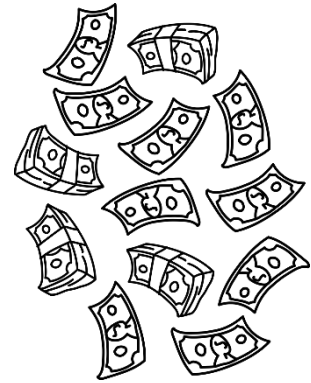



Money

Warm up:

- Do you think money can buy happiness?
- What is a profession that you think is underpaid?
- Have you ever lent someone money and not gotten it back?
- What's the biggest purchase you have ever made?
- Are a lot of people in your country in debt?
- What's the most expensive place you've ever been to?
- What is something you spend a lot of money on?
- Do you think you are good with money?



 1. Read the quotes about money and discuss them. Which do you agree with the most? Which do you disagree with? What do you think the underlined words mean?

“The hardest thing in the world to understand is income tax” – Albert Einstein

“Do what you love and the money will follow” – Marsha Sinetar

“Wealth flows from energy and ideas” – William Feather

“What counts is what you're doing with your money, not where it came from” – Merton Miller

“Never spend your money before you have earned it.” – Thomas Jefferson

“Money equals freedom” – Kevin O’Leary


“My favourite things in life don’t cost any money. It’s clear that the most precious resource we all have is time” – Steve Jobs.

“I made my money the old-fashioned way. I was very nice to a wealthy relative right before he died.” –Malcolm Forbes

“Every time you borrow money, you're robbing your future self.” –Nathan W. Morris

“Debt can turn a free, happy person into a bitter, angry human being.” – Michael Mihalik

“You can always get a loan at a bank if you can prove that you don't need it.” – Evan Esar

 **2. You are going to read an article about the finances of 3 different generations: millennials (born 1981-1996), Generation X (1965-1980), and Baby Boomers (1946-1964). Before you read, discuss the questions with a partner and try to predict the answers.**

- Which generation do you think has the highest annual income? *Gen X*
- Which generation do you think spends the highest percentage of their income on clothes and personal care products? *Millennials*
- Which generation do you think has the most debt? *Millennials*
- Which generation do you think saves the most? *Gen X*
- Which generation do you think is least likely to borrow money for large purchases? *Millennials*

 **3. Read the text and choose the correct word from the options below for each gap.**

A new study has found that 3 different generations (Millennials, Generation X, and Baby Boomers) in America have surprisingly different saving and *spending* (a) habits. The study found that Millennials were the least likely to *borrow* (b) money for large *purchases* (c) such as cars or homes. Despite that, Millennials still had the largest average *debt* (d) of all 3 generations, probably due to them having the lowest average *income* (e) (Millennials \$58,600, Gen X \$89,000, Baby Boomers \$68,000). Unsurprisingly, millennials also had the lowest annual *savings* (f) of all 3 groups (Millennials \$4,600, Gen X \$14,100, Baby Boomers \$5,750). The study also looked at spending habits and found that although Generation X spends the most on unnecessary *expenses* (g) such as alcohol and travel, Millennials spend a greater *percentage* (h) of their income on clothes and selfcare products than either of the other generations. However, Millennials allocate far less money to their *pensions* (j) than any other generation, which, coupled with their high rates of debt, makes for a worrying future for the Millennials.¹

- | | | | |
|-----------------------|-------------------|------------------|----------------|
| (a) 1. reading | 2. spending | 3. dealing | 4. stealing |
| (b) 1. credit | 2. borrow | 3. lend | 4. debt |
| (c) 1. buys | 2. interests | 3. inheritances | 4. purchases |
| (d) 1. debt | 2. GDP | 3. wallet | 4. inflation |
| (e) 1. price | 2. income | 3. fees | 4. deposits |
| (f) 1. savings | 2. cash | 3. interest rate | 4. accounts |
| (g) 1. sales | 2. mortgages | 3. expenses | 4. investments |
| (h) 1. record | 2. invoice | 3. percentage | 4. gain |
| (j) 1. gambling debts | 2. cryptocurrency | 3. pensions | 4. resources |

 How many of your predictions from exercise 2 were correct?

