

**Erasmus+ Programme – Strategic Partnership**  
**Project Nr: 2017-1-RO01-KA204-037134**

# **FINANCIAL EDUCATION HANDBOOK**

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This Financial Education Handbook is developed in the framework of Erasmus+ project *FINCARE - Financial Literacy for Social Inclusion*, implemented during November 2017 - November 2019 by the National Association of Credit Unions for Employees in Romania in partnership with Federazione Trentina della Cooperazione (Italy), Association Solidarity Laboratory (Romania), Formazione Lavoro (Italy), The Co-operative Family Credit Union (UK) and Liverpool John Moores University (UK).

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## Learning Outcomes

This Financial Education Handbook is addressed to credit unions / cooperatives members, families, including youth. The readers will learn basic issues in Financial Education, helping them to manage efficiently family finances, to avoid over-indebtedness and financial and social exclusion, and to become capable of making the right financial decisions in their current life.

They will acquire knowledge about:

- what is a family budget and why it is important to draft a family budget?
- tools for creating own family budget, becoming capable to manage efficiently family finances
- saving and investing: creating saving behavior, understanding the role of regular savings in a credit union, making the right investing decisions
- saving and investing with a social finance institution: the social fund of the members of a credit union, why it is worthwhile to be a member of credit union
- borrowing and credit: learning how to choose a loan / a credit (calculating interests, assessing all costs etc)
- understanding how to avoid over-indebtedness

## Introduction

**Financial education** generally refers to the ability to understand how money works: how money is earned, managed and invested. Financial education can be defined as a set of skills and knowledge that allows a person to make informed and effective decisions with all the financial resources at his disposal. For this, it is important to understand the basic principles of financial literacy, such as financial goals, budgeting, saving, investment, interest and credit. In particular, financial education helps people maintain a financial balance, teaches them how to manage their income and spend less, how to save for unforeseen situations, how to accumulate wealth or use various financial instruments. Financial education conducts to **financial capability** of people. “A financially capable individual is one who has the skills and confidence to be aware of

financial opportunities, to know where to go for help, to make informed choices, and to take effective action to improve their financial well-being while an enabling environment for financial capability building would promote the acquisition of those skills” (SEDI and St. Christopher House, 2006: 4. In Orton 2007)<sup>1</sup>.

## I. THE FAMILY BUDGET

**Family budget** is a financing plan where the family allocates future revenue for personal expenses, debt repayment, investment and savings. Expenditure in the past and personal debt are the pillars for family budget creation, the starting point for budgetary planning.

When a person enters in a financial assistance relationship with a credit union, it is important to establish with sufficient certainty the **saving / reimbursement capability** based on the incomes, expenses and indebtedness of the person and of the family.

### *A family budget in Romania*

The table below illustrates the evolution of total monthly average income and expenditure per household in Romania in the period 2012 - 2016:

Figures in Romanian Lei (?)	2012	2013	2014	2015	2016
Total monthly average income per household	2475.04	2559.05	2500.72	2686.77	2944.6
Total monthly average expenditure per household	2244.47	2317.4	2269.25	2351.53	2523.99
Total Surplus	230.57	241.65	231.47	335.24	420.61
% of Total Surplus in Total monthly average income per household	9.32	9.44	9.25	12.47	14.28

Source: Romanian National Institute of Statistics, Tempo Online, 2012 - 2016; authors' calculations.

<sup>1</sup> Quoted from Paul A Jones PhD, Financial Capability Presentation, Research Unit for Financial Inclusion, Liverpool John Moores University, 2018

We can observe that beginning with 2015 the percentage of total surplus in total monthly average income per household has began to grow, which shows a potential increasing of the saving potential of a Romanian household.

### *Tools*

There are several tools used to build a personal and family budget. Regardless of the tool used, the accuracy of a budget depends on the accuracy and timeliness of the data used. An outdated budget that does not correctly reflect revenue or expenditure is less useful than a budget that faithfully reflects the current financial situation of the family. Computer-generated budgets have become a frequent practice, as re-budgeting or budget recalculation is required every time a change occurs.

The following is the structure of a family budget, including the main types of income and expenditure items of the family. We exemplify with a family budget usable in practical applications made available to the Romanian public by the National Authority for Consumer Protection (ANPC) at [www.bugetulfamiliei.ro](http://www.bugetulfamiliei.ro).

<b>FAMILY BUDGET</b>		
<b>Gross monthly income, of which:</b> <ul style="list-style-type: none"> <li>• Salary</li> <li>• Profit from work (self-employment)</li> <li>• Bonuses such as Christmas bonus, share of profit, etc</li> <li>• Pensions, including state pension schemes, private pensions</li> <li>• Social benefits, such as child allowance, disability pension, other social benefits etc</li> <li>• Income from non-professional activities, such as interest income, dividends, rents, etc.</li> </ul>		<b>Monthly income</b> Lei _____ Lei _____ Lei _____ Lei _____ Lei _____ Lei _____
<b>minus</b>		
<ul style="list-style-type: none"> <li>• Taxes, social security contributions and other salary deductions</li> </ul>	Lei _____	
<b>= Total monthly available income:</b>		<b>Lei _____</b>
<b>Fixed Costs</b>		
<b>Monthly payments</b>		
<b>Housing Expenses</b>		
Rent or Mortgage rate	Lei _____	
Utilities: gas, water, electricity, telephone, etc.	Lei _____	
Insurance policy - amounts set aside if paid annually	Lei _____	
Repairs - Amounts set aside for possible expenses	Lei _____	
Taxes, taxes - set aside if paid annually	Lei _____	
<b>= Total</b>	<b>Lei _____</b>	
<b>Expenses related to personal car</b>		
Loan payment rate	Lei _____	
Fuel	Lei _____	

Insurance - amounts set aside if paid annually	Lei_____	
Maintenance and repair (set aside for future expenses)	Lei_____	
<b>= Total</b>	<b>Lei_____</b>	
<b>Debts to be reimbursed</b>		
Credit 1_____ sold_____	Lei_____	
Credit 2_____ sold_____	Lei_____	
Credit 3_____ sold_____	Lei_____	
Credit 4_____ sold_____	Lei_____	
Other debts_____ sold_____		
<b>= Total</b>	<b>Lei_____</b>	
<b>Various - daily and occasional expenses</b>		
(Amounts set aside for annual expenses such as life insurance, etc.)		
Charges and donations to the church	Lei_____	
Other charitable contributions	Lei_____	
Food, lunches, meals in town	Lei_____	
Childcare	Lei_____	
School / kindergarten	Lei_____	
Medical bills	Lei_____	
Prescription drugs	Lei_____	
Supplies	Lei_____	
Entertainment, cable, shopping, video rental	Lei_____	
Club membership subscriptions, fitness, etc ...)	Lei_____	

Newspapers, magazine subscriptions	Lei_____	
Clothes / shoes	Lei_____	
Haircut, coat	Lei_____	
Gifts	Lei_____	
Pocket money	Lei_____	
Other daily or occasional expenses	Lei_____	
<b>= Total</b>	<b>Lei_____</b>	
<b>Total monthly expenses</b>		
Housing Expenses	Lei_____	
Expenses related to personal car	Lei_____	
Debts to be reimbursed	Lei_____	
Various - daily and occasional expenses	Lei_____	
<b>= Total expenses</b>	<b>Lei_____</b>	
<b>Monthly Surplus or Deficit</b>		<b>Lei_____</b>
(Available Income <i>minus</i> Total Expenses)		

## *Managing your budget*

Budgeting requires a specific organization. The essential steps to be made are the following:

- ***Keeping your income documents in order*** - if you are a taxpayer, you must keep track of your earnings over a longer period. If necessary, it allows the correct filling of tax returns declaration or the verification of taxed amounts. It can also be helpful in determining and checking the social security contributions to be paid, especially when they are electronically transferred from the computer.

- ***Developing the budget for the previous year*** - to do so, you have to take into account all payments and bills in the previous year and, in particular, all regular income sources.

- ***Developing the next year's forecast budget*** - it should be taken into account not only the increase in personal expenses in line with the increase in the cost of living, but also of the need to create a specific emergency fund in case of difficulty (such as the temporary loss of the work).

