MODULE 1: FIVE STEPS TO FINANCIAL FREEDOM

Welcome to Young Investors Society! Before we delve into the fascinating world of investing, it is important that you develop a foundation for understanding financial goals, budgeting, saving and investing, and compounding interest. It truly takes money to make money when it comes to investing! The basic knowledge presented in this unit will prepare you for investing success.

DESCRIPTION

In this introductory Unit, Five Steps to Financial Freedom, we will cover several critical topics. Students will learn how to select a career and earn money, budget, and develop S.M.A.R.T. financial goals. Students will then learn the difference between saving and investing and be introduced to the powerful concept of compound interest.

CORE OBJECTIVES

Lesson One: Earning Money

- Understand key terms such as “financial capital” and “human capital”
- Identify and realize the benefits of The Five Steps to Financial Freedom

Lesson Two: Saving Money

- Learn how to build and maintain a budget (spending plan)
- Realize the importance of positive cash flow

Lesson Three: Developing a Financial Plan

- Identify the differences between short and long-term goals
- Be able to create a list of S.M.A.R.T. goals
- Understand long-term retirement goals

Lesson Four: Investing and The Power of Compounding

- Understand the difference between saving and investing
- The incredible power of compounding and early investing

Lesson Five: Avoiding Common Mistakes

- Identify many ways in which investors lose money and how to avoid those same mistakes.

LENGTH

Approximately four hours, split up into five (5) 45-minute lessons.

COMMON CORE AND CEE STANDARDS

LESSON ONE
CCSS.ELA-LITERACY.RI.11-12.7
Integrate and evaluate multiple sources of information presented in different media or formats (e.g., visually, quantitatively) as well as in words in order to address a question or solve a problem.
CEE NATIONAL STANDARDS FOR FINANCIAL LITERACY (councilforeconed.org)
Standard I: **Earning Income** Income for most people is determined by the market value of their labor, paid as wages and salaries. People can increase their income and job opportunities by choosing to acquire more education, work experience, and job skills. The decision to undertake an activity that increases income or job opportunities is a affected by the expected benefits and costs of such an activity. Income also is obtained from other sources such as interest, rents, capital gains, dividends, and profits.

LESSON TWO
CCSS.ELA-LITERACY.SL.11-12.1
Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 11-12 topics, texts, and issues, building on others' ideas and expressing their own clearly and persuasively.
CEE NATIONAL STANDARDS FOR FINANCIAL LITERACY (councilforeconed.org)
Standard II: **Buying Goods and Services** People cannot buy or make all the goods and services they want; as a result, people choose to buy some goods and services and not buy others. People can improve their economic well-being by making informed spending decisions, which entails collecting information, planning, and budgeting.
CEE NATIONAL STANDARDS FOR FINANCIAL LITERACY (councilforeconed.org)
Standard III: **Saving** Saving is the part of income that people choose to set aside for future uses. People save for different reasons during the course of their lives. People make different choices about how they save and how much they save. Time, interest rates, and inflation affect the value of savings.

LESSON THREE
CCSS.ELA-LITERACY.SL.11-12.1
Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 11-12 topics, texts, and issues, building on others' ideas and expressing their own clearly and persuasively.
CEE NATIONAL STANDARDS FOR FINANCIAL LITERACY (councilforeconed.org)
Standard IV: **Using Credit** Credit allows people to purchase goods and services that they can use today and pay for those goods and services in the future with interest. People choose among different credit options that have different costs. Lenders approve or deny applications for loans based on an evaluation of the borrower's past credit

history and expected ability to pay in the future. Higher-risk borrowers are charged higher interest rates; lower-risk borrowers are charged lower interest rates.

LESSON FOUR
CCSS.ELA-LITERACY.SL.11-12.1
Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 11-12 topics, texts, and issues, building on others' ideas and expressing their own clearly and persuasively.
CEE NATIONAL STANDARDS FOR FINANCIAL LITERACY (councilforeconed.org)
Standard V: **Financial Investing** Financial investment is the purchase of Financial assets to increase income or wealth in the future. Investors must choose among investments that have different risks and expected rates of return. Investments with higher expected rates of return tend to have greater risk. Diversification of investment among a number of choices can lower investment risk.

LESSON FIVE
Integrate and evaluate multiple sources of information presented in different media or formats (e.g., visually, quantitatively) as well as in words in order to address a question or solve a problem.
CEE NATIONAL STANDARDS FOR FINANCIAL LITERACY (councilforeconed.org)
Standard VI: **Protecting and Insuring** People make choices to protect themselves from the financial risk of lost income, assets, health, or identity. They can choose to accept risk, reduce risk, or transfer the risk to others. Insurance allows people to transfer risk by paying a fee now to avoid the possibility of a larger loss later. The price of insurance is influenced by an individual's behavior.

