

Section 01.

Decisions & Goals

- Unit 01.01. Making Decisions
- Unit 01.02. Making Money
- Unit 01.03. The Art of Budgeting





Our lives are a sum of the choices we have made.



Dr. Wayne Dyer

Overview

This unit will provide students with an understanding of the importance of making good personal decisions. The lessons are designed to develop an awareness of the many decisions that each of us makes daily and to identify the influences and opportunity costs associated with these decisions. The activities will provide students with opportunities to develop their abilities to become better decision makers and to realize how their lives will be enhanced.

Goal

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.

Time Frame

Three 75-minute periods

Lesson 01.01.01

Decision-making process

Lesson 01.01.02

Economic influences and risks associated with decision making

Lesson 01.01.03

Opportunity costs and the time value of money

End-of-unit quiz and answer sheet

Each lesson includes black-line print masters for overheads and activities.



Lesson 01
Decision-making process

.01

Overview

Each day we all make decisions. Most decisions are simple, such as, “What should I wear?” or “What should I eat?” Other decisions 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 lesson will provide students with an opportunity to learn more about decision making.

Goals

To introduce students to the decision-making process and provide structured practice in the process.

To provide an understanding and awareness of the kinds of decisions we make, the factors that might influence our decision making, and the strategies we use to make decisions.

Objectives

Brainstorm decisions or goals students make.

Practice decision making using the decision-making process.

Introduce the factors that can influence the decision-making process.

Brainstorm examples of decisions that have been affected by one or more of the factors that can influence the decision-making process.

Define common decision-making strategies.

Brainstorm examples where common decision-making strategies have been used or will be used.

Timeline

Classroom discussion	10 minutes
Student activity	30 minutes
Note taking	10 minutes
Classroom discussion	10 minutes
Student activity	15 minutes

Instructions

Classroom discussion

Ask students to discuss some of the decisions they will have to make as:

Teenagers

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

Young adults

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

Older adults

- Saving money
- Changing careers
- Selecting a retirement location

Student activity

Provide students with:

A copy of Activity A.

The following problem: where to live when you graduate from high school/college/university.

Students break up into smaller groups to complete Activity A.

Bring students together to take up Activity A.

Identify the problem or goal.

Where to live when you graduate from high school/college/university.

Gather information and 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/university residence
- Live in fraternity or sorority

Consider the consequences of each alternative.

Select the best course of action.

Evaluate the results.

Note taking

Students take notes from Overhead A.

Classroom discussion

Ask students to provide an example of how each of the factors has impacted, or might impact a future decision.

Student activity

Provide students with a copy of Overhead B.

Assign each group of students one of the common decision-making strategies.

Have each group prepare a short skit that demonstrates the decision-making strategy.

Students present skits.

Skits lead to class discussion.

Teacher Notes

Preparation of required materials, prior to lesson.

Required Materials

Activity A, The decision-making process

Overhead A, Factors that can influence a decision

Overhead B, Common decision-making strategies

Assessment and Evaluation

Notebook check for completion of Activity A, and notes from Overheads A and B.

Participation in classroom discussion.

Supplemental activities provide additional opportunity for assessment and evaluation.

Supplemental Activities

Class discussion

Ask students to share decision-making strategies they have used.

Discuss how well they think that the strategies worked.

Discuss what factors might have influenced their choice of strategies.

Group work

Break class into groups of four or five.

Have the groups identify three decisions they are trying to make (e.g., going to a party, moving away from home, buying a car, buying a home, calling in sick to work, etc.).

Have groups use the decision-making process (use Activity A handout) to work through one of the decisions they have identified.

Select one student, from each group, to present.

Class activity

Ask students to videotape one or more of their favourite television programs.

Using the videotaped television programs, have students identify the decision-making strategies (use Activity A handout) being used by the main characters.

Discuss how well each strategy worked.

Additional Web Resources

Government of Ontario

www.edu.gov.on.ca

London Health Sciences Centre

www.lhsc.on.ca

Canadian Business

www.canadianbusiness.com



activity A

Activity A

The decision-making process

01.01.01

name: _____

date: _____

Identify the problem.

Gather information and list possible alternatives.

Consider the consequences of each alternative.

Select the best course of action.

Evaluate the results.



overhead A

Overhead A

Factors that can influence a decision

01.01.01

A. Values

What is important to your family, others in your culture?

