UNIT 8

Manage Your Money

Your money is a huge part of your life. It can determine what you can do and where you can go. Learning how to manage your money in the right way is an important step toward taking control of your life.

Personal financial management is a subject that is not taught in many schools, but is something that nearly everyone has to deal with in their lives later on. Here are some statistics: Students graduating from college average $24,000 in student loan debt. Some 58% of Americans do not have a retirement plan in place for how they'll manage their finances when they get old. If these facts are alarming to you, and you want to reverse the trend, read on for specific and targeted advice geared toward giving you a better future.

In this unit, you will start with the controversy over credit cards for teenagers in Text A. The second text aims to provide some advice for young investors. In Supplementary Reading, ten tips for realistic money management in college are provided for college students.

Text A

Pre-reading Questions

1. Have you ever applied for any credit cards? If so, what are the motivations? If not, what are the reasons?
2. At what age do you think is proper to start to use credit cards?
3. Which do you think is more convenient, a credit card or cash?

Are You Buying It?

To many people, debt is an inevitable part of life. In President Bush's first official Tax Cut proposal he noted that the average family in the United States carries a credit card debt burden of $4,000!

That is just credit card debt; it does not include mortgages, car loans, student loans, personal lines of credit, personal loans, or other big-ticket debt items. When you factor in all debts, the average family carries a much more startling burden, with an estimated 78% of total income going to pay off debt.

Still, credit card debt is often the most **vicious** sort of debt, with high interest rates, compound interest calculations, and revolving credit. Most credit card consumers keep on acquiring debt even as they make payments. The matter of compound interest means that an individual who makes only minimum payments on an average credit card with an average interest rate ends up doubling their debt every four years! It is inconceivably hard to "get ahead" of credit card debt. It is incredibly easy to fall into the cycle of "buy now pay later" credit card convenience.

With this in mind, one has to wonder what has prompted the big credit card companies to create "secure" credit cards for teens. Is it not bad enough that so many adults struggle with credit card debt, do we need to acclimate the next generation to the misleading ease of the pay-with-plastic system? Are credit cards for teens an idea whose time has come, or a way for greedy corporations to tap into a lucrative and yet, financially unburdened, demographic?

Credit cards for teens are "secure," which means that they work more like a bank account with overdraft protection than a credit card. A "secure credit card" is really just a bank card that is accepted like a credit card. When you use a "secure" credit card it is pretty much the same thing as writing a check, only the amount that you "charge" comes out of the account immediately. You aren't so much acquiring debt as acquiring convenience.

With a secure card you pay up your limit, adding money to your account before you spend it. With credit cards you are given a credit limit, in essence an open interest barring loan, and you pay down what you borrow each month. In theory, since secure credit cards require regular deposits rather than payments, there is no debt being incurred. In practice, this isn't always the case. There are scenarios that can occur that make secure credit cards not so secure.

When you buy something using a credit card the merchant has discretion as to whether or not they wish to immediately verify the funds and post the charge. For instance, when you go to buy something using a credit card, if the purchase is small, like $20 or under, a merchant may decide to post it at the end of the day rather than at the moment of purchase. Money is only taken from the secure card account once a transaction has posted, which is where problems can arise.

If a merchant waits to post the charge and you continue on with your shopping, it could end up that you inadvertently over-spend. When that small purchase is posted at days end, the secure credit card company may allow the charge to stand even though you no longer have enough funds on the card. When they do this you will pay interest in the form of a "fee" or "penalty." Your card carries a negative balance and puts you into overdraft until your next deposit. Voila! Your "secure" card just put you in debt.

When you make your next deposit, the debt is deducted before your available spending limit is declared. The small debt is paid in full along with the assessed fee. So, although you rarely end up in heavy debt from this practice, you do end up borrowing money and paying for the privilege. If a million teens do this each month, and each teen owes only $2 in "fees," this can end up making credit card companies a whopping $24 million each year!

How is this possible when laws do not permit lending money to minors? It is possible because technically, parents own the secure credit cards "for teens." Your parents can incur debt. When you sign up to get a teen credit card you must have your parents' permission and they are the ones who must make the deposits, even if the deposits are money you have earned. The contract for the card exists between your parents and the credit card company. These cards are marketed as being "for teens" when they are really "for parents." This is how it is possible for debt to accumulate on these "secure" cards.

