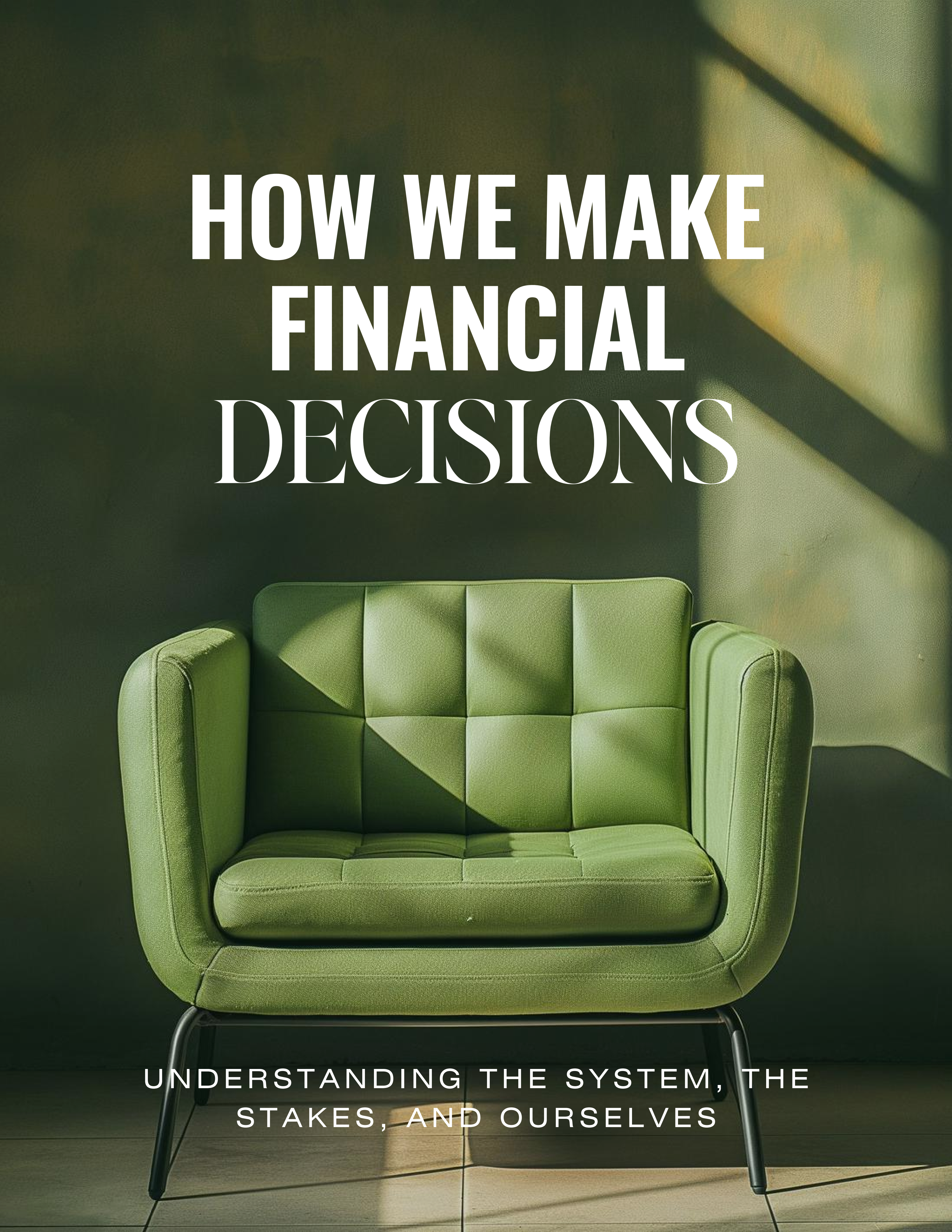


HOW WE MAKE FINANCIAL DECISIONS

UNDERSTANDING THE SYSTEM, THE STAKES, AND OURSELVES

WELCOME

WE'RE GOING TO LEARN HOW MONEY FLOWS

Finance affects every aspect of our daily life. What's going on in the world's financial landscape affects our decision making and well-being. When we understand this, we can make better "money decisions" and do it confidently.

