



# Be Wise with Money

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**Illustrator:** Deepa Balsavar

## Dreaming of becoming rich

Let us start with this story about a milkman. One day, on the way to sell milk, he started dreaming:



"I will get money when I sell this jug of milk.



With that I will buy some hens. They will lay eggs.



I will sell the eggs and buy a goat. I will sell goat's milk





and earn a lot of money. With that I will buy a cow.



And soon I will have lots of money!!!" What do you think happened after that?

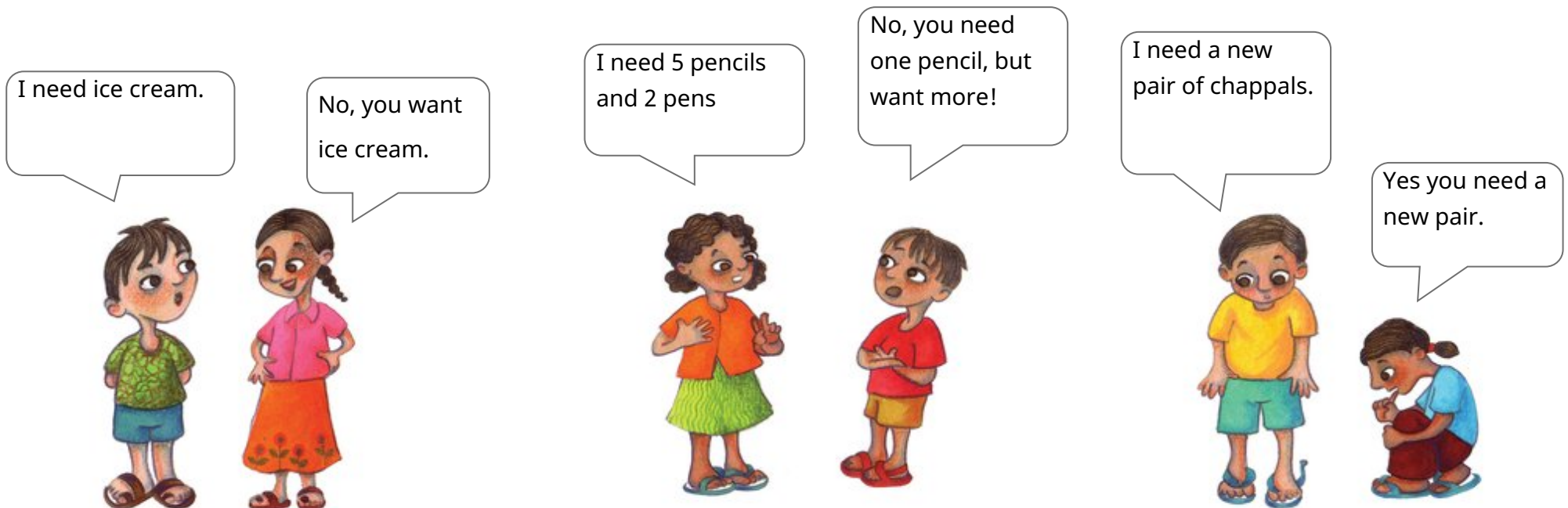
The fool and his money are soon parted, says an old proverb. Once we have earned money we must use it wisely. We can save it in a bank, or use it to start and run a business to earn more money, or invest in companies that will give us regular income. We must know how to live within our means and yet make our dreams come true. Wise people know how to make money without breaking the laws of a country. You too can learn to be wise with money.

**“Earth provides enough to satisfy every man's needs,  
but not for every man's greed.”**

**- Mahatma Gandhi**

**Do I REALLY need another bat?**

People work and earn money to take care of their needs as well as their wants. What is the difference between **need** and **want**? You need a bicycle to get to school and back if there are no good bus facilities in your town. You dream about a new cricket bat – this is a want, not a need. We need healthy food to stay alive. We want food that is not only healthy, but also tasty, rich, juicy, hot, and served in nice restaurants.





Families spend money depending on the needs of each person in the family. Basic food, education, housing, safety, and saving for the future are all needs. If there is enough money left after spending on the needs, families then think about spending on wants. Ask your mother if this is the reason why she did not let you buy something you wanted? Ask her what she did with the money instead.



## The Value of work:

### Work = money?

Not all work is paid for by money. Not all work needs to be paid for. Can you think of examples for such situations?

I cook, clean, shop, teach, manage money, and get paid back with love.