There is another way that you may end up paying for the convenience of these cards. It is possible to make cash withdrawals on secure cards and when you do you will be charged a fee. When your parents add money to your account and you take out some of that money in the form of cash, you end up paying another fee. Had your parents just handed you the funds there would be no fee attached. The card companies win. By acting as a "middle man" the card companies make money and in the process introduce you to the idea of "cash advances," a staple of consumer credit card debt.

The credit card companies are targeting teens with these cards, but there is no mistake that liability lies with the parents. Visa Buxx, one of the first such cards, makes no effort to hide the truth. Just look at the description of the card that appears on the corporate web page, "parent-controlled, re-loadable payment card designed to help parents provide spending money for teens and to help teach teens practical money skills."

But will these cards teach teens "practical money skills" or will they just get teens used to the idea of making purchases using credit cards? After all, using one of these cards is exactly the same as using a credit card. You produce the card, the merchant seeks authorization, you sign a receipt, and you get a "spending habit" statement. It is like "play credit" that gets teens used to the way it feels to use credit cards without actually giving them credit. It is easy to see how opponents to these cards feel that the real agenda is lulling teens into a false sense of security about credit card use.

What do you think? To help you wade through it all here are a list of "Fast Facts" about teen credit cards—with a look at the Pros and Cons.

Fast Facts on Teen Cards:

Pros:

- The cards are convenient.
- The cards allow teens to shop online.
- The cards allow teens remedies when they feel they have been "ripped off" by a merchant or when they discover they have been over charged. The cards act as ID.
- The cards allow teens and parents to track spending habits and see where the money is going.
- Parents can give teens money knowing that they will be accountable for where it is spent.
- Drug dealers don't generally take credit cards so parents can feel confident that the money they give their kids is not being spent on self-destructive or illegal things.
- Cigarettes or alcohol bought using these cards can be traced and parents can look into requesting that charges be laid against merchants that sell these things to teens.
- The cards allow teens to go out without having to carry cash—if your cash is stolen you don't get it back. If your card is stolen and you report it, you do get your money back.
- The cards can be used to teach teens about budgeting, accountability, and financial responsibility.

Cons:

- The cards are too convenient.
- The cards allow teens to be taken advantage of by unscrupulous online vendors—just as adults using credit cards have been used.
- With the "overdraft" technicality, these cards can and will cost teens and their families money.
- The fees attached to the cards can cost a teen hundreds of dollars each year; money that could be spent elsewhere.
- Using cards rather than cash can get teens in the habit of not seeing their purchases as "really costing money."

- Teens can become too comfortable with the process of buying using a credit card and, as adults, they may be more comfortable using interest barring credit cards over interest free cash.
- Teens get used to the idea of "paying for privileges" and consequently are less uncomfortable with acquiring debt and paying fees when they become adult consumers.

Comprehension

I. Choose the best answer to each of the following questions with the information you get from the text.

1. Which of the following words has the same meaning with the word "vicious" in bold in the sentence "Still, credit card debt is often the most vicious sort of debt…" in Paragraph 3?
   A. Dangerous. B. Disadvantageous.
   C. Popular. D. Imperfect.

2. Which of the following statements about credit cards is NOT true?
   A. The interest rates of credit card debt are high.
   B. To many people, credit card debt is an inevitable part of life.
   C. Even when credit card consumers make payments, they continue acquiring debt.
   D. In fact, teens will not incur any debt when using secure credit cards.

3. Which of the following statements is true?
   A. It is good enough that so many adults struggle with credit card debt.
   B. A secure credit card has little to do with a bank card.
   C. Problems may arise once a transaction has been posted when money is taken from a secure card account.
   D. You will not be charged a fee when you make cash withdrawals on secure credit cards.

4. Since laws do not permit lending money to teens, how could credit cards for teenagers be possible?
   A. Parents own the secure credit cards for their children technically.
   B. It's an inevitable trend for teenagers to have credit cards.
   C. The credit card companies are so greedy for profits that they target teenagers with credit cards.
   D. Teenagers are crying out for a convenient way to make payments.

5. What is the author's attitude toward credit cards for teens?
   A. Critical. B. Positive. C. Impartial. D. Puzzled.

II. Discuss with your partners and answer the following questions in your own words.

1. Why is credit card debt often the most vicious sort of debt?
2. How do teens benefit from credit cards according to the text?
3. Is the credit card for teens a matter of time or a matter of corporate greed? Give your reasons.
4. What is your opinion on the statement that "the merits of credit cards outweigh their demerits for college students"? You may do a survey of the credit card debt of college students with your partner and support your opinion with your findings.

