

How to Become a Millionaire

LESSON DESCRIPTION AND BACKGROUND

This lesson is designed to get students interested in personal finance. While financial planning may seem to be dull and time-consuming, finding out how to become a millionaire is a topic likely to stir up considerable interest. Of course, the lesson does not pretend to offer a fail-safe procedure for achieving wealth. It emphasizes, instead, self-discipline, planning, and making sound choices—about getting a good education, spending wisely, saving early and often, and taking prudent risks.

While this lesson may seem to imply the main goal in life is to become wealthy, it is important to remember that money (or wealth) does not guarantee happiness. Creating wealth, however, can help expand the choices available as individuals build their financial futures and pursue their personal goals.

ECONOMIC AND PERSONAL FINANCE CONCEPTS

- Income
- Interest
- Saving

NATIONAL STANDARDS FOR FINANCIAL LITERACY

- **Standard 1 Earning Income, Grade 12, Benchmark 4** – People can make more informed education, job, or career decisions by evaluating the benefits and costs of different choices.

COMMON CORE STATE STANDARDS

- **CCSS.ELA-Literacy.CCRA.R.10** – Read and comprehend complex literary and informational texts independently and proficiently.
- **CCSS.ELA-Literacy.W.9-10.9, CCSS.ELA-Literacy.W.11-12.9** – Draw evidence from literary or informational texts to support analysis, reflection, and research.

OBJECTIVES

The student will

- describe the characteristics of millionaires.
- explain how sound financial decisions can increase wealth and a person's standard of living.

TIME REQUIRED

One 45-minute class period

MATERIALS

- **Slides 1.1–1.35**
- **Exercise 1.1: Introduction to Personal Finance**, one copy per student
- **Exercise 1.2: The Millionaire Game**, one copy per student
- **Exercise 1.3: The Millionaire Game Score Sheet**, One copy for each group of 3-4 students
- An 8 1/2" x 11" sheet of paper, with the word TRUE written on one side and the word FALSE written on the other side, for each group (see Procedure 4)
- An 8 1/2" x 11" sheet of paper with "Double Down" written on it

ADDITIONAL RESOURCES

Visit <https://www.econedlink.org/resources/collection/ffffl-9-12/> to find presentations, interactives and other great technology tools to enhance your teaching of this lesson.

PROCEDURE

1. Ask students, "Who wants to be a millionaire?" Ask students who have raised their hands to explain why. Ask students who have not raised their hands to explain why.
2. Tell the students that the purpose of this lesson is to show how they can make choices that will improve their lives. The lesson provides several tips about the accumulation of personal wealth. Wealth is a measure of how much a

person has in property, possessions, savings, investments, and cash, less any debts. The lesson introduces ideas that will be explored throughout the students' further study of personal finance.

3. Distribute a copy of **Exercise 1.1: Introduction to Personal Finance**. Ask the students to individually read the introduction. They should then work with the person sitting next to them to write down three reasons why it is important to study personal finance. Discuss their answers as a class.

(Possible answers should relate to helping people make better choices about spending, getting an education, saving, borrowing, and investing that may help them earn more income in the future.)

4. Distribute a copy of **Exercise 1.2: The Millionaire Game** to each student. Tell the students that they are going to participate in an activity called "The Millionaire Game". To begin the game, they should individually decide whether each of the 15 statements is true or false and circle their choice.

5. Divide the class into groups of three or four students. To each group distribute one sheet of paper with "TRUE" written on one side and "FALSE" on the other, and one sheet with "Double Down" written on it. Also distribute one copy of **Exercise 1.3: The Millionaire Game Score Sheet** to each group. The object of the game is to work in their group to find a consensus answer to each of the 15 statements.

Read the following rules to the students.

- Each group must choose a spokesperson.
- Each student in the group must tell the spokesperson what she or he thinks the right responses are for the statements shown on **Exercise 1.2**.
- Whenever members of the group disagree about the right response, the majority opinion will prevail.
- The spokesperson must hold up the sheet of paper showing a "TRUE" or "FALSE" to indicate the group's decision for each statement. "TRUE" represents a statement that the group believes is true, and "FALSE"

represents a statement that the group believes is false. Teams must respond to each statement.

