

MODULE – FINANCIAL LITERACY

UNIT 1.2

Literacy through awareness: avoiding financial scams

<p>LESSON INTRO</p>	<p>Financial scams are deceitful schemes aimed at tricking individuals into giving money or personal information to fraudsters. They come in various forms, including investment fraud, lottery scams, phishing emails, and identity theft. In today's digital era, these scams are prevalent and sophisticated, demanding awareness and vigilance to avoid falling victim.</p> <p>Investment fraud promises high returns but leads to financial loss. Scammers use tactics like guaranteed profits or fake testimonials to appear legitimate. Phishing emails impersonate reputable organizations to steal personal information like passwords or credit card details.</p>
<p>PREVIOUS ASSIGNMENT(s) CHECK</p>	<p>Encourage students to share their roadmaps and discuss similarities and differences in their goals for the course. This can lead to valuable insights and exchanges of ideas, as learners may offer unique perspectives on improving financial literacy. Additionally, discussing how their goals align with the course expectations can clarify the relevance of the content, motivating students to engage actively in their learning. Overall, fostering debate on the assignment content can deepen students' understanding of financial literacy concepts and promote a collaborative learning environment.</p>

<p>INTRODUCTION TO THE TOPIC</p>	<p>To stay safe, individuals must be cautious of unsolicited offers or requests for personal information. Verify the legitimacy of any organization or individual before sharing sensitive details or making transactions. Never disclose personal information over the phone or email unless certain of the recipient's identity. Staying informed and vigilant is key to protecting hard-earned money from fraudsters.</p> <p>Financial scams deceive individuals into giving away money or personal information. Common types include phishing, where scammers impersonate legitimate organizations to steal personal data, and investment fraud, promising unrealistically high returns. Identity theft involves stealing personal information for fraudulent activities. Verify the legitimacy of organizations and individuals, monitor financial accounts regularly, and report suspicious activity promptly. Staying informed and vigilant is crucial to safeguarding against financial scams.</p>
<p>GENERAL THEORY</p>	<p>As stated above, the first tool for avoiding scams is education and knowledge. Understanding financial products help manage money, invest, save, plan for the future and stay safe in the financial world. They cater to various financial needs and goals. Common types include savings accounts, certificates of deposits (CDs), stocks, bonds, mutual funds, and insurance policies.</p> <p>Savings accounts allow depositing money and earning interest. CDs offer higher interest rates</p>

for locking funds for a specific period. Stocks represent company ownership, offering potential capital appreciation and dividends. Bonds are debt securities paying fixed interest. Mutual funds pool money to invest in diversified portfolios. Insurance products provide financial protection against unforeseen events.

Understanding each product's benefits, risks, and considerations is vital. Assessing financial goals, risk tolerance, and investment horizon helps align products with needs. Diversifying portfolios and seeking professional advice aid in making informed investment decisions for long-term financial success.

Understanding financial products can be challenging, especially for those with limited formal education. However, gaining some basic knowledge about managing money is crucial for making informed decisions and avoiding potential financial difficulties.

Let's start with the basics. Think of a savings account as a secure place to store your money, much like a piggy bank. When you deposit money into a savings account, the bank rewards you with a little extra money called "interest" over time.

It's important to prioritize saving money, particularly for unexpected expenses or emergencies. Building a savings cushion provides financial security and peace of mind during challenging times.

When considering investment options, it's wise to opt for straightforward, low-risk choices such as savings accounts or CDs. These options offer stability and security, minimizing the chances of financial loss.

Furthermore, maintaining a budget is essential for effectively managing finances. Budgeting involves creating a plan for your money,

	<p>ensuring that you allocate funds responsibly and avoid overspending.</p> <p>Understanding financial products requires awareness of warning signs for potential fraud. One key sign is promises of high returns with no risk, which is unrealistic as all investments carry some risk. Another red flag is pressure to invest quickly without adequate information or time for due diligence. Scammers often rush decisions to prevent scrutiny. Lastly, be cautious of products lacking transparency or with complex fee structures, as they may hide risks or costs. Take time to understand all terms and seek advice before investing to protect against fraudulent schemes.</p> <p>Don't hesitate to seek assistance if you encounter uncertainties. There are resources and programs available to support individuals in making informed financial decisions and achieving financial stability.</p>
<p>REGIONAL THEORY</p>	<p>According to our research, in Italy the most frequent financial scams who target senior citizens are:</p> <ol style="list-style-type: none"> 1) Phishing: Scammers often send fraudulent emails or messages posing as legitimate organizations, such as banks or government agencies. They request sensitive information like passwords or credit card details, which can be used for identity theft or financial fraud. 2) Investment Fraud: Individuals may be approached with promises of high returns on investments that seem too

