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“Times and conditions change so rapidly that we must keep our aim constantly focused on the future.”

-Walt Disney:
American entrepreneur, animator, voice actor and film producer

Technological Advances that Could Change our Lives

By Christopher W. Beale, CFP®

I bought a new car last month and I was wondering if it would be the last car I ever buy. Or maybe the last car I ever drive?

I gave my old car which I had kept for 10 years to my son, Jon. He graduated college in three and a half years so we agreed that some of the savings from not having to pay for that last semester would be used to purchase him a car. Of course, he reminded me that the value of my old car is less than a third of what I would have paid for his last semester. Nonetheless, he was very grateful for the car and we both considered it a good deal for each of us.

I intend to keep my new car for at least 10 years. Let's take a peek into the future to imagine what life, or at least transportation, could look like 10 years from now.

By now you're at least familiar with the concept of driverless cars. What happens when driverless cars meet head on (pun intended) with the new sharing economy? Ride sharing companies like Uber and Lyft have already disrupted the taxi industry and will continue to disrupt the auto industry. When a friend and client asked me what I thought of Ford Motor Company as an investment, I had to ask myself "Is Ford a car company or is it a technology company?" If it's a car company, it could have a limited future. If it becomes a technology company, it will benefit from the disruption taking place in the auto industry.

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State of our Financial Literacy

By Christopher M. Lee, CFP®

As some of you may know, one of my passions is forwarding the progress of financial literacy in our youth, so much so that I am currently president of Connecticut Jumpstart (www.ctjumpstart.org), which is a non-profit of individuals and organizations that represents business, government, and education who have joined together to improve the personal financial literacy of Connecticut youth. Why this passion? My belief is that if we want to have a society that is less dependent/reliant on government, then we need to teach our youth the importance of savings, budgeting, credit cards, loans, and investments. I know as a parent, that we want our kids to grow up to be independent and make good quality decisions in their life (and financial life). So why don't we have the same goal for our society? The cost of making a couple of bad financial decisions early in life can have lasting effects on these young adults. As Aristotle once said over 2,000 years ago, which still rings true today, "The neglect of education does harm to the political order".

When I first joined this board seven years ago, the coalition was fresh off a defeat due to a bill that was pulled days before the general session to make personal finance a graduation requirement for high school students. Why was this bill, which makes so much sense, pulled? It was pulled for several reasons; the primary one being funding (of course).

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Technological Advances that Could Change our Lives

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The disruption caused by driverless cars and ride sharing will not be limited to the auto industry. Old companies will become obsolete and new companies and whole new industries will pop up to meet new ownership demands and driving preferences. Imagine that towns and cities can repurpose acres of parking lots for commercial and residential use. If a self-driving car can drop you in front of your downtown office building, it won't need to stay (be parked) in the city all day. Your driverless car can go out of city limits to an electric charging station and wait until you summon it back to the office to take you home. If you live in the city, your car doesn't have to live there. It can be parked in a less expensive piece of real estate outside the city limits.

If you prefer not to have your car waiting for you at the charging station all day, how about earning income from your car by adding it to a ride sharing fleet? Several transportation studies conclude that the average car moves 5% of the time. The other 95%, they're parked. This sounds like an incredible waste of time, money and space.

Since driverless cars are programmed to be more precise, not only will they be safer, but highway lanes wouldn't have to be as wide. This means a four-lane highway could turn into a six-lane highway using the same amount of space. Speed limits can be increased to 80 or even 100 miles per hour. These changes would eliminate traffic jams, making travel easier, more convenient, more efficient and safer. We could eliminate drunk driving and texting while driving. What a benefit to eliminate 30,000 US highway deaths per year!

Of course, there are unintended consequences of every good intention. Fewer accidents would reduce hospital emergency rooms and related medical personnel. We would have fewer organ donations, and the gecko would need to find another job as auto insurers like Geico would suffer in a world with fewer (zero?) accidents. Body shops, cab companies, and trucking companies would be displaced.

