

9 Things Every College Student Should Know About Money

Thing 9 Presentation Transcript

"SO YOU WANT TO BE A MILLIONAIRE"

Number 9. So you want to be a millionaire.

TOPICS

WHAT'S IN YOUR WALLET?

Instructor Brad: So what's really in your wallet?

1. WEALTH CREATION

Wealth creation.

DEFINE WEALTH

So what is wealth? Well wealth can be defined as a lot of different things. But let's stick to the definition of personal finance. Wealth is an accumulation of resources or goods.

Something of economic utility or exchange value. Cash, savings, property, and investments.

So you take all of these things, these assets and you add them all together. Then you look at your debts, and you subtract all of your debts from your assets. And what is leftover is called your net worth. So the next time your home having dinner with your parents or guardians, you could really impress them by throwing this out at the dinner table, "Hey y'all, I've really been thinking a lot about increasing my net worth." That ought to get a reaction!

SOMETHING ELSE?

This is a personal finance course, so obviously we've focused on that, but truly and from my heart, I hope that all of you realize that many times it's not money that defines wealth.

Wealth definitely can be defined as something else. What does wealth mean to you?

MEASURE WEALTH

Instructor Brad: So, how do you define wealth?

Instructor Brad: How will you know when you have achieved financial wealth?

Instructor Brad: Will your measure of financial wealth change over time? Yes, just trying to help you out there.

Instructor Brad: And how does your family or culture currently measure wealth?

Let's take a few minutes to jot down your answers to the following questions in your journal notes.

WORK YOUR MONEY

Okay, so what's going to happen to all of these wonderful earnings that all of you college graduates are going to go out into the world and take advantage of? Well, there's three things that can happen.

- You can let other people take advantage of your money.
- You can take full advantage of your own money.
- Or you could leverage other people's money.

OTHER PEOPLE'S MONEY

Who wants to take advantage of your money? Well, let's take a look at that, let's look at the government. How does the government take advantage of your money? Well, we talked about it earlier, in the form of taxes. Credit card companies, we talked about this too. How do credit card companies take advantage of your money? Well, they take advantage of your money by charging you interest, and compounding interest, and fees, and annual renewal rates. They are looking to take your money. And just a side note, college students are one of the biggest targets for these groups because they know you are going to have the wealth going forward and they want a piece of your wealth. *Make no mistake about it.* These folks all want a piece of your wealth!

Banks. How do banks take advantage of your money? Well if you've got a loan with them, they charge you interest. If you do something out of bounds with your accounts, like you go to a different ATM machine, or if you overdraw your debit card, or if you do a cash advance of your credit card they are going to take money from you in the form of either interest, fees, or penalties, and they want your money.

Car dealers, we've talked about this too. Car dealers want the best deal for them, not necessarily the best deal for you. They know that people "quote end quote" *need* a car. They're going to try to take advantage of the fact that you have money. And they're going to try to get some of that money from you in order to release you from it because of the fact that you need a car.

Landlords. This is one of the biggest reasons that you need to buy a home. So that you're not paying rent. Landlords can basically buy a house and let other people pay for it. Your

rent is paying for that building. So a landlord borrows the money and a landlord doesn't have to use his own money or her own money in order to make the payment on that building. You basically are making your landlord rich or creating wealth for your landlord. Put yourself in a position to where you are buying your own house or condo, you're building equity in that home, and you are taking advantage of the great tax deduction that currently exists for interest paid on a home loan.

IT'S A BALANCING ACT

There's two sides of borrowing, and most of what we've spent this class on has been on the negative side of borrowing. It's borrowing, and then you put yourself into debt, and then you have to dig yourself out of the debt, which can take a long time. And that's all true, but there is another side to borrowing. And that's the difference between leverage and debt.

