Managing Money

Englischer Filmtext

Student 1:
"Hey!"

Student 2:
"Hi! What do we have first lesson?"

Student 1:
"Finances. Money. Making a budget. Payments, saving, loans – stuff like that."

Student 2:
"What for? Why would I need to know about finances and money?"

Student 1:
"Maybe 'cause you're totally broke after spending all your money on your new super bike."

Student 2:
"So what?"

Student 1:
*"Ok, what if you suddenly need money really badly?
Because something happens? Something unexpected?"*

Student 2:
"What kind of unexpected thing's ever going to happen to me??"

Philipp Walulis:
Daily life costs money. We all have to eat and drink. And nobody wants to walk around naked – so we need clothes. A nice place to live is always good too. And we want to be able to afford something every now and then. Maybe a holiday, or even a new super bike. How much money do we have? Let's tot it up. Right now I have 2, 3 euros and 54 cents cash in my pocket. That's not very much. But that's not all the money I have. Because there is also another form of money: "book money".

Robber:
"This is a robbery! Hand over your book money!"

Librarian:
"Excuse me! This is a library!"

Robber:
"This is a robbery! Give me the book money!"

Philipp Walulis:
Book money isn't called book money because you find it in books. Book money is the money held in bank accounts. It's a word which was used in the olden days when customers' money was recorded by hand in an account book. Today, accounts are kept electronically. A bank statement shows, how much money I have in my bank account. At the bottom right, you can see how much book money you have. You can also see all the deposits and withdrawals made since the last account statement. A bank statement can't tell you how much money you have available on a regular basis. A budget can give you an easy overview of your money. Because after all, not all your income and expenditures are listed on the bank statement. And some expenses only come up once a year, like that fitness club membership fee.

To create your personal budget, you need to make a list of all your income and expenditures over the period of one month. Jan's budget could look like this, for example: The income is shown on the left, and the expenditures are listed on the right. Jan earns 1,315 euros a month. He spends 15 euros on his mobile. And 60 euros on the gym. The balance is shown on the bottom line. All expenditures are deducted from the income. Jan's overall balance is negative. He spends more than he earns.

Jan:
"What?? 60 euros for the gym?! When did I last go there? ... I have no idea ..."

Philipp Walulis:
To stop this from happening to you, you should always have your finances under control. This means: not only knowing what you spend, but also planning for the future. So what about next month? How much income will I have? And approximately how much will I spend? Jan, for example, currently spends 30 euros more than he earns. To compensate for this, he would have to save an extra 30 euros next month. If Jan stopped going to the gym, he would save 60 euros and would even have something left at the end of the month. With the help of a budget like this, you can get a good overview of your own financial situation. You can estimate far more easily how much you can afford to spend in the near future, and what will have to wait a while. By the way, if you actually buy something – like a new bike or a new computer, you will have less money, but not necessarily less overall wealth. Because the bike or the computer are also worth something and can be sold again if you need money badly. That's why these things are called tangible assets.
Here's a summary: Your financial assets consist mainly of your cash and your book money. Things in which money is tied up are called tangible assets – things you can sell again. Your total wealth is both, your financial and tangible assets. In order to keep full control of your finances, it is very important to set up a budget. There you can compare your income and expenditures, so that you see in advance what you can afford and what you can't.

Grandpa Reiner:
"Hello everyone! I'm Grandpa Reiner, the smart saver, on my channel 'How to make a million – the best tips ever!'
Always keep old bits of string and use them again. I sealed every second hole with superglue, so I save half the water bill. And this is how you save another few cents every time you visit the toilet."

Philipp Walulis:
Ok, smart saver Reiner's saving tips are not for everyone. You can take them or leave them. In any case – if you do have any money left over at the end of the month, it's up to you: spend or invest? If you choose to invest, you're spoiled for choice: there are quite a lot of different cash investment options. And not all investment consultants are trustworthy.

Investment Consultant:
"And that is why Central Boldonian distillates from hazelnut lemonade are the latest trend on the stock market! With a 1 to 1000 leverage and without any risk! Invest 1000 euros and become a millionaire overnight. But you have to act right now, before everybody else jumps on the bandwagon! You'd be best to invest all you've got."

Philipp Walulis:
The safest way to invest your money is in a savings account. An alternative is to purchase stocks. These include shares, for example.