Usage & Translation

I. Fill in the blanks with the words or phrases in the box. Change the form when necessary.

acclimate	pay down	bar	wade through	lull	inevitable

1. The Greek government is introducing a wealth tax to try and ___________ the national debt.
2. Everybody is always trying to hide children from the horrors of life when it is ___________ that they will find them out in the near future.
3. His eyes became ___________ to the darkness, and he turned down the lights of his instrument panel.
4. One of the biggest reasons for Nokia's rise to global mobile dominance was their willingness to ___________ markets not deemed profitable.
5. Biases are a part of human nature, and when they occur with our finances they can be expensive—___________ us into a false sense of security while blinding us to dangerous realities.
6. Obama signed an executive order ___________ any federally registered lobbyists from serving in his administration.

II. Translate the following sentences into Chinese.

1. Still, credit card debt is often the most vicious sort of debt, with high interest rates, compound interest calculations, and revolving credit. Most credit card consumers keep on acquiring debt even as they make payments. (Para. 3)
2. In theory, since secure credit cards require regular deposits rather than payments, there is

no debt being incurred. In practice, this isn't always the case. There are scenarios that can occur that make secure credit cards not so secure. (Para. 6)

3. After all, using one of these cards is exactly the same as using a credit card. You produce the card, the merchant seeks authorization, you sign a receipt, and you get a "spending habit" statement. (Para. 13)

Text B

Pre-reading Questions

1. Have you ever made any investments? If so, what about the return on investment? If not, what are the reasons?
2. If you had 50,000 *yuan*, which investment pattern would you prefer to employ, stocks, bonds, real estate or others? And why?
3. Suppose you were an experienced financial adviser, what investment suggestions would you offer to college students?

Advice for Young Investors

Two 22-year-olds are just starting their careers and beginning to save and invest. One devotes half his salary to quickly paying off student loans, with the goal of saving money to travel the world. The other dabbles in stocks, while planning to buy a home. Which one is starting out on the right foot? Neither? Both?

The current environment naturally leaves a beginner confused about how to invest. The tough housing market means real estate looks cheap, but it's also an unreliable investment. After the financial market's problems of the past year, the same can be said for stocks, bonds, and other investments. Are they a bargain or a dangerous trap? At the same time, the financial crisis and widespread layoffs seem to argue for playing it safe. But how much cash can really fit into your piggy bank or under your mattress?

Businessweek asked experienced financial advisers for some advice to young investors. Experts don't always agree, but all agreed on one piece of wisdom: There is no easy answer. The right investing plan depends on your personality and your short-term and long-term goals, advisers say. Consider the two young investors mentioned above. On the surface, they're similar, but they're going about saving and investing very differently.

Alex Engelman is 22 and works at a market strategy consulting firm near Burlington, Vermont. He distrusts the stock market and he doesn't plan to buy a home anytime soon. "I'm all about mobility in my twenties," he says. Instead, Engelman plows half of his income toward one goal—paying off student loans that once totaled more than $20,000. "I don't want debt hanging over my shoulder," he says. When the loans are paid off—before the end of the year—he'll start saving cash so he can pack up and travel.

Robin Jordan, also 22, works in marketing at a retirement planning firm in Santa Barbara, California. He doesn't plan to move away anytime soon, and is seriously considering buying real estate. "The rent I'm paying right now to live in downtown Santa Barbara is more than the monthly payment on my parents' mortgage in northern California," he says. "I look at home ownership more as an investment than as a lifelong commitment," he adds. Meanwhile, Jordan is also starting to dabble in stock investing—setting aside 20% to 30% of his savings to buy individual stocks and another 50% for broad index funds[1]. He's trying to diversify his portfolio, but has noticed that's hard to do because many funds require minimum contributions.

Both young men may be pursuing plans that are perfect for their particular circumstances. There are, however, some general principles of investing and saving that it pays to be aware of. Advisers offer these tips.

