SMART FINANCE GUIDE

FINANCIAL INTELLIGENCE FOR TOMORROW'S TEENS

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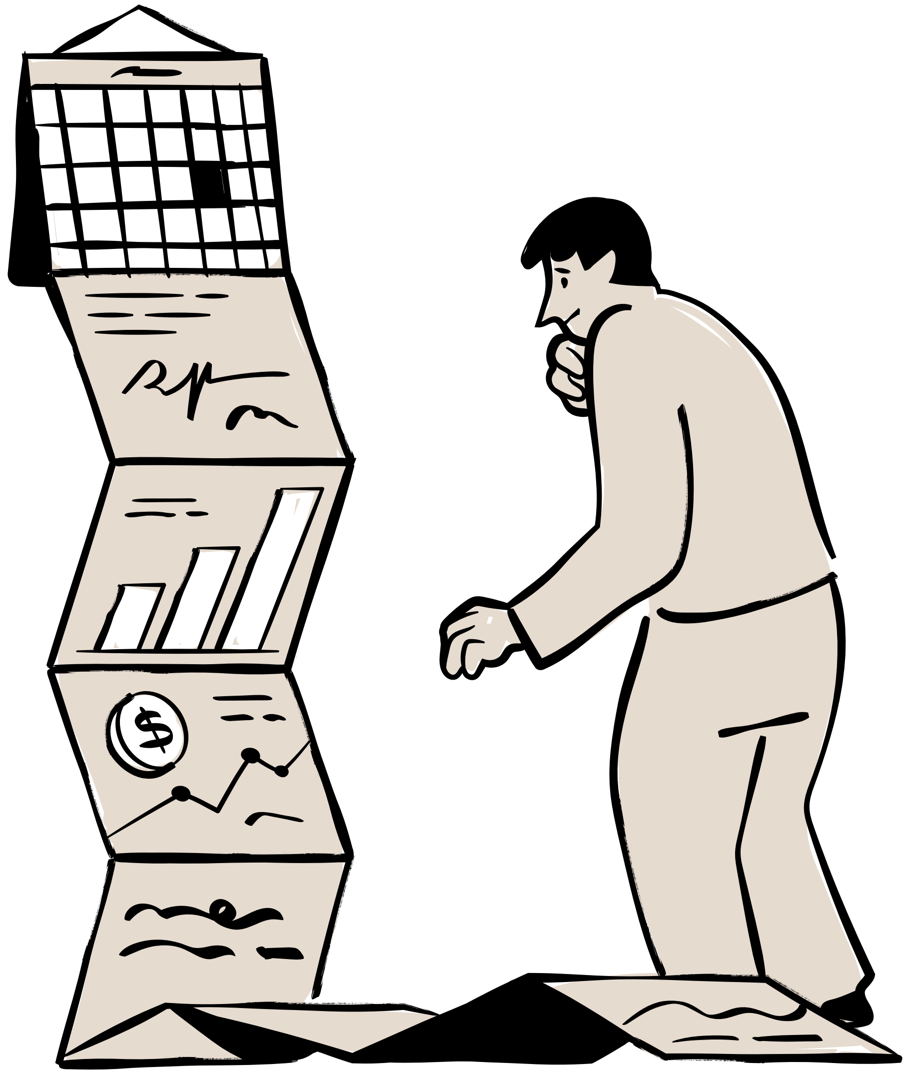

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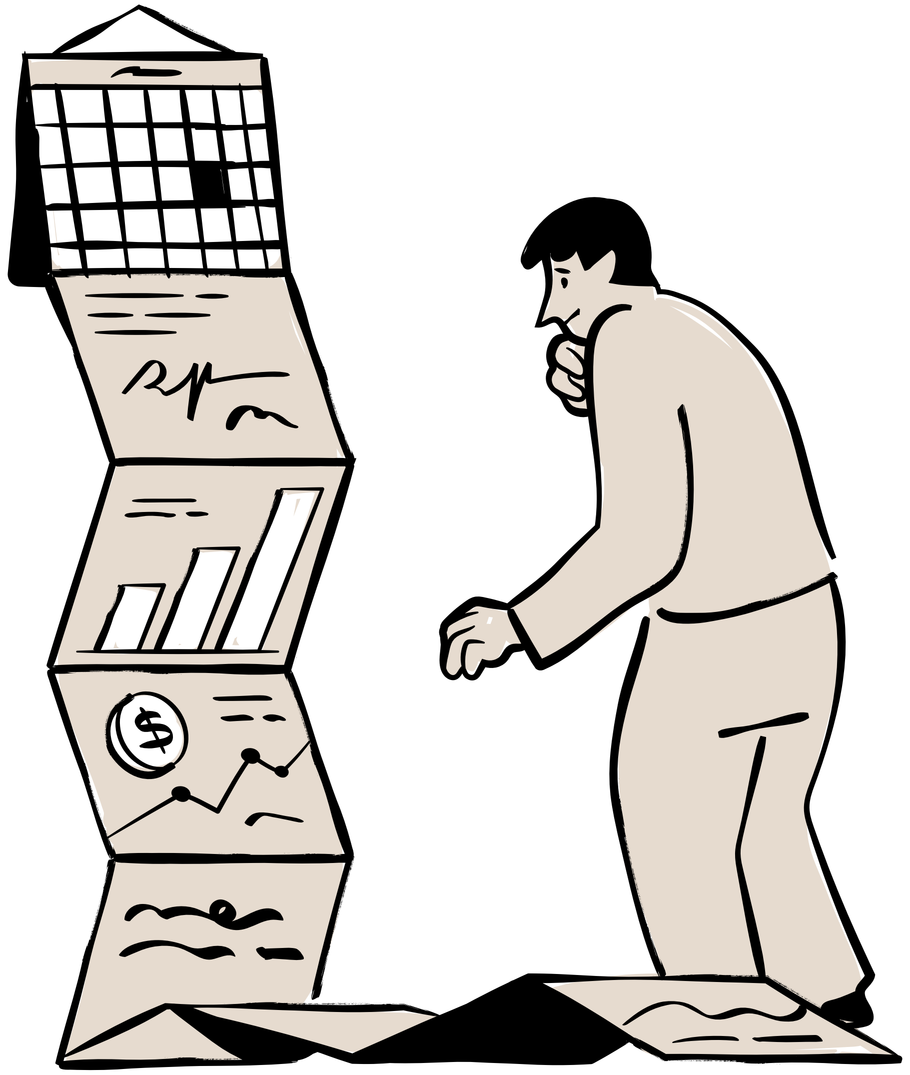


