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MODULE 1: BASIC FINANCIAL LITERACY FOR DAILY LIFE
TABLE OF TOPICS

1. Meaning of money (E-learning)
2. Bank account (face to face)
3. Savings account (face to face)
4. Cashless money (face to face)
5. Borrowing money and debts (face to face)
INTRODUCTION

GENERAL DESCRIPTION OF THE MODULE

- This module is regarded as the most important part of financial literacy in this project.

- To some kind this module will be the basis for module 2 and 3.

- The aim of this module is to learn the basics about money, bank and savings account, to understand basic and advanced methods of paying with cashless money and to know what is important when someone gets a loan and how he/she gets it.

- To give an overview about new methods of paying (i.e. PayPal, ...)

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<th>Topic</th>
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<td>Meaning of money (E-learning)</td>
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<td>Bank account (face to face)</td>
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<td>4</td>
<td>Cashless money (face to face)</td>
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<td>5</td>
<td>Borrowing money and debts (face to face)</td>
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</table>
BANK ACCOUNT

CONTENTS:

- Types of bank accounts
- Checking accounts
- Internet banking
- Overdraft of an account
- Additional services of a checking account
4 TYPES OF BANK ACCOUNTS

- **MONEY MARKET ACCOUNT**
  - Is not relevant for private households

- **SAVINGS ACCOUNT**
  - Account which is just used for saving
  - You can withdraw and deposit money at any time

- **CHECKING ACCOUNT**
  - This account is know as a basic transactional account

- **CERTIFICATE OF DEPOSIT**
  - Allows you to save money at a set interest rate, for a specific amount of time. It is not possible to withdraw money.
Most people have one or two primary sources of income. Typically this income goes into one checking account (otherwise things will become complicated). All expenses (fixed and variable) come out of that one account.
With a checking account, standing orders can be installed. Internet banking makes things much easier. You can save a lot of time.
Opening a checking account

- Before you open a bank account, you need to choose which bank you are going to use.
- To make a decision, you should ask the following questions:

  → Does the bank have a branch close to where you live?
  
  → What are the monthly fees (e.g.: some internet banks do not have fees)
Opening a checking account

- You are allowed to open a **teen checking account** when you are 13

- **However**: under 18 years requires parental joint owner

- You have to give the bank personal details like a copy of your ID

- Proof your address (with a certificate of registration)
INTERNET BANKING

Internet Banking?

INTERNET
INTERNET BANKING
ADVANTAGES OF INTERNET BANKING

- You can use internet banking 24 hours on each day
- It is fast, easy and convenient

!! WARNING

- Security issues
- It is important to lock up login and password
INTERNET BANKING

Internet only banks

Online

Lower costs

Better deals
INTERNET BANKING

How to transfer money via internet banking

1. Login to your account
2. Choose pay and/or transfer
3. Fill in:
   • Name of the firm or person where you want to transfer money
   • IBAN and BIC (in the most cases you don’t need BIC)
   • Enter the amount you want to pay
   • Reference of your payment
4. Confirm with a TAN (which you get on your mobile phone)
5. FINISHED ✓
**INTERNET BANKING**

**Where do I find my IBAN and BIC?**

- On your debit card
- Sometimes you find the BIC at the backside of your debit card
Bank overdraft definition:

- An overdraft facility linked to a checking account is an unsecured line of credit designed to cover short-term cash flow shortfalls. Normally, a bank grants you a certain amount which you can overdraw. This **amount is based on your regular income**.

**Distinguish loan**: Fixed amount of borrowing over a set term with regular repayments.
When would I need an overdraft?

• When the expenditures exceeded your income in the past or when you have high unexpected expenditures in the short run (for example: you have a high bill because you need to repair your car)

When is a bank overdraft not the best option?

• Overdrafts are not suitable for consolidating debts
**OVERDRAFT OF AN ACCOUNT**

*Does a young person have the right to get an overdraft?*

To provide the possibility of an overdraft is **not obligatory for the bank**. Each bank has its own strategy and rules for placing overdrafts. It is important to know as customer about these rules. If you are not satisfied with the bank’s decision just go and ask what to do to get an overdraft (Or change the bank ……).