They're both the same thing--okay, you're borrowing money, you're making a deal, at an interest rate, and you owe somebody money after doing it. The difference is, leverage even though its debt, is taken out to make you more money. It's borrowing money to make money. The easiest example we talked about was the house. Buying a house. Good house, good neighborhood, take care of it, value increases over time--that's leverage. It's appreciating, you're making money. The greatest example is starting your own business, if you have a solid business plan, but you don't have enough money in your pocket in order to start that business, then you're going to have to find someone who's willing to loan you the money. And yes, its debt, and yes, you will owe it back, but its leverage. And if your business plan works, that leverage is going to elevate you to the point that you can pay off that loan and then build your business.

All businesses basically have leverage, no matter how big you get. What's one you're familiar with? Facebook and Mark Zuckerberg--you know if you watch the movie "The Social Network" it was all about--*how are we going to get the money to get it started*, and then they went through the process of the angel funding, the venture capitalists, all the way to taking the stock public in an IPO. The whole reason that they followed that process is that they needed more leverage. They needed more money that they could borrow in order to grow the business. So leverage is an everyday part of growing the business. Now it is risky if your business plan doesn't work. Then you could end up owing that money and being stuck, but that's why people of a certain temperament are the ones who get into that entrepreneurial side of taking out and borrowing money to start a business.

The other one is debt, and that is what we've been talking about all along. You borrow money to consume things, whether they are necessary or not. You buy the new boat, you buy the furniture that you don't necessarily need. You put it on credit just because you want it, and you want it now. Now you're in debt and that boat is going down in value, that furniture is losing value, and you just still owe on it. And basically, you missed an opportunity, back to opportunity cost, where you could have taken that money and invested somewhere where it was growing or if you are eligible for leverage to take that money and invest it in a business opportunity that would have helped you going forward versus just dragging you down.

TAKE ADVANTAGE

Use everything you've learned in the 9 Things class to take full advantage of your money. Remember, you live your financial plan. Otherwise, you'll be living someone else's.

OTHER PEOPLE MAY TAKE ADVANTAGE... M/C

Which is the best example of leveraging your money?

2. ENTREPRENEURSHIP

Entrepreneurship. So what is entrepreneurship? Well, let's start by defining it.

Entrepreneurship is the risk and effort by one or more individuals who own and manage a business, their innovations, and economic success.

FRIED EGG BURGER?

Instructor Brad: Did you know that cage-free eggs are an excellent source of protein?

Instructor Brad: Oh have you ever tried my fried egg burger at Crossroads in the Union?

VIDEO: THE POWER OF THE ENTREPRENEUR

Purpose: To demonstrate the impact of entrepreneurs in the U.S. economy and what it takes to be one.

BE A SUCCESS!

If you do decide that you want to start your own business and I highly recommend that most of you start a business. Even if you have another job, an earnings job, where you're working for somebody, it's still a great idea to start a business. If nothing else for the tax advantages. Because if you start a business, you have a lot more things in your life that are tax deductible.

So I have a farm, that's called IVY Acres Farm, LLC, and we produce cage-free eggs that are sold all around the state. The majority of them go to the University of Oklahoma, so if you're eating an egg at the University of Oklahoma, you're eating an egg from my farm. IVY Acres Farm, it's run by my family, and we put together a business plan and a road map for that business, and we've been at it now since 2007. And the business continues to grow, and is very successful. And one of the main reasons that we got into the business, was not so much that we loved chicken and eggs. But it was because I did a lot of research on the tax implications of owning your own business, and discovered that one of the greatest tax deductions is to operate a farm. We had about 35 acres and so we started with little miniature goats, and moved into donkeys. Then this opportunity came with the chicken and the eggs, so to speak, and so we've been at it ever since.

That all started with a business plan which has evolved over the years. We now know suppliers, vendors, and customers, way better than we did when we first started out. We know chickens and eggs, and how to properly do all the business with that, and it was because we had an original business plan for the business and a roadmap of where we wanted to go with it.

Ok, so let's check out the next couple of slides to learn more about some more things to consider when starting a small business.

THE RIGHT KIND OF EGG

DO YOUR HOMEWORK FIRST!

GETTING STARTED USUALLY BEGIN...

Additional things you need to consider when starting a business.

