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CASH CRASH COURSE

Money Made Simple

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Basics of Supply and Demand

DEMAND

Picture this. You're walking out of the Apple store. The new iPhone 17 just dropped, and everyone is rushing to get one. In your hands, you hold the latest model. It was expensive, but you know it's worth it because there are so many new features that make your old iPhone seem dull in comparison. Everyone around you feels the same, eyes fixated on their new phones. Apple knows the impact that a launch can have on consumers because it knows that demand is very high, as everyone wants the latest model, whether it be because of the added features or merely just the status symbol that the brand carries. Either way, Apple knows to set a higher price because people are willing to pay more for it.

Your friend, on the other hand, has decided to wait until next year to purchase the iPhone 17. Soon, a year passes, and you are awaiting the drop of the iPhone 18 Your friend has just purchased the iPhone 17. Curious about why they waited until now, you ask them. They explain how, over time, as newer models are released, the demand for the older models decreases significantly. Not many people decide to buy the older version when there's a newer model available. And it's not just because of the upgraded features. Sometimes, owning the latest version feels like a way to fit in or boost your image. On the other hand, being the only person with an outdated phone while everyone else has the new one can make you feel left out. Because of this, the price for the older models drops, and your friend was able to get the older model for a lot less than you paid for it. Maybe it's time to stop worrying so much about what others think and focus on yourself.

RELATION TO PRICE

Have you ever wondered why the price of something increases? Prices Prices tend to go up when a lot of people want something but there isn't enough of it to go around, essentially high demand but low supply. For instance, when the iPhone 17 launched, everyone wanted one. Because of this, stores ran out of stock quickly, and sellers were able to charge more because people were still willing to pay.

On the other hand, prices drop when not many people want something or when there's too much of it available, essentially low demand and high supply. Think of how stores offer discounts when a fashion trend fades or when they have leftover stock. Overall, when demand goes up, prices rise. And when demand goes down, prices fall. It's all about balance between how much people want something and how much of it there is.

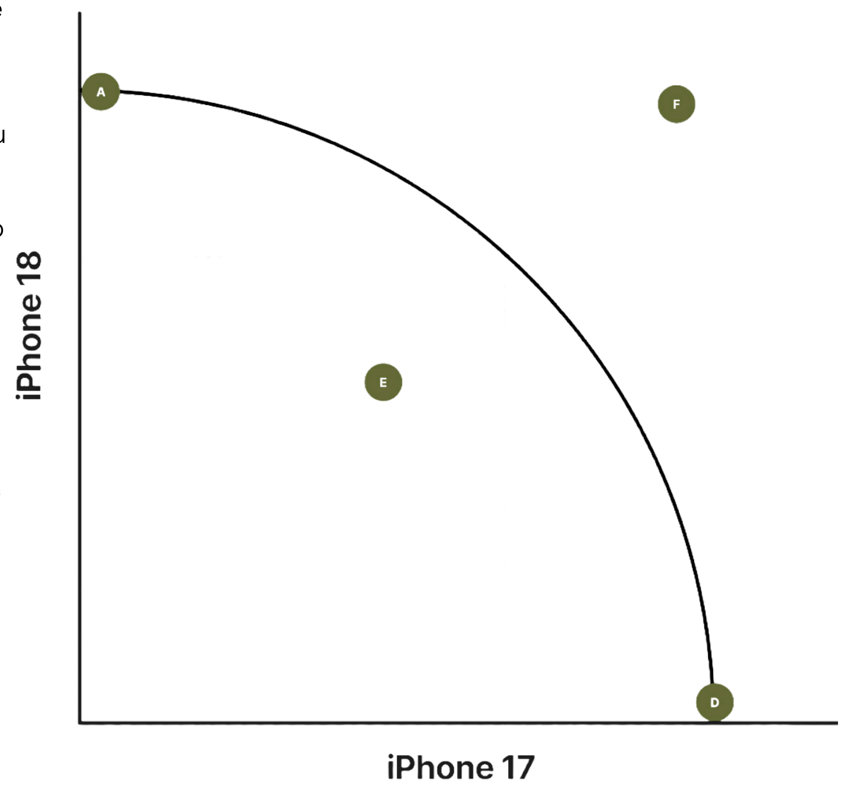
SUPPLY

On the other side of the equation is supply, which represents the amount of a product that producers are willing to sell at different prices. When the iPhone 16 was initially launched, the prices were high, and Apple sold higher amounts of the product due to the high demand. But as the excitement to purchase the latest model faded and the prices dropped, Apple limited production to avoid overstocking or losing money. This relationship between supply and price follows the law of supply, which states that producers are willing to supply more at higher prices and less at lower prices.