1 Cash, cash, cash.

Both Engelman and Jordan said they're not yet saving much cash from month to month. However, nearly every financial planner will tell clients the first priority is an emergency cash fund. Before you can invest for the long term, you need enough to cover your current needs, they say. It's important not just if you lose your job, but for covering any eventuality from a major car repair or moving expenses to a pet's—or your own—surgery. For years, many clients resisted this advice, says Leisa Brown Aiken of Timothy Financial Counsel in Chicago. They preferred to be making money in the stock market or spending more on a future or existing home. Now that stocks and home prices have been pummeled, there's been "a big sea change" in attitudes, Aiken says.

The insecurity of many jobs these days also prompts more saving. "People are getting wise: You've got to have money in the bank," says Robert Timineri of Total Return Advisory in Oroville, California. The goal is keeping the cash handy so you can get it in an emergency. Many online banks pay out relatively generous interest rates on savings accounts.

But how much to save? A bare minimum starting point is one month of expenses, but ideally a fund should cover three to six months of expenses. Timineri used to advise each adult should have ready access to $10,000 in cash, but, because of the bad economy, he has boosted that to $15,000 to $20,000.

1 An index fund refers to a type of mutual fund with a portfolio constructed to match or track the components of a market index, such as the Standard & Poor's 500 Index. An index mutual fund is said to provide broad market exposure, low operating expenses, and low portfolio turnover.

2 Enough insurance?

One other base that needs to be covered before serious investing starts is insurance. Robert Oliver of Oliver Financial Planning in Ann Arbor, Michigan, says most young people don't have enough disability insurance, which covers living expenses in case you're injured and can't work. "As younger people, your main asset is yourself, your ability to earn over a lifetime," Oliver says. A disability puts that in jeopardy, but the basic disability insurance offered by employers is rarely adequate, he says.

3 How secure is your job?

The US unemployment rate is inching higher every month, with thousands of layoffs announced each week in a range of industries. "At this point, I don't think anyone's job is secure," says Jorie Johnson of Financial Futures in Manasquan, New Jersey. Even teachers are facing layoffs. "Anyone who feels too comfortable is doing themselves a **disservice**."

The security of your job matters because it affects how much risk you should feel free to take in your investing portfolio and how much cash you should hold. One oft-repeated guideline, says Aiken: "Is your earnings stream more like a bond or a stock?" Though the financial crisis put these distinctions to a test, bonds are supposed to be reliable, while stocks can be volatile and unpredictable. A person or couple with jobs that fit in the bond category can afford to take on more risks in their investments.

4 Do everything.

"It's important to do everything," Jorie Johnson says. This means you've got to juggle it all, financially: Pay down debt while saving for both short-term and long-term needs. "You have to make sure that every month you're putting money aside for each goal," she adds. Without that balanced approach, you're likely to focus on one goal—like buying a house—and never meet the others—like setting up an emergency fund or saving for retirement.

5 Be flexible.

Timineri, who advocates setting aside a larger-than-usual cash reserve, says the financial crisis and stock market collapse have changed the rules for investors. "I don't have the faith that I used to have [in the financial system]," he says. For now, he's allocating a maximum of only 50% of portfolios to stocks, and telling clients to wait before making any major moves. "No one thinks this is going to be over in a couple months," he says. In other words, this may not be the time to set up a financial plan that you stick with for life. A little caution and flexibility may be warranted for the time being.

6 Can you save and invest too much?

It's rare that young people can set aside too much money for the future, advisers say. More often, clients need to be reminded of the risks of saving too little. "If you don't save [a certain] amount, you're never going to be able to stop working," Aiken tells clients. "That often motivates them."

But how do you balance your present happiness with future needs? Bob Smrekar of Wade Financial Group in Minneapolis says some clients save very aggressively, living a lean lifestyle because they want to retire by age 55. "If that's what their goals are and that's what they want to do, more power to them," he says. Other of his clients prefer to travel while they're young and healthy, even if they're well aware that expensive trips may delay their retirement.

With each paycheck, young investors must weigh a variety of goals, for the present and into the future, against each other. It's a balancing act made even more difficult by these unstable times.

Comprehension

I. Choose the best answer to each of the following questions with the information you get from the text.

1. What does the example of the two young investors named Alex Engelman and Robin Jordan show to us?
   A. It is suggested for young investors to pay off student loans first and then to save money in the pursuit of their ideal lives just like Alex Engelman.
   B. It is better for young investors to diversify their personal investment portfolio so as to make a lot of money for future.
   C. Young people are supposed to cautiously dabble in personal investments in spite of many potential difficulties and risks.
   D. College students are encouraged to choose the proper investment patterns based on their own characters and life goals.

