charged a currency conversion fee by your card provider when you use your card in another country. However, the card provider, your bank, the trader or the website carrying out the transaction must inform you of the amount of any such fees before you agree to the purchase.

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Your card provider must inform you of such fees in the terms and conditions of your card and on an easily accessible electronic platform, such as a website or app.

Card and payment fraud

EU rules limit the amount you can be asked to pay if you're the victim of card or payment fraud – where your card or your account is debited without your permission. In all cases, you can only be asked to pay a maximum of €50 towards the cost of the fraudulent payments. However, in cases where you were unaware of the loss, theft or misappropriation of funds (i.e. your account was hacked, or your card was cloned and charged without your knowledge), then you don't have to pay anything. Your bank or card provider should cover all the costs. This rule also applies if the loss was caused by a bank employee.

Blocked money on your card

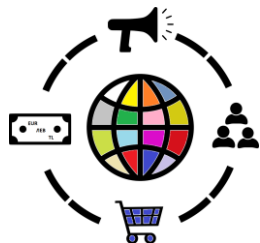
Sometimes when you make a reservation, such as a hotel booking or car rental, you may be asked to give your card details to guarantee your booking. The trader may also ask to block a certain amount of money on your card when you make your reservation. This means the trader reserves part of your credit limit or account balance to cover any charge they expect you to build up, such as room service in a hotel, or possible damage to a hire car.

You should be informed by the trader if they intend to block an amount on your credit card, and you must give your approval for this and for the exact amount being blocked.

As soon as you have made the real payment – for example, when you check out of your hotel and use your credit card to pay for your room, or when you return your hire car and pay the final bill – the bank must immediately release the blocked amount from your credit card.

What to do if you have a problem?

If you have any problems making payments within the EU, you should contact your bank or card provider. They must give a written response to your complaint within 15 days (or up to 35 days



in certain exceptional circumstances). They should also have a formal complaints procedure in place for consumers.

EU rules on bank charges for international and national payments do not apply to cheques.

- **Mortgage credit: your rights when taking out a loan to buy a home**

A mortgage loan allows you to purchase a home. Mortgages are offered by banks, building societies or other lenders and are often secured against your property. A mortgage loan usually comes with a lower interest rate and a longer redemption period in comparison with consumer credit. However, if you fail to fulfil your repayment obligations and your mortgage has been secured against your property, lenders can seize and resell your home to pay off the loan.

Banks are free to accept or not mortgage application. Before offering you a mortgage, the lender needs to assess your creditworthiness, that is whether you can actually afford it.

You can in principle also obtain a mortgage loan from lenders based in other EU countries; however, your country of residence, where you work or the location of the property may influence how the lender assesses your application.

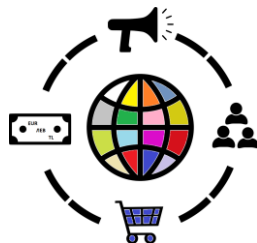
Creditworthiness assessment

Before agreeing to offer you a loan, lenders must assess your creditworthiness. They will make their assessment on the basis of different criteria, including:

- your financial situation (assets, debts, etc.)
- the value of the property the loan is secured against

You will therefore be asked to disclose your income so that the lender can check whether you are capable to repay the loan. The lender can only offer you a mortgage credit if the assessment shows you are likely to be able to repay the loan.

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Lenders frequently refuse to grant mortgages for properties located in other countries, or to people whose source of income or place of residence is not in the country where the bank is located. However, they are not allowed to discriminate between EU citizens solely on the basis of nationality.

If you think a bank has discriminated against you on the basis of your nationality, you may wish to: contact the bank (its 'complaints office') to obtain an official statement in writing giving the reasons for their refusal if the refusal is solely based on your nationality, ask for advice and help from FIN-NET (the [Financial Dispute Resolution Network](#)), which mediates in cross-border conflicts between consumers and financial service providers, such as banks.