But if we had to pay money for all that it would add up to so much!

What a wonderful reward for saving this animal.

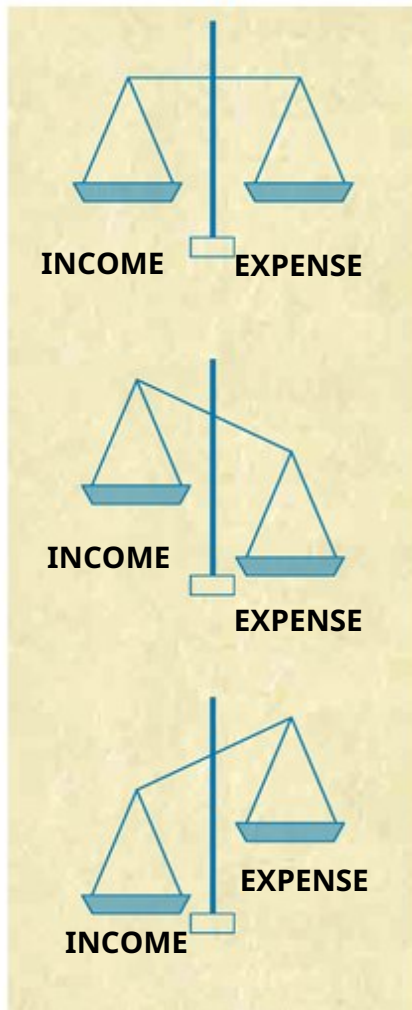


What is the price of sunshine?  
We get it free!

## Keeping track of expenses

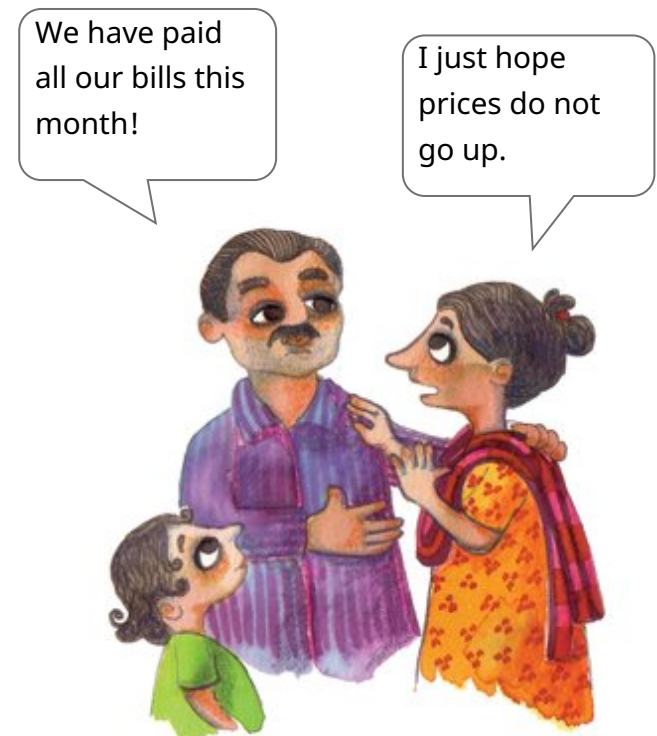
Most people earn money by working for themselves or for someone else. A family may have one or more members with incomes. A family spends and saves depending on the income, the needs and the expenses it has to make. A budget is a plan of action for this.

These are the scenes that may occur in most families:



### **Income = expense.**

There is no money left for saving or to be given to others as loans. Taking care of any unforeseen expense will make the situation difficult for this family. Why?



Looks like we will have to borrow some money this month.



### **Income is less than expense.**

This is not the best situation for a family to be in. This means the family has to borrow to match expenses. Loans have to be returned within a period of time along with interest. The family has to reduce expenses to ensure that income is closer to the expense. In extreme cases, if they don't get a loan, they will have to sell some asset like a scooter or TV to get money.

With our savings we can go on a holiday next year.



### **Income is more than expense.**

The extra money left after all the expenses are made can be saved in many ways or invested in plans that make your money grow. This is the situation that all of us aim for. The better the income, the more we can spend on needs, and save for the future.

Philanthropy is the act of being generous towards mankind. Wealthy philanthropists help to build schools, hospitals, stadiums or set up foundations for the welfare of people.



## The family budget

Expenses are of different kinds – short-term, and long-term. The family has to keep money for every-day expenses and monthly expenses. Money must also be set aside for yearly expenses. A family budget is a plan for your family's money.