**Be careful…**

- If your **overdraft facility is not arranged in advance, account overdrawn fees** are due.
- If you overdraw your account more than accepted by the bank **it may also influence your credit rating**.
- Interest rates are often higher with overdrafts
OVERDRAFT OF AN ACCOUNT

👍 BENEFITS OF A BANK OVERDRAFT

– Is a flexible credit option applied to your bank account.
– Let you spend up to an agreed limit.
– You do not have to pay additional fees.
– Overdrafts are not operating with a fixed repayment schedule
OVERDRAFT OF AN ACCOUNT

Duration of an overdraft

- Bank overdrafts are short term oriented (duration no longer than one year)
- If it is not possible to get rid of this form of short term debt, it makes sense to change an overdraft into a loan (medium term oriented)

For example:
Someone has overdrawn his account by EUR 4,000 on average per month over a time period of one year. His income is EUR 1,300 per month. In this case it could be better to speak with your bank adviser to change the overdraft into a loan. Then you have a positive balance on your account and you pay back a specific amount per month.
ADDITIONAL SERVICES...

...of a checking account

→ Debit card
→ Credit card
→ Online banking
ADDITIONAL SERVICES...

...of a checking account

→ Debit card

- To pay your bills you can use currency or e-money.
- With a debit card you can do both:

<table>
<thead>
<tr>
<th>WITHDRAW MONEY FROM A CASH MACHINE</th>
<th>PAY WITH YOUR CARD AT THE CASH DESK</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1.png" alt="Withdrawal" /></td>
<td><img src="image2.png" alt="Payment" /></td>
</tr>
</tbody>
</table>
How to use a debit card at a cash machine?

1. Insert your card

2. Enter your PIN: Be sure that nobody can see your PIN

3. Request a transaction (cash withdrawal):
   Follow the on-screen instructions to choose the amount

4. Finish the transaction

Additional services of a checking account...


1. Meaning of money (E-learning)
2. Banking account (face to face)
3. **Savings account (face to face)**
4. Cashless money (face to face)
5. Borrowing money and debts (face to face)
SAVINGS ACCOUNT

CONTENTS:

☐ Benefits of savings accounts

☐ Types of savings accounts

☐ Opening a savings account

☐ Loosing savings accounts and forgetting passwords
Why is saving important?

What is wealth?

*Wealth is defined by the amount you keep, not what you spend.*

If you spend more money than you earn, you will run out of cash fast and lose creditability.
BEFORE OF SAVINGS ACCOUNTS

Why should I have a savings account?

👍 SAFETY:
- Safer to keep the money in a savings account than at home.
- In some countries you don’t bear the risk of bank-insolvency to a certain amount (i.e. in Austria 100,000€).
- If you have a savings account with a fixed interest rate for a certain time, you don’t have an interest-change risk.

👍 INTERESTS: You get more than you gave.

Of course: It depends on the interest rate.
**SAVING ACCOUNTS AND INTERESTS**

**Interests** for your saving account is the money the **bank pays you** for keeping your money there.

**Compound interest**

You can compare compound interests with planting flora. When you plant something it’s very small. The longer the plant has time, the more it will grow.

Compound interests → Same: **the longer you will let the money in the savings account, the more money it will get.**
So saving money is not just about how much you are saving, it’s also about when you start saving. It makes sense to start in a teenage age. “I start saving when I earn my own money” is not always the optimal solution.
## Types of Savings Accounts

<table>
<thead>
<tr>
<th>Basic Savings Account</th>
<th>Bound Savings Account</th>
<th>Capital Savings Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>− Variable interests</td>
<td>− Often variable interests</td>
<td>− Fixed interests</td>
</tr>
<tr>
<td>− You can withdraw money any time</td>
<td>− Your money is bound for a certain time (for example 2 years)</td>
<td>− You deposit money only once.</td>
</tr>
<tr>
<td>− You can deposit money any time</td>
<td>− The longer the bonding the higher is the interest rate</td>
<td>− The interest rates will be more attractive than in other forms of saving accounts</td>
</tr>
<tr>
<td>− Interest rates are low</td>
<td></td>
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</tr>
</tbody>
</table>
The conditions of the savings accounts distinguish between the different banks.

