



Lesson One

Making Decisions



Decision-making skills are something we use every day. We make choices about many aspects of our lives from nutrition to money. To make the best financial decisions, it's important to have current information, assistance, and data on all of the relevant economic factors.

For related links and resources on this lesson, visit:

practicalmoneyskills.com/teens/1

making decisions lesson outline

overview

Each day, we are faced with many decisions. While most decisions are simple, such as “what should I wear?” or “what should I eat?,” others are more complex, such as “should I buy a new or used car?”

As decision-making skills are used and improved, a person’s quality of life is enhanced. Wiser choices result in better use of time, money, and other resources.

This introductory lesson provides students with an opportunity to learn more about decision-making. The lesson starts with an overview of the decision-making process followed by a discussion of various internal and external factors that affect decisions.

People are usually not aware of economic influences that can affect decision-making. These economic factors include inflation, interest rates, and the unemployment rate. Also, common risks associated with decision-making are often not considered. Students should also be aware of opportunity cost—what a person gives up when a decision is made.

Finally, the lesson concludes with strategies for analyzing the results of decision-making. Students are encouraged to consider their experiences in an effort to improve the quality of future decisions.

goals

Provide an understanding and an awareness of the factors that can influence decisions, introduce basic decision-making methodologies, and provide structured practice in analyzing a problem, identifying options, and making a decision.

lesson objectives

- Identify decisions
- Identify the steps in the decision-making process
- Identify and explain factors that can affect the decision-making process, and give examples of decisions that have been influenced by one or more of these factors
- Identify and explain frequently used decision-making strategies, and give examples of when these strategies have been used
- Analyze influences of economic conditions on personal and financial decisions
- Identify risks and opportunity costs associated with personal and financial decisions
- Practice making decisions using a decision-making diagram



presentation slides

- 1-A** the decision-making process
- 1-B** factors that can influence a decision
- 1-C** common decision-making strategies
- 1-D** economic influences on decision-making

making decisions lesson outline

1-E risks associated with decision-making

1-F opportunity costs and the time value of money

student activities

1-1 What Are You Trying to Decide?

- Have students identify three decisions they are trying to make (e.g. taking a vacation, moving away from home, buying a car, changing jobs, etc.)
- Have them use the decision-making process sheet to work through one of the decisions they have identified

1-2 What Decision-Making Strategies Have You Used?

- As a class, have students identify and role-play the various decision-making strategies they've used
- Discuss how well they think their strategies have worked
- Discuss what factors might have influenced their choice of strategies

1-3 How Do Economic Conditions Affect Decision-Making?

- Research current economic conditions and determine possible effects on personal and financial decisions
- Discuss what actions might be taken based on various economic conditions

1-4 Can You Analyze a Decision?

- Ask students to volunteer to record one or more of their favorite television programs
- Using the recorded television programs, have students identify the decision-making strategies being used by the main characters
- Have students document the decision-making process using the sheet provided
- Discuss how well each strategy worked

1-5 Lesson One Quiz

For more information, please refer to the Appendix.

making decisions target audiences

Learning activities appropriate to varied target audiences for lesson one

	 14-18	 19-25	 26-↑
activity	teenagers (14-18)	young adults (19-25)	adults (26+)
Survey/Interview	●	●	●
Student Activity 1-1	●	●	●
Student Activity 1-2	●	●	
Oral Presentation	●	●	
Student Activity 1-3	●	●	●
Web Activity	●	●	●
Student Activity 1-4	●	●	●
Lesson One Quiz 1-5	●	●	●

making decisions teaching notes

the decision-making process (an example)

1. Identify the problem or goal.
 - Where to live when you graduate from high school/college
2. Obtain information and think about possible courses of action or 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
 - Live with friends or relatives
3. Consider the consequences of each choice (action) and evaluate the alternatives.
4. Select the best course of action.
5. Evaluate the results.



discussion



survey/interview:

Talk to people about the best and worst decisions they have made in their lives.



slide 1-A

what are you trying to decide?

