

Financial Planning & Decision Making



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Consortium



Introduction

- The goal of FinaLY is to make young people smarter with financial decisions
- Young adults begin making key money choices like saving and spending, in a financial world full of risks and opportunities
- Many young adults in Europe don't fully understand basic financial topics like saving, budgeting, or using credit
- According to an international study by the OECD in 2020, about half of EU adults struggle with financial knowledge



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Objectives

By the end of this presentation, we will be able to:

- Understand budgeting and financial goal setting
- Differentiate between simple and compound interest
- Learn what is inflation and why it matters
- Distinguish between needs and wants
- Learn how to create an emergency fund
- Recognize financial mindsets and emotional triggers
- Compare low- vs. high-risk decisions
- Develop healthy money habits and reduce financial stress



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Financial Literacy

Entering ADULTHOOD, entering a whole new world

- The Financial World
- Whole new language to learn
- New skills to acquire
- LIFE SKILLS for adulthood



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Introduction to budgeting

Basic principles of creating and managing a personal budget to track income and expenses effectively

Budgeting is just a fancy term for helping us keep track of our spending



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Introduction to budgeting



Paying for:

- College fees
- Transport
- Accommodation
- Food
- Entertainment
- Clothes
- Etc.



Introduction to budgeting



Planning YOUR
expenditure



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Managing Interest

We all have lots of interests

But what is INTEREST???

Interest is money charged regularly, at a particular rate, for the use of money lent, or for delaying the repayment of a debt.



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Types of interest

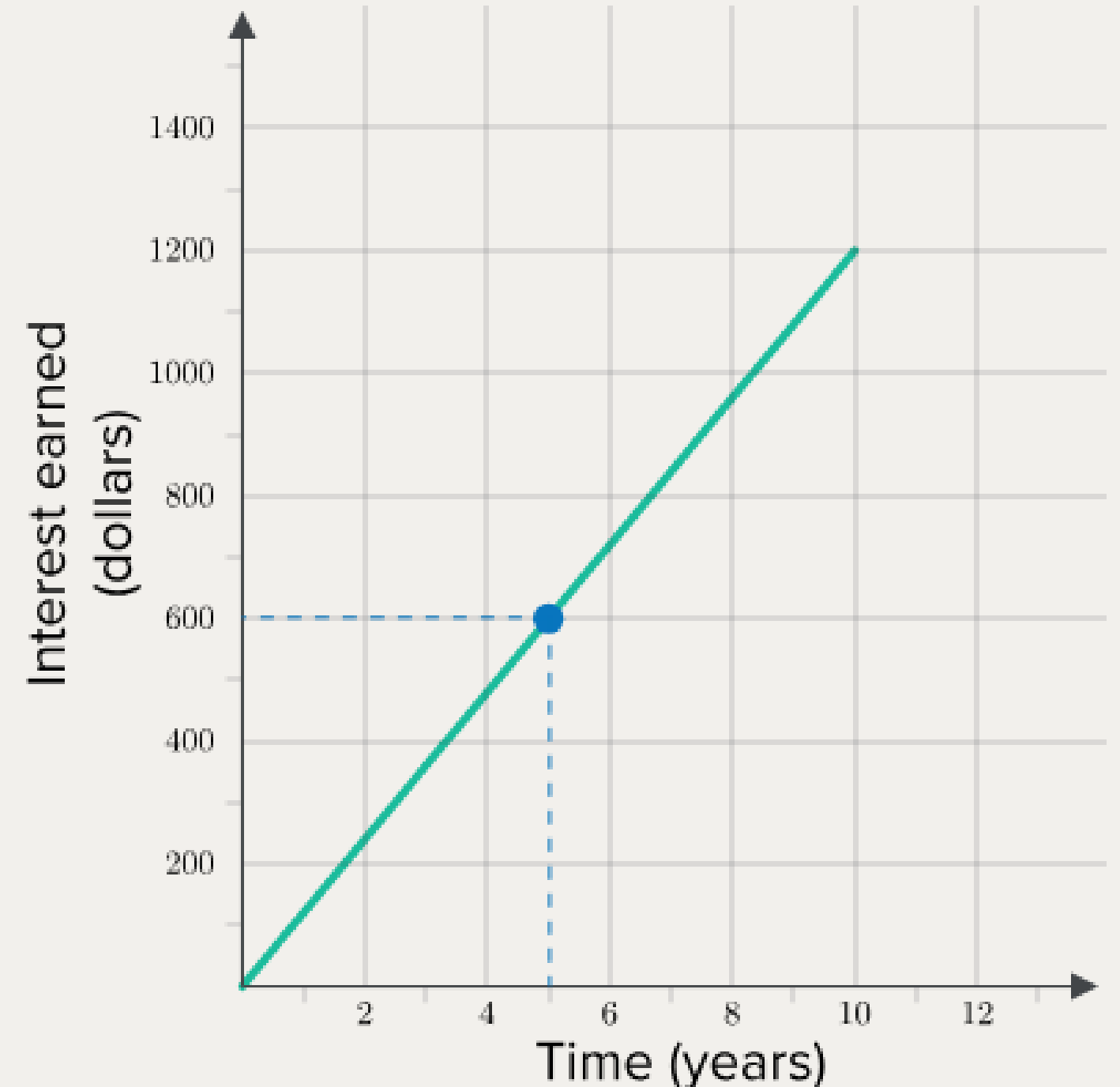
SIMPLE INTEREST

Simple interest is a basic method of calculating interest charged only on the original principal amount of a loan or investment, not on any accumulated interest.