- ***Establishing a monthly budget*** - according to the budget workbook, costs and revenues are distributed throughout the 12 months of the year.

- ***Follow-up of budget execution*** - checks for all expenses on a regular basis, e.g. purchases, receipts and debit card payments, as well as bank statements. Also, necessary adjustments must be made so that there are always some money to deal with unexpected situations (for example, to repair the car if needed).

- ***Avoid unnecessary expenses*** - Fixed expenses (rent, taxes, insurance, invoices) will be paid without delay.

- ***Asking for debt relief*** - if a temporary financial problem arises - do not hesitate to contact your home energy provider, telephone company, and ask for a postponement of your payment. Analyze prices carefully before purchasing any good or service and avoid paying on credit the equivalent of daily expenses, such as food or fuel.

## *Managing family finances*

Credit unions have taken the initiative to provide useful advice to their members related to managing efficiently family finances.

The National Union of Romanian Credit Unions for Employees (U.N.C.A.R.S.R.), the county territorial unions affiliated to it and the credit unions in the U.N.C.A.R.S.R. provides advice to low-income families to improve their ability to meet their financial commitments, helping them to avoid falling into the trap of over-indebtedness and financial exclusion.

No matter how big money issues matter, the first and most important step is that the person and the family devote themselves and be intensely preoccupied with solving them.

Most often, it is difficult to find a "mild" solution to the money problem - most of the time debt issues require time and effort.

Here are the **guidelines on how to manage your financial debt**, including tips on steps to follow to find and identify a customized solution and a detailed budget sheet to start a new path.

1. ***Elaborating the family budget.*** Budget can start from anywhere without the need to reveal personal details or to create embarrassment. Using a budget planning program, you can list all your earnings and expenses. This helps you to highlight areas where you can save money and set priorities in your spending.

2. ***Evaluating and prioritizing debt.*** We all have debts: mortgages, credit cards, personal loans, and so on. Payment priorities are: the bills - which must be paid first - to allow you to survive, such as house rates (mortgage) / rent and electricity bills. The worst thing is to ignore the creditors' attempts to contact you - this could lead to legal action that affects your rating (reputation).

3. ***Reimbursement Plans*** - Contact the companies you owe money to. Be open and honest about the circumstances and try to reach a reimbursement agreement that you can afford.

4. ***Do not make other loans to repay.*** You can end up burying yourself deeper. Stay as far from those who easily give you money. Institutions that offer you various solutions may present some momentary advantages such as moving to the customer's home, but the borrower will be charged with interest and other large repayment obligations that you will not be able to

honor, even when it is about small loans. These companies that load customers with scandalous high interest rates look for victims, just those people who are under financial pressure.

„**Making changes**<sup>2</sup>” is a very useful approach in managing efficiently your financial debt:

- ***Have you targeted all your money wasters?*** Make sure you are spending on things you really want. Make your *Wants and Needs List*. Are there things there you could cut from your budget without missing them too much?
- ***Could you increase your income?*** Have you thought about getting a job (if you do not work) / part-time job / engaging in an independent activity etc?
- ***What expenses on the plan are flexible?*** Could you reduce your costs in that area? Some examples: For most people the most flexible budget is food. Would you be able to cut down your food costs if you learn to cook? If you are spending a lot on transport - should you get a bus pass? Think about walking short distances instead of taking the bus.
- ***Can you save money on your bills?*** There are three ways you may be able to save on your gas and electric bills: By making sure you are paying the cheapest way (look for the advice leaflet); By saving energy where you can; turning down your heating a couple of degrees, using energy saver bulbs, insulating your home etc; By switching to a different company with cheaper rates.

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<sup>2</sup> Barclays Money Skills, Sort your Spending, p.23

## II. SAVINGS AND INVESTMENTS IN SOCIAL ECONOMY INSTITUTIONS

If you have an amount of money available every month and you want to start saving, you can accumulate that amount of money in the credit union's social fund.

This section takes into consideration the options available to you so that you can make the best choice based on your personal means and needs.

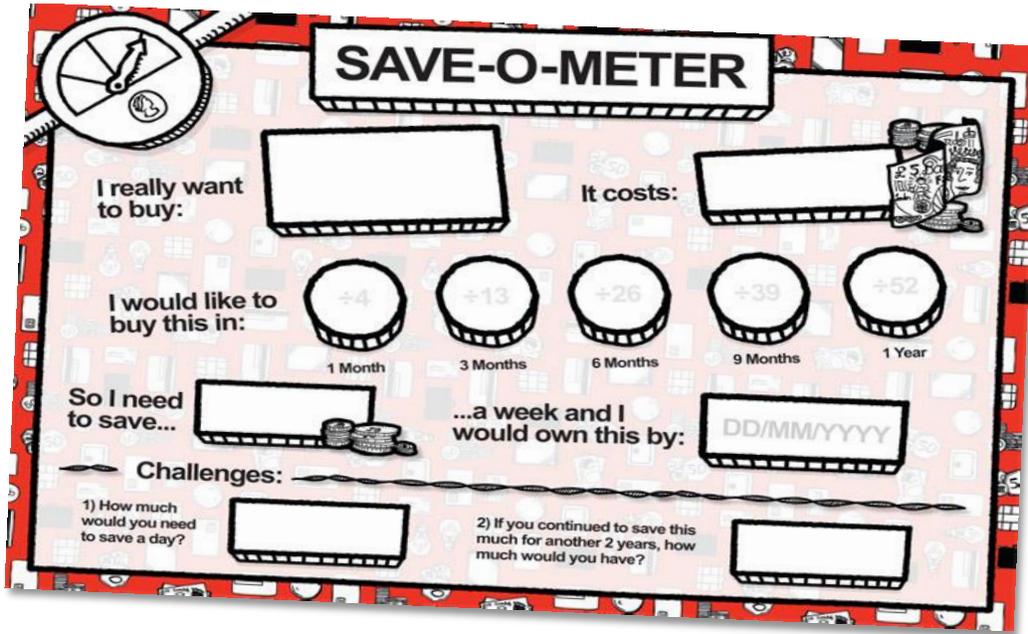
### *Saving decision*

Whatever are your financial goals, you cannot plan what will happen tomorrow if you do not know where you are today.

The first step of a good financial plan is to calculate your **net financial situation**. You need to measure the difference between what you have and what you owe to others from what you have. In other words, you have to make an **estimate of the degree of personal indebtedness**.

Only after you have a realistic picture of your financial situation you are able to estimate how much of what you earn remains available for investment and saving.

Part of the motivation to invest or to save is to achieve the goals you are pursuing, but there must be some rigor when it comes about setting personal goals.



**SAVE-O-METER**

I really want to buy:

It costs:

I would like to buy this in:

+4 (1 Month)   
  +13 (3 Months)   
  +26 (6 Months)   
  +39 (9 Months)   
  +52 (1 Year)

So I need to save...

...a week and I would own this by:

**Challenges:**

1) How much would you need to save a day?

2) If you continued to save this much for another 2 years, how much would you have?

Source: Learn Money Week 2013, [www.mybnk.org](http://www.mybnk.org)

### Personal goals

Make sure you can measure your achievements or at least show progress in achieving personal goals such as:

- the purchase of personal property,
- financial preparation for retirement,
- reduction of tax debts,
- financial support for children,
- increase in additional revenue, etc.

The choice is yours!

## Saving and The SMART Way to Trim Expenses

In finding ways to trim flexible expenses, it helps to have a goal to save toward each month. Setting such a goal needs to be **SMART**<sup>3</sup>:

- **SPECIFIC**: Smart goals are specific enough to suggest action. Example: Save enough to visit Rome for your wedding anniversary. Not just “save money.”
- **MEASURABLE**: You need to know when you achieved your goal or how close you are. Example: A trip to Italy costs 800 EUR, and you have 500 EUR saved.
- **ATTAINABLE**: The steps toward reaching your goal need to be reasonable and possible. Example: I know I can save enough money each week to purchase that trip to Italy.
- **RELEVANT**: The goal needs to make sense. You don’t want to work toward a goal that doesn’t fit your need. Example: We would like to stay in four-star hotels in celebration of our anniversary.
- **TIME-RELATED**: Set a definite target date. Example: I want to go to Italy by next summer.