İNSEL OLCAYTU's TEAM

Zeynep T., Ali Eren, Nazlı, Mustafa Yiğit,
Ömer, Berra, Aysegül ,Ecem, Yağmur Ece, Ahmet Buğra

Needs vs. Wants

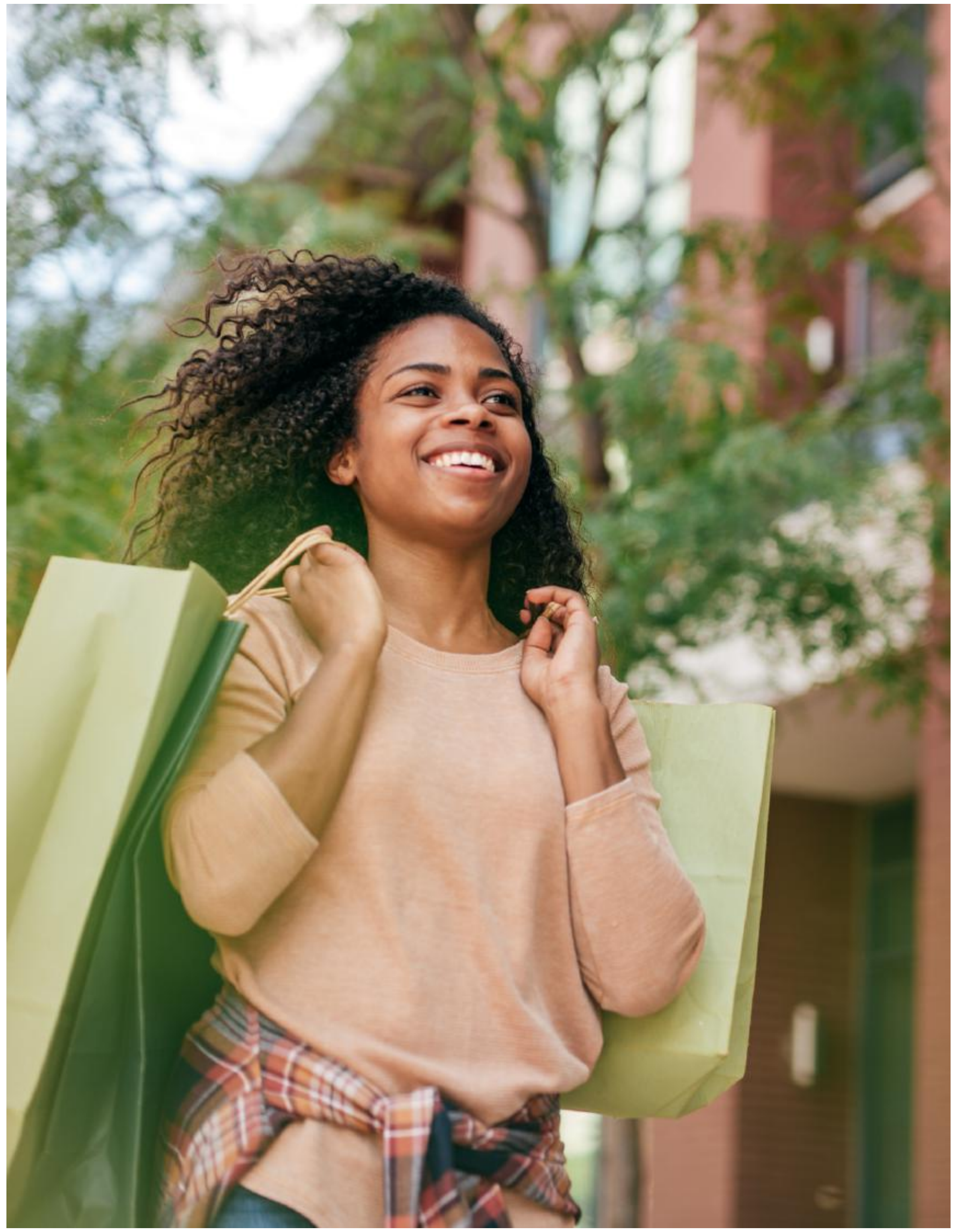
Psychology Emotional Spending, Emotional spending: Identifying '

The H's : Spending when Hungary,Happy, or Hurt.

