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FINANCIAL LITERACY HANDBOOK

Increase Your Financial Skills

This handbook is about financial literacy. It typically looks at how to make or earn money, managing the made or earned money, saving and investing that money, donating some of the money and financial planning among other elements.

Acknowledgements

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Foreword

In the language of my people, "*okusoma*" is the concept we use to describe lifelong learning.
In the past, education was used as a weapon of oppression, but it can now be the key to unlocking the full potential of our people.

Financial literacy is an important component of lifelong learning. Today, we are all faced with an assortment of complex financial decisions, and we require a great deal of awareness and knowledge to be comfortable making even the most basic financial decisions. Unfortunately, many of our people lack the skills necessary to make such informed decisions related to money and investment.

I would like to acknowledge and thank the authors for providing the wealth of information that is offered within the following pages. This handbook includes many practical and pragmatic resources that our people can use to help them find their path towards becoming more financially informed.

I hope families will bring this information and exercises alive in their homes, around their kitchen tables or while driving to work. May you enjoy the teachings in this handbook and empower yourselves to gain the financial knowledge necessary to create positive change and become more "***financially literate***".

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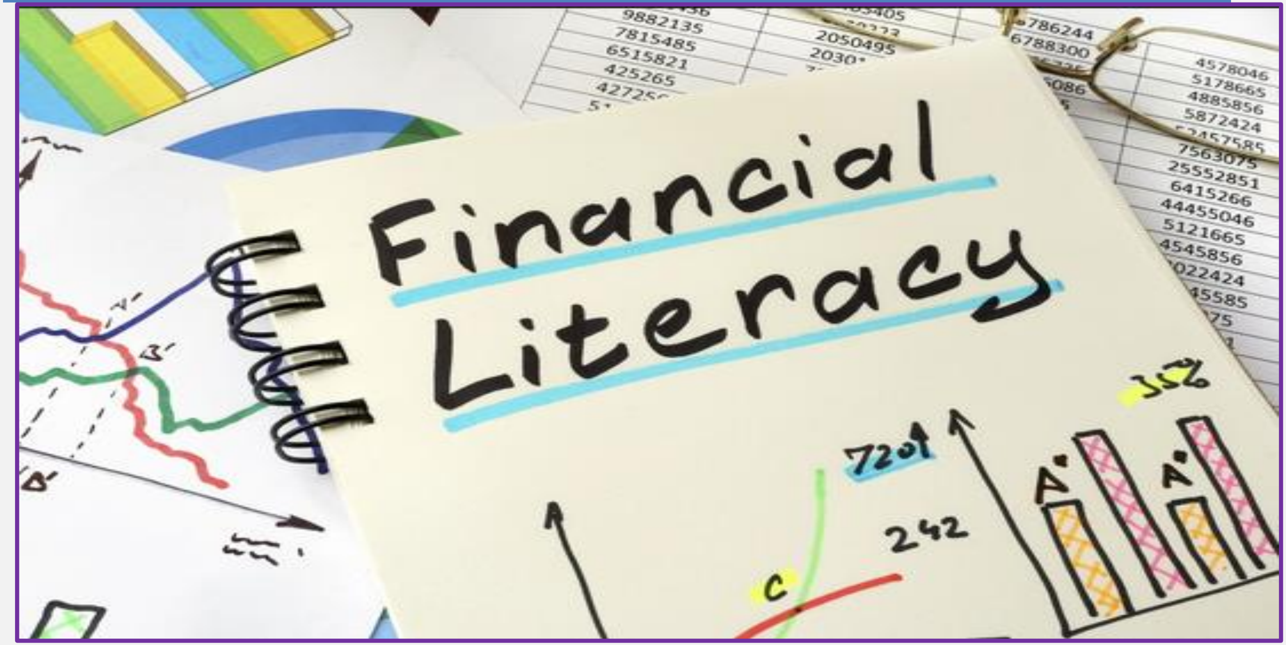
INTRODUCTION TO FINANCIAL LITERACY



Financial literacy is a 'must include' part of everyday life. Understanding the basic principles of finance enhances the ability of people to achieve their personal financial goals and to enhance job opportunities. This is done through an understanding of spending/saving/investing/risk along with the ability to read and understand financial statements.

This handbook is a tool to help you help yourself. The purpose of sharing the handbook is to provide you (the reader) with information, tools, and resources to help you make informed decisions about your relationship with money.

As our elders have taught us, when we are learning, it is important to look at the past, present, and future. We need to acknowledge our past and understand how it influenced the present situation so we can move forward to creating our future.

In respect for that teaching, we share the journey of financial literacy by looking through the lenses of the past, present, and future.

Definition of Financial Literacy

The term "**financial literacy**" means having the knowledge, skills and confidence to manage your finances well, taking into account your economic and social circumstances, where:

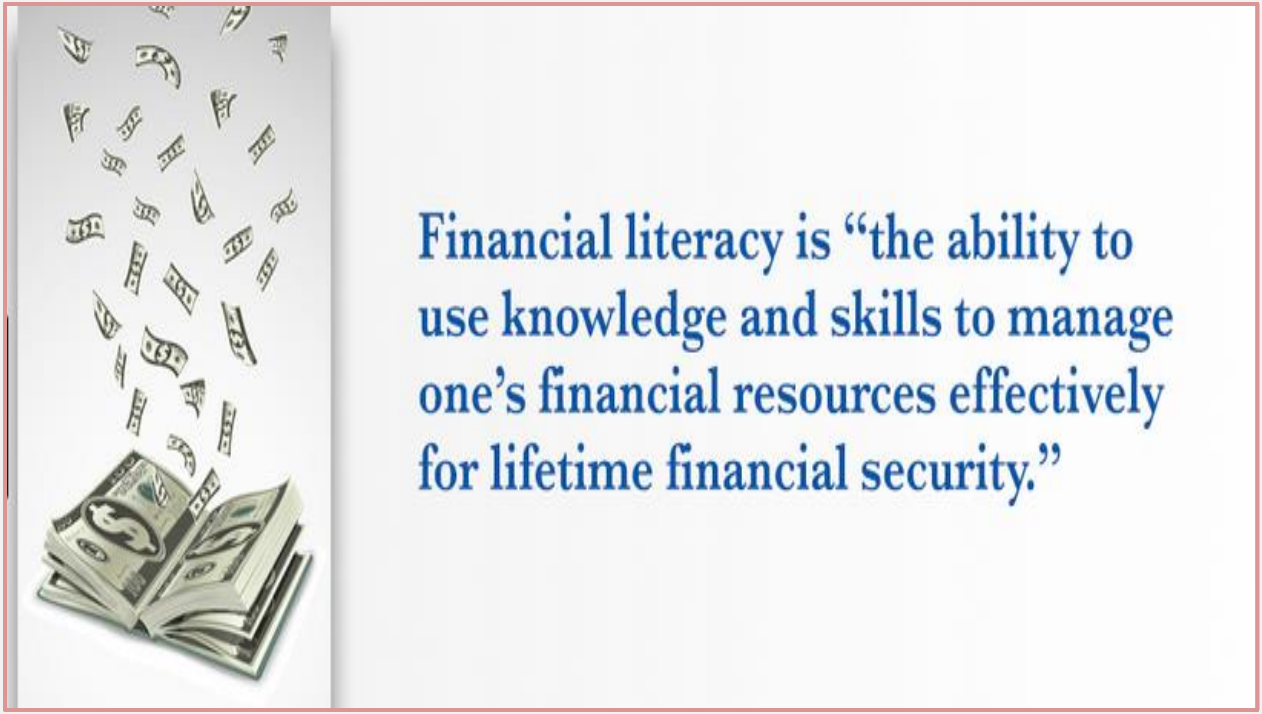
- "knowledge" means having an understanding of personal financial issues;
- "skills" means being able to apply that knowledge to manage one's personal finances; and
- "Confidence" means feeling sufficiently self-assured to make decisions relating to one's personal finances.

Financial literacy can be improved through financial education, information, instruction, training and advice. The OECD definition of financial education is as follows:

"Financial education is the process by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being.

Where:

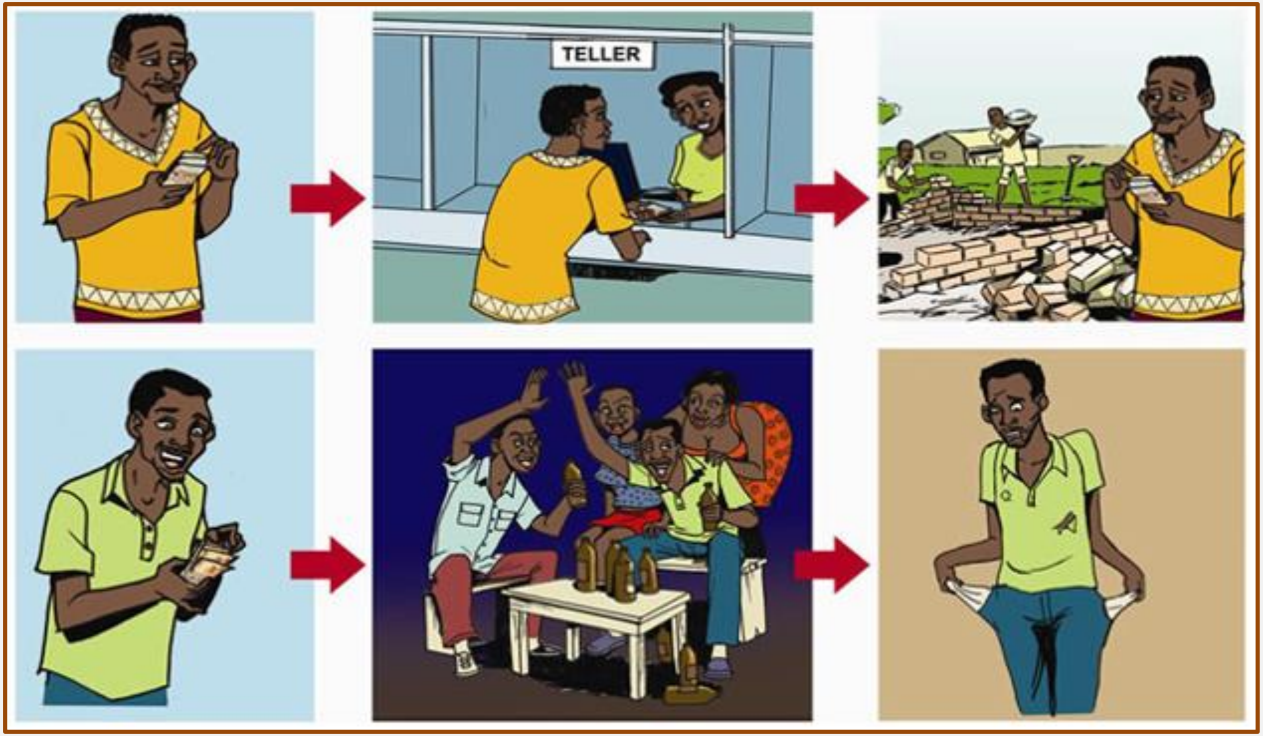
Information involves providing consumers with facts, data and specific knowledge to make them aware of financial opportunities, choices and consequences; instruction involves ensuring that individuals acquire the skills and ability to understand financial terms and concepts, through the provision of training and guidance; and advice involves providing consumers with counsel about generic financial issues and products so that they can make the best use of the financial information and instruction they have received."


