

Richard Kremer

Professor Hepworth

English 102-01 Research Writing

18 October 2007

Can We Teach Wealth Acquisition and Management Skills  
to High School Students?: A Research Proposal

Average Americans have come to rely on credit to sustain life styles that are beyond our means. According to Wilber Ross, Chairman and CEO of W. L. Ross and Company, “Americans spent more than they earned in 2005 and 2006 and borrowed the difference and the federal government did the same.” We need to break this habit, and a good place to start is with kids before they get sucked-in by the credit lifestyle.

I propose that we figure out how to engage and convince teens to save for and invest in their futures, to make the effort and to sacrifice —and to do so now. Doing so, of course, will require bringing an investment professional into a high school setting to help de-mystify the whole saving/investment topic and make it understandable, even appealing, to teenage minds. If possible, the same professional should also help each student open a Roth IRA account. The Roth IRA makes the most sense when you’re in high school because you are normally not making enough money to have to pay taxes on your income. You can also use the tax-free earnings before age fifty-nine to pay for college or to buy a first home.

My Motivation

The credit card companies and retailers employ an army of advertisers to keep us spending. Their collective messages tell us that, rather than making the effort to save a part of

our income to invest for the future or to make major purchases, we deserve instant gratification for any “want” that catches our attention. The bad news: our children have been watching. With the (possible) exception of the wealthy, I believe most parents are failing to teach their children the concept of delayed gratification or to place any realistic value on money. The proof is in the garbage cans outside the high school and this college. They are filled with scores of: \$3.00 candy-coffee containers, \$1.50 Sobes, frappachinos, and energy drink bottles and cans. Collectively this trash represents hundreds of dollars in (un)discretionary spending— an attitude of waste and entitlement.

#### Methodology (How I’d Get-R-Done)

We need to find a way to educate high schoolage kids to the value of these wasted dollars by teaching them:

- To be aware of how much money they’re spending and what they have to show for it. Have the students keep track of all they spend for a week or two and then extrapolate that sum over months and years.
- To the potential power of their “young” dollars and how compounding works harder when it works longer.
- The basics of saving and investing.

At first blush this proposal didn’t sound very difficult. Then I tried to imagine how this would come across to a group of seventeen year olds. Trying to explain the virtues of saving, the power of compounding, the advantages of different investment vehicles, tax strategies, and some of the other basics of wealth management...not a pretty sight.

After several days of brainstorming and bothering my family with “what if” ideas, I

believe I have a workable and practical plan. In the next two weeks, I'll contact the Adult Living teacher at Lewiston High to arrange an interview and discuss my ideas.

I have already had a conversation with my investment counselor. I asked if she would be interested in talking to high school kids about the idea of helping them open IRAs. I imagined she would be thrilled with my proposal, (possibly nominating me for some kind of "what a great idea" award). She was not only disinterested, she was pessimistic about the whole idea. She cited several reasons why she thought it was impractical (mostly tax technicalities) and promptly changed the subject. After some reflection I understood her problem. She is paid on a commission and this proposal would generate lots of paper work and only a small amount of revenue. This problem may be a major hurdle to get over if my plan is to work.

I need to find a fund representative that offers a "no load" (no sales charges) Roth IRA and who is willing to talk with high school students. Usually these (no load funds) are only offered through employer sponsored investment plans. In the next three weeks, I am going to try to find an appropriate fund representative to interview about the feasibility of the whole idea and get input on how I might go about putting the idea into action.

Why Me?

I am a full time college student and an avid amateur investor. I was a lot like the kids I'm trying to figure out how to school until I was literally forced to start saving and investing. My employer, Clearwater Power Company (after several months of contract negotiations with my union) agreed to a 401(k) plan with matching funds. Now to get the "free" money they offered, I had to start saving. I still wasn't really engaged in this process until I started to see my money grow. It only took a few years to make me a believer. I began to gradually add more and more to

the amount I saved each month and after about sixteen or seventeen years something magical happened. My investments made more than I did. My money had out-earned me. At this point I wasn't a believer - I was a zealot. I set out to learn every thing I could about how to make money with money. (It beats the heck out of working for a living.)

The world of economics is vast, complicated, and confusing. The more I learned, the more I realized I was on a fool's errand. It turned out the best, easiest, most efficient way for the average person to make the most money was to save a little every month in a responsible mutual fund (preferably in a Roth IRA) and leave it alone. Ilia D. Dicev, a prominent economist, published a study in the [The American Economic Review](#) that showed that going back to 1926 "Dollar weighted returns (moving money in and out of the market) are systematically lower than buy-and-hold returns." In other words, the best way to make the most money is to invest it and forget it. There is one other great truth to investing: the longer your money has to work, the less money it takes.