One way to save enough for long-term goals like building your own house, or owning your own field, or setting up your own company is to reduce short-term spending. Students can help in reducing short-term expense for their family by wasting less note-paper, taking care of their belongings like pens, books, water bottles and spectacles.



If I save Rs. 5 every week, I will be able to buy a school bag soon.

With these unused pages I can make a new notebook for myself.



A budget is made as a guide to help families manage their income in the best way possible. But sometimes, when unexpected things happen, say when prices go up suddenly, or when the income decreases, there are some ways in which people can still manage to live within the budget. This includes renting things rather than buying them, or buying on instalments, taking advance payments, and accepting government subsidies.



## It's easier to pay in instalments

Banks and other financial institutions (What's this? Refer to Book 3-The Money Managers) help people to make their long-term dreams come true by giving them loans. They also give people a chance to buy first and pay for a thing later. For example, people can buy a computer by paying just a small amount first. The rest of the payment can be made in equal parts, called **instalments**.



If you want to buy a computer worth Rs.20,000, would it be better to save Rs.2000 each month, and buy the computer after you have saved for 10 months? Or should you buy the computer now on instalments, at a slightly higher price? What do you think?



## Helping those who help themselves

In many countries, the government and other social welfare institutions help people who have proved that they are hard workers, but still need more money. For example, if a student gets excellent results in a board examination but still finds that she cannot take up higher studies due to the high college fees, the student can apply for scholarships.



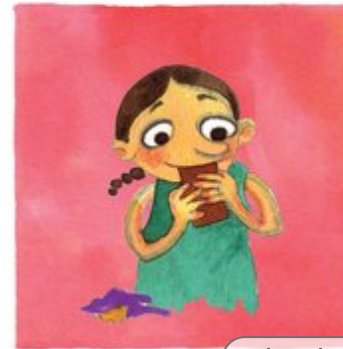
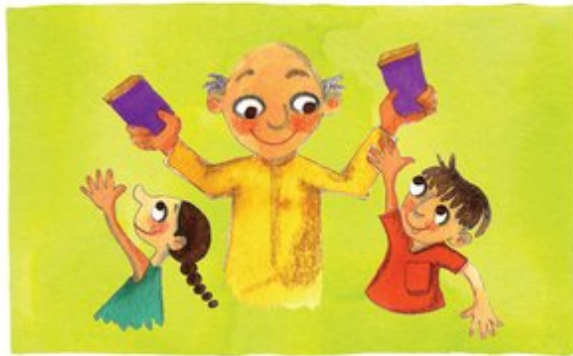
Sometimes, the government pays partially for things that people have to use, but are unable to pay for fully. Poor farmers may work very hard, but may not be able to repay their loans or buy fertiliser – the government gives them fertiliser at a lower price. This is called a subsidy. In India, kerosene, farm equipment, seeds, cooking gas, water and school canteens are usually subsidised.

Who pays for the subsidies? The money collected in the form of taxes from all of us is used by governments to help give subsidies.



## Pocket Money

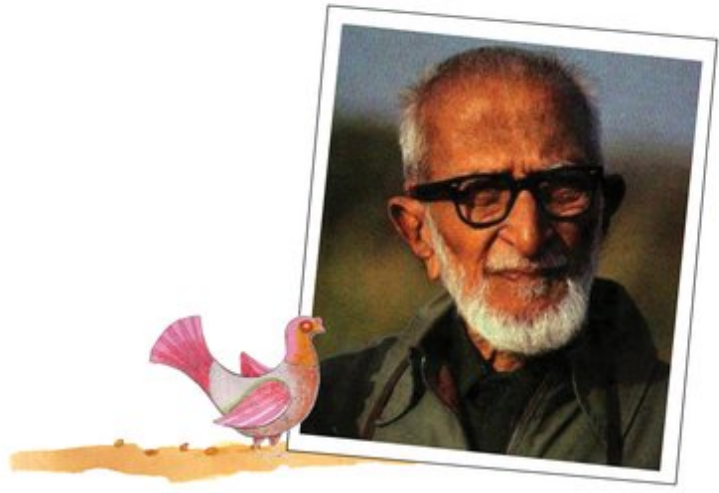
Some families give a small sum of money to their children each month to be used as they wish. Some children use it all up on the day they get their pocket money, while others spend it a little at a time. Some kids save it for as long as possible. During festivals and holidays children also get small monetary gifts from relatives. The pocket become's heavier during such times! If you learn how to manage your pocket money, you may learn to handle your money as you grow up too.



