Class 1: The Time Value of Money

CLASS 1 – DISCLAIMER

This after-school program is designed to teach teenagers about the basics of investing and finance. The stocks and case studies involving investments mentioned in this program should not be construed as investment advice or recommendations. The stocks and companies discussed are purely for educational purposes.

Investing involves risk, and there is no guarantee of profit. Investors could lose some or all of their investment. Before making any investment decisions, it is important to do your own research and consult with a financial advisor.

Teenagers who are interested in investing should be aware that the stock market can be volatile, and prices can go up and down quickly.

Teenagers should also be aware that there are many different types of investments, each with its own risks and rewards. It is important to understand the different types of investments before making any investment decisions.

If you are a teenager who is interested in investing, please talk to your parents or a financial advisor for more information.

CLASS 1 – Introduction: Knowledge Versus Theory

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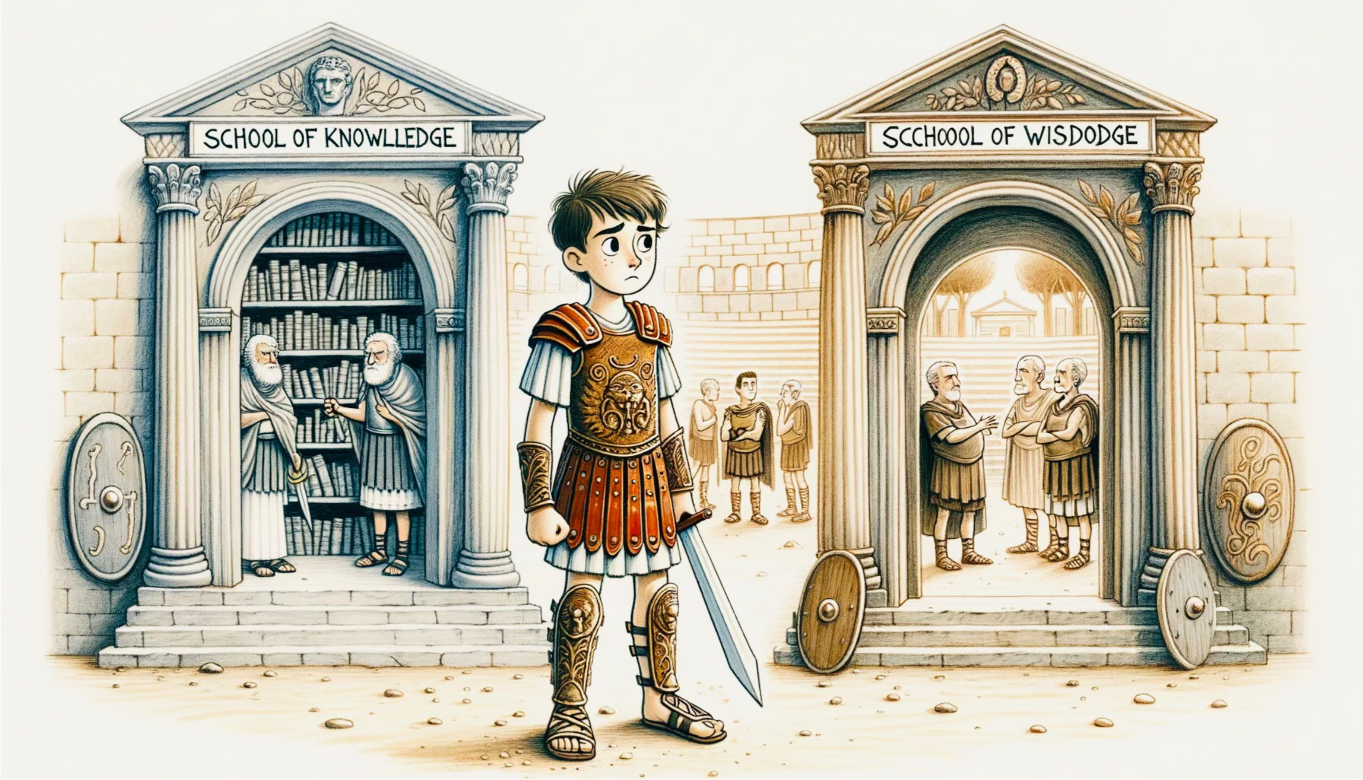
The purpose of this class is to teach two important points.

