

FINANCIAL COURSE SERIES “MONEY AND CHOICES” LECTURE NOTES (1)

WHAT IS MONEY - HISTORICAL AND MODERN VIEW, CRYPTOCURRENCY



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Scope of our Class: Money and Financial Choices



- This is an financial fundamental education class targeted for **financial awareness and money intelligence**;
We will learn basic financial and economics concepts, with the focus to see how we can understand and handle some critical money issues.
- With the class, we will expect below **goals**;
 - *Understand what money is and how we interact with money everyday.*
 - *Know function of bank and financial products like savings, loans, credit card, and insurance.*
 - *Understand some key economics concepts like supply and demand, and tax.*
 - *Create and practice some simple budgeting skills.*
 - *Understand what investing is and some typical choices and options.*
 - *Understand some methods to avoid personal financial problems.*
- Money issue is the **critical and core part** of people's life and happiness.
If life is a game, money is the way how you score. Money is the bridge to fulfill life goals and targets.

Our 8-Week Schedule



1. *What is money and how money works; Changes in money concept in modern time and concept of electronic currency;*
2. *Banks and how banks work, how money is created and how money flows. Concept of interest rate and compounding;*
3. *Money with personal life - how people interact with money everyday. Earn, save, spend, borrow, lend, and investment. Basic financial products in market;*
4. *Make money with a job, and the concept of taxation; Basic concept of budgeting, live within your means;*
5. *What is economics? Supply and demand, revenue and cost, opportunity cost;*
6. *Concept of investment, different asset classes, and asset allocation;*
7. *Risk and return, play a risk game; risk adjusted return and investment strategy based on risk analysis;*
8. *Personal financial budgeting, investment as a lifetime goal, typical sources of financial mistakes, and how to avoid financial stresses; understand and define some key economics concepts.*

Passcode “5115” to access class materials.

Let us Know Each Other First...

FIRST, LET'S KNOW EACH OTHER

- I am ..., I am ... years old, I am from ..., I like ... (a hobby of yours);
- I am ...
- I am ...
- I am ...
- I am ...

What is Money?



A MODERN BROAD DEFINITION:

Money is **ANYTHING** that can be **COMMONLY** accepted as a medium for exchange of goods and services.

“Money is what we use to get everything we need.”

WHAT MONEY INCLUDE:

Currency and all its equivalents.

Currency, also called cash, that can be directly used for purpose of purchase , and **ANYTHING** that can be **READILY** converted to currency.

FORMS OF MONEY

CURRENCY (Cash):



Metal Coins



Paper (Notes)

CURRENCY EQUIVALENTS:



Bank Deposit



Personal Check



Debit Bank Card

NEW



Merchant Programs
(Points, Miles etc.)



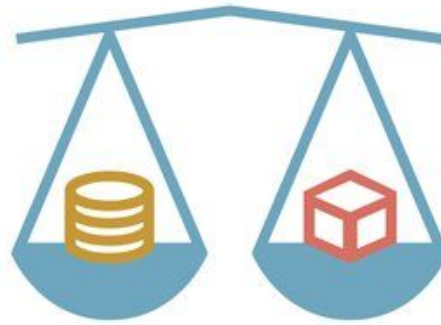
CryptoCurrency

WHAT IS IN COMMON: YOU CAN USE ALL OF THEM TO GET PRODUCT AND SERVICE.

Functions of Money



Medium of exchange
for buying things



Unit of account
for pricing things



Store of value
for saving

Characteristics of Money (What needs to be money?)

