



Let's Get Started!



What Is *Wealth*?

Wealth = (What you *own*) minus (What you *owe*)



“Assets”



“Liabilities”

What's a Millionaire?



- Household with a net worth (or wealth) of:
 - \$1,000,000 (or more)*
- Let's play a game . . .

*Definition of millionaire often excludes primary residence.

*The Millionaire Game**

- Divide into teams
- Rules:
 - Statements appear on screen.
 - Each team decides *True* or *False*.
 - Circle chosen answer on sheet provided.
 - True or False



Millionaire Statements

- Statement 1:
 - *Most millionaires are college graduates.*
- Statement 2:
 - *Most millionaires work fewer than 40 hours per week.*
- Statement 3:
 - *Most of America's millionaires are first-generation rich.*
- Statement 4:
 - *The average total household annual income of today's millionaires is about \$120,000.*

Millionaire Statements

- Statement 5:

- *Nearly 50% of millionaires drive current-year cars.*

- Statement 6:

- *Many poor people become millionaires by winning the lottery.*

- Statement 7:

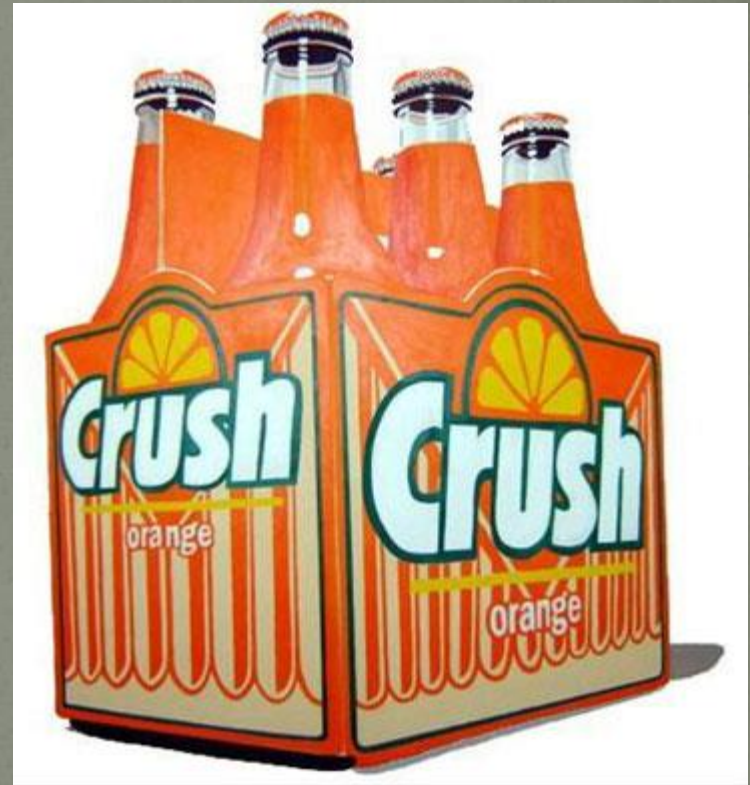
- *College graduates earn about 60% more than high school graduates earn.*

- Statement 8:

- *Millionaires tend to avoid the stock market.*

Millionaire Statements

- Statement 9:
 - *At age 18, you decide not to purchase soft drinks from the vending machine and save \$1.50 a day.*
 - *You invest this \$1.50 a day at 8% annual interest until you are 67.*
 - *At age 67, your savings are almost \$150,000.*



How Did We Do?



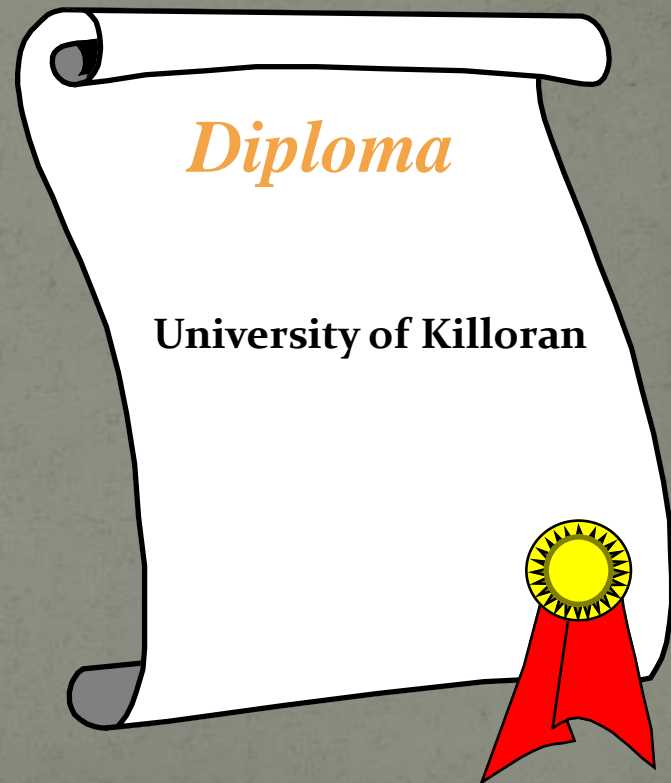
- For each statement, hold up the card
 - **T** for true
 - **F** for false
- According to answer sheet:
 - correct answer = + 5
 - incorrect answer = - 5
- Each team has 2 *Millionaire* cards
 - correct (+10); incorrect (-10)