Financial literacy is "the ability to use knowledge and skills to manage one's financial resources effectively for lifetime financial security."

Benefits of Financial Literacy

- Financial literacy clearly benefits individual consumers and their households, since they are able to make better and more informed decisions when it comes to saving for their pension, studies or ensuring that they contract a mortgage for their home which they are able to repay within a reasonable period.
- People who make good financial decisions are more likely to achieve their financial goals, making them more likely to hedge against financial risks and negative shocks and support economic growth.

1. **Determine what you need and what you can do without**: Plan to meet your basic needs before thinking of luxuries. For example, ensure that your children's school fees are paid before you spend money on alcohol and expensive clothes.
2. **Decide what is important to you**: You should set financial goals to be able to manage your money well. Think of what you want in life and set goals towards achieving that. For example, if you want to buy land in 5 years' time, start saving for it now. If you are working for something that's important to you, and if you have a plan of action, you will be more likely to succeed.


TELLER

3. **Set family financial goals**: The first step in financial wellness is establishing financial goals. Establishing your goals is the conscious effort of examining, defining and writing down what you want to achieve both financially and personally. Your financial plan should include the goals, resources, and responsibilities of the entire family. You can achieve family needs but not necessarily what each family member wants. For example, you can decide together what schools to take your children to and which medical centre your family can get treatment from, according to your income.

4. **Raise money to meet your financial goals**: After setting your financial goals, plan where you will get the money from. If you can't get enough money from your income, raise additional money through home based projects (e.g. vegetable growing and marketing, bricklaying, roasting and selling of groundnuts, baking, etc.). You can also cut your expenses and save: Look for ways to spend less so that you can save some money to help you reach your financial goals.
5. **Prepare a budget which is within your income**: Once you have decided on your priorities, find out how much you need to pay for them. Make sure you plan not to spend more than you earn. When making your budget, keep in mind that prices usually change over time.

Budget														
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		Year
Income														
Salary	2000	2000	2000	2000	2000	2000	2500	2500						17000
Dividends	100	100	100	100	100	100	100	100						800
Total	2100	2100	2100	2100	2100	2100	2600	2600	0	0	0	0		17800
Expenses														
Mortgage or rent	1200	1200	1200	1200	1200	1200	1200	1200						9600
Car	200	200	200	200	200	400	400	400						2200
Phone	50	50	50	50	50	50	50	50						400
Health Insurance	100	100	100	100	100	100	100	100						800
Food	300	300	300	300	550	600	600	600						3550
Total	1850	1850	1850	1850	2100	2350	2350	2350	0	0	0	0		16550
Short/Extra	250	250	250	250	0	-250	250	250	0	0	0	0		1250

Budget Development

Budget development is the basis of any well thought out financial plan. The cornerstone to a good budget includes the following:

- **Establishing financial goals:** Once you have established your goals you can then proceed in designing a plan and budget that will help you achieve your goals. In designing your plan you will need to prioritize goals as well as break them down into long-term and short-term with associated action items. This plan is the roadmap to goal achievement.

Financial Goal Worksheet

Goal: ______________________________

Achieve by date: ______________ Cost: ______________

Action required to achieve goal: Do by date:

______________________________ ______________

______________________________ ______________

______________________________ ______________

______________________________ ______________

- **Calculating income:** Your gross salary is your salary before any deductions are taken. This includes taxes, insurance, social security, retirement contributions and any other deductions. To calculate your gross monthly salary, divide your gross annual salary by 12.

  If you are self-employed, divide your annual income less your business expenses and divide by 12.
- **Tracking your spending:** The majority of people spend more money than they think they do. You may know the amount of your major bills but knowing where all of the rest goes is usually an eye-opener. Tracking your spending is the best way to get a handle on where every dollar you spend goes.

There are a several methods of tracking your spending.

* Keep a small notebook with you. For 30 days write down every single penny you spend and indicate whether it is by cash, check or credit card. Write down the date, the amount and what it is for. Also write down any money that you earn or are given. At the end of the week, total and transfer the amounts to an income and expense log.
* Or, keep an income and expense log with you at all times. Record income and expenses immediately.

- **Classifying expenses:** There are three types of expenses:
- *Fixed Expenses*–same amount every month.
- *Variable Expenses*–different amount every month.
- *Periodic Expenses* –same amount but paid quarterly, annually

- **Establishing a realistic budget:** Now that you know how to calculate your income as well as how to track your income and expenses, you are ready to establish a realistic budget.
- Sticking to your budget
- Periodic review of your goals and budget

6. **Keep track of your expenses**: It is important to keep track of all your expenses, e.g. keeping a book where you record all your daily expenses. This helps you monitor how you spend your money and can provide guidance on which expenses you can reduce or do without. If you keep your money with a bank, ask for your bank statement to see how much money has been coming in and how much is going out.

7. **It's easy to get into debt but hard to get out**: If you borrow money, plan carefully how you will use your loan and how you will pay it back – and stick to your plans. Always use borrowed money for the purpose you borrowed it. Avoid borrowing to pay off debt.
8. **Save and invest to grow your earnings**: Some people look at their income and "get comfortable" with it. Don't be one of them! You can save a portion of your income and you can invest part of it in a business, shares and other property. Save and invest so that you will still have something to live on in case of a sudden loss of employment, accident or illness.
9. **Keep the ATM/Credit card away**: Money can be very tempting if it is easily accessible. Try to carry only the money you need for the day and a small amount for emergencies. Moving with an ATM and or credit card is as good as carrying money. Keep it/them away unless you really need to get money for a certain purpose.
10. **If you gamble, you eventually lose**: Gambling can take the form of betting on sports, games, playing cards and more sophisticated games like in casinos or online. Reckless

business investments are also gambles. Sometimes gamblers win or benefit for a short period but, in the end, they always lose more than they have won or benefitted. Gambling has left many people financially strained with destroyed relationships and friendships and an unmanageable amount of debt. For example, you may lose 10,000/= ten times and only win 40,000/= once. This means that you would have lost 60,000/=.

11. **Be mindful of the expenditure on dependents**: In the African setting, we tend to have many dependents. You need money to maintain these relations in food, medical care, housing and education. Think about how much you will have to spend and what you can afford.
12. **Write a will to protect your investments for your dependents**: To make sure that your money and property is going to the people you want to when you die, write a will. A will is a signed document which spells out how, and by whom, you want your property to be managed after your death and who should benefit from it. Don't forget to update your will

whenever you get new property, children, a partner or whenever you lose, sell or give away the property you included in your original will. Your dependents should know where to find your will.

Earning Income

As you start to pay for your own things, saving money can get a little harder. Some months you will run out of money before the month is over. There are really only two ways to manage money: spend less, or get more. It's hard to cut out the things you like to do, so getting more money may be a more attractive option for you.

Below are some of the ways through which people find/earn money:

- People have many different types of jobs from which to choose. Different jobs require people to have different skills.
- People earn an income when they are hired by an employer to work at a job.
- Workers are paid for their labor in different ways such as wages, salaries, or commissions.
- People can earn interest income from letting other people borrow their money.
- People can earn income by renting their property to other people.

- People who own a business can earn a profit, which is a source of income.
- Entrepreneurs are people who start new businesses. Starting a business is risky for entrepreneurs because they do not know if their new businesses will be successful and earn a profit.
- Income can be received from family or friends as money gifts or as an allowance for which no specified work may be required.
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SPENDING MONEY

Before spending money, you should have an understanding of the following goods and services benchmarks:

- Economic wants are desires that can be satisfied by consuming a good, a service, or a leisure activity.
- People make choices about what goods and services they buy because they can't have everything they want. This requires individuals to prioritize their wants.
- People spend a portion of their income on goods and services in order to increase their personal satisfaction or happiness.
- Whenever people buy something, they incur an opportunity cost. Opportunity cost is the value of the next best alternative that is given up when a person makes a choice.
- Informed decision making requires comparing the costs and benefits of spending alternatives.

- Costs are things that a decision maker gives up; benefits are things that decision maker gains.
- People's spending choices are influenced by prices as well as many other factors, including advertising, the spending choices of others, and peer pressure.
- Planning for spending can help people make informed choices. A budget is a plan for spending, saving, and managing income.

SAVING

Saving Defined

Saving is the practice of putting aside part of your current earnings for future use. It is not done once but over a period of time. You may have to sacrifice current luxuries to save for a better future.

As you are planning to save, you need to have an understanding of the following:

- **"One by one makes a bundle."** You do not need much money to start saving. Whether you are a student, a farmer, a teacher, nurse, banker, market vendor, taxi driver or a business person, you can always put a little money aside. When you save regularly, your money will "grow."
- **When people save money, they give up the opportunity to spend that money** to buy things now in order to buy things later.

- **Spend less to save more:** You can save by spending less. Cutting down on consumption, such as alcohol and on buying new clothes for every function, enables you to save more money to provide for you and your family's future.
- **Encourage your children to save:** As Parents, you should teach children to start saving for a purpose while they are still young. This helps children to understand the value of money and to develop a savings culture at an early age. You can help a child save money in a small tin or box (piggy bank).


