



The Journey of Unemployed Adults from Financial Literacy to Entrepreneurship

Financial Literacy Curriculum Content

MODULE 1: Finance For All

Lesson 3: Expenses

Lesson 1: Expenses

Expenses refer to the money spent, or the costs incurred in various aspects of life to acquire goods, services, or resources. They are a fundamental part of personal, business, and economic activities. Expenses can encompass a wide range of categories and can be either necessary or discretionary. There are different types of expenses:

1. Fixed Expenses
2. Variable Expenses
3. One-time Expenses
4. Essential Expenses
5. Non-essential Expenses



Lesson 1: Expenses

Paying close attention to your spending is a crucial step.

A **monthly or yearly budget is merely a plan**; your actual spending habits may differ significantly from what you had anticipated. If you do not monitor your expenses, you will not know where your plans have gone wrong or how to rectify the situation. Every day, we all make important financial decisions. **Keeping track of your spending can help you develop healthy spending habits.**



Tracking your expenses

There are countless opportunities to spend money on items that are not budgeted.

Smaller expenses, in particular, ***may increase in ways you did not anticipate***.

Even your daily food and beverage expenditures continue to occupy a sizeable portion of your budget, especially in light of the rising cost of living. Rent, apartment dues, water and energy bills are examples of unavoidable recurring monthly expenses. After setting aside funds for each of these, you may find yourself in a difficult position if an unexpectedly large expense arises.

Keeping track of your expenditures is a vital step in establishing a budget in order to be prepared for such occurrences. Keeping track of your expenses will undoubtedly be effective, but you must also take your time. However, you will notice that the time you have invested will be reflected in your spending decisions.

The ABC of the spending plan

You have decided to create a spending plan, perfect! So, what should you pay attention to when doing this follow-up?



The best way to get an accurate view of your expenses is to track them for at least a month.

Some expenses are easy to track - rent payments, car insurance and utility bills are usually paid by bank transfer, so there is always a record.

On the other hand, daily food shopping for the house, a dinner eaten with friends outside, a bottle of water you bought while waiting for the bus, or a cup of coffee that attracts you with its good smell when you get on the subway; especially if you use cash for these purchases, it can be much more difficult to keep track of these expenses.

However, you can also create a healthy spending plan by checking and recording cash expenditures.

If you mostly use credit or debit cards, storing receipts is the easiest way to track spending. Then, at the end of the day or week, collect all your receipts and cash registers and classify each expense.

Desires and necessities distinction



60% of our expenditures are made up of our needs such as household expenses, health expenses, food expenses. 30% of our expenses are made up of our wishes. Our savings are in a 20% slice.

Desires and necessities distinction

The distinction between desires and necessities lies in human wants and needs, and how they are prioritized based on their importance and urgency.

Here's an overview of the two concepts:

1. Desires

Desires refer to wants or wishes that are not essential for basic survival or well-being but are driven by personal preferences, cultural influences, societal norms, and individual aspirations. Desires can encompass a wide range of things, from material possessions and experiences to emotional or psychological states. They often involve seeking pleasure, comfort, or personal fulfillment.

Examples of desires might include owning a luxury car, traveling to exotic destinations, acquiring the latest gadgets, pursuing a particular hobby, or achieving fame. While desires can add enjoyment and satisfaction to life, they are not strictly necessary for a person's survival or fundamental well-being.

Desires and necessities distinction

2. Necessities

Necessities, on the other hand, are required for the basic survival, health, and overall well-being of an individual. These are the fundamental needs that are essential for human life and are typically non-negotiable. Necessities are often divided into two main categories:

- *Physical Necessities: These include things like food, water, shelter, clothing, and basic healthcare. Without access to these essentials, a person's survival and health are at risk.*
- *Emotional and Psychological Necessities: While not directly related to physical survival, emotional and psychological necessities are crucial for mental and emotional well-being. These can include social connections, a sense of belonging, self-esteem, and a feeling of security.*



Desires and necessities distinction

Accumulation and savings are related financial concepts that involve setting aside resources for the future. While they are connected, they have slightly different implications and connotations. Let's explore each concept:

- 1. Savings:** Savings refer to the portion of your income or resources that you deliberately set aside and do not spend immediately. It's the act of putting money aside for future use, emergencies, or planned expenses. Savings can be kept in various forms, such as savings accounts, certificates of deposit, money market accounts, or other low-risk, easily accessible accounts. The primary purpose of saving is to create a financial cushion that can provide stability, cover unexpected costs, and work toward achieving your financial goals.
- 2. Accumulation:** Accumulation is a broader concept that encompasses both saving and the gradual growth of your wealth over time. It involves not only setting money aside but also investing it in various vehicles to generate returns and build wealth. Accumulation can refer to the growth of savings through interest, dividends, capital gains, and other investment income. It's about building up assets and net worth over the long term, with the goal of achieving financial security and potentially achieving larger financial objectives, such as buying a home, funding education, or retiring comfortably.



Desires and necessities distinction

In summary, savings is the process of intentionally setting aside money, while accumulation involves the growth of wealth through saving and investing. The key difference is that accumulation often implies a more active approach to managing and growing your resources, often involving strategic investment decisions to help your savings grow beyond what simple saving can achieve. Both concepts play crucial roles in personal financial management and achieving long-term financial goals.

Idealistically, when we receive income, we should first set money aside for savings, then pay our bills and expenses.

We can save on a weekly/monthly or yearly basis by saving on small expenses that we unconsciously make in our daily routine.

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