How to identify Essentials vs. luxuries,needs, wants-conflict resolution

PSYCHOLOGY OF EMOTIONAL SPENDING

Emotional spending is when people buy things because of their feelings instead of real needs. Many people shop when they are stressed, sad, excited, or even bored. While shopping can sometimes make people feel better for a short time, emotional spending may later cause regret, money problems, and stress.



Identifying "The H's" of Emotional Spending

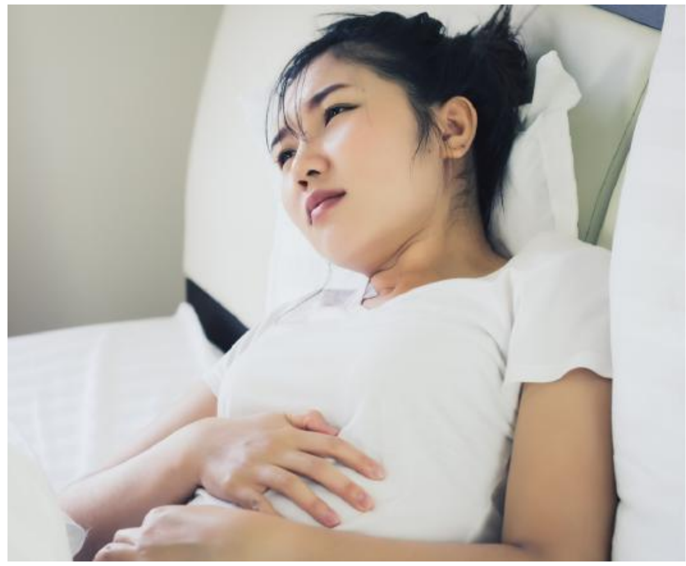
A useful way to understand emotional spending is by recognizing "The H's":

1. Hungry

When people are hungry, they may make impulsive decisions. Hunger can reduce self-control and cause someone to buy unnecessary snacks, expensive food, or even unrelated products while shopping.

2. Happy

People often spend more money when they feel excited or happy. Celebrations, good news, or rewards can lead to buying luxury items or things they do not truly need.



3. Hurt

Sadness, stress, loneliness, disappointment, or anger can also trigger emotional spending. Some people shop to comfort themselves or escape negative feelings. This may create temporary happiness, but the emotional problem usually remains.

Distinguishing between essentials and luxuries is a very important step for managing money well. Essentials, which are also called "needs," are the things a person must have to live, stay healthy, and work. This category includes basic things like a simple place to live, groceries, water and electricity bills, healthcare, and a way to get to work. Luxuries, or "wants," are things that make life more fun but are not necessary to survive. This includes eating at restaurants, streaming video subscriptions, expensive clothes, vacations, and buying the newest gadgets.

To easily tell the difference between the two, a person can use a simple test before buying something. This means pausing to ask if the item is truly necessary or if it just makes them happy in the moment. For example, buying food at the supermarket is a need, but paying for an expensive dinner at a restaurant is a want. In the same way, having a phone is usually a need for work and family, but upgrading to the newest model every year is a luxury. Understanding this difference helps a person fix their budget quickly when money is tight, because luxuries can easily be stopped so that the most important bills are always paid first.

A major challenge in managing money is dealing with the constant conflict between needs and wants. Human emotions often make a "want" feel like an urgent "need," especially when seeing friends buy nice things or watching attractive advertisements. For example, when a person feels tired after a long week, buying a luxury item or an expensive meal can feel absolutely necessary for comfort. This emotional struggle makes it very easy to overspend on things that bring temporary happiness while leaving less money for important things like future savings or emergency bills. Balancing these choices requires patience, as well as a clear understanding that delaying a want today creates much better financial safety for tomorrow.

Delia Crisan's Team

Marius, Denisa, Beatrice, Iasmina, Larisa

The goal of an emergency fund; why we pay to protect ourselves from big risks.

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Emergency fund - do we need it?

The primary goal of an emergency fund is financial security by creating a cash buffer against unexpected life events.

Paying to protect yourself from big risks ensures that a temporary crisis does not turn into long-term financial ruin.

The Main Goals of an Emergency Fund

- **Prevents high-interest debt:** Stops you from using credit cards or personal loans when emergencies strike.
- **Avoids forced liquidation:** Keeps you from selling long-term investments or stocks during a market downturn.
- **Buys time during job loss:** Covers basic living expenses while you look for a new career opportunity.
- **Provides peace of mind:** Reduces daily stress and anxiety about potential financial disasters.

Why We Pay to Protect Against Big Risks

- **Asymmetry of loss:** A predictable, small cost now prevents a catastrophic financial loss later.
- **Risk transfer:** Moving the financial burden of disasters to an insurance company or a cash reserve.
- **Preservation of wealth:** Protecting your hard-earned assets from being wiped out by one medical crisis.
- **Unpredictable timing:** You cannot choose when a car breaks down, a roof leaks, or a medical emergency happens.

https://www.etmoney.com/learn/wp-content/uploads/2023/04/Emergency-fund.png

How Much to Save for an Emergency Fund?