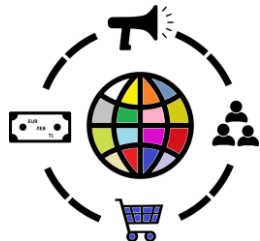
Under EU rules, the lender or credit intermediary has to give you at least 7 days to assess the offer; some EU countries' national law will give you more time.

Depending on the country where you are applying for your loan, this could either be:

- a reflection period, during which you can consider whether the offer suits you
- a period during which you can withdraw from the credit agreement you have already signed
- a combination of the two.

You can usually repay part or all of your debt early. This allows you to stop paying interest on outstanding debt, or move to a more favourable mortgage offer, including from a different lender. National rules determine in this case whether the lender can ask you to pay compensation if you terminate your mortgage loan earlier than foreseen. Where applicable, such compensation should never exceed the financial loss of the lender.

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- **Consumer credit and loans: conditions and restrictions**

When taking out consumer credit, remember there are EU rules in place to protect you before you sign the contract and to guarantee you a way out, should you need it.

If you decide to buy a new product on credit, it's best to compare offers before taking any decisions. Before you sign any credit contract, the credit provider has to give you a standard document called the Standard European Consumer Credit Information form. This is designed to give you the best possible overview of the terms and conditions of any credit contract you consider.

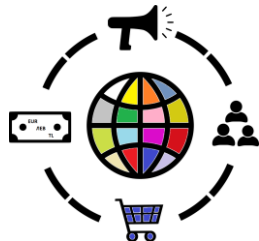
It includes:

- the main features of the contract
- the amount of credit and its cost
- the Annual Percentage Rate (APR - a single figure representing the total cost of the credit, including interest, commission, taxes and any other kinds of fees)
- the number, frequency and size of all your payments
- a note on important legal aspects.

This allows you to compare offers from different credit providers and select the one that suits you best. If you haven't received this form from your credit provider, you can request it.

Withdrawing from a credit contract

If you're having second thoughts about the credit agreement you've signed or realise that you don't need credit after all, you can withdraw from the agreement within 14 calendar days of signing it. You don't have to give the credit provider any explanation, but you'll have to refund the money you borrowed, plus interest and any non-refundable charges already paid by the credit provider.



Paying off your loan early

If you want to pay off your credit earlier than stated in your contract, you have the right to do so. Be aware that you may have to compensate the credit provider for the income they have forfeited. This compensatory payment, however, must not exceed the total amount of interest actually forgone.

These rules apply to consumer credit between EUR 200 and EUR 75 000, with the exception of loans:

- secured by a mortgage
- concluded for the purchase of land or real estate
- for lease or rental agreements where there is no obligation to purchase
- granted free of interest, without other charges, or in the form of an overdraft facility to be repaid within 1 month
- resulting from a judicial ruling
- linked to loans granted to a restricted group from within the general public

Taking out a credit or a loan in another EU country

If you want to take out a credit or a loan in another EU country, be aware that banks may be reluctant to lend to residents of countries other than the one the bank is based in or even to lend to residents of the same country working in another EU country.

Banks are free to set these kinds of limits to their lending. But if you think a bank has discriminated against you, you may wish to:

- contact the bank (its complaints office) to obtain a written reply stating the exact reasons for refusing you credit.
- based on the written answer from the bank, ask for advice and help from FIN-NET (see above link), which mediates in financial conflicts between consumers and providers of financial services, such as banks



Understanding and signing contracts



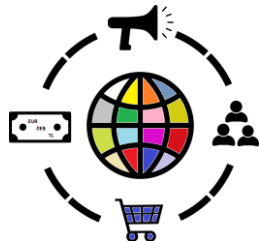
Contracts are an integral part of any business agreement, and understanding their basic requirements is crucial. Whether you're a seasoned professional or new to the field of procurement, contracts play a vital role in ensuring that both parties involved fulfil their obligations. From negotiating terms to signing on the dotted line, every aspect of contract management requires careful consideration and attention to detail. In this comprehensive guide, we'll take you through all the essential aspects of signed contracts – from types to importance and everything in between!

So now, sit back, relax and let's dive into the world of procurement contracts together!

What is a signed contract?