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- **Save to avoid unnecessary debt:** Savings are the best way to pay for day-to-day costs like school fees, clothing and medical charges. It is better to save for such expenses than to borrow. For example, if you start saving for your children's education early enough, you may not need to take an education loan or borrow money from a friend to pay fees. While people sometimes get into "debt trouble" by borrowing unwisely, they never get into "savings trouble."
- **Always have an "Emergency Fund."** Savings are very helpful in addressing unexpected or unforeseen problems such as illness, accidents, unemployment, robbery, drought, funerals, too much rain that destroys crops etc. In such situations, your savings can help you as you recover. Make sure that you keep money for emergencies. If you ever have to use part of your emergency fund, top it up again as soon as you can.
- **Save for special events:** Have a savings account or a small tin or box to save for luxuries such as birthdays, a wedding ceremony or holidays. You can plan ahead for this and hence

save over a long period of time. For example, if you plan to have a wedding at the end of next year, you can plan to save 100, 000/= every month for 20 months. By the wedding day, you would have saved 2, 000,000/=. It is your right to enjoy your money if you plan and save towards such luxuries.

- **Choose how and where you want to save:** Many times we find excuses to avoid saving, claiming that we do not have enough money or we do not know how and where to save. Here are some options you can choose from:
  - *Saving in a savings account* with your bank or Microfinance Deposit-taking Institution (MDI). You can save via regular deposits or a standing order from your current account to your savings account.
  - *Saving through a group*, for example Savings and Credit Cooperative (SACCO), Village Savings and Loans Association (VSLA) or friends that come together and save regularly.

- *Saving some money, such as coins, in a small tin or box (piggy bank)* at home at regular intervals and then banking it when it has filled. This works well for children because it teaches them to save and value money at an early age.

- **Keep your savings safe:** No matter where you save, make sure that your money is safe.
  - In licensed financial institutions, such as commercial banks and Microfinance Deposit taking Institutions (MDIs), your savings are insured up to 3,000,000/=. If the institution closes, you will be paid back up to 3,000,000/=. If you had saved more than 3,000,000/=, you may get back some or all of the rest of your money when the institution has paid off its debts. Licensed institutions will not easily close down as they are closely monitored by the Bank of Uganda to make sure they are reliable.
  - It is only in a few SACCOs that savings are insured. When you want to keep your savings in a SACCO, it is wise to ask other members what their experience has been before you start

* When you save with a Village Savings and Loans Association or a group of friends, make sure you can trust the other group members and ask for regular accountability to reduce the risk that someone walks away with your money. Also check that the group's money is kept in a safe place where it cannot easily be stolen.
* Do not save large amounts of money at home. It might easily get stolen or destroyed by fire, insects or other animals.


DEPOSITS ONLY

- Make the most out of your savings: with big interest and small fees. When you save with a savings account, you should be paid interest. In order to make sure you get the most from your money, find out:
    - How much interest you will get. Different institutions offer different interest rates. Some of them pay interest monthly and some yearly. Compare it all.
    - What fees and charges (if any) you will need to pay. There might be an account opening fee, an account management fee, a deposit or withdrawal charge, etc.
    - How much notice (if any) you need to give before taking out your savings and what penalty (if any) you will have to pay if you take out your money before then.
- Four steps to achieve your savings goals. Follow these four steps to achieve your savings goals:

- Decide what you want to save for and find out how much it will cost – whether it is buying a house, land, starting/improving a business, studying or saving for your child's school fees, etc. Ensure that what you are saving for is realistic and not over-ambitious.
- Start saving now – the sooner you start, the sooner you'll get there.
- Put your savings in a safe and secure place where you earn good interest.
- Keep saving regularly and over a long period of time. It's only then that your money can accumulate.

▪ Savings give you financial security and control. When you save, you have some form of financial security and control. You will feel more responsible and independent using your own money rather than borrowed money or money given to you by others.

▪ Choose to save in an institution that is easy to reach and work with. The institutions you choose should at least:

    - Be safe and secure

    - Be easily accessible
    - Have an easy process for opening an account
    - Have good interest earned on savings
    - Have little or no charges on your account (make sure that your monthly interest is more than the monthly charges)
    - Value and treat you well as a client.

- **Make use of a standing order:** Sometimes you may not be disciplined enough to save regularly. You can go to your bank and set up a standing order to ensure that you do save regularly. A standing order is an instruction to a bank to pay a set amount of money at regular intervals from one account to another. However, take note of the charges. If you are an employee, you can also ask your employer to transfer part of your salary directly to your savings account.

- **Get more for your money - on a fixed deposit account:** A fixed deposit account involves locking away a particular amount of money for a certain time period at a fixed rate of interest. You will be charged a penalty if you withdraw this money before the end of the fixed period. The rate of interest is normally higher than on other accounts, so this can be a good way of keeping your savings. But only put money into a fixed deposit account if you are confident that you will be able to lock it away for the whole of the fixed period.

LOANS

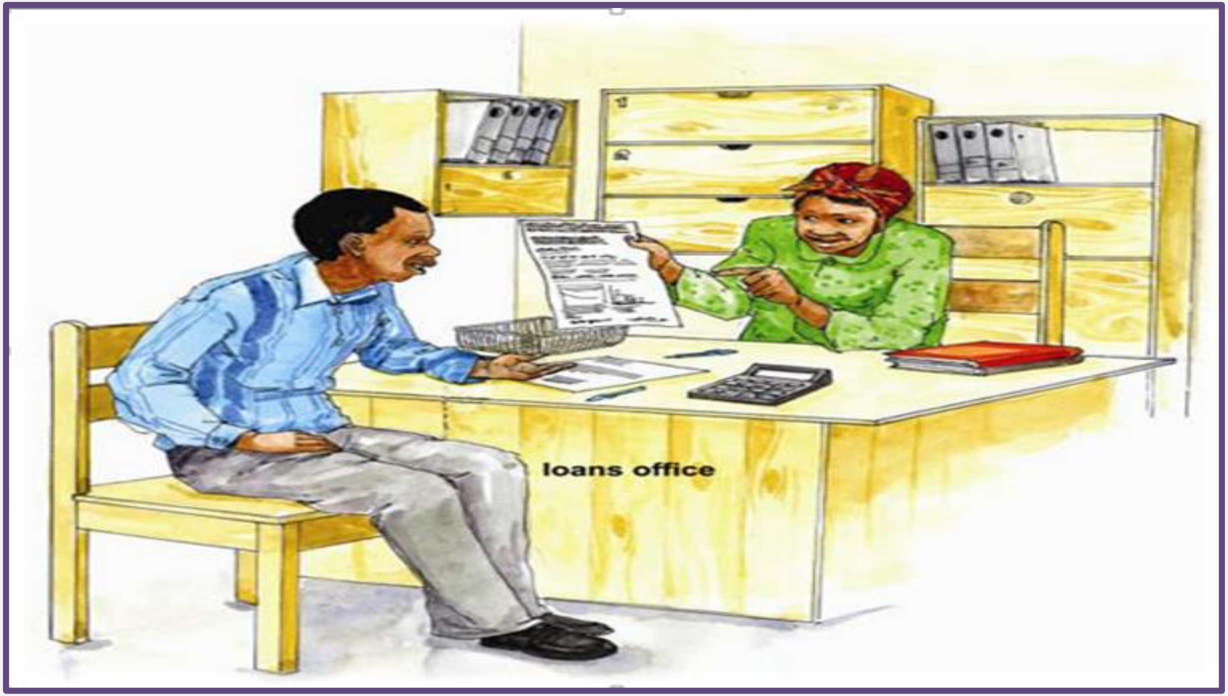
1. **What is a loan?**: A loan is money that is borrowed and must be paid back, usually with interest and other associated costs such as loan processing costs, insurance fees, stamp duty etc.
2. **Most loans must be secured**: The lender needs to make sure that he doesn't lose his/her money if you don't pay back your loan. You may therefore be required to present proof of

security or collateral. This is something you own (e.g. a piece of land) and which the lender can take over if you fail to pay back the loan. Some lenders accept another person to be a guarantor.

In case you fail to pay back your loan, the guarantor must stand in for you and pay back that loan. You may also be required to provide the lender with indications/proof of your cash-flow and business activity. This will give the lender an understanding of your capacity and ability to pay back the loan and will therefore inform his/her decision of whether or not to give you a loan and how much to lend you. Some loans may not require security.

Banks or other lenders that do not require security may charge very high interest rates or other fees because it is very risky for them to give out a loan that has no security. Therefore, in case you are offered a loan without security, make sure you understand all the terms and conditions including the cost of the loan.

3. **Every loan comes with a cost**: When you take a loan, you must understand that you have to pay back the amount which you have received from the lender, plus an additional cost called interest, together with possible additional charges. Before you take a loan, ask the lender about the total amount you have to pay back over the entire period of the loan. This is called the Total Cost of Credit and includes the amount you borrowed + interest + any other fees/charges. It is the responsibility of the lender to tell you the Total Cost of Credit. If he does not, ask for it.