Why didn't you finish yours?

I'm saving it for later.





Dr.Salim Ali, fondly called the Birdman of India, talks about what he did with his pocket money in his famous book 'Fall of the Sparrow'. With his pocket money of Rs.2 a month, he used to buy a pair of grey partridges or bush quails or any other new bird in Crawford Market. He became one of the greatest ornithologists in the world.

### What can you do with pocket money?

- SPEND IT**: A girl in a green patterned shirt with her arms raised.
- SAVE IT FOR LATER**: A girl in a blue shirt holding a red gift box.
- START A SMALL BUSINESS WITH IT**: A boy in a red shirt holding up several colorful cards or drawings.
- INVEST IT**: A boy in a green shirt holding a small yellow object.
- I CAN ALSO...???**: A girl in a red shirt with her hand to her chin in a thinking pose.

Suhas Gopinath started a website when he was just 14 years old. He became the youngest owner of a multinational information technology company when he was just 15 years old. How did he learn so much about the Internet?



With a monthly pocket money of Rs.15, I can't afford to surf the Internet.



I have an idea!



I'll take care of your shop during lunch. In return, may I use the net for free?



And this was my first successful business deal!





## Does the value of money change? yes.

Dr.Salim Ali (1896-1987) used to get Rs.2 as pocket money. That is Rs.24 a year. If in 1905, he had decided to save his money, and kept the Rs. 24 as a fixed deposit in a bank, it would have become more than Rs. 14,000 when he died at the age of 91 years. But if he had saved like this, would he have become an ornithologist?

Try this: Say you start saving Rs. 10 per month when you are 12 years old. Ask a bank officer how much you will have for your 18th birthday.

When I was young I hid a fortune in a pot under the mango tree.



When I was young, Rs. 5 was a fortune! I should have spent it like my friend Salim.

Five rupees ?!



What are these annas?



The best time to start saving is now. Saved money is of no use to any one if it is just kept buried somewhere. Money has to be used well, for the value of money keeps changing.

## Team Chanakya is here to help

What do you do with saved money? Team Chanakya (Refer to Book 3-The Money Managers) consists of banks, insurance companies and fund managing companies that help us to make the best use of our money. They also help us set up and manage businesses. You can be a business person too!

Last summer, Dadaji had given Heera and her brother Moti Rs.20 each as a gift for doing well in their final examinations. "It is so hot! I'm sure all our friends would be happy to drink lime juice," said Heera.

"I'm not going to make juice for all your friends!" said their mother who was so tired of working.

Heera and Moti set out to the market. On the way they met Jawahar. When they told him about their plan to start a lime juice stall, he was interested too. "Here, you can use my money too," he said and handed over Rs.10. They went to the market and got:



They made plenty of lime juice which they filled into 100 cups or kulhads. Since Heera paid Rs.20 out of the total of Rs.50, she owns 40 'shares' in the Gem Juice Stall. Similarly, Moti owns 40 shares. Jawahar owns 20 shares. Then they put up a banner saying: Fresh lime juice just for Rs.1.25



- lime: Rs. 20
- Sugar: Rs.10
- Kulhads: Rs 10
- Ice cubes: Rs.10
- Water: Free

$$\begin{array}{r} 40 \\ \text{-----} \\ 100 \end{array} = \begin{array}{r} 20 \\ \text{----} \\ 50 \end{array}$$





100 glasses sold	75 glasses sold	100 glasses sold	100 glasses sold
Sold at Rs.1.25	Sold at Rs.1.25	Sold at Rs.0.50	Sold at Rs.0.25
Earning = Rs.125	Earning= Rs.93.75	Earning= Rs.50	Earning= Rs.25
Spent= Rs.50	Spent = Rs.50	Spent= Rs.50	Spent= Rs.50
Profit= Rs.75	Profit = Rs.43.75	Profit = Rs.0	Loss = Rs.25
Profit per glass: Rs.0.75	Profit per glass: Rs.0.44	Profit per glass: Rs.0	Loss per glass: Rs.0.25
Heera's profit is Rs.30, Moti's is Rs.30, Jawahar's is Rs.15	Rs.17.25, Rs.17.25, Rs.8.50	Rs.0, Rs.0, Rs.0	Rs.10, Rs.10, Rs.5
Great! Learnt to do business, and made profit too	Some money in the pocket AND they get to drink 25 glasses of juice!	They've not made a profit, but they did have fun!	They felt bad that their money is gone, but they made a lot of people happy! AND they learnt a lot.