B. Peers

People you know
Pressures that influence positive or negative behaviours

C. Habits

You are accustomed to doing it this way

D. Feelings (love, anger, frustration, ambivalence, rejection)

If you do make a certain decision
If you don't make a certain decision

E. Family

Your family's preference
Decisions other family members have made

F. Risks and consequences

What (or how much) you stand to win
What (or how much) you stand to lose

G. Age

Minor
Adult



overhead B

Overhead B

Common decision-making strategies

01.01.01

Agonizing

Accumulating so much information that analyzing the options becomes overwhelming.

Intention

Choosing an option that will be both intellectually and emotionally satisfying.

Avoidance

Choosing the option that is most likely to avoid the worst possible result.

Procrastination

Postponing thought and action until options are limited.

Compliance

Going along with family, school, work, or peer expectations.

Security

Choosing the option that will bring some success, offend the fewest people, and pose the least risk.

Desire

Choosing the option that might achieve the best result, regardless of the risk involved.

Spontaneity

Choosing the first option that comes to mind; giving little or no consideration to the consequences of the choice.

Destiny

Letting outside forces decide; leaving the decision up to fate.

Synthesis

Choosing the option that has a good chance to succeed and that you like the best.

Inspiration

Doing something because “it feels right” or because “it just seems like the right thing to do”.



Lesson 02
Economic influences and risks
associated with decision making

.02

Overview

People are usually not aware of economic influences that can affect decision making. These economic influences include consumer prices, consumer spending, GDP, housing starts, interest rates, money supply, stock market index, and unemployment rate.

Risks are associated with every decision. Common risks, related to personal and financial decision making include income risk, inflation risk, interest-rate risk, liquidity risk, and personal risks. Sometimes these risks are overlooked in the decision-making process.

This lesson will provide students with an opportunity to learn about the economic factors that may influence personal and financial decisions, as well as the common risks related to these decisions.

Goals

To provide an understanding of the economic factors that may influence personal and financial decisions.
To provide structured practice in understanding the risks related to personal and financial decision making.

Objectives

Analyze influences of economic conditions on personal and financial decisions.
Identify risks and opportunity costs associated with personal and financial decisions.

Timeline

Note taking	10 minutes
Classroom discussion	15 minutes
Research	40 minutes
Note taking	10 minutes

Instructions

Note taking

Students take notes from Overhead A.

Classroom discussion

Read each of the following statements to the class.
Ask students to discuss what actions might be taken based on the various economic conditions.

Higher prices result in more expensive goods and services, and lower buying power of the dollar.

Increases in consumer spending for certain goods and services result in additional jobs in those industries.

A growing GDP usually indicates expanded economic growth in a country.

Increased home building usually leads to more job opportunities and expanded consumer spending.

Lower interest rates encourage consumer spending; higher rates are likely to encourage saving and discourage borrowing.

A larger money supply will usually result in lower interest rates. A smaller money supply will likely result in higher interest rates and reduced consumer spending.

Higher stock prices usually indicate confidence in the economy and strong business conditions for jobs and consumer spending.

High unemployment reduces consumer spending and results in fewer job opportunities.

Research

Students complete Activity A.

Note taking

Students take notes from Overhead B.

Teacher Notes

Preparation of required materials, prior to lesson.
Teacher may wish to complete the research question, under supplemental activities, prior to engaging in the discussion section of this lesson.
Teacher may want to take up the research assign-

ment, do a check of the research assignment, or have it handed in for assessment or evaluation.

Required Materials

Activity A, Researching current economic conditions
Overhead A, Economic influences on decision making
Overhead B, Risks associated with decision making

Assessment and Evaluation

Notebook check for completion of Activity A and notes from overheads A and B.

Participation in classroom discussion.

Discussion questions can be used as a review or quiz.
Research Activity A can be submitted or presented for evaluation.

Supplemental Activity 2 can be submitted for assessment or evaluation.

Supplemental Activities

Brainstorming

Divide students into groups of three.

Assign each group a different risk associated with decision making from Overhead B.

Groups brainstorm how to minimize the risk when considering the purchase of a first home.

Groups present.

Research

Conduct Internet research to obtain current information on one or more economic influences and prepare a report on how this information is helpful to you when making financial decisions.

Additional Web Resources

Canadian Business
www.canadianbusiness.com

InvestorWords.com
www.investorwords.com

GDSourcing
www.gdsourcing.com



activity A

Activity A

Researching current economic conditions

01.01.02

name: _____

date: _____

Changing economic factors influence the decisions we make. Using newspaper business pages, Internet or other sources of economic news, locate information about current economic trends that influence various saving, investing, spending and borrowing decisions. For example, higher interest rates make borrowing more expensive, however, higher interest rates make saving more attractive.