The interest amount is the same for each period, calculated using the formula:

$$I = P \times R \times T \text{ (Interest = Principal} \times \text{Rate} \times \text{Time)}$$

Normally used for short term loans or bonds

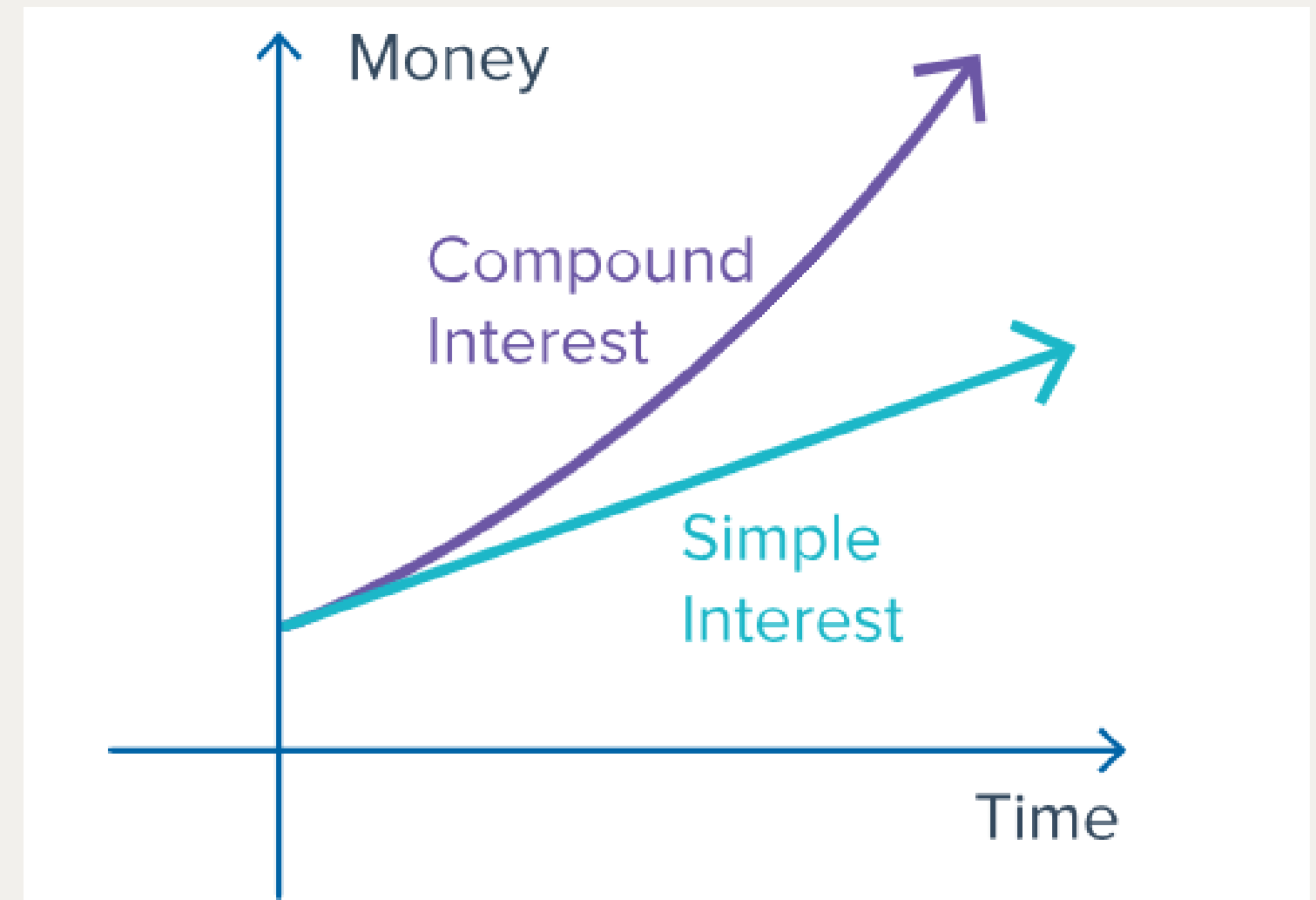


Types of interest

COMPOUND INTEREST

Compound interest is the interest calculated on the principal amount plus the accumulated interest from previous periods, effectively earning "interest on interest".

Over time, simple interest will continue to grow by the same amount each year, while compound interest will grow faster and faster.