When business people start new companies, they invest money. They also invite others to invest money to start the company.

Shares too are a way of investing money. A company allows the public to take part in its growth by making them partners. How? By dividing its ownership into units called shares. Let's say a company divides its ownership into 1000 shares. (Remember, Gem Juice company has 100 shares, each with a value of Rs.0.50)







When you buy a share you own a piece of the company.

The original owner called the **promoter**, usually has the maximum number of shares. If I buy 10 shares, I become a share-holder. (That means I own 10/1000th of the company). When the company makes a profit, the value of the share goes up. When the company makes a loss, the value of the share goes down. Just like Heera, Moti and Jawahar put in money to start the company and then shared the profit or loss, similarly every citizen who has money can buy shares in companies. Share managers advice people about good companies that are making profits. By using money to buy shares, we allow money to grow. But remember, we can also lose our money if the company makes a loss, as it happened to Heera, Moti and Jawahar when they sold lime juice for Rs 0.25 per glass.

## Money and a good life for all



### **Father of Indian Industry - J N Tata**

This is the story of a boy who would have become a priest like his grandfather and many others in his family. Instead, Jamshetji Nusserwanji Tata became the most respected industrialist in India and is called the Father of Indian Industry. His dreams, his sincerity, his intelligent use of money, his love for his country and its people helped him create many companies, which are now called the Tata Group of Companies.

Jamshetji Tata was born on March 3, 1839 in Navsari, a small town in Gujarat. Jamshetji's father, Nusserwanji was the first businessman in a family of Parsi priests. He started a business in Bombay and Jamshetji joined him there in Bombay at the age of 14. J N Tata studied so well at Elphinstone College that the college refunded his fees.

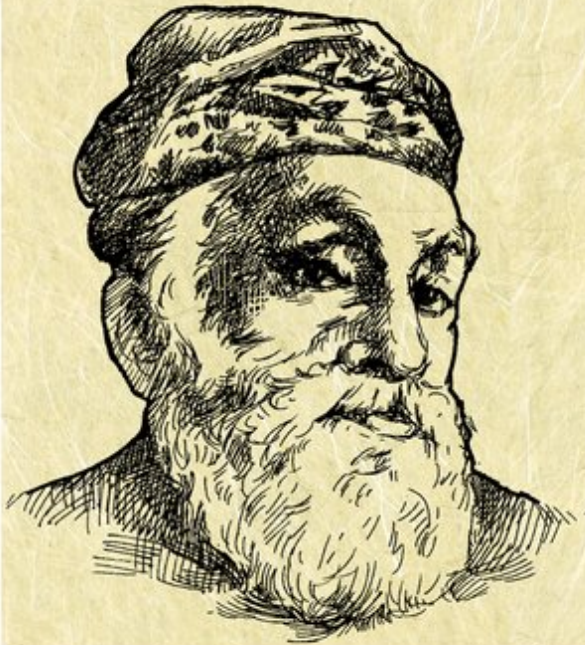




He started his own trading company when he was 29 years old. He wanted to earn enough so that he could use the money in social programmes that would help the nation and its people. He faced many difficulties while setting up companies, but always made sure that the workers had a healthy workplace, and their families lived in comfortable homes, surrounded by parks, playgrounds, houses of worship, schools and hospitals.

Among the best institutions founded by, or planned by J N Tata, are India's first steel company (Tata Steel), first major Indian power company (Tata Hydro-Electric Power), and first technical education institute (Tata Institute of Science at Bangalore).

He used the wealth he created for the welfare of bright students and hard-working people. This great Indian has a city named after him - Jamshedpur.



