FEE Foundation for Economic Education
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Monday Morning Economist

STUDENT HANDOUT

How $5.9 Million Turns Into $30 Million

Part 1. Multiple Choice Questions (15 minutes)

This article uses Bobby Bonilla's unusual deferred payment contract with the New York Mets as a real-world example to illustrate the power of compound interest, interest rates, opportunity cost, and delayed gratification. It explains how a $5.9 million payout grew into nearly $30 million through smart (and risky) financial planning, offering students an engaging way to explore fundamental personal finance and investment concepts.

Instructions: Read "**How $5.9 Million Turns Into $30 Million**" from *Monday Morning Economist* and then answer the following multiple choice questions.

MONDAY MORNING ECONOMIST Weekly Article

1. What was the original amount the New York Mets owed Bobby Bonilla in 2000?
   A. $1.2 million
   B. $5.9 million
   C. $25 million
   D. $30 million

2. When did Bobby Bonilla begin receiving payments from the deferred contract?
   A. 2001
   B. 2005
   C. 2011
   D. 2025

3. Which financial concept explains how Bonilla's payout could grow over time without new contributions?
   A. **Inflation** – Price levels go up over time
   B. **Supply and demand** – Prices in a market economy originate with these two factors
   C. **Compound interest** – Interest earns interest over time
   D. **Tax deduction** – These reduce taxable income, allowing the earner to keep more income

4. What factor made the Mets confident in offering the deferred deal to Bonilla?
   A. Bonilla requested the delay to make the Mets a better team the following year
   B. They expected to earn annual investment returns of 12% on average
   C. The league required Bobby Bonilla to take the deal, or else.
   D. They wanted to avoid luxury taxes

5. What lesson does the article suggest can be learned from Bonilla's contract in terms of personal finance?
   A. Always choose cash up front
   B. Saving money is better than investing
   C. Athletes always make smart financial decisions
   D. Patience allows compound interest to work in your favor

What do you think? *"Why do you think it's so hard for people to wait for future rewards—like saving or investing—when they could enjoy the money now? Can you think of a time when waiting for something ended up being a better decision?"*

Part Two: "Bonilla vs. The Market: Who Made the Better Bet?

In 2001, Bobby Bonilla agreed to delay collecting the $5.9 million he was owed, and in return, the Mets guaranteed him 8% annual interest. By waiting 10 years, his money would grow to $12,737,657.48—without lifting a finger.

But here's the question: What if Bobby had taken the $5.9 million in 2001 and invested it himself in the S&P 500[1] instead? Would he have come out ahead—or fallen short?

You may be wondering, what was the economy like during this period? Here's a short list of key U.S. macroeconomic statistics from 2001 to 2011 (averaged over the decade):

- Average Inflation Rate (CPI): ~2.5%
- Average Real GDP Growth Rate: ~1.7%
- Average Unemployment Rate: ~6.0%

These averages reflect a turbulent decade that included the dot-com bust, the 2008 financial crisis, and a slow recovery—factors that may explain both the economy's health and the stock market returns during that period.

Now...Imagine you're Bobby Bonilla in 2001. The Mets offer you a deal:

Which option will you choose?! **Mark your selected option with a '✓'**

Option 1 _____ wait 10 years, and they'll grow your $5.9 million at 8% interest, guaranteed.

Option 2 _____ You could take the money now and invest it yourself in an S&P 500 index fund.

***Why did you choose that option?** What were you assuming about interest rates, risk, or your confidence in the market? Write 2–3 sentences explaining your thinking.

Part Three: "Bonilla's Big Bet: Market vs. Guaranteed Growth"

Step 1: Go to the Website- Open a web browser and navigate to:
👉 **https://www.officialdata.org/us/stocks/s-p-500/1990**

[1] The S&P 500 is a stock market index that tracks the performance of 500 of the largest publicly traded companies in the U.S. It's often used as a benchmark for "the market" and reflects how the overall economy and big businesses are doing. Investing in the S&P 500 means you're buying a small piece of many major companies at once.
NOTE: Why 1913? This year marks the creation of the U.S. Federal Reserve and the beginning of official inflation tracking through the Consumer Price Index (CPI). It's also a benchmark for understanding the long-term power of investing across a century of economic change.

