

Future Problem Solving Program - Practice Problem #2 - 1999-2000

Middle/Senior Division Future Scene - Financial Security

The first thing Merton School students do each day is to log on to MertonNet.edu. The in-school system tracks attendance, lists things like the lunch menu, special events, and gives customized assignments. On Monday, November 4, 2019, all the students see the same assignment.

The Federal Reserve, the central bank of the United States, was founded by Congress in 1913 to provide the nation with a safer, more flexible, and more stable monetary and financial system. In expanding its role in providing consumer education, members of the Board of Governors from the US Federal Reserve Board are videoconferencing in focus groups with teachers and students across America. For the past two days Merton School teachers and students have actively participated in such a videoconference on the topic "Financial Security."

To demonstrate your understanding of financial security, your assignment is to imagine a future using the following "what if. . . ."

What if you are a member of the Rensar family in this story? The parents are college graduates. They both have flourishing careers as well-paid employees of a successful genetic engineering company, EnGen. There are two children age 12, and 17. Both children plan to attend college and earn advanced degrees.

While in college, the parents began saving and investing in stocks and bonds. They learned that if you invested \$10,000 compounded at 9% interest in your early twenties, by the time you reached 65 you would have \$450,000. Even if the US social security system failed, this investment plus their pensions from their employer would provide a secure and comfortable retirement. For a number of years, the family lived in a modest home and was careful with their expenses.

EnGen has been spectacularly successful in recent years, and the couple has prospered with the company. They have also done well with online trading by concentrating on high-risk investments. They have put less emphasis on more stable stocks and bonds like preferred stocks and money market funds. Also, saving has been a lower priority for them, although they do have some money saved toward the oldest child's college expenses. EnGen is located in an affluent community, and many people here lead expensive lifestyles. The parents' high salaries and success with the stock market made them feel confident that they could live more like the wealthy residents of the community and still provide a good retirement for themselves.

Two years ago they bought one of the lavish, new "smart homes" with many of the cutting-edge robotic systems. Among other purchases in the last year, were aero-cars for both the parents and the oldest child. At the beginning of the year, they fulfilled a lifelong dream and took the whole family for a week's vacation circling the Earth on one of the first commercial space flights. They used much of their retirement fund to pay for it. Recently, high-risk stocks have taken a beating causing the Rensar's to lose income. Monthly bills take most of their combined resources.

Two months ago serious problems were found with some of EnGen's genetically engineered products. Pending lawsuits threaten to bankrupt the company, destroying the employee pension fund. EnGen has laid off 75% of its employees including Mr. and Mrs. Rensar. The family members must draw on their strengths to decide how to deal with the financial problems that will impact all of them.

Since Merton requires all its students to take FPS, we ask your team to use your FPS skills combined with what you learned from the Federal Reserve videoconference. As a team, discuss the situation and select the point of view of either the parents or the children. Generate challenges that caused this situation as well as the challenges that result from it. Select an underlying problem. Generate a list of possible solutions, select criteria to evaluate these, and develop your action plan.