We present bellow some information about **financial education delivered by cooperative credit banks (Cassa Rurale) in Italy, Trento**<sup>4</sup>.

In Italy, as in other countries it is noticed that people are no longer encouraged to save. Commercial advertisements encourage only the consumption increasingly more. In this context Cooperative credit banks (Cassa Rurale) are directly involved in elementary economic and financial education of children, teenagers, and adults by offering them dedicated programs of study designed to (re)learn them to save or spend wise (spending management). Financial Education programs include individual activities, children's games<sup>5</sup>, or learning through online platforms (learning platforms) that are used as educational technology in schools and other educational institutions.

<sup>3</sup> Practical Money Skills for Life, VISA Inc. 2010, [www.practicalmoneyskills.com](http://www.practicalmoneyskills.com)

<sup>4</sup> Francesco Crepaz, Examples of financial education, presented in FINCARE Short term meeting in Trento / 15th-19th October 2018, Federazione Trentina della Cooperazione

<sup>5</sup> Such a game is Kahoot, available on the learning platform based on games, <https://kahoot.com/explore-games/>

Under the generic “SAVE FOR YOUR FUTURE”, financial education activities are regularly held with High school students of Trento having the objective to train them in order to establish an incomes and expenditures budget, that enable them to achieve a “dream” (starting from the simple purchase of a ball to the completion of university studies, there are no limits into imagination and desires) or, in the future, to learn to invest.

While the rules for drawing up the incomes and expenditure budget are learn, the basic savings rules are also established and learned, among which we mention:

1. Allocate 1 € (\$, RON etc) for your dream / goal;
2. Get food from home;
3. Wait 10 minutes before buying to see if you really need that object, product, service;
4. Change operator offer. Find a better supplier;
5. Ageing your money, do not spend them right away;
6. Walk as much as you can. It is healthy for both, your body and wallet;
7. Schedule gifts early; do not wait for periods when prices greatly increase;
8. Choose to buy in regular shops than in luxury stores;
9. Keep the receipt in case you need to return the product;
10. Make a shopping list and respect it;
11. Buy food from the supermarket or warehouse. Avoid expensive stores;
12. Choose the usual products instead of the brand;
13. Use discount vouchers when they save you money;
14. Purchase carefully items with low price;
15. When using discount vouchers do not forget to compare their price with the prices of similar products;
16. Do not buy more than you can use in a regular basis;
17. Eat at home. Prepare your food in the family.
18. Sharing car, or use public transport;
19. Solve your small daily problems with your neighbours, family or friends (child supervision, lawn mowing, cooking, small repairs, etc.);
20. Borrow from the bookstore rather than buy something new (books, tapes, albums, etc.);

21. Make and offer home made gifts (made by yourself);
22. Repair yourself your own things that you can repair;
23. Pay Invoices on time;
24. Use electronic payments methods. It saves your time and money;
25. Invest in yourself, increase your value.

Through this educational strategy Italian cooperative banks aim to enrich the learning tools with their own rules and values. It should be noted that, the average of saving at the national level in Italy, is 8%.

### **Developing a Financial Plan**

The best solution is to develop a Financial Plan. You can follow the following advices for this<sup>6</sup>:

- Look at your resources
- Understand your expenses
- Set financial goals
- Identify and evaluate what to do
- Take action
- Review your progress
- Make changes if needed
- Get help if it is not working

All of these choices imply one thing: beyond the current survival spending, each of us is aiming for a better future. This involves a qualitative change in the financial strategy that consists in turning money from a goal into a means. Transition occurs if and only if the monetary surplus over survival is saved and / or invested in the long term, in intellectual and capital goods, the only ones that can produce or can induce a value higher than the initial amount allocated. From that point, we stop working for money, on the contrary, the money starts to work for us.

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<sup>6</sup> Money 101, A crash course in better money management for college students, 2010 Visa Inc., [whatsmyscore.org](http://whatsmyscore.org)

Savings are the intermediate step that allows the minimum amounts needed to invest. This does not mean that investments are risk-free. In fact, the most profitable investments are also the most risky ones.

**Saving at a credit union can turn into investment.** If a member collects a social fund at credit union in order to obtain a loan later, the accumulated amounts remain at the savings stage. If the amounts allocated exceed the thresholds required for simple access to a loan and they are kept for a longer period of time, then they become investments. The credit unions grant **annual bonuses for members' social funds** similar to the dividends granted annually to the shareholders.

However, in order to determine the savings / investment capacity of money in credit unions, it is necessary to deepen the analysis by calculating **the net financial situation** and the incomes and expenditures budget at the family level.

### *Calculation of net financial situation*

The first step in developing a good financial plan is to calculate the **net financial situation** of the family to determine the difference between what you have (your own assets) and what you owe (liabilities).

As with an organization's financial situation, you need to create your own family balance sheet.

As long as your assets exceed your financial obligations, you have a **positive net financial position**. The purpose of your family, from year to year, is to make this positive difference grow.

Calculation of the net financial statement is not as difficult as it seems, as long as the necessary information is readily available.

### **Simulate the net financial situation in a computer worksheet**

Each year the net financial situation is calculated to check the family's financial progress and to compare it with the proposed objectives.

The net financial situation is a valuable aid in assessing the fixed and current assets, in order to determine the ability to repay any loans and the possibility of paying other debts.

#### **Active (what you own)**

##### **Cash:**

Cash in your pocket \_\_\_\_\_  
Cash in accounts \_\_\_\_\_  
Savings accounts \_\_\_\_\_  
Funds on monetary market \_\_\_\_\_  
Cash value of life insurance \_\_\_\_\_  
Other \_\_\_\_\_

##### **Real estate properties:**

Home \_\_\_\_\_  
Land \_\_\_\_\_  
Other \_\_\_\_\_

##### **Investments (Market Value)**

Deposit certificates \_\_\_\_\_  
Actions \_\_\_\_\_  
Bonds \_\_\_\_\_  
Mutual Funds \_\_\_\_\_  
Pension plan \_\_\_\_\_  
Other \_\_\_\_\_

**Personal Properties (Updated Value)**

Car \_\_\_\_\_  
Recreational vehicles / yachts \_\_\_\_\_  
Interior decoration \_\_\_\_\_  
Appliances and furniture \_\_\_\_\_  
Collections \_\_\_\_\_  
Jewelry, watches and fur \_\_\_\_\_  
Other \_\_\_\_\_  
  
**Total Assets** \_\_\_\_\_

**Debts (what you owe)**

**Current Debt:**

For the household \_\_\_\_\_  
For medical purposes \_\_\_\_\_  
Credit Cards \_\_\_\_\_  
Shopping cards \_\_\_\_\_  
Other \_\_\_\_\_

**Mortgage loan:**

For house \_\_\_\_\_  
For land \_\_\_\_\_  
Other \_\_\_\_\_

**Loans:**

Bank /Financial Institution \_\_\_\_\_  
Other financial institutions \_\_\_\_\_  
For car \_\_\_\_\_  
For recreational vehicles / yacht \_\_\_\_\_  
For education \_\_\_\_\_

Personal (from other families or friends) \_\_\_\_\_

Other \_\_\_\_\_

**Total debts** \_\_\_\_\_

**Total Assets minus Total Liabilities = Net Assets Value** \_\_\_\_\_

To determine the degree of indebtedness, the difference between the total of the assets held and the total of the debts is calculated, resulting in the **net assets value** that express the **net financial situation** of the family.

Once you have a better picture of your financial situation, you can start to estimate the possible investments and savings.

### *Plan your personal budget*

The family budget can be finalized only after determining the indebtedness.

Depending on the value of net assets and their trend, a certain saving / reimbursement / investment strategy is established. Therefore, the next necessary step is to rethink the budget according to the degree of personal indebtedness.

Criteria and financial decisions that are taken when drawing up the personal budget influence the degree of indebtedness of the family that will be changed in one way or another. If the person has the capacity and is motivated to save, the degree of household indebtedness will diminish. Contrary, if the person decides to borrow, she/he will increase the indebtedness. Also, reimbursement of loan rates contributes to the reduction of indebtedness.