- **Durability:** Last long time
- **Portability:** Can be easily carried
- **Divisibility:** Can be divided into small units
- **Uniformity:** Standard and same
- **Limit Supply:** not readily available
- **Generally Accepted:** recognized and accepted by many people

How to be widely accepted:

- (1) By social protocol - Gold
- (2) Guaranteed by government power - paper money

History of Money



- **Commodity based Paper Money** - can be converted to Gold;
- **Fiat money** - cannot be exchanged to Gold

All our Current Money are Fiat Money

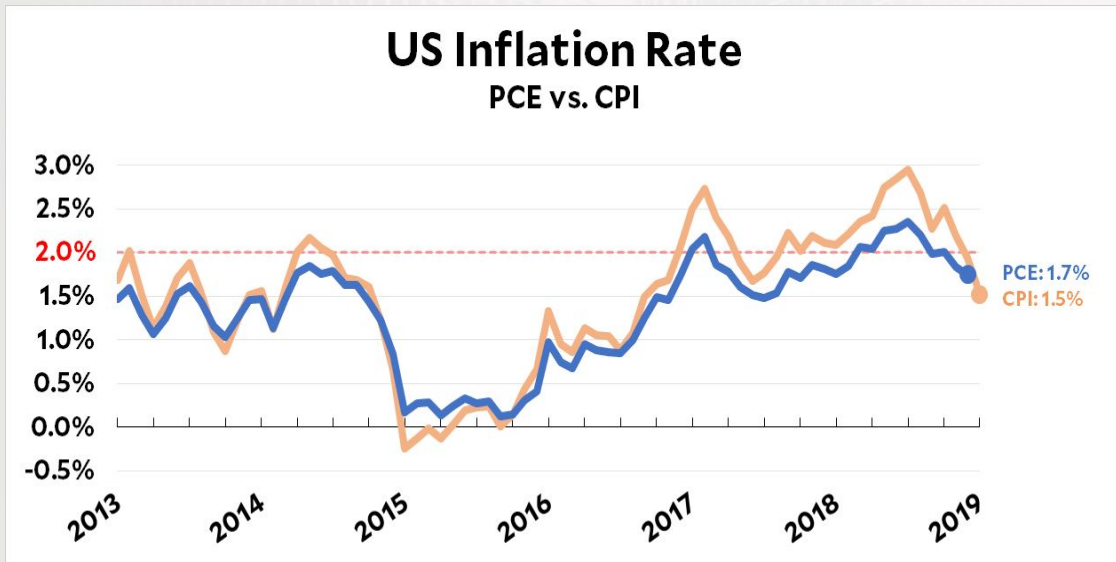
- “Fiat” = “Decree”
- No intrinsic value;
- Value link to trust;
- Backed by government;
- Enforced by government;
- Issued by central bank;
- In principle, supply is unlimited
- **Could lose value = “inflation”**



Value of Money

Method 1: How much product and service can be bought = **“inflation”**

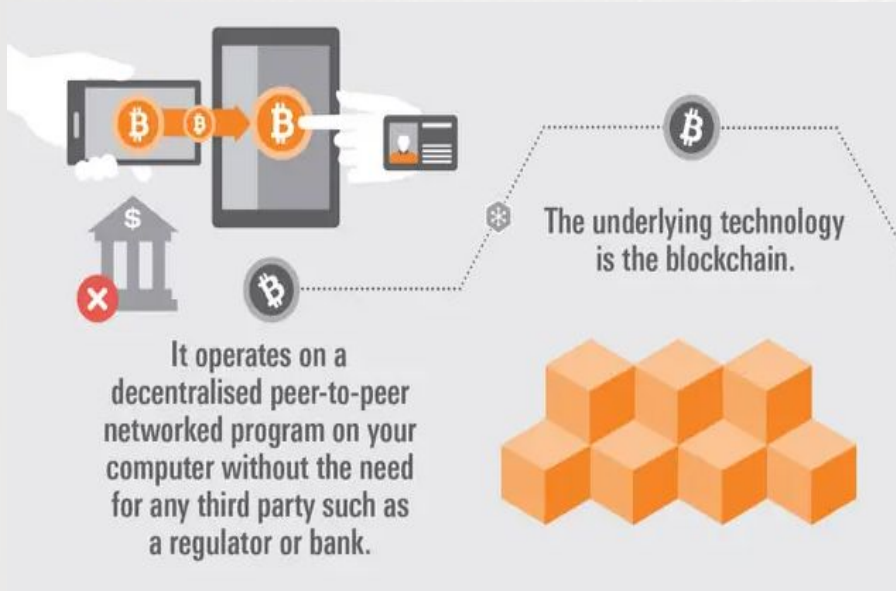
Method 2: How much can be exchanged to other currency = **“Exchange Rate”**
“Index”