At its most basic level, a signed contract is an agreement between two or more parties to do something. It could be the sale of goods, the provision of services, or any other type of business transaction.

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A signed contract typically includes all the important details of the agreement – such as payment terms, delivery dates, obligations and responsibilities of each party involved. It also outlines what will happen if one party fails to meet their obligations.

One key requirement for a contract to be considered legally binding is that it must be in writing and signed by all parties involved. This signature indicates that all parties have read and agreed to the terms outlined in the document.

The purpose of a signed contract is twofold: first, it provides legal protection for both parties; second, it serves as evidence in case there's a dispute regarding any aspect related to the agreement.

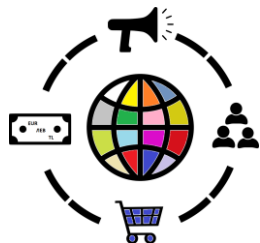
When you sign a contract, you're saying several things:

- You've read the contract.
- You agree to the contract's terms and conditions.
- You intend to enter into the contract.
- You're legally authorized to sign it.
- You're mentally competent to sign it.

It's crucial that you carefully review every aspect of your contracts before signing them – ensuring that all your needs are met while protecting yourself from potential legal issues down the line.

The different types of contracts

When it comes to signed contracts, there are a variety of types that exist. Each type of contract serves a unique purpose and has different terms and conditions. One common type is the sales contract, which outlines the details of a sale between two parties.



Another type is the employment contract, which sets out the terms and conditions of an employee's job. This can include things like salary, benefits, and expected job duties. Contractors often have their own set of contracts as well, outlining what they will do for their clients.

Non-disclosure agreements (NDAs) are also used frequently in business settings to protect confidential information from being shared with unauthorized parties. These agreements can be crucial when dealing with proprietary data or trade secrets.

Partnership agreements govern relationships between businesses collaborating on projects or ventures together. They outline each partner's contributions and responsibilities while ensuring that everyone involved is on the same page about expectations.

Understanding these different types of contracts can help individuals navigate legal obligations within various industries more effectively.

Why are contracts important?

Contracts are legally binding agreements that establish the terms and conditions of a business relationship between two or more parties. They serve as a protection for all involved parties by outlining their respective rights, obligations, and expectations.

One important reason why contracts are essential is that they provide clarity and certainty to the terms of an agreement. By laying out specific details regarding deliverables, timelines, payments, and other critical aspects of the deal in writing, contracts help prevent misunderstandings and disputes that could arise from misaligned expectations.

Moreover, contracts also act as evidence in case any party fails to fulfil its obligations under the agreement. If such a situation arises, having a signed contract provides legal recourse for either party who wishes to file a lawsuit or seek compensation for damages.



It's important to note that businesses often need to comply with certain regulations when entering into contractual agreements. These regulations may vary depending on factors such as industry type or geographical location. Contracts can help ensure compliance by incorporating clauses related to applicable laws governing specific areas like procurement.

Understanding why contracts are crucial enables businesses to protect themselves from potential risks associated with doing business while providing them with necessary security measures needed in today's fast-paced world.

How to sign a contract?

Signing a contract is the final step in making an agreement official. Before signing, it's important to carefully review and understand all terms outlined in the contract.

The first step in signing a contract is to ensure that all parties involved are present and ready to sign. If any changes need to be made before signing, discuss them with the other party beforehand.

Once everyone agrees on the terms of the agreement, each person should initial every page of the document and sign their name at the end. It's essential that all signatures are legible and consistent with previous signatures.

If there are multiple copies of the contract, make sure that each person signs every copy. Additionally, keep one original copy for your records in case any disputes arise later on.

Once both parties have signed and dated the document, consider having it notarized by a licensed notary public for added legal protection. Remember that once you sign a contract, you're legally bound by its terms so take your time reviewing it before putting pen to paper.

What to do if you're not ready to sign a contract?

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It's important to remember that signing a contract is a serious commitment. If you're not ready to sign a contract, there are steps you can take to protect yourself and avoid making any hasty decisions.

Firstly, communicate your concerns with the other party involved in the contract negotiations. It's possible that they may be willing to make changes or amendments that address your issues.