2. For the time being, which of the following is NOT covered in the scope of Robin Jordan's investment planning?
   A. Bank bonds. B. Individual stocks.
   C. Index funds. D. Real estate.

3. Which of the following statements is NOT based on Leisa Brown Aiken's view?
   A. The thought of never going to be able to stop working often motivates young people to save a certain amount of money.
   B. For years, many clients considered it wiser to invest more money on diversified patterns

than to keep some cash for current needs.

C. Clients are encouraged to set aside a larger-than-usual cash reserve for emergency and at the same time to be more cautious and flexible.

D. Young investors with jobs that fit in the bond category can afford to take on more risks in their investments than those in the stock category.

4. What does the word "disservice" in bold mean in the sentence "Anyone who feels too comfortable is doing themselves a disservice" in Paragraph 11?

   A. Poor service.
   B. Favor.
   C. Harmful action.
   D. Misjudgment.

5. Which of the following statements is true?

   A. Nowadays, many people start to save adequate money for current needs, which was considered unwise by most financial advisers before.
   B. In the mind of Robert Oliver, most young people begin to buy more disability insurance for they have realized the basic disability insurance offered by employers is rarely adequate.
   C. The risk you should feel free to take in your investing portfolio and the amount of cash you should hold depend, to a large extent, on the security of your job.
   D. Financial advisers often remind young people the risk of saving too little and at the same time that of saving too much for neither weighs the present against future.

6. Which is the best investment philosophy for young investors?

   A Be practical yet diversified.
   B. Be mindful yet adventurous.
   C. Be cautious and industrious.
   D. Be flexible and foresighted.

II. Discuss with your partners and answer the following questions in your own words.

1. How do you understand the sentence "Anyone who feels too comfortable is doing themselves a disservice"?

2. Do you agree with the advice given in the text to young investors? Why or why not?

3. As college students in China, do we have different financial problems or concerns from those young Americans? How should we handle them?

Usage & Translation

I. Fill in the blanks with words or phrases in the box. Change the form when necessary.

on the right foot	dabble in	pummel	inch	volatile	juggle

1. Never before in history has information been so fragile and ___________ as in the digital age.

2. The Dow is also down about 16% from its April high, ___________ closer to the 20% drop that would signal a bear market.

3. After business school at MIT and stints at General Electric and Microsoft, Wade ___________ various start-ups before finally creating his own.

4. These programs give people a chance for productive lives and children a chance to start life ___________.

5. Fatigue hits us all at times, as we try to ___________ work, relationships, and our children.

6. Australia's biggest trading partners, China and Japan, are suffering as the global recession ___________ exports.

II. Translate the following sentences into Chinese.

1. They preferred to be making money in the stock market or spending more on a future or existing home. Now that stocks and home prices have been pummeled, there's been "a big sea change" in attitudes, Aiken says. (Para. 7)

2. The security of your job matters because it affects how much risk you should feel free to take in your investing portfolio and how much cash you should hold. (Para. 12)

3. With each paycheck, young investors must weigh a variety of goals, for the present and into the future, against each other. It's a balancing act made even more difficult by these unstable times. (Para. 17)

Supplementary Reading

Ten Tips for Realistic Money Management in College

A well-known write-up on software development stated the following:

Your "use case" should be: There's a 22-year-old college student living in the dorms. How will this software get him laid?

This frank statement hides some amazing truths inside of it, many of which relate to things far beyond software. The key principle, though, is that things that are successful are things that make it easy for people to do other things that make them happy. That's why college students are notoriously bad at personal finance: It's not easy and it doesn't make them happy. Personal finance is often about the long term, and in the sheltered environment of college, the farthest goal in the future is getting a job in a few years—anything beyond that is pretty hazy for almost everyone.

So how can personal finance ever reach out to college students? The only way that personal finance management works in the life of an average college student is if it's easy and if it brings either some happiness right now or a lot of happiness in the future.

Most lists for saving money in college that cover things like getting only the best loans and how to "optimize" your FAFSA[1] fly right over the heads of most college students—I'm not ashamed to admit that I ignored them completely. These lists must have been written by people who have forgotten what college was actually like.

Given that, here are ten positive personal finance steps that any college student can take that meet all of these criteria: They're realistic, easy, and they bring happiness both now and later.

