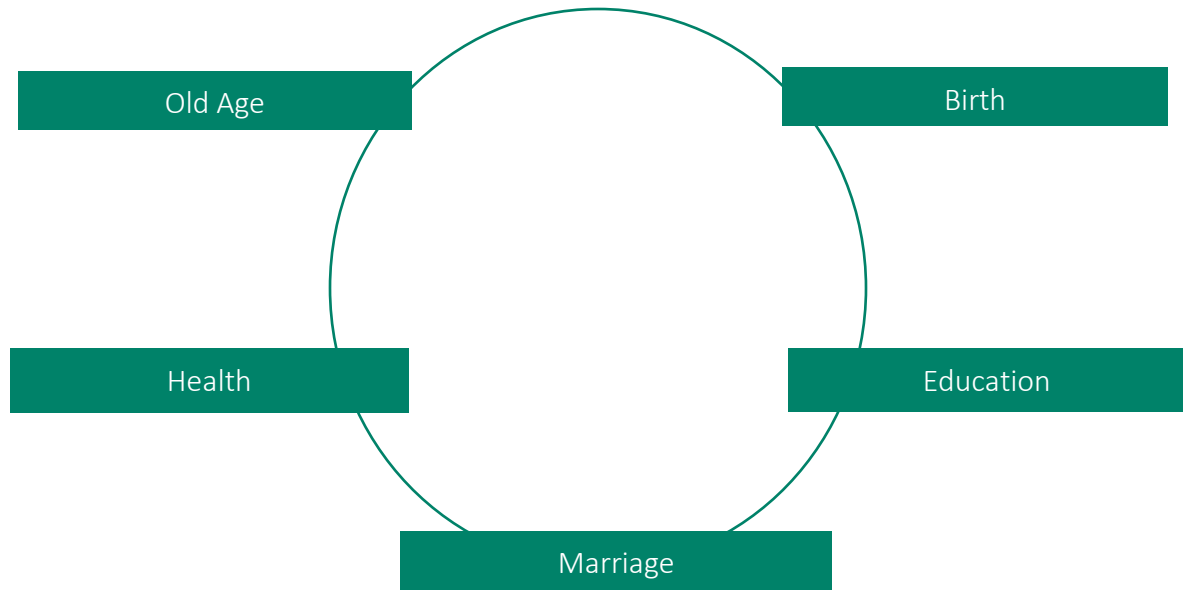


Household Life Cycle – Chapter 1



Pervez, Bano and Sara are all on different stages of their household lifecycle. They all need to understand where they stand financially, realize their long term, medium term and short term goals. Prioritize their goals and choose the right financial path for them. They need you to guide them through their difficulties by making sound financial decisions in order to fulfill their short term goals, medium term goals and long term goals.

Pareshan Parvez

Here is Pareshan Parvez. Pareshan Parvez has three kids. A new born baby, a girl ready to go to college and another girl about to get married. Pareshan Parvez also has a regular visitor Mehngai Mooroo. On a regular Monday morning and Pervez realizes he's out of diapers for his baby, he needs to visit the nearest kiryana store. As he walks along to the store with his wallet in hand he is joined by an annoying companion, Mehengai Mooroo. Mehengai Mooroo talks about tomatoes and it's skyrocketing prices stressing Pervez out. As Parvez pays for the diapers Mooroo whispers in the shop keepers ear and the shop keeper announces that Parvez needs to pay more since the prices have risen. Parvez realizes he doesn't have enough to get both diapers and flour, which was also running low at home.

Pervez gets the diapers and walks back home on the way he meets Bachat Bano, who is out shopping for her daughter's wedding with her son who's just returned from college. Mehengai Mooroo doesn't like Bachat Bano and leaves and Bano ignores him as well. Bano could sense that Pervez was stressed out and asked him the reason. Pareshan Pervez said he has three goals in his life, his short term goal of

getting the best care for his newborn baby, his medium term goal of getting his daughter married and his long term goal of sending his daughter to a college. Bano could relate well. Bano asked what seems to be the problem. Pervez went on to describe how all his goals were becoming harder to achieve with the day by day increase in prices. Bano offered him sympathy's and advice. She told him how she herself pays for her son's college through pitching in on committees and kept aside money for her daughter's wedding for two years and saved it in a pillow case at her home. This makes Pervez think of his own situation.

What should Pervez do?

- 1. Start saving his income bit by bit every month?**
- 2. Save all of his income?**
- 3. Keep on spending his entire income?**

Pareshan Pervez reached home and felt a severe need to organize his income and expenses. He spoke to his wife Budget Bibi who told him to start budgeting. Pervez was new to the concept thus his wife explained to him that he should record his income which is the amount that he earns regularly, and then deduct their foreseen expenses which is the amount his household spends regularly from his income, and this way they can prioritize their expenses so they can begin to eliminate expenses that weren't absolutely necessary. By predicting their expenses and cutting down on them Pervez could begin his journey of saving for his goals, long term ones and short term ones both.

