

Rich Kid Smart Kid Games
Game Four: Jesse's Big Change
Topic: Rat Race or Fast Track
Grade Level: 9-12

Interactive Internet Game Activity

As Jesse continues to buy more stuff, he realizes that he will need to make more money. So, he learns very quickly that instead of working hard to earn money, he wants to make his money do all the hard work. Brian's story will tell you how he made this happen.

Learning Objectives

- Understand assets, liabilities and expenses
- Record information on income statements and balance sheets
- Brainstorm opportunities to make money work for you

Assessments

Students will: (1) interpret financial information for entry on income statements and balance sheets, (2) analyze the financial impact of assets, liabilities and expenses as presented on financial statements and (3) design a plan from financial success by making your money work for you.

Classroom Activities

Rat Race or Fast Track – Learning the Fast Track at Fourteen Years Old: A True Story – Have the students read Brian's story. Then, go back through the narrative and explain Brian's financial statements. It will be important for students to understand the entries for the other activities.

Building Brian's Financial Statements: Rat Race to Fast Track – You can engage students in this activity in a variety of ways. It can be used as an individual, small group or class activity. At first you may want to walk students through the beginning transactions to help them better understand how to record the entries. Then, work through the #2, #3, #4 and #5 activities.

Class Discussion Questions

1. What interests do you have that could turn into an opportunity to make your money work for you?
2. What can happen to make liabilities become assets?
3. Do you know anyone who is stuck in the rat race?
What put him/her in the rat race?
4. Do you know anyone who is on the fast track?
What put him/her on the fast track?

Overview

Rat Race or Fast Track

Learning the Fast Track at Fourteen Years Old: A True Story

Brian came to his dad and said he wanted new golf clubs. Normally, his dad would have told him to save his allowance until he had enough to buy them. But this time Brian's dad decided to use this as an opportunity to teach Brian how to have money work for him.

So Brian's dad told him to go around the neighborhood and look for jobs that needed to be done. Brian took the challenge and was excited about starting his own business, something on his own rather than asking his dad for the money. So he went out and mowed lawns for the summer and soon had \$500, which would have more than paid for his clubs. But the lesson was just beginning.

Next, Brian's dad took him down to a stockbrokerage company and had Brian use \$100 to buy a high-growth mutual fund. His dad explained to Brian that this was money for his college education. Brian had \$400 left, still enough to buy the golf clubs, but the lesson continued.

Brian's dad took the \$400 and told Brian he would hold it until Brian found an asset he would buy the golf clubs for him. As you can imagine, Brian was angry, but only for a while. He soon realized what his dad was trying to teach him. His dad did not want Brian to spend his hard-earned money on golf clubs. He wanted Brian to have the golf clubs *and* keep the money.

So after Brian had searched the want ads and talked to the pros at the golf club he came back to his dad with a plan. Brian had found two candy vending machines for sale and got permission to place them in the golf shop. The machines and a supply of candy and nuts cost Brian \$350. After just two months he had made more than enough money to buy his golf clubs and had a steady income from his assets, his six machines.

Six Machines? Yes, as soon as Brian realized that his machines were assets, he went out and bought more machines. Now his college fund is increasing steadily, his candy machines are increasing, and he has the time and money to play all the golf he wants because he does not have to work hard for money, money is working hard for him.

Brian's Financial Statements

<u>Income Statement</u>	
Income	
6 Candy Machines	\$465
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Expenses	
Candy & Nuts	\$ 85
Brian's Salary	\$100
College Fund	\$150
Savings	\$130

<u>Balance Sheet</u>		
Assets		Liabilities
Savings	\$ 680	\$0
College Fund	\$3700	
6 Machines	\$1000	

Building Brian's Financial Statements

Rat Race to *Fast Track*

INCOME STATEMENT

Income

Vending Machines	\$ _____
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Expenses

Candy & Nuts	\$ _____
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Salary	\$ _____
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College Fund	\$ _____
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Savings	\$ _____
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Loan Payment	\$ _____
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Use the information on the next page to complete these financial statements showing how Brian built his assets to make money work for him.