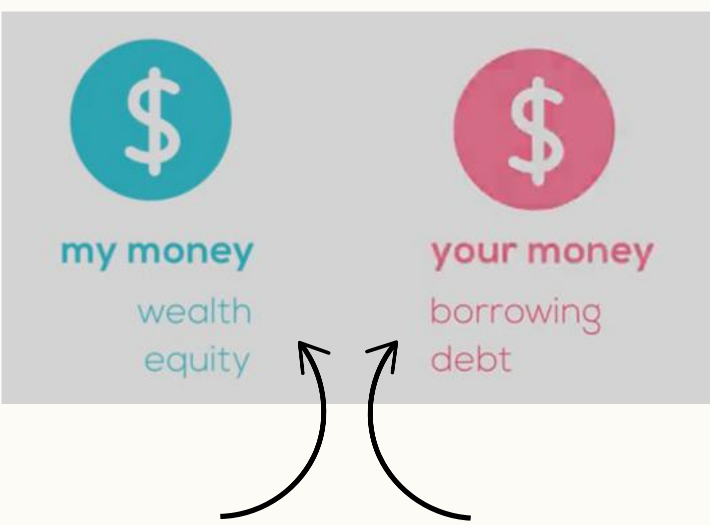
What to you think of when you hear the word finance?

WHY DO FINANCIAL DECISIONS MATTER?

FINANCE ISN'T ABOUT MONEY, IT'S ABOUT LIFE.

Let's start at the most basic level:

If we think of 2 types of money



Using my own money

Using other people's money

ARE MY FINANCIAL GOALS ALIGNED WITH MY DECISIONS?

Financial GOALS are what inform our *choices.*

We treat our money very differently that we would other people's money.

WE NEED TO MAKE THE DECISION TO MAKE AND INVEST MONEY

ARE WE MAKING FOR OURSELVES OR FOR OUR WORKPLACE?

ARE WE MEASURING SUCCESS INN THE SHORT OR LONG TERM?

THE BACKDROP TO ALL THESE DECISIONS IS A PLACE CALLED "THE FINANCIAL MARKETPLACE"

What happens in a financial marketplace?

Money is allocated from **those who have money (lenders)** to **those who need money (borrowers)** and it does this **efficiently.**

And, not in a Robinhood kind of way**. Banks and Insurance Companies transfer money via lending (**mortgages, lines of credit and credit cards**)**

Lenders and borrowers come from all sectors of the economy:

- households
- companies
- instritutions
- companies

WHAT YOU'Il LEARN HERE

Financial system basics:

- TYPES OF MONEY, DECISIONS AND STAKEHOLDER GOALS
- FINANCIAL MARKETS, INSTITUTIONS AND ALLOCATION
- THE WIDER IMPACTS OF MONEY FLOWS AND INCOME DISPERITY
- WHAT IS THE TIME VALUE OF MONEY?
- WHAT ARE THE ROLE OF INTEREST RATES?

FINANCE = MONEY DECISIONS

Personal: loans, credit cards, car lease etc.

Business (Corporate Finance): raising money, investing, risk management

Government: public spending, taxation, borowing

The Three Key Aspects of Financial Decisions

MOTIVATION – WHY ARE FINANCIAL DECISIONS MADE?

What are the underlying goals motivating people? Who are the stakeholders and how does a decision impact everyone involved?

MONEY FLOW – HOW DOES CASH MOVE THROUGH THE FINANCIAL SYSTEM?

What are the main financial markets? Which institutions are implicated? How are markets connected through money?

REPERCUSSIONS – WHAT ARE THE UNINTENDED CONSEQUENCES?

How have current events affected your financial well-being? What are social and ethical implications?

THE FIRST ASPECT OF
FINANCIAL DECISION MAKING

MOTIVATION

MY MONEY (EQUITY)

SHARES OF A COMPANY

OWNED MONEY

LONG-TERM INVESTMENTS

BUYING STOCKS

SAVING FOR RETIREMENT

MOTIVATION

THEIR MONEY (DEBT)

BORROWED MONEY

MORTGAGES

CREDIT CARD DEBT

LOANS

BONDS

What is the last financial decision you made that involved equity or debt?