Sometimes there are special conditions and offerings for young people/teenagers. **Attention here:** It’s not enough to check the conditions now. The saving accounts for children and teenagers often change into “normal” savings accounts, when the children and teenagers have a certain age. So it’s also important to check how the conditions will be when the children/teenagers are getting older.
**Types of Savings Accounts**

**Bearer Savings Account**
- Every person, who holds the savings book and know the **password** can transfer payments.
- It’s possible that there is a **maximum amount** of money you can save with a bearer savings account. In Austria you are not allowed to save more than 15,000€ with a bearer savings account.

**Registered Savings Account**
- Only the person, **who opened** the savings book can transfer payments.
- It’s possible that you **have to choose** a registered savings account when you want to save a **certain amount of money**. In Austria for example you have to open a registered savings account, when you want to save more than 15,000€.

*It depends on the countries individual regulations*
You deal with an online savings account only through the internet

Often higher interest rates than offline savings accounts → greater earnings potential

Often no minimum deposit to open an account

Many brick-and-mortar banks also offer online savings accounts. But there are also bank without physical branches, which only offer online products.
OPENING A SAVINGS ACCOUNT

What to think about BEFORE opening a savings account:

- Think about your savings goal (for example saving a certain amount of money until next year to finance a driving license)
- Think about the investment duration (for example 2 years, 5 years, 10 years)
- Do you want to save frequently (for example monthly) or do you want to save a certain amount one time.
- Fixed interests or variable interests
OPENING A SAVINGS ACCOUNT

Where?

**OFFLINE**
- At a bank branch
- You might need an appointment
- Take your ID with you

**ONLINE**
- Every time possible
- The bank/institution which offers you an online savings account will need data about you
OPENING A SAVINGS ACCOUNT

Compare interest rates and conditions

– The interest rates and conditions can distinguish between savings accounts of different banks.
– Compare the interest rates and conditions and choose the optimum savings account for you → high interest rates and less fees
– There are useful tools on the internet, which can help you to compare the savings account.
– For example:
  https://www.bankenrechner.at/
WHAT SHOULD I DO...

when I lost my savings account?

- **Contact the bank** and the **police** to freeze the savings account.
- During a certain period (in Austria 4 weeks) you have the opportunity to **search again**.
- If you don’t find the savings account after the period (and the amount of money on your savings account exceeds a certain amount of money), you have to go to **court**. In the meantime the savings account will be frozen. There might be court fees.

This can depend from country to country
WHAT SHOULD I DO...

- Recommendation: Remembering the **savings account number and as much information as possible** about your savings account make these situations easier.

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**when I forgot my password?**

- Recommendation: Sign the application form. This allows the bank to tell you the forgotten password.

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Don’t write your password into the savings account.

☑ Loosing savings accounts and forgetting passwords
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CASHLESS MONEY

CONTENTS:

- Debit card
- Credit card
- PayPal
Debit Card

- payment card
- deducts money directly from a consumer’s checking account to pay for a purchase
**How to use a pay with debit cards**

- Debit cards can be used almost everywhere where credit cards can be used.

- You just need to hold the debit card on the card machine.

- If you just pay a small amount you need no PIN for confirmation.

- When the bill is higher than EUR 25 you need a PIN to finish the transaction.
RISK OF USING A DEBIT CARD:
- The debit card is directly linked to your checking account
- If your card is stolen, your checking account could get drained by a thief.
- You are protected when you immediately inform your bank that your card is lost.
A credit card is a card issued by a financial company which enables the cardholder to borrow funds.