- **The standard savings target for monthly living expenses.**
- **Focus on saving for rent, food, insurance, and utilities, not luxuries.**
- **Keep the money in a safe, liquid account that earns basic interest.**

HATİCE GÖKKOCA'S TEAM

Zeynep,Ela,Göksu
Tuğba,Selin Su,Emine

INVESTING (STOCKS/CRYPTO) + INFLATION

Basics of stocks/crypto; why money loses value over time if it doesn't grow

1. What Are the Stock Market and Cryptocurrency?

The stock market is a financial market where people can buy and sell company shares. When people buy shares of a company, they become partners in that company. If the company grows and becomes more valuable, the price of its shares can increase and investors may make a profit. However, if the company loses value, share prices may fall. The stock market is important for a country’s economy because it helps companies grow.

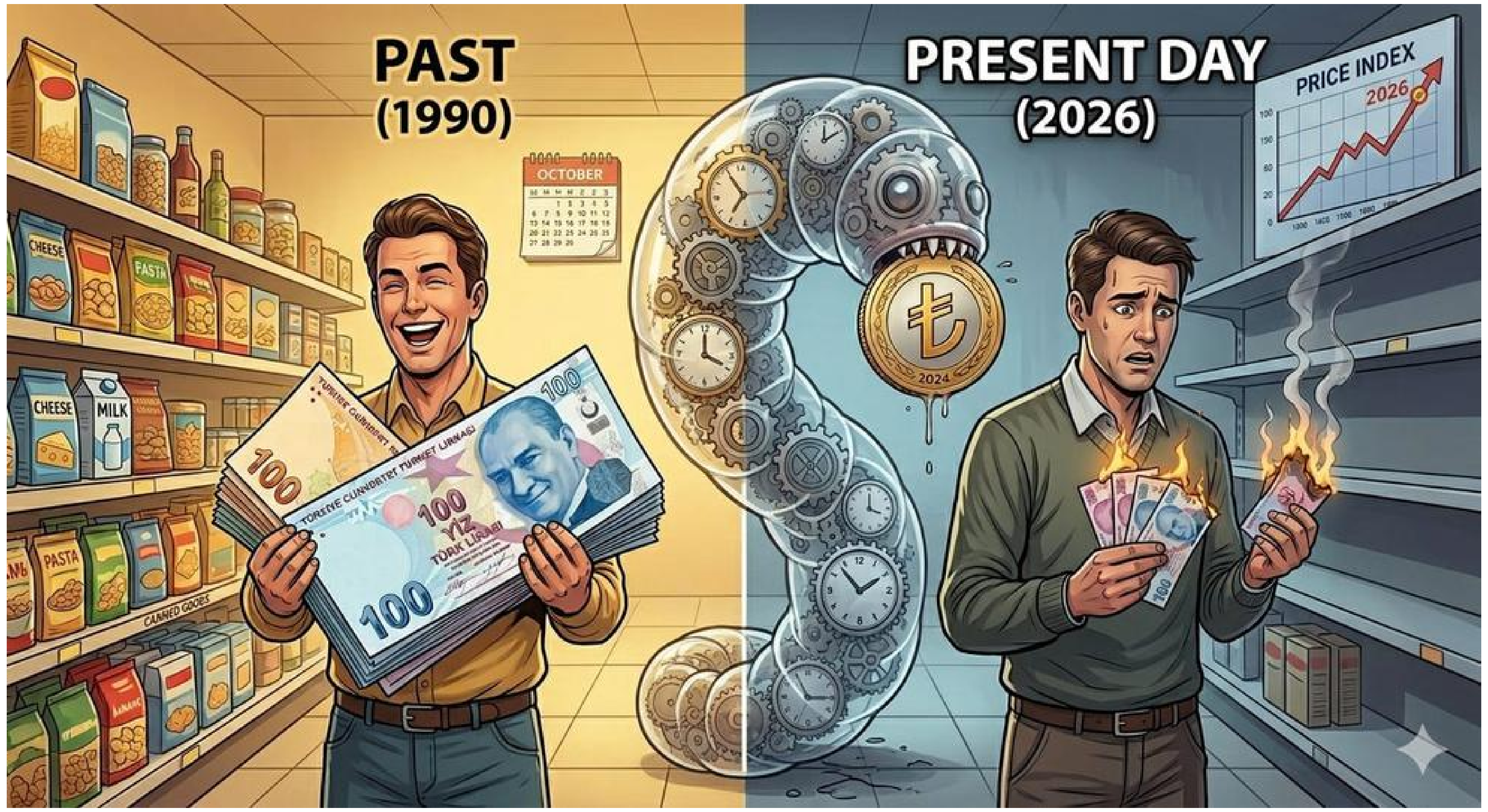
Cryptocurrency is a type of digital money used on the internet. One of the most famous examples is Bitcoin. Cryptocurrencies are not controlled by a central bank and they work with a special technology called blockchain. People use cryptocurrencies for investment, shopping, and money transfers. However, the cryptocurrency market changes very quickly, so it is considered a risky investment area.

2. Why Does Money Lose Value Over Time?

Money loses its value over time mainly because of inflation. Inflation is the increase in the prices of goods and services over time. When prices rise, the same amount of money can buy fewer things, which means the purchasing power of money decreases. There are several reasons for this. One of the main reasons is the increase in production costs. When the costs of raw materials, energy, transportation, and labor go up, companies raise their prices to cover these expenses. Another important reason is the amount of money in circulation. If there is more money in the economy, people tend to spend more, which can also push prices up.

