

**STUDY QUESTIONS: THE TEN-PERCENT SOLUTION;  
Chapter 4, p. 31- 62, The Wealthy Barber; Chilton, David; Stoddart Pub., Toronto, 1989**

The Wealthy Barber is a quality book on personal finances, written in a folksy way that virtually anyone can understand. While the text does not provide details that will give you financial independence it does demystify the topic and provides some good advice about basic personal financial planning. Chapter 4 is the crucial piece of the book, addressing six key aspects to personal finances: the 10% solution, paying yourself first, compound interest, ownership and diversification through mutual funds and dollar cost averaging.

1. Explain what Roy (the wealthy barber) means about the “*ten-percent solution*”. How could this idea apply to virtually anyone.
2. What is compound interest (provide an example). Explain why it is important to begin a savings program earlier in ones life. Explain the *Indians selling Manhattan* scenario.
3. Explain how inflation is negated by the ten-percent solution.
4. Explain how *wants* destroy savings initiatives of individuals.
5. What does “*pay yourself first*” mean? How can someone with a regular pay cheque pay themselves first?
6. Why is it better to “*be an owner, not a loaner*”
7. What does Roy believe to be the problem with owning common stock? Explain whether you agree or disagree.
8. Outline Roy’s beliefs about the pro’s and con’s of mutual funds.
9. Explain what dollar cost averaging is? How could you as a retail investor utilize this idea. Comment on whether you think that dollar cost averaging is a good idea.
10. Explain Roy’s recommendations for buying mutual funds.
11. Explain how an individual can profit from investing in real estate if they only have \$500+ to invest per month?