Woman:
"Look honey, I just bought the latest Stylephone. Totally amazing!"

Man:
"Only ONE Stylephone?!! I just bought the whole company."

Woman:
“With just one single share ...?”

Philipp Walulis:
Well, it’s not quite like that. But when you buy a share, you buy a small stake in the company. And thus you also earn a part of the company profit. That is called a dividend. Shares can also be resold at any time. And if the shares are in high demand, you can sell them at a higher price than your purchase price. The difference between the buying and selling price is called the share profit. Bonds are another investment option. When you buy a bond, you are basically lending money to the seller of that bond. After a period of time, you will get the money back. Together with a previously agreed amount of interest. Bonds can usually be resold. The other option is investment funds. In this case, you’re buying a share in a fund that contains lots of different stocks or real estate. The benefit of this is that there is a lower degree of market fluctuation. With lots of different stocks, market fluctuations are of less significance than if you purchase shares in just one company. If that company’s not doing well, its shares may drastically drop in value or, in the worst case, they may become completely worthless.

Man and Woman:
„Aaaaaaahhhh!“

Man:
„Aaaaaaahhhhhhhhhhh!“

Philipp Walulis:
Therefore, you need to pay attention to the risk factor when investing money. You have to weigh up between risk and return. Return is what you get at the end of the day, taking into account interest rates, share profits and dividends, and also potential costs. If you invest money, you probably want to maximise returns. On the other hand, the investment should be as safe as possible. Unfortunately, investment opportunities with a very high return and absolute security, that means zero risk, do not exist.

Investment Consultant:
“Yes, they do! Boldonian distillates from hazelnut lemonade!”

Philipp Walulis:
No, not in the real world! In real life you have to decide, which goal is more important to you: security or a high return. The more you pursue one of these goals, the harder it is to reach the other. If you decide to invest safely, you will probably get the money back without any losses. But the return will also be very low. On the other hand, high returns are often associated with a high risk, which may mean that you don’t get your money back. Not easy to decide. But the following three basic rules will be a great help: First, only purchase stocks you understand. Find out about the specific investment. Look at the promised return, but also at the possible risk.
Second, spread your money across multiple forms of investment. If you go all-in, you can lose everything. Therefore it’s better to distribute the money over different forms of investment. Or in other words: "Do not put all your eggs in one basket".
Third, always remember that a high return usually means a high level of risk. So you should be sceptical when an investment promises fantastically high interest rates, dividends or profits.

Investment Consultant:
“... so, about my central Bold-oh ...”

Philipp Walulis:
So here’s the summary: When the value of a stock rises and you can sell it for more than you originally paid for it, it is called a share profit. The dividend is a share of the profits made by a company throughout the year. The return is the total return on an investment after any potential costs, and the risk says something about the probability of getting all your money back.

Pirate:
“Step aside!”

Cashier:
“Hey, what about paying??”

Pirate:
“Payment?? I am a pirate! I plunder and board other ships! The wind in my face, the storm in my sails! I shall not pay, never!”

Cashier:
“Well, you will here.”

Pirate:
“Cash or card...?”

Philipp Walulis:
Gold coins, paper money, credit cards, smartphones. Over the years and centuries, people have invented a whole bunch of different methods of payment. And there's more still to come. Like contactless payment with a mobile phone. To do this, you open an app and hold the phone briefly over the payment terminal and the amount is immediately deducted from your account. But that’s not the only way to pay. You can use internet payment methods or certain apps. But you should always keep in mind: even if you are not handling any actual cash, you are paying with money debited from your account. You can also use a bank card or a credit card. Here too, the money will be deducted from your account. However, this will take some time. The payments are collected and then debited together monthly. That is why it’s so important to keep control of your expenditures. Keyword: budget.
Also, be aware: scammers are always about, trying to gather account information to rob people’s bank accounts. For example, just by looking over your shoulder when you’re shopping. After that they just have to get hold of your card, and then, they have access to your money. Or they manipulate entire ATMs to get hold of your data. So it’s best to check each time you withdraw money, whether the ATM is really ok, or if something looks strange, such as the keyboard, attachments on the card slot or if someone has installed cameras. But often the scammers don’t actually have to go to all that much effort as there are still people who write their PIN on their card, so as not to forget it. There’s just one problem with that: if a thief gets hold of the card, they also have the PIN. And remember, the PIN does not belong in your wallet either. It belongs only in here.
Today new technical security systems are being developed, such as fingerprint sensors or scanners for your eyes. And again there will be criminals trying to outsmart these systems. So, here’s the summary: Besides cash, there are many ways to pay. But remember: no matter whether you use a mobile phone, a card or the internet, always make sure that no one gets hold of your data. You should take special care of your PIN. If you use a credit card, expenses are not immediately debited from the account. That’s why people tend to spend more than they have. Therefore, be aware that no matter how you pay, you will end up paying with money debited from your account.