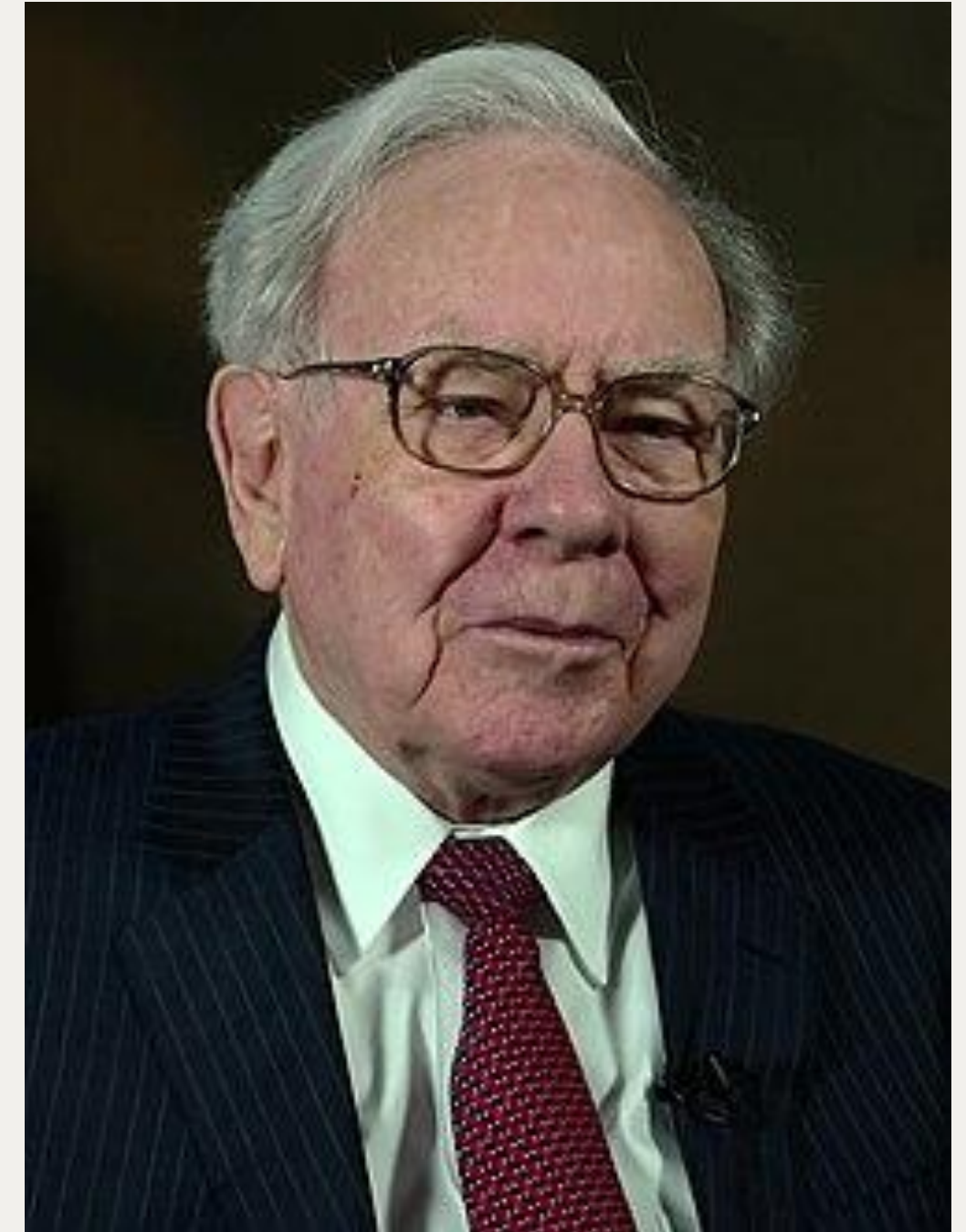


Types of interest

Warren Buffett on COMPOUND INTEREST

Compounding is exponential, not linear.

Buffett once said: "My wealth has come from a combination of living in America, some lucky genes, and compound interest"