	<p>good to be true. These scams often involve unregistered or illegitimate investment opportunities, resulting in significant financial losses for victims.</p> <ol style="list-style-type: none"> 3) Pyramid Schemes: Pyramid schemes operate by recruiting members who pay to join and recruit others, promising high returns. However, the scheme relies on constantly recruiting new members to sustain payouts, ultimately collapsing and leaving many participants with losses. 4) Binary Options Scams: Binary options trading platforms may advertise quick and easy profits, but they often manipulate prices or refuse to pay out winnings. Victims can lose substantial amounts of money in these fraudulent schemes. 5) Romance Scams: In romance scams, fraudsters build fake relationships with victims online, gaining their trust before requesting money for various reasons such as emergencies or travel expenses. Once money is sent, the scammer disappears leaving the person financially depleted.
<p>EXAMPLES (BOTH REGIONAL AND NON-SPECIFIC)</p>	<ol style="list-style-type: none"> 1. An individual is approached by a financial advisor who promises guaranteed returns of 20% annually with no risk involved. The advisor pressures the individual to invest quickly without providing any detailed information about the investment opportunity or how the returns are generated.

	<ol style="list-style-type: none"> 2. An individual receives a phone call from a telemarketer offering a new investment opportunity in a foreign currency exchange market. The telemarketer claims that the investment has a guaranteed return of 30% within a month and urges the individual to make a decision on the spot without giving them time to do any research or seek advice. 3. An individual receives an email advertising a new cryptocurrency investment opportunity that promises to double their investment within a week. The email contains complex jargon and fee structures that are difficult to understand, making it unclear how the returns are generated and what fees are involved.
<p>HANDS ON EXPERIENCE</p>	<p>Avoiding financial scams Quiz:</p> <p>How can individuals protect themselves from falling victim to financial scams?</p> <ol style="list-style-type: none"> a. Be cautious and skeptical on unsolicited offers b. Verify the legitimacy of individuals before providing sensitive information c. Never give up financial information unless certain about the recipient's identity d. All of the above <p>What type of financial product allows individuals to deposit money into a bank or credit union and earn interest on their deposits?</p> <ol style="list-style-type: none"> a. Savings account b. Stock

- c. Mutual fund
- d. Certificate of deposit

What is one common red flag to watch out for in financial product scams?

- a. Unsolicited communication
- b. Researching the company
- c. Seeking advice from a financial professional
- d. Cold calls

How do scammers typically pressure individuals into investing quickly?

- a. By offering comprehensive information and time for due diligence
- b. By emphasizing the importance of understanding the product before investing
- c. By rushing decisions and not providing adequate time for review
- d. d) By encouraging consultation with multiple financial advisors

What should individuals do before investing in any financial product?

- a. Trust promises of high returns with no risk
- b. Seek advice from multiple unverified sources
- c. Take time to review all documentation and ask questions
- d. Ignore the terms and conditions of the product

Answers

- 1 – D
- 2 – A
- 3 – D
- 4 – C
- 5 – C

<p>DISCUSSION</p>	<p>"How can older adults better protect themselves from financial scams through increased awareness, such as attending workshops or joining community groups focused on financial literacy for seniors?"</p> <p>"What strategies can older individuals implement in their daily lives to avoid falling victim to common financial scams, such as regularly reviewing bank statements, being cautious of unsolicited calls or emails, and seeking advice from trusted family members or financial advisors?"</p>
<p>FEEDBACK AND ASSIGNMENTS</p>	<p>Invite learners to reflect and analyze if they have ever encountered financial scams and what lesson can be learned from that experience. Each student will prepare 3 lessons learned to be shared with the group.</p>