

The 7 Qualities of a Critical Thinker

- ∞ **Truth-seeking.** Critical thinkers want to know the truth. In their quest, they are willing to consider and even accept ideas that undermine their assumptions or self-interest. These thinkers follow reason and evidence wherever they lead.
- ∞ **Open-minded.** A skilled critical thinker not only recognizes that people disagree—she values this fact. She respects the right of others to express different views. Beyond seeking out a variety of viewpoints, critical thinkers check their speaking and thinking for signs of bias.
- ∞ **Analytical.** The critical thinker recognizes statements that call for evidence. He is alert to potential problems. In addition, the critical thinker foresees possible consequences of adopting a point of view.
- ∞ **Systematic.** Staying organized and focused are two more qualities of a critical thinker. She's willing to patiently gather evidence, test ideas, and stay with a tough or complex question.
- ∞ **Self-confident.** This quality of a critical thinker supports the others. Since he trusts his intellectual skills, the critical thinker is willing to seek the truth, listen with an open mind, and do the hard and useful work of thinking.
- ∞ **Inquisitive.** The critical thinker wants to know. She is hungry for facts and concepts. She is willing to explore the universe of ideas even before she knows how to apply the insights she gains.
- ∞ **Mature.** As a mature person, the critical thinker possesses a wisdom born of experience. He understands that a problem can have several solutions—even solutions that seem to contradict each other. He resists the desire to reach quick, superficial answer, and he is willing to suspend judgment when evidence is incomplete. At the same time, he recognizes that human beings are often called to act before all the facts are in.

Taken from Becoming a Master Student by Dave Ellis

Making Decisions

You have completed the hard work of setting your goals. While you are doing the further hard work of reaching these goals you will have to make many decisions.

Good decisions will help you reach those important goals just as bad decisions will assure you that you will never reach them.

- ∞ Recognize decisions
- ∞ Decisions are different from wishes or desires, but hopefully your decisions will build upon your wishes or desires. Decisions are specific and lead to focused action. A college education is a dream. Signing up for a class next semester is a decision.
- ∞ Make informed decisions.
- ∞ Take the time and do the work to research and think through the decisions. Acting on a hastily made decision can set you up for failure and make it even more difficult to get back on track.
- ∞ Clarify your values
- ∞ Revisit the values you defined earlier. Make decisions that are compatible with your values. Unless you do this, you will be spending a lot of resources in an area that does not matter to you.
- ∞ Don't be afraid to put a decision on hold.
- ∞ That is not necessarily procrastination. Sometimes when you are thinking through your decisions you can identify barriers that will correct themselves in time. The decision to return to college may not be realistic if you have small children that would need child care. But in a few years when your children can be left alone for a few hours at a time you may be able to start taking classes.
- ∞ Respect your own intuition
- ∞ Decisions sometimes seem to make themselves. Pay attention to ideas or solutions that seem to pop into your head when you are busy doing something else. Write them down if necessary.
- ∞ Act on your decisions
- ∞ Once you make a decision, follow through with action! There comes a time to move on from reflection and move into action!

Adapted from Becoming a Master Student by Dave Ellis

Is Your Home an Asset?

As a critical thinker you can hear opposing sides of an argument and draw your own conclusion. Sometimes you will agree with one side. Sometimes you will agree with the other side. Often you will draw valuable information from both and arrive at your own conclusion. And as a skilled critical thinker you will know that what is correct in one circumstance may not be in another.

The entire field of debate is drawn on arguing opposing views and debate is an excellent training tool for critical thinking.

So let us debate this question, “Is your home really an asset?”

Yes, my own home in which I live is really an asset.

Michael Sherraden in his book Assets and the Poor presents this side of the debate.

Sherraden says that tangible assets are legally held and include physical property as well as rights that function in much the same way as physical property. He lists tangible assets in eight principal categories.

Category 3 *Real property, including buildings and land, with earnings in form of rent payments plus capital gains (or losses). For most people, the key asset in this category is equity in an owner occupied house.*

...the middle class has significant access to two important forms of asset accumulation – home ownership and retirement pensions.

No, my home in which I live is not really an asset.

Robert T. Kiyosaki in his book Rich Dad Poor Dad has a lot to say about thinking of the home you own and in which you live as an asset.

