

## Case Study: #9 The Latte Factor - Brewing Your Financial Future

### Meet Maya

Maya, a 17-year-old high school senior, loves her daily iced caramel latte from the local coffee shop. It's a small indulgence that brightens her mornings and gives her a boost of energy before school. However, at \$5 a pop, her daily coffee habit is starting to put a dent in her wallet. Maya dreams of traveling the world after graduation, but she's worried she won't be able to save enough money if she keeps spending on her lattes.

### The Latte Factor in Action

Maya decides to do some calculations. She realizes that her daily latte habit costs her  $\$5 \times 365$  days =  $\$1825$  per year! That's a significant amount of money that could be going towards her travel fund.

### Questions for Maya (and You!)

1. **Opportunity Cost:** What is the opportunity cost of Maya's daily latte habit? What could she do with that  $\$1825$  per year if she didn't spend it on coffee?
2. **Compound Interest:** Let's say Maya decides to invest the  $\$1825$  she saves each year in a diversified index fund with an average annual return of 7%. Use a compound interest calculator to estimate how much her investment would grow over 5, 10, and 20 years.
3. **Budgeting & Prioritizing:** How can Maya create a budget that allows her to enjoy occasional lattes while still saving for her travel goal? What other discretionary expenses could she potentially cut back on?
4. **Behavioral Factors:** What psychological or social factors might make it difficult for Maya to change her spending habits? How can she overcome these challenges?
5. **Alternative Strategies:** Besides cutting back on lattes, what other strategies could Maya use to reach her travel savings goal faster? (Think about increasing income, finding cheaper alternatives, etc.)

### Critical Thinking Challenge

- **The "Latte Factor" Beyond Coffee:** Identify other "latte factors" in your own life - small, recurring expenses that might be hindering your financial goals. Calculate the annual cost of these expenses and consider the potential impact of redirecting that money toward savings or investments.
- **The Power of Habit:** Discuss how habits, both good and bad, can shape our financial futures. How can we develop positive financial habits and break free from negative ones?
- **Delayed Gratification:** Explain the concept of delayed gratification and its importance in achieving long-term financial goals. How can we train ourselves to prioritize future rewards over immediate pleasures?

### Remember:

- There are no right or wrong answers, but thoughtful analysis and reflection are key.
- Use online resources and tools to support your calculations and research.
- Discuss your findings with classmates or a trusted adult to gain different perspectives.