ADDITIONAL RESOURCES

- Access to Computers and Internet is preferred, but not required
- YIS Website www.yis.org – curriculum, videos and lesson plans
- YIS Glossary of Terms (full database at younginvestorssociety.org/resources)
- Wallstreetsurvivor.com -- for basic stock concepts
- Yahoo Finance and Yahoo Finance App -- for stock charts and basic company information
- Zisa, Michael. *The Early Investor (YIS Edition): How Teens & Young Adults Can Become Wealthy*
- Guest Speakers -- Write contact@yis.org if you want help arranging a financial professional to come to your class
- Investopedia – the Wikipedia of investment knowledge.
- Motley Fool – great daily content and stock picks (www.motleyfool.com)
- Investopedia.com – the "Wikipedia" of Investing, great online glossary of terms

LESSON ONE: EARNING MONEY

OVERVIEW

The first lesson will present students an overview of the Five Steps to Financial Freedom. It will teach students how to choose a career, the importance of earning money and the concepts of financial and human capital.

LESSON SUMMARY

Warm-up: Students will discuss how they plan on attaining financial freedom.

Learning Activity: Students will learn and recite The Five Steps to Financial Freedom and how to choose a satisfying career while earning money.

Wrap-Up: Students will complete the Assignment from Handout 1: Informational Interviews.

OBJECTIVES

Students will be able to:

- Gain an understanding of financial and human capital.
- Identify The Five Steps To Financial Freedom

MATERIALS AND PREP

- Copies of Five Steps to Financial Freedom Handout 1
- YIS Prezi 1 Five Steps to Financial Freedom
- Access to computers and internet

RESOURCES

- YIS Website yis.org

LESSON ONE: EARNING MONEY

TEACHING GUIDE

Warm-Up: Ten Minutes

1. Have FF:1 Prezi up when students enter the room.
2. Welcome students to Young Investors Society and thank them for choosing to be a part of the group.
3. https://www.youtube.com/watch?v=F5goqw81kJg. Watch this clip from an interview with Tony Robbins
4. Discuss the Tony Robbins clip, and what it means to achieve financial freedom.
5. Invite students to imagine what life is like when money is not a worry. Make a list with the students, listing the benefits of monetary wealth.
6. Have the students turn to a partner and say "I am making the decision right now to achieve financial freedom. This is important to me because …."

If your YIS members do not know each other, take time to conduct a "getting to know you" activity to encourage students to trust each other and take on leadership roles.

Learning Activity: 20 minutes

1. Review the Five Steps of Financial Freedom in the Prezi presentation. We will be going over one step each lesson.

   THE FIVE STEPS TO FINANCIAL FREEDOM:
   1) **Earn** Money
   2) **Save** Money
   3) Develop a **Financial Plan**
   4) **Invest** to harness the Power of Compounding
   5) **Avoid** the Common Mistakes
2. Ask one student to rise and recite from memory the Five Steps to Financial Freedom. (It may help to remember them by the mnemonic E-S-P-I-A).
3. Introduce this lesson as the one that will teach about Earning Money.
4. Explain that choosing a career is one of the most important decisions that students will ever make. To multiply money and become wealthy, the first requirement is earning money.
5. Earning money requires that a career or enterprise has the potential to generate or earn a good living. It is suggested that to master a task or become an expert at a task, it takes 10,000 hours of time (e.g. to become a master computer programmer, it requires 10,000 hours of time devoted to programming). ***Ask Students***: If you started today and took two hours per day to learn a task, how long would it take for you reach 10,000 hours and become an "expert"? (Answer: 13.7 years) Ask: What does this mean

to you as you are selecting a career? (Answer: The earlier you select a career and develop skills, the earlier you can become an expert in that field.)

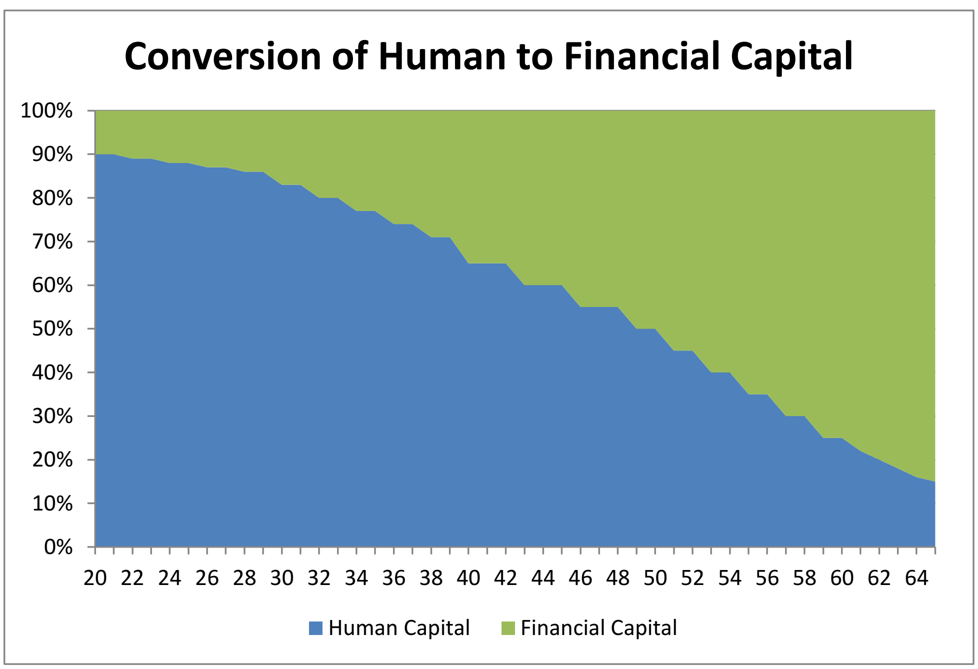
6. Explain the definition of ***Financial Capital*** and ***Human Capital***. Students will need to learn to build and manage both over their lives.

