

THEME 1 Decisions, Decisions, Decisions

LESSON

2

# The Choices of Our Lives



## About This Lesson

Effective decision-making skills are integral to personal financial literacy. Students make numerous decisions and choices every day. They choose everything from what they wear and what they eat, to when to do homework and to whom to text message. Students, like most adults, are not always aware of the strategies they use when they make decisions.

The activities in Lesson 2 will enable students to become aware of these strategies and hone decision-making skills for choosing wisely. They will learn the steps in the decision-making process and examine the factors that influence decisions. They will learn to evaluate opportunity cost and consequences. Ultimately, they will build on these skills and adapt them to their decisions about money.

Activities will help students identify how they use money to buy both wants and needs. Knowing the difference can help them as they set goals, establish spending priorities, and understand budgeting and saving.

The lesson concludes with an analysis of the results of their decision making. They will discover that wise choices involve a smarter use of limited resources like time and money.

Students should be encouraged to use the economic way of thinking in making their decisions today and in the future.

### Student Objectives

- ▶▶ Students will be able to identify and explain the steps of decision making.
- ▶▶ Students will be able to apply a decision-making model to an authentic situation.
- ▶▶ Students will be able to apply the concept of opportunity cost to everyday situations.

### Time Needed

Two class periods



## Materials Needed



- ▶▶ Student Handout 2-A: Pick a Pet!
- ▶▶ Student Handout 2-B: Opportunity Cost Is a Give-and-Take



## Connections to Home and Career Skills Course

Lesson 2 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

### incentive

A benefit that influences decision making.

### 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 of 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

The Greek philosopher Aristotle (384–322 BC) said, “Man is a goal seeking animal. His life only has meaning if he is reaching out and striving for his goals.” Teaching students how to “go after” what they want (by making choices so they can reach their goals) is a focus of this lesson.

Students should understand that smart decision-making skills are vital because of all the decisions made in any one day. Without our even realizing it, many factors weigh into the decision-making process. Decision making is a give-and-take proposition, because each time something is chosen, something else is given up in order to make that choice. This is known as “opportunity cost” — what a person gives up or sacrifices when one alternative is chosen instead of the next best alternative.

Many young people lack the foundation for problem solving and decision making, and leave decisions to peers or parents or guardians. Learning the skills of decision making can foster personal growth and empower young people to build a foundation for independence.

\*See page 19 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\$ars.

This lesson will enable students to understand the decision-making process while developing an awareness of the factors that influence their choices. It provides structured practice in analyzing a problem, identifying options, and concluding with a decision.

## TEACHING THE LESSON

- 1 Ask students this question: If you had to choose between a million dollars, a lifetime supply of candy, or one wish granted by a genie, which would you choose? Allow a few moments for students to consider the options, then ask for a show of hands for which ones they picked.

Ask them how they made the decision. Then ask students about other decisions they made today. Facilitate their thought process by reminding them of the likeliest decisions a young person might have made that day.

- What did they choose to wear to school?
- What did they choose for breakfast?
- Which friends did they talk to when they got to school?
- Did they decide to get to class on time?
- Did they decide to bring lunch or buy lunch?
- How did they choose which food to eat?

List their decisions on the board.

- 2 Choose one of the decisions and examine it with the class. For example, how did they decide what to wear? Did they first gather information by checking the weather? Did they look to see which articles of clothing were clean enough to wear? Did they think about what they had to do during the day that might affect their clothing choice?

- 3 Did they then consider the alternatives of each choice? Would they be cold if they wore a T-shirt, but too warm with a sweater? If they wore a T-shirt, a long-sleeve shirt, and a vest or sweater, would that be too many items to be able to change quickly for gym?

Finally, after stepping outside and later arriving at school, were they satisfied with the results of their choice?

- 4 Explain that they may not realize it, but in choosing what to wear, what to eat, or what to write on MySpace or Facebook, they likely went through the typical steps in the decision-making process. Review those steps and write them on the board. They are, in simple form, to:

- Identify the problem.
- Gather information and options or alternatives.