Maybe this vision isn't 10 years away. Maybe it will happen sooner. Artificial intelligence is here – today. If you don't believe me, just ask Siri or Amazon's Alexa. An IHS automotive study estimates global sales of 600,000 driverless cars in 2025, only eight years from now. The study further states an assumed annual growth rate of 43% between 2025 and 2035. This means 22 million driverless cars would be sold in 2035 and a total of 54 million driverless cars would be on the road by 2035.

Long range infrared thermal imaging radar (your driverless car will "see" that deer in the woods and be able to brake and avoid the deer before it crosses the road), vehicle to vehicle communication, software, semi-conductors, and advanced mapping are already being tested or used in cars today. The autonomous vehicles being tested today average 200 decisions PER SECOND!

Companies are preparing for these changes today. Intel recently paid \$15 billion for Mobileye which makes software for autonomous vehicles. This shows me that big companies understand how significant this market will be.

Waymo is the driverless car unit of Google. Waymo reached an agreement last week with Avis where Avis will use its rental car lots as a depot for Waymo's driverless car fleet. Avis, which owns Zipcars, will not only use its facilities to park the Waymo's cars but it will service and clean the cars too. According to the Wall Street Journal, Waymo is ramping up a program it launched in April in Phoenix to eventually give hundreds of selected residents free rides in their self-driving cars.

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"The future ain't what it used to be."

-Yogi Berra:
American Baseball
player , Manager
and Coach

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Redwood City CA will be a test city for driverless cars for a geographic portion of the city. Most people never heard of Go-Mentum Station. Go-Mentum Station is a former military weapons depot located 30 miles north of San Francisco. It now contains 20 miles of paved city streets of varying terrains. The streets have buildings and urban infrastructures and are now a proving ground for autonomous vehicles and other high- tech transportation ideas.

If you're telling yourself you'll never give up your car, I'm sure there were many people who said the same thing about their horse when automobiles started to become popular. Of course, tomorrows individually owned, non-autonomous car might be the same thing a horse is today - a rare luxury.

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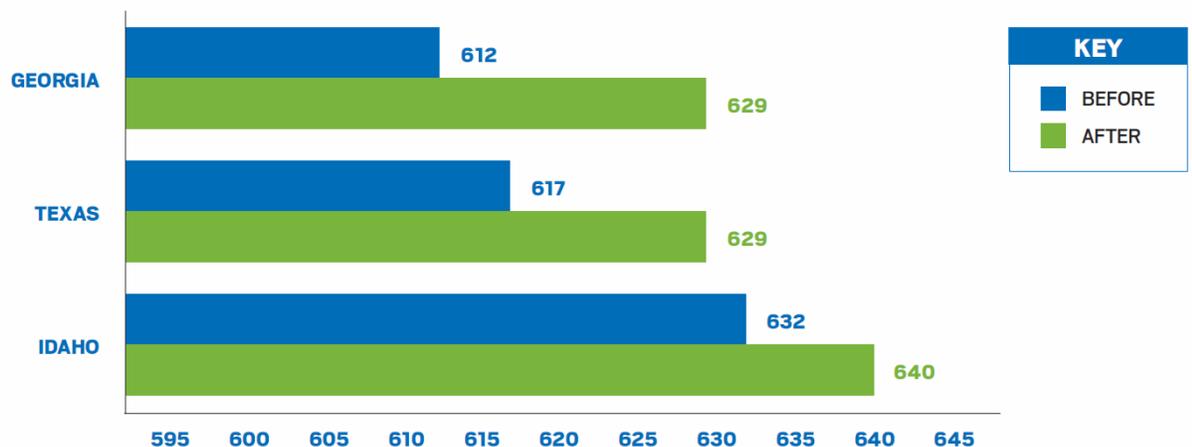
State of our Financial Literacy

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So where are we now, seven years later in the quest for financial literacy? Before I answer that question, I want to give you some background on what other states are doing for financial literacy and some of the results that have been published. Based on a bi-annual survey of the states that came out last year, (www.surveyofthestates.com) 17 states now require high schoolers to take a personal finance course prior to graduation. Sadly, the number of states with this requirement has not changed in 4 years, and still stands at 17 (Connecticut is still not one of these 17).