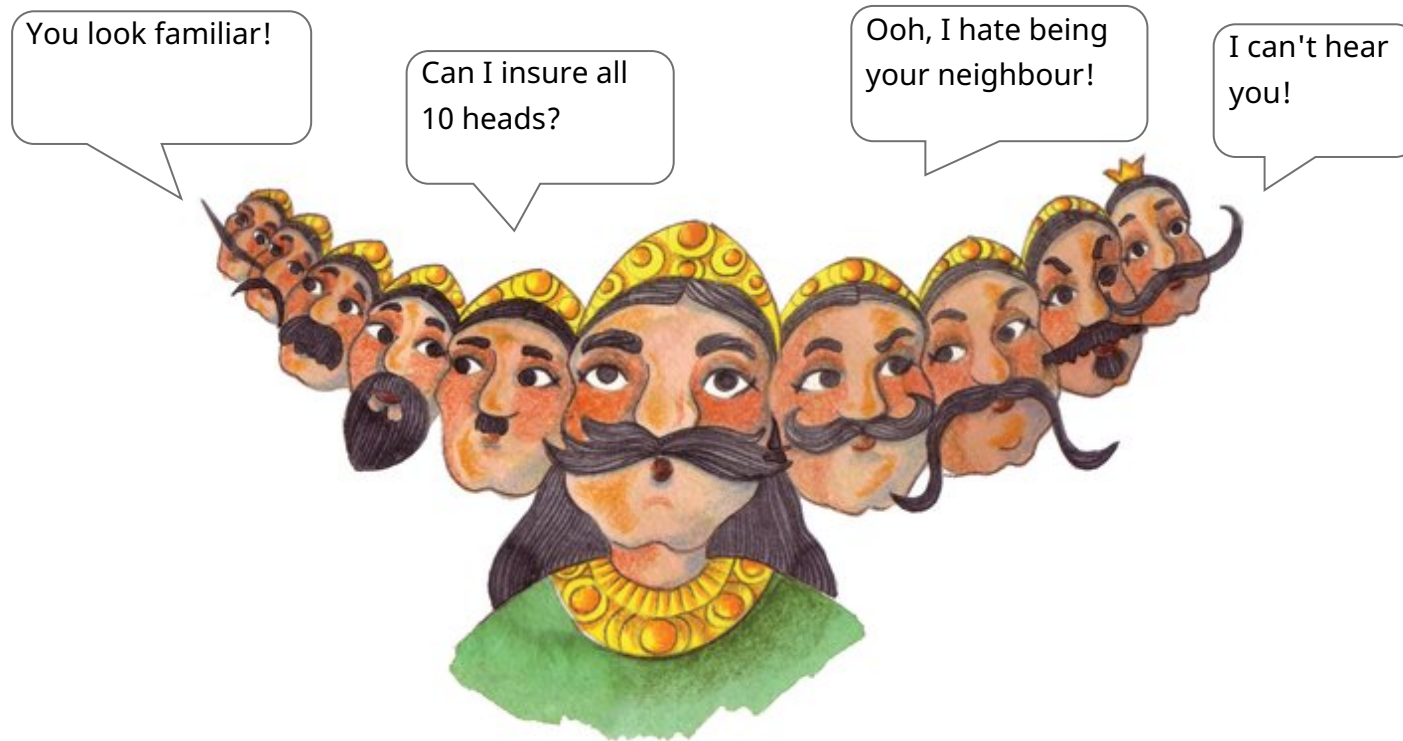




### **How safe is my money?**

Team Chanakya has an important player called Insurance Company. But let's first see what insurance means. We carry an umbrella because we know it will protect us from the sun and rain. Similarly, an insurance policy, protects us during good times and bad times. Insurance is the payment of a small but regular amount of money to protect ourselves against a larger unpredictable expense. The regular payment is called premium. And the larger unpredictable happening is called a risk. When a person starts a computer centre in his village, he may take an insurance policy from a company. The policy says how much he must pay, for how long, and what he will get as compensation in case of a claim following an accident. In case of a theft or accident in the computer centre, the owner tells the insurance company about the loss, he makes a claim depending upon how much damage has happened, and the company pays him an amount based on their assessment. But what happens if the computer centre never catches fire, or is never robbed?

The premium is the price we pay to insurance companies for being able to take care of our business or our savings without having to be afraid of unpredictable things happening in our lives. This is also the money that helps insurance companies to help other people who need financial help.



Insurance companies cover risks like health, life, theft and natural calamities. Farmers pay premiums towards unpredictable weather too: for example, sometimes unseasonal rains can cause a good crop of paddy, mangoes or tomatoes to get spoilt. In such cases, the farmer gets money from his insurance company to take care of his loss.

But remember, just because we have insured ourselves, it does not mean we can be careless. For example, if Shyam has an accident insurance, he cannot run across the road in front of a bus. He will hurt himself first, before he gets money from the insurance company.