Types of interest

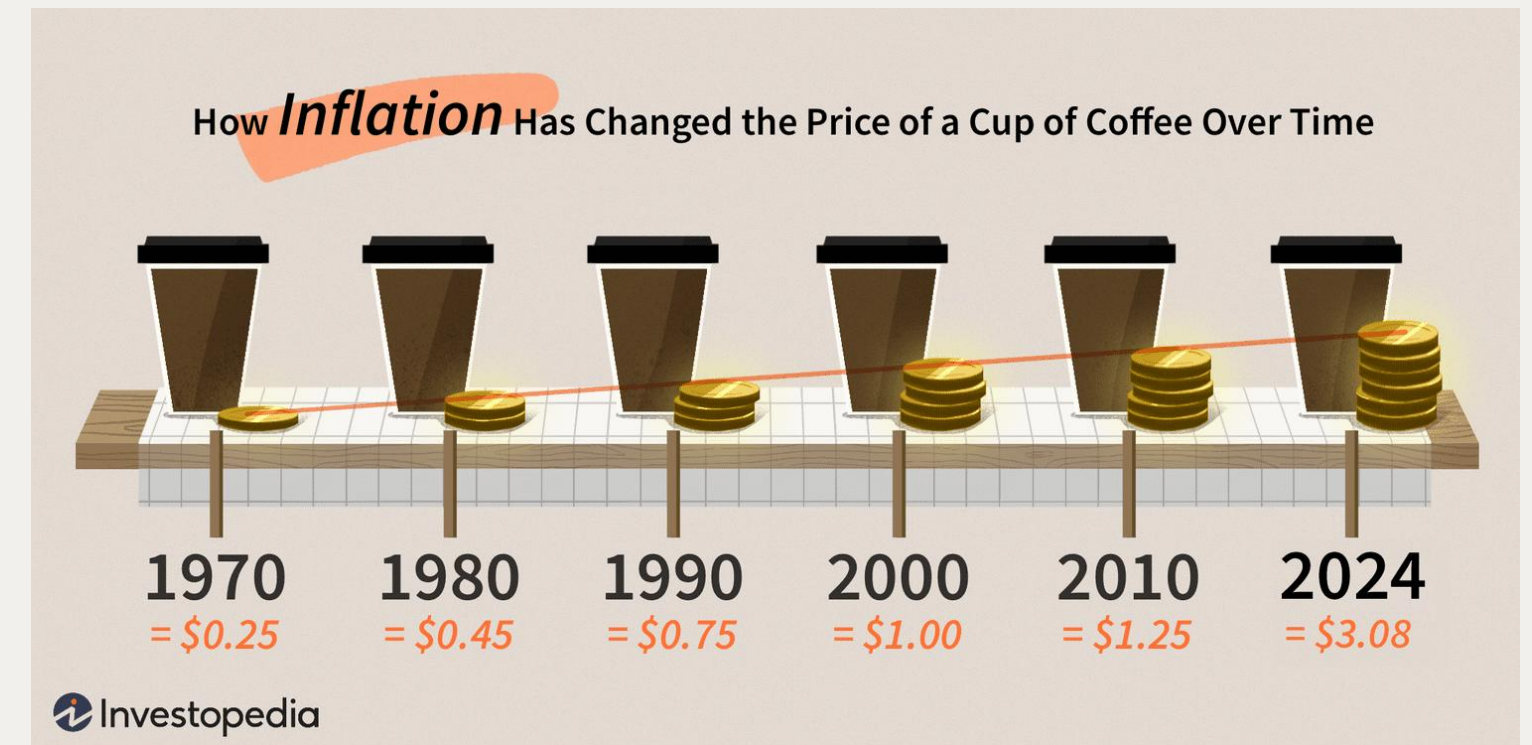
**Compound Interest is your FRIEND when SAVING
.....But your ARCH-ENEMY when borrowing**



What is Inflation?

Inflation is the continuous rise in the general price level of goods and services over time (Beland, 2024). This means the same amount of money buys less than before → loss of purchasing power.

Example: A sandwich costs €3 today. With 3% annual inflation, in 10 years it may cost about €4.



$$\text{Inflation Rate}\% = (\text{Final CPI Index Value} \div \text{Initial CPI Value}) \times 100$$

Consumer Price Index (CPI): a measure that examines the weighted average of prices of a basket of goods and services that are of primary consumer needs. They include transportation, food, and medical care.

Inflation Calculator: <https://data.bls.gov/cgi-bin/cpicalc.pl>

Inflation & Interest

- **Savings lose value** if interest earned $<$ inflation
- **Budget planning** must account for rising costs (food, rent, transport).
- **Emergency funds** need to be bigger to maintain real value.
- **Future goals** (studies, car, house) may require more money over time.



If savings interest $<$ inflation \rightarrow money loses value (Mandeya et al., 2021).

Compound interest can help fight inflation *only if* the return is higher than the inflation rate.

Example:

Bank account earns 1% interest. Inflation = 3%.

