



Lesson One

Making Decisions



websites for making decisions

The internet is probably the most extensive and dynamic source of information in our society. The following web sites can provide students and others with current information, assistance, and data related to this lesson. Web addresses ending in “com” are commercial; “.org” are nonprofit; and “.gov” are government.

| | |
|--|--|
| Board of Governors of the Federal Reserve System | federalreserve.gov |
| CNN Financial News | money.cnn.com |
| Consumer Price Index & Inflation Data | bls.gov/cpi |
| Federal Reserve Bank – New York | ny.frb.org |
| Fool.com: Finance and Folly | fool.com |
| Investing | businessweek.com/investor/index.html |
| Kiplinger Personal Finance Magazine | kiplinger.com |
| National Consumers League | nclnet.com |
| Springboard: Consumer Credit Management | ncfe.org |
| Smart Money Magazine | smartmoney.com |

making decisions lesson outline

overview

Each day, we all make many decisions. Most decisions are simple, such as “what should I wear?” or “what should I eat?” Other decisions require more information and careful thought, such as “should I buy a new or used car?”

All decisions involve consequences and many involve risks. As decision-making skills are improved, a person’s quality of life is enhanced. Wise choices result in better use of time, money, and other resources.

This lesson provides students with an opportunity to learn more about decision-making, especially as it relates to choices about money. Effective problem-solving and decision-making skills are particularly important when other skill deficits exist. For instance, if a student lacks the specific knowledge required for a decision, he/she can compensate by following a sequence of steps to define the problem and identify resources for obtaining more information.

Lesson 1 begins with a step-by-step summary of the decision-making process, a definition of basic decision-making terms and activities to help students practice developing alternatives and evaluating everyday choices. Students are then familiarized with common problem-solving styles.

Students are introduced to several basic economic conditions that can affect their financial decision-making choices. Students need to understand that their financial decisions may involve a degree of risk. Several financial risks are outlined.

Suggested teaching strategies, teaching notes, activities, slides and short quizzes are linked to student objectives. Additional ideas to help students generalize decision-making concepts to real life situations are included at the end of the lesson.

student performance goal:

- The student will increase his/her awareness of the consequences of financial decisions and demonstrate effective decision-making strategies.

lesson objectives: the student will...

- 1-1** define vocabulary associated with decision-making
- 1-2** describe and implement the steps in a decision-making process
- 1-3** list potential resources for developing alternative choices
- 1-4** identify common decision-making strategies
- 1-5** identify several economic influences on decision-making

making decisions teaching notes

1.1 The student will define vocabulary associated with decision-making.

what difference do your decisions make?

- As a class, have students define the words **alternatives, consequences, risk, and opportunity cost**. Stress the link between behavior/action and consequence/outcome. (slide 1-1)
- Ask students to cite examples of two decisions they have made: one that resulted in a positive outcome and another decision that resulted in a negative outcome.
- Have students discuss the best and worst decisions they have made in their lives.



discussion

decision-making vocabulary (slide 1-1)

Talk about the cause-effect relationship of the decision-making process and how behaviors and actions produce consequences. Using students' personal experiences, discuss trade-offs, the necessity of weighing risks against the chance for gain, and the cost of increased opportunity.

- **alternatives** – choices; different ways to solve a problem; opportunities to choose among several courses of action.
- **consequences** – outcomes or results of a decision; what will happen depending upon what you choose to do; these are determined by your actions or lack of action.
- **risk** – the possibility that your decision will result in a negative outcome; taking a chance; risk may involve losing money.
- **opportunity cost** – a trade-off. It refers to what you give up when a decision is made or the cost of giving up one thing in order to get something that you want more. The cost may involve your time, money, and/or effort.



slide 1-1

lesson 1 quiz: decision-making vocabulary



quiz 1-1

making decisions teaching notes

1.2 The student will describe and implement the steps in a decision-making process.

what are you trying to decide?