QUESTION

MOTIVATION

WHY WOULD ANYONE WANT TO OWN SHARES IN A COMPANY?

To make more money? To earn a profit. What is profit?

Profit = revenue - (expenses and taxes)

Be mindful of using ”profit” to value a company. This is just an accounting term. So what’s a better metric?

MOTIVATION

THE SHARE PRICE

RATE OF RETURN =

$$\frac{\text{GAIN}}{\text{INVESTMENT}}$$

where we focus and what determines most financial decisions

$1 / $10 = 10%

MOTIVATION

LET'S CONSIDER...

WHAT IS MORE *critical* FOR US *in this moment?* SHORT-TERM *cashflow or LONG-TERM investment?*

CAN YOU SEE HOW THIS SIMPLE QUESTION AFFECTS THE DECISIONS YOU MAKE?

THE SECOND ASPECT OF
FINANCIAL DECISION MAKING

MONEY FLOW

MONEY FOLLOWS GOOD IDEAS

FREE MARKET

- *supply and demand*
- *little or no interventions*
- *privtae ownership*
- *competition*

REGULATED MARKET

- *pre-determined prices*
- *command and control*
- *few agents influence information*

MARKET SYSTEMS

CAPITALISM, think North America

think North Korea

MONEY FLOWS

WHY IS THIS IMPORTANT?

MONEY FLOWS

FINANCIAL MARKETS *are good examples of free markets.*

Money flows in the direction that gives it the **greatest opportunity** to **multiply**.

To move the idea from **mind to marketplace** - an **investment** of money is required. So then, the goal is for an idea to **generate more money** than it **consumes**.

MONEY FLOWS

How does MONEY FLOW FOR COMPANIES BUILT ON *good ideas?*

01 A COMPANY OFFERS SHARES TO THE PUBLIC THROUGH AN INNITIAL PUBLIC OFFERING (IPO)

---

02 THIS MONEY IS USED TO EXECUTE ON IT'S GROWTH STRATEGY.

---

03 THE 2 TYPED OF MONEY CONSIST OF EQUITY MONEY (STOCK) AND DEBT MONEY (BONDS)

---

04 THE COMPANY GENERATES REVENUE AND IS SUCCESSFUL WHEN IT GENERATES MORE MONEY THAN IT CONSUMES.

MONEY FLOWS

NOW BACK TO SHARE PRICE...

Total shares x share price = MARKET VALUE.

How CASH MOVES *(the financial markets)*

MONEY FLOWS

01

STOCK MARKET

Buying and selling ownership in companies.

02

BOND MARKET

Companies/governments borrowing money.

CAPITAL MARKETS

03

CURRENCY MARKET

Exchange rates impact global economies.

04

COMMODITIES MARKET

Oil, gold, raw materials.

Also... consider insurance, derivative products (derived from the "underlying asset", valued a 10x all of the goods and services produced globally)

WHY DO WE CARE?

FINANCIAL MARKETS AFFECT EVERYDAY LIFE

Grocery Prices & the Commodities Market

When the commodities market shows a spike in the price of wheat, the cost of everything from bread to pasta to cereal goes up at the grocery store.

Gas Prices & the Oil Market

If the price of crude oil rises in the global market (due to conflict in the Middle East or production cuts by OPEC), we pay more at the gas pump.

Mortgage Rates & the Bond Market

Mortgage rates are closely tied to government bond yields.
When the bond market expects inflation or instability, yields go up — and so do mortgage interest rates.

MONEY FLOWS

Introduction to the Time Value of Money

“Money is the sixth sense, which enables you to enjoy the other five.” – W. Somerset Maugham

Money doesn’t buy time, happiness, health, or sleep, but understanding its value over time can help us make smarter financial decisions.

WHAT IS THE TIME VALUE OF MONEY (TVM)?

one of the most important concepts in finance!!

DEFINITION:

The time value of money refers to the process of determining how money is valued over time.

Money today is worth more than the same amount in the future due to its earning potential.