1. Make a list.

Teenagers

- Going to college
- Saving money
- Getting a part-time job

Young Adults

- Buying a car
- Saving money
- Moving away from home

Adults

- Purchasing a home
- Saving money
- Changing careers
- Selecting a retirement location

2. Use the decision-making process sheet to arrive at a possible solution for one of the decisions on the list.
 - Talk about the results



discussion



student activity 1-1

making decisions teaching notes

why is this (sometimes) so hard?

1. Levels of the cognitive domain:
 - Knowledge (easiest)
 - Comprehension (less easy)
 - Analysis (starting to get difficult)
 - Synthesis (difficult)
 - Evaluation (most difficult)



discussion

factors that can influence a decision

- Age
- Budget
- Culture
- Family opinions
- Feelings
- Habits
- Peers
- Risks and consequences
- Time
- Values



discussion



slide 1-B

common decision-making strategies

For each strategy, discuss what it is, what recent decisions have been made in that manner, and what factors influenced the decisions to use that strategy.

- Spontaneity
- Compliance
- Procrastination
- Agonizing
- Intention
- Desire
- Avoidance
- Security
- Synthesis



discussion



oral presentation:

Have students present in class (or on video) examples of strong and weak decision-making strategies.



slide 1-C



student activity 1-2

making decisions teaching notes

economic factors and decision making

1. Higher prices result in more expensive goods and services and lower buying power of the dollar.
2. Increases in consumer spending for certain goods and services can result in additional jobs and higher wages in those industries.
3. Lower interest rates encourage consumer spending; higher rates are likely to encourage saving and less borrowing.
4. A higher money supply will usually result in lower interest rates. A lower money supply will likely result in higher interest rates and reduced consumer spending.
5. High unemployment reduces consumer spending and results in fewer job opportunities.
6. Increased home building usually leads to more job opportunities and expanded consumer spending.
7. A growing GDP usually indicates expanded economic growth in a country.
8. Higher stock prices usually indicate confidence in the economy and strong business conditions for jobs and consumer spending.



student activity 1-3



web activity:

Conduct a web search to obtain current information on interest rates and inflation.



slide 1-D

risks and decision-making



slide 1-E

opportunity costs and time value of money



slide 1-F

analyze a decision

If possible, use recorded programs (from televisions or movies).

- Have students identify the decision-making strategies being used by one or more of the main characters.
- Have students document the decision-making process using a decision chart.
- Discuss how well each strategy worked.



discussion



student activity 1-4

lesson one quiz



quiz 1-5



lesson one quiz: making decisions

answer key

true-false

1. f The decision-making process starts with gathering information.
2. f Procrastination is an example of an economic influence on decision-making.
3. t Higher interest rates result in higher costs of borrowing money.
4. t Rising prices causing lower buying power is referred to as an inflation risk.
5. t Interest earned on savings may be referred to as the “time value of money.”

multiple choice

6. A The final step of the decision-making process is:
A. evaluating the results
B. gathering information
C. identifying the problem
D. selecting the best course of action
7. C Changes in the buying power of the dollar are measured by:
A. the unemployment rate
B. the money supply
C. the consumer price index
D. interest rates
8. B Consumer spending is likely to rise when:
A. unemployment is high
B. interest rates are low
C. taxes rise
D. people are putting more money into savings accounts
9. D Investments that may be difficult to convert to cash quickly have a high _____ risk.
A. inflation
B. economic
C. income
D. liquidity
10. C What a person gives up when making a decision is commonly called:
A. the time value of money
B. a personal risk
C. an opportunity cost
D. spontaneity

case application

In recent weeks, Richard and Fran Jones have considered moving to another city with additional job opportunities. Discuss the personal and economic factors they might consider in this situation. What risks are associated with this decision? *Personal factors that the Joneses may consider include their job skills, willingness to move with regard to family and friends, and personal long-term goals. Economic factors might include the employment opportunities in the new city, and the cost of living compared to the salary level. Risks that might be associated with this situation include current and new job satisfaction, and the effect of economic conditions on current and future employment opportunities in the new city.*