

Lesson 1: Money Matters

TOPIC: Buying Decisions

OVERVIEW:

In this introductory lesson, students will evaluate buying decisions by practicing problem-solving and critical-thinking skills to understand how resources are limited. Students will learn that spending money for one purpose means that money cannot be spent for another purpose (**opportunity cost**) and that spending priorities can be developed by differentiating between **needs** and **wants**.

OBJECTIVES:

1. Explain the difference between needs and wants, and identify examples of each
2. Compare and prioritize needs and wants
3. Evaluate different choices when making a purchase
4. Discuss impulse buying
5. Discuss and explain opportunity cost

HANDOUTS:

- Sort It Out
- Money Smart Book
- Trade-Offs

TEACHER PRESENTATION SLIDES:

- What Are Needs and Wants?
- What Should I Buy?
- Story Problems: Opportunity Cost (Challenges 1, 2, 3)

ESSENTIAL QUESTIONS:

- What is the difference between a need and a want?
- How can one person's need be another person's want?
- How can comparing choices help you decide what to buy?
- What is an opportunity cost?

ASSESSMENT ACTIVITIES:

Pre-Assessment:

- Handout: Sort It Out
- Slide: What Should I Buy?

Post-Assessment:

- Story Problems: Opportunity Cost slides (Challenge 1, 2, or 3)
- Handout: Money Smart Book

Time: 60 min

Supplies:

- A variety of “needs” and “wants” items (such as an apple, a pair of socks, a pack of gum, a bracelet, a stuffed animal, a roll of toilet paper, a milk carton, a toy car, a bar of soap)
- Whiteboard or chart paper, markers
- Projector (for teacher presentation slides)
- Access to the Internet (optional)
- Suggested books (optional):
 - *Tops and Bottoms* by Janet Stevens
 - *Erandi's Braids* by Antonio Hernandez Madrigal

Preparation:

- Make copies of student handout
- Set up projector with presentation slides

Glossary with key vocabulary 11

Instruction Steps

WARM UP Needs and Wants

15 MINUTES



Begin the lesson by showing students eight or nine items, such as an apple, a pair of shoes, a pack of gum, a bracelet, a stuffed animal, a roll of toilet paper, headphones, art supplies, and a bar of soap. Put the items on a table in the front of the class.

Have students work together to sort items into two categories using the **Sort It Out** handout. Ask students to share their categories and explain their reasoning.

Ask students: *What is the difference between a need and a want?* Show the **What are needs and wants?** slide. A **need** is something you cannot live without, such as food, water, and shelter. A **want** is something you would like, but can live without, for example: toys, candy, stickers, and the latest fashions. Our wants and needs reflect our personal values and may be different for each of us.

If students have not already divided the items into needs and wants, have a class discussion to lead students to do so. Have them write their answers on the **Sort It Out** handout. Then ask them to share and discuss their reasoning.

Grade-Level Modifications:

Beginner: Divide the items into needs and wants as a class activity.

Advanced: Have students work together in pairs or in small groups to sort the items into needs and wants then review as a class.

MONEY SMART TIP!

Discuss needs in terms of school.

Ask: *What are some things you need to help you learn?*

GUIDED EXPLORATION Exploring and Evaluating Buying Decision

15 MINUTES

As a class, brainstorm a list of needs (food, clothing, shelter, medical care, medicine, transportation, services — phone, haircut, water, electricity) and wants (toys, candy, the latest fashions, game apps or downloadable content for video games, headphones, movie tickets, music). List items on a whiteboard or chart paper.

Explain that needs are top priorities because they are things you cannot live without. Since people can't have everything they want, they need to decide which wants are most important.

Then have students prioritize the list of wants by ranking them in order of importance. Discuss as a class.

Grade Level Modifications:

Beginner: Have students work in small groups to prioritize the list of wants.

Advanced: Ask students to work independently to prioritize the list of wants and write a sentence next to each item to explain its ranking.