How does money grow in value over time? **COMPOUNDING**!

For example, if I had $100 today, IF INVESTED, I could likely have $107 next year. That is why it is MORE VALUABLE today than $100 next year.

compounding - **future** values
discounting - **present** values

FACTORS AFFECTING THE TIME VALUE OF MONEY

01

INFLATION (REDUCES PURCHASING POWER)

02

INVESTMENT RETURNS (COMPOUNDS OVER TIME)

03

OPPORTUNITY COST (POTENTIAL GAINS FROM INVESTING)

04

RISK AND UNCERTAINTY (FUTURE MONEY MAY NOT MATERIALIZE)

FUTURE VALUE AND COMPOUNDING

$$FV = PV \times (1 + r)^t$$

PV = Present Value (amount today)

r = Interest rate per period

t = Number of periods

SAMPLE CALCULATION

$$FV = PV \times (1 + r)^t$$

$$FV = 100 \times (1 + 0.10)^3 = 100 \times (1.10)^3 = 100 \times 1.331 = 133.10$$

PV = Present Value (amount today)

r = Interest rate per period

t = Number of periods

\$100 invested at **10% annually** for **3 years**:

- Year 1: \$100 → \$110
- Year 2: \$110 → \$121
- Year 3: \$121 → \$133.10

SIMPLE *v* COMPOUND *interest*

interest on principal ONLY

interest on principal PLUS interest!!!

WHY I BRING THIS UP? CHILD SUPPORT INTEREST IS CALCULATED USING A SIMPLE INTEREST FORMULA!!! (NOT COOL, I AGREE)

Simple Interest is calculated only on the original principal amount.

$$\text{Interest} = \text{Principal} \times \text{Rate} \times \text{Time}$$

Principal (P) = $100

Rate (r) = 10% or 0.10

Time (t) = 3 years

$$\text{Interest} = 100 \times 0.10 \times 3 = 30$$

$$FV = 100 + 30 = \boxed{\$130}$$

Compound Interest is calculated on the initial principal AND the accumulated interest from previous periods.

$$FV = P \times (1 + r)^t$$

Principal (P) = $100

Rate (r) = 10% or 0.10

Time (t) = 3 years

$$FV = 100 \times (1.10)^3$$

$$100 \times 1.331 = \boxed{\$133.10}$$

PRESENT VALUE AND DISCOUNTING

$$PV = \frac{FV}{(1+r)^t}$$

PV = Present Value (amount today)

r = Interest rate per period

t = Number of periods

$$PV = \frac{133.10}{(1.1)^3} = 100$$

$100 today is equivalent to $133.10 in 3 years at 10% interest.

Frequency of Compounding

INTEREST CAN BE COMPOUNDED ANNUALLY, SEMIANNUALLY, QUARTERLY, MONTHLY, DAILY, ETC.

previously, we looked at yearly compounding

$$FV = PV \times \left(1 + \frac{r}{m}\right)^{t \times m}$$

m = Number of compounding periods per year.

If 10% annual interest is compounded monthly:

r = 10% / 12 = 0.0083 per month

t = 3 years × 12 months = 36 periods

FV = $100 × (1.0083)^36 = $135

The higher the FREQUENCY of compounding, the higher the FV!!! Credit cards compound DAILY!!!

NOMINAL VS. EFFECTIVE INTEREST RATES

APR (Nominal Rate): Stated rate before considering compounding.

Effective Annual Rate (EAR): The real annual interest including compounding.

$$EAR = \left(1 + \frac{APR}{m}\right)^m - 1$$

CREDIT CARD APR = 18.5%, COMPOUNDED DAILY (M = 365).

$EAR = (1 + 0.185/365)^{365} - 1 = 20.32\%$

A HIGHER EFFECTIVE RATE MEANS YOU'RE PAYING/EARNING MORE THAN EXPECTED.

HIGH-INTEREST LOANS & THE COST OF BORROWING

SMALL INTEREST RATES CAN HAVE BIG EFFECTS OVER TIME.