EQUILIBRIUM PRICE

The point where demand and supply meet is called the equilibrium price. The equilibrium price occurs when the quantity consumers want to buy is equal to the quantity producers want to sell. As time passes, Apple adjusts the iPhone 16's prices and production levels so that both customers and suppliers are satisfied.

Imagine going back to school next year with everything you've learned. Your classmate might have the new iPhone 18, but rather than feeling envious, you'll know you made the wiser choice, saving that money to invest in your future.



Point A within the graph demonstrates how there are more of Goods A being produced and none of Goods B are being produced.
Point D shows where Goods A is not being produced and more of Goods B is being produced.
Point E demonstrates that all resources are not being used.
Point F illustrates an impossible point, as it is located outside of the PPF curve.

02

The Psychology of Spending

There are two types of products that people purchase: needs and wants. Needs are defined as the things that we need to survive, like water and food. While wants are the things that we buy regardless of their necessity. This brings us to spending. While most of our purchases account for our needs, which don't require much thinking, the things we buy simply because we want them are controlled by several other factors, like emotions, cognitive biases, and social influences..

DOPAMINE REWARD LOOP

Our brains are hardwired to reward behaviors that feel good. When you buy something, dopamine is released in the reward centers of the brain, giving you a rush I'm certain you've felt before. The problem is that once the excitement from the initial buy fades, you feel the need to buy more and more and more, creating something called the dopamine reward loop. This loop explains why shopping is almost addictive. Purchases must be made over and over in order to maintain the dopamine rush. That rush can encourage emotional spending.

COGNITIVE BIASES

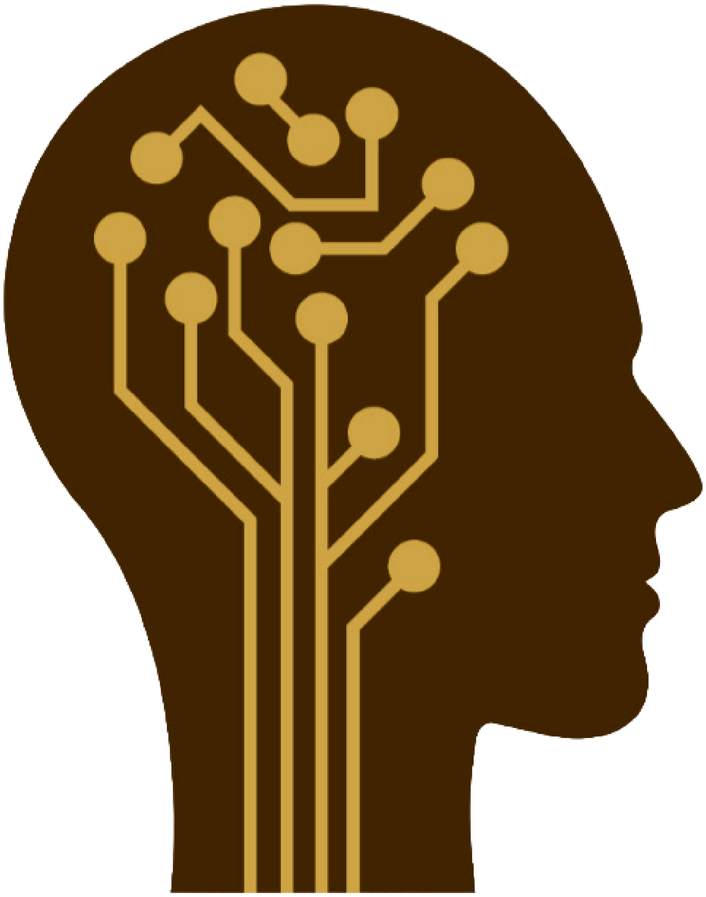
Our spending decisions are also shaped by cognitive biases that help our brains make quick judgments. A cognitive bias is a mental shortcut that can often lead to irrational behavior.