1. Learning to invest is worth much more the younger you learn it.

2. Learning to invest is a necessity for long-term financial survival.

CLASS 1 – Introduction: Knowledge Versus Theory

On Wall Street, the stock market is often called the Colosseum, the arena in ancient Rome where the gladiators fought.



CLASS 1 – Introduction: Knowledge Versus Theory

The Gladiator School of Knowledge

"This is the sword handle. It's where you hold the sword. Training is over. You're ready for the Colosseum."

Do you feel ready?

CLASS 1 – Introduction: Knowledge Versus Theory

The Gladiator School of Wisdom

Practice with a wooden sword first. You'll live longer.

Wisdom comes from experience.

CLASS 1 – Introduction: Knowledge Versus Theory

The Gladiator School of Wisdom

You don't just learn how to hold and swing the sword.

You study the tactics and techniques of the greatest gladiators in history.

In similar manner, we will gain investing wisdom by studying great stock market success stories and failures.

Wisdom comes from experience.

LEARN WALL STREET

CLASS 1 – Introduction: A Word Of Caution.

A little bit of knowledge, without wisdom which comes from experience, can be a dangerous thing.

Many studies show that somewhere between 85-90% of investors who are active traders lose money.

This demonstrates how destructive the lack of financial knowledge can be to novice investors.

CLASS 1 – Part 2: Why is the stuff so important to you.

In the investing world, youth is a super-power.

Young people can invest for a long time.

Thanks to compounding, the ability to invest for such a long period can produce stunning increases in long-term wealth.

People think that keeping their savings in cash avoids making investment decisions.

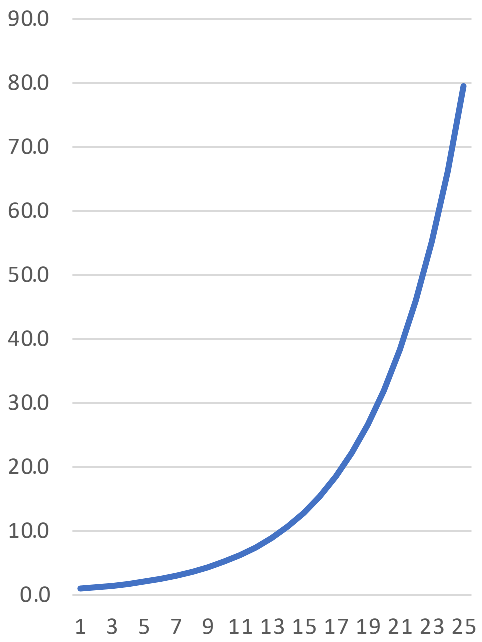
Holding cash is an investment decision whether people realize it or not.

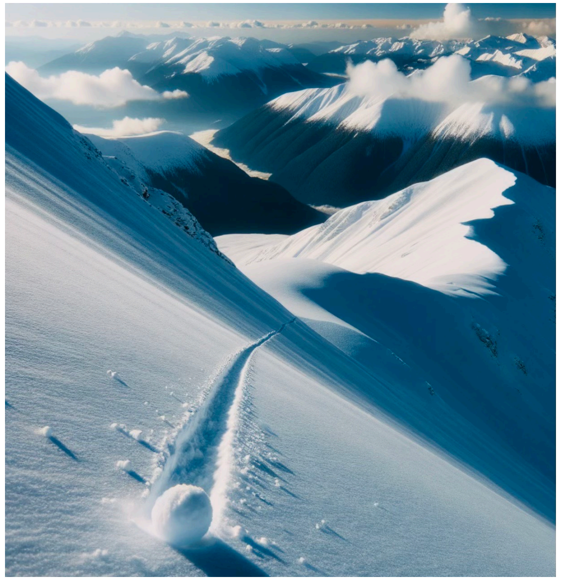
CLASS 1 – Part 2 Continued: Why is the stuff so important to you.

What is compounding? Einstein called it the “Eighth Wonder of the World”.