Get some free money. Take your semester stipend and put it in an ING[2] savings account. It will take about ten minutes, and if you ask me for a referral code, ING will give you $25. It will earn 4.5% APY[3] interest, which means if you put $2,000 in there now and withdraw it in two months, you'll get $14.71. The longer you put your stipend in there and the more you have, the more cash you get for nothing. Whenever you need cash to pay the university, you can just click your mouse a few times and get the cash out.

Make it automatic. When you've got that ING account, set it up so that it withdraws a few bucks every week from your checking account. The money will be automatically saved for you, a little bit at a time; you don't have to worry about it or even think about it. Even if you can just swing a buck a day, you'll wind up with about $400 at year's end.

Look for cheaper entertainment. I used to sit in the dorm and play video games all the time and I'd buy a new one about every two weeks. Why spend so much cash when I could have just found a video gaming club on my college campus? It turns out that there was one, with lots of meetups, rooms full of consoles on weekends, and lots of game swapping going on. Look at the list of all of the student organizations on your campus. At most large colleges, there's one to meet almost every interest; if you're at a smaller school, get one started: Just print up a flyer, hang it up in a few places, and get the ball rolling. You can keep doing whatever you enjoy doing, except you'll meet new people who like the same stuff and it's cheaper because you might not have to invest nearly as much in it. Even better: Look for interesting free stuff you might not have done otherwise.

Don't get any credit cards. There's no good reason to have a credit card in college; just be lazy and don't fill out the application. If you don't have the cash, wait a few weeks. I spent

1 FAFSA is short for Free Application for Federal Student Aid. Anyone who wants governmental financial aid for college will need to fill out the FAFSA. All federal grant and loan awards are determined by the FAFSA, and nearly all colleges use the FAFSA as the basis for their own financial aid awards.

2 International Netherlands Group (ING) is a Dutch multinational banking and financial services corporation, currently offering banking, investments, life insurance, and retirement services.

3 Annual Percentage Yield (APY) is the rate of return on an investment for a one-year period.

five years after graduation dealing with the credit card debt I racked up in college buying stupid stuff; don't let the same thing happen to you.

Eat in the cafeteria. Eat as many meals as possible in the cafeteria. Unless something very weird is going on at your school, it's much cheaper in the long run than even making your own food, let alone eating out. It might not be gourmet, but it's incredibly cheap and (reasonably) nutritious, so don't pass it up.

Look for free stuff. When I was in college, especially in the dorms, I used to get tons of freebies from people looking for my business. If you hear about giveaways on campus, go get some. The same thing goes for on-campus clubs. The biggest thing I regret now is not going to club meetings when they had free food; not only would it have saved on the chow, but I could have met some new people, too.

Empty out your pockets at the end of each day. At the end of the day, dump out the change in your pockets and put it in a jar. Keep building that jar up, then go deposit it in a bank at the end of the semester. I used to keep change on hand for pop—in other words, I'd just waste it. I wish now I had put it in a change jar and cashed it in once in a while.

When you go buy something, ask around and see where it's cheapest. I used to be a music addict, and for the first year I was in college, I just shopped at the local Sam Goody's. When a friend finally informed me about a local music shop, we went there and it was about $7 cheaper per CD. I never browsed at Sam Goody's again, and actually wound up hanging out a fair amount at the local music shop. I also eventually started buying some clothes at Goodwill[4], once I got over a mental block about how it was for poor people. I was in college; I was poor. This general concept is usually true for about anything; just ask people who have been around for a while where the cheapest places are to buy stuff.

Get an interesting job. Go to the general office for your major and ask if there are any jobs available for undergraduates. If you're in the sciences, there's almost always something available; in most other majors, there's at least a chance of it. Get that job and find out if the things happening there excite you and also earn a little cash. You'll probably quickly figure out if you're in the right area with your studies, plus you'll have some more money on the side and a job that doesn't sound like you're a loser when you're talking to the opposite sex.

Keep yourself up. Take a shower every day. Wear some deodorant. Shave. The cleaner you are, the better you'll feel about yourself, and the less likely you'll be to spend money on stuff that you don't need.

One last thing: **If it makes you feel good, do it.** This might be a shocking finisher to a list of personal finance tips, but you're in college, and now is the time to experiment. You're going to do stupid things you'll regret later and you're going to do some great things you'll never forget. Just keep an eye on the debt you're going to have to deal with after college; your future self will thank you even more than you can imagine for keeping that debt low.