- Loss aversion is a cognitive bias that occurs when individuals feel the pain of a loss more intensely than the pleasure of an equivalent gain. This can lead to people choosing to avoid losses over acquiring gains. Loss aversion makes us fear losing money more than we value gaining it, which can make us overly cautious or hesitant to invest
-
- Picture winning the lottery. Now, picture what you'd do with the money. Maybe you'd buy a car or a house in front of the beach. Mental accounting leads us to treat money differently depending on where it comes from, like spending birthday cash more freely than our salary. Cognitive biases make us reluctant to spend large bills, even when they're worth the same as several smaller ones. These biases change the way we make financial decisions when it comes to spending, often without us realizing.

EMOTIONAL SPENDING

Emotions play an equally important role in spending. People shop not because they need something, but because it helps them cope with sadness, boredom, or stress. This is called emotional spending. The problem is that emotional purchases don't always bring long-lasting pleasure like other purchases do. The happiness that you receive from goods or services bought from emotional spending causes temporary pleasure. Social factors also add to this complexity. When you see a friend or influencer spend money on expensive and luxurious things, you end up comparing yourself to them, leading you to spend extra money on products you don't want or need, rather than genuinely wanting them.

Psychologically speaking, some items are necessary, and some items really aren't. It's important to think before purchasing something you're thinking about. Understanding the psychology behind spending allows us to make decisions that bring not only financial stability but also emotional satisfaction. Money might just be a tool, but how we use it can define the rest of our lives.



03

How To Invest

Have you ever heard of Warren Buffett? The most well-known and successful investor of all time? One of the top ten richest people on the planet? He started investing at the early age of 11. He bought 3 shares of Cities Service preferred stock, which totaled $114.75 in 1942. Despite the stock's drastic drop in price immediately after, lessons were learned, and the greatest investor was born. In Warren Buffett's own words,

"The best time to invest was yesterday. The second-best time is now."

WHAT IS INVESTING REALLY?

It is defined simply as putting your money into assets in order to reach a certain financial goal. People invest all the time because it is a means of gaining the funds they need to achieve future financial stability and security. Starting at a young age gives you more time to improve your investing skills, so that one day, you too can stand tall amongst the billionaires.

Investing young is easier than most believe it to be. While you may not be able to directly open a mutual fund account, your parents have the ability to open an account under your name and operate it on your behalf. If you're wondering what a mutual fund is, it's pretty simple. It's a way to pool your money with the money of many other investors, which is then invested in a number of companies and assets by investing experts. This helps your money grow faster, and by the time you're an adult, you'll have earned a large enough sum to do with as you please.

Although mutual funds are the easiest way for children under 18 to invest, there are different types of assets. Like stocks and bonds. Thinks of stocks like a small portion of the company that you own. If the company does well, the value of the stock will rise, and your profit will go up. Stocks are thought of as high-risk investments. They're hard to predict and can lead to significant losses, but potentially stocks can lead to a high reward. Bonds, on the other hand, are considered low-risk. The downfall is that they're also low-return. With bonds, you lend money to a business, and when the money's returned, you get interest. Expert investors try to invest in a range of investments, like stocks, bonds, and other assets to minimize loss. Basically, it makes you less likely to lose a lot of money if one type does badly.

Before you start investing, it's important to think about the factors you need to consider when deciding what businesses to invest in. While risks may seem necessary for big profit, you need to find out how much risk you're willing to take. Your answer can influence whether or not stocks or bonds are meant for you. Similarly, you have to keep your goals in mind. Are you saving for a short-term or long-term goal? If your goal is long-term, do you see your asset and selected business giving you that profit by then? Think about your timeline and commit to a period of time where you can keep your investments longer. As Warren Buffett said,

"You can't produce a baby in one month by getting nine women pregnant."

It's important to invest in a business that fits all your requirements.