Exchange rates also affect the value of money. If a country’s currency loses value compared to foreign currencies, imported goods become more expensive. This contributes to overall price increases. In addition, economic problems such as crises, wars, or political instability can also lead to inflation and reduce the value of money.

As a result, people can buy less with the same amount of money over time. This is why many people try to protect their savings by investing in assets like gold, foreign currency, or property.



Nazik ÖZER's Team

Defne Ş.
Elif T.
Mert Rüzgar G.
Şahnan E.
Salim Tuna E.

Creating a Simple Plan for Pocket Money

Pocket money is important for teenagers because it helps them learn how to manage money responsibly. A simple budget plan can help students understand the difference between needs and wants. When young people plan their spending carefully, they can avoid wasting money and save for future goals. Budgeting also teaches responsibility, patience, and good decision-making skills that will be useful in adult life.

One of the easiest ways to manage pocket money is by dividing it into categories. First, students should spend money on their needs such as school supplies, transportation, or lunch. After covering important expenses, they can use some money for entertainment and hobbies like snacks, games, or going to the cinema with friends. It is also important to save a part of the money every week. Even saving a small amount regularly can help students buy something valuable in the future or prepare for emergencies.

For example, if a student receives 200 TL as weekly pocket money, they can spend 100 TL on needs, 60 TL on personal wants, and save 40 TL. This simple plan helps students stay organized and avoid unnecessary spending. Making a shopping list, comparing prices, and thinking carefully before buying something are also useful habits for saving money. Learning these skills at a young age can help teenagers become financially responsible adults in the future.

https://learningapps.org/watch?v=pua44ehx226

Why We Pay for Public Services

Taxes are an important part of every society because they help governments provide public services for people. Public services are services that everyone uses in daily life, such as schools, hospitals, roads, police protection, and public transportation. Citizens and businesses pay taxes so that these services can continue to operate and improve. Without taxes, many important services would not be available for communities.

Education is one of the most important public services supported by taxes. Schools need buildings, books, technology, and teachers to provide quality education for students. Healthcare services such as hospitals, ambulances, and emergency treatment are also funded by taxes. In addition, taxes help governments build roads, repair bridges, maintain parks, and support firefighters and police officers who protect society.

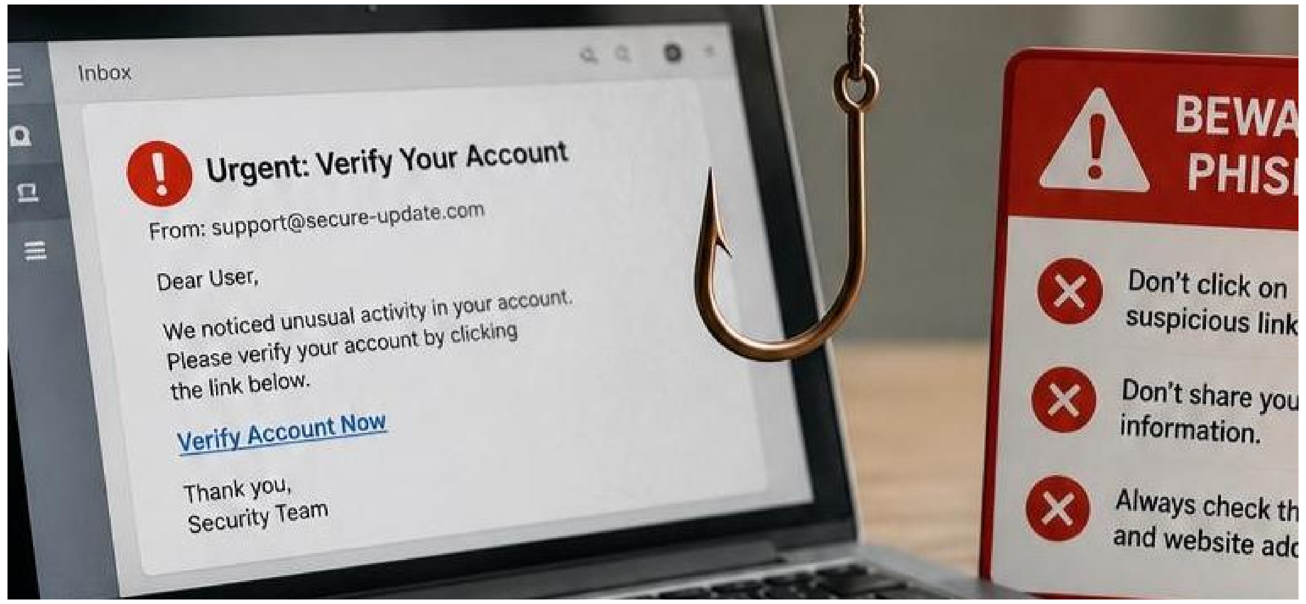
Paying taxes is also connected to being a responsible citizen. When people pay taxes honestly, they contribute to the development of their country and help improve life for everyone. Public services make communities safer, cleaner, healthier, and more organized. Understanding the importance of budgeting and taxes can help young people become informed and responsible citizens in the future.