*Using credit cards responsibly*

- Your strategy should be to make small purchases in stores and in the internet.
- Pay them off immediately
- This boosts your credit history and your credit rating.
Getting your own credit card

- If you have never had a credit card: Visit your bank and ask them about the possibility of getting a credit card.
- Banks will be willing to offer credit cards to responsible and qualified customers.
- It depends on how long you have a checking account and how much money you earn.
- Another possibility: Make a request directly at VISA, Master Card or American Express. You have to be able to prove your financial responsibility there.
RISK OF USING A CREDIT CARD:

- Many cards are issued with PIN number technology.
- But: you do not always need the PIN to use the credit card. Sometimes you just need a signature.
- **Therefore**: Immediately report lost or stolen cards to the issuer.
How to pay with credit card in the internet?

- Choose the card (e.g. VISA)
- Cardholder name
- Card number
- Expiration date
- Security code
- Click „pay my order“
This is an example of a Master card:
- Above you can see the bank of the card holder
- The yellow outlined area show the card number
- Below you can find from when to when the card is valid
- Valid thru: 06/15 means June 2015
- Finally you find the name of the card holder
At the other side of the card:
- You find the signature of the card holder and the CVV number.
How to use PayPal and how to send and receive money

- For PayPal you just need an e-mail address and you have to register on PayPal.com.
- Your e-mail address is your username. Then, you of course you need a password.
- You have to indicate your checking account information. PayPal checks that information.
- You can use PayPal also as an unverified account. But: You have to pay fees for any transactions and have limits concerning the amounts you can transfer.
How to pay with Paypal

When you have a Paypal account:
- Enter your e-mail and your password.
You can also pay with PayPal when you do not have an account. You have to press at that link.
Next you have to fill in the details of your credit card. You use your credit card with Paypal.
BIBLIOGRAPHY


- You will find links to you tube videos and/or other material in the guidelines. (You will also find a lot of material in your local language)
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BORROWING MONEY AND DEBTS

CONTENTS:

- Meaning of borrowing money
- Types of credit
- Rate types
- Comparing credits
- Consumer credit ratings
- Leasing
- Credit vs leasing
- Cash method of accounting
The meaning of borrowing money

When you need more money than you have?

There is a high probability that the time comes, when you need more money than you have.

If you are in need of money for an essential item or to help make your life more manageable, it’s a good thing to familiarize yourself with the kinds of credit and loans that might be available to you and the sorts of terms you can expect.
Best Way to Get what you Want:

1. accumulating cash

2. When enough money - buying the item

→ But this is often not the time pattern consumers prefer.
For many goods, accumulating cash first could mean doing without the item or paying for more expensive substitute services for a period that might amount to years.

Credit facilitates all these transactions by enabling households to use future regular inflows to pay for lumpy expenditures made today.
EXAMPLES

– People could walk to work or take the bus rather than making payments on car loans.

– People could put on sweaters and coats or live with relatives when their heating system failed.
ECONOMIC MEANING

- The credit business is the **classic function of a bank**.
- The bank transforms the deposits of the saving persons (maturity, seize and risk transformation) and lends money to credit takers. This is important for the development of a country.

**FINANCING TO**

- Private persons
- Companies
- Public sector

☑ Meaning of borrowing money
Each credit has a specific intended use. They can vary by length of time, by how interest rates are calculated, by when payments are due and by several other variables.
TYPES OF CREDIT

CONTENTS:

- Overdraft facility
- Instalment credit
- Annuity amortization
- Bullet repayment
OVERDRAFT FACILITY

- Allows you to withdraw cash from your current account up to the overdraft limit approved.
- You have to pay interests on the amount you overdrawn.

Overdraft limit: Maximum amount that can be overdrawn
The overdraft limit can:

- be fixed
- change in time
OVERDRAFT FACILITY

- interest %

- is charged based on the amount of overdraft used and is calculated on a daily basis. It is debited from the account at month-end.
OVERDRAFT FACILITY

PARTNER

1. Financial institution
2. Individual customer or a company

→ Both partners of the overdraft facility contract can be borrower and creditor. This depends on the account status. Is there a positive surplus or is there an overdraft?
## Overdraft Facility

### Secured Overdraft
- Pledging an **asset** to the bank as **security**
- The asset could include deposits in the bank, property or shares.
- If the bank stops your secured overdraft facility and you are **unable to repay** your debt, the bank has the right to sell your pledged **assets to recover** what you owe it.
- If the proceeds are not enough to recover debt → still liable for the difference.