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4 Goodwill is a community-based store specializing in discount merchandise intended for those "less fortunate."

Group Discussion

1. Do you agree with the above tips on personal finance for college students? If so, which one do you think is the most effective? If not, which one(s) do you disagree with and why?
2. Have you already been financially independent from your parents? If so, how do you make money for yourself? If not, how do you properly make use of the money given by your parents?
3. Do you agree with the author's conclusion that while it is necessary for college students to save money, they are also encouraged to do what makes them feel good even though that would keep them in debt? If so, what would you do? If not, what's your view?

Test Yourself

Passage 1

Questions 1 to 5 are based on the following passage.

There are spectacular differences between financial markets on the Continent of Europe on the one hand, and in Britain on the other hand. In Britain, the market is really the City of London. It is a free market, and it controls most of the flow of savings to investment. On the Continent, either a few banks or government officials direct the flow of funds to suit their economic plans. In Germany the flow is directed by all-powerful banks. In Britain there is more free interplay of market forces and far fewer regulations, rules, and "red tape." A French banker summed it up this way: "On the Continent you can't do anything unless you've been told you can; in England on the other hand you can do everything as long as you haven't been told not to."

There are many basic reasons for these differences. One is that Continental savers tend to prefer gold, cash, or short-term assets. They invest only 10% of their savings in institutions like pension funds or insurance companies. But in Britain 50% of savings goes to them, and they, in turn, invest directly in equity market. A far lower proportion of savings is put in the banks in the form of liquid assets than on the Continent. Continental governments intervene directly or through the banks to collect savings together and transform them into medium or long-term loans for investment. The equity market is largely bypassed. On the Continent economic planning tends to be far more centralized than in Britain. In Britain it is possible to influence decisions affecting the country's economy from within the City. It attracts a skilled and highly qualified work force. In France, on the other hand, an intelligent young man who wants a career in finance would probably find the civil service more attractive.

In Britain the market, or more accurately, money tends to be regarded as an end in itself. On the Continent it is regarded as a means to an end: investment in the economy. To British eyes continental systems with possible exception of the Dutch seem slow and inefficient. But there is one **outstanding** fact the City should not overlook. Britain's growth rates and levels of investment over the last ten years have been much lower than those on the Continent. There are many reasons for this, but the City must take part of the blame. If it is accepted that the basic function of a financial market is to supply industry and commerce with finance in order to achieve desired rates of growth, it can be said that by concentrating on the market for its own sake the City has tended to forget that basic function.

1. What is the best title of the passage?
   A. Savings and the Growth Rate
   B. Banking and Finance: Two Different Realities
   C. Monetary Policy in Britain
   D. The European Continent and Britain

2. What seems to be the most fundamental reason for the differences between financial markets on the Continent of Europe and Britain?
   A. The British tend to regard money as an end, whereas Continental Europeans consider it a means to an end.
   B. The British invest only 10% of their savings in pension funds.
   C. On the Continent you can't do anything unless you have been told you can.
   D. Intelligent young men who want a career tend to go to civil service on the Continent.

3. Which of the following statements about the Dutch way of finance and banking is true?
   A. It is similar to that of the French.
   B. It makes no difference whatever system it is compared to.
   C. It perhaps resembles that of the British.
   D. It is of low efficiency.

4. What does the word "outstanding" in bold mean in the sentence "But there is one outstanding fact the City should not overlook" in Paragraph 3?
   A. Beating.   B. Surplus.   C. Noticeable.   D. Seemingly.

5. In what way does the continental system seem better?
   A. The Continent maintains a higher growth rate and levels of investment.
   B. It has less proportion of savings in the form of liquid assets.
   C. It attracts intelligent young men.
   D. It functions properly despite the fact that the British discount it.

Passage 2

Questions 6 to 10 are based on the following passage.

The miserable fate of Enron's employees will be a landmark in business history, one of those awful events that everyone agrees must never be allowed to happen again. This urge is understandable and noble: Thousands have lost virtually all their retirement savings with the demise of Enron stock. But making sure it never happens again may not be possible, because the sudden impoverishment of those Enron workers represents something even larger than it seems. It's the latest turn in the unwinding of one of the most audacious promise of the 20th century.