ŞEYDA KAYAN ALTIPARMAKOĞLU's TEAM

Yusu Tuna, Melis,Büşra,Çağan,Zeynep

DATA PRIVACY & CONSUMER REDRESS

KEEPING PASSWORDS SAFE; HOW TO GET A REFUND OR COMPLAIN IF A PRODUCT IS FAULTY



Data Privacy & Consumer Redress Guide

Keeping Passwords Safe

Today, people use the internet for shopping, banking, social media, and communication. Because of this, protecting personal information is very important. One of the easiest ways to stay safe online is by using strong passwords.

A strong password should include letters, numbers, and symbols. Simple passwords such as "123456" or a birth date are not secure. People should also avoid using the same password for different accounts. Changing passwords regularly can provide extra protection.

Another important security method is two-factor authentication. This system sends a code to a phone or email before logging in, making accounts safer. Users should also be careful about suspicious emails or links because hackers may try to steal personal information through phishing scams.

In addition, people should think carefully before sharing private details on social media. Information such as addresses, phone numbers, or locations can be misused by strangers.

Consumer Redress for Faulty Products

Consumers have rights when they buy a faulty or damaged product. If a product does not work properly, customers can usually ask for a repair, replacement, or refund.

The first step is contacting the seller or customer service. Consumers should explain the problem clearly and keep the receipt as proof of purchase. Many companies solve problems quickly if customers provide correct information.

When shopping online, checking return and warranty policies is very important. If the seller refuses to help, consumers can contact consumer protection organizations or make an official complaint.

Conclusion

Data privacy and consumer rights are important in everyday life. Keeping passwords secure helps protect personal information, while knowing consumer rights helps people solve problems with faulty products. Being informed allows people to use technology and shop more safely and confidently

ERHAN ONAN'S TEAM

Şerife Nurgül A.

Bengisu Y.

Defne D.

Enes A.

Eray A.

HOW TO EARN WEALTH?

Wealth is not only about earning a lot of money; it is also about managing it wisely. Many wealthy people grow their money through investments, businesses, technology, real estate, and creative ideas. However, keeping wealth for a long time requires discipline, planning, and smart financial habits. People who spend carefully, save regularly, diversify their investments, and continue learning about finance are more likely to protect their wealth for generations.

The source of wealth explains how people gain these valuable things.

The main sources are:

Working and earning income (salary, profession, trade)

Making investments (gold, stocks, real estate, etc.)

Starting a business or producing goods

Receiving an inheritance

Saving money regularly

Earning income from natural resources or large projects

In economics, wealth usually grows over time. Regular income, careful spending, and smart investments help increase wealth.

Working and earning income:

People work in jobs or professions to earn money. For example, a teacher, doctor, or shop owner receives income for their work. This income can later become wealth if it is saved or invested.

Making investments:

People use their money to buy things that may increase in value over time, such as gold, stocks, or real estate. Investments can help people earn extra money in the future.

Starting a business or producing goods:

Some people create companies or produce products and services. If the business becomes successful, it can generate profit and create wealth.

Receiving an inheritance:

Wealth can also come from family members. For example, a person may inherit money, land, or property from parents or relatives.

Saving money regularly:

Keeping part of your income instead of spending everything helps build wealth slowly over time. Small savings can grow into a large amount in the future.

Earning income from natural resources or large projects:

Countries or companies can become wealthy by using natural resources like oil, gas, or minerals, or by managing large projects such as factories, tourism centers, or technology systems.

THE PROCESS, CAUSES, AND SOLUTIONS OF INFLATİON

Inflation is the continuous increase in the general prices of goods and services in an economy over time. When inflation rises, the purchasing power of money decreases, which means people can buy fewer products with the same amount of money. Inflation usually occurs because of several connected reasons. One common cause is demand-pull inflation, which happens when people want to buy more goods and services than companies can produce. Another important reason is cost-push inflation. This happens when production costs, such as energy, transportation, or worker salaries, increase and businesses raise prices to avoid losses. In some cases, inflation may also be caused by governments printing too much money or by economic crises that reduce production and supply.

The process of inflation often begins slowly, but if it is not controlled, prices may rise rapidly and create economic instability. During high inflation periods, people may lose confidence in the value of money and begin spending quickly before prices increase again. This can create a cycle where inflation continues to grow. High inflation can negatively affect both individuals and businesses because saving money becomes harder and long-term planning becomes more difficult.

There are several solutions that governments and central banks use to control inflation. One of the most common methods is increasing interest rates. Higher interest rates make borrowing money more expensive, so people and companies spend less, which helps reduce demand and slow down price increases. Governments can also reduce public spending and encourage production to increase the supply of goods. In addition, maintaining stable economic policies and supporting efficient industries can help prevent inflation from becoming a serious problem. Moderate inflation is considered normal in healthy economies, but very high inflation can damage economic growth and lower people's quality of life.

