



Financial Education: Deepest diaspora at Swiss upper schools!

FED October 8, 2011 — You probably have heard about western world's huge debt load. Here's an example: The U.S. government's financial obligations now exceed \$663,000 per American family. This burden will fall on the youngest Americans. It's unethical. It's unfortunate. But it's the reality. The EU is in a similar situation and Japanese debt load is twice as its Gross Domestic Product (GDP) now. With this giant financial obligation bearing down on them, it's critical that now – even right now in Switzerland – your children and grandchildren learn about money and finance. They need to know the basic principles... like how to be independent, why debt is dangerous, and how to grow money. They don't teach finance in schools at all.

If you don't teach your children and grandchildren this knowledge, no one will. One calls this financial illiteracy. If our children are financially illiterate, they have as much chance of survival as a swordsman in a gunfight. There will be no mercy for the financially illiterate in the future. It's likely these people will live as indentured servants to the government and its creditors. But if our kids have a grasp of finance and its basics – and they obey its laws – they will grow up rich and become independent in their mid-age! Below, you'll find the three vital financial concepts all children need to understand. Please pass them on to yours as soon as you can!

These three concepts are the starting point for their financial education:

First of all, our kids must know that they are not entitled to money or wealth... or anything for that matter. I want my grandchildren to learn that **they shouldn't expect anything** to be handed to them. I don't want them to rely on the government for their livelihood, like many people do right now. So many people treat money and prosperity as an entitlement. The government even calls its welfare programs "entitlements." This word – and what it represents – gets stamped into young people's brains. Kids act as if they are somehow entitled to toys, video games, and cars. I plan to regularly remind my grandchildren of this when they are old enough to understand it.

The second concept our children need to understand is debt. Debt is expensive. If you abuse it, it will destroy you. Like the entitlement mentality, debt is an enslaver. It robs you of your independence. The best way to illustrate the cost of debt is to calculate the total amount of interest the debt generates in your currency over the lifetime of the loan, instead of looking at the interest rate (like most people do). Once you look at it like that, you can see how expensive borrowing money really is. For example, say you borrow 100,000 with a 30-year mortgage at 7%. Over 30 years, you'll end up paying 140,000 in interest to the bank. In the end, you're out 240,000 for a house that cost less than half that.... Not a good deal.

The third thing kids need to learn is the power of compound interest and the best way to harness it. Compound interest is the most powerful force in finance. It is the force behind almost every fortune. The brilliant Richard Russell calls compound interest "The Royal Road to Riches." And it's mathematically guaranteed. Let's say, for example, you have 100 earning 10% annual interest. At the end of a year, you'll have 110. During the second year, you'll earn interest on 110 instead of 100. In the third year, you'll earn interest on 121....and so on. This is the power of compound interest. The numbers get enormous over time, simply because you're earning interest on your interest. Because time is the most important element in compounding, it's an incredibly powerful idea for children to understand. They have the ultimate edge in the market: the time to compound over decades. — And at the moment **yield returns are as high as they have ever been.**

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|-------------|--------|------------|----------------|------------|
| Last: | Open: | High: | Low: | Volume: |
| 2.66 | 2.79 | 2.80 | 2.61 | 10,690,985 |
| | Yield: | P/E Ratio: | 52 Week Range: | |
| | 19.55% | 4.8452 | 2.38 to 4.36 | |

Last but not least provide them skills on volatility and exercising patience. The stock market is the best place to earn compound interest. You buy companies that have decades of rising dividend payments. Then you let the mathematics work. As soon as kids are old enough to understand some arithmetic, you should going to sit down with the classic compounding tables and show them which stocks they have to buy. I introduce Abbott Labs, Coca-Cola, Johnson & Johnson, Phillip Morris and Wal-Mart only to name some examples. After that, assuming they have the discipline to follow through, they will get rich. There's no doubt about it. In sum, you have the responsibility to educate your kin about finance. If you don't, no one else will, and they will suffer for it. Encourage them to work hard and avoid the entitlement mentality. Teach them the power of compound interest and explain the dangers of debt. If you do this, you will equip your kids and grandkids to survive financially in the difficult circumstances ahead. You'll provide them with something that nobody can place a price on: **The power of independence!**