loans office

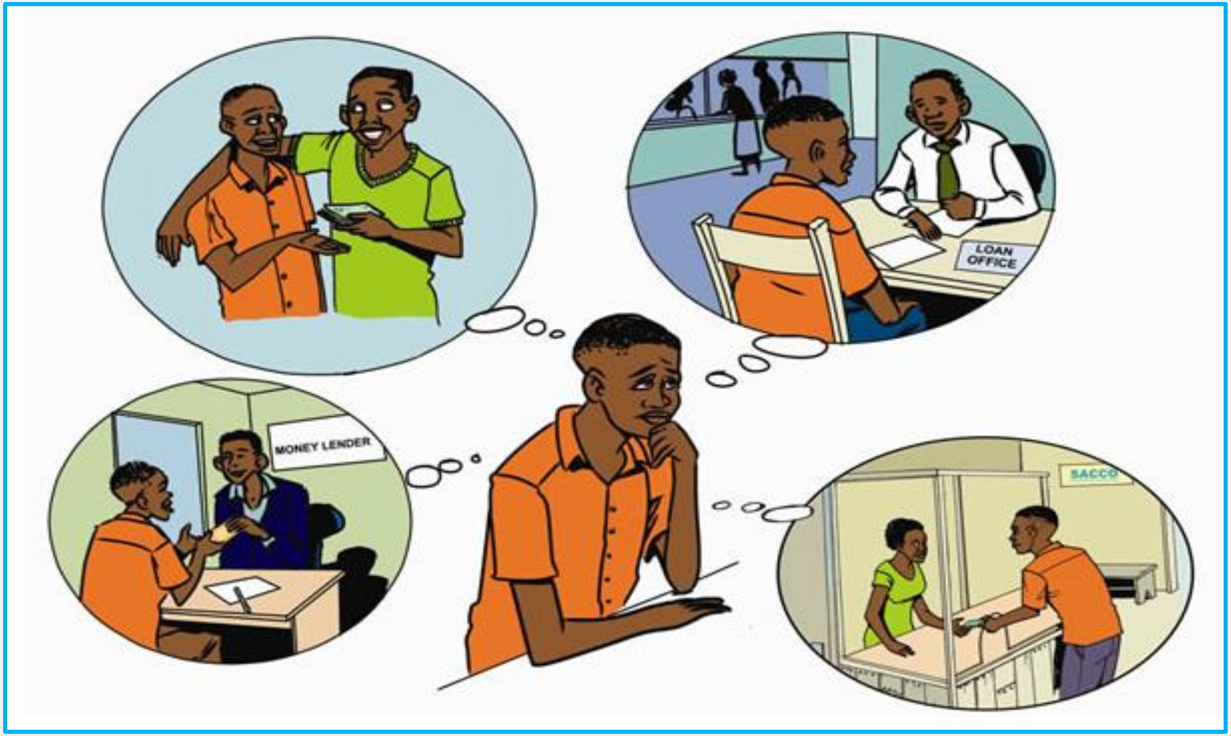
4. **Interest is the "price" you pay for borrowing money.** Interest is the additional money you have to pay to the person or financial institution that lends you money. Interest is normally expressed as a percentage of the amount you have borrowed. It is mostly calculated on an annual or on a monthly basis. Depending on the loan, you may be asked to pay interest yearly, monthly, or weekly. There is a big difference between a yearly, monthly, and weekly interest rate. Yearly interest rate: If you took a loan of Shs. 100,000/= with 12% interest per year, you would pay an interest of Shs. 12,000/= per year in addition to the Shs. 100,000/= that you received as a loan. After one year, you would therefore have to pay the lender Shs.-112,000/= plus any other fees/charges. Monthly interest rate: If you took a loan of Shs. 100,000/= with 12% interest per month, you would pay an interest amount of Shs. 12,000/= every month. Over the year, this would amount to Shs. 144,000 in interest only. You would therefore have to pay back Shs. [100,000/= + 144,000/=], which would add up to Shs.-244,000/=.

5. **If your loan comes with variable interest, you might end up paying more**. Interest can be “fixed” or “variable.” If it is variable, this means that it can change over time. Therefore, you might end up paying more. Fixed interest is one where the interest rate doesn't change during the period of the loan repayment. This allows you to accurately predict your future payments. If the interest is variable, the rates can change during the period of the loan (for example, if the Bank of Uganda's Central Bank Rate changes). A variable interest rate may go up or down.
6. **If your loan comes with a flat interest rate it is more expensive**. Interest may be “flat” or “declining.” A loan with 10% declining interest will cost you less than a loan with 10% flat interest. This is because with a “declining” interest rate you only pay interest on what you actually owe the lender while with a “flat” interest rate you keep paying interest on the original amount of the loan until this amount is entirely paid back. For example, if you take a loan of 100,000/= at 10% interest per month and you pay back 50,000/= (plus the interest)

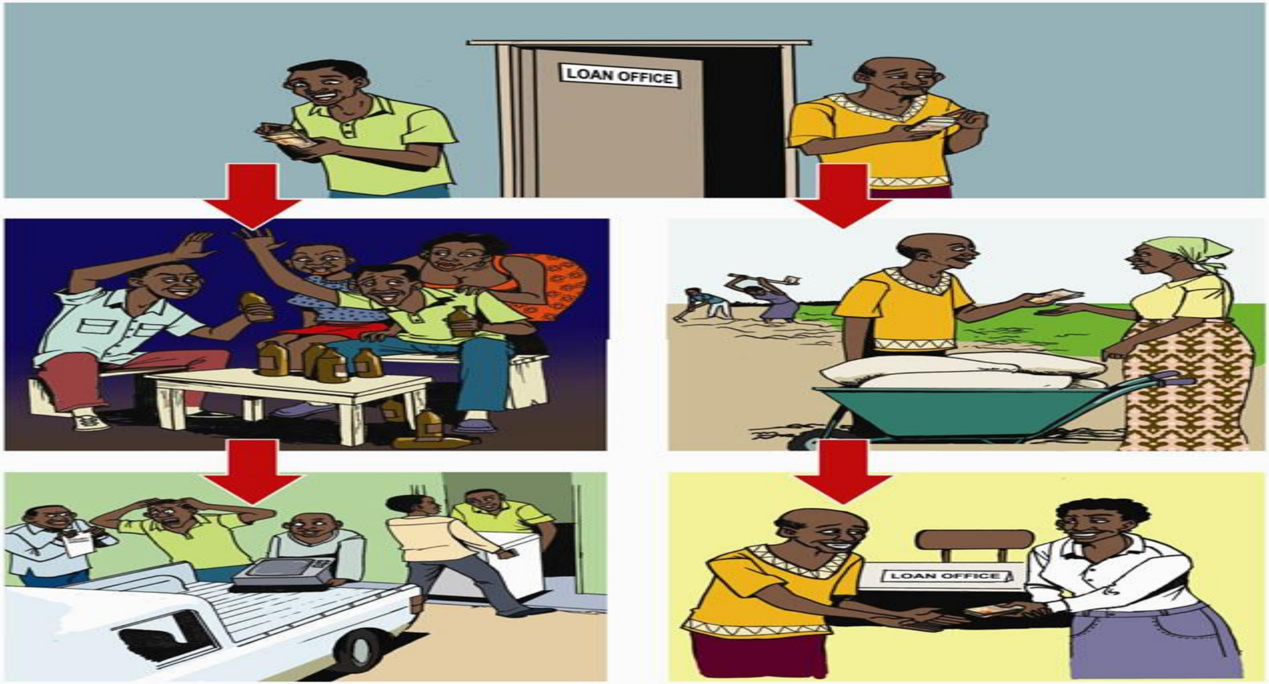
after one month, with flat interest you still have to pay 10% of 100,000/= which is 10,000/= in the second month; with declining interest you only pay 10% of 50,000/= which is 5,000/= in the second month.

7. **Be aware of any additional charges**. In addition to interest, financial service providers may charge further fees/charges. These include loan processing fees, insurance, stamp duty, etc. Make sure you understand the total amount you will have to pay back. Once you have understood this, think again and ask yourself if you will be able to pay back the loan. If not, you may want to opt for a different financial service provider or a smaller loan size.
8. **Do you know what penalties you would face if you do not pay back on time?**. Understand what penalties, or fines you would face if you make a late payment or miss a payment.
9. **Shop around for the best offer**. When you want to take a loan, compare the offers from different financial institutions by considering: interest (rate, period, currency, declining/flat,

fixed/variable), charges and penalties – understand the "Total Cost of Credit." If you shop around for the best lender, you will most likely end up paying a little less with better repayment terms. Borrowing from the wrong lender could cost you a lot, so research your options and choose wisely. Be confident when asking financial institutions for costs and terms of products – it is their responsibility to provide you with all the information that you need to decide which product is the best for you.


LOAN
OFFICE
MONEY LENDER
SACCO

10. **Plan in advance before taking a loan**. Before taking a loan, plan in advance how you will pay back the loan and the interest payments. You have an obligation to pay back the amount you borrowed plus the interest and any further charges/fees. If you know that you will not have the means to do so within the agreed time, you should not take the loan.
11. **It's easy to get into debt but hard to get out**. If you borrow money, plan carefully how you will use your loan and how you will pay it back – and stick to your plans. Always use borrowed money for the purpose you borrowed it. Avoid borrowing to pay off another debt.
12. **Make that money productive**. To pay back your loan, you have to make the money work. Borrow for productive investments such as buying a piece of land where you can grow something or increasing your business. Pay back the loan and maybe borrow more later if it is necessary. Use loans wisely and never rush into borrowing. Think twice before borrowing for luxuries, or things that lose value (e.g., car, furniture, clothes, etc.) except if they are meant to boost your business.



Make that money productive

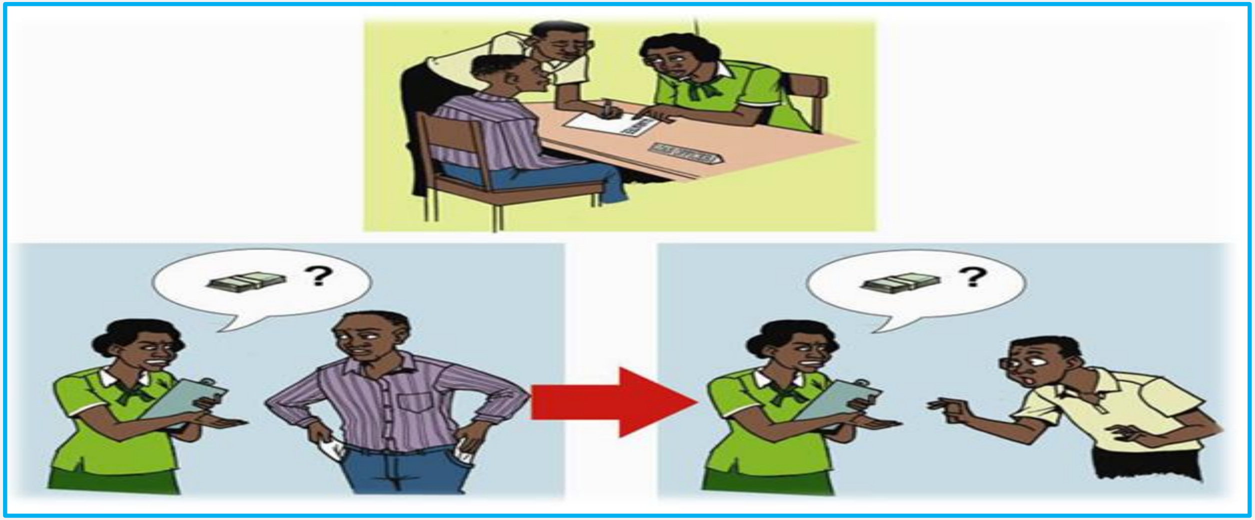
13. **Do not borrow because others are borrowing**. It is not wise to take a loan just because other people around you are doing so. Ask yourself if you really need the loan. Mostly, it is better to save than to take a loan. Take a loan only as a last resort.
14. **If you do not pay back, you might lose your security**. Remember that when you apply for a loan you may be required to give the lender some form of security. This can be your house, land, vehicle, animals or salary. If you do not pay the loan back in a timely manner, you can/will lose your security. The lender has the right to keep the security if you fail to pay back.


