

# PREPARING FOR THE FUTURE

*What a High School Student Needs to Know Before Graduation*

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# FINANCIAL LANDSCAPE

1. College Costs are Still RISING
2. Consumer Debt is RISING
3. Retirement Savings are DECLINING
  1. Pension to 401(k)

<b>The Shocking Reality</b>		
Starting Salary	\$	48,127
Student Debt	\$	37,172
Auto Loan Debt	\$	28,535
Credit Card Debt	\$	16,061

<b>Tuition, Fees, Room &amp; Board</b>		
<b>Academic Year</b>	<b>Private</b>	<b>Public</b>
1986-87	\$21,650	\$8,900
1991-92	\$25,070	\$9,630
1996-97	\$28,140	\$10,950
2001-02	\$32,340	\$12,250
2006-07	\$36,060	\$15,180
2011-12	\$40,450	\$18,270
2016-17	\$45,370	\$20,090

# EFFECTS OF FINANCES

1. Largest cause of stress in America (64%)
2. Bankruptcy vs Graduation
  1. Student Loans may not be forgiven
3. NOT ALL IMPACTS ARE BAD
  1. Time is the greatest asset
4. You can be the difference

# 5 THINGS COLLEGE STUDENTS WISH THEY WOULD HAVE KNOWN

1. The Value of Compounding
2. Subsidized vs Unsubsidized Loans
3. The Value of a Good Credit Score
4. Credit Cards ARE NOT Free Money
5. How to Save (Creating a Budget)

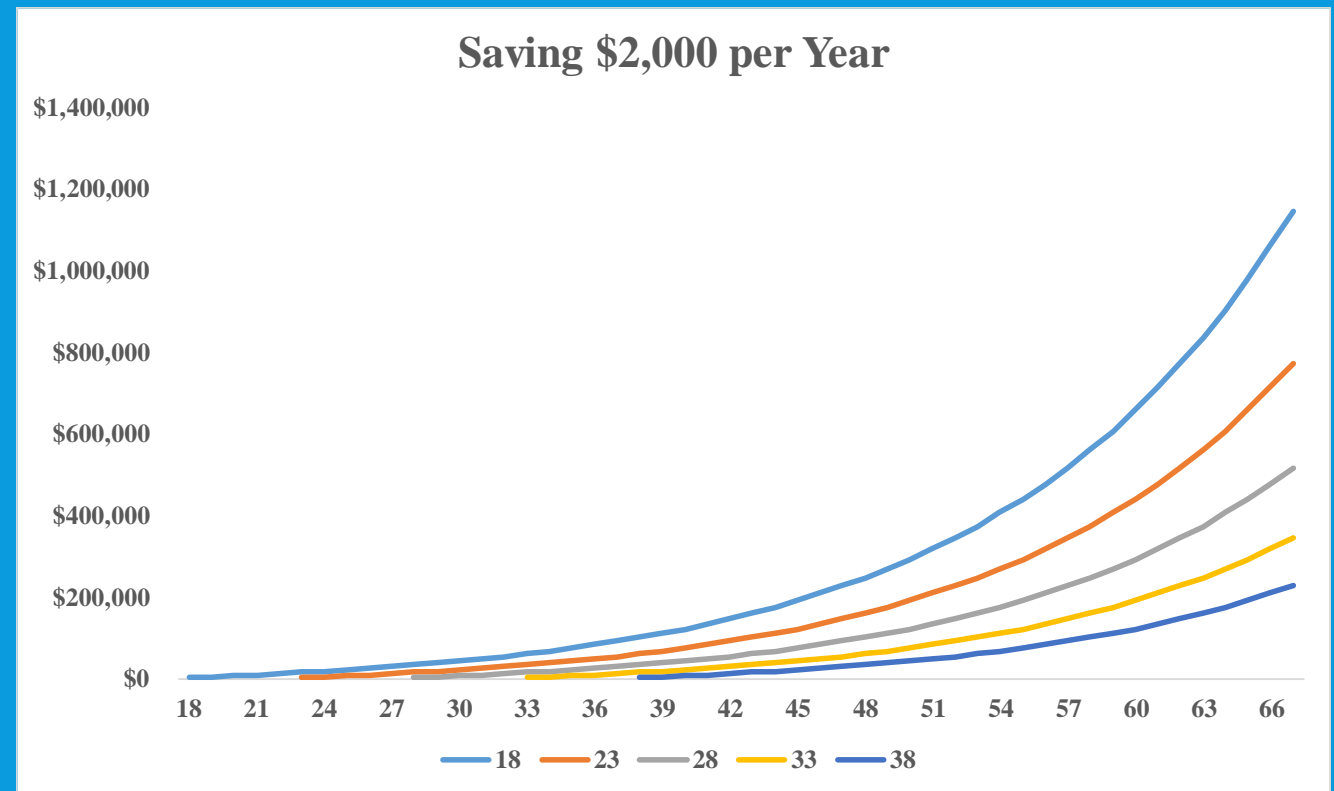
# THE VALUE OF COMPOUNDING

## Can Saving a Little Help A lot?

### Saving \$2,000 per year

- Age 18 = \$1,147,540
- Age 23 = \$773,011
- Age 28 = \$518,113
- Age 33 = \$344,634
- Age 38 = \$226,566

Invest Young, Invest Often!