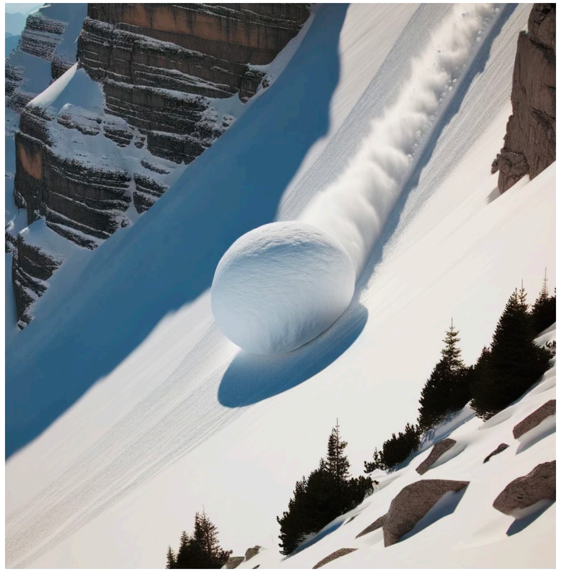
Compounding is the process of reinvesting your profits over and over.

The snowball effect refers to the fact your profits will grow by a larger and larger amount the longer you are compounding your money.

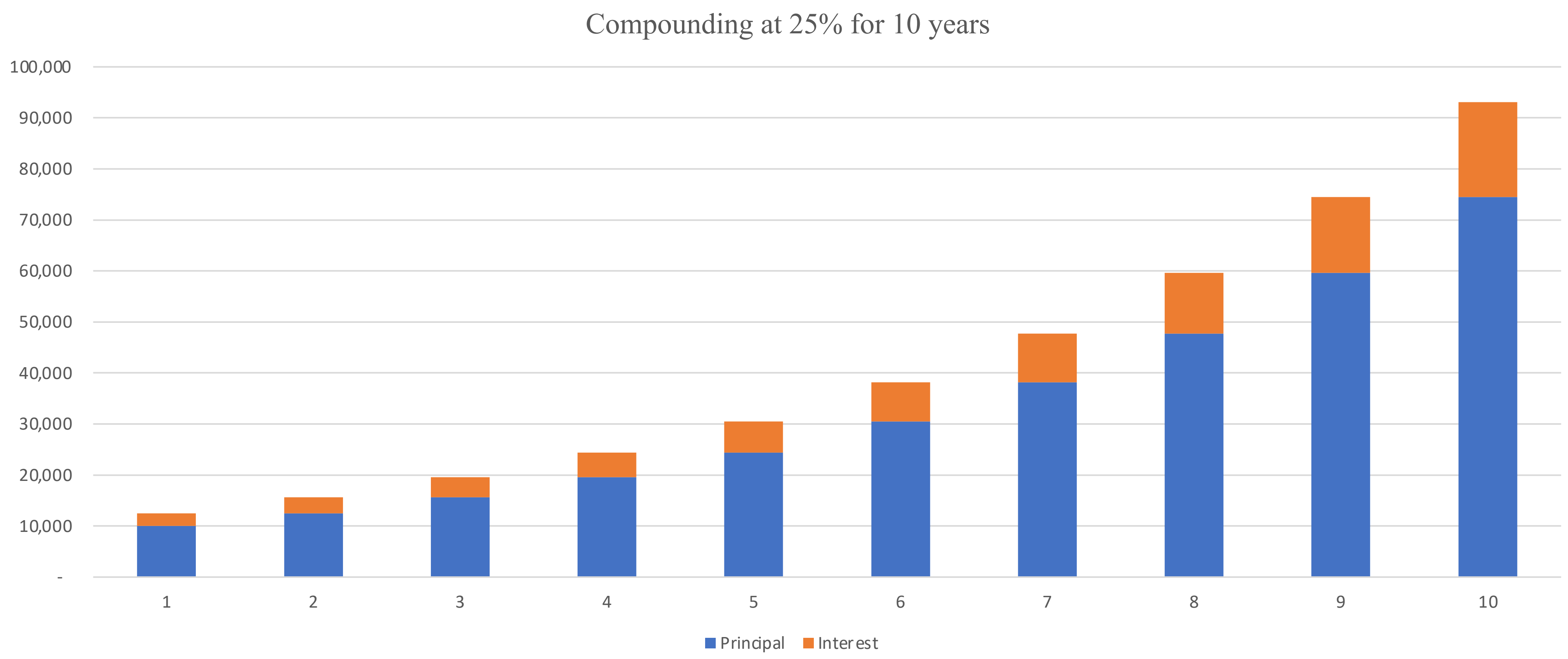




Imagine if your money were a snowball rolling down a mountain. It would get bigger and bigger at a faster rate. That’s compounding.



CLASS 1 – Part 2 Continued: Why is the stuff so important to you.



CLASS 1 – Part 2 Continued: Why is the stuff so important to you.