The good news is that we are finally getting data on some states that have mandated financial literacy and its long term effects. Students who graduate with more rigorous standards are more likely to make on-time payments and keep up with their bills—they still use debt and credit, but seem to understand how to manage those obligations better than students who graduate with lower standards for personal finance and economics. The figure below shows the difference in credit scores for students who graduated before and after financial education mandates were imposed, relative to comparable states and controlling for local trends. Student credit scores are 8 to 17 points higher by age 22 in three key states that made a change in financial education policies in 2007.

CREDIT SCORES BEFORE AND AFTER 2007 FINANCIAL EDUCATION MANDATES



Source: Brown, A., J. M. Collins, M. Schmeiser, and C. J. Urban (2015). Evaluating the Effects of High School Personal Finance Graduation Standards on Credit Defaults.

"We can't help everyone, but everyone can help someone"

-Ronald Reagan:
40th President of the United States

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State of our Financial Literacy

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So now that we know what some other states are doing, what is Connecticut doing? As of now, 90% of high schools OFFER a personal finance class, which sounds great, but after diving into the numbers the results are disappointing. The Connecticut Jumpstart surveyed the 136 Board of Educations in the state and found that only 7% (or 10 towns) have a graduation requirement in place prior to graduation (congrats to Cheshire, Granby, Groton, Middletown, Montville, New Fairfield, North Stonington, Seymour, Simsbury, and Stratford!). So that means in the towns where a personal finance class is offered, the class sizes are limited and most students get shut out of taking the class. **Out of the 170,000 current high schoolers enrolled in CT, 78% of them (or approximately 133,000) will NOT take a personal finance course prior to graduation.**

Another survey shows that 98% of parents believe that personal finance should be taught in the schools, yet we still have 78% of our kids coming out of high school with no financial life skills. When we do not teach children about personal finance – about managing household budgets or making informed decisions about larger investments in an education or a home – we are condemning them to learning it largely and perhaps entirely on their own, if at all. We are intent upon teaching them that worms are classified as annelids but we do not teach them why it is important to save for retirement. If we teach them subjects like science, history, and math but do not teach them anything about personal finance, then we need to understand that we are making a conscious choice to release them into a financial world where they have to fend for themselves.

Since budget issues in Connecticut have not gotten any better, the chances of a funded mandate for personal finance are slim to none. Therefore, our organization has made it a priority to go town-by-town and give local boards of educations the necessary tools and data to find ways to incorporate personal finance into the classroom. While we are making some progress (Bethel and Manchester are soon to add classes as a graduation requirement!) we still have many obstacles in the way. An example of this is the town of West Hartford, which has some pretty amazing personal finance educators already in place. A West Hartford student named Armani Nieves, who took one of the personal finance classes, decided to take it upon himself to make personal finance a graduation requirement and collected over 1,200 signatures from students and teachers in both high schools. He then presented it to the Superintendent whose answer was “By making everyone take this course, that means one less elective for each student”, and after much opposition with the local board of education, Armani’s personal mission was brought to a very frustrating end. This is just one example of the many obstacles in the way of bringing it into the classroom.

With that being said, CT Jumpstart will continue to strive to reach as many students as possible and provide them with the skillset and tools necessary to achieve financial independence. CT Jumpstart’s goal is to give students the confidence and the peace of mind that the financial world is not booby-trapped with pitfalls that can ruin their lives. By closing the gap between what the financial world demands and what young adults understand, we will continue to bolster the financial capability in our state!

“Continuous effort-not strength or intelligence-is the key to unlocking our potential.”

-Winston Churchill:
Former British Prime Minister

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