The decision to save or invest and determining the amount available for these options may require a bit of effort, but it is particularly important to do it because it allows you:

- to have a realistic vision of family financial capacity;
- to organise daily expenses;
- to reach your goals;
- to identify what it is needed and what is in the family's interest;
- to manage your personal debts;
- to determine how much you can save and invest.

### *Personal financial decision criteria*

Before choosing a saving or investment plan, you have to take in account some of the personal requirements and criteria, such as:

- age - depending on age, needs vary and you take more or less risks;
- personal care and family situation;
- the specific needs of each person;
- personal or ethical beliefs;
- the share of income that can be set aside - be careful not to invest those amounts of money needed for everyday life;
- the risks you are willing to take.

*Do not forget!*

### **KEYS TO FINANCIAL SUCCESS**

**1. Make a financial plan.**

**2. Create a budget.**

**3. Start saving and investing as soon as you've paid off your debts.**

Source: Saving and Investing for Students, SEC Office of Investor Education and Advocacy, 1-800-732-0330, [www.investor.gov](http://www.investor.gov), SEC Pub. 075 (09/10)

The difference between a credit union and a bank is that the person will have to become a member of the credit union and, instead of having an interest rate, she/ he may will earn an annual share of the financial surplus, similar to a dividend.

This is an additional amount of money, called a **bonus**, calculated as a percentage applied to the annual average amount accumulated in the member's social fund at the end of the financial year or at the time of withdrawal.

As the amount of the bonus depends on the surplus realised, in the financial year by the credit union, there is no fixed percentage of the fund's bonus every year.

However, credit unions are motivated to bonify the members' social fund with amounts to cover the inflation index and to attract, under competitive conditions, the savings of older or newer members.

### **Can you easily access your social fund (shares) savings?**

Your savings to the social fund will be refunded when you leave the credit union, on the condition they are not held as collateral for a loan. However, you are encouraged to keep your savings intact so that they can earn the most consistent bonuses and be a guarantee for a new loan.

Credit unions can present you various alternatives of savings to your social fund, and the conditions for bonuses.

### **Who can become a member of a credit union?**

Members of a credit union are united by criteria such as the area, the enterprise, the government organization, etc.. These criteria are characteristics that each member has in common (for example, where you live or where you work). The criteria for bringing members together to help each other financially and to form a credit union is the generic name of a common bond.

Anyone who fulfills one of the criteria by which the credit union is organized becomes eligible to become a member and can start saving as soon as it becomes a member.

### **Why is it worthwhile to save at a credit union?**

Whether you want to save to get goods or a service in the future, or to deal with more difficult times in life or to guarantee a loan, **regular saving** is the best solution.

At your credit union you are not just a simple customer, an account number in a computer, you become a member of a cooperative financial organisation and business.

Depending on the rules of the credit union to become a member, you will normally have to pay an entrance fee and you will have to deposit a minimum social fund.

Membership allows attendance at annual general meetings where leaders are elected and decisions on the proper organization and operation of the credit union are decided.

The right to vote is guaranteed to every member, regardless of the size of his / her social fund (shares) (one member, one vote). The members of the credit union participate in the decisions affecting the credit union.

The credit unions have principles of democratic organisation and also rules of operation that are part of a code of conduct that characterizes their activity, such as:

- Services do not have hidden fees and other transaction fees.
- When a credit union declares the percentage of bonuses (dividend) of the social fund (shares) at the end of the financial year, the level of dividend paid, to each member, is distributed on a basis of the averaged shares held by the member throughout that year.
- The higher the social fund (shares) is, the higher the received bonus (dividend) amount from the overall credit union yearly surplus, agreed and voted upon at the annual general meeting by all members present.
- Members savings at the social fund (shares) are being used to lend to other members.

### **What do members of a credit union receive for social fund savings?**

The social fund you accumulate at your credit union may be eligible for a certain percentage of bonus established democratically by the general assembly of members.

The value of the bonus will depend on:

- the social fund that you have accumulated (monthly, over a longer period of time, or occasionally at some time after becoming a member);
- the financial surplus obtained by the credit union at its disposal for distribution to members;
- only members of the credit union receive bonuses for the social funds they have accumulated monthly or occasionally during the financial year;
- the amount paid to members as a bonus to social funds varies from one credit union to another.

### III. BEST PRACTICE EXAMPLES IN FINANCIAL EDUCATION IN ITALY (TRENTO) AND IN UK (LIVERPOOL)

#### Best practice examples in UK (Liverpool)

##### ***Financial Education in Practice at Lodge Lane and District Credit Union, Liverpool***

Lodge Lane is a credit union in Liverpool which is putting the objective of financial education for their members into action: “Education in the Wise Use of Money”. We present below some brief points<sup>7</sup> from this programme:

#### **1. Young Savers, birth to 16 years.**

They do not pay credit union’s £4 joining fee. Not full members until 16 when their savings become adult shares, they complete an adult application form and pay the £4 fee. They therefore CHOOSE to be a member, rather than parents deciding.

Note: The law in Britain does not allow them to take out loans until 18 years.

#### **2. Schools Partnerships**

Lodge Lane Credit Union has collection points in several schools, managed jointly by a LLCU named person, and a member of staff at the schools willing to co-ordinate, publicise etc

#### **3. Fun activities**

Usually around International Credit Union Day. Funny Money’ sessions. Fun games, puzzles, activities on theme of money. Roll a penny, guess how much in the jar, making money boxes, playing shop and post office.

#### **4. Adult Learning**

a) Informal education in the wise use of money through the core CU business. An example is if a member is asking for his /her loan to be topped up frequently, they are invited to come for a full budget review. This is usually well received by the members since many people say “I don’t know where my money goes”. They will then set up an action plan.

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<sup>7</sup> Marie Gray, Lodge Lane and District Credit Union, Liverpool, June 2018

b) Simply by being a Credit Union member and using the basic services, members are able to be more in control of their finances, changing habits and spreading the word amongst neighbours. They become better money managers, almost by default!

c) Taught courses in local Children’s Centres. Credit Union member, Marie Gray, led this initiative and produced all resources. Although this covers financial education in the wider sense, there are plenty of opportunities for learning about the benefits of credit union membership!

*“Money Matters in Kensington”, a Liverpool-based project, worked with disadvantaged families on financial capability, digital skills and community research. It was found that learners experienced a reduction in anxiety and stress through feeling more confident in managing their family finances.*

### **5. Awareness Raising**

This initiative includes interesting or controversial articles on Money Matters from newspapers, on notice boards or in our own newsletters e.g. Credit Cards, Bank rates, Government decisions, Case studies, Welfare Benefit changes etc.

### ***Money Matters – Individual Support at Lodge Lane and District Credit Union, Liverpool***<sup>8</sup>

This programme is arising from the successful ‘*Money Matters in Kensington*’ financial capability project. The project was designed to address the priorities in the area of debt, fuel poverty and money management.

During the accredited course in groups, it had become clear that some parents needed more individual, targeted help. This was also evident during more general family support work, with staff being frequently called upon to sort out everyday benefits, housing and immigration status problems.

Parents are seen by appointment and can be referred by any staff member. A total of 65 parents were seen during the year to March 2017, some needing just one appointment. Many needed support several times, either for multiple topics, or as follow up from the original query.

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<sup>8</sup> Marie Gray - Money Matters – Individual Support Report 2016-2017

Specific need for this support in the Kensington area was identified, especially with government agencies. Main topics requiring support were: benefits – DWP/HMRC. Child Benefit, Child and Working Tax Credits, DLA, Mat. Ben.; Benefits – Liverpool City Council. Housing Benefit, Council Tax, Specific Needs (LCSS); Housing Matters – Property Pool applications, Issues with landlords, Healthy Homes; Immigration – Home Office for status applications, verification for Travel Documents, but also topics related to financial education: Utilities Companies- sort out billing queries, liaise re arrears / debt issues and Budgeting – Money management.

### ***St Anne's Savers Club: A partnership between St Anne's Catholic Primary School and Lodge Lane and District Credit Union***<sup>9</sup>

Several credit union staff have expressed willingness to be involved in the programme, being conscious of the need to fit around topics which would occur naturally across the normal curriculum. It should not be an additional burden on teachers' time. We mention some examples from curricula:

1. Maths – Linking to Liverpool Counts initiative. Numerous possibilities!

Money operations naturally focus on maths + - x / %.