   Financial Capital – money actually earned and saved.

   Human Capital – consists of people's health, knowledge, skills and motivation. All these things are needed for to make money. Enhancing human capital through education and training is central to a flourishing economy

   How do you get Human Capital?
   - Education
   - On-the-job training
   - Life experiences
   - Making connections and relationships

   Explain that **the goal is to convert Human Capital into Financial Capital (money) over one's lifetime**. Emphasize that starting out, the biggest asset that a student is building is their Human Capital.



7. Have students complete **Unit Five Steps to Financial Freedom: Handout 1**.

Wrap-up Activity: 5 minutes

1. Review the Five Steps of Financial Freedom in the Prezi presentation.
2. Assign the students to complete the Assignment from Handout 1: Informational Interviews. They should interview three professionals in their chosen fields of study. Here are some sample questions the students could ask during their Informational Interviews:
    a. Could you describe one of your typical workdays?
    b. What skills are required in your position on a day-to-day basis?
    c. What parts of your job do you find most challenging?
    d. What do find most enjoyable?
    e. How many hours do you work in a typical week?
    f. What would be a reasonable salary range to expect if I entered this field? What is the long-term potential?
    g. What is the advancement potential in the field? What is a typical path?
    h. How did you get your job?
    i. How do most people enter this profession?
    j. Can you recommend any courses or books to read?

The Five Steps to Financial Freedom: Handout 1

CHOOSING A CAREER:

Step 1: What personality type am I?

- The Myers-Briggs is a useful personality type quiz, which will help you zero in on what career may be best for your your personality type. Take the Myers-Briggs test at the following link (can be accessed on computers or mobile phones)
- https://www.16personalities.com/free-personality-test
- After you have taken the test, also check out what Star Wars Character you would identify with (included at the end of this handout).
- Find a friend, and ask them what they think: "Does this describe me?"

What Personality Type Are You? ______________________________

Step 2: What career should I choose?

- Use the following resources to determine what careers may be your best match:
    - Rasmussen Career Aptitude Test: http://www.rasmussen.edu/resources/aptitude-test/
    - What Career is right for me? https://www.whatcareerisrightforme.com/career-aptitude-test.php
- Write down the top three (3) or five (5) careers that stood out to you, from the ones that were recommended from the tests above.

1. _______________________
2. _______________________
3. _______________________
4. _______________________
5. _______________________

Step 3: Do some research

- Now that you have a list of possible jobs that you could be great at, begin to answer a few questions:
    - What is the average salary of this job?
    - What education will you need to get this job?
    - Do you know anyone who has a career in this field?

ASSIGNMENT – **INFORMATIONAL INTERVIEWS** Now that you are armed with your personality type and a list of possible careers, **Interview at least THREE people** who have careers from your list in Step 2. If you can't think of anyone you know, research companies in your area and email or call to set up a 20-minute interview with a professional in this field. Don't take this lightly, this short interview could change your life. It could also lead to an internship or a future job!

Unit Five Steps to Financial Freedom: Handout 1

OVERVIEW

In the second lesson of the introductory unit, students will learn the importance of a budget. They will analyze a sample budget and then complete a web quest to complete a sample budget of their own. Students will discuss important items in their current budgets and how they can save more money.

LESSON SUMMARY

Warm-up: Students will analyze a sample budget.

Learning Activity: Students will complete a Online "Web Quest" to create their own sample budget.

Wrap-Up: Students will discuss their current budgets.

OBJECTIVES

Students will be able to:
- Understand the importance of establishing and maintaining a budget.
- Create a sample budget.

MATERIALS AND PREP
- Internet access
- Computers or smartphones for research
- Copies of Five Steps to Financial Freedom: Handout 2
- YIS Prezi 2 Five Steps to Financial Freedom

RESOURCES
- YIS Websiteyis.org
- Personal Budget WebQuest

  http://questgarden.com/117/20/9/160617064609/index.htm

TEACHING GUIDE

Warm-Up: Ten Minutes

1. Have Prezi Intro 2 up when students enter the room.
2. Follow up on Assignment from last class: Introductory Interviews. Who was able to interview professionals? What did you learn?
3. Watch the following SNL video http://www.nbc.com/saturday-night-live/video/dont-buy-stuff/n12020
4. Explain to students that the focus of this lesson will be on budgets. Ask students what a budget is. Ask students to share examples of how they budget for things they want to buy.
5. Explain to students that before being able to save and invest money, they must first know where all their money is going each month. This is what a budget does. A budget is simply a list of expected income and expenses for a given period of time, usually a month.
6. Explain that a budget helps you know your cash flow or how much money is coming in and how much money is going out. If more money is going out than coming in, you have negative cash flow. If less money is going out than coming in, you have positive cash flow and have money to invest!
7. Ask students to make a list of budget items independent adults would likely have in their budget.
8. Share the following list with the students.