# CREDIT CARDS VS COMPOUND INTEREST

Average Debt of Graduating Senior: \$3,176

Assumed Age of Graduate: 22

Value at 67 if Invested: \$101,379

# SUBSIDIZED VS UNSUBSIDIZED LOANS

- What's the Difference?
  - Government pays interest during college
  - Student is responsible for interest during college
- How big of a difference can it make?
  - If loan taken during Freshman year
- What's the Impact?
  - "It's only \$6,000 more dollars"

	<b>Subsidized</b>	<b>Unsubsidized</b>
<b>Initial Principal Left</b>	\$ 30,000.00	\$ 30,000.00
<b>Accrued Interest</b>	\$ -	\$ 6,080.38
<b>New Principal Amount</b>	\$ 30,000.00	\$ 36,080.38

	<b>Subsidized</b>	<b>Unsubsidized</b>
<b>Interest Payment per year</b>	\$ 1,128.00	\$ 1,356.62
<b>Interest Payment per month</b>	\$ 94.00	\$ 113.05

# SUBSIDIZED VS UNSUBSIDIZED LOANS

- What's the Impact?
  - "It's only \$6,000 more dollars"
- True Impact
  - 5 more years of Payment
  - ≈\$15,000

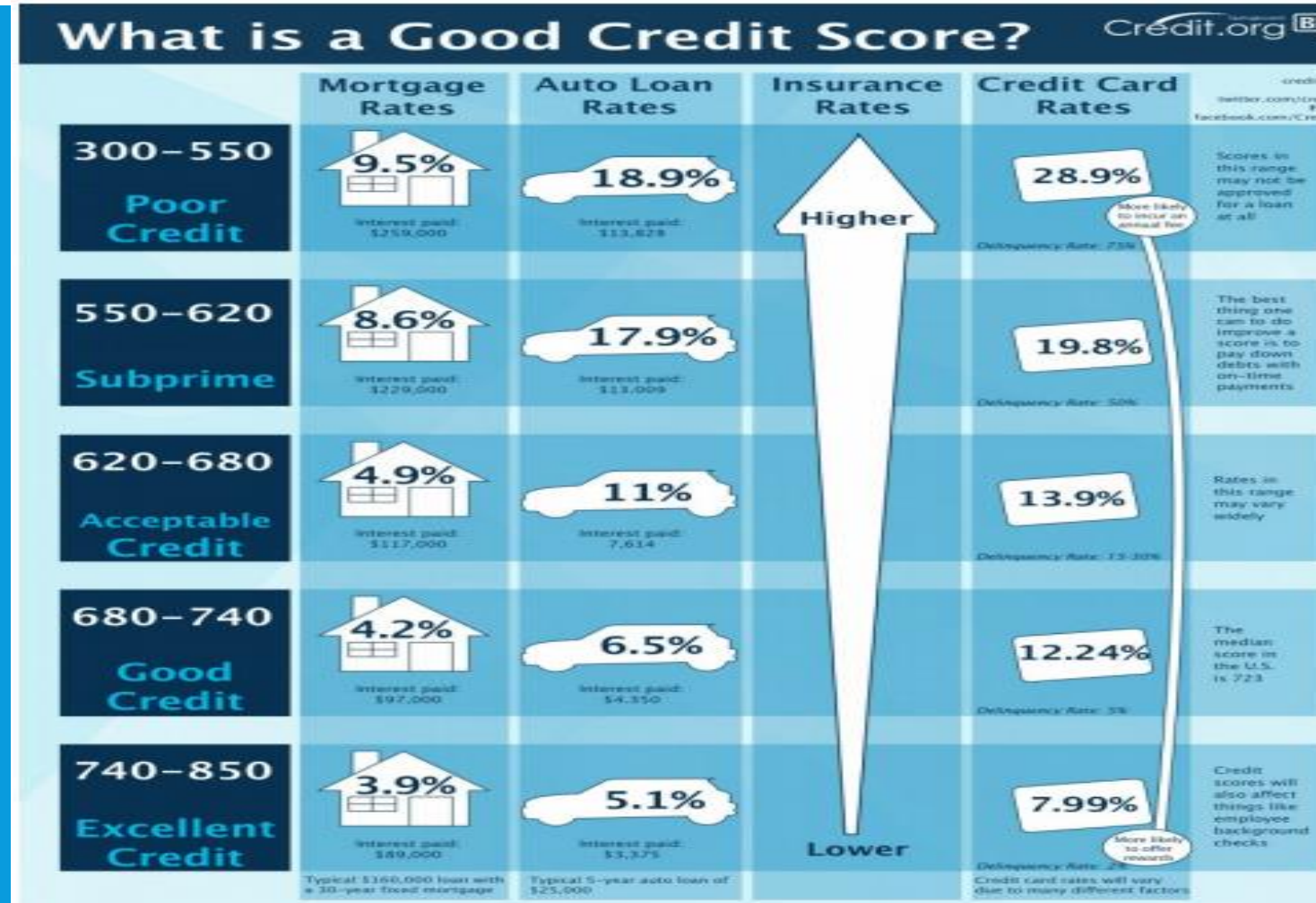
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	<b>Subsidized</b>	<b>Unsubsidized</b>
<b>Last Payment</b>	<b>2034</b>	<b>2039</b>
<b>Total Amount Paid</b>	\$ <b>41,288</b>	\$ <b>56,575</b>