Ask students: *How can one person's need be another person's want?* (One person might need something, while someone else already has it and wants another. For example: you might need shoes when your only pair is getting too small, versus someone who might want another pair of shoes when he or she already has several pairs.) Have students share several examples.


Share with student's important questions to ask when making a buying decision:

- *Do I need it?*
- *How long will the item be useful?*
- *Am I buying it because my friend bought it?*
- *Am I buying it to impress others?*

Share with students that they will play a game to identify whether a mystery item is a need or want. In the style of 20 questions, give students the chance to pose questions and guess what the mystery item might be. Share an image of physical object to represent each of the following three items: magnets/magnet science kit, book, backpack.

What SHOULD I BUY ?

Maya has \$25 saved. She would like to buy three things.



Book (\$8) Science Kit (\$15) Backpack (\$20)

The latest book by her favorite author. She can't wait to read it!
A magnet science kit with over 30 experiments! She loves science.
A new backpack; her old backpack is badly damaged.

1. Which of the items are needs? Wants?
2. Which item is the most important to buy?
3. How do you think Maya should spend her money? Why?

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After students have guessed each item ask by show of hands, who would categorize the item as a want? As a need? Why? After all three items have been guessed, show the **What Should I Buy?** slide.

Ask students: *Which items are needs for Maya?*

- *Which items are wants?*
- *What item is most important for her to buy?*
- *Which of the three items would be most important to you?*
- *Can Maya afford to buy all the items?* By prioritizing her spending, she can decide which items she is willing to give up to purchase a different item for now.

Next, discuss and define the term “impulse buying” (a sudden decision to buy something that you didn’t plan to buy).

Ask:

- *How might a store encourage shoppers to make impulse buys?* (Share that stores often place new items in the front of the store, in store windows, and in the middle of aisles for customers to see them. Stores place their products right in front of the customer so if it’s an item for younger kids it will be available on lower shelves, so kids can easily see it and reach it.)
- *Why might it be helpful to plan what to buy instead of making a sudden decision to buy something?* (You can think about the cost and decide whether you really need it.)
- *What choices do people have when deciding what to buy?* (For example: people can choose between different brands, stores, prices, quality levels.)
- *How can comparing choices help you decide what to buy?* (Comparing choices can help you decide which item is more important to buy, has a lower price, and soon.)

**Understanding
Opportunity Cost**

20 MINUTES

Explain that every choice we make has an **opportunity cost** (the “trade-off” of making one choice over another). For example: if you choose to play outside, you might be giving up the opportunity to read a book indoors. If you only have \$3 and choose to buy a notebook with the money, you give up the opportunity to buy something else, such as stickers, a pack of gum, or pencils.

Optional: Read the book *Tops and Bottoms* by Janet Stevens. This Caldecott Honor Book, a folktale about a lazy bear and a hardworking rabbit, demonstrates opportunity cost, as the bear must repeatedly choose between the “tops” or “bottoms” of crops, and always ends up with the inedible parts. (Students may also watch a video of the story being read for classroom instruction at www.youtube.com/watch?v=Qj7_IdQTZBc, which runs approximately 7 minutes.) Then, have a class discussion of the book as it relates to opportunity cost.

Discussion Questions:

- *What did Bear choose to do instead of to work?* (He chose to sleep.)
- *What choice did Hare give Bear the first two times?* (Hare gave Bear the choice between the top half or the bottom half of the crops.)
- *Did Bear make good choices?* Explain. (No, Bear never asked Hare for more information and always got tricked.)

- *What was the opportunity cost, or trade-off, of Bear choosing to sleep? (He gave up working and never received any food.)*
- *What did Bear learn from Hare's trickery? (He learned to work hard by growing his own crops.)*

STORY PROBLEMS: Opportunity Cost 4

CHALLENGE 1

An **opportunity cost** is the trade-off of making one choice over another. When you make a choice, you give up something else.

Directions: Read each situation below to identify the opportunity costs.