    Examples of Income
    - Your paycheck
    - A bonus from your job
    - Interest from a bank account
    - Stock dividends
    - Interest from bonds

    Examples of Expenses
    - Rent or mortgage payments
    - Car loan payments
    - Groceries
    - Entertainment
    - Utilities
    - Health care costs
    - Gas and car maintenance
    - Clothing

Learning Activity: 40 minutes

- Pass out Intro Handout 2 or display table on Prezi.

1. Explain to students that the handout has the budget for a woman named Sarah. Sarah is a recent college graduate and has started her first job. She quickly notices she has negative cash flow and has turned to you to determine how best to turn her negative cash flow into positive cash flow so she can start investing.
2. Have students pair up and analyze Sarah's budget. What would they recommend cutting? What are needs vs. wants? Do you think she has underestimated or overestimated any of her budget items?
3. Once students have analyzed Sarah's budget, review these questions and students' answers with them.
4. Ask students what their current expenses would be if they created a budget. Ask students to consider which budget items their parents currently pay for, but which they will need to pay for in later years.
5. Explain to students that they will now complete a personal budget web quest. Each student can complete on their own or students may pair up if there are not enough computers for everyone.
6. Once students are on computers, direct them to the following link:
   Personal Budget Web Quest
   http://questgarden.com/117/20/9/160617064609/index.htm
7. Give students 20-30 minutes to complete the web quest. (***They will likely need additional time during club hours or at home***)

Wrap-Up: Ten minutes

1. Ask students to share any insights they had while completing the Personal Budget Web quest.
2. Tell students to check out these additional budgeting activities before the next meeting:
   Free Budget Calculator https://www.budgetworksheets.org/
   Pay Yourself First Calculator
   http://www.lifestylecalculators.com/pay-yourself-first/

The Five Steps to Financial Freedom: Handout 2

MONTHLY INCOME	AMOUNT
Net Monthly Pay	$3,000
Bonus from Job	$25
Interest	$10
Other	$0
TOTAL MONTHLY INCOME	$3,035
MONTHLY EXPENSES	AMOUNT
Rent	$850
Car Loan	$200
Auto insurance	$100
Student Loan	$150
Groceries	$300
Clothing	$100
Utilities	$125
Healthcare Costs	$150
Entertainment	$400
Gym Membership	$25
Haircuts	$10
Cable	$85
Cell Phone	$75
Monthly Starbucks Latte/Coffee	$75
Gas	$100
Car Maintenance	$75
Vacation	$100
Dining Out	$200
Gifts	$50
Miscellaneous	$50
TOTAL MONTHLY EXPENSES	$3,220
NET CASH FLOW	-$185

LESSON THREE: DEVELOPING A FINANCIAL PLAN

OVERVIEW

The first introductory lesson will teach students how to apply the S.M.A.R.T. strategy of goal setting to their financial goals. Students will discuss their goals for retirement and wealth creation and learn how S.M.A.R.T. goals can help them stay focused on their short and long term financial goals.

LESSON SUMMARY

Warm-up: Students will discuss their retirement needs.

Learning Activity: Students will learn how to make S.M.A.R.T. goals and will create their own lists of financial goals using the S.M.A.R.T. method.

Wrap-Up: Students will discuss their goals with their classmates.

OBJECTIVES

Students will be able to:

- Understand the importance of setting long term retirement goals.
- Create a list of S.M.A.R.T. goals.

MATERIALS AND PREP

- Copies of Five Steps to Financial Freedom Handout 3
- YIS Prezi 3 Five Steps to Financial Freedom
- Access to computers or smartphones and internet

RESOURCES

- YIS Website www.yis.org
- https://www.youtube.com/watch?v=55vkNU_p2iA

TEACHING GUIDE

Warm-Up: Ten Minutes

1. Have Intro Prezi up when students enter the room.
2. Ask students how much money they think they need to make to be considered wealthy.
3. Invite students to imagine what life is like when money is not a worry. Make a list with the students of the benefits of monetary wealth.
4. Explain to students that the goal of YIS is to help them develop habits and learn skills that will enable them to accumulate wealth. The first few lessons of YIS will help students develop good spending habits before moving onto the investing lessons.
5. Ask students at what age they would like to retire.
6. Follow up by asking students how much they think they need to retire:
   A) Between $250,000 and $500,000
   B) Between $500,000 and $750,000
   C) Between $750,000 and $1,000,000
   D) Between $1,000,000 and $2,000,000
   E) Over $2,000,000
7. Explain to students that most people will need over $2,000,000 to retire. There are many reasons that number is so high. Ask students to name reasons why the figure is so high.
8. Explain to students that with the continuously uncertain economy, the increase in life expectancy, the potential shortfall of Social Security benefits, and the risk of annual inflation, most of us severely underestimate the amount we will need to live a comfortable retirement lifestyle where we do not have to work.
9. Invite students to discuss with each other what types of things they would like to do when they retire.