Man 1:
“Well, don’t you want to buy some cool clothes, perhaps? Or look for a bigger flat?”

Man 2:
“Sure, as soon as the credit fairy drops by.”

Man 1:
“Credit fairy?”

Man 2:
“Of course, or where else do you get money from?”

Man 1:
“There is. No. Credit fairy.”

Man 2:
“No credit fairy?? Mate, I almost believed you. What are you going to tell me next? That there’s no Easter bunny or what?”

Philipp Walulis:
Sorry. You don’t get loans from the credit fairy, you get loans from the bank. But what exactly is credit? If you borrow money from the bank, it is called “taking out a loan.” However, the bank’s not giving you credit because it’s just sooo kind. You have to pay back a little more than you borrowed. This difference is called the interest. But how do you get a loan? Basically you have to be at least of legal age and have full legal capacity. But your credit rating also plays a role.

Rapper:
“Yo, mate, but I need the 10,000 euro loan for the music studio. And this track will be a hit! When it rocks the charts, you’ll get the dough back. I see, I gotta perform for you, check this out, yo: Yo, this is my flow, I’m a dangerous gangsta, and this you know! So don’t talk to me, man, because I’m the richest homie, man ...”

Bank employee:
“Well..., I’m sorry, but 200 followers are not sufficient as a guarantee for your loan. We have other requirements for our customers’ credit ratings ...”

Philipp Walulis:
The credit rating of a credit recipient indicates how likely it is that they can repay a loan in full. A regular income and a secure job help. With a low credit rating, you often have to pay more interest, or the bank may even refuse credit altogether. Once the credit rating has been established, next question is: what kind of credit do I need? What many people are unaware of is that even if you overdraw your bank account – that means taking out more money than you actually have – it already counts as a loan. It’s called overdraft or disposition credit - dispo credit for short. You get it from your bank depending on your monthly income. If you have it, you can use it flexibly. However, you should not use the overdraft facility frequently, and should not go up to the limit set by your bank too often. Because you pay a very high interest rate. For more expensive wishes, an instalment credit is much cheaper.

Child:
“Mooooom! My unicorn died today! I really want a new unicorn!!!”

Mother:
“Well, in that case we’ll have to wait for the credit fairy first.”

Father:
“Does she mean the ugly pony, with an old chair leg glued onto its head?”

Child:
“Nooo!”

Mother:
“Yes!“

Father:
“Well, then we’ll just buy a new one ...”

Philipp Walulis:
For major purchases like that, an instalment credit is suitable. It is sometimes called consumer credit, or a personal loan. Here, the interest rate is usually lower than the overdraft. You have to make a one-off application for the loan. Repayment is then made in agreed instalments, including the agreed interest rate – the price paid for the borrowed money. It's important that you're not blinded by overly tempting offers. Some only name the interest rate. However, there's often a processing fee or a reduced payout, so in the end you pay more than you initially think. Therefore, always look at the effective annual interest rate. That's what you actually have to repay, including all fees for interest.
Let's summarise: A flexible type of credit is the overdraft or disposition credit. Advantages: It is easy and immediately available. You can repay it anytime. The disadvantage: The interest rate on the credit line is very high. For major purchases, an instalment credit is the right choice. The interest rate is lower than with an overdraft credit, but the instalment credit must be repaid in fixed instalments. Before you take out a loan, you should make sure to compare the costs attached to it. The effective annual interest rate is what you really pay for the loan at the end of the day. So, as we've seen – it's not that hard to manage your money, if you obey some basic rules. If you keep a budget and keep your expenses under control, you're on the safe side.

Child:
"Mooooom! My unicorn died today! I really want a new unicorn!!!"

Mother:
"Well, in that case we'll have to wait for the credit fairy first."

Credit fairy:
"Did someone call my name? I'm the credit fairy!"