If you need more time to review the terms of the agreement, ask for an extension on the deadline for signing. This will give you more time to carefully consider all aspects of the contract and seek legal advice if necessary.

Additionally, ensure that all verbal agreements made during negotiations are included in writing before signing anything. This will prevent any misunderstandings or miscommunications down the line.

Remember: it's always better to delay signing a contract than rush into something without being fully informed. Take your time and make sure that everything is clear and satisfactory before committing yourself legally.

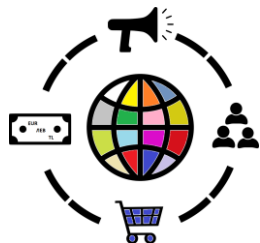
How to get out of a signed contract?

Once you've signed a contract, it's legally binding. However, there may be situations where you want to get out of the agreement. The first thing you should do is review the terms and conditions outlined in the contract.

If there is a clause that allows for termination or cancellation, follow those guidelines closely. You may need to provide notice or pay a fee to end the agreement.

If there is no termination clause, try negotiating with the other party. They may agree to release you from the contract if certain conditions are met.

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You could also seek legal advice on how to proceed. A lawyer can help review your options and potentially find any loopholes in the contract that work in your favour.

It's important to note that backing out of a signed contract without following proper procedures could result in legal consequences such as breach of contract lawsuits or damages owed.

Always consider all options before signing a contract and know what steps are necessary if something goes wrong down the line.

Personal income taxes and annual declaration

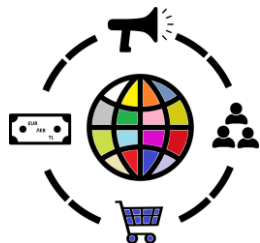


The taxation of income accruing to natural persons, including income from activity in a sole-trader capacity is regulated by the Personal Income Taxes Acts in each country (PITA). Income accruing to resident acquired from sources inside and outside the country and income accruing to non-resident natural persons acquired from sources inside the country.

Who are the taxable persons?

- any resident and non-resident natural persons, who are liable to taxes under this Act;
- any resident and non-resident persons, who are obligated to withhold and remit taxes under the regulations;

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- legal representatives of the above persons.

Resident natural person, regardless of nationality, shall be any person who has a permanent address in the country, or who is present within the territory of country for a period exceeding 183 days in any twelve-month period, or whose centre of vital interests is situated in the country. Any person, who has a permanent address in the country, but whose centre of vital interests is not situated in the country, shall not be a resident natural person. Non-resident natural person shall be any person who is not a resident person.

What should be aware of as young person?

Tax period - The taxation period for natural persons shall be concurrent with the calendar year, with the exception of the taxes subject to final tax.

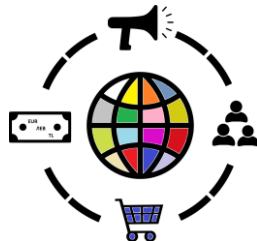
Taxable income – the income from any sources acquired by a taxable person during the tax year, with the exception of exempt income (see Module 1 for further information). Allowable expenses are deducted upon determination of the taxable income from the relevant source.

Non-Taxable Income - Where the following types of income have not been acquired from economic activity in a merchant capacity within the meaning of the National Commerce Act (or similar), including in a sole-trader capacity, they shall be deemed non-taxable:

- any income acquired during the tax year from the sale or exchange of:
 - one residential immovable property, provided that more than three years have elapsed between the date of acquisition and the date of sale or exchange;
 - up to two immovable properties, as well as any number of agricultural and forest properties, provided that more than five years have elapsed between the date of acquisition and the date of sale or exchange;



