



Financial Literacy with Mr. 401(k)  
Winter Term 2024 - 2025  
March 3, 2025

# The Future

## **Class 27: Putting It All Together – Earning, Investing, & Avoiding Debt Traps**





# Monday Money Matter\$

President Trump announced 25% tariffs on Canada and Mexico, ending hopes for a last-minute deal. Originally delayed for a month, they take effect Tuesday as Trump says both countries haven't stopped illegal drug trafficking. Stocks fell further, showing trade concerns. Mexico tried to prevent tariffs by deploying troops and extraditing cartel members, but Trump said it wasn't enough. Why this matter\$ to you: tariffs can raise prices on everyday goods, affecting families and the economy.

Source: CNBC; <https://www.cnbc.com/2025/03/03/trump-dashes-hope-for-last-minute-canada-and-mexico-deal-ahead-of-25percent-tariffs.html>; Reference Date: March 3, 2025





# *Class Discussion*

*How might a young person attain a financial objective to accumulate \$100,000 in portfolio within 20 years?*

**The transfer of value today,  
in exchange for what  
someone expects to have  
greater value in the future.**

**Recap: Investing**



# The Young Investor's Dilemma



## How to Begin?

To transfer value today, investors need *some* money to get started.

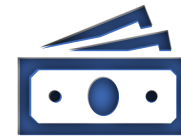
Young people go to school. Young people do not have much money – but they can start earning and investing now.



## Getting Money

Only three ways:

- 1) Sell stuff for it – trade assets for cash,
- 2) Borrow it – increase your liabilities, or
- 3) Make it – generate income.



## Income Types

- 1) Earned income = work to make money
- 2) Passive income = assets make money
- 3) Portfolio income = asset appreciation makes money



## Earning Income

Generally, young people do not own assets to generate portfolio income, nor assets that generate passive income. So, how can young people earn income when they are still students?