Language in maths “saving up for” “how much change”. Topics – statistics, average etc

2. PSHE / Personal Finance Education – saving, saving up for...

Discussions about money matters, needs and wants, cost of credit.

Making decisions about money.

### **Co-op Credit Union and financial education – by Chris Smith**

The Co-op Credit Union is currently designing and planning the roll-out of credit union member education in partnership with Enterprise Credit Union (Liverpool).

Both credit unions want to remain loyal to the purpose that they originally set out to achieve as co-operative savings and loans businesses. Following a short research project<sup>10</sup>

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<sup>9</sup> Marie Gray, Lodge Lane Credit Union, Mr. Davies, St Anne's School, 2017

(Interviews with several leading UK credit unions on the merits of running standalone budgeting for members - 2017) has reminded us that no matter how noble other social ideas are; credit unions are in the business of savings and loans. Credit unions could establish food banks, unemployment drop-in centres, furniture re-cycling centres, homeless centres and on and on. As much as all those ideas are worthy and helpful to our communities; a well-run, efficient and genuinely caring credit union is what we do best and what the community would sorely miss if we ever failed and went out of business. ECU and CCU are widely respected credit unions that many would emulate if they could, but that research demonstrates, that even with external funding, other credit unions would hesitate providing an in-house debt and budgeting service and would require convincing that the business success of the credit union is enhanced by such an activity.

So, we say stick to what we do best and *certainly provide new education*, on money and how to use it, and help members avoid the debts and issues that a lack of financial education

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**Credit Union responses to questions on in-house, and other, Debt & Budgeting services.**  
November 2017

Questions:	Co-op CU	Manchester CU	Hull & East Yorkshire CU	Sheffield CU	Hoot (Bolton) CU	Unify (Wigan) CU	South Manchester CU
1 Current numbers of members?	8,100	21,000	13,000	5,500	3,800	10,000	3,700
2 Type of credit union?	Employee	Live & work	Live & work	Live & work	Live & work	Live & work	Live & work
3 Current assets?	£5.3m	£6.5m	£12m <sup>1</sup>	£5m	£2.5m	£6m <sup>2</sup>	£3.35m
4 CU was established in?	1998	1991	1999	2004	2006 <sup>3</sup>	2002	2000
5 Do refer members to external debt agencies?	Yes	Yes	Yes <sup>4</sup>	Yes	Yes <sup>5</sup>	Yes	Yes
6 Do you refer non-members to external agencies?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
7 Which Agencies?	Validium <sup>6</sup>	CAB, Step Change	CAB, Step Change	CAB, Step Change	'Money Advice Bolton' and other local agencies <sup>7</sup>	CAB	Southway, One Manchester, Stepchange.
8 Does your member facing staff provide budgeting service for members?	No	No <sup>8</sup>	No	No <sup>9</sup>	No	No <sup>10</sup>	No
9 Does your member facing staff provide budgeting services for non-members?	No	No	No <sup>11</sup>	No	No	No	No
10 Do you believe there is any merit in your credit union directly providing 'in-house' free, confidential and impartial debt and budgeting advice to members and non-members?	No	No <sup>12</sup>	No <sup>13</sup>	No <sup>14</sup>	No <sup>15</sup>	No <sup>16</sup>	No <sup>17</sup>
11 Do you provide any form of financial education for members?	No	No	No <sup>18</sup>	No <sup>19</sup>	No <sup>20</sup>	No	No <sup>21</sup>

causes. Vancity Credit Union<sup>11</sup> in Canada has become a world leader in credit union member education, not in debt advice. Credit unions should remain specialists at the beginning of the of the members lending and finance life and not picking up the pieces at the end of the cycle. Don't be left sorting out social problems that other less caring lenders contributed towards.

CCU & ECU will:

- Offer basic financial education training sessions in the workplace that are free to the attendees
- Provide our vision is to create credit unions that will provide a range of affordable financial services and products for community and or employees members and their families.
- Find a method of offering our employers (partners) a simple training option that allows their employees to participate in basic financial education
- Ensure these employees, who are often very low paid and are already using expensive alternatives to the credit union, are informed on the benefits of the credit union way.
- Create a partnership of a community and an employee credit union to pool our knowledge in the design & delivery of this project.

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- <sup>11</sup> *People's financial well-being depends on their ability to understand and use financial information*
  - Topics include taxation, contracts, and developing a credit history. Other sessions cover basic banking and budgeting, and understanding the credit bureau, loans, credit cards & prepaid cards and fraud prevention. *way that helps them make good decisions*".
  - Vancity CU financial literacy workshops, run in partnership with various public library systems in British Columbia towns.
  - Since 2008, more than 300 Vancity employees, with almost 30 language competencies, have taught over 20,000 individuals through this program.

## Best practice examples in Italy (Trento)

### Web platforms for Financial Educational – Cassa Centrale Italy

There are developed web platforms, achieved under a program conducted by Cassa Centrale Italy, which encourages savings and promotes financial education for children between 0 and 10 years of age.

([https://www.cassacentrale.it/wcupload/cc/FINANCIAL\\_STATEMENT\\_2017.pdf](https://www.cassacentrale.it/wcupload/cc/FINANCIAL_STATEMENT_2017.pdf), accessed at 22 January 2019).

These websites, dedicated to the financial education of children and young people, are tailored to the behaviour and interests of users as a result of analysis of the information collected on the navigation site, Face book page and space on YouTube designed for tutorials video on specific themes for financial education.

#### 1) <https://www.risparmiolandia.it/it/>

An area of interest in financial education is made up of savings and payment instruments for young people and adults and aims to educate in meaning to encourage card payments and “smart payments” through Internet banking on fixed and mobile applications.

#### 2) <https://www.oraomaipiu.it/>

3) The platforms are equipped with a series of **video applications** dedicated to education and training of end-users with the purpose of reliable and safe use of the main tools available under the program “La sicurezza fa la differenza” (security make the difference).

### E-learning Platforms developed by Computer Learning Società Cooperativa from Trento

These e-learning platforms are promoting the learning of primary elements of information technology, concomitant get the first knowledge about cooperatives and how they work.

The content of these platforms contributes to teaching the social economy in schools - subject of educational curricula at all levels of compulsory education - and provides its users necessary knowledge about cooperatives, as follows:

1) <https://www.computerlearning.it/>, web page developed by Computer Learning Società Cooperativa from Trento and contribute, through specific instruments, to training of digital competences of users of all ages, in 4 thematic areas:

- a) Schools;
- b) Organizations and associations;
- c) Individuals
- d) Learning foreign languages.

Thematic areas developed within the page contain free software, web portals, e-learning platforms and various thematic training paths.

The webpage, developed by specialists inside the cooperative, is simultaneously a tool for disseminating knowledge about cooperatives and presenting their projects in partnership with schools, on topics of interest to the social economy.

2) <https://www.edutech.it/en/>, is a personalized e-learning platform that combines the latest technology with the knowledge of issues associated with professional training and addresses all aspects related to the solving of everyday technical problems.

The platform develops tools for the class and creates a very social environment in which links and teams are formed, eliminating all factors of isolation and encouraging a collaborative form of learning.

The platform also includes an audio-video conference section to facilitate communication and experience sharing.

3) <http://www.digitalstorytelling.eu/en/> is a platform that aims at training, networking skills and research. The platform is dedicated mainly to children's education, the main target of the technological changes we are going through today. Beginning from the idea that what we call "new technologies" have unavoidable implications for young children, one of the most important tasks that today's education faces is the preparation of small children for a digitally connected future. In this context, the digital story is used as a working tool for educating children from the earliest ages.

4) <https://www.i-theatre.org/it/> is, also, an innovative system, interactive, integrated for the narrative invention of the multimedia stories designed to the children between 4 and 10 years old.

I-Theatre is born according with the innovative vision of collaborative learning environment, that targeting stimulation of exchanges and relationships. Children draw backgrounds and characters from their own story, working alone or in groups and can develop a script based on their own abilities.