Real return = **-2% per year**

<https://www.youtube.com/watch?v=Vi3Q1ypNw3M>

Inflation in the euro area

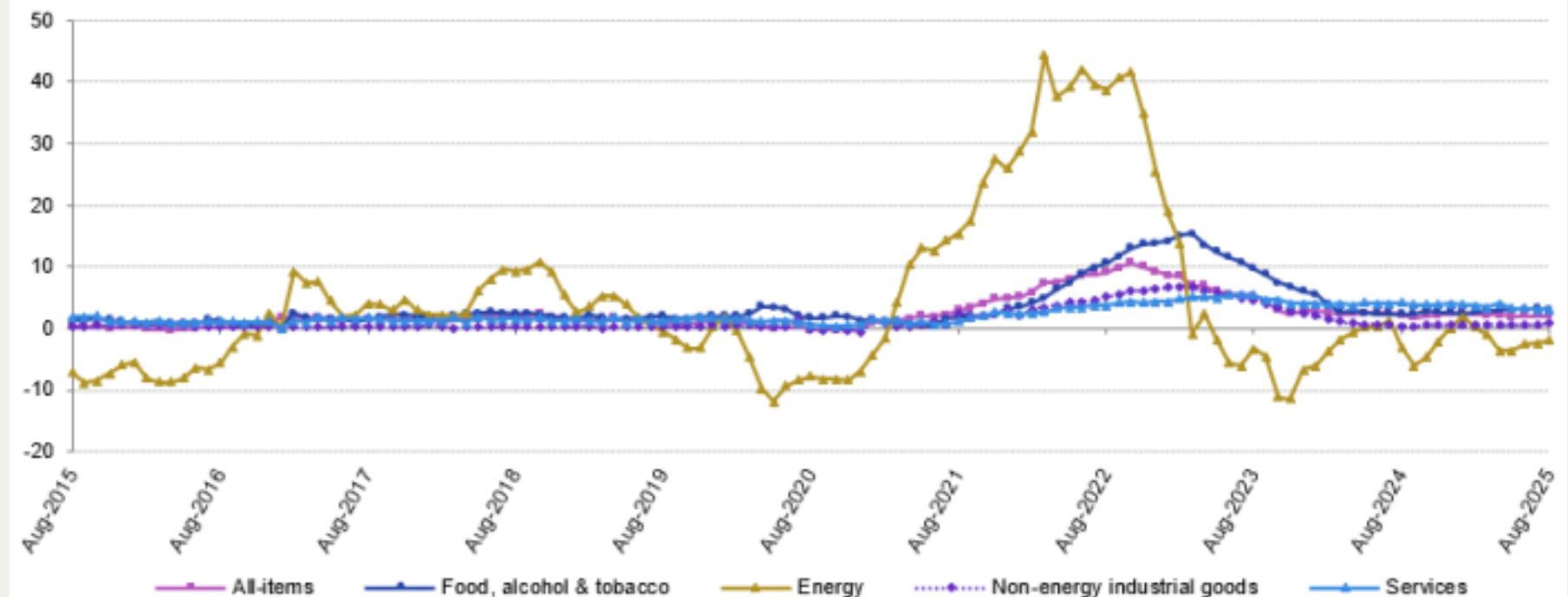
- Inflation has fluctuated over the decade: periods of low inflation, some spikes (e.g. after shocks like COVID-19, supply chain issues, energy price surges)
- The contributions from each component vary over time: sometimes energy or food lead, sometimes services. For example, energy may fall significantly, which pulls down inflation, while services or food hold steady or increase.
- Volatility is higher in food/energy categories than in services or non-energy industrial goods. Those latter are more “stable.”

Why this is useful:

Inflation is not uniform: some things go up much more than others. This affects real costs depending on what you spend most on (food vs transport vs services).

- Knowing which categories rise helps you **plan your budget better**.
- It reveals that some categories' falling prices (like energy) can help offset rising cost elsewhere- but might be temporary.