LOAN OF
?

15. **Beware of aggressive lenders**. Avoid "easy" loans and lenders who discourage you from reading and understanding the loan documents. They might try to take advantage of you. Always insist on reading all the loan documents and ask for explanations so that you understand the "Total Cost of Credit" as well as all the conditions attached to the loan before you sign. It is your right to ask and the responsibility of the lender to provide you with all the information you need before agreeing to take a loan. Both you and the lender should be honest in disclosing information to avoid nasty surprises in the future.


GET
A LOAN IN
5 MINUTES

16. **Think before becoming a guarantor**. You can guarantee a loan for a trusted person. However, be careful about being a guarantor for other people's loans. If the people you are guaranteeing for fail to pay back the loan, you must pay the loan.

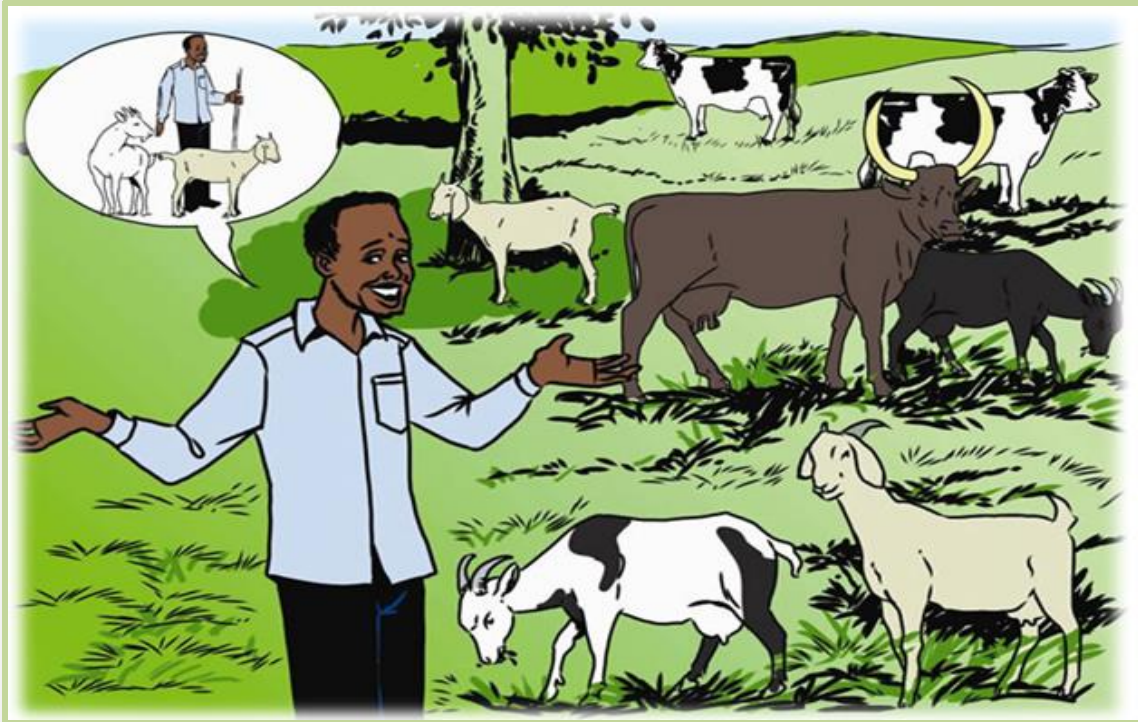


17. **Do not "dig a hole" to fill up "another hole."** If you are already struggling with debts, avoid taking another loan since this will only add to your debts and hence increase your burden. Remember you will be paying additional charges, fees and interest since this is a new loan.
18. **Protect your financial image**. Do not despair or lose hope if you have difficulties paying back your loan. Consult with family and friends on how to handle the situation. If you are going to fail to pay on time as laid out in the contract, inform your lender in advance. Do not try to buy time by paying with a cheque that "bounces" (issuing a cheque when you do not have enough money on your account). Don't give any false or misleading information.
19. **Keep your financial history clean**. If you take a loan from a financial institution regulated by Bank of Uganda, you will receive a financial card. With this card, your repayment history will be recorded. The next time you apply for a loan, this information will be used to help the

lender decide whether or not to give you a loan and on which conditions. The better your history, the better the loan conditions will be.

INVESTMENT

1. **Invest and let your money grow**. Investing is putting your money to use so as to allow it to grow. An investment can be in form of property such as livestock (cows, goats, pigs), land (rental apartments, buildings), business (market stalls, grocery shops, boda-bodas) or shares and bonds from which you can earn profits.



- A share represents part ownership of a company. If you have shares in a company you can earn some money from the profits the company makes. The price of a share usually changes over time. If the price of a share increases, it will be worth more than the price at which you bought it. But if the price falls, it will be worth less than what you paid. The price of a share depends both on the performance of the company concerned and on the general economic situation.
- A bond is usually issued by a credible entity such as a corporation, company, government or regional body to individuals or companies which are interested in lending money to them. The borrower (e.g. company or government) has to pay back the money which has been borrowed with a fixed rate of interest at a specific future date. You can lend money by buying a bond and benefit from the interest which the borrower will pay you. Bonds can be bought and sold from a regulated stock exchange such as the Uganda Securities Exchange (USE). Their value can rise or fall over time.

- Collective Investment Schemes (CISs) are private financial arrangements regulated by government through the Capital Markets Authority (CMA), where many small investors pool resources. Professional licensed and certified fund managers invest these resources in various ways such as shares, bonds, property, fixed deposit accounts and treasury bills with the main goal of generating high returns while minimizing risk through investing in different financial opportunities.
- Government securities (treasury bills and bonds) are agreements where an individual or business lends money to government for a specified period of time (between 3 months and 10 years) after which they will get their initial money back plus interest. Government securities come with almost no risk of default and the interest is fixed. Anybody can invest in government securities as the minimum amount is only 100,000. Approach any commercial bank or Bank

2. **Get started with your investment plan.** It is always good to invest some of your money. Save and invest at the same time. To learn more, read widely and talk to financial institutions or investment companies or individuals who are already investing, or get further information from the Capital Markets Authority, Uganda Securities Exchange, Uganda Investment Authority, Private Sector Foundation Uganda or Enterprise Uganda.
3. **Invest to employ yourself**. You can invest your money in activities such as poultry farming, growing vegetables, running your own grocery shop or building apartments for rent. Smart investment can transform you into an employer and enable you to earn more income.


EGGS ON
SALE

4. **Use your own funds or your group's funds for investing**. You can use parts of your personal savings to start an investment. Alternatively, you can pool resources as a group - this is common with friends and peers. A specified amount of money is collected from members at agreed intervals and later the members can do a joint investment. Individual members can also borrow (usually at a small fee) from the funds collected to start an individual investment.
5. **There is power in numbers**. Small savings in a small group with your like-minded friends may give you the financial breakthrough you desire. Individually, you may be emotionally attached to a product that does not meet your financial goals. Be ready to let go of it and settle for bigger and better financial ideas as a group.

6. **Every investment comes with a risk.** There is a risk of losing money when your investments lose value, are stolen, mismanaged, destroyed or damaged. Use anything that goes wrong as a lesson learnt for the future. If you are investing through a bank or you use an investment advisor, find out from them how to best minimize risk of loss. Usually, the potential for higher profits carries with it a higher risk that you will lose some or all of your money.
7. **Except for some**, some investments such as government securities, bonds and treasury bills usually have very little risks. Ask your financial institution about such investment possibilities.
8. **Invest according to how much risk you are willing to take**. Riskier investments may earn you higher profits, if they are successful – but there is a greater chance that you can lose some or all of your money. Think about your own attitude to risk: do you prefer to keep

your money safe, even if this may mean earning lower profits? Or are you willing to try to get greater profits but run a greater risk of losing money?

9. **Do not put all your eggs in one basket**. Invest in different projects in order to spread the risk or earn from different investment opportunities: "Do not put all your eggs in one basket" because if the basket breaks you could lose everything. It is a good idea to balance high and low risk investments or savings – this is like mixed cropping: if beans don't germinate, then the maize could.


MILK
MILK

10. **There is no such thing as a free lunch in finance**. Beware of investments that look too good to be true, as they will most likely end up in total loss. Don't get taken in by "get rich quick schemes" such as pyramid schemes (where you are promised payment if you introduce more members to a "business group") and gift circles – it might well be a scam and you could lose all your money.
11. **Get professional advice on large investments**. If you have large amounts to invest, seek advice from an investment expert. You could contact the Capital Markets Authority (CMA) for a list of licensed professional investment advisors, or talk to a colleague who has been successful in business for advice. Most financial institutions also have financial advisors you can consult. However, do not blindly trust any "expert." He/she may be trying to sell his/her own products in order to receive a commission. Try to get various opinions and also trust your own informed judgment.

12. **When you buy, think about selling**. Some types of investments may be difficult to sell quickly – or difficult to sell at all. Before deciding whether to buy an investment, seek information on how easy or difficult it will be to sell it at a later time.
13. **Understand the fees you will pay**. Companies and individuals which buy, sell or manage shares or bonds on your behalf will charge you fees. These will reduce the profits you will earn. Make sure you understand the fees you will pay before deciding whether to buy shares or bonds.
14. **Have a SMART goal**. Having a Specific, Measureable, Attainable, Realistic and Time-bound (SMART) goal is the key to a financial breakthrough. Ensure that you keep an eye on your investments to see how they are performing. Do they still meet your goals?

INSURANCE

1. **What is insurance?** Insurance is an arrangement in which an insurance company compensates a person or a company for a specified loss caused by e.g. an accident, fire, injury, illness or death in return for an agreed amount of money paid in advance (this is-called a premium). This compensation may also be made to a third party (e.g. if you knocked somebody down while you were driving or riding a motorcycle). If you have life assurance and you die, your family will be paid some money. Your vehicle or motorcycle must have insurance cover. Insurance only applies when you buy the insurance before any accident, damage, sickness, loss or death happens. An insurance company will not pay you if you buy insurance after the unfortunate event has happened.