### Best practices in financial education and financial capability development by credit unions/CAR/cooperatives

<b>A. Identification data</b>	
1. Name of the credit union/CAR/cooperative	Cassa Rurale Valsugana e Tesino
2. Location/Address	Viale IV Novembre, 20 - 38051 Borgo Valsugana TN
3. Website	<a href="https://www.cr-valsuganaetesino.net/">https://www.cr-valsuganaetesino.net/</a>
4. Mission statement	We want to be a different kind of bank. Taking inspiration from credit cooperative system's values, we reinvest savings to the benefit of the community. This choice doubles the advantages for local families, enterprises and workers who can easily get the credit and, at the same time, make use of the public good they have contributed to produce.
<b>B. Good practice of the credit union/CAR/cooperative</b>	
Aspects of the credit union/CAR/cooperative that demonstrate good practice in activities aimed at improving members' financial capability including of disadvantaged members	For the Cassa Rurale Valsugana e Tesino the spread of financial awareness among members and citizens is a key business strategy in step with cooperative principles. This is the reason why the cooperative bank promotes: <ul style="list-style-type: none"> <li>- initiatives for schools and families aimed at improving financial capability</li> <li>- financial training for young people</li> <li>- events addressed to adults to raise awareness of financial issues</li> </ul>
<b>C. Context:</b>	
1. Year of registration	1894 (as Cassa Rurale di Scurelle)
2. Geographic and other coverage with respect to the provision of services (common bond).	Valsugana and Tesino Valley (44.471 inhabitants; 23638 customers)

<b>D. Ownership and membership</b>	
1. What is the ownership structure of the credit union/CAR/cooperative profile, number of member shareholders by type, and relative shares held.	Members are the engine of the Cassa Rurale. To be a member means to believe in Cooperative Credit values, and to be involved in the bank decision making process. Members are at the same time owners of the enterprise, first clients and, with their engagement, representatives of the bank. Total number of members: around 8400
2. Describe in a few words the voting rights of members.	Cooperatives are organised in a democratic manner and cooperative members have equal voting rights (one member, one vote).
3. What are the conditions an individual has to meet to become a member? Please describe the entry policies and conditions (e.g. residence area, profession, religious background etc.)	Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination. Individuals, companies, associations, institutions and associations can become members of the local cooperative banks. However, they have to demonstrate that they predominantly work within the intervention area of the bank. For example, companies must declare the addresses of their head office, General Direction, plants and departments. Each member must inform the bank of any variation influencing their condition of member. If the member is not an individual, it must nominate one of its administrators to represent the company / association / institution. In any of the following circumstances, individuals / companies / associations /institutions can not be members of the cooperative bank: <ul style="list-style-type: none"> <li>- they are subject to a compulsory administrative winding up;</li> <li>- they don't respect sectorial regulation's requirements;</li> <li>- according to the Board of the Cassa Rurale, they are insolvent towards the cooperative bank itself or the banks adhering to Cassa Centrale, the national credit cooperative group.</li> </ul>
4. Is a capital contribution required? If so, how much?	Capital contribution is required, and its amount is variable and made up of share capital contribution is subject to regular reassessment. Membership fee is 250 € paid only one time when subscribing.
5. Is a regular share deposit required? If so, how often and how much is it?	Not required.
6. Please describe the policies in regard to savings (shares) withdrawal.	Daily and monthly ceiling on withdrawals (from 500 euros up to 2000 depending on accounts' conditions) Daily and monthly ceiling on payments by debit card and on wire transfers Monthly ceiling on withdrawals and payments by credit card

## E. Governance

1. How often and in which form does the governance structure give reports and other information to the members? How are members kept informed with all the aspects that concern the activity and the management of the credit union/CAR/cooperative?
- The governance gives reports and other information during the Annual General Meeting but also with newsletters, emails, circulars and formal letters.

## F. Services and products

7. Please give a detailed description of each of the services and benefits offered to the members.
- Fixed fee savings account  
Two debit cards  
Inbank (online bank service)  
Free bank shares' dossier  
Savings account for young members  
Discount up to 20% on property insurance  
Discount up to 35% on auto insurances and other compensations  
Discount up to 15% on accident insurance  
Discounted rate on mortgages for health, technology and educational/training purposes  
Discounts on cultural activities (museums, exhibitions, subscription to theatre season)  
Discounted rate for tax advice  
Legal advice for free when choosing bank's solicitors  
Discount up to 10% on welfare services (baby-sitting, home care, hospital care)  
Scholarships for members and for their children when they obtain good school results/marks  
Free newsletters by email
8. Describe the conditions that a member has to meet to be eligible for each of the services offered by the credit union/CAR/cooperative (e.g. minimum saving balance, time in the credit union/ CAR/cooperative). Please refer to all the main services.
- Information not available
9. Describe the procedures used in case of loan delinquency or delinquency or default by a member. These procedures are not

<p>default by a member.</p>	<p>standard and they can thus vary from a bank to another one. They are set up by the Board. Generally, in case of delinquency or default the bank contacts the member first by phone and then by letter. The letter is eventually followed by a reminder. In the worst cases, the procedure ends with foreclosure and/or expulsion of the member.</p>
<p><b>10.</b> Does the credit union/ CAR /cooperative have any procedures/practices to avoid of the over-indebtedness of members who apply for loans?</p>	<p>Information not available</p>
<p><b>11.</b> Describe the programs and/or services for underserved / unserved clients/members.</p>	<p>Information not available</p>
<p><b>G. Membership/customer relation</b></p>	
<p><b>1.</b> Please describe briefly the methods and practices of communication/relationship with members.</p>	<p>The bank communicates with its members through the radio and local television podcasts, local magazines/newspapers, newsletters, emails, personal invitations, phone calls and whatsapp (the name of the Whatsapp group is <b>Whats...CRVT</b>).</p>
<p><b>2.</b> Describe briefly the distribution of profits / benefits / surplus policies and procedures.</p>	<p>Members take part in the democratic management of their credit cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership. (Cooperative principle n.3 - Member Economic Participation – ICA)</p>
<p><b>3.</b> Describe the operation of the Financial Services Compensation Scheme and how this assists the development of your credit union/ CAR/ cooperative.</p>	<p>In Italy the Financial Services Compensation Scheme corresponds to the Fondo di garanzia dei depositanti. This fund is mandatory. Each bank has to subscribe it in order to protect clients and members in case of bank default up to 100.000 euros.</p> <p>There are also other funds which are not compulsory. These are called:</p> <ul style="list-style-type: none"> <li>- Fondo di garanzia degli obbligazionisti (Bondholders' Guarantee Fund, not applied by Trentino cooperative banks);</li> <li>- Fondo istituzionale (Institutional Guarantee Fund);</li> <li>- Fondo provvisorio (Temporary Guarantee Fund).</li> </ul>

<p>4. How does the credit union/ CAR/ cooperative inform the members about the situation of their loan balances e.g. amount left to reimburse, rate of interest paid etc.?</p>	<p>The bank keeps its members informed of their loan balances through private individual meetings, phone calls, formal letters, emails.</p>
<p>5. Does the credit union/ CAR/ cooperative have any programmes and/ or procedures for member retention and/or loyalty programmes? Please describe briefly. What are the main reasons for which members decide to leave the credit union/ CAR/ cooperative? Are these taken into account in developing the strategy?</p>	<p>The bank guarantees special conditions on banking products as well as additional extrabanking services to all its members. In this way, the bank favours members' retention. In addition, the national law regulating the credit cooperative system has contributed to members' retention by establishing that a member can lose their status in just three cases:</p> <ul style="list-style-type: none"> <li>- Death</li> <li>- Loss of general requirements</li> <li>- Serious irregularities</li> </ul> <p>The intention of the regulation is to ensure continuity of membership.</p>
<p>6. Does the credit union/ CAR/ cooperative have any tools for measuring members' satisfaction? If yes, please describe briefly.</p>	<p>In order to measure members' satisfaction, the Cassa Rurale Valsugana e Tesino conducts specific surveys. The last one was aimed at analysing the quality of the bank's services and at monitoring members' sentiment and attitudes towards their local bank. The questionnaire used for the survey was drawn up by a European Research Institution located in Trento. The institution elaborated a document meant at highlighting weaknesses and strengths in the relationship between the bank and its members that is useful information to set out prospective strategies.</p>
<p>7. Does the credit union/ CAR/ cooperative have any procedures for taking of members complaints? Please describe them.</p>	<p>The credit cooperative has to register members' financial complaints in a national Registry regulated by CONSOB. For all other complaints, the bank has an internal registry.</p>
<p><b>H. Strategy</b></p>	
<p>1. Describe briefly the relation between the business strategy and the social mission of the credit union/CAR/cooperative.</p>	<p>The Cassa Rurale Valsugana e Tesino is a cooperative «community bank». Therefore, one of its major objectives is to invest in initiatives meant at increasing financial awareness among the communities of its territorial coverage and at loyalizing clients. The bank considers the involvement of people the biggest accomplishment of the cooperative principles and a key business strategy.</p>

