

ACTIVITY 1

SAMANTHA CASE STUDY

Samantha was sick and tired of not having enough money to buy the things she wanted. She expressed her frustration to her father, declaring “I need to make some money. I want to start my own business!” Her father was impressed by her determination, and he quickly saw an opportunity to teach his daughter some money management and entrepreneurship skills. He suggested that she check out the old lawn mower in the garage. “The motor died about a month ago, so it’s been sitting there unused. If you can fix it, it’s yours. And, with a working lawn mower, you would be steps away from being a business owner.”

Samantha didn’t know how to fix engines, but she immediately remembered her neighbor Doug, a retired mechanic who might be able to get her lawn mower in working order free of charge. As hoped for, Doug was happy to help, and he quickly identified the problem: the mower needed new parts. But, as Samantha quickly learned on her trip to the hardware store, the new parts cost money—\$44, to be exact. The whole reason for starting this business was because Samantha didn’t have enough money in the first place!

Samantha didn’t want to give up so easily though. Maybe spending some money up front would be worth it if she could have a money-making business in the long run. When she got home, Samantha asked her father for the money to purchase the lawn mower parts. Her father said he would loan her half of the money if she promised to pay him back. Samantha went up to her room and scraped together \$22 from her piggy bank, her change purses, and a birthday card from Grandma. She agreed to take her father’s loan of \$22.

A few days later, Doug had fixed the lawn mower, and Samantha had secured her first client. A family friend named David had agreed to let Samantha mow his lawn for \$20. However, there was another hitch: the lawn mower didn’t have gas! Samantha went back to her father and asked for help purchasing fuel. Her father was impressed that she had gotten the mower running again, and he suggested she buy some lawn bags and a rake to make sure she was totally prepared for her first job. He said he would loan her the \$28 necessary to cover these costs if she paid him back. Excited to get her business up and running, Samantha agreed.

Early the next Saturday, Samantha spent several hours mowing and raking the lawn. Much to her excitement, David presented Samantha with a crisp new \$20 bill. She set up an appointment in two weeks to mow the lawn again. Wow! This would mean another \$20. At this rate, she figured that she would make \$120 mowing the lawn every other week for the next 12 weeks.

Samantha ran home to celebrate her success, her imagination running wild with thoughts of all the things she could now buy—both for herself and for her new business. However, Samantha’s excitement was tempered when she saw a sheet of paper taped on her bedroom with “Samantha Debt To Dad: \$50!” written in big letters. When Samantha went to her father, she asked when she had to pay him back. Her father gave her three options:

1. Samantha could pay him all of the \$20 for each lawn mowed until the debt is paid off.
2. Samantha could pay him only \$10 for each lawn mowed until the debt is paid off, but her father would charge her 5% interest on her debt every time she mowed a lawn. (In other words, he would add \$1 to her debt for each lawn mowed.)
3. Samantha could pay him nothing at all, but only if Samantha agreed to make him a part-owner of the business. As a part-owner of the business, Samantha’s dad would have a say in the business and receive 25% of all future earnings made through the lawn mowing business.

ACTIVITY 2

SAMANTHA'S DEBT OPTIONS

Cost/Benefit Analysis: A process of examining the advantages (benefits) and disadvantages (costs) of each available alternative in arriving at a decision.

Directions: With your group, fill out the timeline, benefits, and costs for each of Samantha's debt repayment options. After you've completed the chart, decide as a group which option you'd choose if you were Samantha.

	Option #1: Pay Dad \$20 for each lawn mowed	Option #2: Pay Dad only \$10 for each lawn mowed, but 5% interest for each lawn mowed	Option #3: Pay Dad nothing but give father 25% of all future earnings
Time To Pay?			
Benefits (Advantages)			
Costs (Disadvantages)			

FINAL DECISION: If you were Samantha, which option would you choose? Why?

ACTIVITY 2-A

SAMANTHA'S DEBT OPTIONS - ANSWERS

Cost/Benefit Analysis: A process of examining the advantages (benefits) and disadvantages (costs) of each available alternative in arriving at a decision.

Directions: With your group, fill out the timeline, benefits, and costs for each of Samantha's debt repayment options. After you've completed the chart, decide as a group which option you'd choose if you were Samantha.

	Option #1: Pay Dad \$20 for each lawn mowed	Option #2: Pay Dad only \$10 for each lawn mowed, but 5% interest for each lawn mowed	Option #3: Pay Dad nothing but give father 25% of all future earnings
Time To Pay?	<i>Three lawn mowings (with only \$10 given on the last mowing)</i>	<i>Six lawn mowings (five jobs will pay off the original debt, but Samantha will need to mow one more lawn in order to cover the additional \$1 in interest per lawn mowed)</i>	<i>No time at all</i>
Benefits (Advantages)	<i>Be debt-free very quickly Samantha won't have to pay any additional money beyond the \$50</i>	<i>Be debt-free somewhat quickly For each lawn mowed, Samantha will have some money for personal or business expenses</i>	<i>Be debt-free instantly Samantha can spend all of the \$20 she earned mowing her first lawn, and she can spend all of her future earnings on personal or business expenses If her father is a part owner, he may continue to contribute money to cover business expenses</i>
Costs (Disadvantages)	<i>Samantha won't have any money for personal or business expenses for the first three lawn mowings</i>	<i>Does not get rid of debt as quickly as with Option #1 or Option #3 Will end up paying her father more money than she originally borrowed Cannot use all of her earnings from the mowings for personal and business expenses because she will be repaying her debt</i>	<i>Gives up 25% of future earnings—she will only get to keep \$15 per lawn mowed instead of \$20 Gives up full ownership. Samantha can't make all decisions about the business by herself.</i>

FINAL DECISION: If you were Samantha, which option would you choose? Why?

ACTIVITY 3**CLIENT ADVISORY SERVICES**

Instructions: You are an expert in business financing. You know the difference between personal savings, debt financing, and equity financing, and you how entrepreneurs should fund their businesses based on their individual needs. Listen carefully as your partner reads aloud his or her case, which describes the client's business idea and funding needs. Using the information provided in the case, provide your client with a recommendation that addresses the following questions.

a. Would you advise your client to use their personal savings, debt financing, or equity financing? Why?

b. If you advise your client to seek external financing, where would you advise your client seek a loan or an equity exchange? Circle one.

Friends and family loan

Friends and family equity exchange

Traditional loan (bank or credit union)

Government-guaranteed loan

Microfinance

Angel Investor

Venture capital

c. Why would you choose this source?

ACTIVITY 4

BOOTSTRAP YOUR WAY INTO BUSINESS

1. Spend a few minutes with your group brainstorming possible products and/or services you could sell with your two objects.

OBJECT #1: _____	OBJECT #2: _____

2. Based on your brainstorm, what is the best idea for a business you can come up with using your two objects? How would you make money? Who would you sell your service/product to? Describe your business idea in 2-3 sentences.

3. Imagine that you make \$200 from your new business. How will you reinvest the money in your business? What could you purchase that would allow you to grow your business?