Step 2: Use the Investment Calculator

Once on the page, scroll down to the section titled **"S&P 500 Index Investment Calculator."**

1. In the **"Amount"** field, type: 5,900,000 (the dollar amount Bonilla was owed)
2. In the **"Start Year"** field, select: 2001 (the earliest year Bonilla could accept full payment)
3. In the **"End Year"** field, select: 2011 (the first year Bonilla could accept annual payments based on the future value of the $5.9 million he was owed invested at a 8% interest rate.
4. Keep all other options at their default settings
   Click **"Calculate"** or observe the displayed results

Step 3: Record Your Findings

Write down the total value of the investment by 2011: $ _____ and the average annual return listed (before and after inflation). "This is a return on investment of _____% , or _____% per year.

This lump-sum investment beats inflation during this period for an inflation-adjusted return of about _____% cumulatively, or _____% per year."

Step 4: Answer the Reflection Questions

1. Why might 1.65% annual return have been disappointing for someone expecting 8% growth?

2. If Bobby had taken the $5.9 million in 2001 and invested it himself—reaching only $7.06 million by 2011—how would that compare to the value needed to fund 25 annual payments of $1.19 million? Would his investment have been enough?

3. What risks does this real data show about relying solely on market returns?

4. What other factors might explain why Bobby chose the deferred payment option rather than invest it himself?

5. **Reconsider Your Choice: Would You Switch?**
   Now that you've seen the actual return on investing in the S&P 500 from 2001 to 2011, take a moment to reflect.
   - Would you still stick with your original choice—or change your mind?
   - If you'd keep your original pick, explain why it still makes sense to you.

6. **Final Challenge: What If You Invested $1 in 1913?**
   Let's zoom out and look at the long game.
   1) Return to the same calculator: 👉 https://www.officialdata.org/us/stocks/s-p-500/1990
   2) In the "Amount" field, enter: 1
   3) In the "Start Year" field, select: 1913
   4) In the "End Year" field, select: 2025
   5) Click "Calculate" and observe the results.

   Record the following:

   - What is the final dollar value of your $1 investment by 2025?
     _____
   - What is the average annual return listed (before and after inflation)?
     _____

Closing Discussion: What does this activity reveal about the power of long-term investing and compound growth over time?

TEACHER GUIDE

Teachers may choose to use all or part of this lesson. Each part is meant to exist on its own. The approximate time to complete each section is provided and will vary.

KEY CONCEPTS: Compound Interest, Opportunity Cost, Delayed Gratification, Investment Risk Real vs. Nominal Returns, and Time Value of Money

Related FEE.Org Commentary: High Interest Rates Are an Opportunity for Education

National Voluntary Content Standards in Economics & Benchmarks.

Standard 2: Decision Making – The article addresses this standard by examining how Bobby Bonilla and the Mets evaluated trade-offs and risks when choosing between a lump sum and a guaranteed future income stream.

Standard 12: Interest Rates – The lesson demonstrates how interest rates influence investment growth and long-term financial planning through Bonilla's deferred contract and the Mets' 8% return assumption.

Standard 14: Entrepreneurship – Bonilla's decision reflects individual financial entrepreneurship by structuring a contract that mimics a personal pension and reduces long-term risk.

Standard 16: Role of Government – The article indirectly touches on this standard by referencing how inflation data and market regulation (e.g., Federal Reserve policies since 1913) impact real returns and investment planning.

How $5.9 Million Turns Into $30 Million

Part 1. Multiple Choice Questions (15 minutes)

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Instructions: Read "**How $5.9 Million Turns Into $30 Million**" from *Monday Morning Economist* and then answer the following multiple choice questions.

