

Plan The Ultimate Summer Vacation

We've all had the dream of the ultimate summer vacation. Now it's time to plan for it! We've learned a lot about investment planning, which is extremely useful for planning a large trip like this that costs thousands and thousands of dollars. Let's discover what our dream vacation looks like and, most importantly, how we can actually pay for it.

Part 1 - Calculating the Cost

Travelling is not free (shocker!) and can cost quite a bit depending on the activities you embark on. Everyone has their own idea of what the perfect trip is, but there are a few costs you will incur regardless:

Lodging – Need to stay somewhere, they kick you out of the airport eventually

Food – Gummy Bears are not a food group

Transportation – Hitchhiking is dead

Tourist Attraction – You'll hit at least ONE that will cost you some money to see

You need to define what these look like for you and come up with the costs. There are some ground rules to this though:

- 1) Your parents are NOT paying for the trip (in theory)
- 2) This is a LONG trip (at least a month)
- 3) For the sake of the project, this is the only thing you want to spend money on (i.e. don't cut on costs because you're saving for a car, unless this is something you want to build into the investment calculations)
- 4) You're probably not going to stay with family the entire trip (if at all), so don't put your lodging cost at zero.
- 5) Camping / living on the beach / park benches are probably not your lodging the entire time.
- 6) Breaking the law is not the way to save money, so no "jumping trains" or "hitchhiking (it's illegal here, so good enough)"
- 7) No dumpster diving for food, you'll want to eat and it'll cost.

Now that we've got those defined, here are the ideas you'll need to show planning for:

- 1) **Where are you going?** Map out the route of your travels including how long you'll be in each destination city. I'm seeing some Google maps here.
- 2) **How will you move around?** Chances are you can't rent a car and "my friend will drive me everywhere" is not really a plan. Take a look at the different ways you can travel between cities, between countries, or even within the city itself. I would keep track of the websites you use so you can refer back to them when it's time to do your write up and presentation.

- 3) **Where will you stay?** Look up the lodgings in each city you're going to and plan on where you want to stay. Keep those websites!
- 4) **Where will you eat?** It's ridiculous to imagine every single meal for the entire vacation, but it's certainly worth planning for one (or maybe more) fancier dinner in each destination. Again, I'd keep track of where you find this info.
- 5) **What will you visit?** Sightseeing may not be everyone's thing to do, but you'll definitely see something of interest. Plan this out (or discover what is there to see). Keep saving those websites.

For each of these, keep a detailed account of all the costs you will incur. In some cases these will be fairly accurate (e.g. plane tickets), and in some cases these will be estimated (e.g. total food costs). Regardless, create a **spreadsheet** where these costs are clearly labeled and itemized, with final totals calculated (tip - take advantage of a spreadsheet's ability to calculate).

In summary, by the end of part 1 you will have a detailed description of the trip including a variety of websites as references for each main idea and a spreadsheet with all of the costs itemized. The more detailed you are the better.

Part 2 - Saving For the Trip

It's one thing to know the cost, it's another thing to know how you're going to pay for it. Trust me, the answer is not "max out my credit card and pay for it later." I've done that and it's NOT worth it! We've all been to the banks to talk to a professional in investment, which means we've got some knowledge we can apply towards a savings plan. As usual there are some ground rules:

- 1) Did I mention we don't want our parents paying for this? Let's work under the assumption you're on your own for this one.
- 2) There is no magical inheritance coming, so don't plan for it!
- 3) We're not taking out loans to do this, so no balances on any credit cards
- 4) You will not strike at rich on the stock exchange, so your investment plan of "make millions on stocks" is unrealistic
- 5) You do NOT have to use any current amounts you may actually have in your bank accounts. I'm content with the idea that you're starting at zero, however if you feel comfortable doing so you're more than welcome to work this project with some real values you may have. Your current balance shouldn't be sufficient to pay for the trip, and if it is make the trip BIGGER

Ok, now for the trickier math. You need to come up with a savings plan to meet the value of the trip. This will involve investing in accounts that will pay out interest (likely compound). I see this section looking like this:

- 1) We've learned it's beneficial to invest in multiple accounts for really long term investment, however in a situation like this maybe one account is the best idea. I'm not sure so perhaps an EXPLORATION is in order. Take a look at investing in one account once vs. one account with periodic payments vs. multiple accounts of different types. Determine the best course of action.
- 2) We have the future value from part 1, so we know our goal. When calculating the investment you will approach it from two perspectives. First, calculate the time period based on what you believe you can afford to pay into an investment (include the idea of payments here). Then, calculate an investment based on a desired time period (single investment AND investment with payments) to see how much you'd have to save to meet that goal. Finally, take a look at what interest rate you would need if you could have your desired time period AND payment value.
- 3) Plot a graph of money vs. time for the investment plan you've chosen. This should be done using a graphing utility (e.g. Microsoft Excel).
- 4) Discuss strategies you will use to try and improve the time period or amount of money you can invest (maybe you can go on the trip sooner!). Perhaps from the calculations you see the need to get a part time job or another means of acquiring some cash. Or perhaps you'll need to make adjustments in lifestyle for a short period of time to help savings, which will be worth it because this is your DREAM TRIP. Remember, we're not letting the parents pay for this and we can't break the law!

In summary, by the end of part 2 you will have several calculations of different investments showing which investment strategy you will use based on current markets. You will have a graph to demonstrate the growth of your investment over the given time period. You will discuss strategies to improve time periods or amounts of money based on current lifestyle, including the possibility of personal budget cuts or even the acquisition of a job.

Assessment

- 1) **Written investment plan (75% of total)** – above is a list of the required elements for the written plan. It is a good idea to provide specific information in your written plan, including references to the websites that were used in tabulating your final totals. This is to be done using Google Docs (file will be shared with you). We will develop an assessment rubric together to determine the specific requirements of the project once we get started.

The written report will be handed in regardless of presentation date on November 4th

- 2) **Presentation (25% of total)** – there is no sense in hiding all your researched information from us, we need to see what you’ve planned! This will be done in a MAXIMUM 5 minute presentation. You will need:
- a. A PowerPoint/keynote presentation – this is a proposal involving money, serious business! Make sure you have plenty of visuals and relevant information about the trip and the investment plan you will use (including the calculations).

Time Line For Project

Final draft of written investment plan – DUE NOVEMBER 4TH (all written plans, regardless of presentation date, are due November 4th).

Sign up for presentations – NOVEMBER 4RD

Presentations – NOVEMBER 6TH UNTIL FINISHED (approx. 3 class periods)