

THEME 1 Decisions, Decisions, Decisions

LESSON

1

# Money Skills: Worth Their Weight in Gold



## About This Lesson

If money does, indeed, “make the world go ‘round,” then students need to understand this force of life. Mastering personal finance skills can have immediate and lifelong application. This personal finance program will facilitate learning about money — how it’s earned, how it’s saved, and how it can be managed and grow over time.

The activities in this lesson will introduce or reintroduce students to what money is (as defined by economists) and to the basic economic situation — **scarcity** — **living in a world of limited resources and unlimited wants**.

Students will consider scarcity of time as they make decisions on how each of their 24 hours is spent. In making decisions about their use of time, they will discover that they must give up one thing to gain something else. This is the **opportunity cost** of a decision. A student who chooses, for example, to attend two-hour math tutoring sessions is giving up hanging out and texting friends. Activities in this opening lesson will cover goal setting and the decision making that students must do to reach these goals.

Students are beginning a path in this lesson of setting goals and applying decision-making skills that will be followed throughout this personal finance program and in their future lives.

## Student Objectives

- ▶▶ Students will be able to define what money is.
- ▶▶ Students will be able to identify choices they make because of scarcity of time.
- ▶▶ Students will be able to provide examples of an opportunity cost.
- ▶▶ Students will be able to identify short- and long-term goals.
- ▶▶ Students will be able to make a plan to reach a financial goal.

## Time Needed

Two to three class periods



## Materials Needed



- ▶▶ Student Handout 1-A: Get Ready, Get Set, GOAL!
- ▶▶ Student Handout 1-B: Scoring a Goal
- ▶▶ OPTIONAL: Currency and coins



## Connections to Home and Career Skills Course

Lesson 1 connects to these Financial Management (FM) Performance Objectives and Supporting Competencies.\*

- **FM.1:** FM.1.1
- **FM.2:** FM.2.1, 2.2, 2.3



## Words to Know

### barter

Trading goods and services for other goods and services.

### currency

Something that is used as a medium of exchange; money.

### goals

In terms of personal finances, any future plans that require specific financing, such as purchasing a car or paying college tuition.

### medium of exchange

A function of money that means it will be accepted as payment for goods or services.

### needs

Goods and services that an individual must have to survive.

### opportunity cost

What is given up or sacrificed when one alternative is chosen instead of the next best alternative.

### scarcity

The basic economic situation — limited resources and unlimited wants.

### wants

Goods and services that an individual would like to have (e.g., a laptop computer, a sports car, ballet training, etc.), but are not essential.

**Vocabulary words should be introduced as needed.**



## TEACHER BACKGROUND

What is money? Money cannot be defined in terms of just its physical form because there are so many different forms. Over time, beads, teeth, animals, salt, rice, yarns, oxen, and many other items have been used as money. The definition of money is described by economists as that which serves as a medium of exchange, a store of value, and a unit of measure.

The early economy of our country started out as a system of barter. From their history courses, students will have learned about the types of trading that went on between

\*See page 10 for descriptions of these FM Performance Objectives and Supporting Competencies or Appendix D (pages 121-124) for descriptions of all Performance Objectives and Supporting Competencies covered in Money\$stars.

the pilgrims and the native tribes. Colonists and settlers who came later traded or bartered items such as blankets, kettles, and clothing for things they needed, such as grain, fish, and furs.

The barter system had inherent problems, since a tendency to narrow the field of acceptable items to trade could easily develop. It is significantly easier to hold and exchange small currency or coins than it is to barter with apples, beads, or animal skins. The disadvantages of the barter system eventually led to the creation of money in the form of metal coins and paper bills.

Once students understand what money is and how it was developed, they will understand the reason why the study of money is, in many ways, a study of people. Money represents where people put their energy and experience. We study money to understand our lives.