Learning Activity: 20 minutes

1. Ask students to share what some of their goals are. These can be short-term or long-term goals.
2. Ask students to discuss how they went about setting their goals. How will they know when they have attained them? How realistic are their goals?
3. Using the students' goals as an example, explain that teenagers have many aspects of their lives to navigate. It can seem overwhelming to add financial concerns to the list, but the earlier they start focusing on their financial future, the more secure their futures will be.

YOUNG INVESTORS SOCIETY

LESSON THREE: DEVELOPING A FINANCIAL PLAN

1. Ask students to take notes on the following goal setting method. Explain that this method is ideal for setting financial goals and can also be used to clarify other goals.
2. Ask students to share what some of their goals are. These can be short-term or long-term goals.
3. Ask students to discuss how they went about setting their goals. How will they know when they have attained them? How realistic are their goals?
4. Using the students' goals as an example, explain that teenagers have many aspects of their lives to navigate. It can seem overwhelming to add financial concerns to the list, but the earlier you start focusing on your financial future, the more secure your future will be.
5. Ask students to take notes on the following goal setting method. Explain that this method is ideal for setting financial goals and can also be used to clarify other goals.

   Specific - Clearly defined and described in detail

   Measurable - Track your progress toward a definite endpoint

   Attainable - Realistic and reachable

   Relevant - To your specific needs and values

   Timely - Subject to a clear deadline

6. Students will watch the following video about how to use the S.M.A.R.T. goal method to write financial goals. *https://www.youtube.com/watch?v=55vkNU_p2iA*
7. Pass out the Intro Handout 1 to students and give them the following steps

   Steps for Establishing Goals

   a) List your goals.
   b) Divide up your goals according to how long it will take to meet each goal.
   c) Estimate the cost of each goal.
   d) Calculate how much you need to set aside each period.
   e) Prioritize your goals.
   f) Create a schedule for meeting your goals.

8. Give students 15 minutes to write down at least four financial goals using the S.M.A.R.T. method on their handout.

Wrap-Up: Ten minutes

1. Ask students to pair off and discuss their goals.
2. Partners should share their goals and discuss whether their goals are realistic and attainable. They should also discuss how they plan on reaching their goals.
3. After discussing and editing their goals, each group set should partner with another group to make a group of four. Each group member should once again share their goals.
4. One member from each group will share the most common short term goal and long term goal in their group.

MY S.M.A.R.T. GOALS

Setting S.M.A.R.T. goals will help you stay focused on achieving them. Putting your goals in writing makes them more real. Throughout your time with YIS, refer back to your goals often!

Time Frame	**Achievement Date**	**Amount Needed to Achieve Goal**	**Monthly Amount Needed to Achieve Goal**
Short-term goals – 1-5 years			
Long-term goals – 6 years or more			

OVERVIEW

During the 4th lesson of the Intro Unit, students will learn the critical differences between saving and investing. Students will consider saving and investing scenarios.

LESSON SUMMARY

Warm-up: Students will discuss whether they are currently saving or investing their money.

Learning Activity: Students will learn the difference between saving and investing and make personal decisions regarding whether to save or invest given hypothetical scenarios.

Wrap-up: Students will use their knowledge of saving and investing to decide how best to meet their short and long term savings goals. They will also practice how to calculate how much money they will have over a number of years with compound interest.

OBJECTIVES

Students will be able to:

- Explain the difference between saving and investing.
- Apply knowledge of saving and investing to make decisions about personal saving goals.
- Calculate how much money they will have given various assumptions.

MATERIALS AND PREP

- Copies of Five Steps to Financial Freedom Handout 4
- YIS Prezi 4 Five Steps to Financial Freedom
- Access to computers or smartphones and internet

RESOURCES

- YIS Website www.yis.org

TEACHING GUIDE

Warm-Up: Ten Minutes

1. Have Prezi Intro Unit 4 up when students enter the room.
2. As students enter the room, instruct them to make a list of things they would like to save money for. These can be things they want soon (new phone, clothes, etc) and things they want long-term (college, house, etc).
3. Once everyone has a list, students should form small groups.
4. Working within their small groups, students will sort their list into short and long term items. A short term goal would be is something they want to buy in the next 1-5 years. A long term goal is something they want to buy 6 years from now or more.