Statement 1

- Most millionaires are college graduates.
- *80% of millionaires are college graduates.*
 - *18% have Master's degrees*
 - *8% have law degrees*
 - *6% medical degrees*
 - *6% Ph.D.s*

• True



Education

Statement 2



- Most millionaires work fewer than 40 hours per week.
- *About 67% of millionaires work 45 to 55 hours a week.*
- **False**

Earn

Statement 3

- Most of America's millionaires are first-generation rich.
- *Only 19% received any wealth of any kind from a trust fund or estate.*
- *Fewer than 10% inherited 10% or more of their wealth.*



Earn

Statement 4

- *The average total household income of today's millionaires is about \$120,000.*

- Total income reported among millionaire households averaged \$119,000 (2005).
 - *Frugal, Frugal, Frugal*

- True

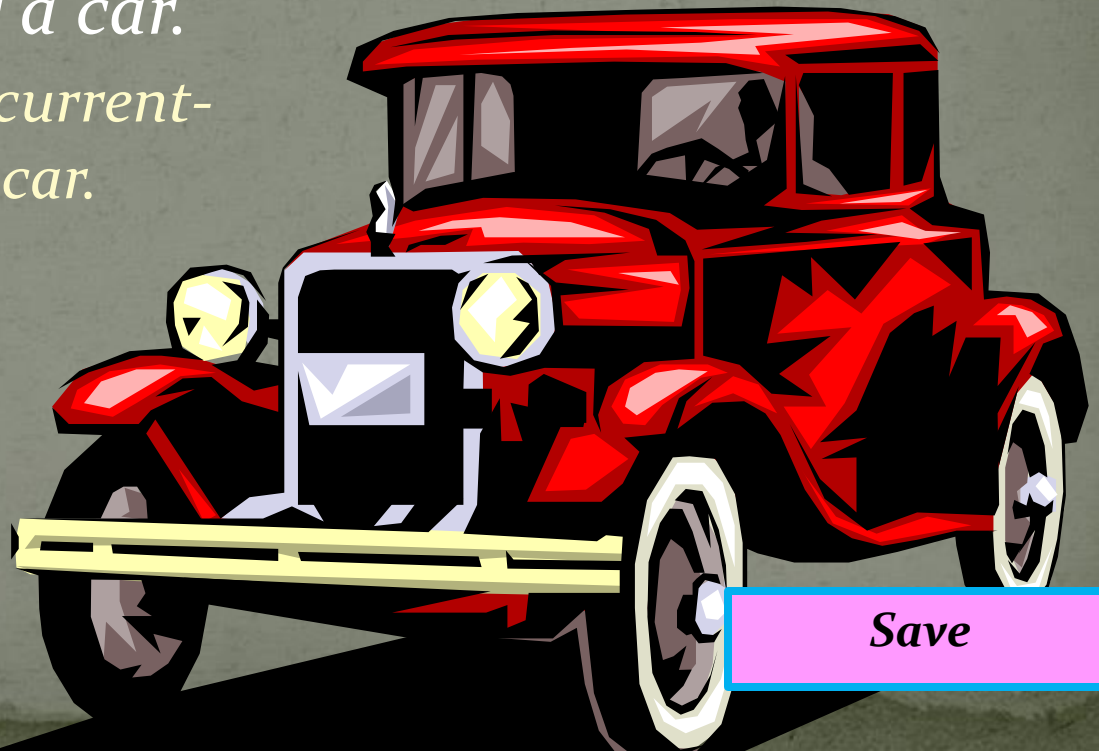
Save



- Nearly 50% of millionaires drive current-year cars.
- *Most millionaires spend under \$30,000 for a car.*
 - *Only 23% drive a current-year [new model] car.*