The promise was assured economic security—even comfort—for essentially everyone in the developed world. With the explosion of wealth, that began in the 19th century it became possible to think about a possibility no one had dared to dream before. The fear at the center of daily living since caveman days—lack of food, warmth, shelter—would at last lose its power to terrify. That remarkable promise became reality in many ways. Governments created welfare systems for anyone in need and separate programs for the elderly (Social Security in the US). Labor unions promised not only better pay for workers but also pensions for retirees. Giant corporations came into being and offered the possibility—in some cases the promise—of lifetime employment plus guaranteed pensions. The cumulative effect was a fundamental change in how millions of people approached life itself, a reversal of attitude that must rank as one of the largest in human history. For millennia the average person's stance toward providing for himself had been "Ultimately I'm on my own." Now it became, "Ultimately I'll be taken care of."

The early hints that this promise might be broken on a large scale came in the 1980s. US business had become uncompetitive globally and began restructuring massively, with huge layoffs. The trend accelerated in the 1990s as the bastions of corporate welfare faced reality. IBM ended its no-layoff policy. AT&T fired thousands, many of whom found such a thing simply incomprehensible, and a few of whom killed themselves. The other supposed guarantors of our economic security were also in decline. Labor-union membership and power fell to their lowest levels in decades. President Clinton signed a historic bill scaling back welfare. Americans realized that Social Security won't provide social security for any of us.

A less visible but equally significant trend affected pensions. To make costs easier to control, companies moved away from defined benefit pension plans, which obligate them to pay out specified amounts years in the future, to defined-contribution plans, which specify only how much goes into the plan today. The most common type of defined-contribution plan is the 401(k). The significance of the 401(k) is that it puts most of the responsibility for a person's economic fate back on the employee. Within limits the employee must decide how much goes into the plan each year and how it gets invested—the two factors that will determine how much it's worth when the employee retires.

Which brings us back to Enron? Those billions of dollars in vaporized retirement savings went in employees' 401(k) accounts. That is, the employees chose how much money to put into those accounts and then chose how to invest it. Enron matched a certain proportion of each employee's 401(k) contribution with company stock, so everyone was going to end up with some Enron in his or her portfolio; but that could be regarded as a freebie, since nothing compels a company to match employee contributions at all.

At least two special features complicate the Enron case. First, some shareholders charge top management with illegally covering up the company's problems, prompting investors to hang on when they should have sold. Second, Enron's 401(k) accounts were locked while the company changed plan administrators in October, when the stock was falling, so employees could not have closed their accounts if they wanted to.

But by far the largest cause of this human tragedy is that thousands of employees were heavily overweighed in Enron stock. Many had placed 100% of their 401(k) assets in the stock rather than in the 18 other investment options they were offered. Of course that wasn't prudent, but it's what some of them did.

The Enron employees' retirement disaster is part of the larger trend away from guaranteed economic security. That's why preventing such a thing from ever happening again may be impossible. The huge attitudinal shift to I'll-be-taken-care-of took at least a generation. The shift back may take just as long. It won't be complete until a new generation of employees see assured economic comfort as a 20th-century quirk, and understand not just intellectually but in their bones that, like most people in most times and places, they're on their own.

6. Why does the author say at the beginning "The miserable fate of Enron's employees will be a landmark in business history…"?
   A. Because the company has gone bankrupt.
   B. Because such events would never happen again.
   C. Because it signifies a turning point in economic security.
   D. Because many Enron workers lost their retirement savings.

7. In which area have the combined efforts by governments, layout unions, and big corporations to guarantee economic comfort led to a significant change?
   A. People's lifestyles.
   B. People's social values.
   C. People's outlook on life.
   D. People's living standards.

8. Which of the following do changes in pension schemes belong to?
   A. The government cuts in welfare spending.
   B. The warning power of labor unions.

C. The economic restructuring.
D. The corporate layoffs.

9. What is the main reason why thousands of employees chose Enron as their sole investment option?
A. Enron's offer was similar to a defined-benefit plan.
B. Enron offered to add company stock to their investment.
C. The 401(k) made them responsible for their own future.
D. Their employers intended to cut back on pension spending.

10. Which of the following is NOT seen as a lesson drawn from the Enron disaster?
A. Such events could happen again as it is not easy to change people's mind.
B. Employees have to take up responsibilities for themselves.
C. 401(k) assets should be placed in more than one investment option.
D. Economic security won't be taken for granted by future young workers.