The law provides that the insurer must compensate you for the losses within 60 days after you have informed them, as long as all the required documentation has been presented. The insurance policy is the contract or legal document that explains in detail under what situations and conditions the insurance company will pay you. There are different insurance policies for different types of risk. These include: fire, burglary, and ill-health, loss of life and car accidents. You will only get paid if the loss is covered by the terms of a particular policy.

An insurance broker can help you identify the right insurance policy for you. This is an individual or company that sells insurance policies and looks for clients interested in buying insurance policies. In addition, he or she negotiates insurance compensation for people who have bought insurance. You can also get information and advice on policies, licensed insurance companies, agents and brokers from the Insurance Regulatory Authority of Uganda (IRA) at the following address: *Plot 5 Kyadondo Road 2nd Floor Block B Legacy Towers P O BOX 22855 KAMPALA Tel 0414-346712/0414-253564/0312-266364 Fax 0414-349260 Email: ira@ira.go.ug Website: www.ira.go.ug*

2. **What types of insurance can you use?**

- **Life insurance** is an agreement between an insurance company and an individual, where the insurer promises to pay a certain amount of money to your family or other designated beneficiaries when you die.
- **Health Insurance** covers certain medical costs as included in the insurance policy. Make sure you understand which medical conditions and services will be covered and up to which amount.
- **Property Insurance** provides protection against property damage. The person insured is given compensation when damage occurs to the particular property that had earlier been insured. An example is when your house burns down: In such a situation, the insurance company will provide compensation to enable you to replace the lost/damaged property.
- **Liability Insurance** provides you with insurance protection if you cause damage to someone's health or property. It only covers the other person's losses. Your person and

your property are unprotected, but liability insurance protects you from being held responsible for the other person's damages. For example, if your building collapses as it is being constructed and hits a person who gets injured, this type of insurance will take care of the medical costs of that person. In addition, the insurance coverage will pay for the person's belongings that were damaged at the time of the accident.

- **Disability Insurance** provides protection to you in case you lose your job or are unable to work due to a disability as a result of an accident. If you are insured against disability, then the insurance company will compensate for your loss of earnings.
- **Travel Insurance** provides protection during travel against unexpected situations, such as sickness, injury, if you miss a flight because of reasons beyond your control or if you lose your luggage.

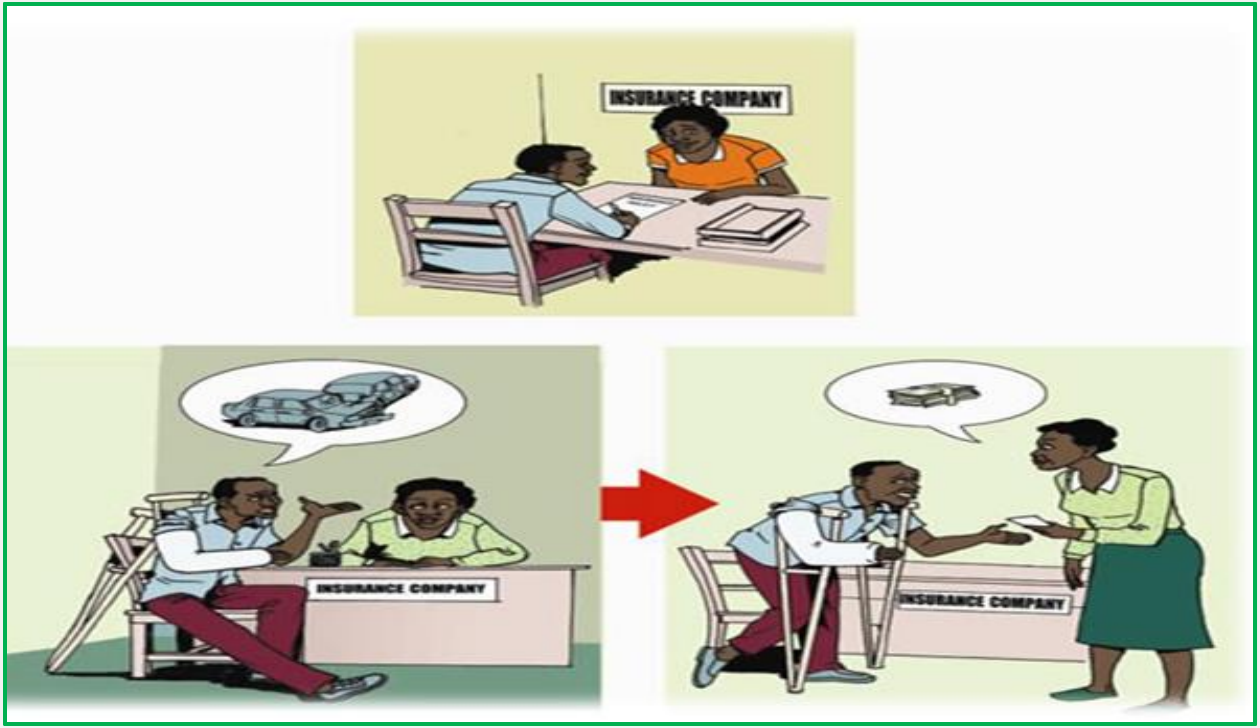
3. **Prepare for the unexpected** When you get insurance, you take away some of the financial risks of unexpected events. For example, market vendors who insure their goods will get back some of the money they will have lost if a fire burns the market down.

4. **Find the right policy**. There are different insurance companies, which offer different policies such as insurance against fire, burglary, ill-health, loss of life and car accidents.
5. **Look for an insurance company that has the best service (“shop around”)**. When trying to identify the best insurance company, consider their conditions, processes and the time it would take to have your compensation paid in case of death, theft, damage or loss of property. Get information from different insurance companies, agents, brokers and friends who have bought insurance or from the Insurance Regulatory Authority of Uganda (IRA).
6. **Take the right steps to get your insurance policy**. When you are ready to take insurance, these are the main steps to follow: • Contact a broker, agent or an insurance company.

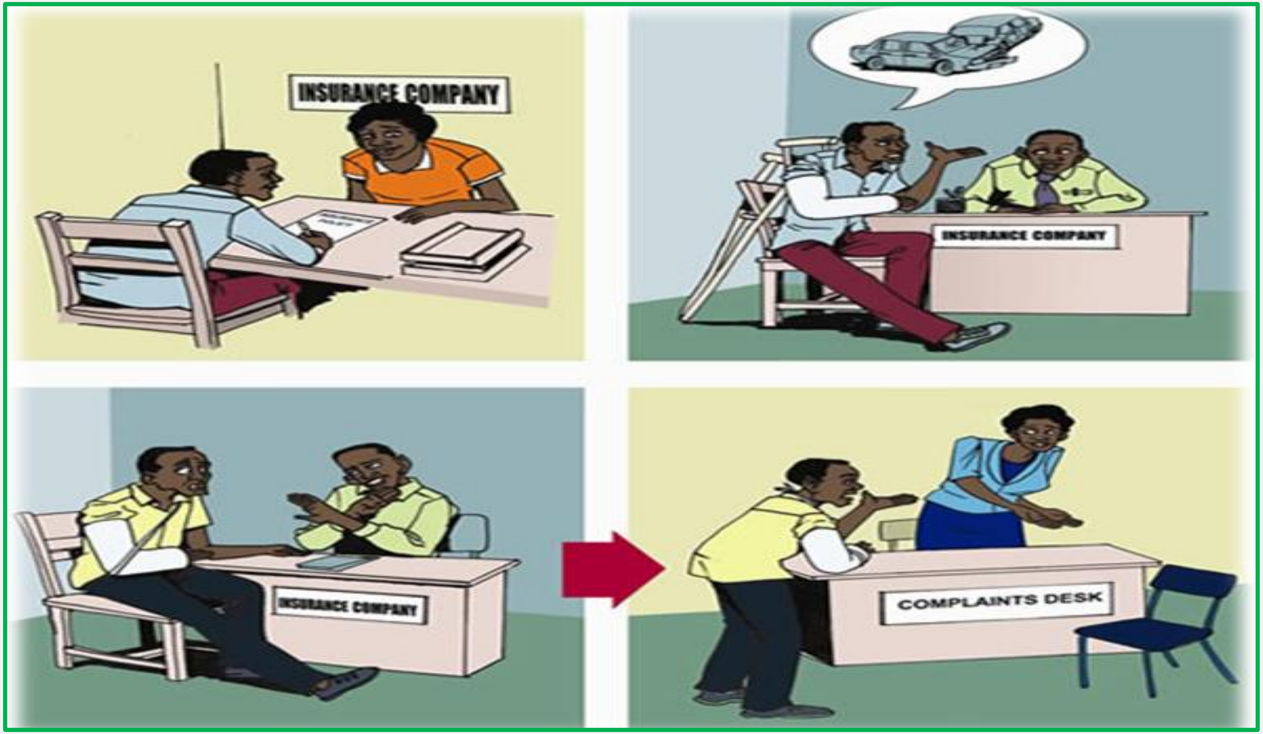
- Talk to them about your insurance needs. Think carefully about the options, and then choose a policy that meets your needs.
- Give correct information about yourself for the insurance contract documents. If you don't give the right information, the insurance company might not pay your claim.
- Carefully read the contract. Ask where you do not understand. Only sign when you are satisfied on all points – including the insurance cover and the premiums you will be paying.
- Pay your premium before you receive the insurance policy for which you are covered.

7. **Make a quick and honest claim**. If you incur any loss covered by the insurance policy, inform your insurance company immediately. When making any claims, always tell the truth. If you tell lies, your claim will not be paid. It is a criminal offence to give wrong information. If the insurance company finds out that you wanted to cheat them, they will not pay your claim and they may take you to court.

Report thefts, accidents and other damages to the police before going to ask for compensation from the insurance company. For example, the insurance company may refuse to compensate you if you have no police report to confirm how the accident happened and what property was lost or damaged. For any claim, make sure you keep written proof (e.g. the medical costs and the police reference number). When you take a long time to report, you may forget or lose information that is important for the insurance company to calculate your compensation.