Euro area annual inflation and its main components, August 2015-August 2025
(%)



Source: Eurostat (online data code: prc_hicp_manr)

eurostat 

https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Inflation_in_the_euro_area



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How to Protect Yourself

Save smart:

- Choose savings accounts or investment options whose *returns are greater than inflation*.
- Minimize keeping large amounts of cash that lose value.

Plan ahead:

- When setting your financial goals (e.g., buying a car, university fees), *assume prices will be higher* in the future.
- Include buffer for cost increases in budgets.

Diversify:

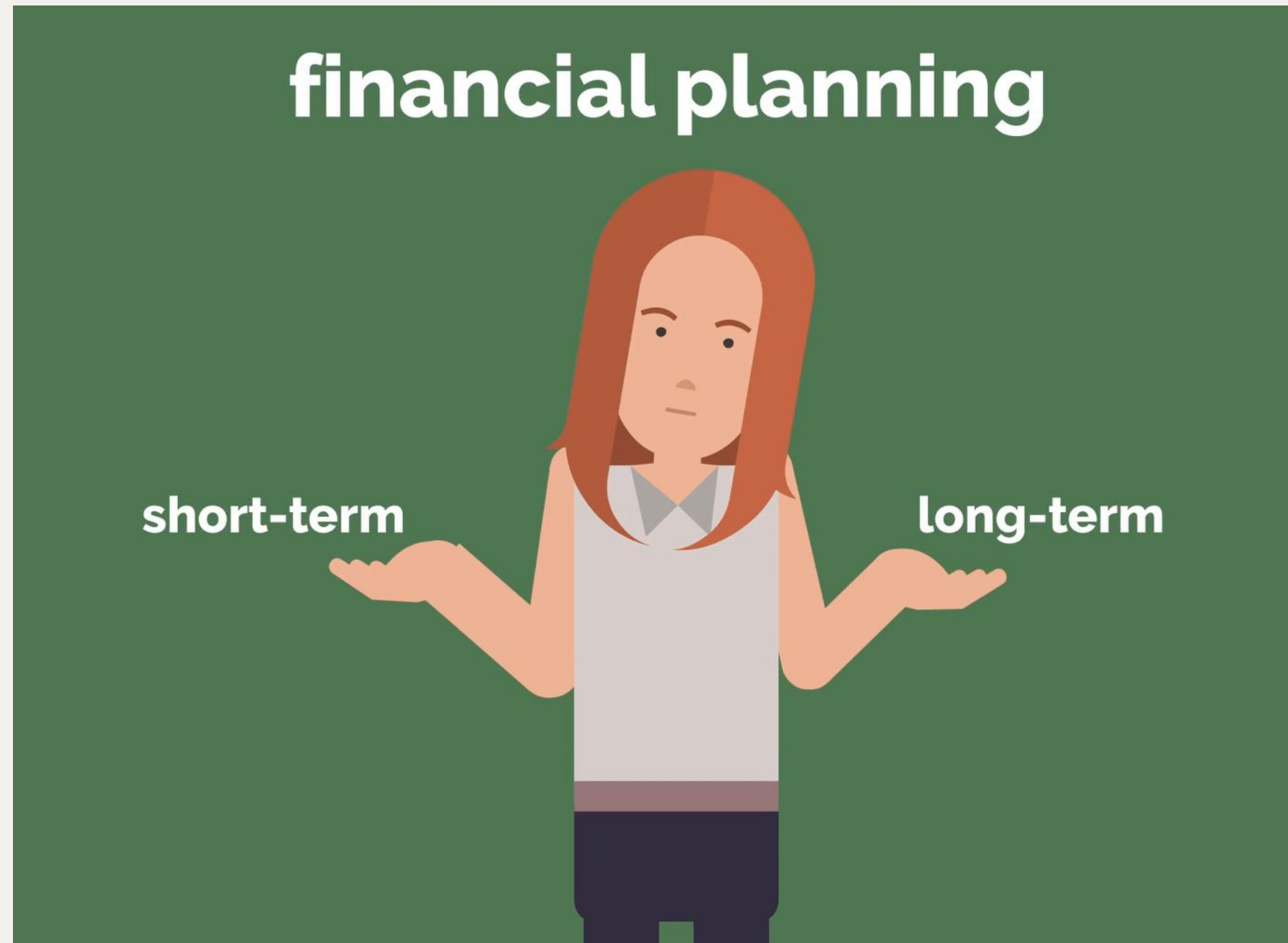
- Don't keep all money in cash.
- Spread savings into multiple forms: bank account, maybe safe investments, inflation-protected instruments.
- Also diversify what you buy (some goods cost more than others).