\*Assuming a monthly payment of \$200 per month



# THE VALUE OF A GOOD CREDIT SCORE



# CREDIT CARDS ARE NOT FREE MONEY

- Average Credit Card Debt
  - \$16,061
  
- Average Credit Card APR
  - 15.07%

# HOW TO SAVE (CREATING A BUDGET)

- Gallup
  - 32% of Americans Keep a budget
- Poor Spending Behavior
  - Americans spend \$1.22 for every \$1 earned

<b>The Shocking Reality</b>	
<b>Starting Salary</b>	<b>\$ 48,127</b>
<b>Student Debt</b>	<b>\$ 37,172</b>
<b>Mortgage Debt</b>	<b>\$ 172,806</b>
<b>Auto Loan Debt</b>	<b>\$ 28,535</b>
<b>Credit Card Debt</b>	<b>\$ 16,061</b>

# QUIZ YOURSELF

1. Suppose you have some money. Is it safer to put your money into one business or investment, or to put your money into multiple businesses or investments?
  - a) One
  - b) Multiple
  - c) Don't Know
  - d) Refuse to answer

# QUIZ YOURSELF

2. Suppose over the next 10 years the prices of the things you buy double. If your income ALSO doubles, will you be able to buy less than you can buy today, the same as you can buy today, OR more than you can buy today?
- a) Less
  - b) The Same
  - c) More
  - d) Don't Know
  - e) Refuse to Answer

# QUIZ YOURSELF

3. Suppose you need to borrow 100 dollars. Which is the lower amount to pay back: 105 dollars or 100 dollars plus three percent?
- a) \$105
  - b)  $\$100 + 3\%$
  - c) Don't Know
  - d) Refuse to Answer

# QUIZ YOURSELF

4. Suppose you put money in the bank for two years and the bank agrees to add 15 percent per year to your account. Will the bank add MORE money to your account the second year than it did the first year, or will it add the SAME amount of money both years?
- a) More
  - b) The Same
  - c) Don't Know
  - d) Refuse to Answer

# QUIZ YOURSELF

5. Suppose you had 100 dollars in a savings account and the bank adds 10 percent per year to the account. How much money would you have in the account after five years if you did not remove any money from the account: more than 150 dollars, exactly 150 dollars, or less than 150 dollars?
- a) More than \$150
  - b) Less than \$150
  - c) Exactly \$150
  - d) Don't Know
  - e) Refuse to Answer



# THE RESULTS

- S&P FinLit Survey
  - 57% of US adults
  - USA Ranked 14th
  - 43% of Credit Card owners answered interest incorrectly
  - Diversification was only answer above 65%

# FINANCIAL LITERACY REPORT CARD

- Champlain College Research

Grade	Number of States	% of United States
A	5	9.8%
B	20	39.2%
C	11	21.6%
D	3	5.9%
F	12	23.5%

# THERE IS HOPE

- Numeracy is Related to Personal Wealth
  - Increased Numeracy relates to Increased Wealth (Estrada-Mejia, De Vries & Zeelenberg)
- Literacy and Numeracy can be Improved through Education
- Self-Esteem Impacts Financial Decisions
- Financial Literacy Initiatives Help
- So... We can help Improve People's Lives