- Each group gets five points for each correct answer. Each group loses five points for each incorrect answer.
 - Each group may choose to "Double Down" on any statement, up to a total of five statements. In that case, if the group answers correctly, it receives 10 points; if the group answers incorrectly, it loses 10 points from its current score. Groups should use this tactic on items they are most confident about answering correctly. The spokesperson must hold up the "Double Down" sign when the group wants to use this option.
6. A total of 15 statements will be read. A perfect score is 100 points. To earn this score, the students must answer all questions correctly and "Double Down" correctly on five questions. The team with the most points wins, and its members are declared "The Millionaires of Tomorrow".
7. Ask each group to complete **Exercise 1.2** by circling TRUE or FALSE for each statement. They may also circle "Double Down" if they want to double their points for that statement. Groups may double down on a maximum of five questions.
8. Begin the game by displaying Power Point **Slide 1.1**. Review the objectives of the game on and the rules of the game on **Slide 1.2**.
9. Display each statement, beginning on **Slide 1.3**. Ask the spokesperson to hold up the "TRUE" or "FALSE" sign to show the group's decision from **Exercise 1.3** to the class. The spokesperson should also hold up the "Double Down" sign if the group chose this tactic for this item. Make sure the groups respond to the statements simultaneously so that some groups don't wait to see what other groups decided.
10. Reveal and discuss the correct answer on **Slide 1.4**. Give the groups time to record their scores on **Exercise 1.3**. They may wish to keep a running total by adding their scores along the side of the score sheet. You may wish to keep a

running point total for each group on the board so that groups can see how they are performing relative to others. Groups may wish to use this information to make decisions on when to use the “Double Down ” option.

11. Reveal each statement and discuss the correct answers using the remaining **Slides 1.3–1.33**.

12. Display **Slide 1.34**. Ask the students to total up the final points for their groups; declare the winning team “The Millionaires of Tomorrow”.

13. Ask the students if they can make any generalizations about the characteristics of a millionaire. **(Answers may include the importance of education, hard work, saving, etc.)**

14. When the students have finished making these observations, display **Slide 1.35** and go over the rules for improving your financial life. Take time to show how these rules are derived from the answers to the statements in the Millionaire Game.

CLOSURE

1. Which question and answer about millionaires surprised you? Why? **(Answers will vary.)**
2. Which question and answer about millionaires did not surprise you? Why? **(Answers will vary.)**
3. Explain why each of the following personal finance rules is important for you to learn about.
 - a. Get a good education. **(A good education will allow you to choose a career path that will provide a variety of options both for satisfaction and a good income.)**
 - b. Work long, hard, and smart. **(This will allow you to gain skills and work habits that can be used in any job you may have. Earning an income will allow you to live a more comfortable lifestyle and reach your financial goals in life.)**

- c. Learn how to manage your money to avoid unwanted debt. **(As an adult, you will need to pay for housing, transportation, clothing, and many other purchases. You will need to spend and save your money responsibly so that you avoid getting into unwanted debt. Being able to keep your expenses lower than your income will help you meet short-term goals, such as paying your monthly rent on time, as well as long-term goals, such as retirement.)**
- d. Save early and often. **(Saving early allows your money to earn interest for a longer period of time. Saving often allows you to save more money to reach your financial goals, such as car repairs, house repairs, vacations, additional education, owning a car or a home, or retirement from work.)**
- e. Invest in common stocks for the long term. **(Investing in the stock market involves long-term thinking. Your investments generally become more valuable when you give them years or decades to grow.)**
- f. Gather information and compare alternatives before making decisions. **(You will be less likely to make mistakes when making choices about how to spend and save your income. It will help you avoid falling for frauds and scams, such as false advertising, that could harm you and your family.)**

ASSESSMENT

Have each student write a brief essay on “How to Really Become a Millionaire.” Ask students to include references to the Rules for Improving Your Financial Life, and how they plan to incorporate them into their future choices.

SLIDE 1.1

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Lesson 1: How to Become a Millionaire Objectives

- Describe the characteristics of millionaires and financially successful people.
- Examine successful financial decision making and apply those decisions to our lives in order to learn from them.

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Rules of the Millionaire Game

- Each correct answer is worth 5 points, while each incorrect answer costs you 5 points.
- Using your “Double Down” card will double correct/incorrect point values.
- You may only use your “Double Down” card 5 times.
- Any questions?

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 COUNCIL FOR
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You're never too young to learn about money


Statement #1


“True” or “False”

Most millionaires are college graduates.

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You're never too young to learn about money

Statement #1 - Answer

“True”

- 4 out of 5 millionaires are college graduates.
- 18% have Master’s Degrees
- 8% have Law Degrees
- 6% have Medical Degrees
- 6% have Ph.D.’s

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Statement #2

“True” or “False”

Most millionaires work fewer than 40 hours a week.

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Statement #2 - Answer

“False”

About 2/3 of millionaires work 45-55 hours a week.

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Statement #3

“True” or “False”

More than half of all millionaires inherited their money.

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Statement #3 - Answer

“False”

- Only 19% of millionaires received any income or wealth of any kind from a trust fund or an estate.
- Fewer than 10% of millionaires inherited 10% or more of their wealth.

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Statement #4

“True” or “False”

Most millionaires attended private schools.

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Statement #4 - Answer

“False”

- Most millionaires attended public schools.
- Fewer than 20% of female millionaires attended private schools.