What should Pervez do?

- 1. Begin budgeting his income and expenses.**
- 2. Carry on as before and hope for the best.**

Bachat Bano

Bachat Bano was known for being a big saver, she saved up to Rs. 10,000 in her committee. Apart from that she has 20,000 saved in her pillow case at home. She planned on buying a television set for her daughter's wedding. However, she realized that in the time that it took her to save the prices for the television had increased. As she saw Mehengai Mooroo pacing outside her house she realized she needed a method of saving that would better protect the value for of her money.

She is due to getting the amount from her committee in a few days. And she has realized she doesn't need to spend immediately, thus the money would be sitting idle at home.

Sarmayakar Sara is a close friend of Bano and has a solution for her. She tells Bano that over time as inflation rises the ability of her savings to buy decreases due to the prices for goods and services increasing. You will have to spend more on a product that was previously less costly all because of inflation.

To Bano this was shocking news. She started to feel like her savings were being eaten away when she put so much effort in accumulating them. However according to Sara not all was lost and she could easily protect the real value of her savings. Bano was intrigued. Sarmayakar Sara then proceeded to tell

Bachat Bano that she needed a way of savings that would earn her income while it's saved. Bano couldn't think of a way she could earn income on her committees or on the money kept in her pillow case and was confused. Bano asked Sara where she kept her savings. Bano was surprised to find out the answer. Sara kept her savings in a bank. Bano had no experience with a bank, Sara on the other hand said she feels her money is safer in a bank and she earns a regular amount on her savings simply by keeping it in a bank. Bano realized that she could meet her short term goals and long term goals much faster if her money were to earn while being saved rather than sit idle. To Bano not having any income earned on her savings started to feel like a lost opportunity.

What should Bano do?

1. **Keep saving her income in pillow cases at home?**
2. **Keep putting money in committees?**
3. **Save in a bank and get a return?**

Bano decides to go to a bank however she is confused about how they work. Sara told her that a bank keeps your money in various accounts, according to your needs. Bano was assisted by Banker Baber who worked in the local banking branch. Keeping money in the bank was called making a deposit, Baber taught Bano. Bano learnt that there were two types of accounts. There was one that catered to your day to day needs called a current account, and one that catered to people who wanted to leave their money untouched in an account for future usage called a savings account. Bano wanted to deposit the money that she kept in her pillowcase and did not utilize on a day to day basis as she wanted to keep it safe until later for her daughter's wedding festivities expenses.

What account should she prefer?

1. **A current account**
2. **A savings account**

Sarmayakar Sara

Sarmayakar Sara had big plans for her future. She had one long term goal and that's what she keeps herself focused on. Sarmayakar Sara owned one cow and supplied milk through her own home to the townspeople. Sara wanted to save enough to buy one more cow and turn her operations into something bigger. She wanted to save up enough to buy another cow and supply milk to an increased number of people. She had saved up to Rs. 30,000 from her teaching job at the local school. She needed to double that number up to a Rs. 60,000 to be able to afford the cow and start expanding her business. She started to consider her options, she could borrow from her brother Karza Kamran and decided to speak to him about it. Kamran listened intently to his sister's request and thought her business was a good idea. However, it turns out Kamran could only lend the money to Sara for a three months and would need the amount back in at the end of the three months as he had plans of treating his wife's knee surgery which is in three months and he needed the amount to pay for it. This put a real brake on Sara's plans, there was no way she could come up with that amount in the foreseen future with her current income. She considered borrowing from other people she knew however she also knew that they

couldn't lend to her for a long time either as they all had plans for them and were keeping it for their own purposes. Karza Kamran seeing his sister's troubled face said they that she could borrow from someone else who wouldn't need it back immediately thus lend for a longer period of time. Kamran was talking about borrowing from a bank.

What should Sara do?

- 1. Sara should carry on saving from her income and put off her plans for her business for later?**
- 2. Sara should borrow from Kamran and then borrow from someone else to pay him back in 3 months?**
- 3. Sara should find out about borrowing from a bank?**

Sara chooses to borrow from a bank and heads the next day to talk to Banker Baber. Banker Baber tells her that borrowing from a bank is called taking a loan. A loan is given by a bank as a certain amount lent to the customer which is to be returned after a specific time period. Sara was very happy to hear this but curious as to why a bank would lend to her for free. Upon which Baber tells her that Sara must pay a cost of borrowing called an interest rate. This would be a minimal fee charged on the entire amount and would be payable every month. Sara realized that the amount could be easily paid with the income she'll be earning with her milk business but paying the entire loan amount back felt like a daunting task to Sara. Baber upon seeing Sara's hesitancy decided to ease her confusion by introducing the concept of installments. Sara had never heard of the term installments before. Baber proceeded to tell her about the term that soon familiarized her with the concept. Installment's he said was a way Sara could repay her loan bit by bit in smaller payments until the full amount was paid.

