

Real World Graduation: Question 1

Edward D Duvall
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Question 1

Choose the correct answer.

What investment strategy is best to promote long-term prosperity for persons aged 18 to 25?

- a) A mixture of stocks and bonds
- b) Gold, silver, precious metals, jewels
- c) Real estate
- d) Fine art
- e) A mixture of the above

(Answer on p. 2)

Answer to Question 1

This is a trick question. None of the answers are correct, because all of them require investments in order to acquire them. Investments can be made only out of savings, and savings is what is left after you have met your living expenses. For the average person aged 18 - 22, there is little in the way of excess after living expenses. Therefore, it is necessary first to invest in yourself such that you will have income to invest after expenses.

You are the only thing that you are guaranteed to have for the rest of your life. As my father told me, "Education is the only thing they can't take away from you."

The answer to this question is: that you should always invest in yourself, meaning you should get as good an education as you can afford. That does not necessarily mean that you should go to college, or get into the elite private schools. Contrary to what our so-called "education experts" tell us, college is not for everyone. A life of useful work that pays the bill is for everyone. It is true that we live in a technological society, and an education that is based on math and some sort of technology will usually command higher wages in the long run. But many people find they would rather work the "blue collar" jobs. If you are happier working at a blue collar profession, all well and good. The important point is to get the best training for the profession you have chosen, and find a job you enjoy.

This is true even if you have to go into debt to get that education or training. Make sure you don't go too deeply in debt because you will spend many years paying it off when you should be at that time investing for your retirement. Here is a good rule of thumb. Research the annual entry-level income of the profession you are trying to become qualified for. The maximum debt you should enter into in order for that education to pay off financially is about two-thirds of that starting income. For example, if the profession you choose pays \$40,000 per year at entry level, then you should incur at most about \$26,000 in the course of training for it. The only exceptions are the legal and medical professions, which can tolerate higher debt levels because the rate of increase in income potential over time is much higher.