

Medium

Lessons Your School Didn't Teach You

It's time to start teaching something practical

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The school system teaches us many subjects such as math, science, geography, and languages. Yet, it teaches us absolutely zilch about money.

As a child, you probably learned about money mostly from interacting with your family members. You emulate their financial behaviors. That was certainly the case for me.

Many of us are thrown into the world as adults with non-existent financial literacy. We are free to do whatever we want with our money. Heck, we are even free to do whatever we want with money we do not have, in the form of debt. We are left to our devices to “figure it out”.

I can't speak for the whole general population, but in my social circle, money is a very private topic. Is only discussed on a superficial level. Conversations about money with my friends and acquaintances do not get beyond how expensive the next iPhone is or comments about the general economic situation. I have the impression that it is less awkward to talk about sexual encounters than about personal finance.

Most of what I learned regarding money, as a result, is from actively reading, asking silly questions all the time and learning-by-doing. On countless occasions, I have made a financial fool out of myself. Every humbling lesson is a crushing blow to my ego and bank account. Lessons that I am thankful for. Painful nonetheless.

If financial literacy is taught as a lesson in school, it would be way easier for adults to navigate personal finance as adults. It is certainly more helpful than cramming brains of children with hard facts that they can look up on Google or Wikipedia anyway.

Personal finance does not have to be an extravagant complex curriculum. Basic concepts would go a long way in providing a jumping-off point for our financial literacy. It would have certainly helped me.

There are other income streams besides a 9-to-5 job

As I was growing up, I had the naive idea in my head that most adults have to adhere to the following script to live a comfortable life:

1. Study hard in school
2. Get a degree from a good university in a field that is high in demand
3. Get a job at a big company that pays well
4. Climb the corporate ladder to earn more money
5. Save money to be richer
6. Have a comfortable life with the money earned and saved
7. Splurge once in a while as a reward for working hard
8. Ride into the retirement sunset

I did know of some folks who did very well for themselves by running their own businesses. There was a shroud of secrecy about them. I had a false impression that they were distant unicorns whose path I cannot realistically emulate.

I am sure there are lucky exceptions out there but the majority of us are taught that common path to take is to climb the corporate ladder.

As adults, we know that there are so many ways to earn money. On one end of the spectrum is a full-time career, on the other is independently running your own business. And there are countless possibilities between those two extremes.

There is the possibility of having a 9-to-5 career and having side hustles. Another option is to split our time equally between a few jobs. There are also people who make a living from investing in the businesses of others. Loaning money to others in order to earn interest is another option.

I am not belittling the importance of having a formal education to have a meaningful career. In certain professions, this is obviously crucial. I would not want to visit a physician without a degree who has self-taught himself reading WebMD and asking questions on Quora.

My point here is that it would be beneficial to show children that there are basically unlimited possibilities to earn a living. They will no longer only say “I want to be a lawyer or doctor when I grow up”. They might even say “I want to work from a co-working space in the Canary Islands. I want to run my drop shipping business and reinvest the profits in high yield bonds.”

As adults, they will have more financial creativity. Their minds will be opened up to more ways to find that personally unique path that provides both a balanced sense of fulfillment and financial stability.

Working with money as a tool

We are conditioned by our society that money is used to either pay for:

- stuff we need—a roof over our heads and food on the table
- stuff we want—a luxury vacation in the Bahamas and a Porsche 911

The basic notion that is implied to us subconsciously says that if we are poor, we should focus on using the money to pay for what we really need. If we are affluent enough have money leftover, we can afford to spoil ourselves on luxury experiences or items.

As I grew older, I learned that there is an entirely different paradigm to view money: using money as a tool.

For a long time, I had the impression that affluent people use money just to afford the luxury items. This could not be further than the truth. I had this realization when I started to actively observe well-paid executives at the tech company I work at. At first, I was observing out of mere curiosity. Later, the observations became a goldmine of financial lessons.

I noticed that those executives make deliberate efforts to utilize money to improve themselves. They hire management coaches that are more experienced than themselves, pay for external consultants to look for blind spots, attend soft skills workshops and purchase books that broaden their minds. As a result, they became more proficient at their job, allowing them to get paid even more.

We all know the old adage: time is money. On the flip side, money can buy time. To a certain extent at least.

When your net worth crosses a certain threshold, you do not have to stand in line at the bank. If you have car problems, the workshop will send someone over to pick the car up from your house. You don't have to clean the dirty kitchen in your own apartment.

Such privileges might seem unnecessarily ostentatious at first sight. Yet, the benefits should not be underestimated. Besides the very obvious advantage of saving time, it also frees your cognitive capacity to focus on tasks that you care more about and enjoy doing.

I realized that this is one of the reasons why it is easier to earn even more money when if someone already has surplus money. You can use it as rocket fuel to boost your upwards financial spiral.

We know that children are fearless creatures armed with bountiful creativity. Imagine what would happen if they are taught at a young age that money can be used to save time and make themselves smarter. It would certainly be more helpful than the mainstream approach of conditioning them that money is there to buy toys that make them happy.

Correlation between emotion and money

As adults, we know that our emotions and our relationship to money are heavily intertwined with one another. The way we feel will affect our personal finance decisions. On the other hand, fluctuations in our financial situation will affect our emotions.

Take the stock market for example. In a bull market, a large number of people buy stocks driven by greed. When there are more buyers than sellers, the stock prices rise further, resulting in more greed. In a stock market crash, the spiral goes in the opposite direction. Stocks are sold because of fear. It takes tremendous emotional fortitude to not freak out and move against the herd.

We make purchases based on emotions. Speaking for myself, I do on occasion purchase something at the end of a crappy day to feel better about myself. I also have to shamefully admit that I occasionally browse online shops to counter boredom during breaks.

It is no secret that product manufacturers play to the tune of our emotions to sell us more stuff. Apple sells Mac accessories in the Space Gray color for \$20 more than the same items in white. The items have identical technical specifications. They differ solely in color. It makes zero logical financial sense to buy the Space Gray version, yet there are people who do. I am one of those suckers.

Antonio Damasio, a neuroscientist, performed research on patients that have brain damage in the part of the brain that creates emotions. The patients can function normally in their daily lives, with one big exception: they are unable to make any decisions. In the decision-making process, they can provide logical pros and cons for each option on the table but they are simply unable to decide.

This is proof that we are driven by our emotions to make decisions. Needless to say, this also applies to our personal finance decisions.

Wouldn't it be amazing to instill awareness at an early stage with school children regarding the influence of emotions in money-related decisions? Imagine the kind of adults they will grow up to become. I, for one, would have certainly profited from that.

What can we do about it?

In an ideal world, our schools would **prepare children holistically for life and not only the job market**. Despite the current level of awareness that our school system is hopelessly outdated, it might take a while for us to see any changes.

Nevertheless, we can make a conscious effort to be more open to discussing personal finance, especially with younger ones. On that note, should I buy that new iPhone XS or not?