- any income accruing from the sale or exchange of movable property, with the exception of:
 - means of transport by road, air and water, provided that the period from the date of acquisition to the date of sale or exchange is less than one year;
 - works of art, collectors' items and antiques;
 - shares, interests, compensation instruments, investment vouchers and other financial assets, as well as the income accruing from trade in foreign exchange;
 - movable property delivered to persons who have the right to carry out collection, transport, recovery or disposal of waste.
- any income accruing from disposition of financial instruments;
- any income accruing from compulsory social insurance in the country or abroad;
- any interest payments and discounts made on local government, municipal and corporate bonds; as well as on similar bonds issued according to the legislation of
- any compensations for property taken by eminent domain for state and municipal needs;
- any compensations for damage to property and personal injury, with the exception of the compensations for lost profit;
- any insurance benefits, when an insured event has incurred;
- any social assistance allowances and benefits received in pursuance of the Persons with Disabilities Act, the Child Protection Act, the Family Allowances Act or of another statutory instrument, as well as any unemployment benefits and allowances received in pursuance of a statutory instrument;
- any assistance from organisations with social activity, established by a law, and from not-for-profit legal entities registered for pursuit of public benefit activities;
- any sums of money and merchandise awards received in pursuance of a statutory
- any winnings and merchandise awards received through participation in games of chance
- any prizes given in the form of an additional gaze or a merchandise award of insignificant value



The income shall be deemed to be acquired on the date of:

- payment: in the case of cash payment;
- crediting the account of the recipient of the income or receipt of the cheque: in the case of non-cash payment;
- receipt of the consideration: in the case of non-cash income;
- the transfer of rights or property in the cases of sale, exchange or other onerous transfer of rights or property;
- any other cases provided for by this Act.

Tax reliefs are planned normally for:

- Persons with reduced working capacity
- Personal voluntary social and commercial insurance contributions
- Personal contributions for contributory service upon retirement
- Donations
- Young married couples
- Children
- Children with disabilities
- Non-cash payments effected
- Tax relief for improvements or renovation of an immovable property

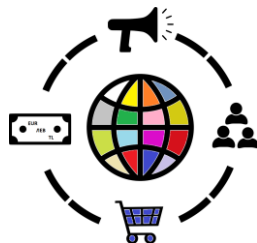
For example, the tax rate for Bulgaria is 10 per cent on the total annual tax base.

Deadlines for tax remittance

Prepayment is expected:

- **on a monthly basis** - on or before the 25th day of the month following the month during which the tax was withheld or the partial payments have been made - for income from employment relationships where the employer is obligated to withhold and remit the tax;

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- **on a quarterly basis** - by the enterprise or the self-insured person which or who is a payer of the income not later than at the end of the month following the quarter in which the income was charged by the enterprise or in which the income was paid by the self-insured person, as well as not later than the month following the quarter of acquisition of the income where the payer of the income is not obligated to withhold and remit the tax.

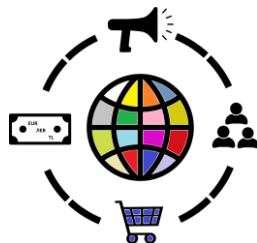
A prepayment shall not be made in respect of any income other than income from employment relationships acquired during the fourth quarter of the tax year, including in respect of income from other sources, unless the holder of the income opts to the contrary.

- **On an annual basis** (*the deadlines may change from year to year*):
 - until the 25 February of the year following the year of acquisition of the income - in respect of a tax withheld by an employer under a principal employment relationship in connection with the annual netting out of the tax;
 - until the 30 April of the year following the year of acquisition of the income - in respect of any other cases concerning taxes on the aggregate annual tax amount.