New York City Today

New York City 20 Years in the Future

New York City 30 Years in the Future

New York City 40 Years in the Future

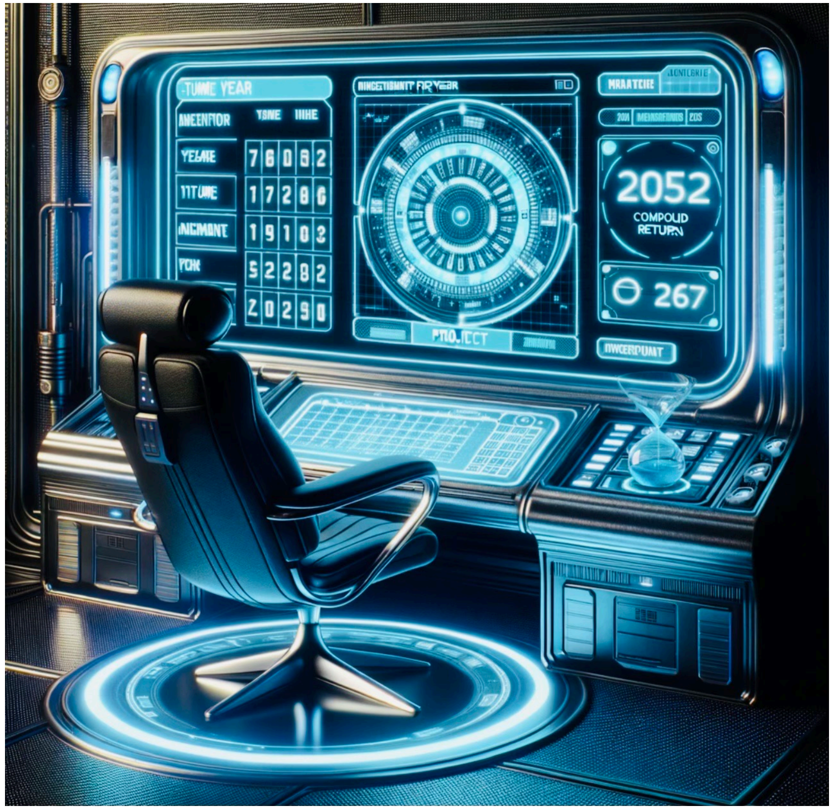
CLASS 1 – Part 2 Continued: Why is the stuff so important to you.

Let's step into the time machine get the answer.

1. Let's load the computer with the amount invested, $10,000.

2. Then, let's program in the expected annual return, 10%. That's how much we expect to make on our money every year.

3. Finally, enter the year in the future. In this case, its 40 years.



CLASS 1 – Part 2 Continued: Why is the stuff so important to you.

Do you know the answer to ? or ?

$1,000	Invested once, growing 10% per year for 40 years →	?
$1,000	Invested once, growing 15% per year for 40 years →	?
$1,000	Invested every year, growing 10% per year for 40 years →	?
$1,000	Invested every year, growing 15% per year for 40 years →	?

CLASS 1 – Part 2 Continued: Why is the stuff so important to you.

$1,000 → Invested once, growing 10% per year for 40 years → **$45,259**

$1,000 → Invested once, growing 15% per year for 40 years → **$267,864**

$1,000 → Invested every year, growing 10% per year for 40 years → **$486,852**

$1,000 → Invested every year, growing 15% per year for 40 years → **$2,045,954**

CLASS 1 – Part 3: Cost of Withdrawing Money.

What if you withdraw money every year and spend it?

	Withdraw 25% of Profits each Year	Withdraw 50% of Profits each Year	Withdraw 75% of Profits each Year	Don't Withdraw any Profits
Beginning Account Value	$1,000,000	$1,000,000	$1,000,000	$1,000,000
20% Return	20%	20%	20%	20%
Account Value after 5 years	$2,011,357	$1,610,510	$1,276,282	$2,488,320

What's the lesson? Don't invest money that you might need to spend in the near term.

How does a young student raise money to invest?

Think like a business-person. Negotiate.

Negotiate with your parents.

Think of things you spend money on every month.

Which things could you cut out of your monthly spend?

Instead of spending money on those things, ask your parents to instead put the money in an investment account for you.

That's a great deal.

CLASS 1 – Part 5: What did the pair of Nike Air Jordan shoes really cost you?

If you make a habit of considering the future value of what you are spending today, you are less likely to waste your money on things you don't really need.