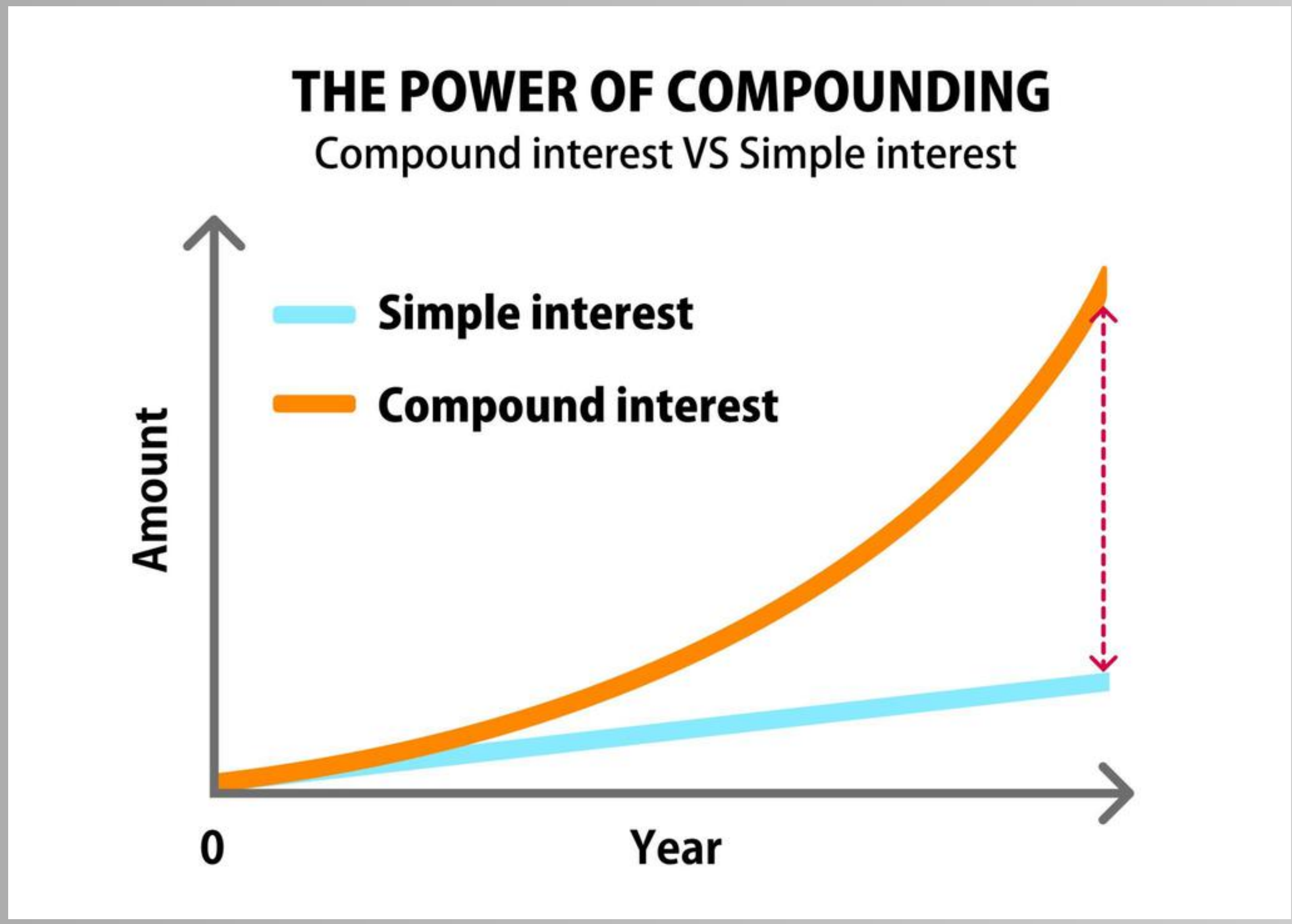
Evren ABACI’s Team:

Hasan A.
Arda D.
Berru T.
Efehan K.
Efe K.

BANKING

Banking started many years ago when people needed a safe place to keep their money and valuables. The first banking systems appeared in ancient civilizations and later developed in Europe. The main purpose of banking was to protect money, make trade easier, and help people borrow or lend money. Today, banks play a very important role in the economy. People use bank accounts to save money, send payments, receive salaries, and pay bills. Modern banking is mostly digital, and many customers use mobile apps or online banking services instead of visiting bank branches. Banks continue to change with technology and provide faster and easier financial services for people around the world.

SIMPLE AND COMPOUND INTEREST



Simple interest **is the interest calculated only on the original principal amount, while** ***compound interest*** **is calculated on both the principal and the accumulated interest from previous periods. In simple interest, the amount of interest earned stays near constant over time. However, in compound interest, the interest grows faster because interest is added to the principal repeatedly (image 2). Therefore, compound interest usually results in a higher total amount than simple interest over the same period.**

Test your knowledge on these topics with a fun and simple minigame! Scan the QR Code --->

GROUP 5 SEDAT GÜNGÖRMEZ's TEAM

Egemen,Nefes Nehir,Nursima,Melike, Yağmur,İremsu Fadime,Amine Sude,Elif Sena

DEBT & CREDIT -
THE DANGER OF "BORROWING FROM YOUR FUTURE SELF";
AVOIDING HIGH-INTEREST TRAPS.

When money is borrowed, the contract is not just with a financial institution—it is effectively a negotiation with a future version of oneself. Every dollar spent today on credit represents a dollar that must be earned and surrendered tomorrow, entirely detached from the initial pleasure of spending it. This structural reality creates a distinct psychological trap, as present gratification is naturally favored over the well-being of someone who has yet to experience that future. By the time that future arrives, individuals are left footing the bill for past choices, which severely restricts financial freedom, flexibility, and the capacity to save for major life milestones.

