



# Savvy Spending: Sharpening Money Decisions

## LESSON 11: TEACHER'S GUIDE

Whether it's longing for a new snowboard 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.

**Topic:** Responsible Spending

**Time Required:** 55 minutes

### SUPPLIES:

- Speakers and the song "If I Had a Million Dollars" by Ed Robertson and Steve Page
- Student activity sheet
- Notebooks

### PREPARATIONS:

- Copy student activity sheet
- Load the song at [practicalmoneyskills.com/HS13](http://practicalmoneyskills.com/HS13)

### STUDENT ACTIVITY SHEET:

#### ***Wishful Wants or Necessary Needs?***

In this activity, students will evaluate various spending scenarios and identify wants versus needs. They will then analyze what they would do in the same situation and how they could make a more responsible choice.

### LEARNING OBJECTIVES:

#### ***Students will...***

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

### STANDARDS:

#### ***Jump\$tart Standards:***

- Planning Standards 1 and 6

#### ***National Standards for Economics:***

- Standard 1: Scarcity
- Standard 2: Decision Making

#### ***Common Core ELA Anchor Standards:***

- Reading: Key Ideas and Details
- Speaking and Listening: Comprehension and Collaboration
- Speaking and Listening: Presentation of Knowledge and Ideas
- Language: Vocabulary Acquisition and Use

**Essential Question***“How can I spend my money responsibly?”***Investigate: If I Had a Million Dollars**

[Time Required: 20 minutes]

1. Begin by playing the song “If I Had a Million Dollars” as students arrive to class. 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 \$200 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?

**TEACHER'S TIPS****What is the Essential Question?**

The Essential Question is designed to “hook” the learner, promote inquiry and engagement with the lesson, and allow students to exercise problem-solving abilities. It addresses a larger concept, does not have a right or wrong answer, and requires higher-order thinking skills.

**Link to Lesson 2:**

Invite students to think about the financial goals they created in **Lesson 2** and how differentiating wants from needs will help them reach their short-, medium- and long-term goals.

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 \$200 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.



## TEACHER'S TIP

**What is Reflection?**

The Reflection part of the class gives students the opportunity to reflect on the bigger-picture meaning of the exercise, and to assimilate and personalize some of the concepts and ideas learned about in the class.

**Challenge: Wants vs. Needs**

[Time Required: 20 minutes]

11. Distribute the activity sheet ***Wishful Wants or Necessary Needs?*** 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?





# Wishful Wants or Necessary Needs?

## LESSON 11: ANSWER KEY

1. Casey needs a car to move her belongings across the country, but a brand-new car that will put her \$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.