Facilitate the learning by asking questions that require layered answers, not simple “yes” or “no” answers. In this way, students will be encouraged to think and formulate complex answers. You may want to structure your questions to begin with “Why” or “How” or “What do you think . . . ?” or “What else . . . ?”

- Consider the consequences of each choice.
- Choose the best course of action. (Make a decision.)
- Evaluate the results.

**5** Introduce students to the factors that might influence decisions. These factors include:

- Values
- Peers
- Habits
- Feelings
- Family rules
- Risks and consequences
- Age

If students are part of an online social network, ask them how they decided what to post about themselves. Who influenced these decisions?

**6** Distribute Student Handout 2-A, Pick a Pet.

Present the situation to students. Lee needs to choose a family pet. Now that they are aware of the steps in decision making, they can work through those steps to assist Lee in weighing the options and making a choice.

Students should begin by **identifying the problem**. The problem is how to choose the best pet for Lee’s family.

**The next step is gathering information.** The family wants a pet. Lee’s grandmother lives with them and needs a quiet home. Lee will take care of the pet, but plays after-school sports and does not have much free time. However, Lee wants a pet that will be playful and fun to own.

**The third step is considering the consequences of each choice.** This is the step where various factors are considered. For example, a dog may be the most playful and fun pet to own. If you have a dog and love it, this might affect your advice to Lee. You might influence this decision because you are Lee’s peer. Lee’s habits factor in as well, because Lee plays sports and does not have much free time. Also, Lee’s family influences this decision because Grandma needs their home to be quiet. If you tell Lee to choose a dog, Grandma might be upset when the dog barks. On the other hand, a turtle is not a particularly playful pet.

Direct students to consider each choice and its consequences. They can best understand the choices and consequences by filling in the chart on Pick A Pet.

**7** Explain to students that every choice or decision involves an “opportunity cost.” The opportunity cost of choosing a pet fish, for example, is giving up owning a playful dog in order to get one that requires less time to maintain. Put simply, when you choose one thing you give up the opportunity to choose another, and there is a trade-off. In money management, the opportunity costs are whatever you give up to get to a financial goal.

## 8 Distribute Student Handout 2-B, Opportunity Cost Is a Give-and-Take

- Read the directions and the example in Situation 1 to the students. Discuss April's choices. She wants that video game. If she adds this \$10 to her savings, she will be close enough to her goal that by adding her \$5 allowance next week, she will be able to buy the game. But her friends are going to spend the day doing something really fun, and she would like to be with them. April has to give up one thing she likes in order to choose the next best alternative. Both choices are good, but only one can be chosen.
- Instruct students to read Situation 2. Juan's choices involve the limited resources of time and money. Ask students to think about what Juan has to gain and what he has to lose with each of his choices. If he goes skateboarding, what will he give up? If he mows the lawn today, what does he gain? What does he give up?

Students should continue considering the circumstances presented in the other situations and list all of the choices and opportunity costs.

## 9 Strategies used to analyze situations are part of an economic way of thinking. Summarize them. Have students review and reflect that they evaluated the pluses and minuses of each choice before considering what could be gained versus what would be lost.

Explain that the class will have other opportunities during this unit of study to practice this economic, decision-making model.

## Connections — Linking to the Internet

➤ [www.dallasfed.org](http://www.dallasfed.org)

**Dallas Federal Reserve Bank: Student resources.** Find out about programs, online games and activities, and other useful links for students.

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

**JumpStart Coalition.** This organization maintains (with the help of the National Institute for Consumer Education) a searchable database of personal finance educational materials. There is also a section that lists personal financial management guidelines and benchmarks.





## Learning More

### ➤ Interviews

Students interview adults they know. What decision-making process did they choose when deciding about education, careers, or jobs?

### ➤ Role-Playing Videos

Students create video presentations where they role-play a variety of decision-making situations.

### ➤ Create Brochures or Newsletters

Using desktop publishing software, students can create brochures or newsletters where they write, edit, and design tips for students to help them with their decision making.

### ➤ Media Watch

Assign students to choose a television show they enjoy watching. As they watch the program this week, have them look for decisions that the characters make. How do the characters make decisions? What steps do they use? Students can write a description of how the decision was reached.