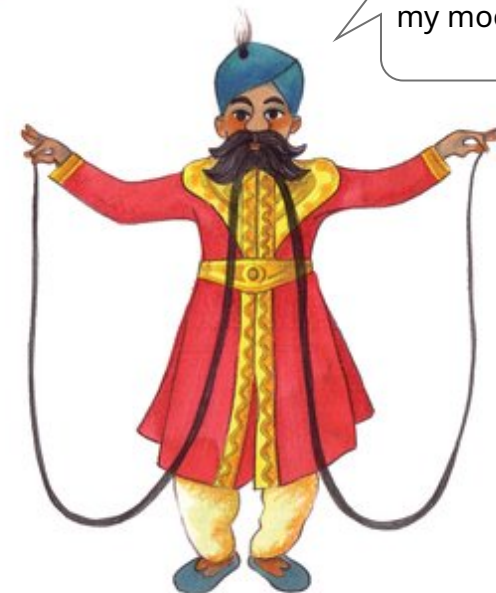
I have insured myself and my dog!



I have insured my legs!



I have insured my moochie!



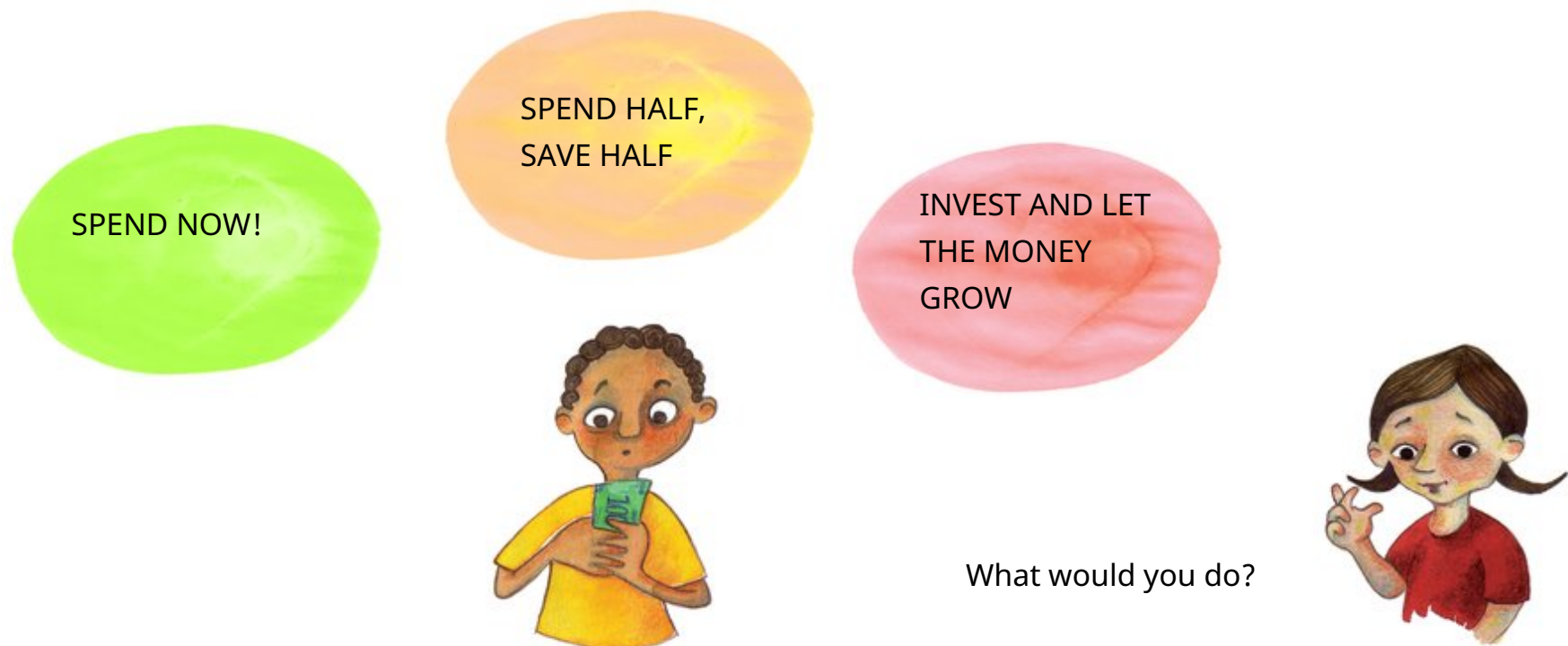
I have insured my gold teeth. All 32 of them!



