

THEME

1



There Is No Such Thing as a Free Lunch

OVERVIEW

Student Letter

You probably don't know much about managing your money. And what you don't know could hurt you. All your life you will be spending, borrowing, saving, and investing. You will be making economic decisions as a consumer, a worker, an investor, and a citizen. You will make choices today that will have major consequences for your future.

"What occupation should I pursue?" "Should I go to college?" "Should I get a credit card?" "Are all credit cards alike?" "Should I start saving now or wait until I have more of what I need?" "Should I invest in the stock market?" "What stocks or mutual funds should I invest in?"

The evidence is that most of you are not ready to make these choices. The average score on a recent national test on personal finance given to 12th graders was 51.9 percent. That's an "F" in any class. High school students received an even lower "F" on a national test about economics. The average score was only 48 percent. Your parents didn't do much better. Adults scored 57 percent on that same economics test. At least, they almost passed.

By now you may be thinking, "So what? Get off my case. How will understanding economics and personal finance help me? It's just more stuff people want me to learn in high school."

For openers, this information might make you rich. Achieving personal wealth involves planning and making sound financial choices, such as getting an education, saving early and often, comparison shopping, developing a money-management plan, and shopping for the best loan. You might be surprised to know that most millionaires in this country did not get rich quick by winning the lottery or inheriting money from a relative. They became rich by making sound choices, including these:

- Getting a good education.
- Working long, hard, and smart.
- Learning money-management skills.
- Living below their means.
- Investing in the stock market for the long term.
- Gathering information, developing criteria, and considering the alternatives before making decisions.

Learning to make smart choices is not rocket science. It might take some work, but you can learn this stuff. Your efforts now can have a big payoff later. How about starting on your first million bucks right now?

Questions

1. How much do high school students know about personal finance and economics?

2. What is personal finance?

3. Is there a payoff for learning personal finance?

FAQs



ABOUT THERE IS NO SUCH THING AS A FREE LUNCH

1. What is an FAQ? *A Frequently Asked Question!*

2. Why is there no such thing as a free lunch?

Because of scarcity, we can't have everything we want—whether it's clothes, cars, or lunches. Every time we choose something, we have to give up something else. In other words, everything has a cost.

3. Why do some people have more money than others?

They have made wiser decisions regarding education, money management, and lifestyle.

4. How will studying personal finance improve my life?

This information will help you make better choices; better choices can lead to greater wealth and a more satisfying life.

5. What is an economic way of thinking?

A reasoning process that involves considering costs as well as benefits in making decisions.

6. Why do we have to make so many decisions?

Because of scarcity, we can't have everything we want.

7. Are things getting better or worse in the United States?

Things are definitely getting better. Here are a few examples. In 1970, the average size of a new home was 1,500 square feet, and by the late 1990s, the average size was 2,150 square feet. Only 34 percent of new homes had central heat and air conditioning in 1970, while 81 percent of new homes were so equipped in the late 1990s. In 1970, 20 percent of households had no car, and only 29 percent had two or more. By the late 1990s, only eight percent of households had no car, and 62 percent had two or more. The average net worth of a household in 1970 was \$27,938, and in the late 1990s it was \$59,398. You will probably live better than your parents as long as you get a good education and make sound financial decisions. Go for it!

EXERCISE

1.1

The Millionaire Game Score Sheet

1. True or False Score (-5 or +5)
(circle one) (Millionaire card -10 or +10) _____
2. True or False Score (-5 or +5)
(circle one) (Millionaire card -10 or +10) _____
3. True or False Score (-5 or +5)
(circle one) (Millionaire card -10 or +10) _____
4. True or False Score (-5 or +5)
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12. True or False Score (-5 or +5)
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14. True or False Score (-5 or +5)
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15. True or False Score (-5 or +5)
(circle one) (Millionaire card -10 or +10) _____