TIPS ON INVESTING

1. Never invest all of your money - If the value of the asset decreases, and things don't go as planned. You may lose all your money. It's always better to keep some of your money in a savings account and to spread the rest over a mix of investment options.
2. Invest regularly - Adding more money to a stock that you're certain is going to go up in value can double, or even triple, your profits.
3. Think long-term - If an investment isn't doing well at the moment, don't remove your stocks hastily. Always consider the potential it has for the future.
4. Invest in businesses and companies you're interested in - If you know a lot about the company, you're bound to know about their potential. If you think that the company's value will increase, or the upcoming products will trend, go with your gut.

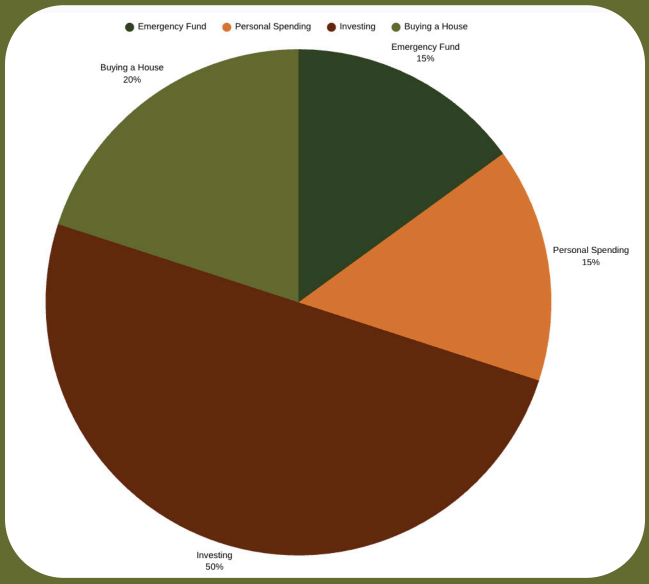
Now it's your turn. While it may take several tries to succeed and profit from your investments, investing is about learning from your mistakes. Remember, even the richest investors started small. Start now to build your financial future.

YOUR $1 MILLION PLAN

How would you divide your $1 million? Label each part of the pie chart to show how much you'd spend, save, and invest, and on what.

PLANNING

Example:



ARE YOU SPENDING RESPONSIBLY?

YOU SEE A LIMITED TIME ONLY SIGN THAT SAYS, "ONLY 2 LEFT".

a) You buy it immediately because what if it's gone later?
b) You think about it for a bit, then decide.
c) You ignore it because if you didn't want it before, you don't need it now.

YOU'RE BORED SO YOU SCROLL THROUGH AN ONLINE STORE.

a) You usually end up buying something to feel better.
b) You add things to your cart but don't always buy.
c) You do something else that makes you happy instead.

YOU BUY SOMETHING EXPENSIVE AND CONVINCE YOURSELF THAT IT WAS WORTH IT

a) You do that a lot because you hate feeling like you wasted money.
b) Sometimes, but you usually check if you really needed it.
c) You don't mind admitting that you made a mistake.

WHEN YOU RECEIVE MONEY AS A GIFT, YOU...

a) Spend it all right away just for fun.
b) Spend some and save some.
c) Save or invest most of it for later.

YOUR RESULTS

Mostly A's: You are an emotional spender. You should probably do something about it.
Mostly B's: You're learning! Keep being aware of why you buy.
Mostly C's: Money master! You know how to keep your brain in check and make good choices.

DESIGN YOUR OWN CURRENCY

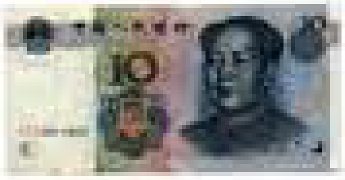
Value: The number that shows how much the bill or coin is worth.

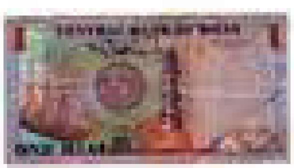
Serial Number: A unique code printed on each note so every bill is traceable.

Bank Name: The name of the central bank or authority that issues the money.

Portraits or Icons: Usually a famous leader, historical figure, scientist, or national hero.

OTHER INSPIRATION:





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