

MODULE 2 – Budgeting and Financial Management

UNIT 2.2 - Building financial resilience: investments and tax planning

<p>LESSON INTRO</p>	<p>What are the essential components of a retirement plan? How does inflation affect my retirement savings? How can I stay flexible and responsive in my financial planning? What are some reliable websites and apps for financial management?</p>
<p>PREVIOUS ASSIGNMENT(s) CHECK</p>	<p>N/A</p>
<p>INTRODUCTION TO THE TOPIC</p>	<p>Building financial resilience during retirement involves creating a comprehensive plan that ensures your financial stability and ability to adapt to changing circumstances. Financial resilience refers to the ability to withstand and recover from financial shocks. For retirees, this means having a solid financial plan that accounts for various risks, including market fluctuations, inflation, and unexpected expenses.</p>
<p>GENERAL THEORY</p>	<p>A financial plan provides the structure and guidance you need to make informed decisions about your money, manage risks, and achieve your long-term financial goals.</p> <p>Retirement Planning</p> <p>Planning for retirement is an important part of a financial plan. By estimating your future expenses and income needs, you can determine how much you need to save and invest to maintain your lifestyle during retirement.</p> <p>A good retirement plan has a few key parts to make sure you stay financially secure.</p> <p>How to:</p> <p>First, you need a budget that covers all your needs. Think about your costs for housing, food, healthcare, and transportation, and also save some money for fun activities and emergencies.</p>

To make this budget, list out what you spend money on now, guess how these costs might go up in the future, and adjust as needed.

Your money in retirement will come from different places. Common sources include Social Security benefits, pensions, and personal savings. You might also earn money from part-time work, rental properties, or annuities. Having different sources of income makes your finances more secure because you're not relying on just one source. Understanding and managing these parts well will help you have a strong plan that meets your needs and can adapt if things change.

Investments

Investments are like planting seeds for your future finances. Instead of keeping all your money in one place, like a single type of plant, you spread it out into different areas, like stocks, bonds, and real estate (Diversification). This way, if one area doesn't do well, you still have other parts that might grow. Remember, though, that when you take more risks, you might get higher rewards, but there's also a chance of losing money. So, it's important to find a balance that matches how much risk you're comfortable with. Lastly, think of investments as trees that grow slowly over time, providing fruit or shade when they're fully grown. It's about choosing investments that steadily grow your money over the years, keeping up with the rising cost of living.

Inflation

Inflation is the rate at which the general level of prices for goods and services rises, eroding purchasing power over time. For retirees, inflation can significantly impact the value of their savings and fixed income sources. To mitigate the effects of inflation, it's essential to:

1. Look for Investments that Beat Inflation: Some investments, like stocks and real estate, tend to grow faster than the rate of inflation. This means your money can keep its value better over time.
2. Keep an Eye on Your Budget: It's important to regularly check and adjust your budget to make sure your money still covers all your needs, even as prices go up. This might mean finding ways to cut back on spending or finding new sources of income.

To stay flexible in financial planning:

1. Review finances regularly.
2. Adjust goals as needed.
3. Build emergency savings.
4. Diversify investments.

	<p>5. Stay informed. 6. Seek advice when needed.</p> <p>Budgeting Tools</p> <p>There are websites which offer a range of tools and features to help users manage their finances, track their spending, plan for the future, and make informed financial decisions. Whether you're budgeting, investing, saving for retirement, or preparing taxes, these platforms provide valuable resources and support:</p> <ul style="list-style-type: none"> ■ Money Dashboard: A UK-based personal finance app that helps users track spending, set budgets, and manage investments. ■ Yolt: A money management app available in the UK, France, and Italy, offering budgeting tools, spending insights, and account aggregation features. ■ Revolut: A financial technology company offering banking services, budgeting tools, and investment options across Europe. ■ N26: A digital bank based in Germany, offering mobile banking services, budgeting tools, and investment products for European customers. ■ Tink: A financial technology company based in Sweden, offering account aggregation, budgeting, and payment initiation services across Europe.
<p>REGIONAL THEORY</p>	<p>Importance of Financial Management for Retirees in Greece</p> <p>As a retiree in Greece, effective financial management is crucial for maintaining your financial stability and ensuring that your savings last throughout your retirement years. Here's why managing your finances well is important for you:</p> <p>1. Inflation Management</p> <p>Inflation reduces the value of money over time, meaning that the same amount of money will buy fewer goods and services as years go by. This can be challenging if you rely on a fixed income. To combat inflation:</p> <ul style="list-style-type: none"> ● Monitor Your Expenses: Keep a close eye on your daily spending to identify areas where you might be overspending. ● Adjust Your Budget: Regularly review and adjust your budget to ensure it aligns with your financial situation and inflation rates.

- **Invest Wisely:** Consider investing in assets like inflation-indexed bonds, which can help your money grow at the same rate as inflation.

2. Pension and Savings Optimization

Your pension is a primary source of income, so managing it effectively is essential:

- **Maximize Your Benefits:** Understand your pension structure and any supplementary benefits you might be entitled to.
- **Save Strategically:** Allocate your savings wisely between accessible funds for daily expenses and longer-term investments for growth.
- **Maintain an Emergency Fund:** Having an emergency fund can provide a financial safety net for unexpected expenses.

3. Investment Opportunities

Growing your savings through investments can help you maintain your standard of living:

- **Diversify Your Investments:** Spread your investments across different asset classes like stocks, bonds, and real estate to reduce risk and enhance returns.
- **Understand Your Risk Tolerance:** Make informed decisions about where to invest based on how much risk you're comfortable with.
- **Generate Passive Income:** Look for investments that provide passive income, such as dividends from stocks or rental income from properties.