## TEACHING THE LESSON

- 1 Share briefly the history of money with your students and explain how money doesn't necessarily have to be paper bills and coins. People have used a variety of items for money. Everything from sharks' teeth to stones has been used as currency. But before there was any kind of money, there was still a way people got the goods and services they needed and wanted. They bartered or traded with each other. Ask students to think about the advantages and disadvantages of a barter system. Facilitate a discussion. Present these two "what if" situations to illustrate potential problems with bartering:
  - What if a medical practitioner lived in a village where everyone else fished or grew bananas? Everyone who wanted the doctor to treat them might want to barter with fish or bananas. How would the doctor deal with that? Could he live on fish and bananas alone?
  - What if a person had a goat to trade for goods? Suppose a goat could be traded fairly for a bushel of corn? What would happen if the person with the corn had only a half-bushel left to trade? How could change be made with a goat?

What are problems associated with a system where one has to find a person to fulfill one's needs but that person also has to be willing to take what is offered in trade?

- 2 Explain to students that the people of Yap, an island in the Pacific, now use U.S. currency. However, they once used the heaviest money ever — stone wheels. Some were 12 feet in diameter and weighed thousands of pounds. If money is defined as something that is easily a **medium of exchange**, does the stone money of Yap really work?
- 3 Scarcity is the basic law of economics. Our resources are all limited. People cannot have all the goods and services they want because of scarcity. Use

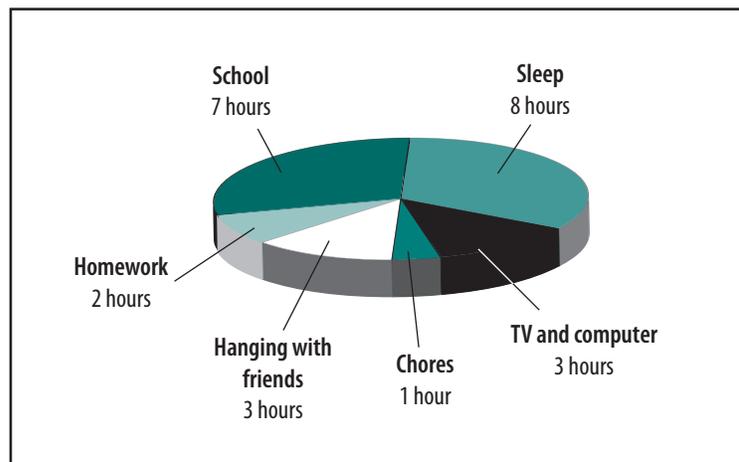


Economics is the study of how individuals, groups, or nations allocate their limited resources to satisfy their unlimited wants and needs.

this example: Tell students to imagine that someone has just come to your classroom with three candy bars to distribute. The person asks, “Who wants one?” Eleven students raise their hands. In this example, the candy bars represent a limited resource. In order to distribute them, choices must be made (e.g., students who put hands up first, quiet students, etc.).

- 4** Ask students to raise their hand if they think that time is scarce. Ask how many hours they have to get things done in any one day. Have students draw a circle that will represent the 24 hours in a day. One large circle should also be drawn on the board.

Have students pair and use their circles as pie charts, labeling sections of a 24-hour period. They might begin by thinking about the hours at school and the hours they sleep and complete the rest of day with their activities and amount of time.



- 5** Post a number of pie charts and have students compare them. Ask students what choices they made in order to fit everything into 24 hours (e.g., had to sleep less to have time with friends, or decreased my time playing video games and text-messaging to study or do chores, etc.).

Ask students what choices a student might have to make if they had two hours of sports practice each day. What would they have to **give up** in order to be on the team? Explain that what they gave up because of scarcity of time is called the opportunity cost. (The cost of passing up the next best alternative when making a decision.)

Ask each student to give an example of a choice they made in this scarcity-of-time activity. They should each describe what an opportunity cost they had. For example:

- With a three-hour part-time job each day, my opportunity cost is **giving up** going to the gym.

- The math tutoring program (two hours daily) means no television. My opportunity cost is **not seeing** favorite television programs.
- Joining the school band and practicing 90 minutes each afternoon means the opportunity cost of **giving up** time with friends.

**6** Explain that the choices they all made have something to do with their personal goals and things that they value. The student who goes to math tutoring has a goal of getting into the Geometry I class. The goal of a student who attends sports practice for two hours each day is to make the varsity team.