5th pair of $200 Nike Shoes. Yes or No?

$500 Remote controlled plane. Yes or No?

$2,500 robot dog. Yes or No?

$100,000 electric flying car. Yes or No?

Buy now, or future value of money later?

$300,000 racetrack car. Yes or No?

CLASS 1 – Part 5 Continued: What did the pair of Nike Air Jordan shoes really cost you?

Pair of Nike Air Jordan’s will cost you
$200 today.

Porsche 911 GT3 will cost you $200,000.

Future value of the spent $
after 40 years compounding
at 10%.

?

?

CLASS 1 – Part 5 Continued: What did the pair of Nike Air Jordan shoes really cost you?

Pair of Nike Air Jordan's will cost you $200 today.

Future value of the spent $ after 40 years compounding at 10%.

$9,000

Porsche 911 GT3 R3will cost you $300,000.

$13.5 Million

CLASS 1 – Part 6: How Do Young Students Raise Money to Invest?

First, we make our habits, and then our habits make us.

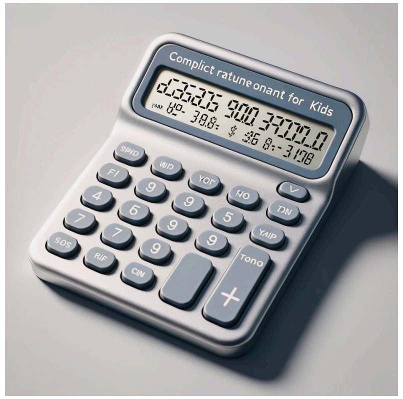
Now that you've negotiated a deal with your parents to swap spending on some stuff to money in your investment account, make a habit of doing that every month.

This habit of investing monthly can produce incredible wealth creation over long-periods of time. You're young, so you have a long investment horizon.

Let's use the future value calculator.

Input Monthly Investment →

Input Investment Return →



→ Answer

CLASS 1 - Part 7: The Destructive Power of Inflation

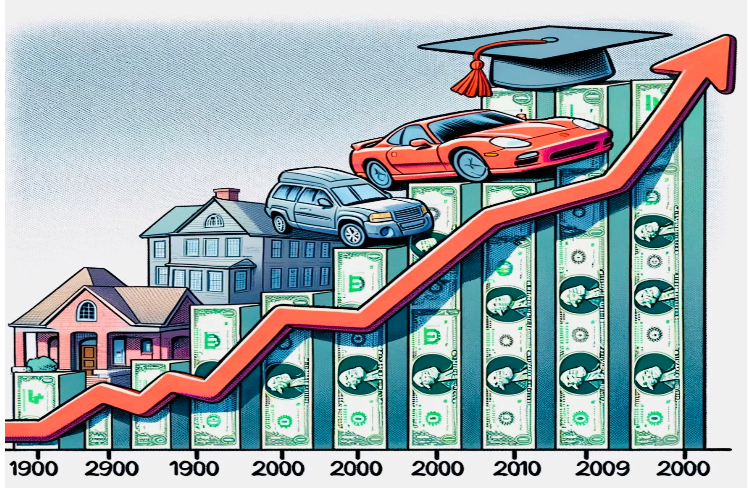
Many people think that keeping their savings in cash instead of investing is the safest choice.

They think if you don't invest your money, then you can't lose any of it.

Little do they realize, that holding your savings in cash is in fact an investment decision.

Historically speaking, it is a disastrous decision.

The reason for that is **inflation.**



What is inflation?

Why is it such a big deal?

Is $1 today worth $1 in the future even though its still just $1?

What do you use money for?

You use money to buy things.

If $1 buy less stuff in the future than it does today, then $1 in the future is worth less than it is today.

CLASS 1 - Part 8: What is Inflation?

Inflation is the rate at which the general level of prices for goods and services rise over time.

The government tracks inflation with an index called the consumer price index (CPI), which is an index of prices for basic goods and services we consume daily.

Professional investors pay close attention to CPI numbers as a measurement of inflation.

Inflation is caused by many factors, including the strength of the economy, government decisions, and money supply growth. Yes, the supply of money increased an incredible amount over many years.

From 1960 to 2022, the average annual rate of inflation was 3.7%. That means in general the price of goods and services increased 3.7% every year on average for the past 62 years.

You might not think that 3.7% is that big a deal. So, let me tell you a story about gangsters that will show you why it's a big deal.