INSURANCE COMPANY
INSURANCE COMPANY
INSURANCE COMPANY

8. **Complain if you are treated unfairly:** If you think that the insurance company has unfairly refused to compensate you, or has not given you enough compensation, you can complain to the insurance company. If the insurance company refuses to consider your complaint, or you consider that the insurance company has not responded fairly to your complaint, you can approach the complaints bureau at the Insurance Regulatory Authority of Uganda (IRA).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COMPLAINTS DESK

PLANNING FOR OLD AGE/RETIREMENT

1. **What is retirement?** Retirement is the stage where a person stops working completely. In Uganda, many people do not stop work completely because they do not plan early enough for their retirement. This forces them to continue working even after the normal retirement age. For formal employment, the minimum age of retirement in Uganda is 55 years. People retire either voluntarily (resign or retire before the minimum retirement age) or involuntarily (forced to retire because of age, fired from work, or forced to stop working due to sickness or disability).

   Many people plan to retire at the age when they are eligible for private or public pension benefits. A pension is a regular payment made during a person's retirement from an investment fund to which that person or their employer has contributed.

2. **Plan for your retirement early**. Everyone needs to plan for their retirement early. It's important to ask yourself how much income you will require when you retire to be able to maintain yourself and any dependents you may have during retirement. Planning early, by saving and investing wisely, will help you meet your needs during retirement.
3. **If you work for the Government, you are entitled to a public pension**. If you are an employee of the Government (e.g. ministries, government hospitals, schools, security forces), you don't contribute to your pension scheme yourself. The Government will automatically pay you a certain amount of money every month for 15 years after you have retired. Make sure you fill in the pension form during employment and have the documents (such as your appointment letter) you need to get your pension processed. Your family can get your pension if you die – by presenting the letter of administration and appointment letter to the pension desk at the Ministry of Public Service.

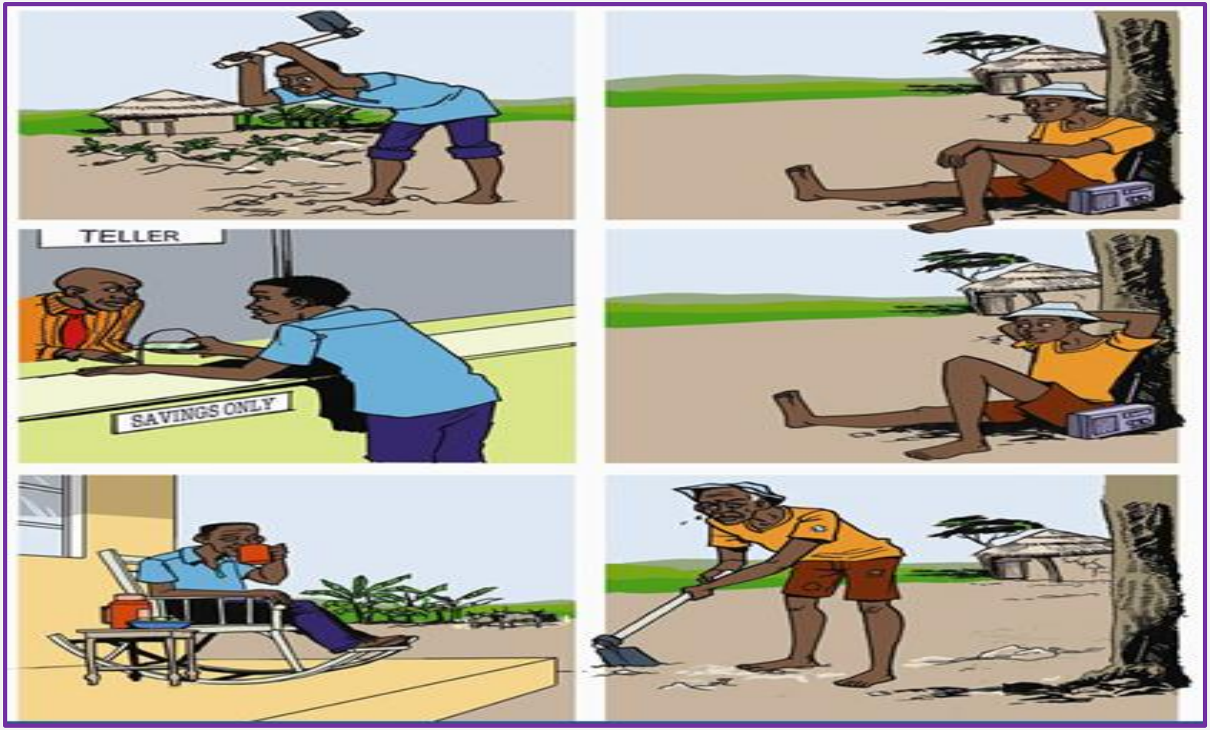

RETIREMENT
SCHEME
PENSION OFFICER

4. **If you work in the private sector, your contributions to NSSF will be given to you upon retirement**: If you are employed by a private company or a Non-Governmental Organization (NGO), you will have a 5% deduction from your salary sent to the National Social Security Fund (NSSF). Your employer must also make a 10% contribution to the NSSF every month. It is always important to get your statement from NSSF to ensure that your money is being saved every month. You will have your savings paid to you when you:
   - Retire at the age of 55, or
   - Have an accident that causes you to stop working, or
   - Have a terminal illness such as acute AIDS or terminal cancer.
5. **Ask your employer if s/he has signed up for a voluntary private pension plan** Voluntary private pension schemes (plans) are retirement benefits plans which are set up by employers in addition to the mandatory NSSF. In voluntary schemes, either only the

employer or both the employer and employees make contributions to the scheme. These pension schemes are licensed by the Uganda Retirement Benefits Authority.

6. **Your family can benefit from your pension – if you provide the right information:** If you are on a pension plan, you are sure of a regular income to take care of you in your old age or disability. Your family will also benefit in case of your death. You should ensure that you provide information about your next of kin on your pension form so that your pension is given to the right person. Also make sure your spouse or family members are informed about your expected benefits and the procedures to access them should you die.
7. **Use your benefits wisely**. Even if you are on a pension plan, you still need to make a plan for your retirement, which should include plans for an investment which gives you an income after the pension benefits have been used up. The pension benefits could, for example, be used to buy more animals for your farm or to expand your business that you had started while in employment.

8. **Start planning for your retirement now**. Start saving and investing some of your income as early as possible. If you are in a pension plan, this will be a useful addition to your retirement or pension income. If you are not, these savings and investments will be your security for old age. Please note: The retirement package you receive from the Government (if you are a civil servant) or NSSF (if you are a private sector employee) may not be enough to enable you meet all your needs during retirement. Therefore plan early, save and invest to be able to supplement your retirement or pension income.


TELLER
SAVINGS ONLY

MAKING PAYMENTS

1. **Understand the costs involved**. Before you choose how to make payments, find out about all the fees you will have to pay. For example, if you send money via your phone, ask the mobile money agent about the fees. Only use the service when you are comfortable with the costs.
2. **Keep your personal information secure**

- Protect your personal information e.g. names, address, signature (e.g., on cheques) and PIN (e.g. for ATMs /mobile phone payments/credit card) from being stolen. Destroy or burn confidential documents you don't need any more.
- Do not share your PIN or secret code, password or signature, since this could allow someone else to access your money.
- Find out from your financial institution/bank about the process for replacing a lost or damaged card, cheque book or other document.

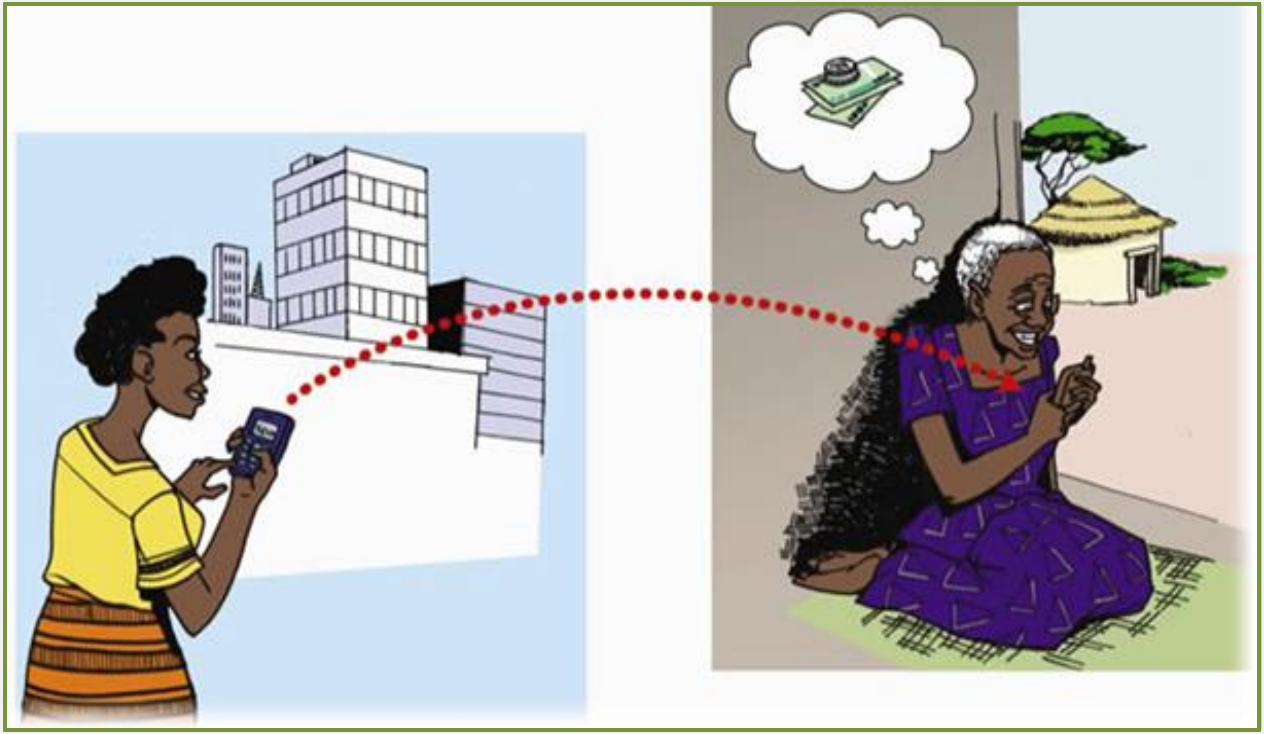
3. **Know who you are paying**. When making payments, make sure that the money is going to the right person. Check for the correct name, number and amount and keep the receipt, payment slip or confirmation message to prove that you have paid.