**7** Discuss the concept of setting a goal. Begin by defining what a goal is — something a person wants so much that he or she will make a real effort to get it. A goal is the specific target for which one aims. Goal setting is a first step in making decisions about scarce resources.

Goal setting is a skill that will help students in every aspect of their lives.

**8** Distribute Student Handout 1-A, Get Ready, Get Set, GOAL.

- Introduce students to the concept of short-term versus long-term goals. For students, a short-term goal is something they want very soon; a long-term goal could be something in the near or distant future. In this lesson, the short-term goals are the ones they hope to achieve during this school year.
- Ask students to list their personal goals on the lines for Step 1. They do not need to order or rank them in any way, just to develop a list. They should not dismiss any of their ideas. When the list is finished, they choose two goals for this school year.
- Ask students to consider the obstacles that might hinder their goal achievement. What conditions might threaten their success? For example, if their goal is to make the soccer team, an obstacle might be that the tryout involves running a mile in under eight minutes. If students know they run slower than that, this is a possible obstacle. Clearly defining the obstacles helps to minimize them and make them easier to overcome.
- If running a mile in under eight minutes is an obstacle, what might help a student to overcome it? Next, students should list the things they will need in order to help them achieve their goals. This could include people whose cooperation might be helpful. For example, if a student needs to run at the track after school to practice, he or she might need a way to get home, since there is no late school bus.
- Setting a date is a key to unlocking goal achievement. The date can inspire action. A date puts the steps to the goal in motion.
- The step-by-step action plan: If a student wants to make the soccer team and tryouts are on March 1, the action plan is likely to begin on January 1. This first step may begin with running the first mile and timing the run. In addition, he or she may want to plan to begin eating healthier and exercising



more to build up strength and agility. The student may want to schedule a few practice games with friends to tone up his or her skills.

Describe how analyzing goals and making plans to achieve them is very much the same as a personal finance plan. First one sets goals. Next, one creates a plan to reach these goals.

**9** Have students identify a goal that requires money. They may be long-term, taking a year or more, or short-term, taking three months or less. Write the words, “Long-term goal = buy a mountain bike” on the board. Below that write, “Action steps,” and elicit responses from students about the steps that could lead to achieving the long-term, bike-buying goal. The action steps might include: researching the available bikes, saving allowance, doing chores to earn extra money, looking for sales, checking online for best deals, etc. Have students rank the action steps in order of importance.

**10** Distribute Student Handout 1-B, Scoring a Goal.

Ask students to consider a long-term financial goal that is reasonable for them to achieve within the school year. Each student should choose their financial goal and write it between the “goal posts” on the handout. Organize students into working pairs to develop four action steps to reach the long-term goal. They should write their action steps in the correct order on the spaces.



## Connections — Linking to the Internet

➔ [www.federalreserveeducation.org/pfed](http://www.federalreserveeducation.org/pfed)

**Federal Reserve Education.** A Federal Reserve System website dedicated to providing information and resources about personal financial education, resources for teachers, and information about the Federal Reserve.

➔ [www.kids.gov/6\\_8/6\\_8\\_money\\_earning.shtml](http://www.kids.gov/6_8/6_8_money_earning.shtml)

**Kids.gov Money** page is the official Kids’ Portal for the U.S. Government, specific to money, with links to many resources.

➔ [www.jumpstartcoalition.org](http://www.jumpstartcoalition.org)

**Jump\$tart** is a national coalition of organizations dedicated to improving the financial literacy of kindergarten through college-age youth by providing advocacy, research, standards, and educational resources. Jump\$tart strives to prepare youth for lifelong successful financial decision-making. Most of the resources listed on this site are available free or at low cost.

➔ [www.practicalmoneyskills.com/english/index.php](http://www.practicalmoneyskills.com/english/index.php)

**Practical Money Skills for Life** is a website designed to enable teachers and parents/guardians to help students learn practical financial skills.