EXAMPLE:

Borrow $100 for 1 week at 5% per week.
Annual Percentage Rate (APR) = 5% × 52 weeks = 260%
Effective Annual Rate (EAR) = 1,164% – this is **predatory lending**.

Predatory loans often target people in **crisis** — those who need **small amounts of money fast.** Lenders make it look like a “small fee” for convenience — but the actual cost can trap people in debt spirals.

$$EAR = \left(1 + \frac{2.60}{52}\right)^{52} - 1 = (1 + 0.05)^{52} - 1$$

$$EAR = (1.05)^{52} - 1 \approx 12.64 - 1 = \boxed{11.64} = \boxed{1,164\%}$$

Many countries (e.g., Canada) have limits (e.g., 60% max APR).

OPPORTUNITY COST AND DECISION-MAKING

GOVERNMENT OFFERS $12M TODAY OR $15M IN 5 YEARS.
WE USE A BREAKEVEN INTEREST CALCULATION.

$$12M \times (1 + r)^5 = 15M$$

SOLVING FOR R → 4.56%

DECISION RULE: IF YOU CAN EARN MORE THAN 4.56% ON INVESTMENTS, TAKE THE $12M TODAY.

HOW ABOUT SOMETHING WE CAN SEE IN OUR OWN LIVES, PRACTICALLY...

OPPORTUNITY COST AND DECISION-MAKING

LET'S SAY YOU HAVE: A STUDENT LOAN AT **3.5% INTEREST** AND AN INVESTMENT OPPORTUNITY IN THE STOCK MARKET **EXPECTED TO RETURN 8%** ANNUALLY

SHOULD I USE $10,000 TO PAY OFF THE LOAN OR INVEST IT?

Option 1: Pay Off the Student Loan

You "earn" a **guaranteed 3.5%** by avoiding interest payments.

Over 5 years, this saves you:

$$FV = 10,000 \times (1 + 0.035)^5 \approx 10,000 \times 1.1877 = \boxed{\$11,877}$$

Option 2: Invest in the Stock Market

You invest the $10,000 at **8% annually**.

After 5 years:

$$FV = 10,000 \times (1 + 0.08)^5 = 10,000 \times 1.4693 = \boxed{\$14,693}$$

HOW ABOUT SOMETHING WE CAN SEE IN OUR OWN LIVES, PRACTICALLY...