- Have students identify three decisions they may need to make (ex. going to a party, moving away from home, calling in sick to work)
- Instruct students to clearly define the problem in precise, concrete terms. (ex. “I don’t have enough money to buy lunch.”)
- Have students use the decision-making process sheet to work through one of the decisions they have identified.
- As a group, watch and discuss video case study 3 from Practical Money Skills for Life.



slide 1-2



student activity 1-2

an example of the decision-making process:

1. Identify the problem or goal.

- Where to live when you graduate from high school

2. Gather information.

- Expected income
- Transportation costs
- Cost of rent
- Living expenses
- College costs
- Financial aid options
- College residency requirements

3. List possible alternatives.

- Live at home
- Live at home and pay rent to parents
- Rent an apartment
- Live alone
- Share an apartment
- Live in college dorm
- Live in fraternity or sorority house
- Live in trailer park or mobile home

4. Consider the consequences of each choice (action) and evaluate the alternatives.

making decisions teaching notes

5. Select the best course of action.
6. Evaluate the results.

types of decisions

teenagers:

Going to college

Buying a computer

Saving money

Getting a part-time job

young adults:

Buying a car

Saving money

Using a credit card

Moving away from home

lesson 1 quiz: the decision-making process



quiz 1-2

making decisions teaching notes

1.3 The student will define vocabulary associated with decision-making.

**what information do you need?
where do you turn for help??**

- After the students have practiced the decision-making process, ask them if more information would have been helpful. Discuss what types of information are needed to make a specific decision.
- Ask students to brainstorm other situations in which they should seek outside assistance or advice (ex. buying and insuring a car).
- As a group, list possible sources for needed information. (slide 1-3)
- Assign students or small groups of students to collect specific information regarding a chosen problem. They can conduct a personal interview or do research using library publications, phone books, directories or the internet.



discussion



internet

the facts of the matter (slide 1-3)

people

- Who might have the kind of experience necessary to provide information, advice and support in making a specific decision? (ex. parents, teachers, counselors, clergy, lawyers)
- Who might be unreliable sources of information? (ex. peers with only second-hand information, people wanting to sell you something)

agencies

- communities and governments set up agencies to help with many kinds of decisions. What ones do you know about? (ex. Legal Aid, county health clinics, Family Counseling)

professional services

- think of all the businesses that offer information that can help with important decisions. (ex. banks, insurance and investment companies)
- Discuss which ones offer services for free vs. those that charge for their services.

magazines and books

- search the library for books on any given subject and consumer magazines. (ex. *Consumer Reports*, *PC Magazine*, *Car and Driver*)



slide 1-3

making decisions teaching notes

other publications

- check newsstands and bookstores for other publications. (ex. newspapers, Yellow Pages, community directories, real estate publications)

internet

- use search engines such as Yahoo, Google, AltaVista, Infoseek, Lycos, or Hotbot.
- What are some key words you might type in to begin your search?
- How can you tell if a website is a good, reliable source of information? (ex. Is it hosted by an established, reputable business or an unknown group?)

lesson 1 quiz: case applicaiton



quiz 1-3

making decisions teaching notes

1.4 The student will identify common decision-making strategies.

what decision-making strategies have you used?

- Model the decision-making process by presenting a class decision (ex. choosing the next book to read or a field trip destination). Use student's individual responses as examples of the various decision-making strategies.
- Ask small groups of students to identify and role-play various decision-making strategies they have used. (activity 1-4)
- Discuss how well they think their strategies have worked.
- Using videotaped television programs or commercially produced videos, have students identify the decision-making strategies used by the characters.
- Have students present in class (or on video) examples of strong or weak decision-making strategies.
- Divide the class into small groups and have each group draw an index card with a financial dilemma written on it. Each group creates and dramatizes a solution. Discuss how well each strategy worked.



student activity 1-4



discussion

common decision-making strategies (slide 1-4)

For each strategy, define and discuss what it is, what recent decisions have been made in that manner, and what factors influenced the decisions to use that strategy. Ask questions such as:

- "Which strategies do you use more than others?"
- "What is the hardest part of the decision-making process for you?"
- "Can there be more than one solution to a problem?"

spontaneity

- Choosing the first alternative that comes to mind without thinking about the consequences.

compliance

- Going along with what your family, teachers, or friends expect you to do.



discussion

making decisions teaching notes

procrastination

- Waiting to act on a decision for so long that your choices become limited.

agonizing

- Gathering so much information that analyzing the choices becomes overwhelming.

desire

- Choosing an option that achieves a wanted result, but may involve risk.

avoidance

- Choosing an option that prevents an unpleasant result.

security

- Choosing an option that does not upset people or involve risk.

synthesis

- Choosing an option that will probably be successful and which you like the best.

lesson 1 quiz: decision-making strategies



quiz 1-4

making decisions teaching notes

1.5 The student will identify several economic influences on decision-making.

how do economic conditions affect decision-making?

