

Money Questions

- How much time do you spend thinking about money?
- Do you know anyone who is obsessed with money? How so?
- What makes you happy about money? What upsets you or makes you stressed?
- How did you spend your first salary?
- How have your money-related attitudes and behaviors changed over time ?
- How important are financial considerations in choosing a partner?
- How (and by whom) is money managed in your household?
- How do you determine your household budget?
- How does being a teacher affect your financial outlook and habits?
- What three things do you spend the most money on?
- Do you (will you) support your parents financially?
- Will you expect your children to support you financially?
- How and why do you think men and women have different attitudes toward money?
- How is your attitude toward money different than your partner, parents, or grandparents?
- How much money would you need to have in the bank to stop 'worrying' about money?
- What are your current savings and investment strategies?
- In what ways are you a 'tightwad' (thrifty, stingy, cheap person)?
- In what ways are you a 'spendthrift' (generous, extravagant person, big spender)?
- How much money do you give to charity?
- How will you teach your children to be financially responsible?
- Does money buy happiness? How happy are the richest people you know?

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- How much money do you give to charity?
- How do you think we can teach children to be financially responsible?
- Does money buy happiness? How happy are the richest people you know?

Drive for education drives South Korean families into the red

When Cheon Sun-kyoung and her husband took out a \$100,000 loan and moved their family of three from the affordable suburbs to one of Seoul's most affluent neighborhoods, she hoped it would be the start of the climb up South Korea's highly competitive social ladder. She wanted to enroll her teenage daughter in one of the pricey after-school tutoring academies here to give her an edge on getting into a prestigious university and, eventually, landing a high-paying job. But for now, Ms. Cheon says her family has to scrape by. Despite the efforts of the Korean government to rein them in, more and more South Korean families like the Cheons are channeling all of their disposable income into supporting their children's education – and increasingly driving themselves into debt.

In August, the Bank of Korea released data that shows households here are facing a debt-to-income ratio around 160 percent this year, up from around 123 percent in 2010. Loans taken out from mostly secondary lenders that charge high interest rates total close to \$600 billion. According to the LG Economic Research Institute, 28 percent of South Korean households cannot make payments on their debts each month and can't cover their monthly expenses with their current income. For some observers, those figures have set off alarm bells. Just ahead of the US financial crisis in 2008, Americans had a debt-to-income ratio of around 130 percent.

According to the Chosun Ilbo, South Korean parents spend an average of \$1,000 per child on education each month. South Koreans poured \$19 billion into private tutoring, cram sessions, and college exam prep in 2009, more than half the sum spent on public education. Some report this spending is the number one reason Koreans are deciding to have fewer children. Jeong Young-sik is an analyst at the Samsung Economic Research Institute in Seoul. He estimates that 70 percent of household expenditures go toward private education. Mr. Jeong says that, thanks to a slumping real estate market, a perfect storm has been created.

With your partner, check to make sure you understand the main points of the reading. Then with your group (of 4 or 5) provide an overview of your reading and discuss these questions.

- Which part of the readings 'ring true' for you?
- Have you or your family incurred debt because of spending on education, starting a small business, and/or purchasing luxury goods?
- How do you think Korean money-related attitudes and behaviors have changed over the last few generations?
- How do you feel about the Korean economy these days? Are you optimistic or pessimistic? Why?
- Are there any changes you'd like to see made to public policy in order to address Korea's 'personal debt crisis'?

Culture of Borrowing: How Korea's Hyper-emphasis on Achievement Created a Mountain of Debt

The global sensation of "Gangnam Style" depicts Korea as a society of superfluous spenders fueling an accelerating economy. Currently, that economy is showing the same signs of downturn that occurred before the 2008 global economic crisis.

Small Businesses

Another large portion of household debt comes from personal loans that are taken out to start small businesses. Small businesses represent one third of the Korean workforce. These small businesses (SMEs) compete with chaebols, family-owned conglomerates that account for most of the economic growth in South Korea. The five largest chaebols accounted for 55.7% of South Korea's GDP in 2010. In fact, the majority of small business owners are middle-aged workers who were laid off by chaebols and replaced by younger workers. The laid off workers often turn to starting a new business to generate income and then are forced to compete in the markets that are mostly controlled by chaebols. If the competition with the chaebol is too much for an SME and their business fails, the loan repayment can become difficult, if not impossible.

Luxury Goods

Whether you are failing or succeeding economically, Koreans spend a significant portion of their incomes on brand-name merchandise and expensive leisure activities. The pressure to create the perception of success has turned Korea from a nation of savers to one of the most uninhibited group of borrowers in the world, all in less than twenty years. To indicate success, Korean consumers will buy luxury handbags, fancy cars, foreign travel, imported whisky, designer shoes and new apartments. Everyone hopes to portray a well-heeled image through the clothes they wear, the restaurants they eat at and the countries they travel to. There is a reason that lending service advertisements are posted strategically next to ads on public transportation for plastic surgery and English lessons. In order to maintain a certain status, Koreans are willing to spend money on brand-name goods no matter what their household income is.

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