What should Sara do?

- 1. Borrow from the bank and pay back in installments.**
- 2. Postpone her dream of having a milk business.**

Bachat Bano – Chapter 2

Bachat Bano on a fine Monday morning is found in her local bank branch. She has decided to gather information directly from Banker Babar about how she can start the process of putting her money in a bank. Banker Babar eagerly starts to guide her.

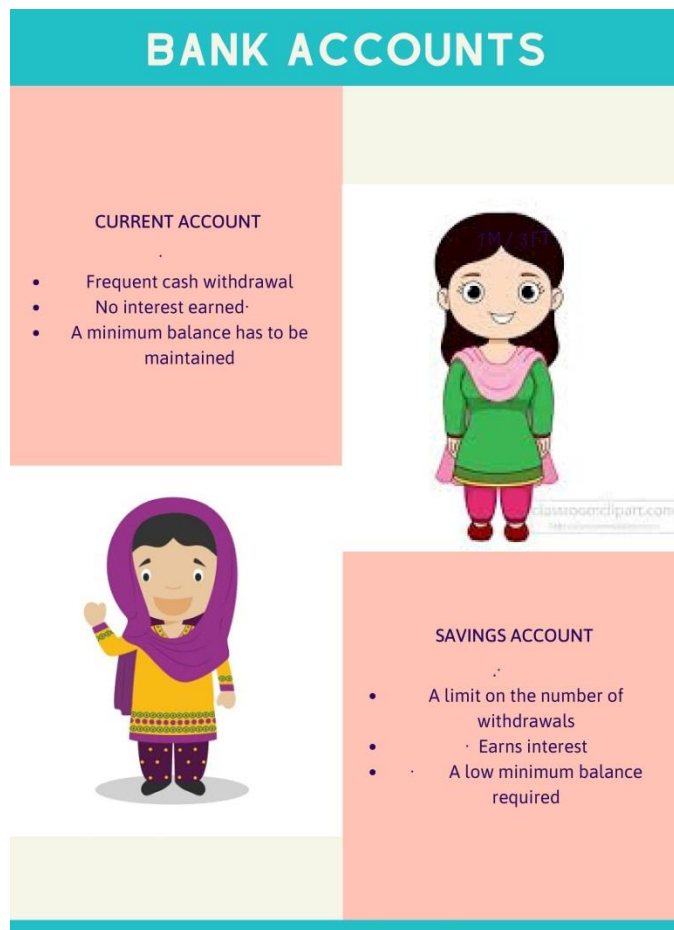
“Putting money in a bank is called a deposit. Once you deposit your money the bank creates an account for you.” says Babar.

To Bano it was pretty clear that the amount she would be giving for safekeeping is called the deposit and where it’s kept safe under her name is the bank account.

Babar further explains, “There are two types of bank accounts, a current account and a savings account. Bano, you will have to choose which one to keep your money into.”

Bano gets confused at having to make a decision about choosing accounts whose name she’s heard the first time.

Babar sensing Bano’s confusion provides her with a pamphlet that shows her the difference between a Current account and a Savings account.



Bano takes the pamphlet home. On her way home she runs into Sarmayakar Sara and invites her for tea. Over tea Bano voices her concerns about the decision she has been asked to make about which account to open in the bank. Together Sarmayakar Sara and Bano study the pamphlet.

They understand from the pamphlet that a Current account will make it easier for Bano to withdraw money whenever she wants, it won't give her any new income in terms of interest and she will have to keep a certain amount in the account at all times. Bano compares the features of what the account is offering her with her long term goal of saving for her daughter's wedding and earning some extra money rather than letting it sit idle while it's value goes down due to prices being on the rise.

Bano decides with Sara's approval that the current account while useful is not in accordance with Bano's long term goal.

Thus she reads up on the information given to her in the pamphlet about the Savings account which is her other option. The savings account allows her to keep her money in the bank and allows for only a limited number of times you can take money out of that account. Reading this Bano realized that this was a very ideal situation as the unavailability of the money would allow her to save without giving into her temptation to spend.

Next Bano reads that the putting her money in the Savings account will also result in her getting a certain income that the bank would pay her for keeping her money in the bank. This is called interest, explained Sara. Thus, Bano would be able to reach her goal amount sooner than she planned. This was really good news for who had been very worried about her daughter's wedding expenses.

The Savings account also requires only a small amount so Bano did not have to worry about whether her amount was appropriate enough to be kept in the bank.

It was clear to Bano that the Savings account was the perfect one for her and she decided to visit Banker Babar the very next day.