- Provide a variety of newspapers. Ask students to find and clip articles that pertain to economic conditions.
- Discuss how various financial scenarios would be affected by current economic conditions.
- Have students conduct a Web search to obtain information on interest rates and inflation.
- Discuss risks associated with decisions about money. (slide 1-5b)



discussion



internet

economic factors and decision-making (slide 1-5a)

consumer prices

changes in how much the dollar is worth

inflation

rising prices for goods and services and lower buying power of the dollar

consumer spending

the demand for goods and services, which affects prices and job opportunities

interest rates

the cost of borrowing money. Lower interest rates encourage consumer spending; higher rates encourage saving and less borrowing

unemployment rate

the number of unemployed people who are willing to work, which affects consumer spending and job opportunities



slide 1-5a

decision-making risks (slide 1-5b)

Whenever you make a decision to make, spend, save or borrow money, there is some risk involved. It is important to compare interest rates if you're opening a savings account or if you need to borrow money to make a big purchase (ex.



slide 1-5b

making decisions teaching notes

a car). Other purchases (ex. a leather jacket, a TV) may cost you less to buy now than if you wait, depending on the rate of inflation. You need to decide just how much risk you want to take!

personal risks

Your decision may affect your well-being. Your actions may result in inconvenience, embarrassment or safety and health concerns.

inflation risk

Inflation involves rising prices, meaning you will be able to buy less for your money. If you wait to buy an item later, it may cost more.

interest-rate risk

Interest is the money you pay to borrow money. Banks also pay you interest when you deposit your money there. Interest rates can change, affecting the cost for you to borrow money and the money your savings earn.

Comparing interest rates is an important part of decision-making. (ex. If you borrow \$100.00, a 5% interest rate means you will pay back \$105.00 — a 10% interest rate means you will pay back \$110.00!)

income risk

Your income can change for a variety of reasons. When people buy fewer goods, others may lose their jobs.

lesson 1 quiz



quiz 1-5

making decisions

additional activities for practice and generalization of decision-making skills

- Take a field trip that teaches students about informational resources available in their community (ex. credit union, public library, insurance agency). Make the decision where to go as a group.
- Play Monopoly or other decision-making games. Students practice using principles of economics as they make decisions and take risks. To win, the student must describe his/her financial decision-making strategies.
- Talk about decisions involving purchases that students might be considering (ex. computer, DVD player, motorcycle, prom dress, etc.). Review and practice the decision-making process within the context of students' personal experiences and current economic conditions.
- Provide regular opportunities for active decision-making in the classroom. Let students choose from a variety of project options (written report, video, artwork, oral presentation, etc.) or help students develop individual contracts for independent study.
- Discuss making decisions in a regular, on-going manner within the natural context of the classroom. Reinforce and make students aware of sound decision-making skills as you see them practiced.
- Organize a classroom or school business that involves marketing and sales (ex. bake sales, a class-room publication) so that students experience decision-making and economic principles first-hand.



lesson 1 quiz: decision-making vocabulary

Read *all* the answers first. Choose the best one to complete the sentences:

1. c **You take a chance and buy a lottery ticket. The possibility that you'll lose your money is called:**
 - a. an alternative.
 - b. a consequence.
 - c. a risk.
 - d. an opportunity cost.

2. a **There are several different ways you could solve a problem. Your choices are called:**
 - a. alternatives.
 - b. consequences.
 - c. risks.
 - d. opportunity costs.

3. b **Whenever you make a decision, you have to be willing to accept the results. The results of your actions are called:**
 - a. alternatives.
 - b. consequences.
 - c. risks.
 - d. opportunity costs.