### Unsecured Overdraft
- **No assets** are pledged as security.
- Sometimes banks can only grant unsecured credit of up to three to four times an individual's monthly income. This includes credit granted on credit cards and other unsecured credit facilities.
Credit repayable in a series of payments (instalments), usually monthly

- The repayable amount consists of 2 parts
  - Redemption (constant)
  - Interest payment (falls)

The overall payment is not constant. It falls!
INSTALMENT CREDIT

**DIRECT**

- Your partner is a **financing company** (=direct lender)
- A direct lender is a company that is doing all the underwriting and management of the loan from the start. There is no intermediary, just you and the company you will be borrowing the money from.

**INDIRECT**

- Your partner is a **saler** (=indirect lender).
- Indirect lenders act as **intermediaries** between you the borrower and the financing company.
INDIRECT INSTALMENT CREDIT

Easy Installment plan
Get the Galaxy S9 | S9+ on easy monthly installments
Valid from May 30, 2018 to Dec 31, 2018

0% Interest Rate*

* Bank Terms and Conditions Apply

EXAMPLE
ANNUITY AMORTIZATION

− The **regular monthly payment** required is constant in every period.

− The repayable amount consists of two parts
  
  − **Redemption (rising)**
  
  − **Interest (falling)**

The overall payment is constant.
Bullet repayment

- Redemption for the credit only at maturity
- Regular interest payment every period

☑️ Types of credits
**INTEREST RATE TYPES**

### Fixed rate
- Rate does NOT CHANGE
- Lower risk, no surprises
- Higher interest rate

### Adjustable rate
- rate can increase or decrease based on the market
- Higher risk, uncertainty
- Lower interest rate to start

Combination: After initial fixed period, rate can increase or decrease based on the market.
You might prefer a fixed-rate loan if you value certainty about your loan costs over the long term.

→ Your interest rate will stay the same
You might prefer a variable-rate loan if you think that interest rates will fall.

→ You will have to pay less interests.

→ BUT when interest rates rise, you have to pay more interest.
The term of your loan is how long you have to repay the loan.

This choice affects:

1. Your monthly principal and interest payment
2. Your interest rate
3. How much interest you will pay over the life of the loan
**LOAN TERM**

**SHORTER TERM**
- Higher monthly payments
- Typically lower interest rates
- Lower total cost

**LONGER TERM**
- Lower monthly payments
- Typically higher interest rates
- Higher total cost
HOW TO TAKE OUT A CREDIT

STEPS:

1. Request Loan Estimates from multiple lenders
2. Compare offers and fine-tune your options
3. Choose a loan offer
STEP 1: Request Loan Estimates from multiple lenders

Contact the lenders you are considering and tell them you are ready to request a loan estimate.

You just need to provide key pieces of information to begin your loan application:

- Your name
- Your income
- Your social security number
- The loan amount you want to borrow

Can be different in different countries
STEP 1: Request Loan Estimates from multiple lenders

Ask each lender for the same kind of loan with the same features. You want to be comparing apples to apples when you get your loan estimates. At this point in the process, you should already have a pretty good idea of the kind of loan and features you want:

- Loan type
- Rate type (fixed or adjustable)
- Loan term
- Loan amount
STEP 1: Request Loan Estimates from multiple lenders

If a loan officer suggests a different type of loan or features than what you asked for, ask questions. It’s possible the loan officer has found a better loan for you, but they may also be trying to sell you a particular type of loan for other reasons.

→ Ask the loan officer to explain why they think the new loan is a better deal for you.

Ask the loan officer to give you Loan Estimates for both the original loan you asked for and the new loan they are suggesting, so you can see the differences in costs and risks.