BALANCE SHEET

Assets

Savings	\$ _____
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College Fund	\$ _____
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Vending Machines	\$ _____
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Liabilities

Vending Machine Loan	\$ _____
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Building Brian's Financial Statements

Rat Race to Fast Track

Using a pencil and the financial statements on the previous page, complete Brian's financial statements for the following transactions:

1. Beginning Transactions

Item	Action
Saves \$500 from mowing lawns.	Add \$500 to Assets: Savings
Invests \$100 from his savings into College Fund.	Subtract \$100 from Assets: Savings Add \$100 to Assets: College Fund
Buys 2 vending machines and supplies for \$350.	Subtract \$350 from Assets: Savings Add \$350 to Assets: Vending Machines

2. Next Two Months' Transactions

Item	Action
Sells \$330 of candy & nuts	Add \$330 to Income: Vending Machines
Pays \$30 for candy & nuts sold	Add \$30 to Expense: Candy & Nuts
Pays himself salary of \$100	Add \$100 to Expense: Salary
Invests \$100 into college fund	Add \$100 to Expense: College Fund Add \$100 to Asset: College Fund
Puts \$100 into savings account	Add \$100 to Expense: Savings Add \$100 to Asset: Savings
Buys 4 vending machines for \$650, \$100 down + \$550 loan	Subtract \$100 from Asset: Savings Add \$550 to Liability: Vending Machines Add \$650 to Asset: Vending Machines

3. Now erase all entries in the income statement, but do not erase balance sheet entries.

4. Next Twelve Months' Transactions

Item	Action
Sells \$6000 of candy & nuts	?
Pays \$1250 for candy & nuts sold	?
Pays himself salary of \$700	?
Invests \$3000 into college fund	?
Puts \$500 into savings account	?
Pay off \$550 loan	?
College Fund investment grows	Add \$350 to Asset: College Fund

5. Looking back to the overview page, use Brian's Income Statement from the overview page to make the final transactions to your balance sheet. After making these final transactions, does your balance sheet match Brian's Balance Sheet from the overview page?

Building Brian's Financial Statements

Answer Key

<u>INCOME STATEMENT</u>	
Income	
Vending Machines	\$ _____
Expenses	
Candy & Nuts	\$ _____
Salary	\$ _____
College Fund	\$ _____
Savings	\$ _____
Loan Payment	\$ _____

#1

<u>BALANCE SHEET</u>			
Assets		Liabilities	
Savings	\$ 50	Vending Machine Loan	\$ 0
College Fund	\$ 100		
Vending Machines	\$ 350		

<u>INCOME STATEMENT</u>	
Income	
Vending Machines	\$ 330
Expenses	
Candy & Nuts	\$ 30
Salary	\$ 100
College Fund	\$ 100
Savings	\$ 100
Loan Payment	\$ _____

#2

<u>BALANCE SHEET</u>			
Assets		Liabilities	
Savings	\$ 50	Vending Machine Loan	\$ 550
College Fund	\$ 200		
Vending Machines	\$ 1000		

<u>INCOME STATEMENT</u>	
Income	
Vending Machines	\$ 6000
Expenses	
Candy & Nuts	\$ 1250
Salary	\$ 700
College Fund	\$ 3000
Savings	\$ 500
Loan Payment	\$ 550

#4

<u>BALANCE SHEET</u>			
Assets		Liabilities	
Savings	\$ 550	Vending Machine Loan	\$ 0
College Fund	\$ 3550		
Vending Machines	\$ 1000		

<u>INCOME STATEMENT</u>	
Income	
Vending Machines	\$ 465
Expenses	
Candy & Nuts	\$ 85
Salary	\$ 100
College Fund	\$ 150
Savings	\$ 130
Loan Payment	\$ _____

#5

<u>BALANCE SHEET</u>			
Assets		Liabilities	
Savings	\$ 680	Vending Machine Loan	\$ 0
College Fund	\$ 3700		
Vending Machines	\$ 1000		