4. d **You give up something because you want something else more. What you give up is called:**
 - a. an alternative.
 - b. a consequence.
 - c. a risk.
 - d. an opportunity cost.

5. b **Joe forgot to mail in his car payment on time. As a result, he has to pay a late fee. This late fee is:**
 - a. an alternative.
 - b. a consequence.
 - c. a risk.
 - d. an opportunity cost.

6. **Sarah decides to watch a movie instead of doing her math homework. What are some possible consequences of her decision?**

Sarah might fail math.
Sarah might not learn the material.
The math teacher might be angry.
Sarah might copy a friend's homework.
Sarah's math grade could go down.



lesson 1 quiz: decision-making process

multiple choice

1. b **The first step of the decision-making process is:**
 - a. listing your choices.
 - b. stating the problem.
 - c. evaluating the results of your choice.
 - d. getting information.

2. c **The last step of the decision-making process is:**
 - a. listing your choices.
 - b. stating the problem.
 - c. evaluating the results of your choice.
 - d. getting information.

case application

Matt is one of the friendliest students at school. He is always talking to someone about sports or movies. He thinks he needs a cell phone. His parents say a cell phone is too expensive. Can you help Matt decide if he should buy a cell phone?

What are two kinds of information that Matt needs to make his decision?

- How much does a cell phone cost?*
- How many minutes would he talk each month?*
- How much will it cost each month?*
- Who will pay the phone bills?*
- Is he allowed to have a phone in school?*
- Are there other ways he can talk to his friends?*

If Matt decides not to buy a cell phone, what is an alternative choice he can make?

- * He can talk to friends on a regular phone.*
- * He can use e-mail or Instant Messenger to talk to friends on his computer.*
- * He can save his money until he can afford a cell phone.*
- * He can ask his parents to buy him a phone for his birthday.*



lesson 1 quiz: case application

case application

John makes minimum wage working at a restaurant. He says that it is no fun washing dishes there. His friend Amy works at a bookstore. She tells John that her store manager wants to hire another worker. Should John quit his job at the restaurant and work at the bookstore? He'd better get more information first.

1. Who are two people that could give John more information?

Amy

John's boss

the bookstore manager

2. What are two questions that John could ask those people?

Amy:

Does she like her job?

What does she do?

John's boss:

Can John do a different job at the restaurant?

Will he get a raise soon?

The bookstore manager:

What is the job description?

Is John qualified for the job?

How much does the job pay?

What are the hours?

3. Where else could John look for more information or advice?

newspaper want ads

his school counselor

his family

an employment agency



lesson 1 quiz: decision-making strategies

multiple choice

Identify the decision-making strategy described:

1. *b* **You do what everyone else is doing.**
 - a. synthesis
 - b. compliance
 - c. procrastination
 - d. agonizing

2. *c* **You choose the first thing that you think of.**
 - a. procrastination
 - b. agonizing
 - c. spontaneity
 - d. avoidance

3. *b* **You wait too long to decide.**
 - a. compliance
 - b. procrastination
 - c. spontaneity
 - d. desire

4. *a* **You are confused by too much information.**
 - a. agonizing
 - b. security
 - c. synthesis
 - d. desire

5. *a* **You choose a safe, less risky option.**
 - a. security
 - b. spontaneity
 - c. desire
 - d. synthesis



lesson 1 quiz: economic terms

multiple choice

1. b **People paying money for goods and services is called:**
 - a. the unemployment rate.
 - b. consumer spending.
 - c. income risk.
 - d. interest rates.

2. c **When prices go up, it is called:**
 - a. personal risk.
 - b. income risk.
 - c. inflation.
 - d. consumer spending.

3. d **The number of people out of work is called:**
 - a. inflation.
 - b. interest-rate risk.
 - c. consumer prices.
 - d. the unemployment rate.

4. c **The amount you pay to borrow money is called:**
 - a. income risk.
 - b. consumer spending.
 - c. interest rate.
 - d. personal risk.

5. d **The chance that you might earn less money is called:**
 - a. consumer prices.
 - b. inflation risk.
 - c. interest-rate risk.
 - d. income risk.