RECENT TRENDS
AND IMPLICATIONS
FOR WEALTH GENERATION
Our teaching experiences

Finra study:

• “Financial Capability in the U.S. 2016
• Six simple questions, no mathematics
• Average score was a 3.16
• Downward trend in financial knowledge
LITTLE DOUBT OF WEALTH’S EFFECT ON HEALTH

- Many consider wealth a determinant of health
- The effect of wealth is longer lasting than income
- Stress is a major health concern in poor communities
- The wealthy live longer than those less wealthy
- The wealth gap becomes the health gap
PEOPLE ARE LIVING LONGER

A 65 year old female, on average, will live until 87

A 65 year old male, on average, will live until 84

It is estimated that 25% of those who are 65 will live past 90

It is estimated that 10% will live past 95

Must manage your retirement funds over a longer number of years

The number one issue facing seniors is out-living their retirement savings
WEALTH GAP CONTINUES TO GROW

Our Goal: Reduce the Wealth Gap

2013 (United States)

Source: Pew Report on Inequality

- $141,000 Median White Household Wealth
- $11,000 Median Black Household Wealth
- $13,700 Median Hispanic Household Wealth
INVESTMENT BEHAVIOR RELATIVE TO WEALTH

NET WEALTH PYRAMID IN THE UNITED STATES

- Net Worth > $100,000
  - 30% of the U.S. population
- $50,000 to $99,999 (10%)
- $25,000 to $49,999 (7%)
- Net Worth $10,000 to $24,999
  - 21% of the U.S. population
- Net Worth < $10,000
  - 32% of the U.S. population

INVESTMENT RETURN PYRAMID IN THE UNITED STATES

- Over 31.8% actively invested in the stock market. Market average return 8% per year
- Less than 4.9% actively invested in stock market:
  - Savings interest return - 1%

Copyright @ Keith Weigelt

Wharton University of Pennsylvania | B2W@CENTRAL HS
SUMMARY OF FINANCIAL EMPOWERMENT PROGRAM
MISSION PRINCIPLES OF BRIDGES TO WEALTH (B2W)

• Provide free classes in financial literacy and entrepreneurship to underserved communities.

• Provide investing and saving opportunities while maintaining long-term engagement

• Build communities of wealth within local community organizations

• [www.bridgestowealth.org](http://www.bridgestowealth.org)
BASIC PROGRAM ATTRIBUTES

Education

• 6 hours of financial literacy classes

Opportunity to join a community of wealth

• Investing group meets every 2 weeks
• Savings group meets once a month
• Meetings include short educational presentations
BUILDING COMMUNITIES OF WEALTH

Increased return for our graduates.
WHAT WE WILL LEARN

- How to Make Better Use of your Money
- How to Save Money More Wisely
- How to Accumulate More Wealth
- How to Better Protect your Wealth
- How to Reduce your Debt
EXAMPLES
OF CLASS
SLIDES
What are **Needs** and what are **Wants**?

**Monthly Expenses:**
- **$600** Rent - Need
- **$250** Utilities - Need
- **$350** Food - Need
- **$80** Transportation - Need
- **$50** Mobile phone - Need
- **$70** Entertainment - Want
- **$150** Child care - Need
- **$100** Clothes - Want
- **$100** Hair - Want
- **$100** Savings - Need

**$1,850/month**
**RULE OF 72**

72 / Rate of Interest

= 

# of Years it takes to Double your savings
The interest rate is 8%.

72/8 = 9 years to double your savings

The interest rate is 1%

72/1 = 72 years to double your savings
HISTORICAL RETURNS OF DIFFERENT ASSETS

Total Real Returns, Large Stocks, Long Treasuries, T-Bills, The Dollar and Gold 1926 - 2013 June 22

- Large Stocks
- Long Treasury Bonds
- T-Bills
- The Dollar
- Gold

From 1925 to 2013, the graph shows the real returns of different assets. Large stocks have shown the highest returns, followed by long Treasury bonds. T-Bills have shown the lowest returns. The dollar and gold have also been included in the comparison.
HOW QUICKLY DOES WEALTH ACCUMULATE AT 1%?

**Initial Investment:** $1,000

**Interest Rate:** 1%

**Regular Investment:** $200 Monthly

**Years:** 40

**Compounded:** Semi-annually

**After 40 years you will have:**

- Initial Investment: $1,000.00
- Regular Investment: $96,000.00
- Interest: $22,514.59

**Balance:** $119,514.59

**Better Money Habits**


<table>
<thead>
<tr>
<th>Year</th>
<th>Investment</th>
<th>Interest</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$3,400.00</td>
<td>$23.04</td>
<td>$3,423.04</td>
</tr>
</tbody>
</table>

Wharton University of Pennsylvania  B2W@CENTRAL HS
HOW QUICKLY DOES WEALTH ACCUMULATE AT 8%?