- What type of business do you want to have?
- What's the marketplace, actually the competition that you're going to have?
- Are there going to be sales that are going to be available?
- Is there financing available?
- Do you have the money to self-finance--or are you going to have going to have to go out and look for financing? That's a huge one. A lot of businesses never get off the ground, because they can't get financing.

- Taxes and permits. What are the regulations that are involved with starting your own business? You have to file all the proper paperwork with the state and with the federal government. Employment is always tough. When you hire employees there are several things that you have to take into consideration. Some of them are regulations that you have to follow. Tax implications that you have to follow. Workers compensation, and just the day-to-day management of people that can many times be difficult. Especially when you're the boss and you have to make those kind of personnel decisions.
- Regulations are in our face all the time, and you have to make sure that you're aware of those regulations and that you're properly following them.
- Advertising, *I mean*--is it the kind of business that you need to advertise? Is word of mouth enough or do you need to make a blitz so that people know where you're at and what you're offering so that they can find you?

There's many other considerations that you have to think about when starting your own business. But this is a great place to start. And if you've got that heart, and you've got the desire, you'll find your way through it. My advice would be just, don't give up. Every business gets knocked down, and you have to make the decision if you're going to get back up again. When we started the business we were into it about 18 months, and we had just had a thousand new chickens come in, and we had put them into a barn that we had, and about 80 mile an hour straight line winds came through, and blew our barn down. The chickens were scattered everywhere. We lost all of them. Our barn was lost. We had to rebuild the barn. We could have quit, we were only in it about a year. We were losing money. You know when disaster like that happens, and you're just discouraged and you have to make the decision--*am I going to quit or do I have the heart to keep going?* We rebuilt the barn, and replenished the birds and things have been going very well ever since. But those are the kind of decisions you're going to have to make if you're going to get into business, especially from the entrepreneurial side of things.

WHICH IS NOT A CHARACTERISTIC... M/C

Which is not a characteristic of a successful entrepreneur?

3. CHARITABLE GIVING

Charitable giving. We all have it within us to give, and some are more able to give than others. I'm sure many, if not all of you, have been involved with charitable giving in your

past, or even here at OU, and if not, there's plenty of opportunities to be involved. So let's check out the ways we can give, how we can make an impact, and how to make sure we are not taken advantage of when making financial donations or pledges.

HOW CAN YOU HELP?

Instructor Brad: You know you don't have to be wealthy to give.

Instructor Brad: Just ask, how can I help?

TYPES OF CHARITABLE GIVING

IMPACTS

Click on the names

RESEARCH AND AVOID SCAMS

We've already talked quite a bit about this subject. But whenever you are asked to donate your money, make sure you know where your money is going and how it's going to be used. For example, how much is going to the administration or overhead of the organization? To the operations? How much is really going to the cause? That's important to know. Non-profit charities (also known as 501(c)(3) organizations) are required to maintain financial information called an IRS 990 in order to report and keep their tax exempt status. It's reasonable that a charity may have some overhead costs, for example, if they need to maintain a fleet of trucks to deliver food--when their mission is feeding people. The organizations listed on this slide are where you can go to learn more about the reputation, expenses, and status of the charity. So do your homework before you give, and then give with heart.

WHO DO YOU SUPPORT?

Bucky: Big brothers!

Penny: The BIG Event

Dixon: Second Chance!

Madison: Children's Hospital

Raj thinking: Make-A-Wish

SELF-ASSESSMENT T/F

In-kind gifts are not helpful following a disaster.

4. YOUR LEGACY

Your legacy.

CONSIDER YOUR LEGACY

So, how do you want to be remembered? Think about your legacy and answer the questions on the following slides in your journal or notes.

REFLECTION

WHAT ABOUT MR. B?

Instructor Brad: Hmm, I wonder what I'll be remembered for at the University of Oklahoma?

CREATE YOUR LEGACY

Bucky: Penny, we can start building our legacy right now!

Instructor Brad: Now that's egg-cellent! Oh--I mean excellent.

GLOSSARY REMINDER

Brad: Now remember, you definitely can't say, "*nobody ever told me.*"

Be sure to review all the terms in the glossary as they will be on the quiz and on the final exam.