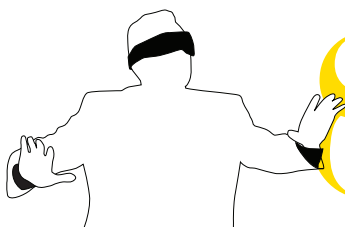


learn

1.4 million

adults in Britain have never had a job



83%

of Britons do not know how much they have in their bank accounts

SOURCES: DoWP/BARCLAYS

Investing in people

ENTREPRENEURSHIP A new company is investing in the future value of students

Felipe Vergara was a unique student. Not a lot of people born in Barranquilla, Colombia, wind up studying management at the University of Pennsylvania's prestigious Wharton School of Business Administration. Vergara's path was one of education and entrepreneurship. From an early age, he tutored others in maths, science and languages and, after completing his university studies in Bogota, he founded a firm providing strategic and financial planning services to small businesses. Mixing education and business with his first-hand understanding of the financial difficulties of attending Wharton, Vergara asked himself a question: why, if someone could invest in the future value of a firm, could they not invest in the future value of him?

EQUITIES R US

Governments and banks already offered student loans. But loans came with borrowing limits and fixed payments, and often had to be backed by parents' assets or income, all of which challenged applicants from Barranquilla, Colombia, to Columbia, North Carolina. And students' need for broader access to capital was increasing: the cost of education has outpaced the cost of living in the US over the past 20 years, and today a year of undergraduate tuition and room and board at a private college averages £16,600.

When Vergara met Miguel Palacios from the Darden School, the answer came in the form of Lumni, a firm that pays a student's current tuition bills in exchange for a percentage of future earnings. Just like a share of stock, only it's stock in you and me. And the future is our careers.

MARKETS IN TOMORROW

The marketplace is the foundation of exchange. In its earliest form, it's a farmer with too many carrots wanting to trade some for a chicken. More recently, it's someone willing to pay money in return for getting a haircut or a lawn mowed. Today markets enable us not only to trade what exists on the shelves, but to buy and sell future values of everything imaginable, from orange juice

Payback time?

Lumni persuades investors to back the potential worth of students

to the right to pollute. Markets deliver humanitarian aid – witness UNHCR's Kashmir Relief Note, which provides a return on investments made to reconstruct Pakistan-administered Kashmir following the 2005 earthquake. Markets also enabled David Bowie to sell the future value of his song royalties. And, with Lumni, that same alternative is open to individual students.

THE CIRCLE OF LIGHT

To date, Lumni has worked with more than 1,000 students and appears to be on its way to attaining the goal of 3,500

students by the end of 2010. Vergara reports attracting a total of \$7.5m under management and in forthcoming commitments. And though he has more than 100 individual and corporate investors, he is already thinking bigger. He is in talks with investment banks in anticipation of creating a securitised portfolio of investments and earnings streams, so that he can fund even more of the best and the brightest. But when his investees turn into his investors is when the future will indeed be bright – for Lumni and the rest of us. ●



details

By Stuart Read, professor of marketing at IMD, Lausanne, and Saras Sarasvathy, associate professor of business administration at the University of Virginia's Darden School



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Farah Ramzan Golant