## Greedy or Wise?

If a child likes ladoos and he buys one to eat, it is a need. If he buys five ladoos so he can eat them through the day, it is greed. If his mother buys flour, cooking oil and sugar to make 50 ladoos, and uses them at different times in a month, she is being wise, not greedy. Why?

Greed is an 'I-want-everything-NOW' feeling that is not good for a person. Thinking carefully about how to manage money within the budget, and to give equal importance to present expenses and future needs is a sign of wisdom. To save money, gold or other valuables for the future is not greed but a way of preparing wisely for all the good and bad things that may happen in life.







## Take a risk, enjoy a reward!

In the folktales that we read, a brave prince climbs mountains and fights with dragons to win a kingdom. The prince takes up the challenge even though he knows the risks. But he takes a bold chance because he is confident that he can win the returns, in this case, the kingdom. Business people often take risks while investing money. Your family buys a piece of land, thinking it can be sold some years later when the price goes up. Usually the price of land goes up, but there have been times when the prices have come down. Selling land at such times results in loss. The higher the risk, more are the chances of the returns being better. But the opposite is also true – the more the return, the higher is the risk. It is best to make financial decisions after thinking about it fully.



I give him Rs. 100/- to make balloons. He sells them and gives me Rs. 200/- back. Good profit, isn't it?



But what about the risks?

Should I write a challan or will you give me Rs. 100?



Taking risks in money matters is not illegal. But making money by doing things against the rules of the country is illegal. If a shopkeeper charges more than what is printed on the cover of a product, then he is making illegal money. If the Maximum Retail Price (You must have seen the letters MRP on biscuit packets, soap bars and notebooks) is marked as Rs.20, the shopkeeper should only take Rs.20 from you.

At a post office, a stamp marked Rs. 5 can only be sold at Rs. 5, not at Rs. 5.25. If a conductor in a bus takes less money than what is marked on the ticket, but gives you a recycled ticket, he is making illegal money. When a retailer sells your family a ceiling fan, pressure cooker or mobile phone for less than the MRP but does not give you a bill, he is making illegal money.



## **The Money Diary**

It is a good habit to note down what you get (income), what you spend (payment), what you save (Is that an asset?), what you have given to others which you expect to get back (loans) and what you have given for good (gifts). Doing this every day, or at least every week will help you manage your money well. Experts have found that people who keep a record of their financial decisions in a diary, try to keep aside some of their incomes to meet future financial needs.

Now that you know a lot about money, here is something for you to think about: if a family spends a little time to plan how it can earn, save and invest money, the family can be secure.

If you spend more time to understand the rules of money, you may have more money to spend!

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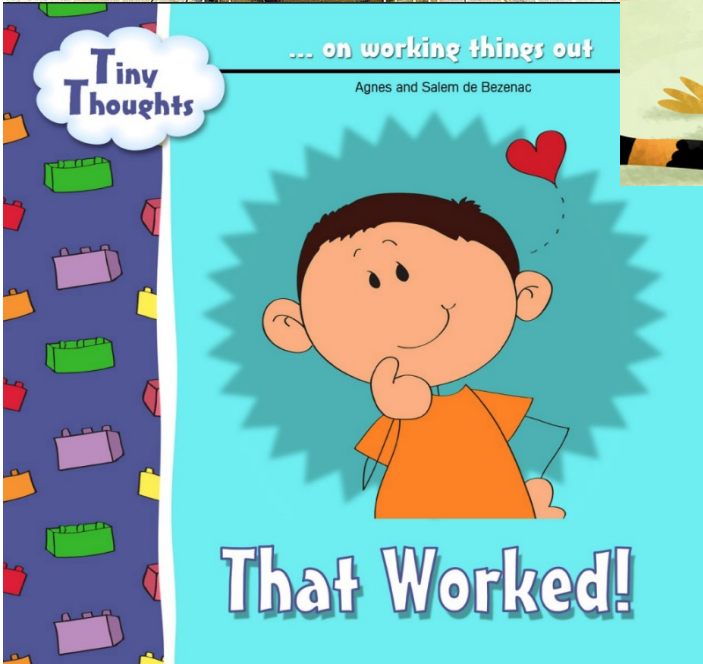
(English)

The Rupaiya Paisa Series brings out many useful facts about money that will help children to use money wisely as they grow up in an ever-changing world. Money travels from one person to another, one place to another. Is it stored under a cave in a big bank? What is an ATM? Why do people pay tax? This is Book 4 out of 4 in the Rupiya Paisa series.

This is a Level 4 book for children who can read fluently and with confidence.



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