...a bigger home meant bigger expenses, and the cash flow kept going out through the expense column.....If my wife and I were to buy a bigger, more flashy house we realize it would not be an asset, it would be a liability, since it would take money out our pocket.....Houses do not always go up in value. In 1997, I still have friends who owe a million dollars for a homes that will today sell for only \$700,000.

The greatest losses of all are those from missed opportunities. If all your money is tied up in your house, you may be forced to work harder because your money continues blowing out of the expense column, instead of adding to the asset column, the classic middle class cash flow pattern.

Discussion

Do you agree with Sherraden?

Do you agree with Kiyosaki?

Further note: In Rich Dad Poor Dad Kiyosaki does not say exactly that your owner occupied home is not really an asset. He makes an argument that if you think when you buy a bigger and fancier home you think you are buying a bigger asset, then you have made a financial mistake. His argument is that the money spent to purchase and maintain that bigger and fancier home would be more profitably used someplace else.

Does this information alter your reaction to his argument?

Further Discussion

Perhaps you changed your mind a little in this argument when you got more information about Kiyosaki's opinion.

Could it then not be true on other issues? Do you sometimes need to gather more information before you form an opinion?

Final note

Sherraden in Assets and the Poor does not address the investment implications of "trading up" in housing.

Sherraden's book is written for an audience of social service types who are helping poor people become middle class people. Kiyosaki's book is written for middle class people to help them become rich people.

These are two different target audiences. How would the target audience affect a book?

Eight Kinds of Assets

Michael Sherraden in Assets and the Poor

1. Money savings, with earnings in the form of interest. This category includes all cash, savings accounts, checking accounts, and money market instruments.
2. Stocks, bonds, and other financial securities, with earnings in the form of dividends, interest, and/or capital gains (or losses).
3. Real property, including buildings and land, with earnings in the form of rent payments plus capital gains (or losses). For most people the key asset in this category is an owner occupied house.
4. “Hard” assets other than real estate, with earnings in the form of capital gains (or losses). In this category are non-interest-bearing assets such as precious metals, jewelry, art, fine furniture, and all collectibles.
5. Machines, equipment and other tangible components of production, with earnings in the form of profits on the sale of products plus capital gains (or losses).
6. Durable household goods, with earnings in the form in increased efficiency of household tasks.
7. Natural resources, such as farmland, oil, minerals, and timber – with earnings in the form of profit on sale of crops or extracted commodities plus capital gains (or losses).
8. Copyrights and patents, with earnings in the form of royalties and other user fees.

Robert T. Kiyosaki in Rich Dad Poor Dad

1. Businesses that do not require my presence. I own them, but they are managed or run by other people. If I have to work there, it’s not a business. It becomes my job.
2. Stocks
3. Bonds
4. Mutual funds
5. Income-generating real estate
6. Notes (IOUs)
7. Royalties from intellectual property such as music, scripts, patents

8. Anything else that has value, produces income or appreciates and has a ready market.

Questions for discussion

1. *What assets do both Sherraden and Kiyosaki list?*
2. *What is on Sherraden's list of assets that is missing from Kiyosaki's list?*
3. Further discussion:

Both of these men have an asset in the form of a copyright on a book. One book was a best seller and we purchased it at a local bookstore. One book we purchased from the author but would normally be available through a college bookstore or through special order.

Which was the best seller?

Which would be available through a college bookstore?

Strictly in terms of money, which man owns the more valuable asset?

Critical Thinking

The hard work that follows creative thinking. This step involves molding and shaping a rough-cut idea into a polished creation.

When you do the hard work of critical thinking. When you learn to make decisions based upon your own research. When you ask the important questions that affect your decisions, when you consider several possible correct answers, then you will be on track to managing your own life and reaching your goals.

Creative Thinking

The “aha” experience – the burst of creative energy heralded by the arrival of a new, original idea; the emergence of a new pattern, a previously undetected relationship, or an unusual combination of familiar elements. It is an exhilarating experience.

This can result in a timeless poem or Nobel Prize or realizing why your car’s electrical system does not work, how you can get the money for a vacation, or suddenly understanding a difficult mathematical formula.

Are you a creative thinker? Sure you are.

Think about yesterday. What were you doing? What problems did you encounter? How did you handle them? Think about last week – last month. What did you do that was new? What did you say or do that was daring? Take a few moments to write down a few answers to these questions.