Learning Activity: 30 Minutes

1. Ask students to explain the difference between saving and investing.
2. Explain that saving money means to put it into an account at an FDIC insured institution. Savings can also be kept in CD's or at your home in a safe place. Money you are saving is safe and easily accessible if you need it. Examples of savings include: savings accounts, checking accounts, money market accounts, CDs (certificates of deposits), or cash in a safe.
3. Explain that investing is when you use your money to buy assets that will grow in value over a longer period of time for the purpose of accumulating wealth and having money to retire. Investing does carry risk. However investing has been proven to be a better way to grow your money than savings. Examples of investing includes: Stock, Mutual Funds, Bonds, Real Estate, and Gold.

   Average returns of different investment vehicles (1926-2010):

   - Small Stocks – 12.1%
   - International Stocks 11.1%
   - Large Stocks – 9.9%
   - Real Estate, REITS – 6.5%
   - Corporate Bonds – 5.5%
   - Government Bonds – 5.5%
   - Commodities & Gold 3.5%

   (According to Raymond James & Melville Management)
4. Ask students to form pairs.
5. Give students the following scenario:

   Larry, age 21, decides he would like to begin investing. However, he will need a new car within the next 3 years. He also has about

$10,000 in student loans he needs to start paying off that accrue at an interest rate of 6% per year.

6. Ask students to discuss the following questions with their partners:
    a. Would you advise Larry to save money for a new car or invest his money over the next three years? (Any money for a goal that has a time frame of 1-5 years (also known as a *short-term goal*) should be kept in savings because investing the money is too risky. Therefore, Larry should save money for a new car since he needs it in 3 years. Investing should be limited to your *long-term goals* (6 years or more).
    b. Should Larry pay off his loans before investing? (Larry should definitely pay off his student loans first since he is paying a 6% interest rate which can erode any gains from his potential investments.
7. Discus the answers as a class.
8. Ask students to work with their partners and come up with a list of examples of how they can save their money and how they can invest their money. These can be real-life examples or made up. For example,
    - You purchase 5 shares of Apple stock. (Investing)
    - You accumulate enough money in your bank account to buy a new video game. (Saving)
    - You have $5,000 set aside in an emergency fund. (Saving)
    - You buy 10 acres of land. (Speculative or Risky Investing)
9. After a few minutes, ask the class to create a list of savings and investing examples.
10. Have the students complete Handout 4: Harnessing the Power of Compounding.

Wrap-Up: Ten minutes

1. Student should take out their list of savings goals from the beginning of class.
2. Ask students to decide which method would work for each of their goals: saving or investing.
3. Once finished students should use **Yahoo Savings Calculator (https://finance.yahoo.com/calculator/saving-spending/sav06**to find out how much they need to save to meet their short term goals.

The Five Steps to Financial Freedom: Handout 4

"Compound interest is the eighth wonder of the world"
– Albert Einstein

Would you rather receive half a million dollars ($500,000) today or 1 cent with the promise that if you hold all of the money that you are given, the amount will be doubled each day for a month (30 days)?

Although the $500,000 seems extremely generous, the penny that is doubled each day represents a promise of more than $5.3 million (see figure on the right). While savings will not double in value daily, the **Rule of 72** is a tool to estimate how long it will take for a doubling of your investment to occur.

Day	Amount
1	$0.01
2	$0.02
3	$0.04
4	$0.08
5	$0.16
6	$0.32
7	$0.64
8	$1.28
9	$2.56
10	$5.12
11	$10.24
12	$20.48
13	$40.96
14	$81.92
15	$163.84
16	$327.68
17	$655.36
18	$1,310.72
19	$2,621.44
20	$5,242.88
21	$10,485.76
22	$20,971.52
23	$41,943.04
24	$83,886.08
25	$167,772.16
26	$335,544.32
27	$671,088.64
28	$1,342,177.28
29	$2,684,354.56
30	$5,368,709.12

The Rule of 72

The Rule of 72 is a shortcut that can be used to find out how many years it will take an investment to double in value using compound interest.

$$\text{Number of years to double} = \frac{72}{\text{Annual Rate of Return}}$$

If you invest $50,000, how many years will it take for it to grow to $100,000?

1. At 4% annual interest
2. At 6% annual interest
3. At 12% annual interest\
4. For your10th birthday, your aunt gave you $5,000. You decide that would like to use the money to buy a car when you turn 18 but by then you think you will need $10,000. What interest rate is required to allow you to reach your goal?

YOUNG INVESTORS SOCIETY

LESSON FIVE: AVOIDING THE COMMON MISTAKES

OVERVIEW

In lesson 5, students will learn six common financial mistakes and how to avoid them.

LESSON SUMMARY

Warm-up: Students will discuss the foolish ways people (including themselves) have lost or wasted money.

Learning Activity: Students will provide examples for each of the six common financial mistakes.

Wrap-Up: Students will write a letter affirming their commitment to the concepts learned through YIS and commit to help mentor future YIS students.

OBJECTIVES

Students will be able to:

- Gain an understanding of how NOT to lose money
- Give back in the form of mentoring letters to future YIS members.