### ➤ Across the Generations

Students may want to interview parents or guardians about how they earned money when they were their age. Parents or other family members might consent to speak to the class about their childhood experiences with earning money.

### ➤ Earning Money

Students can brainstorm ways they could begin to earn money. Are they old enough to babysit or do odd jobs around the house or the community? Can they make and sell crafts or lemonade? Can they collect cans to recycle for money?

## 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.

# Pick a Pet!

**Directions:** Lee needs your help to make a decision. His family has decided to adopt a pet and has given Lee the task of choosing the pet. Follow these steps in your decision-making process:



- 1. Identify the problem.** What kind of pet should Lee pick for his family?
- 2. Gather information.** Lee's grandmother lives with them and she sleeps a lot, so a quiet pet is best. Lee would like a pet that would be fun to own. Care of the pet will be his responsibility. Since he plays sports after school, he does not have much free time, so he wants an easy-to-care-for pet.
- 3. Consider each alternative.** Fill in this chart by writing a plus sign (+) for "yes" or a minus sign (-) for "no" in each box.

	Quiet	Fun	Easy Care
Dog			
Cat			
Canary			
Goldfish			
Rabbit			
Hamster			
Turtle			

- 4. Make a decision.** What pet will you advise Lee to choose? Why? Write your choice and explanation in this box.

- 5. Evaluate the results:** Imagine that you asked Lee about the pet after a few weeks. Write the response here. Did he make a good decision?
- 6. Bonus Activity:** Use these decision-making steps to pick a cell phone or a cell phone service provider.

# Opportunity Cost Is a Give-and-Take

**Directions:** Analyze these situations, and list the choices and opportunity costs of each decision. The first scenario about April is an example.

SITUATIONS	CHOICES	OPPORTUNITY COSTS
<p><b>EXAMPLE</b></p> <p><b>1</b> April’s aunt gave her \$10 for her birthday. April is saving to buy a video game that costs \$39.99. She has \$25 saved. Next week she’ll get a \$5 allowance. Her friends just called to say the mini-golf course is offering a special today of all-day golfing for \$10.00 — and they’re going. April loves mini-golf.</p>	<p><b>A</b> April can save the \$10 for her video game. She will then be closer to her goal.</p>	<p><b>A</b> She gives up spending a day with her friends and playing mini-golf.</p>
	<p><b>B</b> April goes with her friends to play mini-golf.</p>	<p><b>B</b> She gives up the \$10 toward buying the video game.</p>
<p><b>2</b> Juan is going skateboarding with his friends today at 2 p.m. He has to be home by 5 p.m. to help his father. His neighbor just offered him \$20 to mow the lawn if the job gets done today between 2 p.m. and 5 p.m. The mowing job takes about 2.5 hours.</p>	<p><b>A</b></p>	<p><b>A</b></p>
	<p><b>B</b></p>	<p><b>B</b></p>
<p><b>3</b> Wesley is a terrific soccer player who made the summer traveling team. Each weekend there are two games. Players cannot miss more than two games. Wesley’s family has a 10-day vacation planned over two weekends. Wesley can stay with his grandparents and not go on the trip.</p>	<p><b>A</b></p>	<p><b>A</b></p>
	<p><b>B</b></p>	<p><b>B</b></p>
<p><b>4</b> A wealthy person in a rural area in Colorado just left the town \$50,000. That is enough to solve one of the town’s two identified problems. The town needs a traffic light at the busiest intersection. It also needs computers for the middle school because it has none.</p>	<p><b>A</b></p>	<p><b>A</b></p>
	<p><b>B</b></p>	<p><b>B</b></p>

**BONUS: More Choices!** You have just won \$300 in a contest. What will you do with the money? Write about your choices and the opportunity costs involved with each choice.

# Notes

## **Using a Decision-Making Process**

Homework or television? Salad or fries?

Ride or walk to school? Making some

small daily choices using a decision-

making process can help students

become better at it. All this practice will

be important when some big choices

need to be made.