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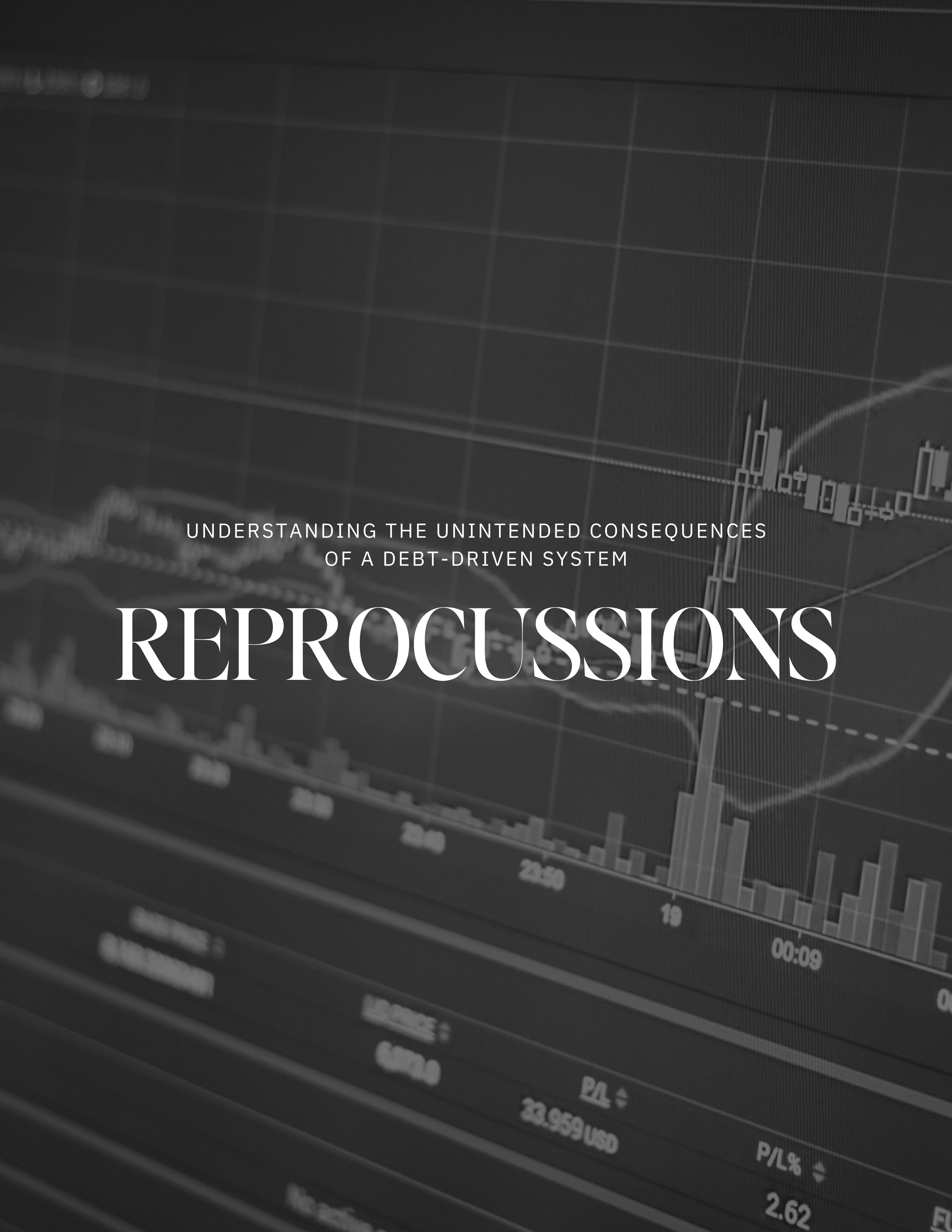
Option	Future Value	"Earnings"
Pay Off Loan	$11,877	$1,877
Invest Instead	$14,693	$4,693
Difference	—	**$2,816**

BUT CONSIDER THIS TOO:
ARE YOU PRONE TO STRESS ABOUT DEBT?
WILL HAVING THAT LOAN OFF YOUR BACK GIVE YOU PEACE OF MIND?
DO YOU HAVE A STABLE EMERGENCY FUND?
THERE'S MORE TO THIS THAN MATH.
OPPORTUNITY COST IS ALSO EMOTIONAL AND PSYCHOLOGICAL.

Let's Recap:

1. The value of money changes over time – investing early can grow wealth.
2. **Compounding** accelerates growth – earning interest on interest is powerful.
3. **Discounting** helps compare present and future values – key for financial planning.
4. **Frequent compounding** increases returns & costs – crucial for loans & investments.
5. **Understanding interest rates can protect against predatory lending & bad financial decisions.**



UNDERSTANDING THE UNINTENDED CONSEQUENCES
OF A DEBT-DRIVEN SYSTEM

REPROCUSSIONS

A WELL FUNCTIONING MARKET SYSTEM

- ○ rewards good ideas
- ○ allocates money flow
- ○ commercializes productive ideas
- ○ produces higher levels of wealth
- ○ low unemployment, low inflation and low interest rates

So... what's the down side?

LET'S HAVE A LOOK AT THE PERVERSE SIDE EFFECTS

IS IT ALL GOOD?

IS THE MARKET "RIGGED" TO FAVOUR THE FEW?

WHAT ARE THE SOCIAL AND ENVIRONMENTAL ISSUES?

CAN AN OVEREXTENDED DEBT MARKET BRING DOWN A FREE MARKET?

INCOME INEQUALITY

WE WANT TO BE LENDERS, NOT BORROWERS (FOR THE MOST PART)

The primary source of wealth for those with lots of capital comes in the form of **collecting rent which is today is extracted through fees and interest.**

Contrast this with the rest, who have **insufficient capital, and must borrow money**, and therefore must pay these rents, or fees, and interest keeping in mind that new money is created from new debt. *(fractional reserve banking - about 90% of money in circulation is created this way)*

In most modern economies, money **doesn't exist until someone borrows it.** When a bank gives out a loan, it doesn't take money from someone else's account — it creates that money digitally.