# Recap: Teenager Earned Income Ideas



BABYSITTER



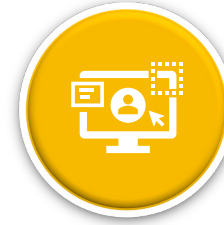
CONTENT  
CREATOR



DOG WALKER



FAST FOOD  
WORKER



GRAPHIC  
DESIGNER



LIFEGUARD



OFFICE  
WORKER



PET SITTER



TUTOR



YARD  
WORKER



VIDEO GAMER



# Recap: Teenager Earned Income Ideas





# Recap: Two Earned Income Examples



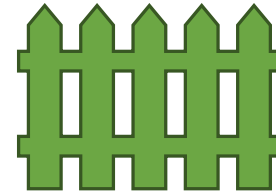
## Babysitter

1 child: \$20 / hour; 2+ children: \$25 / hour

1 evening / week for 5 hours @ \$22 / hour =

**\$5,720**

gross income per year



## Yard Worker

\$20 / hour; \$40 / mow

1 day / week for 6 hours @ \$20 / hour =

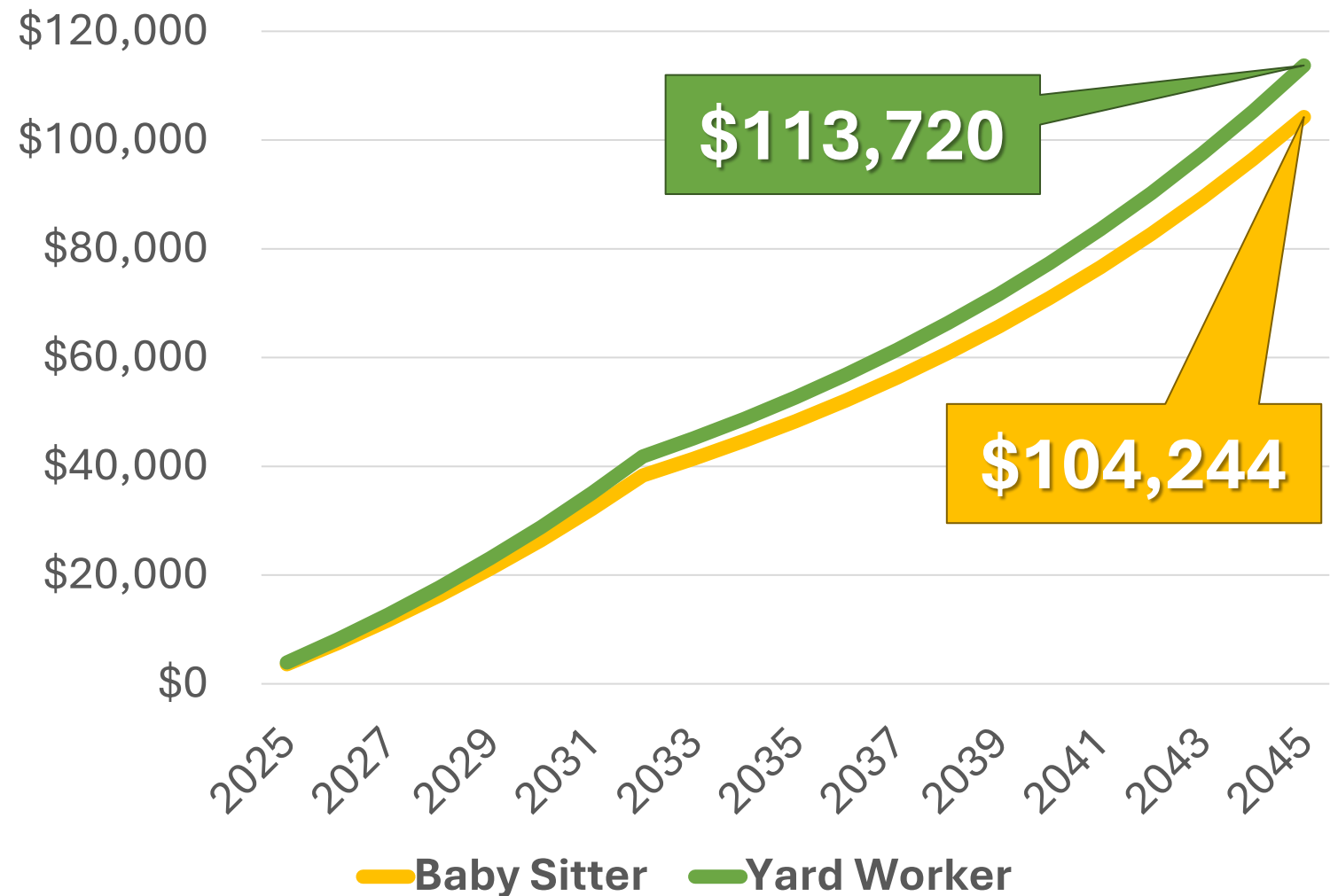
**\$6,240**

gross income per year



Do the work for  
**8 years. Invest**  
**70%** of after-tax  
income in an  
**S&P 500 Index**  
**Fund** (Ex. Ticker:  
**SPY**). Estimate a  
10% tax rate.  
**Spend the rest**  
**on your needs**  
**or wants.**

Hypothetical growth after 20 years assuming  
8% annually compounded investment returns



# Why might you choose an S&P 500 Index Fund?

## S&P 500 Index Fund Benefits and Limitations

### Benefits

- **Simple** – One investment offers broad stock exposure.
- **Spreads out risk** – Instead of putting all your money in one company, it invests in 500 large U.S. companies.
- **Updates automatically** – If a company is added or removed from the S&P 500, the fund changes too.
- **Low fees** – It doesn't cost much to own compared to other investments.

### Limitations

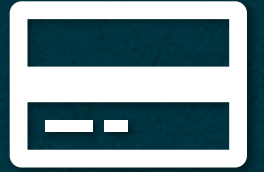
- **Only stocks** – No other types of investments.
- **Only U.S. companies** – No international businesses are included.
- **No small or medium companies** – focuses only on the biggest companies.
- **Favors giant companies** – The biggest companies have the most influence on how the fund performs.



**Revolving credit, is a type of loan that allows you to borrow up to a limit, repay it, and then borrow again, continuously, without needing to reapply each time.**

# **Revolving Credit**

# Practical Application



- A teenager gets a credit card with a \$1,000 balance limit.
- The interest rate is 20% annually. The credit card requires a minimum monthly payment of \$20 or 2% of the balance outstanding, whichever is greater.
- The teenager purchases clothes and electronics on the credit card, building up a \$1,000 credit card balance.
- “\$20 per month is nothing,” thinks the teenager, who makes the \$20 minimum monthly payment until the credit card balance is paid off.





## *Class Discussion*

*Do you think this was this a good decision? Could the teenager have made better choices?*



# Practical Application



- It takes over 9 years to pay off the credit card.
- By the time the credit card balance is paid off, the teenager is an adult, the clothes purchased are out of style and the electronics are obsolete.
- The teenager made total payments of \$2,168 of which \$1,168 was interest expense.
- Interest expense to the teenager was income to the credit card company.