<p>2. How are members involved in defining the credit union/ CAR/ cooperative's strategy and activity? Please describe briefly.</p>	<p>Members are involved in defining the bank's strategy through their representatives. As a matter of fact, within each territorial coverage, the members of a bank appoint those who will represent them in specific institutional meetings organized by the bank itself and open to members.</p>
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**I. Human resources**

Please describe volunteer recruitment policies and volunteer roles.

**J. Performance measurement:**

1. What indicators and procedures does the credit union/ CAR/ cooperative use to measure its social performance? Updating of the balance-sheet in progress.

2. Indicators	2015	2016	2017
a. Medium loan			
b. Number of borrowers			
c. Bad debt write off (% of loans outstanding)			
d. Number of loans outstanding			
e. Average loan for a business purpose value			
f. Number of borrowers that took loans for a business purpose			
g. Number of members that benefited of other services (by type of service, including financial education activities)			
h. Other social indicators			

**Financial Education**

1. How are guided the credit union/car/cooperatives members in managing effeciently their budgets / family finances? The bank offers counselling services if requested and organises events aimed at spreading awareness on personal/family financial management.

2. Please describe specific tools (if any) used to build a personal and family budget. Information not available

3. How are helped the credit union/car/cooperatives members in managing their financial debt? The bank offers counselling services if requested. During the crisis, the bank in conjunction with the Province of Trento also implemented specific measures to support its clients and members, with particular regard to mortgages' holders.

4. How are the CREDIT UNION/ CAR/ COOPERATIVEs members guided in developing a Financial Plan?	The bank offers counselling services if requested.
5. How credit union/car/cooperatives members choose a specific saving or investment plan? How they are guided by the credit union/car/cooperatives staff?	The bank offers counselling services if requested. It also has an information point at the counter where an employee of the bank answers to people's requests.
6.Does your credit union/ car/ cooperatives organize Financial Education activities (trainings/ workshops/ webinars/ brochures etc) for the members on a regular bases?	The Cassa Rurale promotes different education and training initiatives for members but they are not mandatory. For instance: - courses/seminars on topics of general interest; - courses/seminars on specific issues; - seminars/conferences on economics, innovation, development of new business perspectives.
7.Does your credit union/car/cooperatives organize Financial Education activities for member's families (including their children) and/or for the local community?	The Cassa Rurale promotes different initiatives for the local community. For instance: - seminars/conferences on topics of general interest, such as heritage and legacy, financial markets and investments, e-banking instruments, ... These events are held by experts of the bank, of the banking group and of the Trentino Federation of Cooperatives; - seminars on specific issues (new tax policies or regulations, public incentives to use...), held by sector experts; - seminars/conferences on economics, innovation, development of new business perspectives (with national or international speakers). - lessons and seminars held in schools and coordinated by teachers with the support of bank experts («questions and answers» method); - lessons held in schools by officers of the bank.
8. Does your credit union/ car/ cooperatives have official collaborations with educational institutions in order to promote Financial Education principles in the community?	The bank collaborates with the Trentino Federation of Cooperatives, the representative organization of the Trentino cooperative movement, that is also in charge of financial education in Trentino schools. Moreover, the bank is in touch with local public institutions that supports it in promoting its initiatives.

<b>A. Identification data</b>	
1. Name of the credit union/CAR/cooperative	Federazione Trentina della Cooperazione
2. Location/Address	Via Segantini 10 – 38122 Trento – TN
3. Website	www.ftcoop.it
4. Mission statement	The Federazione aims at contributing to social and economic improvement of people, communities and territories by spreading cooperative culture and supporting cooperative entrepreneurship.
<b>B. Good practice of the credit union/CAR/cooperative</b>	
Aspects of the credit union/CAR/cooperative that demonstrate good practice in activities aimed at improving members' financial capability including of disadvantaged members	The Trentino Federation of Cooperation is the only institution in Italy to represent the whole local cooperative movement. It supports its cooperatives by providing them qualified consultancy, assistance and advice. It checks their activities and ensures that they are adhered to legal and financial rules and regulations. Finally, it is instrumental in raising awareness of the sense of cooperative identity and in spreading financial capability at local, national and international level.
<b>C. Context:</b>	
3. Year of registration	20th November 1895
4. Geographic and other coverage with respect to the provision of services (common bond).	Autonomous Province of Trento
<b>D. Ownership and membership</b>	
1. What is the ownership structure of the credit union /CAR/ cooperative profile, number of member shareholders by type, and relative shares held.	Number of members: around 500 cooperatives, 270.000 members of cooperatives

**2.** Describe in a few words the voting rights of members.

During the Assembly, the requirements for voting are:

- having subscribed the membership for at least 90 days;
- having paid up the capital contribution agreed.

A member has the right to one up to five votes depending on their capital contribution. Up to 1.000 euros of capital contribution, a member has the right to one vote; up to 2.000 euros, two votes; up to 3.000 euros, three votes; more than 3.000 up to 4.999 euros, four votes; equal to or higher than 5.000 euros, five votes.

**3.** What are the conditions an individual has to meet to become a member? Please describe the entry policies and conditions (e.g. residence area, profession, religious background etc.)

May be members of the Federation:

- a) cooperatives and mutual societies located in the Province of Trento that share the purposes of the Trentino cooperative movement as well as the credit cooperatives that are under the umbrella of the national credit cooperative group started by Cassa Centrale Banca;
- b) companies, associations and other institutions connected to the Trentino cooperative movement;
- c) social enterprises [in accordance with the regulation applicable](#).

As reported in the FTC's statute, the number of members is unlimited.

When the Board approves a new membership, it can register the new member as *special member*. This means that the new member will be under test for 5 years before becoming regular member. In that event, the member will be informed about the evaluation criteria to become regular member.

<p>4. Is a capital contribution required? If so, how much?</p>	<p>A capital contribution is required and its amount must be declared when the potential members lodge their membership's application. In any circumstances, the amount of the capital contribution can not be lower than 100 euros or higher than the ceiling established by law. The application is examined and evaluated by the Board that can approve or reject it. The payment of a membership fee is also required.</p>
<p>5. Is a regular share deposit required? If so, how often and how much is it?</p>	<p>Not applicable</p>
<p>6. Please describe the policies in regard to savings (shares) withdrawal.</p>	<p>Not applicable</p>
<p><b>E. Governance</b></p>	
<p>1. How often and in which form does the governance structure give reports and other information to the members? How are members kept informed with all the aspects that concern the activity and the management of the credit union/CAR/cooperative?</p>	<p>The governance body gives reports and other information during the Annual General Meeting but also with newsletters, Cooperazione Trentina (the monthly magazine of the Trentino cooperative movement), emails, circulars and formal letters.</p>
<p><b>F. Services and products</b></p>	
<p>1. Please give a detailed description of each of the services and benefits offered to the members.</p>	<p>The Federation offers to its cooperatives different services. Among them: assistance, consultancy (tax and labour advice, legal advice, administrative and organizational support), audit, monitoring and check, cooperative training and education, research and development, communication and promotion, etc.</p> <p>The Federation is also involved in a number of pro-active projects for the dissemination of the cooperative culture. Supported by the Provincial Departments for Education and Cooperation, FTC carries out cooperative project in Trentino's schools. It predominantly collaborates with compulsory education but it also has a partnership protocol with the University of Trento that allows it to host students</p>