Initial Investment: $1000

Interest Rate: 8%

Regular Investment: $200 Monthly

Years: 40

Compounded: Semi-annually

After 40 years you will have:

$699,894.55

Initial Investment: $1,000.00
Regular Investment: $96,000.00
Interest: $602,894.55

8% Annual Annuity Return

Get guaranteed lifetime income and reduced risks to retirees all here.

Year | Investment | Interest | Balance
--- | --- | --- | ---
1 | $3,400.00 | $186.41 | $3,586.41
FOUR RULES OF INVESTING

- Save Regularly and Don’t Spend the Money
- Save as soon as possible (Compound Interest)
- Use Low Cost Investments
- Diversify your Investments
UNDERSTANDING YOUR CREDIT SCORE

Composed of 5 Major Attributes

- Payment History (35%)
- Balances Carried (30%)
- Credit History (15%)
- Mix of Accounts (10%)
- Inquiries (10%)
- Time Effect
GOOD DEBT

If used well, debt can increase your leverage and investment returns

Good Debt

- Pays for items that are expected to increase in value
- Enhances future employment opportunities
- Is Tax Deductible
- Helps retire higher interest debt

Examples

- Home Mortgage
- Student Loan
- Business Loan
- Real Estate Loan
METRICS OF PROGRAM PERFORMANCE
A survey of program participants show:

- 98% report a change in how they make investment decisions
- 91% report a better understanding of the stock market
- 90% are saving more money than they were 12 months ago
- 89% have increased the dollars invested in the stock market
- 82% feel more comfortable when investing as part of a group
- 74% are first-time investors of mutual funds
- 69% feel more secure about their financial future
RECENT SURVEY RESULTS OF PARENTS
(5 = SIGNIFICANTLY AGREE)

• The information I received from the program has helped me increase my wealth 4.71
• I believe I will make better financial decisions because of this course 4.88
• I have more money invested in the stock market because of this program 4.46
• Because of this program I feel more secure about my financial future 4.71
• I better understand how to calculate fees of mutual fund 4.04
• I believe young adults should take this program 4.92
• I would recommend this program to family and friends 5.00
• I feel more comfortable investing as part of a group 4.83
SUCCESSFUL BUILD-OUT OF COMMUNITIES OF WEALTH AT PHILADELPHIA HIGH SCHOOLS

• Boys’ Latin High School
  – After two years, a growing community of wealth
    • Membership increased by 50% in second year
    • Investing group met 2017 goal of $20,000 invested
    • Parents meet every two weeks on Saturday mornings

  – Dobbins Technical High School
    • First graduating class – November 2017
    • Investing group has already met twice
    • Second cohort classes begin this week
RECENT SURVEY RESULTS OF STUDENTS  
(5 = SIGNIFICANTLY AGREE)

• The information I received from the program will help me increase my wealth 4.43
• I believe I will make better financial decisions because of this course 4.57
• I believe I am better prepared to successfully choose a credit card 4.43
• I believe I am better prepared to manage my credit score 4.50
• I believe I know more about stock investing than most high school students 4.62
• I think this is an important class to take 4.43
• Overall, I am glad I took this course 4.72
• I feel more secure about planning my financial future 4.36
PHILADELPHIA SAVINGS GROUP (2016)

Often used in developing countries

- People pool their money and lend to other members

Characteristics of our savings group last year

- 115 members
- Generated a lending pool of $107,000

Self-governing

- Set Lending Rules
- Elected Officers
- Use Internal Loan Committee

One year return 4.6%
Metrics support a significant increase in wealth generation for our participants

- Over $200,000 invested in 2016
- Average return over 15%
  - Incremental increase of over 20 times in capability
- Retention $$ rate over 96%
- Graduated over 100 members to own account
WORK WITH MANY COMMUNITY ORGANIZATIONS

- Boys’ Latin High School
  - Student programs
  - Parental program

- Mexican Consulate

- Community Health Centers
  - Collaboration with HHS and HRSA

- Program at Senior Centers
  - Caregivers and seniors
  - Penn Memory Center

- Enon Tabernacle Church
  - Intergenerational (student and seniors programming)
Professor Keith Weigelt

- Marks-Darivoff Family Professor of Strategy
  The Wharton School
  University of Pennsylvania

Email: weigelt@wharton.upenn.edu

Jill Bazelon PhD.

Email: jill@bridgestowewealth.org

Website

www.bridgestowewealth.org