MATERIALS AND PREP

- Copies of Five Steps to Financial Freedom Handout 5
- YIS Prezi 5 Five Steps to Financial Freedom
- Access to computers and internet

RESOURCES

- YIS Website www.yis.org

LESSON FIVE: AVOIDING THE COMMON MISTAKES

TEACHING GUIDE

Warm-Up: Ten Minutes

1. Have Prezi 5 up when students enter the room.
2. Explain that in the Four Steps learned so far, we have learned the formula for making money:
    1) Earning Money
    2) Saving Money
    3) Developing a Financial Plan
    4) Investing and the Power of Compounding

   In this lesson we will learn the 5th STEP which is: How Not to Lose Your Money, or How to Avoid the Common Mistakes that most people make. Explain that most people are actually pretty good at making money, but the problem that most people are also equally good at wasting that money.
3. This lesson could be succinctly called "Don't be STUPID".
4. Ask the class to create a list of ways that people do stupid things with their money on the chalkboard.
5. Ask someone to share an experience of someone they know and a bad money decision that they made. Share one yourself if you feel comfortable.

Have you tried the method "Pair, Square, Share"? This is where a question is first discussed in pairs, then two pairs discuss, and then one person is chosen to share with the

Learning Activity: 20 minutes

1. The list of possibilities for financial mistakes is long, but we've boiled it to what we believe are the six most common mistakes that people make.

   THE SIX COMMON FINANCIAL MISTAKES (A.K.A. "THE STUPID LIST")
    1. Spending too much: This goes without saying. Remember to live within or below your means
    2. Going into debt: Unnecessary debt is a recipe for financial disaster! If you don't have the money to pay for it, DON'T BUY IT!!
    3. Falling for scams: In our digital world, scam artists are everywhere. If it sounds too good to be true, it usually it is NOT good. Do your homework before pressing the button.
    4. Gambling (trying to time the market): Another recipe for disaster. Fact: If you are out of the stock market for the 10 best performing days of the year, your potential gains for the year are essentially wiped out.

    5. <u>Being too cautious:</u> If you earn 1% interest for the year in your bank account, but inflation is 3% for the year, you actually lost -2%!!
    6. <u>Trying to Cheat:</u> If ever you are approached by a friend or family member about “cheating” the system, walk, or even run, away. Cheating causes consequences for you as well as other people who are trying to make ppj54by9-k4eg96g=5ka living and grow their money honestly. Cheating also causes greed….and greed will eventually sink your financial ship.

2. Have students recall the budgeting exercise in lesson two and have them write down the ways that money is commonly squandered.
3. Have students watch the following video and discuss the specific advice that billionaire Mark Cuban gave in his interview with Young Investors Society for investing https://www.youtube.com/watch?v=dV_rpTg013A

4. Instruct students to search the Internet for common financial scams and how to avoid them. Have students share what they learned with the class.
5. Instruct students to look up and define the ‘Real Rate of Return’. (Answer: it is your return each year minus inflation, i.e. if you get a 3% return per year, but inflation is at 3%, the the real return is 3% - 3% = 0). Discuss how keeping all of their money in a savings account can affect their financial future.

6. Instruct students to look up real-life examples of investors who were found guilty of insider trading. What are some of the consequences of being guilty of insider trading? Discuss the difference between insider trading and the fraudulent scheme that Bernie Madoff was sent to jail for. (Students can also look up Bernie Madoff on the Internet)
7. Have students complete **Unit Five: The Five Steps to Financial Freedom Handout 5**.

Wrap-up Activity: 10 minutes

1. Hand out one "My Commitment" letter to each student that you saved from the activity from past years. If you do not have any letters from prior years saved, or if this is your first year offering Young Investors Society, then you can download "My Commitment" letters written from other students at www.younginvestorssociety.org/resources
2. Have students read "My Commitment" letters from past generations of YIS students. The goal of this is to create a connection to past students and feel part of something greater.
3. Ask the students to take out a sheet of paper and write their "My Commitment" at the top. Explain that this is a journaling assignment, where they are to write a letter that will be read by a student that will come after them in a future YIS class. The letter should explain:
    a) Who do I want to be in 30 years (career, family life, impact on the world)?
    b) How do I expect to achieve my goals?
    c) What are the lessons learned during this module *The Five Steps to Financial Freedom* that I felt were important?
    d) End with a Commitment Statement: "I want you to know that I commit to making this happen by…" "I know I can succeed because…"
4. Collect the letters and make copies. Give each student a copy of their "My Commitment" letter and save one copy for future classes to read.
5. Explain that the information learned during this course could be life changing. It could make them very wealthy and provide financial freedom to do anything they wanted in their life. But ONLY if they apply what they learned and start to invest.
6. Encourage students to sign up for the "Dollar-a-Day Challenge" from Young Investors Society (to learn more visit http://www.yis.org/and to continue to learn about how be be successful investors through the stock market in Module 2: Picking Great Stocks. Encourage interested students to start a YIS club, and register at

