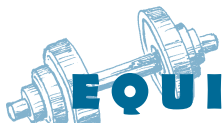


LESSON

1

How to Really Be a Millionaire

Fitness Focus



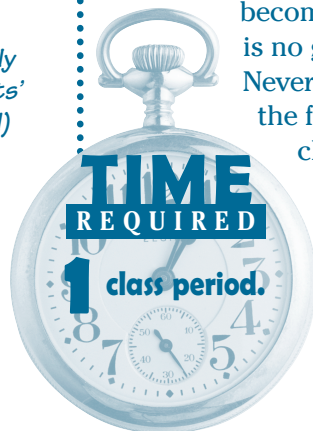
EQUIPMENT AND GETTING READY!

Make transparencies of the Visuals.

- ✓ Theme 1 *Student Letter* and *Frequently Asked Questions (Bringing Home the Gold Student Workouts)*
- ✓ Visual 1.1, *The Millionaire Game*
- ✓ Visual 1.2, *Rules for Improving Your Financial Life*
- ✓ Exercise 1.1, *The Millionaire Game Score Sheet (Bringing Home the Gold Student Workouts)*
- ✓ Family Activity 1, *Find Your Family Economic Literacy IQ (The Parents' Guide to Bringing Home the Gold)*
- ✓ An 8 1/2" x 11" sheet of paper with a large "T" printed on one side and a large "F" printed on the other side for each student group
- ✓ An 8 1/2" x 11" sheet of paper with "Millionaire" printed on it for each group

LESSON DESCRIPTION

This lesson is designed to get students interested in personal finance. Financial planning may seem dull and laborious, but finding out how to become a millionaire is an activity that tends to stir up considerable interest. This lesson shows the students that they are unlikely to achieve wealth without self-discipline. Achieving personal wealth involves planning and making sound choices, such as getting a good education, spending wisely, saving early and often, and taking prudent risks. The lesson here is not that the only goal in life is to become rich. Wealth, in itself, is no guarantee of happiness. Nevertheless, wealth provides the freedom to have more choices in life.



TIME REQUIRED
1 class period.

This lesson is correlated with national standards for economics as well as the national guidelines for personal financial management as shown in Tables 1 and 2 in the front of the book.

Student Objectives

At the end of this lesson the student will be able to:

- ✓ Describe the characteristics of millionaires.
- ✓ Illustrate how sound financial decisions can increase wealth and a person's standard of living.

PARENT CONNECTION

Family Activity Worksheet 1 in *The Parents' Guide* focuses on having at least one of your students' parents take the economic test of financial literacy. It's fun and they don't have to bring it back to school.

The Parents' Guide is a tool for reinforcing and extending the instruction provided in the classroom. It includes:

1. Content background in the form of frequently asked questions.
2. Interesting activities that parents can do with their young adults.
3. An annotated listing of books and Internet resources related to each theme.

Workout

WARM-UP

- A. Tell the students that the purpose of this lesson is to show how they can make choices that can improve their lives. The lesson has several tips about the accumulation of personal wealth. It introduces ideas that will be explored throughout the study of economics and personal finance.
- B. Have the students read the Student Letter and the FAQs for Theme 1 in *Workouts*. Discuss the answers to the questions.

EXERCISE

- A. Divide the class into groups of three. To each group, distribute one sheet of paper with "T" on one side and "F" on the other, and one sheet with "Millionaire" written on it.
- B. Explain the rules of the *Millionaire Game*.
 1. Choose a spokesperson for each group.
 2. All students in the group must tell the spokesperson what they think the right answers are for the questions on Visual 1.1.
 3. The majority prevails whenever the group disagrees on the answer.
 4. The spokesperson must hold up the sheet of paper with "T" and "F" to indicate the group's decision on the question. A team must answer each question. The spokesperson must also hold up the

Answers to the Student Letter Questions

- 1. How much do high school students know about personal finance and economics?** (*Not much. On two major national tests, the average score was an F.*)
- 2. What is personal finance?** (*Learning how to manage your money wisely.*)
- 3. Is there a payoff for learning personal finance?** (*Yes, it can make you wealthier.*)

"Millionaire" sign if the group wants to use this option.

5. Each group gets five points for each correct answer. Each group loses five points for each incorrect answer.
6. Each group may choose to "Millionaire" on any question up to a total of five questions. If the group answers correctly, it receives 10 points; if the group answers incorrectly, it loses 10 points from its current score. Groups should use this tactic on questions they are most confident about answering correctly.
7. A total of 100 points is a perfect score. To earn this score, the students must answer all questions correctly and "Millionaire" correctly on five questions.
8. The team with the most points wins and is declared The Millionaires of Tomorrow.