What creative thinking have you done lately?

Case Study 1

Background:

Shari is a 37 year-old single mother who is enrolled in the IDA program and is saving for a down payment on a home for herself and her two children, ages 9 and 11. Currently they rent a mobile home in a mobile home park near a busy highway and Shari wants to move the children to a more desirable neighborhood and wants to become a homeowner.

Shari is a Certified Nursing Assistant at a local nursing home and is paid \$9.00 per hour. She works full time and even gets overtime work occasionally. Her gross wages for a 40-hour week are \$360, but she has payroll taxes and health insurance for herself deducted from that. Her children receive health insurance coverage through ARKIDS First. She also participates in her employer’s 401(k) plan and has 6% deducted from each paycheck. Her employer matches that deduction with another 6%. Except for social security, this is Shari’s only retirement program.

She is paid every other week. Her gross pay is \$720 if she gets no overtime and she does not figure overtime into her budget. When she does receive overtime pay she uses that for something extra or special for herself or her children. Her payroll tax deductions from each paycheck average \$180. Her share of the health insurance is \$50 per paycheck. Her employer, the nursing home pays the rest. Then her contribution to her 401(k) is \$43.20 and her employer contributes another \$43.20 toward her retirement plan. So Shari’s net pay is:

Gross pay	\$720
Less taxes	\$180
Less health insurance	\$50
Less 401(k)	\$43.20
Net pay	\$446.80

Shari’s ex-husband, David, pays \$700 each month for child support and he is current with his child support payments. She uses that child support to pay her mobile home rent of \$400 per month which includes water and sewer and garbage pickup. She pays \$150 per month for before and after school child care for her children and that comes out of her child support also. In the summer she pays \$450 per month for childcare. As expensive as that is, she is only able to get it that inexpensively because she income qualifies for a child care voucher. The children’s school lunch

tickets are \$20 each a month because Shari income qualifies for reduced lunch tickets for her children. What money is left out of the child support, Shari uses to buy clothing and school supplies for her children. She would like to provide music lessons for them also but cannot afford to until she no longer has to pay for childcare.

So Shari’s budget with her child support looks like this:

During the school year

Child Support	\$700	
Less rent		\$400
Less childcare		\$150
Less lunch tickets		\$40
Less money in savings toward summer childcare		\$50
Money left over for clothing, etc. for children		\$60

During the summer

Child Support	\$700	
Less rent		\$400
Less childcare*		\$300
Money left over for clothing, etc. for children		0

*Remember, Shari saved some money each month during the school year to help pay for childcare in the summer. Her ex-husband usually takes them for two weeks summer vacation and she uses one of her vacation weeks in the summer visiting her relatives in Missouri or friends in Texas with her children. Since she does not have to pay for childcare for at least three weeks, she is usually able to buy some back-to-school clothes and school supplies for the children the money she saves on childcare for these weeks.

Shari’s own income from her job has to pay her utility bills such as heat, electricity, and cable. She has a monthly car payment of \$185 and pays \$80 per month for automobile insurance and renter’s insurance. She needs to buy groceries for herself and her children. Since she qualifies for \$110 per month in food stamps, she is usually able to make due with another \$250 for groceries, paper supplies, and toiletries.

This is Shari’s typical budget out of the pay from her job at the nursing home.

Paycheck 1	\$446.80	
Groceries		\$125
Car Payment		\$185
Phone		\$35
Gas, oil for car		\$30
IDA savings		\$15
Medical not insured		\$12
Entertainment		\$10
Clothes – Shari		\$25
Miscellaneous		\$9.80

Paycheck 2	\$446.80	
Groceries		\$125
Heat & Electricity		\$100
Car and renters insurance		\$80
Cable		\$35
Gas, oil for car		\$30
IDA savings		\$15
Medical – not insured		\$12
Entertainment		\$10
Clothes – Shari		\$25
Miscellaneous		\$14.80

Shari has a little cushion in her budget. Since she is paid every two weeks, she gets 26 paychecks per year. She has only budgeted for 24 so the remaining two paychecks can be used for Christmas presents, vacations, or other extras. However, if she has an emergency like a car repair or large medical bill she has to eliminate any vacation travel or cut back on her Christmas spending.