1. Tanisha has a soccer game next Saturday. She was invited to a friend's birthday party on the same day. Tanisha has to decide whether she should go to the soccer game or the party. If Tanisha chooses to go to the party, what is the opportunity cost (the trade-off)?
2. James has \$5 to spend on lunch. He is trying to decide whether he should buy a chicken sandwich or a hamburger. Both meals cost \$5. What is the opportunity cost if James chooses the hamburger?
3. You can either walk or ride your bike to your friend's house. What is the opportunity cost of each choice?

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CHALLENGE 2

An **opportunity cost** is the trade-off of making one choice over another. When you make a choice, you give up something else. That "something else" may be time, money, or another resource.

Directions: Read the situation below and choose the best answer to the question.

1. Trey decided to go with friends to see a movie on Sunday afternoon from 2:00 pm to 3:30 pm. The cost of the movie ticket was \$9.50. What was the opportunity cost of Trey going to the movies?
 - a. the time he gave up to go see the movie
 - b. his friends not paying for his movie ticket
 - c. \$9.50, the money he spent on a movie ticket
 - d. the time he gave up and the \$9.50 he spent

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CHALLENGE 3

An **opportunity cost** is the trade-off of making one choice over another. When you make a choice, you give up something else. That "something else" may be time, money, or another resource.

Directions: Read the situation below and choose the best answer to the question.

1. Sarah went to the mall with her friends on Saturday morning for three hours. Before they left, they had lunch at the food court. Sarah paid \$9.50 for her meal. She normally walks her neighbor's dog on Saturday morning and makes \$5. Her brother walked the dog instead and was paid \$5. What was the opportunity cost of Sarah going to the mall?
 - a. \$5, the money she gave up by not walking the dog
 - b. the use of the \$9.50 that she spent on lunch
 - c. \$14.50, the cost of lunch, plus the \$5 not earned
 - d. the \$14.50 (lunch and money lost) and time

Money Smart for Young People Grades 3 – 5

Display the **Story Problems: Opportunity Cost** slides. Problems can be solved as a class, in small collaborative groups, or individually. (Note: Challenges increase in difficulty. The first challenge is more appropriate for young students, while the second and third may be more appropriate for older students.)

Grade-Level Modifications:

Beginner: Students may act out the opportunity cost challenge as a skit to discuss the trade-off of one choice over another. After the class has discussed the answers, ask students whether they have ever had to choose between two activities on the same day. Have a few students share the choices and trade-off they made.

Advanced: Have students work in small groups to solve the problems and create pictures to illustrate each trade-off. Ask them to share their answers and pictures with the rest of the class.

Next, give students the **Trade-Offs** handout to have them write about a recent time they gave up one choice in order to buy or do something else by answering the following questions:

- *What did you choose?*
- *What did you give up? Why?*
- *How did you decide what to choose?*
- *How did you feel about your decision?*

WRAP UP
Class Reflection

10 MINUTES

Ask students:

- *Why is it important to know the difference between needs and wants?*
- *How do needs and wants affect my decisions?*
- *Imagine a time when you chose to spend money on one item over another, describe the opportunity cost and how you made the decision.*

Using the **Money Smart Book** handout (explained below), ask students to write their first book entry about the difference between needs and wants. They will then draw a T-chart to organize and list their own needs and wants.

Grade-Level Modifications:

Beginner: Write the definitions of needs and wants on a whiteboard or chart paper. Ask students to copy the definitions and then create a T-chart to list their own needs and wants.

Advanced: Students may also write a definition of opportunity cost and include a personal example.

Money Smart Book: Students will create their own personal “Money Smart” book using the **Money Smart Book** handout (found in the Student Guide) as a template. The prompts above may be responded to within the Money Smart Book page, a writing journal or completed as a think-pair-share discussion with a peer or small group. Students may keep their Money Smart Book for reflection and discussion throughout the lessons. The summary and final product will provide a measurable assessment. Students can also share the book with their parents as a discussion starter about what they have learned.