HERE'S HOW IT WORKS IN SIMPLE TERMS:

1. **You apply for a loan** – say, a $10,000 personal loan.
2. **The bank approves it.**
3. **That $10,000 appears in your account.**
    - It didn't come from the bank's vault.
    - It didn't come from another customer's deposit.
    - It was **created** out of thin air, using your promise to repay (the loan contract).

The loan becomes a **new asset** for the bank (your debt to them), and your deposit becomes a **new liability** (money you now "own").

WHAT HAPPENS WHEN THE MONEY SUPPLY GROWS BECAUSE OF TOO MUCH BORROWING?

1) **INFLATION**: When people borrow, they spend - which increases demand. But, if the economy can't produce the goods and services fast enough, prices rise. **TOO MUCH MONEY. NOT ENOUGH STUFF.**

2) **ASSET BUBBLES** - Borrowed money flows into the economy, prices rise far beyond real value, then people are left with the debt and devalued assets (housing crisis 2007-08)

3) **DEBT SLOWS GROWTH** - Too much money is owed, and people focus on paying debt instead of focusing on growing their businesses. **ECONOMIC SLOWDOWN** or **RECESSION**.

TOO MUCH BORROWING → INFLATES MONEY SUPPLY → INFLATES PRICES → BUBBLES → DEFLATES THE ECONOMY “the system as we know it will continue to widen the gap between the haves and the have-nots, and that the wealth will not actually trickle down”

WEALTH CREATES MORE WEALTH — IF YOU HAVE CAPITAL

The rich don’t just earn — they **own**.

- Wealthy individuals own assets: stocks, real estate, businesses.
- These assets generate income (dividends, rent, capital gains) — passively.
- And that income is usually reinvested, compounding over time.

Meanwhile, most people:

- Earn active income (salaries, wages).
- Have little or no assets.
- Spend most of what they earn to cover basic living expenses.

So while **wages grow slowly, capital multiplies itself.**

CAPITAL IS TAXED LESS THAN LABOUR

This is huge.

- If you earn money from work, you're taxed at a higher rate.
- If you earn money from investments, you get favourable tax rates (capital gains, dividends).
- The ultra-wealthy structure their income to come mostly from capital — not work.

Warren Buffett famously said he pays a lower tax rate than his secretary — because his income comes from investments.

FINANCIALIZATION OF THE ECONOMY

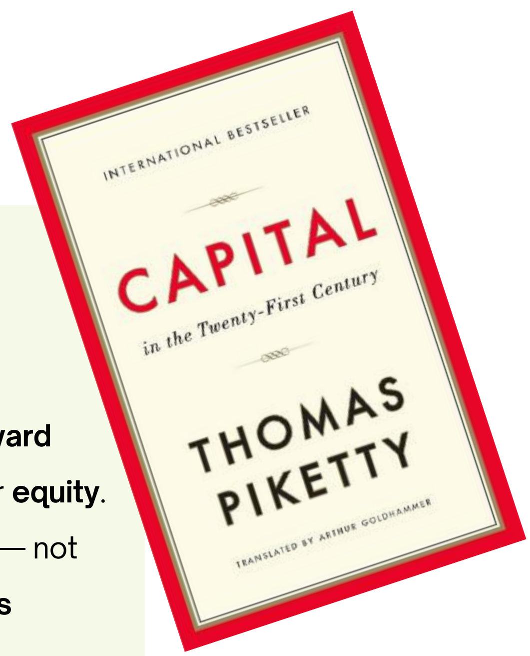
Since the 1980s, we've shifted from:

- Making things (real economy)
- To moving money (financial economy)

The FIRE sectors (Finance, Insurance, Real Estate):

- Extract value from the economy without always creating new wealth.
- Absorb larger and larger chunks of GDP.

This **drains income from working people** and **redirects it to capital owners** and **institutions.**



In summary...