Situation

It is the middle of February and Shari’s bills are all current except for an outstanding balance at a local garage for an auto repair she needed in November. She still owes \$45, but has been paying \$20 per month and the garage is accepting this monthly payment. However, they are charging 17% interest each month on the unpaid balance, so she is anxious to pay off that bill. Until she gets it paid off she is not buying herself any new clothes and she is cutting back on entertainment expenses.

She is counting on her next paycheck to pay her heat and electricity bill of \$130. This is higher than usual because January was cold. She also

needs to pay her insurance bill and cable bill, put money into her IDA savings, buy groceries, etc. She knows she can make it if she watches her spending.

Her sister calls and tells her their mother has been admitted to a local hospital for emergency surgery. Her sister says Shari needs to be at the hospital tomorrow to be with her mom when she comes out of surgery and she may need to run some errands and do some housework for her mother while her mom is recovering.

Shari has no paid leave available. She took time off early in December when one of her children was sick and she used all her own sick leave when she hurt her back last fall. If she takes time off tomorrow to be with her mother, she will not be paid. In addition, she knows the director of nursing will be unhappy when she calls in to take time off with little notice. But her biggest problem is that if she does not work tomorrow her next paycheck will be about \$55 smaller.

There are many ways to look at Shari's problem. The impact this problem affects more than her budget. But this is, after all, an economic literacy class so we will look at the problem and how it affects Shari economically.

Questions for consideration

1. What are Shari's options? Should she take the time off without pay to be with her mother during her mother's surgery? If so, why?
2. What if she decides she cannot manage without the day's pay? How else can she help her mother or her family?
3. If she decides not to take the time off without pay, how will she explain this to her mother and her family?
4. Her children are too young to stay alone and too young to go to the hospital with her. What arrangements can she make for their care while she helps her mother?
5. What if her mother was in a hospital in a town 3 hours drive away? How could Shari handle this situation then?

Case Study 2

Background

Gordon and Andrea are IDA clients who are planning to use their IDA savings for home improvement. They are buying a home on 20 acres 12 miles from the town where Andrea works at the Walmart store. She has worked there for several years and makes \$8 pre hour. Since she is full-time she receives full benefits and carries the health insurance for the family. Gordon runs a small cattle operation on their 20 acres of pasture and helps with his father's small farm operation. Gordon also works at a local sawmill an average of 25 hours per week. This pays \$9 per hour, but is part-time and includes no fringe benefits. Some seasons of the year the sawmill work is nearly full-time, but some weeks he does not work at the sawmill at all. They want to use their combined IDA savings to hook up to the county water system and improve their septic system which is quite old.

They have a 15 year-old daughter and 11 and 7 year-old sons. Their 11 year-old son has a seizure disorder and receives a \$500 monthly SSI benefit.

Their income last year, including the SSI on their son was \$37,500. This is the breakdown:

Andrea's job at Walmart	\$16,640
Gordon's job at the sawmill	\$11,700
Gordon's pay from helping on his dad's farm	\$2,000
Net Income from cattle operation	\$1,160
Son's SSI benefit	\$6,000

Situation:

Gordon has built up his cattle operation and is running a herd of about 40. He does not have to supplement feed much because his pasture is good and he has good access to water. Even when they hook up to the county water system, he can continue to water his cattle from their well. However, his vet bills have been high this year and he is concerned because of the cattle market. Then he heard at the sale barn that some of the neighboring cattle herds have anthrax.

He also heard that a local factory is hiring for the second shift. The pay is \$7.75 per hour, but they offer good benefits including health and dental insurance and a 401(k).

Their daughter is a good student and is talking about attending college when she graduates from high school. She currently has braces on her teeth and the dental insurance through Walmart only pays $\frac{1}{2}$ of the orthodontist bill. They are paying the other $\frac{1}{2}$ and hope to make enough from the cattle operation to cover that bill and some other medical bills. Both of their sons have been in the hospital this year for minor accidents, but their medical bills have been high this year and they are paying them off.

Questions for Consideration

1. What are Gordon's options with his cattle operation?
2. If he does sell off his cattle herd, what would he do with his pasture land?
3. How can they pay off these medical bills faster than they are now?
4. What are their options for providing money for their daughter's college education?
5. If Gordon takes the job at the factory, will he make more or less money next year?