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Statement #5

“True” or “False”

Most millionaires drive expensive new cars.

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Statement #5 - Answer

“False”

- Most millionaires spend under \$30,000 for a car.
- Only 23% of millionaires drive a current-year (new model) car.

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Statement #6

“True” or “False”

Most millionaires work in glamorous jobs, such as sports, entertainment, or high tech.

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Statement #6 - Answer

“False”

- Most millionaires work in ordinary industries and jobs.
- They become wealthy because they make good use of market opportunities.

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Statement #7

“True” or “False”

Most millionaires work for very large public companies.

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Statement #7 - Answer

“False”

- About 75% millionaires are self employed and consider themselves to be entrepreneurs.
- Most of the others are professionals, such as doctors, accountants, and lawyers.

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Statement #8

“True” or “False”

The most common way to become a millionaire is by winning the lottery.

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Statement #8 - Answer

“False”

- Few people get rich by luck.
- If you play the Power Ball lottery, the chances of winning are worse than one in 292 million. In contrast, if you live in the US, you have a one in 13,500 chance of being struck by lightning.

Source: <https://www.cbsnews.com/news/odds-of-winning-1-billion-mega-millions- and-powerball-1-in-88-quadrillion/>

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Statement #9

“True” or “False”

A college graduate earns almost double the annual income of a high school graduate.

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Statement #9 - Answer

“True”

- In 2018 the typical college graduate with a bachelor’s degree earned a median weekly income of \$1,232, while the median weekly income of the typical high school graduate was \$736.
- People with advanced degrees (professional or master’s degrees and above) earned a median weekly income of \$1,487.

Source: 2018 *Bureau of Labor Statistics* figures.

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Statement #10

“True” or “False”

If a high school graduate invests the difference between his or her earnings and the earnings of a high school dropout, from age 18 until age 67, at 8% interest, the high school graduate would have \$5.5 million more than the high school dropout at age 67.

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Statement #10 - Answer

“True”

- This is a dramatic illustration of the value of a high school diploma.

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Statement #11

“True” or “False”

Investors who buy and hold stocks for the longterm have better long-term stock returns than those who buy and sell stocks more frequently.

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Statement #11 - Answer

“True”

- Studies show that individuals who buy and hold stock versus turning stock over more quickly have greater net gains.
- The costs related to hyper-trading (buying and selling stock with great frequency) in terms of time and money can reduce the gains of even the luckiest investor.

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Statement #12

“True” or “False”

Millionaires tend to avoid investing in the stock market.

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Statement #12 - Answer

“False”

- In the long-run (starting in 1926 and including the Great Depression), the Standard & Poor’s 500 Stock Index has increased at about a 10% compound annual rate of return, exceeding the return on any other investment.
- Of course, there is a risk. The stock market has down years, and there is no guarantee of a 10% return in the future, especially in the short run. In contrast, the long-term return on U.S. government securities during the same time period ranged from 5% to 6%.

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Statement #12 - Answer (continued)

“False”

- Another way of looking at this is that \$1.00 invested in the S&P 500 in 1925 was worth \$5,317 by the end of 2014. One dollar invested in government bonds during the same time period was worth about \$135 by the end of 2014.
- For most investors it probably paid to take the additional risk of buying stocks.

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Statement #13

“True” or “False”

At age 18, you decide not to drink soda from the vending machine and save \$1.50 a day. You invest this \$1.50 a day at 8% interest until you are 67. At age 67, your savings from not buying soda from the vending machine are almost \$300,000.

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Statement #13 - Answer

“True”

- Because of the power of compound interest, small savings can make a difference.
- It pays to live below your means.
- Find a balance between spending now and saving for the future.

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Statement #14

“True” or “False”

If you save \$2,000 a year from age 22 to age 65 at 8% interest, your savings will be more than \$700,000 at age 65.

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Statement #14 - Answer

“True”

- Because of the power of compound interest, the earlier you begin saving the better.
- Regular saving will make you a millionaire, even if your salary is modest.

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Statement #15

“True” or “False”

Millionaires tend to be single rather than married.

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Statement #15 - Answer

“False”

Most millionaires are married and stay married.

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How Did You Do?

- A total of 100 points is a perfect score – you might be a “Millionaire of Tomorrow!”
- To earn this score, you must have answered all the questions correctly and used the “Double Down” correctly on five of those questions.

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Rules for Improving Your Financial Life

- Get a good education.
- Work long, hard, and smart.
- Learn how to manage your money to avoid unwanted debt.
- Save early and often.
- Invest in common stocks for the long term.
- Gather information and compare the alternatives before making decisions.

How to Become a Millionaire

Introduction to Personal Finance

Read the introduction to personal finance below. Then work with the person sitting next to you to write down three reasons why it is important to study personal finance. Be prepared to share your answers with the class.