Month #	Starting Balance	Interest Charged	Minimum Payment	Ending Balance
1	\$1,000.00	\$16.67 <small>(\$1,000 x 20% / 12)</small>	\$20	\$996.67
2	\$996.67	\$16.61 <small>(996.67 x 20% / 12)</small>	\$20	\$993.28
3	\$993.28	\$16.55 <small>(993.28 x 20% / 12)</small>	\$20	\$989.87
...	...	...	...	...
109	\$7.89	\$0.13 <small>(7.89 x 20% / 12)</small>	\$8.02	\$0.00



# Practical Application



## 1. Credit card payments **first** pay the interest expense

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# Practical Application



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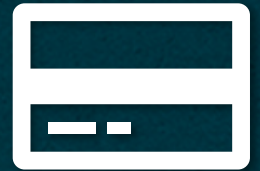
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2. Only the **remainder** reduces the balance owed



# Practical Application



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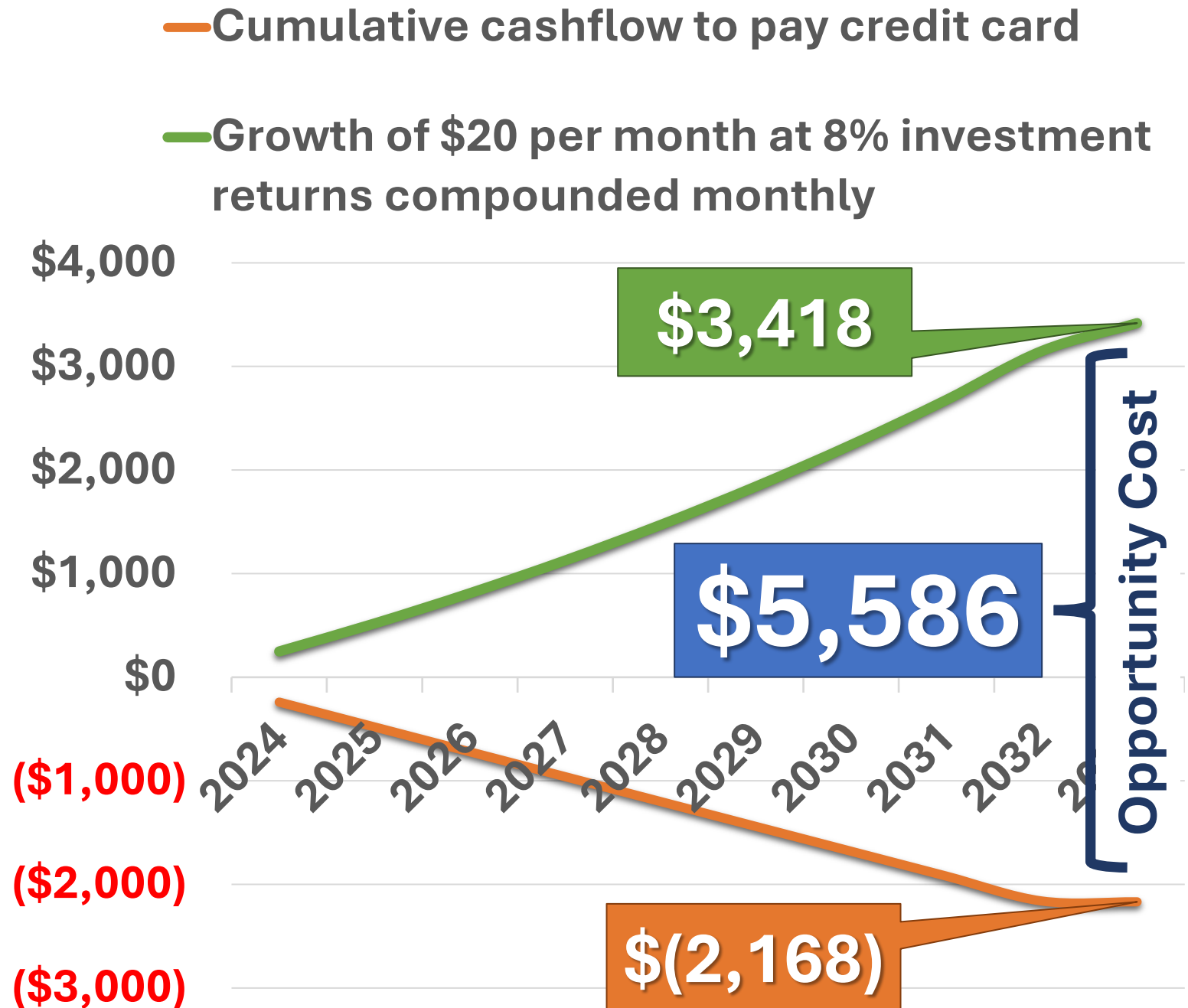
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2. Only the **remainder** reduces the balance owed

3. Balances can take **years to payoff** if making only a minimum payment

# Now, let's consider the opportunity cost!

How might it have turned out if the teenager **invested \$20 per month** instead of building credit card debt?