MOBILE PHONE PAYMENTS

1. **You can make payments using your mobile phone**. Most mobile phone companies offer mobile payments products, enabling you to do the following directly with your mobile phone:

- Send money to other people (e.g. to your family or friends),
- Pay water and electricity bills,
- Pay for fees (e.g. some schools offer you to pay school fees via mobile phone),
- Pay other businesses which allow you to make payments using your mobile phone.

2. **Register to make payments using your mobile phone**. To be able to make payments using your mobile phone, you need to register for the services with your mobile phone operator. To register, you need passport size photographs and proof of identification.
3. **Make payments wherever you are – using your phone**. The big advantage of using the mobile phone to make payments is that you can use the service wherever your mobile phone company has coverage. This saves you time and the cost of travelling to the nearest bank branch. It works well for any mobile phone user in both rural and urban communities.



4. **Keep your PIN separate from your mobile phone**. Do not keep your PIN and phone in the same place. Make sure nobody gets to know your PIN. If they do, they can steal your money.
5. **If you access your bank account using your mobile phone, make sure you know the charges**. Some banks enable you to access your bank account via your mobile phone. Bank customers can then use their phones to:

- Check their account balance
- Make transactions (e.g. making payments, transfer money to another account, etc.) If you use this service, make sure you know the charges.

Automated Teller Machines (ATMs)

1. **Understand the costs involved**. Most banks today have Automated Teller Machines (ATMs), where you can use a card to withdraw up to a certain amount of money whenever you need it. The ATM card saves you from moving around with cash. This reduces the risk of your money being stolen.
2. **Know your ATM**. Get to know the ATM you use so that you are able to recognise changes to the machine as some thieves may place gadgets on the ATMs to steal your personal information. Do not use ATM machines with warnings posted on the machine. They could have been tampered with.


ATM

3. **Keep your PIN secret**. Don't tell anyone else your Personal Identification Number (PIN). Don't let anyone else see your PIN when you enter it at an ATM. If anyone else knows your PIN, they might be able to draw out money from your account. If you think that someone else has found out your PIN, then change it immediately. If someone else entrusts you with their PIN, treat it as you would your own and keep it secret.
4. **Report retained ATM cards immediately**. If the ATM keeps your card, call the bank immediately. If the bank is close by and open, you can also report to one of the officers there. Do not ask a stranger to help you get your card back.

CHEQUES

1. **Use cheques to make safer payments**. It is risky to move around with large sums of cash. Your money could get stolen or you could be tempted to spend it without having planned to do so. A cheque allows you to transfer money safely.

2. **Keep your cheque book safe to minimise the risk of losing money**. You need to keep your cheque book safely to prevent its loss, theft or damage. If your cheque book is stolen, someone might forge your signature and steal your money.

3. **With a cheque, you don't get your money immediately**. If you are paid by cheque, it will take up to four working days (i.e. excluding weekends and public holidays) before the money shows on your account.

4. **Make sure your signatures look alike**. Make sure that the amounts and signatures on the cheque are correct and consistent. If your signatures don't look alike or look different from the one the bank has in its records, the bank will not cash your cheque.

5. **Do not pay a cheque unless you are sure you have enough money in your account** Before you give out a cheque, check that there is enough money in the account from which then money will be paid out. It is a criminal offence to issue a cheque when there isn't enough money in the account. You will have to pay a fine and could face up to six months in prison.

DEBIT AND CREDIT CARDS

1. **You can make payments with a Debit or Credit card**. Debit cards are linked to your bank account so that the money you spend is automatically deducted from your account. With debit cards you are less likely to overspend than if you use a credit card. Credit cards allow you to use someone else's money (the card issuer's) to buy goods and services and you can pay the money back later. You should note that if you don't pay back within the agreed time, you will have to pay interest. For example if you spend.100,000/= which you pay back in one year at an annual interest rate of 20%, you will pay back a total of 120,000/=. These two cards can be used to make payments in some of the bigger supermarkets, shops, schools, hotels and anywhere else where they are accepted. They are also needed for on-line transactions.

2. **Beware of credit card fraud!** Beware of credit card fraud. Avoid punching your credit card identification number into websites you are not sure of while buying online. Criminals might get access to your credit card information. Look for a padlock symbol on the bottom right of the browser window – in the frame of the browser, not in the web page itself. This suggests that the site is secure, but it's not a guarantee, and it doesn't mean that the seller is honest.
3. **Understand the fees before getting a credit card**. Before deciding whether to apply for a credit card, make sure that you understand all the fees involved. There are various possible fees: application fees, cash advance fees, transaction fees, late payment fees, balance transfer fees, finance charge, penalty fees, over-the-limit fees and annual or monthly fees.

EFT AND RTGS

1. **You can transfer larger amounts safely and timely with Electronic payment systems like EFT and RTGS**. The Electronic Funds Transfer (EFT) system enables customers to transfer money from one account to another account electronically. Real Time Gross Settlement (RTGS) transfers money from a payer's account through Bank of Uganda system to the payee's account. Inquire with your bank about the details.

FINANCIAL SERVICE PROVIDERS

1. **If you can, save with and borrow from financial institutions which are regulated and supervised by Bank of Uganda**. There are three types of institutions which are regulated and supervised by Bank of Uganda: Commercial Banks (large financial institutions that offer loans and savings), Credit Institutions (similar to commercial banks but smaller) and Micro Finance Deposit-Taking Institutions (MDIs - microfinance institutions licensed by Bank of

Uganda to collect savings from the public). The advantages for you in saving and borrowing with these financial institutions are:

- Bank of Uganda's objective is to ensure the financial soundness of financial institutions. This means that Bank of Uganda checks on financial institutions to make sure that your money is safe with them.
- To further protect your savings, all savings in financial institutions regulated by Bank of Uganda are insured up to Ugx. 3 million per account.
- Bank of Uganda developed Financial Consumer Protection Guidelines to ensure that regulated financial institutions treat their customers fairly. For example, financial institutions have to explain to you everything you need to know about their services and products.


XYZ BANK
TELLER
TELLER
TELLER

2. **If there are no regulated financial institutions nearby or they do not serve your needs, you have other options to choose from:**

- **2 (a) You can take a loan from an Microfinance Institution (MFI) which is not regulated by Bank of Uganda.** Unregulated MFIs do not take savings or money from their customers but they give loans to help people start or grow small businesses.


Microfinance
LOAN OFFICER

- **2 (b) You can join a SACCO, save with it and take a loan from it**. Savings and Credit Cooperatives (SACCOs) are formed, owned and operated by the members. They are usually organized around a specific region (e.g. a parish or a district SACCO) or an activity or profession (e.g. a farmers' SACCO or a teachers' SACCO). SACCOs can only accept deposits from their members. SACCOs vary in quality and safety. It is wise to know the SACCO officers and ask other members what their experience has been before you join one. Savings at SACCOs are not insured. Every SACCO is supposed to register with the Registrar of Cooperatives in the Ministry of Trade, Industry and Cooperatives which is represented by a District Cooperative Officer in each district. Check with the District Cooperative Officer to find out whether the SACCO you wish to join is registered.
- **2 (c) You can save and borrow with a VSLA**. Voluntary Savings and Loans Associations (VSLA) are small member based community groups with up to 30 members that collect savings and make small loans to their members. Only join a VSLA if you trust the other

members. Make sure that your VSLA has all its activities being done openly and accountability is given to its members regularly.

- **2 (d) You can also save with a ROSCA**. Rotating Savings and Credit Associations (merry-go-rounds) are groups where members meet regularly to make contributions that are given to a different member each month or week. Only join a ROSCA if you trust the other members.

3. **Be careful when borrowing from a Money Lender**. Money lenders often provide quick loans - but their interest rates are very high. The security they ask for is also often very high (up to two to four times the amount of the loan) and sometimes there are other costs which are not explained at the beginning. If you fail to pay back their money as agreed, they may use tough methods to recover it. Many money lenders operate outside the law. Carefully read and understand the contract before rushing for a loan. If you decide to borrow money from

a money lender, make sure he or she is licensed and has a certificate from the Magistrate in your area.

4. **If you want to change money, do so in a licensed Forex Bureau and check the notes you receive before leaving the Bureau**. At a Forex Bureau you can change Uganda Shillings into foreign currency or vice versa. The exchange rate for different currencies can rise or fall any time. Make sure that the Forex Bureau you are dealing with has a valid license from Bank of Uganda hanging on its wall. Only that way you can be sure to get fair rates and no fake money. You should still check the notes you receive before leaving the Bureau. After changing your money, make sure you get a handwritten receipt with the Bank of Uganda logo or an electronic one that mentions approval by the Bank of Uganda.
5. **Send and receive money from other countries via licensed Money Remitters**. Money remitters are licensed financial institutions that transfer money by a foreign worker to his or her home country or another country. They usually receive the money in the currency of the

country in which they are located. For example, a Ugandan working in Great Britain would give the remitter Great Britain Pounds when making a remittance to his family in Uganda and the person receiving it would receive it in Uganda shillings. Only remit your money at a remitter who has a valid license from the Bank of Uganda. Ask about and make sure you understand all the charges involved when making a remittance. These charges are normally displayed in the office of the money remitter. If someone has sent you a remittance, you should not be required to pay any charges.

6. **Make remittances using your phone (mobile money)**. Money can now be remitted through your mobile phone. Ask your mobile phone company, agent or dealer how to do it and about the charges involved. These charges are normally displayed in the shop of the mobile money agent/dealer.
7. **Ask, Ask, Ask!** It is your financial right to know all the information about a financial product or service you wish to use. Ask for written information and keep it with you. If the

financial institution or person you went to doesn't want to give you information, then they might not be the right ones for you.

8. **Know your financial rights**. Knowing your financial rights enables you to make informed decisions and choices.

- You have a right to place a complaint and to receive a response from the institution.
- The institution has to treat you with respect and minimise the time you take to be served.
- You have a right to information about the services and products and about all the fees and charges.
- If the financial institution is not following what is written in a contract you have signed with them, you have a right to take it to court.
- A lender should not force you to borrow.
- You should be able to access your savings whenever you need them. However, money on certain savings accounts can only be accessed after a certain period, as you agreed with the financial institution.
- The information you provide to a financial institution should be kept confidential in line with the laws of Uganda. They can only share it with anyone else if you agree to it.

- No financial institution is allowed to ask you for a bribe to access any of their services or for any other purpose.

THE END