Don’t make any decisions until you feel confident you understand the pros and cons of all the options you are considering.
STEP 2: Compare offers and fine-tune your options

- Make sure the offer reflects the loan option that you discussed with the loan officer. If anything seems different, call the loan officer right away to ask why.

- The Loan Estimate shows you the terms the lender expects to offer you if you decide to move forward with your loan application. You have not committed to this lender. In fact, you are not committed to any lender before you have signed final closing documents.
STEP 2: Compare offers and fine-tune your options

→ Consider negotiating
If you feel most comfortable with one lender but another has a better offer, go back to your preferred lender to see what they can do.
Your best bargaining chip is usually having Loan Estimates from other lenders in hand.
STEP 3: Choose a loan offer

Contact the lender you choose to tell them that you are ready to proceed with your application. If the lender has given you more than one Loan Estimate, make sure to be clear about which loan you want to proceed with. It’s a good idea to run through the key terms with the loan officer to confirm that everyone is on the same page.

Never sign a form with blank spaces
When you sign a loan application, you are saying that what is on the form is true. Don’t let anyone persuade you to sign a blank form or a form with any blank spaces left to be filled in later.
COMPARING CREDITS

There are homepages where you can compare credits. Depending on your country you have various alternatives.

**HOMEPAGES FOR AUSTRIA:**

- Comparing credits from different banks:
  - [https://durchblicker.at/kreditrechner?gclid=Cj0KCQiA8f_eBRDcARIsAEKwRGcWC-ll_bPX8FtdbUmEGWIQJkh_cxdmbiTqTisEOAPNIxxDPvQnsIaAvvQEALw_wcB](https://durchblicker.at/kreditrechner?gclid=Cj0KCQiA8f_eBRDcARIsAEKwRGcWC-ll_bPX8FtdbUmEGWIQJkh_cxdmbiTqTisEOAPNIxxDPvQnsIaAvvQEALw_wcB)

- Comparing credits from one bank:
  - [https://www.raiffeisen.at/oesterreich/1171455185331250605_1171455322770204459_1175211758612277259-1034181781565721796-NA-30-NA.html](https://www.raiffeisen.at/oesterreich/1171455185331250605_1171455322770204459_1175211758612277259-1034181781565721796-NA-30-NA.html)
– Credit score is one of the most important determining factors when it comes to borrowing money.

– Different lenders ↔ different used credit scores
  ➢ What one lender may view as a “good” score may fall into another lender’s “fair” credit category.
Credit scoring

- is a technique which summarizes your credit status at a particular point in time.

- If you have a good record of repaying loans, then you get a high score.
CONSUMER CREDIT RATINGS

Ensure your rating stays “good” in the long-term

– It can help to pick one credit score and monitor your progress over-time.

– Pay attention to whatever is being cited as a “risk factor” — for instance, say, the amount of debt you’re carrying is too high.

– Make loan payments on time

– Keep the amount of debt you owe below

– Manage how often you apply for new credit in a short timeframe.
LEASING

— “Why own a cow when the milk is so cheap? All you really need is milk and not the cow.”

- Donald B. Grant

Concept of lease is influenced by this quote.

We can compare

- milk → rights to use an asset
- cow → the asset itself.
LEASING

– Arrangement between the **lesser** (owner of the asset) and the **lessee** (user of the asset)
– **Lessor purchases** an asset for the lessee and allows him to use it
– **Lessee pays periodical payments** called lease rentals or minimum lease payments (MLP) to the lessor.
– A lease is **NOT a loan**.
– There are **no interest rates**.
OBLIGATIONS OF

LESSOR

- Deliver goods in proper conditions
- Receive payments

LESSEE

- Make payments
- Make choice of whether to acquire ownership of asset at expiration of contract
There are four different things possible post-termination of the lease agreement.

