

LESSON PLAN

Savvy Spending: Sharpening Money Decisions

Learning Objective(s):

- Assess personal spending behavior
- Understand the concept of opportunity cost
- Evaluate spending choices when it comes to personal wants versus needs

Target Group:

- **Grade 9 – Grade 11**

Lesson Excerpt:

Whether it's longing for a new cell phone or a designer jacket; teens often have a difficult time distinguishing between their wants and needs. This lesson will help students differentiate between wants and needs, and understand why separating the two is important in order to make smart financial decisions. They will also explore the concept of opportunity cost and deepen their understanding of what it means to spend responsibly.

Essential Question *“How can I spend my money responsibly?”*

Investigate: If I Had a Million Dollars

[Time Required: 20 minutes]

1. Write the figure \$1,000,000 on the board, and ask students what they would do if they had a million dollars—would they buy a new laptop? Help out a friend?
2. Have students write in their notebooks about how they would spend the money. Next, invite volunteers to share their answers, recording their ideas on the board. Explain that today’s lesson is all about spending responsibly, whether you have a million bucks or ten.
3. Ask students: What is the difference between a want and a need? Invite volunteers to share their ideas. Remind students that needs are items we must have to survive (food, shelter, clothing), while wants are things that are nice to have, but not really necessary. For example: students need clothing, but do they need a Louis Vuitton bag or Diesel jeans? Explain that clothes are a need, but designer clothes are a want.
4. Next, tell students they are going to organize their million dollar purchases, separating the wants from the needs.
5. Read each purchase from the board and ask students to raise their hands if they believe the purchase is a “want” or a “need.”
6. There will likely be some disagreement among students. Use them as an opportunity to debate the differences between a want and a need, and how our values are linked to the purchases we make.

Student Preparation: Opportunity Cost

[Time Required: 10 minutes]

7. Explain to students that distinguishing between wants and needs also means evaluating all options before making a purchase.
8. Ask small groups to discuss the following scenario over five minutes: You have \$50,000 and you can either buy a video game console or a digital camera. Which do you buy and why? Why can’t you buy them both?
9. Invite groups to share their reasoning. Explain that whenever we make a spending decision, choosing one option affects whether or not we can make the other choice. Tell students this is called **opportunity cost**.
10. Explain that if students bought the cell phone, the video game console would be the opportunity cost and vice versa. Now ask students to consider the choice between spending \$50,000 on a new phone and making a car payment. If you opt to buy the phone, how will you pay for the car? Help students to see how opportunity cost can affect choosing between a want and a need.

Challenge: Wants vs. Needs

[Time Required: 20 minutes]

11. Distribute the activity sheet and explain that students will now get to evaluate the needs and wants at play in several different examples.
12. Working in groups of four to five, students should determine the wants and needs in each scenario and justify their reasoning.
13. Invite groups to present their findings to the class, and then discuss why certain expenses are wants while others are needs.

Reflection

[Time Required: 5 minutes]

Have students think back to the beginning of class when they determined how they would spend a million dollars and ask them to reflect in their notebooks about how their perception has changed. Would they spend the money in the same way? Why or why not?

Student Activity Sheet

Case Study 1:

Casey is preparing to leave for college in the fall. She lives in New York, but will be going to school in California, so she is planning on buying a car to get her there. She wants to buy something reliable, so she is deciding between a new car that will cost US\$17,000 with zero miles and a navigation system and a three-year-old car with 7,000 miles and no navigation system for US\$12,000. She has US\$10,000 in savings that she will use for the purchase and will take out a loan for the remaining amount.

What are the wants?

What are the needs?

What decision would you make and why?

Case Study 2:

Tom has been saving for a new laptop for the past six months. He's done his research and found a model that experts say will more than meet his needs. But new, it costs US\$3,000. He also found a refurbished version of the same computer with all of the same features online for US\$1,500. The refurbished laptop comes with a warranty and Tom bought a refurbished portable music player from the same company with no problems. Tom's third option is a brand new laptop that costs US\$1,800 and has all of the features he needs but not all of the ones he wants.

What are the wants?

What are the needs?

What decision would you make and why?

Case Study 3:

Stephanie received US\$500 from her grandparents for her high school graduation. She's been longing to buy a new watch and update her wardrobe because she's starting a new job in two weeks, but next month she's moving out on her own and will need to pay three months' rent in advance, which totals US\$1,500. If she uses the money to buy the watch and clothes, she thinks she can save enough money from her new job to pay for rent, but she's not sure.

What are the wants?

What are the needs?

What decision would you make and why?

Case Study 4:

Michelle's been invited to go to a three-day concert with her friends. The only catch is that it's a 9-hour drive, and traveling for an entire weekend means she'll need lots of cash. She estimates that gas, food, tickets and camping will cost around US\$400. She has a car payment of US\$250 coming up and her US\$89 cell phone bill is due at the end of the month. She also needs to buy her mom a birthday gift, which she thinks will cost US\$50. She has US\$700 in savings.

What are the wants?

What are the needs?

What decision would you make and why?

Answer Key

- 1) Casey needs a car to move her belongings across the country, but a brand-new car that will put her US\$7,000 in debt is a want. The best decision in this case is to select the used model. Even though it may not have all the bells and whistles of a new car, it is still reliable with low miles and it meets Casey's needs.
- 2) Tom has done a good job of researching all of his options. He needs a new laptop, but the expensive model is a want. He's discovered that he can meet both his needs and his wants by purchasing a refurbished version. Since the refurbished model carries a warranty and Tom has had a good experience with the company in the past, he should go ahead and buy the refurbished computer.
- 3) Rent money is the primary need, while the new watch and clothes are wants. While Stephanie may want to buy a new watch and clothes, she needs to pay rent first before making other purchases.
- 4) Michelle should take care of her bills first, and then decide if she wants to spend less on her mother's gift in order to afford the concert, or skip the concert and put the money into her savings account. Help students see that our values are closely linked to the decisions we make about money. If Michelle values giving her mother a gift, she may want to sacrifice the concert to be able to afford a nice gift.