1. What was the original amount the New York Mets owed Bobby Bonilla in 2000?
   A. $1.2 million
   B. $5.9 million*
   C. $25 million
   D. $30 million

2. When did Bobby Bonilla begin receiving payments from the deferred contract?
   A. 2001
   B. 2005
   C. 2011*
   D. 2025

3. Which financial concept explains how Bonilla's payout could grow over time without new contributions?
   A. Inflation – Price levels go up over time
   B. Supply and demand – Prices in a market economy originate with these two factors
   C. Compound interest* – Interest earns interest over time
   D. Tax deduction – These reduce taxable income, allowing the earner to keep more income

4. What factor made the Mets confident in offering the deferred deal to Bonilla?
   A. Bonilla requested the delay to make the Mets a better team the following year
   B. They expected to earn annual investment returns of 12% on average
   C. The league required Bobby Bonilla to take the deal, or else.
   D. They wanted to avoid luxury taxes

5. What lesson does the article suggest can be learned from Bonilla's contract in terms of personal finance?
   A. Always choose cash up front
   B. Saving money is better than investing
   C. Athletes always make smart financial decisions
   D. Patience allows compound interest to work in your favor*

What do you think? *"Even if you never sign a million-dollar contract, you'll still have to make choices about spending or saving money. Why do you think it's so hard for people to wait for future rewards—like saving or investing—when they could enjoy the money now? Can you think of a time when waiting for something ended up being a better decision?"*

Suggested Answer: It's hard for people to wait for future rewards because we usually focus on what we want right now instead of what we might need later. Spending money feels good in the moment, and saving can feel like missing out. But when we wait, we give our money time to grow—just like Bobby Bonilla did—and that patience can lead to much bigger rewards in the future. Learning to think long-term helps us make smarter financial choices.

Part Two: "Bonilla vs. The Market: Who Made the Better Bet?

In 2001, Bobby Bonilla agreed to delay collecting the $5.9 million he was owed, and in return, the Mets guaranteed him 8% annual interest. By waiting 10 years, his money would grow to $12,737,657.48—without lifting a finger.

But here's the question: What if Bobby had taken the $5.9 million in 2001 and invested it himself in the S&P 500[2] instead? Would he have come out ahead—or fallen short?

You may be wondering, what was the economy like during this period? Here's a short list of key U.S. macroeconomic statistics from 2001 to 2011 (averaged over the decade):

- Average Inflation Rate (CPI): ~2.5%
- Average Real GDP Growth Rate: ~1.7%
- Average Unemployment Rate: ~6.0%

These averages reflect a turbulent decade that included the dot-com bust, the 2008 financial crisis, and a slow recovery—factors that may explain both the economy's health and the stock market returns during that period.

Now...Imagine you're Bobby Bonilla in 2001. The Mets offer you a deal:

Which option will you choose?! **Mark your selected option with a '✓'**
[ANSWERS WILL VARY]
Option 1 _____ wait 10 years, and they'll grow your $5.9 million at 8% interest, guaranteed.

Option 2 _____ You could take the money now and invest it yourself in an S&P 500 index fund.

***Why did you choose that option?** What were you assuming about interest rates, risk, or your confidence in the market? Write 2–3 sentences explaining your thinking.

[2] The S&P 500 is a stock market index that tracks the performance of 500 of the largest publicly traded companies in the U.S. It's often used as a benchmark for "the market" and reflects how the overall economy and big businesses are doing. Investing in the S&P 500 means you're buying a small piece of many major companies at once.

Suggested Answer:
Students who choose Option 1 may reason that a guaranteed 8% return eliminates investment risk and offers stable, predictable growth—especially appealing given market volatility and the uncertainty of short-term investing. From a free-market perspective, this reflects rational decision-making based on opportunity cost and risk aversion.

Students who choose Option 2 may argue that over long periods, the S&P 500 tends to outperform fixed returns, and they may assume confidence in long-term market growth, citing examples like the post-2008 recovery or average historical returns. This choice demonstrates belief in market efficiency and a willingness to accept short-term risk for long-term reward.

Part Three: "Bonilla's Big Bet: Market vs. Guaranteed Growth"

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Step 2: Use the Investment Calculator
Once on the page, scroll down to the section titled **"S&P 500 Index Investment Calculator."**

5. In the **"Amount"** field, type: 5,900,000 (the dollar amount Bonilla was owed)
6. In the **"Start Year"** field, select: 2001 (the earliest year Bonilla could accept full payment)
7. In the **"End Year"** field, select: 2011 (the first year Bonilla could accept annual payments based on the future value of the $5.9 million he was owed invested at a 8% interest rate.
8. Keep all other options at their default settings
   Click **"Calculate"** or observe the displayed results

Step 3: Record Your Findings
Write down the total value of the investment by 2011 and the average annual return listed (before and after inflation). "This is a return on investment of **19.73%** , or **1.65%** per year.