# Don't Become Passive Income to the Bankers!

When people carry credit card balances, they pay very high interest expense. People who pay credit card interest become passive income to banks. Think about it – the “credit” on your credit card is a bank’s asset. The bank is making money from you off its asset!







# Three Key Takeaways

- There are plenty of ways for young people to earn money – **find what works for you and do it!**
- Investing some of what you earn is a great way to **build long-term wealth.**
- Credit card debt is the **worst form of debt** because interest rates are very high, so only banks can profit from it – **don't make banks wealthier!**



# Where to Learn More

- [Financial Literacy for Young Adults Simplified: Discover How to Manage, Save, and Invest Money to Build a Secure & Independent Future](#) by Raman Keane
- [Rich Dad Poor Dad for Teens: The Secrets About Money - That You Don't Learn in School](#) by Robert T. Kiyosaki
- [Smart Money Habits For Teens And Young Adults: How to Survive Recession and Achieve Financial Independence With Smart Budgeting, Debt Management, and Investing](#) by Ward Nash



A photograph of a wooden desk cluttered with various items related to a business plan project. Several sheets of paper are spread out, some featuring charts and graphs. Numerous colorful sticky notes (pink, green, yellow) are placed across the papers. A person's hand is visible, pointing at a document. In the background, there are office supplies like a white mug, a black desk lamp, and a printer. The overall scene suggests a collaborative and active workspace.

# Business Plan Project

# Business Idea & Business Plan Project within Money Mavericks Groups



## **Develop Business Idea**

What problem does your business solve? Who are the business's target customers? **[Completed]**



## **Write Business Plans**

How does the business earn money? What are the ongoing costs? How will it differentiate?



## **Present Your Business Plans**

Each Money Mavericks Group gives a 10-minute presentation of their business plan to class



# Money Mavericks

**Objective:** First, give your business a name – you can always change it later as your business plan develops. A good business plan demonstrates how a business idea will be a developed into successful company. Here are some questions to help you get started...





# Practical Application



## 1. Business Identity

- What is your business name?
- Design a logo for your business. *(Optional but encouraged!)*
- What is your business's mission? *(What problem does it solve? Why does it exist?)*
- What is your business's vision? *(Where do you see your business in the future?)*

## 2. Products & Services

- What products and/or services does your business offer?
- What makes your product or service valuable to customers? *(What problem does it solve or what needs or wants does it fulfill?)*

## 2. Products & Services (continued)

- How does your business earn money? *(Sales, subscriptions, services, etc.)*
- How much will you charge for your products or services? How did you decide on these prices?
- How many products or services do you need to sell to cover your costs? *(Break-even point)*

## 3. Target Market & Customers

- Who are your business's target customers? *(Age, interests, location, etc.)*
- Where will customers find your business? *(Online, in a store, at events, etc.)*



# Practical Application

## 4. Costs & Expenses

- What are the costs to start your business? (*Supplies, materials, website, etc.*)
- Where will your business's startup costs come from? (*Savings, investors, fundraising, etc.*)
- What are your business's ongoing expenses? (*Rent, supplies, marketing, employee wages, etc.*)

## 5. Competition & Differentiation

- Who are your main competitor(s)?
- What makes your business different from the competition?
- Why would customers choose your business over a competitor?

## 6. Marketing & Customer Engagement

- How will your business promote its products and/or services? (*Social media, flyers, ads, word of mouth, etc.*)
- How will you attract new customers and keep them coming back? (*Special deals, loyalty programs, great customer service, etc.*)

## 7. Team & Responsibilities

- Who are the members of your business team?
- What roles and responsibilities will each team member have? (*Who is in charge of marketing, finances, operations, etc.?*)



# Practical Application

A large, dark silhouette of a human head in profile, facing left, serves as a background for the right half of the slide. Three interlocking puzzle pieces, colored in a golden-brown hue, are positioned within the head's outline, specifically in the upper right area corresponding to the brain.

## 8. Challenges & Risks

- What are some possible challenges your business might face? (*Competition, cost overruns, customer interest, etc.*)
- How will your business overcome these challenges? (*Backup plans, strategies, adjustments, etc.*)

## 9. Business Pitch

- Write a short “elevator pitch” that describes your business to potential customers. (*This should be a persuasive and engaging summary.*)



X @PETROS\_USA

in <https://linkedin.com/in/petrosk>

Empowering Young Minds to  
Understand Money

Financial Literacy with  
**Mr. 401(k)**

<https://petros.us/about-finlit>