The danger compounds drastically when individuals fall into high-interest traps, most notably credit card balances and payday loans. High-interest debt operates like financial quicksand due to the mechanics of compounding interest, where interest accumulates on top of interest already owed. For instance, carrying a balance at a 24% annual interest rate can easily cause a $1,000 purchase to double in cost over a few years if only minimum payments are made. Ultimately, consumers are not just paying back the principal; they are sacrificing an enormous premium for the luxury of immediate possession. Avoiding these traps requires a strict financial boundary: credit should function strictly as a tool for convenience or for leveraging low-interest, appreciating assets—never as an extension of monthly income.

To break this cycle, the establishment of a structural defense system is essential. This involves building a baseline emergency fund to absorb unexpected expenses, such as vehicle repairs or medical bills, ensuring that high-interest plastic is never required during a crisis. It also demands a mindset shift from a lifestyle funded by debt to one sustained by actual cash flow. When the discipline of waiting until an item can be afforded outright is mastered, the mechanics of the financial system are effectively reversed: instead of paying interest to a lender, capital remains in personal accounts, allowing it to earn interest and build genuine, long-term wealth.

High school students have a special advantage that even the richest billionaires cannot buy: time. The financial choices made during these years will shape the next ten years of life.

Credit cards and "Buy Now, Pay Later" apps often look like free money. However, they are actually designed to trap young people into paying monthly bills before their careers even start.

By avoiding unnecessary shopping on credit and choosing to save a little money each month, young people can make compounding interest work for them instead of against them.

Staying out of debt during youth is a huge advantage. It gives a person the freedom to travel, take career risks, or start a business, while others are stuck working just to pay for things they bought in the past.

GROUP 7 ANA-CRISTINA BOCIOANCA'S TEAM

**Andreea Cârnaru,Nicoleta Farkas,Denis Ignătescu,
Arina Stoia, Valentina Zaharia**

Risk & Diversification

Don't put all your eggs in one basket"; balancing safety and growth

Financial decisions always involve risk.

Some investments offer higher returns but come with greater uncertainty.

Diversification is a strategy that helps reduce risk while still allowing opportunities for growth.

What is Risk?

Risk is the possibility of losing money or earning less than expected from an investment.

Examples of financial risks:
Market risk
Inflation risk
Interest rate risk
Company-specific risk

What is Diversification?

Diversification means spreading your money across different investments instead of investing everything in one place.

The goal is to reduce the impact of poor performance from a single investment.

Don't Put All Your Eggs in One Basket

Imagine carrying all your eggs in one basket. If the basket falls, you lose everything.

Investing in only one company = high risk
Investing in different assets = lower risk

Benefits of Diversification

✓ Reduces overall investment risk
✓ Protects against large losses
✓ Creates a more stable portfolio
✓ Allows participation in different growth opportunities

Example of a Diversified Portfolio

40% Stocks
30% Bonds
20% Real Estate
10% Cash or Savings

This mix helps balance growth and safety.

Balancing Safety and Growth

Safe investments:

Savings accounts

Government bonds

Growth investments:

Stocks

Mutual funds

Real estate

A smart investor combines both depending on their goals and risk tolerance.

Every investment involves risk.

Diversification helps reduce risk.

A balanced portfolio combines safety and growth.

Smart investing means spreading investments wisely.

GROUP 9 FERİDE BAYRAM GÜNAY

Mustafa Efe, Muhammed Efe, Ekrem

Conflict Resolution

How to talk about money with friends/family; solving financial disagreements

Talking about money with friends and family can be very difficult. Many people feel stressed or uncomfortable when the topic of money comes up because it is connected to deep feelings like pride, fear, and security. However, staying silent often leads to misunderstandings and hurt feelings. To have a healthy conversation, it is best to choose a calm moment when no one is rushed or angry. Using "I" statements, such as "I am trying to stick to a strict budget right now," helps keep the conversation friendly because it explains personal limits without making the other person feel judged.

Financial disagreements often happen when people have different money habits or expectations. For example, some friends might want to eat at expensive restaurants, while others prefer to save money. To solve these problems, open communication is key. It is helpful to suggest fun, low-cost alternatives before plans are officially made, like hosting a potluck dinner at home or going for a walk in the park. Setting clear boundaries early prevents awkward situations when the bill arrives and ensures that everyone can enjoy spending time together without financial stress.

Money arguments within families can be even more complicated, especially regarding shared bills or loans. If money needs to be borrowed or lent among family members, treating the situation like a professional agreement is usually the safest path. Writing down the details, such as how and when the money will be paid back, removes any confusion. It is also important to remember that relationships are always more valuable than currency. If a financial disagreement starts to damage a relationship, focusing on empathy and trying to understand the other person's perspective can help find a fair compromise.

Ultimately, mastering the art of talking about money builds stronger, more honest relationships. It transforms money from a scary, taboo subject into a normal part of daily planning. When families and friends learn to discuss financial goals and limits openly, they create a supportive environment where everyone can succeed. By handling disagreements with patience and clear boundaries, people can protect both their personal finances and their closest connections at the same time.

This activity is a common product developed through international collaboration within the

“ F.I.T. Teens – Financial Intelligence for Tomorrow's Teens project."