This lump-sum investment beats inflation during this period for an inflation-adjusted return of about **-5.73%** cumulatively, or **-0.54%** per year."

Step 4: Answer the Reflection Questions

1. Why might 1.65% annual return have been disappointing for someone expecting 8% growth?

Suggested Answer:
A 1.65% annual return would be disappointing for someone expecting 8% growth because it reflects a much lower return than anticipated, barely keeping up with nominal gains and failing to grow the investment meaningfully over 10 years. From an economic standpoint, this underperformance reveals the risk of relying on average historical returns in the short run. Additionally, when adjusted for inflation, the real return was negative, meaning the investor lost purchasing power—a poor outcome for someone aiming to fund 25 years of payments like Bonilla. This highlights the importance of risk management and time horizon in financial planning.

2. If Bobby had taken the $5.9 million in 2001 and invested it himself—reaching only $7.06 million by 2011—how would that compare to the value needed to fund 25 annual payments of $1.19 million? Would his investment have been enough?

Suggested Answer:
Bobby's investment would have grown to only $7.06 million, far short of the $29.8 million needed to fund 25 annual payments of $1.19 million. This means his self-invested fund would have run out of money after just 6 payments, leaving nearly 20 years uncovered. From an economic perspective, this illustrates the risk of relying on uncertain returns versus choosing a guaranteed stream of income. The deferred contract offered financial stability and protection against poor market performance.

3. What risks does this real data show about relying solely on market returns?

Suggested Answer:
The data shows that market returns can be unpredictable, especially over shorter time frames like 10 years. Even though the stock market has historically trended upward, periods of recession or financial crisis—like the early 2000s and 2008—can significantly reduce returns. This demonstrates the risk of volatility, where investments may underperform expectations and fail to beat inflation. Relying solely on market returns without a safety net can lead to unmet financial goals and loss of purchasing power.

4. What other factors might explain why Bobby chose the deferred payment option rather than invest it himself?

Suggested Answer:
Bobby may have valued the long-term financial security of guaranteed annual payments, especially knowing that many athletes face financial instability after retirement. The deferred contract acted like a personal pension, reducing the temptation to overspend a lump sum and shielding him from poor investment choices. He also may not have had the time, interest, or expertise to manage investments effectively. From a behavioral economics perspective, this reflects a preference for stable income and lower risk, even if it means giving up potential upside.

5. **Reconsider Your Choice: Would You Switch?**
   Now that you've seen the actual return on investing in the S&P 500 from 2001 to 2011, take a moment to reflect.
   - Would you still stick with your original choice—or change your mind?
   - If you'd keep your original pick, explain why it still makes sense to you.

Suggested Answer:
*If a student chooses to stick with the **original deferred payment option**, they might reason that the guaranteed 8% return was clearly the safer and more rewarding choice compared to the actual market return of just 1.65%. The deferred contract offered predictability and long-term income, which the stock market failed to match during this volatile decade. From a financial planning perspective, it reflects a wise decision based on risk management and long-term stability.*

*Alternatively, if a student sticks with the **lump sum investment**, they may argue that despite the short-term underperformance, the stock market generally outperforms over longer time horizons, and they might value personal control over their investments.*

6. **Final Challenge: What If You Invested $1 in 1913?**
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   2) In the "Amount" field, enter: 1
   3) In the "Start Year" field, select: 1913
   4) In the "End Year" field, select: 2025
   5) Click "Calculate" and observe the results.

   Record the following:

   - What is the final dollar value of your $1 investment by 2025? **$52,537.42**
   - What is the average annual return listed (before and after inflation)? **10.15%** (BEFORE INFLATION) **& 6.79%** (AFTER INFLATION; inflation-adjusted/real rate of return)

Closing Discussion: What does this activity reveal about the power of long-term investing and compound growth over time?

This activity shows that compound interest becomes more powerful the longer money is invested, especially when returns are consistent and not withdrawn early. While short-term market performance can disappoint, time is a key factor in allowing investments to grow exponentially. It also highlights how patient, long-term strategies—like Bonilla's deferred payments—can outperform riskier, short-term bets. From a free-market perspective, it reinforces the value of informed decision-making and letting capital work over time.