Stay informed:

- Follow inflation rate data (e.g., from Eurostat, national statistics offices).
- Watch which categories are rising fastest (energy, food, etc.).
- Adjust your spending or saving behavior accordingly (e.g., shop smarter, buy when prices lower).



SETTING FINANCIAL GOALS



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Setting financial goals

Understanding how to define short-term and long-term financial goals to guide saving and spending decisions.

What's the difference?

SHORT Term is the HERE and NOW

Long term.....5, 15, 40 year goals

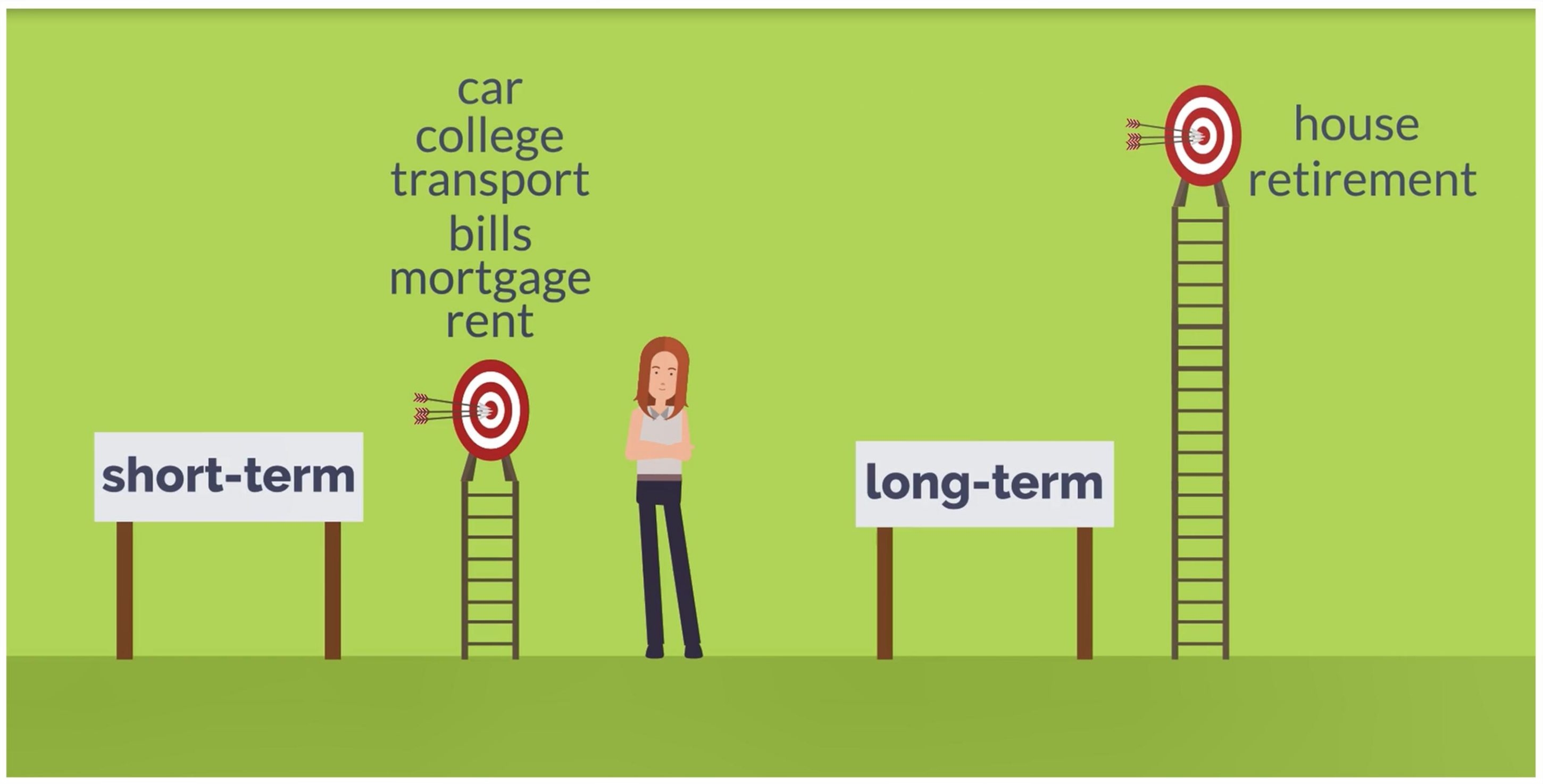
Home ownership

Retirement



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Setting financial goals



Needs vs Wants



Learning to distinguish essential expenses from discretionary spending to prioritize smart money management



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Building an Emergency Fund



Importance of setting aside savings to handle unexpected expenses and avoid debt.

➤ THE RAINY-DAY FUND



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Building an Emergency Fund

Simple steps to build an emergency fund

1. Assess your monthly expenses
2. Determine your savings goals
3. Review different budgeting methods
4. Consider account types and investment options that match your objectives
5. Start saving now
6. Use your fund wisely and replenish when needed

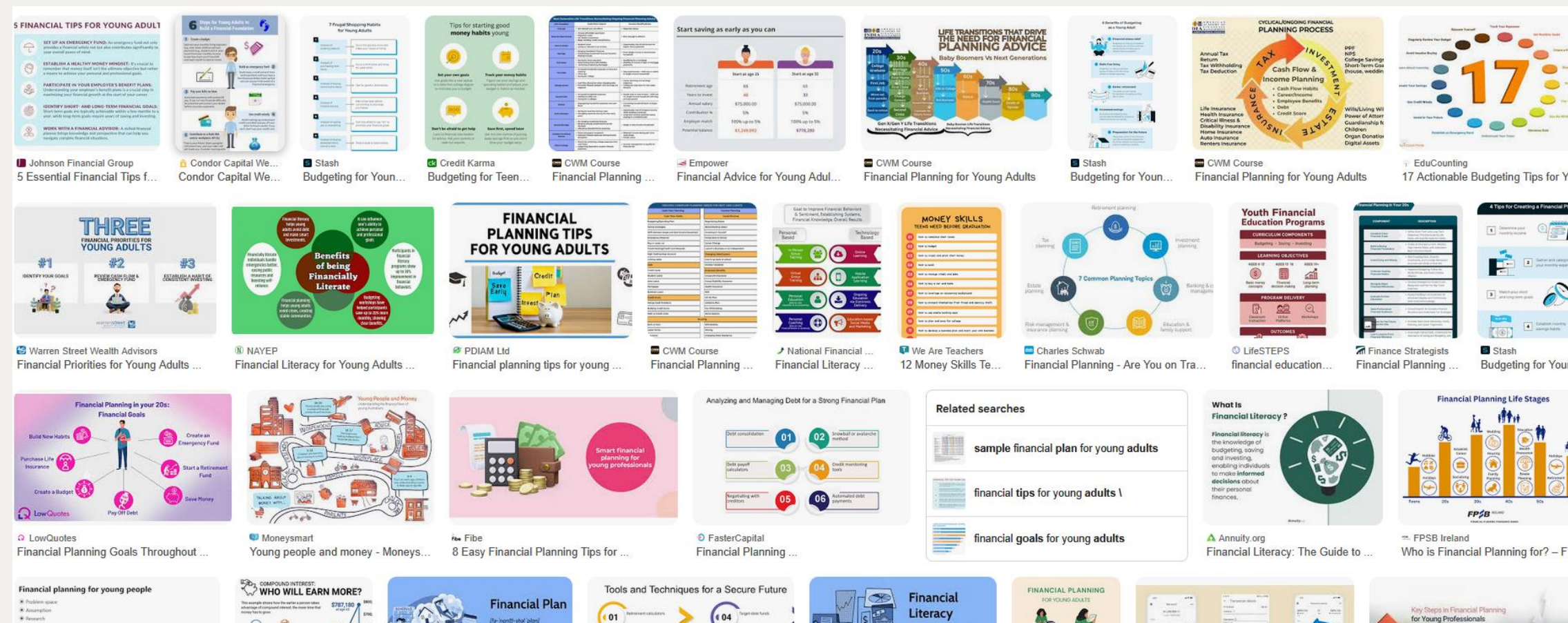


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Using financial planning tools

Introduction to budgeting apps and digital trackers that help monitor and improve financial habits.