1. The lease is renewed by the lessee perpetually or for a definite period of time.
2. The asset goes back to the lessor.
3. The asset comes back to the lessor and he sells it off to a third party.
4. Lessor sells to the lessee.
<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Balanced Cash Outflow: cash outflow or payments related to leasing are spread out over several years</td>
<td>– Lease payments are treated as expenses rather than as equity payments towards an asset.</td>
</tr>
<tr>
<td>– Quality Assets</td>
<td>– No Ownership</td>
</tr>
<tr>
<td>– You don’t have to worry about trading or selling your leasing object</td>
<td>– It can work out to be more expensive than if you buy the assets outright</td>
</tr>
<tr>
<td>– Protected by a warranty</td>
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**EXAMPLE: CAR LEASING**

*What is car leasing?*

- Choose a vehicle → for an agreed length of time (usually between two and five years)
- Complete freedom of choice over your vehicle’s make, model and specifications
- Contract is tailored specifically to you in terms of the estimated annual mileage, the length of contract and how you’d like your payments to be structured.
**EXAMPLE: CAR LEASING**

**What are the total costs?**

- The **total costs** of your lease is calculated **based on several factors**:

  1. Value of the car (undriven)
  2. Car’s estimated value at the end of the lease (the residual value)
  3. Annual mileage allowance
  4. Length of your lease
  5. Additional you have to pay for a fully comprehensive car insurance
How does it work?

- You put down a deposit → initial payment (usually equivalent to a few monthly instalments)
- Followed by fixed (monthly) payments that continue until the end of the contract.
- In general, the longer the period, the lower the monthly payments.
EXAMPLE: CAR LEASING

End of the lease:

- Vehicle is simply returned, checked over, and your payments then cease, leaving you free to lease another car.

- If you exceed the agreed mileage → there’s typically a straightforward pence per mile calculation that you pay on returning the car.
CREDIT VS LEASING
DISCUSSING THE VIDEO

https://www.youtube.com/watch?v=IA-mGZCccIc
CREDIT VS LEASING
DISCUSSING THE VIDEO

- Ownership
- Instalments are limited

- No ownership
- You have to pay instalments during the whole leasing-process
CREDIT VS LEASING
DISCUSSING THE VIDEO

– Instalments credits

> 

– Instalments leasing

Co-funded by the Erasmus+ Programme of the European Union
CREDIT VS LEASING
DISCUSSING THE VIDEO

USUALLY:
Short term: Leasing is cheaper
Long term: credit is cheaper
# Credit vs Leasing

<table>
<thead>
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<th>SPEED</th>
<th>CREDIT</th>
<th>LEASING</th>
</tr>
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**Credit**

- It can take **weeks** to prepare your request and bring it to the credit committee for review.

**Leasing**

- Approvals are often issued the same or next day.

**Taxes**

- You might have tax benefits with leasing → depends on your country!

**Available Terms**

- Banks tend to be less flexible.
  - Generally you choose terms, purchase option etc. → more flexible.
## Credit vs Leasing

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<td><strong>Collateral</strong></td>
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<td>In most instances, the only collateral is the</td>
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<td>or house etc.</td>
<td>equipment being leased.</td>
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In most instances, the only collateral is the equipment being leased.
So what should you do?

IT DEPENDS ON YOU!

There are advantages and disadvantages on both sides.

It’s **not possible** to say that

- leasing is always better than credit
  - or
- credit is always better than leasing

Think about what factors are important to you.
How much money are you able to spend for your credit/for your leasing (per month)?

Cash method of accounting will tell you!

3 steps:
1. Analyse your earning
2. Analyse your outgoings
3. Compare earnings and outgoings
STEP 1: Analyse your earnings

- Collect information from the earnings of the past
- Distinguish between regular and irregular earnings
STEP 2: Analyse your outgoings

– Collect information from the outgoing of the past
– Distinguish between regular and irregular outgoings
– Is important to **know your fix costs** (per month/per quarter)
STEP 3: Compare earnings and outgoings

- Subtract the outgoings from your earnings.
- Now you see your saving potential -> maximum potential payment for your credit/leasing

- This step can help you to find saving-potentials
- You can do this with Excel, with a notebook, with an app etc.
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