- C.** Display Visual 1.1, *The Millionaire Game*, on the overhead projector. At first, keep all the questions covered. Show the students one question at a time so they do not see them all at once.
- D.** For each question, ask the students to decide in their group if they think the statement is true or false. Then the spokesperson holds up the “True/False” sign to show the group’s decision to the class. The spokesperson should also hold up the “Millionaire” sign if this tactic was chosen for this question. Make sure these sheets are raised simultaneously to discourage some groups from waiting to see what other groups decided. Or the groups can write their answers to all the questions first and then calculate their score.
- E.** While the students keep track of their scores on Exercise 1.1 in *Student Workouts*, keep a point total on the board so that each group can see how it is performing relative to other groups. They will use this information to decide when to go “Millionaire.”
- F.** Discuss the answers as the students answer each question or at the end of the game. Explain to the students some basic principles for getting rich and living a more satisfying life.
- 1. True.** *Four of five millionaires are college graduates. Eighteen percent have Master’s degrees, eight percent law degrees, six percent medical degrees, and six percent Ph.D.s.*
 - 2. False.** *About 2/3 of millionaires work 45-55 hours a week.*
 - 3. True.** *Only 19 percent of millionaires received any income or wealth of any kind from a trust fund or an estate. Fewer than 10 percent of millionaires inherited 10 percent or more of their wealth.*
 - 4. False.** *Only 28.6 percent of millionaires have American Express Gold Cards while 43 percent have Sears credit cards. Only 6.2 percent of millionaires have American Express Platinum Cards.*
 - 5. True.** *Ford is preferred by 9.4 percent and Cadillac by 8.8 percent. Lincoln comes in third at 7.8 percent. Only 23 percent of millionaires drive a current-year (new) car.*
 - 6. False.** *A majority of millionaires are in ordinary industries and jobs. They are proficient in targeting marketing opportunities.*
 - 7. False.** *About three out of four millionaires are self employed and consider themselves to be entrepreneurs. Most of the others are professionals, such as doctors, accountants, and lawyers.*
 - 8. False.** *Few people get rich the easy way. If you play the lottery, the chances of winning are about one in 12 million. The average person who plays the lottery every day would have to live about 33,000 years to win once. In contrast, you have a one in 1.9 million chance of being struck by lightning. A pregnant woman has one chance in 705,000 births to have quadruplets. How many sets of quadruplets do you know?*
 - 9. True.** *In recent years, the average college graduate earned 66 percent more than the average high school graduate did. People with professional degrees earned 150 percent more than high school graduates did.*
 - 10. True.** *Of course, a normal person would spend some of the difference, but it is a dramatic illustration of how valuable a high school diploma is. The difference in earnings between a high school graduate and a high school dropout is \$8000 at age 18. The illustration assumes the difference increases by 1.5 percent each year and that the difference is invested at eight percent interest each year.*
 - 11. False.** *Recent studies show that 80 percent of day traders lose money.*
 - 12. False.** *Long term (starting in 1926 and including the Great Depression), the Standard & Poor’s 500 Stock Index has increased at about an 11 percent compound annual rate of return, exceeding the return on any other investment. Of*

course, there is risk. The stock market has down years, and there is no guarantee of an 11 percent return in the future, especially in the short run. In contrast, the long-term return on risk-free U.S. government securities during the same period ranged from five to six percent. The actual return depended on the term of the bond. Another way of looking at this is that \$1.00 invested in the S&P 500 on January 1, 1926, was worth \$1,828 on December 31, 1997. One dollar invested in long-term government bonds during the same period was worth \$39 on December 31, 1997. It probably paid to take the additional risk of buying stocks.

13. True. Because of the power of compound interest, small savings can make a difference. It pays to resist temptation and live below your means.

14. True. Because of the power of compound interest, the earlier you begin saving, the better. Regular saving will make you a millionaire, even if your salary is modest.

15. False. Most millionaires are married and stay married. By contrast, divorce is a gateway to poverty. Financially speaking, divorce is something you want to avoid, particularly after you have children. It is important to choose a marriage partner carefully.

G. At the end of the game, display Visual 1.2, *Rules for Improving Your Financial Life*, and go over the principles. Show that these rules are derived from the answers to the questions in the Millionaire Game.

COOL DOWN

A. Have the students write a brief essay on “How to Really Become a Millionaire.”

B. The answers to this test come primarily from two excellent sources:

- Lee, Dwight R., and Richard B. McKenzie. *Getting Rich in America*. Harper Business, 1999.
- Stanley, Thomas J., and William D. Danko. *The Millionaire Next Door*. Pocket Books, 1996.

Other Training Equipment

An annotated bibliography and Internet resource list are available on our web site, www.ncee.net, as well as in *The Parents' Guide to Bringing Home the Gold*.

Visual 1.1

The Millionaire Game

Answer each question “True” or “False.” For each correct answer, you will receive five points. For each incorrect answer, you will lose five points. For any five questions, you may hold up the “Millionaire” sheet with your answer. If you answer correctly, you will receive 10 points. If you answer incorrectly, you will lose 10 points.

- 1 Most millionaires are college graduates.

- 2 Most millionaires work fewer than 40 hours a week.

- 3 More than half of all millionaires never received money from a trust fund or estate.

- 4 More millionaires have American Express Gold Cards than Sears cards.

- 5 More millionaires drive Fords than Cadillacs.

- 6 Most millionaires work in glamorous jobs, such as sports, entertainment, or high tech.

- 7 Most millionaires work for big Fortune 500 companies.

- 8 Many poor people become millionaires by winning the lottery.

- 9 College graduates earn about 65 percent more than high school graduates earn.

- 10 If an average 18-year-old high school graduate spends as much as an average high school dropout until both are 67 years old, but the high school graduate invests the difference in his or her earnings at eight percent annual interest, the high school graduate would have \$5,500,000.

- 11 Day traders usually beat the stock market and many of them become millionaires.

- 12 If you want to be a millionaire, avoid the risky stock market.

- 13 At age 18, you decide not to smoke and save \$1.50 a day. You invest this \$1.50 a day at eight percent annual interest until you are 67. At age 67, your savings from not smoking are almost \$300,000.

- 14 If you save \$2000 a year from age 22 to age 65 at eight percent annual interest, your savings will be over \$700,000 at age 65.

- 15 Single people are more often millionaires than married people.

Visual 1.2

Rules for Improving Your Financial Life

1. Get a good education.
2. Work long, hard, and smart.
3. Learn money-management skills.
4. Spend less than you could spend.
5. Save early and often.
6. Invest in common stocks for the long term.
7. Gather information before making decisions.