## Learning More



### ➤ Money Expressions

Students can brainstorm money expressions. List these on the board. Then allow time for students to research the origins of these expressions. For example, the term “nest egg” comes from the custom of placing an egg in a nest to induce a hen to lay eggs there. When a person saves a little money, this money becomes an incentive to save more. If no origins can be found, invite students to write fables explaining the history of the expression.

### ➤ Tracking the Bills

Students can research how money is printed. To get them started, explain that the U.S. dollar is the most widely circulated currency in the world. Printing presses at the U.S. Bureau of Engraving and Printing in Washington, DC run 24 hours a day. What are the bills printed on? Where do bills go after they are printed? Where are coins made? They can learn more about money and its history at: [www.frbsf.org/federalreserve/money](http://www.frbsf.org/federalreserve/money).



### ➤ Barter Is Alive and Well

Students research and discuss how bartering still takes place. Have students discuss a few bartering situations that they find on Internet sites. What are some of the goods and services that people want to barter?

### ➤ Questions and Answers

Have students develop a list of personal finance questions they would like answers to. Students can use a KWH chart.

### ➤ Role Playing

Students can role play situations in which financial decisions are made. For example, a family can discuss how much allowance a teenager or younger child should receive.

### ➤ \$tar Idea Scrapbooks

Students can develop scrapbooks of key ideas about money as they learn them. The book might include ads, articles, brochures, student handouts, etc.



## Connections to Home and Career Skills Course

### Financial Management (FM) Objectives and Competencies

Performance Objective	Supporting Competencies
<b>FM.1</b> Demonstrate the need for financial management to meet the goals of individuals and families across the lifespan.	<b>FM.1.1</b> Examine the need for personal and family financial planning.
<b>FM.2</b> Develop a personal spending and saving plan (budget) to meet established goals based on financial management principles.	<b>FM.2.1</b> Identify individual needs for money.
	<b>FM.2.2</b> Identify “reasonable” individual wants.
	<b>FM.2.3</b> Establish financial goals based on needs and wants.

# Get Ready, Get Set, GOAL!



1 Think about some of the goals you'd like to achieve or talents and skills you want to develop. List your goals.

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

2 Choose two goals on your list that you want to set for this school year and write them here.

\_\_\_\_\_

\_\_\_\_\_

3 Identify the **obstacles** in the boxes provided that might keep you from achieving these two goals. Then, list the things you'll need to achieve these goals. Set a date for achieving the goals.

Goals	Obstacles	Helpers	Date

4. Write a **step-by-step action plan** to reach one of these goals.

\_\_\_\_\_

\_\_\_\_\_

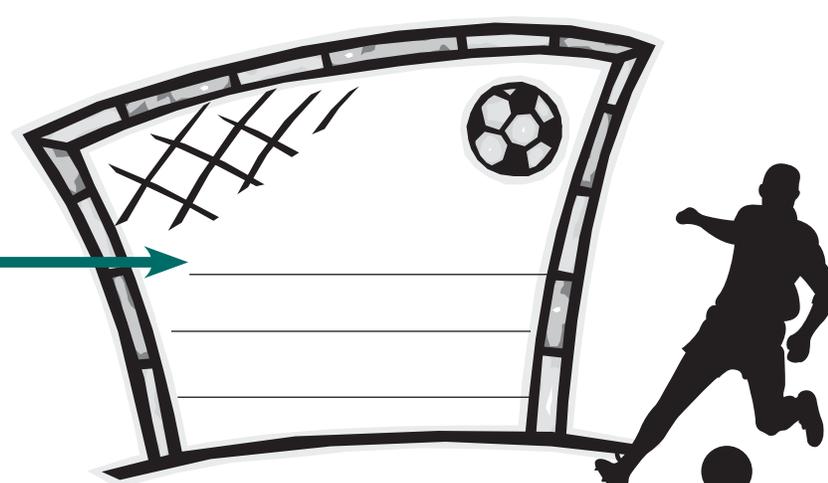
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# Scoring a Goal

**Directions:** Write a financial goal you would like to meet within this school year.



**My Financial Goal** → \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

To meet your long-term goal, you should identify and write four action steps.

**Long-Term Financial Goal**

Action Step 1  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Action Step 2  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Action Step 3  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Action Step 4  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_