- False

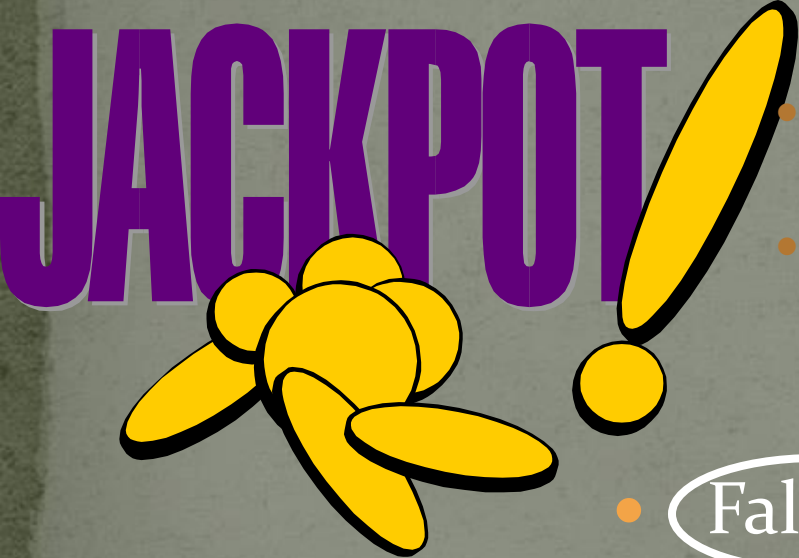
Statement 5



Save

- Many poor people become millionaires by winning the lottery.

Statement 6



- Few people get rich the easy way!
- Chance of winning about one in 12 million.
- Average person who plays every day have to live about 33,000 years to win once.
- In contrast, you have a one in 1.9 million chance of being struck by lightning.
- A pregnant woman has one chance in 705,000 births to have quadruplets.
 - How many sets of quadruplets do you know?

- False

Save & Invest

Statement 7

- College graduates earn about 60% more than high school graduates earn.
- In recent years the average college graduate earned 63% more than the average high school graduate did.

• True



Education

Statement 8

- Millionaires tend to avoid the stock market.



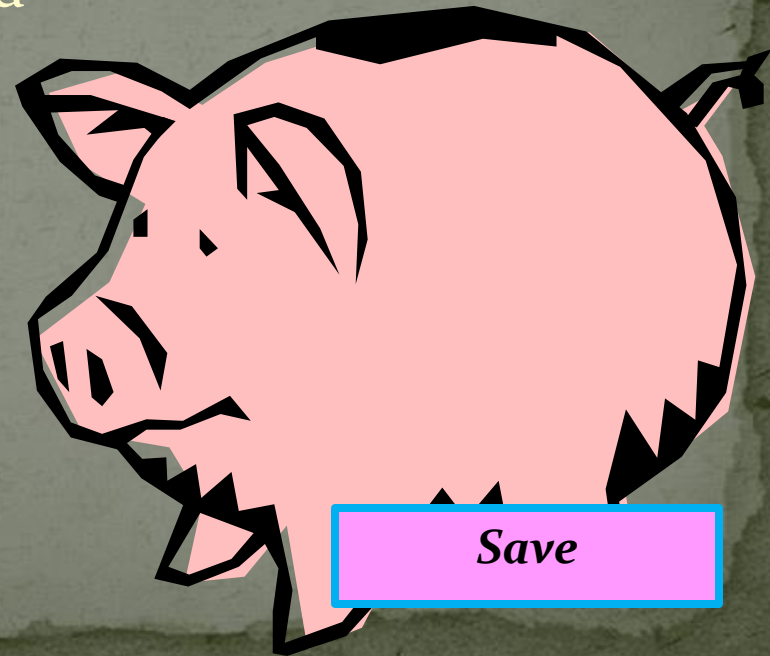
- *Long term, the S&P 500 Stock Index has increased about 10% compound annual rate of return, exceeding the return on any other investment.*

False

Invest

- At age 18, you decide not to purchase vending machine soft drinks & save \$1.50 a day.
- You invest this \$1.50 a day at 8% annual interest until you are 67.
- At age 67, your savings are almost \$150,000.
 - Because of the power of compound interest, small savings can make a difference,
 - almost \$300,000 in this case.

Statement 9



Save

False

Let's Make Another Set
of Choices ...

Financial Planning

- *Would you like to run in a race?*
- So that you can plan & train appropriately
 - you'd want to know:
 - *How long is the race?*

- Begin with end in mind, then develop a **roadmap** on how to get there.

*If one does not know to which port one is sailing,
no wind is favorable.*

Lucius Annaeus Seneca, Roman philosopher



Financial Plan Step 1: *Goal Setting*

- Goals – something you want:
 - to be
 - to have
 - to do
- Goals will point you in a direction.
 - Goals toward which to aim
 - Your values (beliefs important to you)
 - impact your goals

Goals Have a Time Frame

- How long to accomplish?
 - Short-term goals
 - Up to three years
 - Intermediate-term goals
 - Between three and five years
 - Long-term goals
 - Beyond five years

and ...

Goals Can Be . . .

- Financial

- Purchase

- computer
- car
- college education
- Summer trip

- Non-Financial

- Spend more time

- with family
- with friends
- skiing
- relaxing