¹ <https://smartasset.com/checking-account/how-different-generations-spend-money-2020>



4. You are going to listen to a man talk about his financial history. He uses the words below. Match the words on the left to their definitions on the right.

- | | |
|------------------------|--|
| a) broke 4 | 1. Extremely rich. |
| b) generous 8 | 2. Very careful and sensible with money. |
| c) stingy 9 | 3. Money that is lent on the condition it will be paid back. |
| d) wealthy 5 | 4. Has no money. |
| e) loaded 1 | 5. Has a good amount of money. |
| f) frugal 2 | 6. The total income a company or organisation makes before expenses. |
| g) revenue 6 | 7. The money a company makes after expenses and losses. |
| h) loan 3 | 8. Gives money and other things to others easily and often. |
| i) to budget 10 | 9. Hates spending money on anything, hates giving money to others. |
| j) profit 7 | 10. The act of planning your finances. |



5. Ask and answer the questions with a partner

- Do you know anyone who is really stingy?
- What is the difference between profit and revenue?
- What are some good tips for budgeting?
- Do you know anyone who is loaded?
- Do you have a home loan? Would you ever consider getting one?
- Who is the most generous person you know?



6. Listen to entrepreneur Darius Johnson talk about his financial history and answer the questions.

Part 1: University

- Why does Darius think university students are usually poor?
Because they can't work full time jobs and university is expensive.
- How much money did Darius have each month after he paid rent? *300 dollars*
- Why does Darius think he had bad money management skills in university? *Because his parents are wealthy and did not teach him how to budget*
- Who shared food with Darius when he had none? *Friends and housemates*
- Why doesn't Darius eat instant noodles? *Because one month he was so poor he had to eat only instant noodles.*
- What did Darius do to help him save money? *He set up a bank account that automatically took 80 dollars out of his pay.*



Part 2: Small Business

- What type of business did Darius start? *A sport clothing business*
- Who did Darius borrow money from to start the business? *A bank*
- How much was the interest on Darius' loan (per month)? *500 dollars*
- Who convinced Darius to pay influencers to promote his products? *His business partner*
- How long did it take Darius to pay back his loan? *2 years*

Part 3: Big Business

- What is the idea Darius credits most of his success to? *Getting fitness influencers to wear his clothing.*
- What are the annual expenses of Over-Armour? 30 million *60 million revenue, 30 million profit means 30 million in expenses*
- What is the biggest lesson Darius has learned about business? *Spend money on marketing*
- Why doesn't Darius live like he's rich? *Because of the habits he formed in university*
- Why doesn't Darius hire a gardener or a cleaner? *Because it teaches his kids how to earn and save money, and because his kids are cheaper than a gardener or cleaner*



7. Student A has a profit and loss statement for Over-Armour in 2008-2009, Student B (on the next page) has the statement for 2019-2020. Ask your partner the questions below and answer their questions by looking at the statement.

Student A

<u>Over-Armour Profit/Loss</u>	<u>2008</u>	<u>2009</u>
Net Sales	\$6,500	150,000
Marketing/Promotions	-\$500	-\$10,000
Personnel	0	-\$5000
Shipping costs	-\$300	-\$4000
Loan payments	-\$6,000 (debt remaining 94,000)	-\$94,000(debt remaining 0!)
Gross Profit/Loss	-\$300	\$37,000

- How much profit did Over-Armour make in 2020? *\$34 Million*
- How much did Over-Armour donate in 2019 and 2020 combined? *\$3 Million*
- How much revenue did Over-Armour have in 2019? *\$57 Million*
- How much did Over-Armour spend on research and development in 2019? *\$3 Million*
- What was Over-Armour's total expenditure in 2020? *\$31 Million*

Student B

<u>Over-Armour Profit/Loss</u>	<u>2019</u>	<u>2020</u>
Net Sales	\$57 million	\$65 million
Marketing/Promotions	-\$16 million	-\$18 million
Personnel	-\$6 million	-\$5 million
General Operating expenses	-\$4 million	-\$4 million
Research and Development	-\$3 million	-\$3 million
Donations / Charity	-\$2 million	-\$1 million
Gross Profit/Loss	\$29 million	\$34 million