Tell students about **Smart Bucks**, if you have not yet already (see page “SMART BUCKS” on page 7 of this guide for more information). Give students **Smart Bucks** for excellent group collaboration, individual work, and/or participation in the lesson’s discussions.

Extended Exploration

Note: Use the following activities to extend the lesson topic throughout the year. Activities can be completed as a class, in small groups, or during center time. Duration of activities will vary.

- Have students work in small groups to create a “Needs and Wants” collage (or one of each) to hang in the classroom.
- Read *Erandi’s Braids* by Antonio Hernandez Madrigal to discuss wants/needs and opportunity cost.

Summary: A girl named Erandi, from a poor Mexican village, has several choices to make as she picks a birthday gift and offers to sell her hair to help her family buy a new fishing net.

Discussion Questions:

- » *What choice did Erandi have to make for her birthday gift? (She had a choice between the dress and the doll.) Why did Erandi choose the dress? (Her mother didn't have enough money for both. Erandi needed a new dress to wear to the fiesta.)*
- » *What was the opportunity cost (or "trade-off") of choosing the dress? (Erandi gave up the doll.) Was the doll a need or a want? (a want)*
- » *Why do you think Erandi offered to sell her hair? (She knew her mother needed the money to buy a net.) Was the net a need or a want? (a need) How do you know? (The old net had holes and couldn't be repaired. The family needed a net to catch fish to eat.)*
- » *What was the opportunity cost of Erandi selling her hair? (She gave up her hair.) Was it worth it? (Yes, she received enough money for her mom to buy a new net and the doll.)*

As a follow-up to reading Erandi's Braids, invite students to create a poster that shows the choices that Erandi made and the trade-off (opportunity cost) of each choice (the dress versus the doll; to cut her hair versus not cutting it).

Grade-Level Modification:

Advanced: Create a poster using a flowchart to show Erandi's choices and the opportunity cost of each choice. Students can also include the choice that Erandi's mother made (buying both the net and doll versus just the net) and the opportunity cost of her decision.

Answer Key

Student Handout 1:

Sort It Out

Answers will vary.

Student Handout 2:

What Should I Buy?

Situation A: 1. want, 2. want, 3. need, 4. backpack, 5. Answers may include: Maya should spend her money on a new backpack. It is the most important because it is a need. Her old backpack is badly damaged.

Situation B: 1. want, 2. need, 3. want, 4. a pair of sneakers, 5.

Answers may include: Travis should spend his money on a new pair of sneakers. It is the most important because it is a need. His old sneakers are getting too small.

Student Handout 3:

Trade-Offs

Answers will vary.

Student Handout 4:

Money Smart Book

Answers will vary.



Lesson 1: Money Matters

SORT IT OUT

Name: _____

Directions: Take a group of items and sort them into two categories. Write the category name on the T-chart below. Write the items under each label.

CATEGORY: Yellow	CATEGORY: Blue
sunflower lemon banana	blueberry blue jay jeans

CATEGORY:	CATEGORY:



Lesson 1: Money Matters

TRADE-OFFS

Name: _____

Every decision you make has an **opportunity cost**. An opportunity cost is the trade-off of making one choice over another? For example, if you choose to play outside, you might be giving up the opportunity to read a book indoors. If you only have \$3 and choose to buy a notebook with the money, you give up the opportunity to buy something else, such as pencils or a pack of gum.

Directions: Think about a time you gave up one choice for another. Then fill in your answers to each statement or question below.

1. Describe a time you had to make one choice over another.

2. What did you choose?

3. What opportunity did you give up?

4. Why did you make that choice?

5. How did you feel about your decision? Why?



Lesson 1: Money Matters

MONEY SMART BOOK

Name: _____

Directions: What Money Smart lesson did you learn today? Write the lesson's topic and what you learned on the lines below. Then draw a picture about it in the "Draw About It" box.

Topic: _____

Draw About It

Write About It