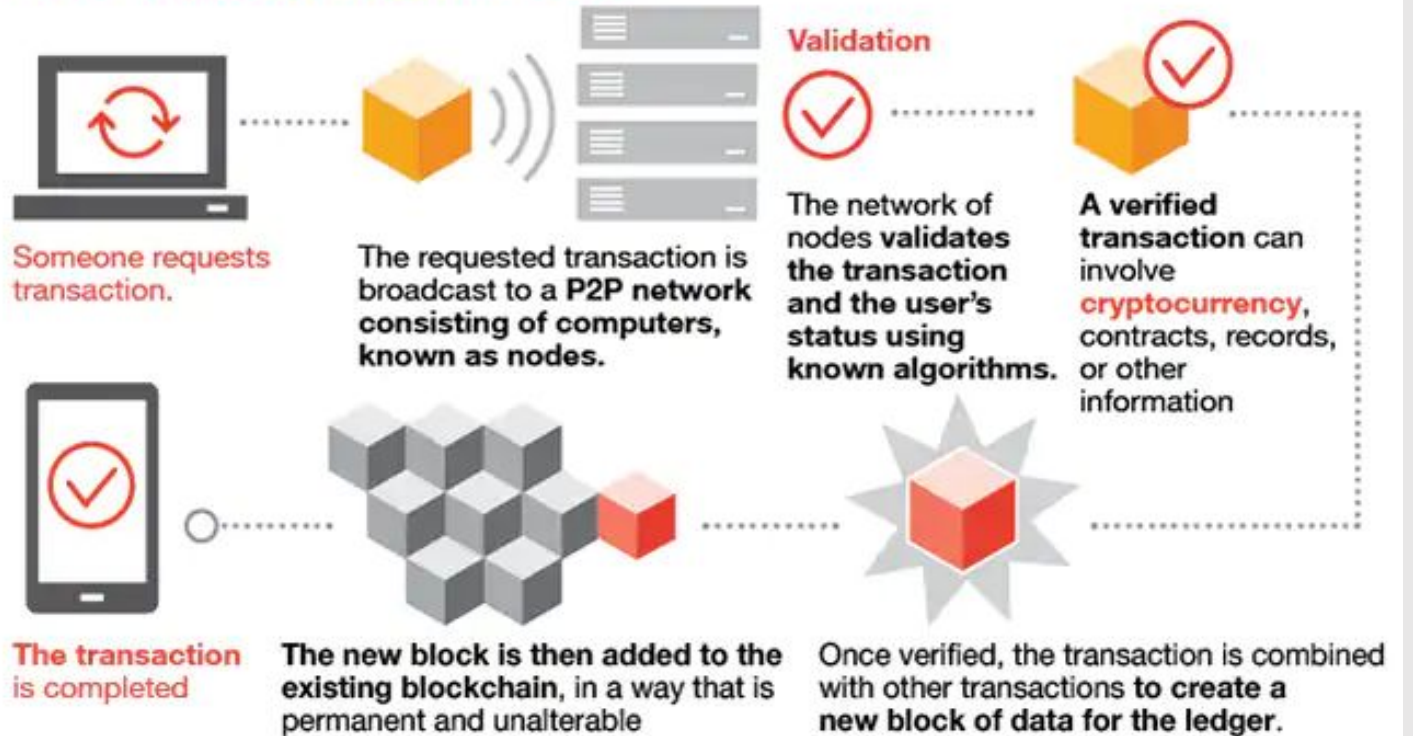
- Typically under 2%;
- Decided by the money supply versus the products/service available.