You may not know much about managing your money. And what you don't know could hurt you. All your life you will be spending, saving, borrowing, and investing. You will make economic decisions as a consumer, a worker, an investor, and a citizen. The choices you make at any point along the way will have major consequences for your future. What are some of those decisions?

- What occupation should I pursue?
- Should I go to college?
- Should I get a credit card?
- Are all credit cards alike?
- Should I start saving now or wait until I have a better job and a larger income?
- Should I invest in the stock market?
- What stocks or mutual funds should I invest in?

One of the most important lessons you will learn in studying personal finance is that incentives matter. So, what's the incentive for studying personal finance? For openers, what you learn might make you rich.

Achieving personal wealth involves planning and making sound financial choices—about getting an education, saving early and often, comparison shopping, developing a money-management plan, and shopping for the best loan. You might be surprised to know that most millionaires in this country did not get rich quick by winning the lottery or inheriting money from a relative. They became rich by making sound choices, including these.

- Getting a good education.
- Working long, hard, and smart.
- Learning to manage money to avoid unwanted debt.
- Saving early and often.
- Investing in the stock market for the long term.
- Gathering information and comparing the alternatives before making decisions.

Learning to make smart choices is not rocket science. It might take some work, but you can learn to do it. Your efforts now can have a big payoff later. How about starting on your first million bucks right now?

The Millionaire Game

Read each statement and decide if it is true or false. Circle the correct response.

1. Most millionaires are college graduates. **True or False (circle one)**
2. Most millionaires work fewer than 40 hours a week. **True or False (circle one)**
3. More than half of all millionaires inherited their money. **True or False (circle one)**
4. Most millionaires attended private schools. **True or False (circle one)**
5. Most millionaires drive expensive new cars. **True or False (circle one)**
6. Most millionaires work in glamorous jobs, such as sports, entertainment, or high tech. **True or False (circle one)**
7. Most millionaires work for very large public companies. **True or False (circle one)**
8. The most common way to become a millionaire is by winning the lottery. **True or False (circle one)**
9. A college graduate earns almost double the annual income of a high school graduate. **True or False (circle one)**
10. If a high school graduate invests the difference between his or her earnings and the earnings of a high school dropout, from age 18 until age 67, at 8% interest, the high school graduate would have over \$5.5 million more than the high school dropout at age 67. **True or False (circle one)**
11. Investors who buy and hold stocks for the long term have better long-term stock returns than those who buy and sell stocks more frequently. **True or False (circle one)**
12. Millionaires tend to avoid investing in the stock market. **True or False (circle one)**
13. At age 18, you decide not to drink soda from the vending machine and save \$1.50 a day. You invest this \$1.50 a day at 8% interest until you are 67. At age 67, your savings from not buying soda from the vending machine are almost \$300,000. **True or False (circle one)**
14. If you save \$2,000 a year from age 22 to age 65 at 8% interest, your savings will be more than \$700,000 at age 65. **True or False (circle one)**
15. Millionaires tend to be single rather than married. **True or False (circle one)**

The Millionaire Game Score Sheet

As a team, circle TRUE OR FALSE for each statement. For each correct answer, you will receive five points. For each incorrect answer, you will lose five points. For any five statements, you may circle Double Down. If your response is correct, you will receive 10 points. If your response is incorrect, you will lose 10 points.

1. **True or False Score (-5 or +5)**
(circle one) (Double Down -10 or +10) _____
2. **True or False Score (-5 or +5)**
(circle one) (Double Down -10 or +10) _____
3. **True or False Score (-5 or +5)**
(circle one) (Double Down -10 or +10) _____
4. **True or False Score (-5 or +5)**
(circle one) (Double Down -10 or +10) _____
5. **True or False Score (-5 or +5)**
(circle one) (Double Down -10 or +10) _____
6. **True or False Score (-5 or +5)**
(circle one) (Double Down -10 or +10) _____
7. **True or False Score (-5 or +5)**
(circle one) (Double Down -10 or +10) _____
8. **True or False Score (-5 or +5)**
(circle one) (Double Down -10 or +10) _____
9. **True or False Score (-5 or +5)**
(circle one) (Double Down -10 or +10) _____
10. **True or False Score (-5 or +5)**
(circle one) (Double Down -10 or +10) _____
11. **True or False Score (-5 or +5)**
(circle one) (Double Down -10 or +10) _____
12. **True or False Score (-5 or +5)**
(circle one) (Double Down -10 or +10) _____
13. **True or False Score (-5 or +5)**
(circle one) (Double Down -10 or +10) _____
14. **True or False Score (-5 or +5)**
(circle one) (Double Down -10 or +10) _____
15. **True or False Score (-5 or +5)**
(circle one) (Double Down -10 or +10) _____