1. How much revenue did Over-Armour make in 2008? *\$6,500*
2. How much did Over-Armour owe to the bank at the end of 2008? *\$94,000*
3. How much profit did Over-Armour make in 2008? *No profit, they made a loss of -\$300*
4. What did Over-Armour spend most of their revenue on in 2009? *On paying off their debts*
5. How much did Over-Armour's shipping costs increase between 2008 and 2009? *They increased by \$3,700*

Part 1 University Audio Transcript

In university I was always broke. I guess it's typical for uni students to be broke, they can't work full time jobs and they have to pay a lot for university in my country. But I was worse than most. I had a job at a café, but that only paid about 800 a month, and my rent was 500. To make things worse, my money management skills were terrible. For the week of every month I would live like a millionaire. And then for the rest of the month I had to live off about 100 dollars. My housemates and friends were very generous, and would often cook me dinner or lunch. I think one reason I had such terrible money management skills is my parents. They are quite wealthy, and that meant as a child and teenager I never had to think too much about money. This meant I had no idea how to budget my money. Typical spoiled rich kid I guess. Anyway I was ok for a while, but then one month I went to a bar, got drunk, and spent so much on alcohol that I had almost no money for the rest of the month. I had to live for the rest of the month on instant noodles, and it made me very sick. That might have been the worst month of my life, and I have never eaten instant noodles since. I realised I had to change, I had to learn how to be more frugal, and so the next day I set up a special bank account that would automatically save 80 dollars a month before I could even touch my pay. I have to say, watching my savings go up every month was really satisfying, and from that point on I started finding a million different ways to save money.

Part 2 Small Business Audio Transcript

After I figured out how to save and budget effectively, university became a lot easier. I think I may be one of the few people who finished university with a healthy bank account! I decided I wanted to start a business, and I'd always been interested in clothing and sports, so I started a sports clothing business called "Overarmour." At first I tried to finance the company myself, and I put every dollar I had into the company, I used all 10,000 dollars I had saved in university, but it soon became clear that would not even be close to enough money. I borrowed 100,000 dollars from a bank, and started designing and producing clothes with a friend. At first it was incredibly scary. I hate being in debt, and 100,000 is a lot of money. If this failed, I would be paying it off for years. At first, we made about 200 dollars a month, which wasn't even enough to pay off the interest on the loan, which was 500 dollars a month. But then finally we had the idea to reach out to fitness influencers on youtube and Instagram. This was in 2008, so nobody was really doing it at this point. It was my business partner who had the idea of paying fitness influencers to wear our clothes, but at first I was against it. I thought it would cost too much, and was scared of losing even more money. We only had 10,000 dollars left. My business partner told me I shouldn't be so stingy. He said "you have to spend money to make money!" and so I agreed to it. I think agreeing to that was the best choice I have ever made, because a few years later and we were both millionaires. One of the best feelings I've ever had was paying off the loan from the bank, I thought it would take me 20 or 30 years to pay that back, but we paid it back within 2 years of starting the business!

Part 3 Big Business Audio Transcript

Now years later, I still can't believe how lucky I am. Maybe this sounds a little arrogant, but me and my business partner are loaded. The business is a huge success, and we have an internationally recognised brand. I worked very hard on it, and I'm proud of the work that I did, but if I had to credit our success to one thing, it would be the idea of paying fitness influencers to wear our clothes. That was the moment we really took off. Now, 10 years later we have an annual revenue of 60 million, with an annual profit of 30 million. Most of our expenses are in marketing and branding, but if there is one thing I have learned in business is not to be stingy when it comes to marketing! The CEO of Coca-Cola once said "If I had 100 dollars, I would spend 95 dollars on marketing", and I very much agree with that. In business I have no problem spending huge amounts of money, but in my personal life I'm very different. Even though I know I am rich, I honestly don't live like it. I just hate spending huge amounts of money on things like watches and cars, and I really think it all comes down to the habits I developed in university. My kids often say that I'm stingy, and that we should buy a new car, or go on holiday for a year or something like that. But I don't want them to be like I was, a university student with no idea how to budget my money, so I make them work small jobs around the house like cleaning and gardening to earn money. They always complain and say we can afford to hire a gardener and a cleaner, but I think it's a good way to teach them how to earn and save their own money. And besides, they're way cheaper than a gardener or cleaner!