- Vary in history;
- Decided by supply and demand;
- Decided by the trust of people to government;
- Decided by economy;
- Decided by interest rates in different countries;
- Some countries' currency could collapse quickly.

What is Bitcoin and How it works?



How blockchain works



Essentially, Bitcoin is a system that can be used to complete a transaction (transfer ownership of something)

Feature of Bitcoin



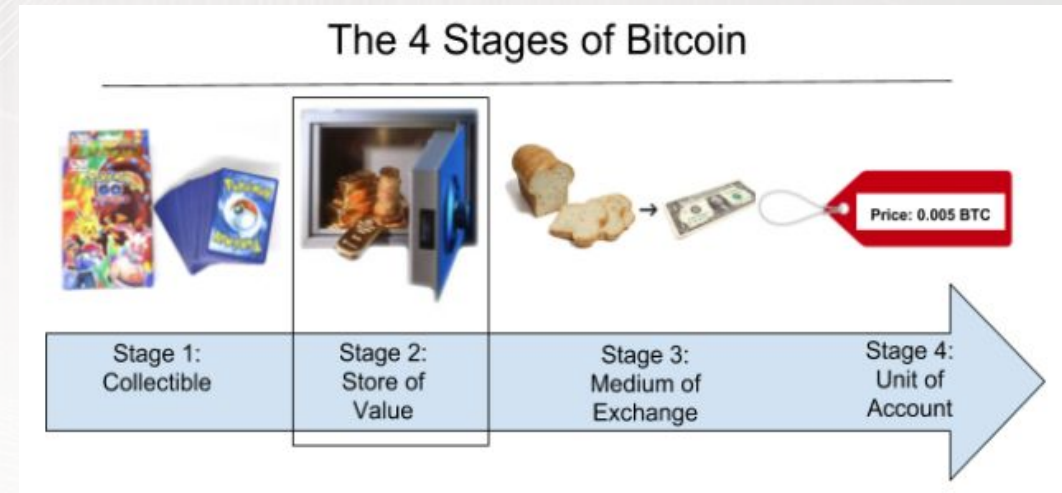
- **Anonymous;** using p2p network (point to point network)
- **Decentralized;** No Central Authority and not regulated or controlled by any government;
- **Limited supply and scarcity;** limited by the algorithm to 21m quantity;
- **Value volatility** - greatly impacted by speculation.
- **Acceptance as payment** - only in small range.

A more detailed introduction on Bitcoin from Youtube:

https://youtu.be/41JCpzvnn_0

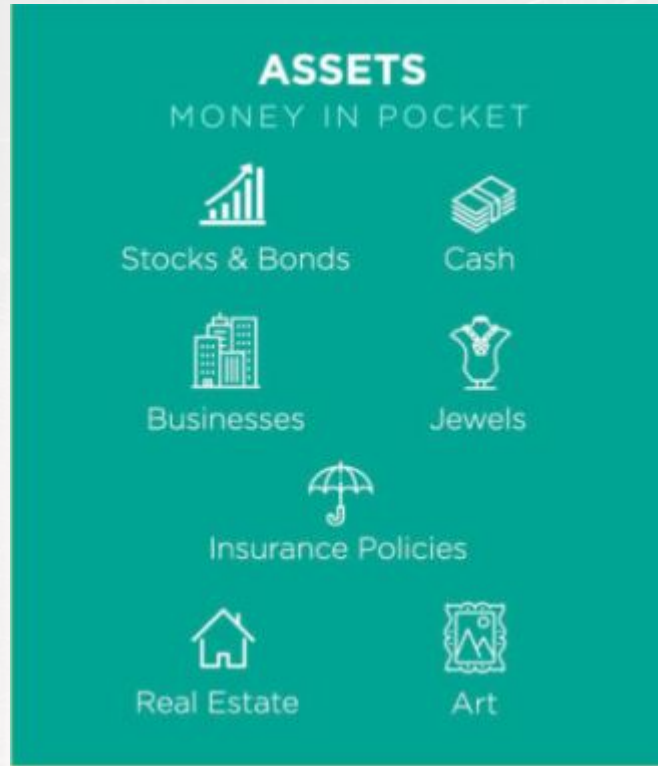
Compare types of money

	Gold	USD/Fiat	Bitcoin
Fungible	✓	✓	✓
Non-counterfeitable	✓	✓	✓
Portable	✗	✓	✓
Divisible	✓	✓	✓
Durable	✓	✓	✓
Widely Accepted/ History of Acceptance	✓	✓	✓
Limited in quantity	✓	✗	✓
Value stability	✓	✓	✓

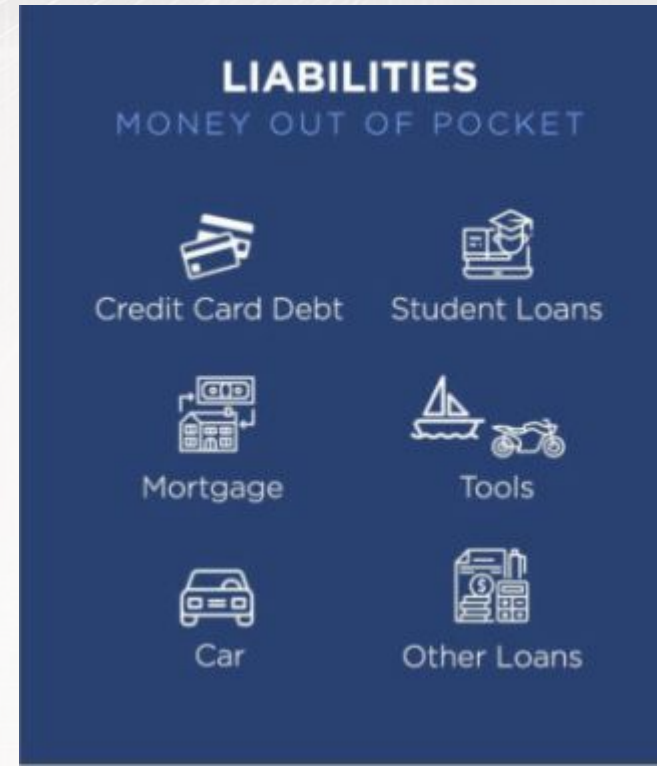


Bitcoin has some essential features of money.

Asset, Liability, and Money



WHAT YOU OWN



WHAT YOU OWE

Both can be converted or evaluated by money.

Asset - Liability = Net Worth = How rich you are = “How much money you have”

What we can do with money?

money

Make Money, ...

HOW TO BE A GREAT TEAM FOR DISCUSSION

- **Listen.** Be sure that each team member has a full understanding of what other team members are saying.
- **Contribute.** Share all relevant information even if it conflicts with personal interests.
- **Include.** Ensure that everyone is included in the decision-making process.
- **Evaluate.** Determine what points team members agree on and what points they disagree on. Spend time evaluating the differences.
- **Time.** Don't waste time discussing those points that team members already agree on.
- **Compromise.** When used in consensus building, it doesn't mean that a team member will give up a position in exchange for support on another point. It does mean that the opinions of all team members are equally important, that each member will discuss an issue with an open mind, and is willing to fully support a decision made by the team.



QUESTIONS AND HOMEWORK

- Review the features of money, and think about why money must have those features;
- Check the exchange rate between US dollars and euro and British pounds;
- Check the inflation rate in United States and in China, Germany, Japan, and Brazil, and think about what you could use to explain the difference.
- Other than bitcoin, do you think there are other cryptocurrency types? Find it out.

GOOGLE IS YOUR BEST FRIEND!