4. Expense Tracking and Budgeting

Keeping track of your expenses helps you stay within your means and plan for the future:

- **Categorize Your Expenses:** Break down your expenses into categories like utilities, groceries, and healthcare to see where your money goes.
- **Find Savings Opportunities:** Analyze your spending patterns to identify areas where you can cut back or save more efficiently.
- **Set Financial Goals:** Set clear goals, like saving for a vacation or a major purchase, and manage your budget to achieve them.

	<p>5. Healthcare Costs</p> <p>Healthcare can be a significant expense, so managing these costs is vital:</p> <ul style="list-style-type: none"> • Choose the Right Health Insurance: Evaluate and choose the best health insurance plan for your needs to save money in the long run. • Plan for Long-term Care: Prepare for potential long-term care needs by saving or getting insurance to cover these costs. <p>By effectively managing your finances, you can make the most of your available resources, maintain your desired lifestyle, and be prepared for any unexpected changes. Using financial management tools and resources tailored for Greece can provide invaluable support in achieving these goals.</p>
<p>EXAMPLES (BOTH REGIONAL AND NON-SPECIFIC)</p>	<p>Maria's Story</p> <p>Maria is a 65-year-old retiree living in Athens. She receives a monthly pension of €900 and has savings of €30,000. Maria wants to ensure her financial stability while managing inflation and minimizing taxes. Here's how she can do it:</p> <ol style="list-style-type: none"> 1. Diversifying Investments: <ul style="list-style-type: none"> ◦ Stocks: Maria decides to invest €6,000 in a diversified portfolio of Greek and international stocks. By doing this, she aims to achieve higher returns that can outpace inflation. ◦ Bonds: She allocates €10,000 to government bonds, which provide steady interest income with lower risk. ◦ Real Estate: Given her limited savings, Maria considers investing in a Real Estate Investment Trust (REIT) for €8,000, which allows her to gain exposure to the real estate market without the need to purchase property directly. ◦ Mutual Funds: She puts €6,000 into mutual funds, benefiting from professional management and diversification. 2. Protecting Against Inflation: <ul style="list-style-type: none"> ◦ Inflation-Protected Investments: To guard against inflation, Maria includes some inflation-indexed bonds in her bond portfolio. These bonds adjust their interest payments based on inflation rates. 3. Optimizing Tax Liabilities:

	<ul style="list-style-type: none"> ○ Understanding Tax Brackets: Maria familiarizes herself with the Greek tax system and ensures her investment income stays within a lower tax bracket by spreading out withdrawals and gains. ○ Utilizing Deductions: She keeps track of her healthcare expenses and other deductible costs, ensuring she claims all eligible tax deductions. ○ Retirement Accounts: Maria takes advantage of any tax benefits associated with her pension and retirement accounts, possibly contributing to additional savings plans that offer tax relief. ○ Estate Planning: She consults with a financial advisor to create an estate plan that minimizes inheritance taxes for her beneficiaries. <p>4. Staying Informed:</p> <p>Maria regularly checks financial news and consults with her financial advisor to stay updated on economic trends and changes in tax laws. This helps her make informed decisions about her</p>
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<p>HANDS ON EXPERIENCE</p>	<ol style="list-style-type: none"> 1. Which of the following apps provides comprehensive banking services for National Bank of Greece customers? <ul style="list-style-type: none"> ○ A) Revolut ○ B) Alpha Bank Mobile Banking ○ C) NBG Mobile Banking ○ D) Eurobank Mobile App 2. What feature is commonly offered by both Alpha Bank Mobile Banking and Eurobank Mobile App? <ul style="list-style-type: none"> ○ A) Currency exchange ○ B) Transaction tracking and bill payments ○ C) International money transfers ○ D) Investment in cryptocurrencies 3. Which financial app is known for fee-free currency exchange and international money transfers and is available in Greece? <ul style="list-style-type: none"> ○ A) Piraeus Bank Winbank ○ B) Revolut ○ C) NBG Mobile Banking ○ D) Alpha Bank Mobile Banking 4. Why is it important for retirees in Greece to manage their finances effectively?
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	<ul style="list-style-type: none"> ○ A) To increase their pension amounts ○ B) To keep up with inflation and ensure their savings last ○ C) To avoid paying taxes ○ D) To receive government bonuses <p>5. Which financial management tool helps Piraeus Bank customers monitor their transactions and plan their finances?</p> <ul style="list-style-type: none"> ○ A) Eurobank Mobile App ○ B) NBG Mobile Banking ○ C) Piraeus Bank Winbank ○ D) Revolut <p>6. Which of the following is a benefit of using financial management apps for retirees?</p> <ul style="list-style-type: none"> ○ A) Automatic tax filing ○ B) Increased pension contributions ○ C) Better tracking of expenses and budgeting ○ D) Free healthcare services <p>Answers:</p> <ol style="list-style-type: none"> 1. C) NBG Mobile Banking 2. B) Transaction tracking and bill payments 3. B) Revolut 4. B) To keep up with inflation and ensure their savings last 5. C) Piraeus Bank Winbank 6. C) Better tracking of expenses and budgeting
<p>DISCUSSION</p>	<p>Reflection Question 1</p> <p>Reflect on your current financial situation and habits. How do you think using financial management tools like mobile banking apps and budgeting apps could help you improve your financial resilience and achieve your retirement goals? Consider any specific financial challenges you face and how these tools might provide solutions or support.</p> <p>Reflection Question 2</p> <p>"In retirement, prioritizing stability over growth in investments is more important." Discuss the advantages and disadvantages of focusing on stable investments versus growth-oriented investments in terms of retirement planning. Consider factors such as risk tolerance, inflation, and long-term financial security in your discussion.</p>

FEEDBACK AND OTHERS	
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