

What's Wrong with Our Schools

It seems that our school system teaches everything except how to go out into the real world and survive. How many high school graduates do you know that can balance a check-book, or understands anything about money and financing? Some of them can't do simple things like making change unless the cash register rings up the correct amount that's due. If a burger joint loses power, some of the clerks can't make change for a \$20.00 bill.

If you ask some of our younger (and older) generation if they understand the time value of money and compounding of interest, all you will get is a blank stare. But many of these same people are experts at some idiotic computer game. They've spent many, many hours learning how to play games, but no time learning how to make money or how to be financially secure. I read an article stating that the average student spends 15,000 hours going to school before they graduate, but they spend 19,000 hours watching TV during that same period. And you have to wonder just what they did with the 15,000 hours in school, seeing that some of them can hardly read or write when they graduate.

I got a call one time from such a man wanting information on a mobile home I had for sale. This man had a wife and a small child and were living with friends. They were trying to find a place of their own, but would need financing in order to buy anything. When I asked him how much he would be able to pay down on the mobile home, his answer was, "I don't have much of anything right now, I just bought a new car and my payments are \$400 month". This man has a family and no place to live, and buys a new car with \$400 monthly payments! Talk about having your priorities in order. It was all I could do to keep from telling that man what I was thinking. But I kept quiet and told him I wouldn't be able to offer him any help. What do you say to a man who thinks like this man? What do you say to a man who thinks a new car is more important than a place for his family to live? What did this man learn during those 15,000 hours he spent in school? Couldn't have been much, but he graduated. But I'll bet he can whiz right through some dumb computer game.

I felt both anger and sadness. And I couldn't help but think about this man and his family and the life they were destined to live. I wonder what his financial position would be if the schools had taught him something about, money, investing, and financing. I've done some "supposing" to see just how much better off he would be if he had acquired the knowledge and had the financial discipline that's required to be successful.

Suppose some of those 15,000 hours he spent in school had been used to teach this man about money, financing, and compounding of interest. What could he have done with his \$400 monthly payments that would be much, much better than spending it on a car that's depreciating faster than he can make the payments? Let's play with some numbers and see what might have happened with a little education and knowledge.

Let's suppose the car this man bought cost \$20,000 and he either traded or paid \$2,000 down, leaving \$18,000 to be financed. If the payments are \$400 month and the finance company charged 12% interest, it would take 60 months to pay the loan off. If he makes all the payments, he will pay \$24,000, and have a car that is worth very little at the end of those 60 months. But if he's like many people, he will trade that car long before it's paid for

and start all over with a new one. That car will keep him broke and he probably won't even understand why he's always broke. And those computer games didn't teach him anything about how expensive cars really are.

But let's suppose instead of buying a new \$20,000 car, he bought a nice used \$10,000 car, and either traded or paid the same \$2,000 down and financed \$8,000. If he could get financing for this car for 60 months, 12% interest, his payments would be \$178. At the end of 60 months he will have paid \$10,680 for a nice used car, instead of \$24,000 for that new car, a difference of \$13,320.

Now let's suppose he had the proper education, knowledge, and discipline and knew how to invest the difference (\$222) each month in something that earns 12% interest, instead of paying it on a depreciating car. Let's see what his financial position would be in 60 months? If he could invest \$222 each month and make it earn 12% interest, he would have \$18,130 at the end of 60 months. And if he was really smart and left that \$18,130 invested for another 60 months, he would have \$32,937. But because the schools didn't teach him how to do that, he winds up with a worn out car every 60 months instead of financial security. Let's go even further and see how he could build up financial security and not have to depend on social security (if it's even around), or a small retirement check from working a job when he reaches retirement age. Suppose at the end of 5 years this man will be 30 years old and he will have \$18,130. If he just left that \$18,130 invested at 12% until he was 65 (35 years), that \$18,130 will compound to \$1,184,000. And if he learned how to make the same \$18,130 earn 15%, just 3% more, he would wind up at age 65 with \$3,344,000. The power of compounding has been called the 8th wonder of the world, and the schools teach their students very little, if anything about it.

Why don't the schools teach their students this sort of thing? Why don't they teach students how to make money, how to save and invest part of their earnings, and how to build financial security? Could it be that maybe the teachers don't know and never learned about it either? Whatever the reason, 95% of the people reach retirement age and can't afford to retire. And most will need help from someone to pay the bills. If the schools had only taught this young man how driving a used car for 5 years, and how investing money on a regular basis, and how the power of compounding will make you financially secure in your old age, maybe there wouldn't be so many old folks that need financial help from someone in order to live a decent life when they are no longer able to work. But like this man, many will still be making car payments, still be broke, and still won't understand why life is so tough. What's wrong with our schools?

To your retirement,
Lonnie Scruggs