Hundreds of tools out there - pick the right one for you



Understanding financial mindsets

Exploring how **attitudes** and **beliefs** about money influence financial behavior and decision-making



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Understanding financial mindsets

Are you a SAVER or a SPENDER???????
Ask Yourself And be HONEST



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Understanding financial mindsets

Another Question

High Risk & Low Risk

Cautious versus Careless

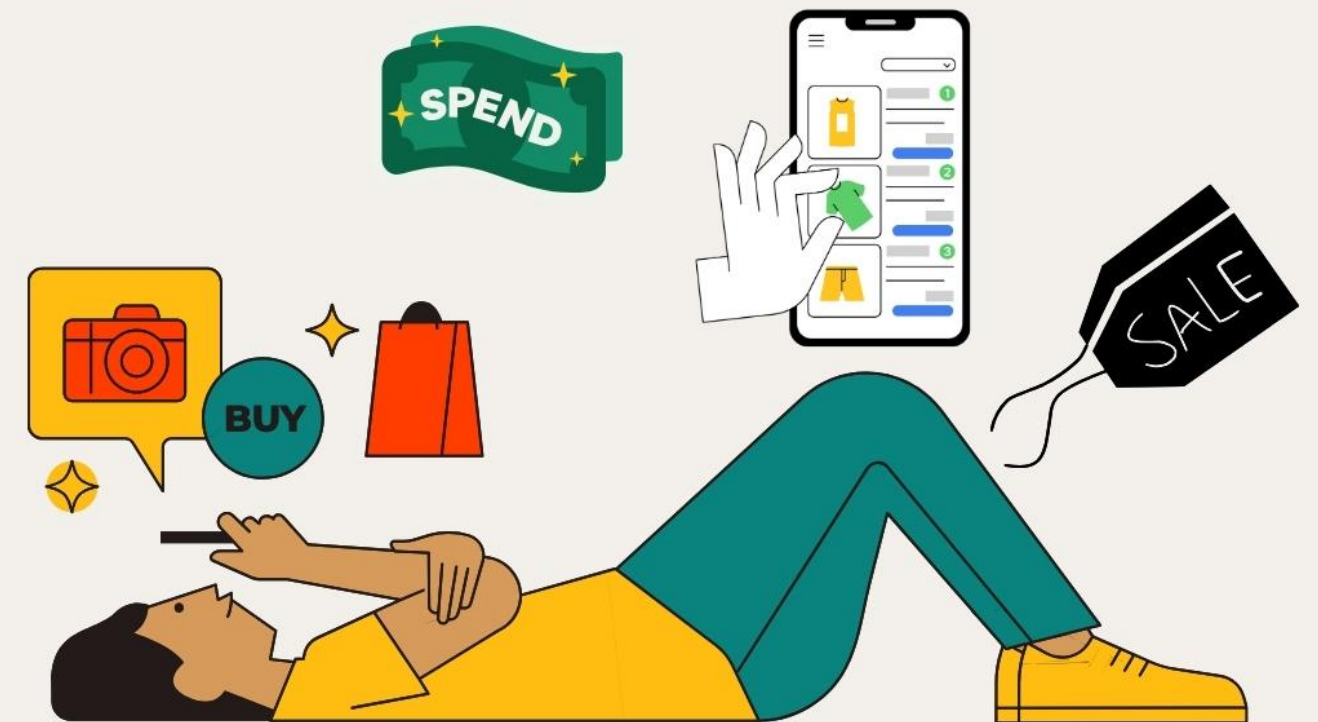


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Emotional spending triggers

Identifying emotional factors that lead to impulsive or unnecessary purchases

- Stress, boredom, or sadness can spark “treat yourself” shopping.
- Ads, sales, and store tricks (music, colors, smells) push quick decisions.
- “Limited time offers” or “flash sales” create urgency.
- Buying gives a short mood boost, but often regret later.
- Easier to spend impulsively when tired or distracted.
- Many impulse buys are *unplanned*, but not all unplanned buys are impulsive (some are necessities you forgot).



Building healthy money habits

Developing routines and practices that support long-term financial well-being

- **Budget:** track income (pocket money, job) vs expenses (food, games, clothes).
- **Save regularly:** even small amounts grow over time.
- **Plan ahead:** for education, travel, or big goals.
- **Understand debt:** interest, repayments, and risks of minimum payments.
- **Set goals & emergency fund:** write them down, keep a buffer for surprises.
- **Be mindful:** pause before buying - “Do I need this now?”



Aligning Spending with Goals

Ensuring daily financial choices are consistent with personal and financial goals



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Overcoming financial stress

Simple techniques to manage anxiety around money and promote positive financial attitudes

- Over borrowed
- Maxed out Credit Card
- Can't pay bills
- Fear of the mailman



Overcoming financial stress



WRAPPING UP



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Training Seminars

All participants are entitled to register for FREE training:

Participation:

- Physical (Cyprus and Ireland)
- Online

Sessions:

- 4 online webinars
- Physical Hands-on workshops
- Discussions
- Certification of participation

* Each participant should complete a feedback form at the end of each bootcamp



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Feedback and courses

We would be grateful for your feedback, for us to improve future training sessions



The class365 platform contains all educational material in Greek and English, including recordings, resources and tools

www.class365.eu www.learn.finalyproject.eu



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