	<p>for internships.</p> <p>Finally, the Federation founded two associations. These associations (Associazione giovani operatori trentini - Trentino youth cooperative association; Associazione Donne in Cooperazione - Women cooperative association) also implement education and training programmes and promote other initiatives pertinent to the mission of the Trentino cooperative movement.</p>
<p>2. Describe the conditions that a member has to meet to be eligible for of each of the services offered by the credit union/CAR/cooperative (e.g. minimum saving balance, time in the credit union/CAR/cooperative). Please refer to all the main services.</p>	<p>Not applicable.</p> <p>When they become members of the Federation by paying a membership fee, cooperatives are eligible for all the services offered by the Federation. They just decide what services they want to get and pay the amount required.</p>
<p>3. Describe the procedures used in case of loan delinquency or default by a member.</p>	<p>Not applicable.</p> <p>The exclusion of a member can be decided by the Board according to the law or when:</p> <ul style="list-style-type: none"> <li>a) the member doesn't meet the requirements for the membership anymore;</li> <li>b) the member joins another institution representing the cooperative movement;</li> <li>c) the member doesn't respect the established by the law, by the statute, by cooperative regulations and by the institution's governance;</li> <li>d) the member doesn't pay the admission fee and/or the amount for the services required.</li> </ul>

<p>4. Does the credit union/CAR/cooperative have any procedures/practices to avoid of the over-indebtedness of members who apply for loans?</p>	<p>Not applicable</p>
<p>5. Describe the programs and/or services for underserved / unserved clients/members.</p>	<p>Not applicable</p>
<p><b>G. Membership/customer relation</b></p>	
<p>1. Please describe briefly the methods and practices of communication/relationship with members.</p>	<p>The Federation keeps its members informed through local television podcasts, web-TV channel, local magazines/newspapers, newsletters, emails, personal invitations and phone calls.</p>
<p>2. Describe briefly the distribution of profits / benefits / surplus policies and procedures.</p>	<p>Members take part in the democratic management of the Federation. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperatives, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the Federation; and supporting other activities approved by the membership. (Cooperative principle n.3 - Member Economic Participation – ICA)</p>
<p>3. Describe the operation of the Financial Services Compensation Scheme and how this assists the development of your credit union/CAR/cooperative.</p>	<p>The Federation doesn't have a Financial Services Compensation Scheme. However, the Cooperative Movement has created specific funds managed by and aimed at favouring technological and organizational development of cooperatives as well as at supporting them in case of corporate restructuring, according to the Law No 31<sup>st</sup> January 1992.</p> <p>On one side, <b>Promocoop Trentina spa</b>, a non-profit</p>

	<p>organization, manages the Trentino Cooperative Movement's Mutual Fund foreseen by Italian Law No. 59/92. The Fund is filled in with the 3% of cooperatives' annual profits and by the assets of wound-up companies. Promocoop Trentina finances the development and promotion of cooperative projects and supports cooperative education programmes in schools as well as the training of the cooperative movement's employees and directors.</p> <p>On the other side, <b>Cooperfidi</b> offers guarantees for bank loans to cooperatives and manages other financial operations such as lease-back.</p>
<p>4. How does the credit union/CAR/cooperative inform the members about the situation of their loan balances e.g. amount left to reimburse, rate of interest paid etc.?</p>	<p>Not applicable</p>
<p>5. Does the credit union/CAR/cooperative have any programmes and/or procedures for member retention and/or loyalty programmes? Please describe briefly. What are the main reasons for which members decide to leave the credit union/CAR/cooperative? Are these taken into account in developing the strategy?</p>	<p>To favour members' retention, the Federation designs and provides innovative services to its cooperatives and always tries to maintain high quality standards.</p>
<p>6. Does the credit union/CAR/cooperative have any tools for measuring members' satisfaction? If yes, please describe briefly.</p>	<p>In order to measure members' satisfaction, the Trentino Federation of Cooperation conducts specific surveys. The last one, in 2017, was aimed at analysing the quality of FTC's services and at monitoring members' sentiment and attitudes towards their umbrella organization. The questionnaire used for the survey was drawn up by the Chief Executive together with the Communications Office. They elaborated a document meant at highlighting weaknesses and strenghts in the</p>

	relationship between FTC and its members to set out prospective strategies.		
7. Does the credit union/CAR/cooperative have any procedures for taking of members complaints? Please describe them.	Customer satisfaction surveys Feedback reported by FTC's consultants		
<b>H. Strategy</b>			
1. Describe briefly the relation between the business strategy and the social mission of the credit union/CAR/cooperative.			
2. How are members involved in defining the credit union/CAR/cooperative's strategy and activity? Please describe briefly.	Members are involved in defining the Federation strategy through their representatives who take part in the Board or participate to specific executive committees organized by the Federation itself to collect and share ideas and strategies.		
<b>I. Human resources</b>			
Please describe volunteer recruitment policies and volunteer roles.			
<b>J. Performance measurement</b>			
1. What indicators and procedures does the credit union/CAR/cooperative use to measure its social performance?	Not applicable, except for (g.) Number of people that benefited of other services		
<b>2. Indicators</b>	<b>2015-2016</b>	<b>2016-2017</b>	<b>2017-2018</b>
a. Medium loan			
b. Number of borrowers			
c. Bad debt write off (% of loans outstanding)			

<b>d.</b> Number of loans outstanding			
<b>e.</b> Average loan for a business purpose value			
<b>f.</b> Number of borrowers that took loans for a business purpose			
<b>g.</b> Number of members that benefited of other services (by type of service, including financial education activities)	Financial education in schools (number of beneficiaries):  359 Pupils  32 Teachers	Financial education in schools (number of beneficiaries):  Pupils 360  Teachers 38	Financial education in schools (number of beneficiaries):  Pupils 1376  Teachers 105
<b>h.</b> Other social indicators			
<b>Financial Education</b>			
<b>1.</b> How are guided the credit union/car/cooperatives members in managing effeciently their budgets / family finances?	Not applicable		
<b>2.</b> Please describe specific tools (if any) used to build a personal and family budget.	Not applicable		
<b>3.</b> How are helped the credit union/car/cooperatives members in managing their financial debt?	The Federation offers counselling services and assistance.		
<b>4.</b> How are the CREDIT UNION/CAR/COOPERATIVEs members guided in developing a Financial Plan?	The Federation offers counselling services and assistance.		
<b>5.</b> How credit union/car/cooperatives members choose a specific saving or investment plan?	Not applicable		

<p>How they are guided by the credit union/car/cooperatives staff?</p>	
<p>6. Does your credit union/car/cooperatives organize Financial Education activities (trainings/ workshops /webinars/ brochures etc) for the members on a regular bases?</p>	<p>Yes, but not on a regular basis. The Federation often organizes seminars on cooperative issues or on other major subjects such as citizenship, social responsibility and reciprocity, local development, gender equality, responsible cooperative membership, cooperative sustainability and so forth.</p> <p>In 2012, International Year of Cooperatives, the Federation also organised an important four-day event with international speakers focused on significant topics, including financial education. Members were all invited.</p>
<p>7. Does your credit union/car/cooperatives organize Financial Education activities for member's families (including their children) and /or for the local community?</p>	<p>Financial education programmes for member's families and local communities are implemented in collaboration with the credit cooperative sector.</p>
<p>8. Does your credit union/car/cooperatives have official collaborations with educational institutions in order to promote Financial Education principles in the community?</p>	<p>The Federation is convinced that cooperative and financial education are fundamental to develop cooperative identity and to raise awareness starting from the young age. This is the reason why every year the Federation instructs its Cooperative Culture and Education Office to plan and carry out specific cooperative projects in many Trentino's schools. These projects yearly involve around 3,500 students and 300 teachers. In class, the Cooperative Culture and Education Office uses an innovative learning by doing methodology.</p> <p>Cooperative education projects in schools are carried out:</p> <ul style="list-style-type: none"> <li>• to develop knowledge about the history, the organization and the legislation of cooperatives at a local, national and international level;</li> <li>• to teach the cooperative principles and to</li> </ul>

demonstrate how they can be applied to educational activities;

- to make students practice cooperation by setting up cooperative school associations (ACS), that are simulated cooperatives.

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