CLASS 1 - Part 9: Gangsters Hate Inflation

Why do gangsters hate inflation?

1. Gangsters earn their money illegally. Banks require customers to show them how they made their money before accepting it. Since gangsters can't do that, they resort to other means to protect their cash, like burying it in their backyard.

2. The cash may be protected hidden in the backyard, but because of inflation its purchasing power is not.

3. If inflation is only 3% a year, you may ask is it really that big a deal. 3% might not seem like much, but let's see what happens to the purchasing power of the cash over time.

4. **At a 3% inflation rate, in 5 years the cash will be worth 14% less than today. In 10 years, it's worth 26% less than today. In 20 years, it's worth 45% less than today!**

5. That's why gangsters hate inflation and why you should hate holding cash instead of investing it smartly for long periods of time.

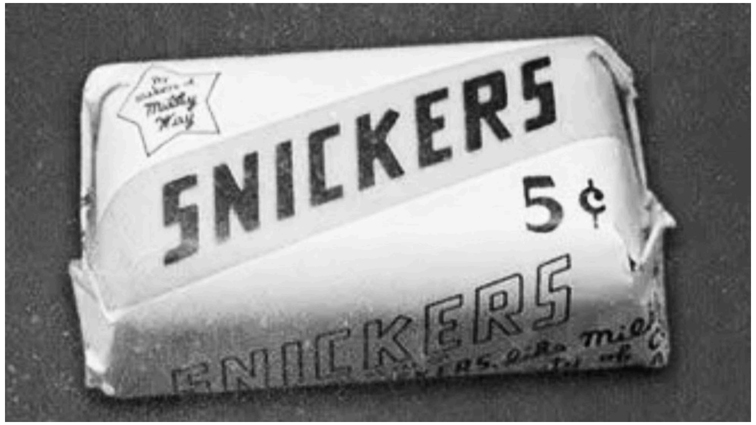
Let's play a guessing game to be better understand the destructive power of **inflation.**

What did a Snickers cost in the 1930s?

CLASS 1 - Part 10 Continued: The Effect Of Inflation Over Many Years

Even at a seemingly low annual rate of 3%, inflation can destroy the value of money over long periods of time.

During the 1930s, a Snickers candy bar cost a nickel. Today, it costs over one dollar.



CLASS 1 - Part 10 Continued: The Effect Of Inflation Over Many Years

What did things cost in the 1930s?

→ ?

CLASS 1 - Part 10 Continued: The Effect Of Inflation Over Many Years

What did things cost in the 1930s?

A house cost around $4,000.

CLASS 1 - Part 10 Continued: The Effect Of Inflation Over Many Years

What did things cost in the 1930s?

→ ?

What did things cost in the 1930s?

A car cost around $800.

CLASS 1 - Part 10 Continued: The Effect Of Inflation Over Many Years

What did things cost in the 1930s?

→ ?

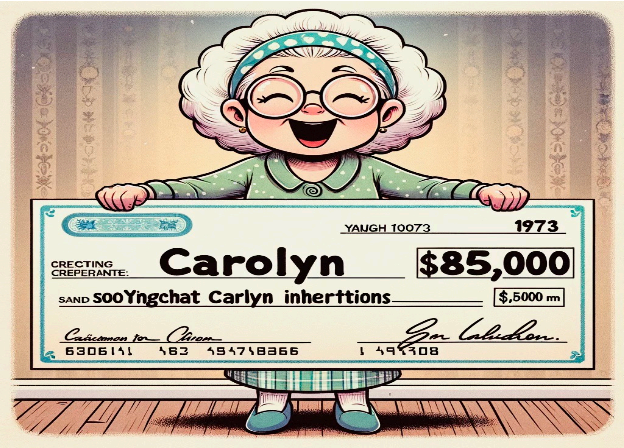
What did things cost in the 1930s?

Tuition for Harvard was $400 per year.