The Five Steps to Financial Freedom: Handout 5

FINANCIAL PITFALLS: Matching Game

Objective: Match the famous person with the story of Financial Ruin and Identify the Financial Mistakes that were made

Story 1:
On December 27, 2001, I sold my stake in a biotech company. Two days later, the company's stock dropped 16 percent when the Food and Drug Administration said it had rejected the company's main drug for cancer treatment. I had owned 4,000 shares of the company. By selling just before the FDA's announcement, I avoided losses of $45,673, a tiny fraction of my net worth, which Forbes had estimated at $700 million just six months earlier. However, that trade would end up being one of the defining actions of my career – and the one that landed me in a federal prison. I was not the only investor of the biotech company who avoided heavy losses ahead of the FDA's decision. On the same day I placed my trade, the company's chief executive had sold a $5 million stake, along with his daughters' full holdings in the company.

Story 2:
I earned more than $400 million in my career. Yet I declared bankruptcy even before I retired in 2003. Where did all the money go? I spent with the type of aggressiveness that once characterized my career—on everything from jewelry and limousines to Siberian tigers. I claimed that crooked people didn't help: In 1998, I filed a $100 million lawsuit against my former 'business partner', claiming he had cheated me out of tens of millions over the course of the 1990s.

Story 3:
At my peak in 1991, I was earning upwards of $33 million a year. But in a flash, it all disappeared. I blew my $30+ million fortune in just a few short years by spending money on mansions, horses, a $500,000 per month payroll cost for my 'empire', a private jet, and two private helicopters.

Story 4:
I had invested most of my assets with an investment firm, a partnership headed by my son, Jesse. However, Jesse's business partner was involved in a scam that lost all of the company's money. I was now broke and had to rely on the kindness of friends to keep me afloat.

Story 5:
It seemed like I had everything set in my favor until 2006 rolled around. The amount of principal that was being introduced to my 'investment business' wasn't enough to cover the returns previous investors were promised. This, along with the fact that investors were moving to begin withdrawing their funds from my care, caused parts of my business to collapse. It wasn't until 2007 when the Financial Industry Regulatory Authority reported that parts of my business didn't add up. Originally, I stated that my company had liabilities that topped out at US$50 billion. Prosecutors of my case, however, stated that the size of my fraudulent activity was around $64.8 billion and that it affected over 4,800 of my clients. This makes my scandal the largest case of international fraud yet.

Story 6:
After I died in 1977, I had an estate valued at $4.9 million, but lost about half of that in estate taxes (also known as the death tax).

Story 7:
During 2008-2009, my salary was just under $21 million. But when my wife filed for divorce in 2010 after eight years of marriage, a different financial picture came to light. I was apparently broke, in debt, and incurring monthly expenses—including the cost of buying new clothes when I traveled to avoid carrying luggage—that greatly exceeded my earnings. At a 2012 divorce proceeding, I pulled out my pant pockets and shouted at my wife, “I don’t even have money for a cheeseburger!”

Story 8:
In 2008, my net worth was $58 million. A year before that I dropped $18.5 million on a mansion in Thousand Oaks, California. I even had my own website for investing ideas, a magazine geared towards athletes’ high-end lifestyles, and a financial advice column on TheStreet.com. But in 2009, I claimed to be a victim of mortgage fraud while losing my house to foreclosure and filed for bankruptcy, listing less than $50,000 in assets and $10 to $50 million in liabilities. In 2012, I was sentenced to 6 ½ months in prison for bankruptcy fraud, concealment of assets, and money laundering.

Story 9:
Over 15 years I was known for my athleticism and emotion on the field. But unlike my achievements on the field, my finances left little to celebrate. Despite an estimated $80 million in career earnings, I was forced to file for bankruptcy in 2012, citing bad investments, a collapsed housing market, and some $50,000 of monthly child support payments.

Story 10:
It's unclear what my exact net worth was when I died. My family put out a questionable estimate that my earnings would have been $40-$42 billion had I not died at age 50. In 2005, it was said that I was a millionaire who spent like a billionaire. I died in 2009 due to cardiac arrest. I was still in debt at the time of my death, and was hoping my upcoming events would help bring me out.

FAMOUS PEOPLE
A. Allen Iverson B. Elvis Presley C. Bernie Madoff D. Mike Tyson E. Martha Stewart F. Ulysses S. Grant G. MC Hammer H. Michael Jackson I. Lenny Dykstra J. Terrell Owens

ANSWERS

Handout 4:

1. 72 / 4 = 18
2. 72 / 6 = 12
3. 72 / 12 = 6
4. 72 / 8 years = 9% annual interest rate

Handout 5:

Story 1: E, Martha Stewart
Story 2: D, Mike Tyson
Story 3: G, MC Hammer
Story 4: F, Ulysses S. Grant
Story 5: C, Bernie Madoff
Story 6: B, Elvis Presley
Story 7: A, Allen Iverson
Story 8: I, Lenny Dykstra
Story 9: J, Terrell Owens
Story 10: H, Michael Jackson