The gap is growing because the rules of the system **reward capital** over **labor**, **ownership** over **effort**, and **debt** over **equity**. Without intervention, the system **concentrates wealth** — not because it's broken, but because it's **working exactly as designed.**

WHAT CAN WE DO?

CHANGE THE INNER IDENTITY FIRST

Before wealth shifts externally, it must shift internally. Wealth isn't just money — it’s: Ownership of your time, Control over your narrative, Intentional use of your energy.

BECOME AN OWNER – START SMALL, THINK LONG

Ownership means: Owning assets (not just income), Planting seeds now that grow later. How to start: Buy ETFs or fractional shares, Open a TFSA or Roth IRA, Invest weekly or monthly, Involve your kids.

STOP LEAKING MONEY TO THE SYSTEM

Every interest payment = profit for someone else. Pay off high-interest debt first. Be strategic about what gets your dollars. Track your spending with the question: Am I owning? Or consuming?

LEARN THE GAME — BECAUSE IT’S LEARNABLE

You don’t need to be perfect — you just need to start. Focus on these four areas: Investing, taxes, debt, ownership.

WHAT MORE?

BUILD OWNERSHIP BEYOND MONEY

Own your voice (public speaking, content creation), Own your story (don't let shame narrate your life), Own your gifts (launch a service, an offer, a product). Every act of ownership — no matter how small — builds a system of power outside the one that exploits you.

PROTECT YOUR FAMILY WITH SYSTEMS, NOT HUSTLE

- Emergency fund = 1–3 months of expenses in a high-yield savings account
- Insurance: life, disability, dental — peace of mind is priceless
- Legal basics: Will, beneficiary designations, emergency contacts
- Support networks: Not just friends — build alliances

*The world may be unequal — but your response to it can be **powerful.***
*You don't need to **wait for the system to change.***
***You become the change** — **by learning, investing, owning,** and **rising** anyway.*

YES, FREE MARKETS CAN DEEPEN INEQUALITY. BUT THEY'VE ALSO HISTORICALLY BEEN THE MOST POWERFUL TOOL FOR LIFTING MILLIONS OF PEOPLE OUT OF POVERTY — WHEN THEY'RE WORKING WELL.

FREE MARKETS INCENTIVIZE INNOVATION & PRODUCTIVITY

- Entrepreneurs are rewarded for solving problems.
- New products and services create jobs, industries, and opportunity.

MORE COMPETITION = LOWER PRICES

- Free markets tend to drive down costs over time through competition.
- This increases access to goods and services — especially tech and essentials.

INVESTMENT FLOWS TO WHERE IT'S MOST PRODUCTIVE

- Free capital flows allow small businesses and emerging economies to attract funding.
- Microfinance, venture capital, and crowdfunding are all market-based tools that empower people with no access to traditional banks.


EVERY DECISION WE MAKE — HOW WE SPEND, WHAT WE INVEST IN, HOW WE EDUCATE OURSELVES AND OUR CHILDREN — SHAPES THE SYSTEM WE LIVE IN.

The TAKEAWAYS

MARKETS ARE **POWERFUL TOOLS** — BUT THEY NEED **CONSCIOUS PARTICIPANTS**

We can't afford to move through this system passively. Understanding how money flows, how interest works, and how power is distributed helps us play the game strategically, not blindly.

WE DON'T JUST WORK IN THE ECONOMY — WE INFLUENCE IT

- Every dollar we spend or invest is a vote for the kind of world we want.
- Every financial decision either builds our future or someone else's.

DEBT ISN'T JUST A PERSONAL BURDEN — IT'S A STRUCTURAL FORCE

Being mindful of how we use debt (and how much of it we carry) is one way we protect ourselves — and push back against a system that thrives on our instability.

OWNERSHIP IS PROTECTION

Owning even a small piece of the system — through ETFs, other investments, a business, or a skill — begins to shift us from consumers to creators.

FINAL THOUGHT

The system may not have been built for us — but we can still learn it, master it, and use it to build something better.

Not just for ourselves, but for our families, our communities, and everyone who comes after us.

We don't need to wait for permission. We just need to start.