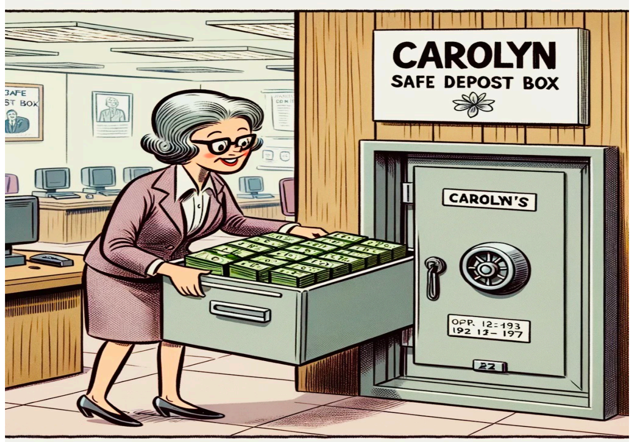
CLASS 1 - Part 10 Continued: The Effect Of Inflation Over Many Years

The sad tale of Grandma Carolyn.

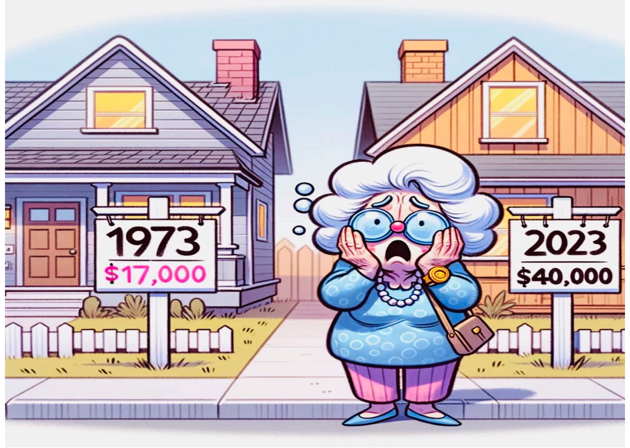
Grandma Carolyn wins the lottery in 1933 and gets $85,000.



Carolyn doesn't know anything about investing or the stock market. So, she puts all the lottery cash in a safe deposit box.



Carolyn wanted to give each of her 5 grandkids a house as an inheritance gift. Sadly, her $85,000 is still just that in a box, while the average house price increased from $17,000 in 1973 to $400,000 today.



Had Carolyn invested the $85,000 in the stock market in 1973, she would have $12.8 million.

CLASS 1 - Part 10 Continued: The Effect Of Inflation Over Many Years

Since the creation of the Federal Reserve in 1913, the purchasing power of the dollar declined by more than 96%.

$100 in 1913 has $4 in purchasing power today!

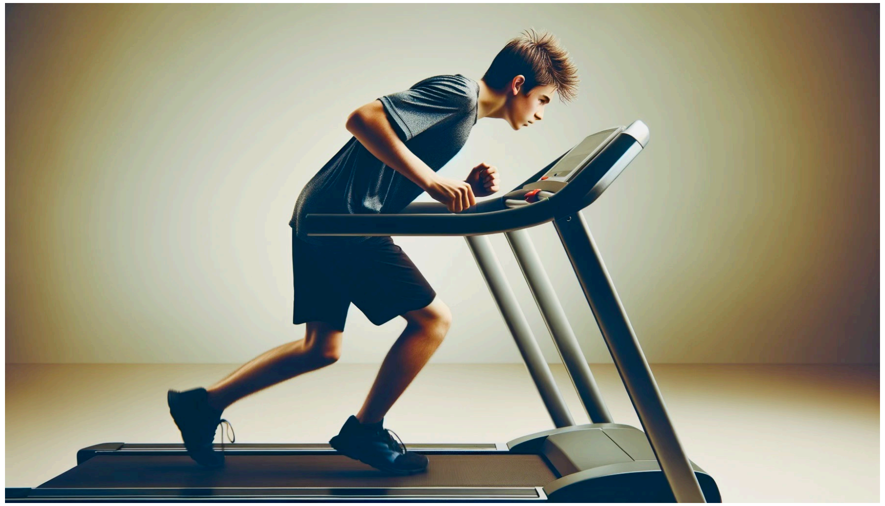
CLASS 1 - Part 10 Continued: The Effect Of Inflation Over Many Years

What happens when you turn on the treadmill and stand on it without moving?

You move backwards until you fall off the back.

Well, that is like sitting in cash, earning no return, during an inflationary environment.

That's why learning to invest is so important and that's the point of Learn Wall Street.



CLASS 1 - Part 10 Continued: The Effect Of Inflation Over Many Years

If you want to beat inflation and create real long-term wealth, investing in stocks is one of the main ways to achieve that goal. That's the focus of the Learn Wall Street program.

Our goal is to equip you with the necessary knowledge and wisdom to became successful investors and jumpstart your journey as investors by decades.