Sanctions

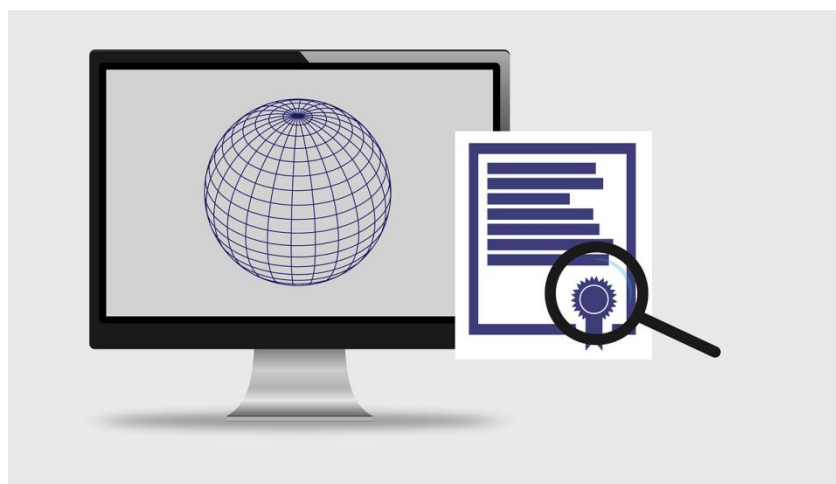
Any person, who fails to state or who misstates any particulars or circumstances in a tax return leading to underassessment of the tax or to exemption from tax, shall be liable to a fine. Any person, who submits any tax return past the due date, shall be liable to a fine or a pecuniary penalty. A fine or a pecuniary penalty shall be also imposed in the case of: non-documenting of income, non-withholding or non-remittance of tax within the time limit, non-provision of information or provision of information beyond the time limit set.

Note that upon a repeated violation the sanctions shall be doubled.



Unit 4 Use of digital signature certificates / qualified electronic signature

Digital signatures, also called public key signatures, are a cryptographic method of showing who created a digital asset and ensuring the item hasn't been changed by another party. Examples of such assets include emails, PDFs, Word files, software application codes, etc.



These signatures are trusted because you need to have a special file called a digital signature certificate in order to sign them digitally. Once you receive and start using your digital signature certificate, it proves that whatever you sign is authentic because it was created and signed by you, and your identity has been validated.

Digital signatures are a type of electronic signature. But unlike regular electronic signatures, which generally look similar to handwritten signatures, digital signatures might not look anything like traditional signatures.

A digital signature validates your identity to other parties and ties it to whatever you've created and signed. It's one of the critical elements that helps create digital trust in our otherwise insecure online world. Digital signatures pair digital identity with complex security measures to help prove you and your digital assets are authentic and unaltered.

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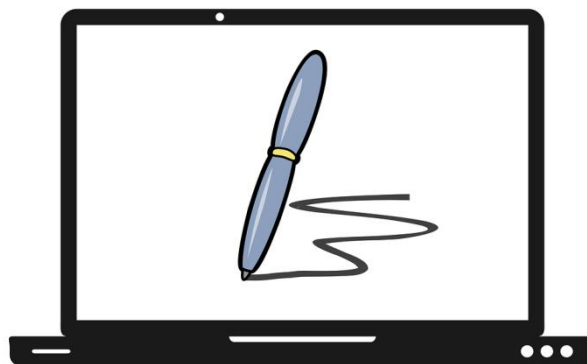


The important takeaway here is that digital signatures offer two key qualities that you won't find in regular electronic signatures:

- **Authentication** — this means you can prove that you or something you created is legitimate.
- **Non-Repudiation** — this ensures recipients that you, and only you, created or signed the item in question; that an imposter didn't fraudulently make it.

The **qualified electronic signature** is equivalent to a handwritten signature. "Qualified Electronic Signature" means an advanced electronic signature, created by a qualified electronic signature creation device, based on a Qualified Electronic Signature Certificate." Qualified Electronic Signature Certificate" means an electronic signature certificate issued by a Qualified Certification Services Provider.

E Signature



It ensures credibility and irrevocability of the signed electronic documents. The signed document remains signed no matter whether you store it on magnetic, optical or other media and whether you send it by an e-mail, or access it via the Internet.

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Signing by electronic signature means that you:

- identify yourself as author of the electronic document
- agree with the content of the document
- protect the document from subsequent changes

The Qualified Electronic Signature Certificate contains information about the Signatory (Holder) and the legal entity with which it is associated, such as:

- Name / name of company or organization
- Personal No (or Personal Identification Number of a Foreigner)
- Unified Identification Code - UIC (The Holder is related to the legal entity)
- Address
- Other data

You can purchase Qualified Electronic Signature Certificate from authorised companies in your country. Usually it takes 1-2 hours to be prepared.