If I had started saving when I was twenty-four instead of thirty, I wouldn't be in school now I'd be retired. If I had started saving when I was eighteen...well, I realized I had to find a way to convince my kids to start now. That realization is the seed that grew into this research proposal. My son's tenth grade economics class has a DECA-based curriculum. The text is devoted entirely to the sale and marketing of products and does not touch on personal finances. My daughter's twelfth grade Adult Living Class is having a financial planner come in to talk to their class in December. I plan to contact her teacher, Mrs. Beottcher, to discuss the format and scope of the presentation and see if I can sit in on that class. I may also use her as my interview if I am unable to get one with an investment fund representative.

## Audience

I had to think about the whole idea of primary audience, secondary audience, and was somewhat surprised when I figured them out. My primary audience is high school Economics' and Adult Living teachers. The teachers are going to be the catalyst if this proposal is going to work. My secondary audiences' are the kids and investment counselors.

## Text Review (I read It so You Don't Have To.)

For this project, I read through two economic textbooks: Managing your Personal Finances by Joan S. Ryan, a high school economics textbook, and Your Money and Your Life by C. Colburn Hardy, an economics textbook geared towards postgraduate professionals. The high school textbook, Managing your Personal Finances, was published in 1990 and covers all aspects of personal economics, but in very little detail. There are sixteen pages on insurance, forty-eight pages on credit, twenty-three pages on passbook saving, and only seven pages on investing. The majority of this text seemed to be geared towards giving kids a general overview of personal economics and actually discouraged the reader from investing until they had "bought a house and saved three months worth of expenses." Hardy's book published in 1979 was written in an easy to read format (about 12<sup>th</sup> grade level) devoted almost entirely to investment fundamentals, strategies, tax advantages and traps and stressed the long haul approach to wealth accumulation and the notion that "anyone can be a millionaire." Your Money and Your Life is full of sound advice, easy to understand graphs and tables, and practical examples. In the next couple of weeks I will review a variety of texts on economics to help round out my knowledge on the subject and help me to present my proposal more effectively.

## Summary

I believe this research proposal has a workable plan to address a untapped faucet of the retirement finances issue. My plan will help develop an understanding of wasteful spending habits, the painless ways to save over the long run, and the ease of investing. I also hope that if implemented the project might enlighten a few kids about “the value of a dollar.”

## Annotated Bibliography

Dicev, Iliia D. "What are Stock Investors Actual Historical returns?" The American Economic Review 97(1) March 2007: 389-401.

This article is a very technical in-depth analysis of historic investment returns.

Fahmy, Dalia. "Money, Raising it, Managing it, Making it Work." "Inc." August 2007: 56.

The author discusses various ways to utilize money in an I.R.A. account without paying tax penalties.

Hardy, Colburn C. Your Money and Your Life. New York: AMACOM. 1979.

This is an economic textbook, written from a business management point of view.

Hirsh, Gary B. "Modern Electronics: Teaching Economics to High School Students with a System Dynamic Simulator." 27 September 2007.

<http://www.clexchange.org/ftp/social-studies/ss2006-04/TeachEconomicsSD.php>

This is an actual economic computer game used for classroom instruction; however, I was disappointed to find it was very macro-economic.

Ross, Wilbur. "Wall Street Voices." Fortune, September 2007: 61-62.

This article discusses the sub-prime mortgage issue and American spending and debt.

Ryan, Joan S. Managing Your Personal Finances. Cincinnati, Ohio: South-Western Publishing, 1990.

This is a very basic economic textbook, with easy to understand graphs and tables.

Taylor, Timothy T. "Exemplary Lessons for High School Economics." Capstone: National

Council on Economics Education. 27 September 2007.

<http://capstone.ncee.net/about/intro.php> >

This site has several examples of current high school economics curriculums.

Works Cited

Dicey, Iliia D. "What are Stock Investors Actual Historical returns?" The American Economic Review 97(1) March 2007: 389-401.

Hardy, Colburn C. Your Money and Your Life. New York: AMACOM. 1979.

Ross, Wilbur. "Wall Street Voices." Fortune September 2007: 61-62.

Ryan, Joan S. Managing Your Personal Finances. Cincinnati, Ohio: South-Western Publishing, 1990.