Economic factor	Recent trends	Possible influences on personal and financial decisions
Consumer spending		
Consumer prices		
GDP		
Housing starts		
Interest rates		
Money supply		
Stock market indexes		
Unemployment		



overhead A

Overhead A

Economic influences on decision making

01.01.02

Before you make decisions about money, you must understand how economic factors may impact personal and financial decisions.

Consumer prices

Changes in the buying power of the dollar; inflation

Consumer spending

Demand for goods and services

Gross domestic product (GDP)

Total value of goods and services produced within the country

Housing starts

The number of new homes being built

Interest rates

The cost of borrowing money

Money supply

Funds available for spending in the economy

Stock market index

Indicates general trends in the value of stocks (e.g., Dow Jones Averages, NASDAQ, TSE 300)

Unemployment

The number of people without employment who are willing to work



overhead B

Overhead B

Risks associated with decision making

01.01.02

Making choices about money can be risky. The following are common risks that you should think about related to personal and financial decision making.

Income risk

Changing jobs or reduced spending by consumers can result in a lower income or loss of one's employment. Career changes or job loss can result in a lower income and reduced buying power.

Inflation risk

Rising prices cause lower buying power. Buying an item later may mean a higher price.

Interest-rate risk

Changing interest rates affect your costs (when borrowing) and your benefits (when saving or investing).

Liquidity risk

Certain types of savings, guaranteed investment certificates (GICs), and investments (real estate) may be difficult to convert to cash quickly.

Personal risks

These are factors that may create a less than desirable situation. Personal risk may be in the form of inconvenience, embarrassment, safety, or health concerns.



Lesson 03
Opportunity costs and the time value of money

.03

Overview

Life is about choices. We make choices about what to have for breakfast, what to wear to school and what television program to watch. We make choices that satisfy our needs and wants and we do so with our personal resources in mind. Should I quit my job to travel for a year?

It is good practice to weigh the pros and cons of pursuing a particular course of action. After careful cost analysis, people can determine that the advantages outweigh the disadvantages and a decision can then be made.

This lesson will introduce students to the opportunity costs, personal and financial, that occur when a decision is made.

Goals

To provide an understanding of opportunity costs.
To provide structured practice in measuring financial opportunity costs using interest calculations.

Objectives

Identify opportunity costs associated with personal and financial decisions.
Apply interest calculations to measure financial opportunities.
Evaluate why opportunity cost is important in everyday life.

Timeline

Note taking	15 minutes
Classroom discussion	25 minutes
Activity	35 minutes

Instructions

Note taking

Students take notes from Overhead A.

Classroom discussion

Provide students with the following list and have them consider both the resource costs (time, money, and effort) and the personal and financial opportunity costs associated with each decision.

- You go to the movies
- You quit your job to go to college
- You spend time on Saturday with your grandmother
- You take \$1,000 out of your bank account (for 6 months)
- You decide not to study for a test
- You purchase a TV with a loan from your parents

Activity

Provide students with:
A copy of Activity A.
Access to the Internet.
Students complete Activity A.
If time permits, discussion of Activity A.

Teacher Notes

Preparation of required materials, prior to lesson.
Students can work in pairs to complete Activity A if access to Internet is limited.

Required Materials

Activity A, Measuring financial opportunity costs
Overhead A, Opportunity costs and the time value of money

Assessment and Evaluation

Notebook check for completion of Overhead A and Activity A.
Activity A can be submitted for evaluation.
Supplemental Activities can be assigned for homework.

Supplemental Activities

Decision making

How to decide whether to go directly to university after high school or travel for one year. Determine the opportunity costs for both.

Research

Expand upon your knowledge of opportunity costs, both personal and financial by researching on the Internet.
Locate a definition of compound interest and add it to your notebook.

Additional Web Resources

Canadian Business
www.canadianbusiness.com

Bank of Canada
www.bankofcanada.ca

Moneyproblems.ca
www.moneyproblems.ca



activity A

Activity A

Measuring financial opportunity costs

01.01.03

name: _____

date: _____

Calculating financial opportunity costs will assist in decision making. For each scenario, calculate the financial opportunity costs.

Scenario 1

You decide to spend \$2,000 from your savings account, which pays 3.75% per year.

Scenario 2

You need a new cell phone plan. Should it be pay-as-you-go or flat rate? Research a familiar provider. Calculate financial opportunity costs.

Scenario 3

- a. Calculate the cost of going to the University of your Choice for four years (www.canadianbusiness.com) vs. working for four years at \$28,000 per year.
- b. Determine the opportunity costs.

Scenario 4

Brainstorm a list of all of the things you could do with \$20,000



overhead A

Opportunity costs and the time value of money

01.01.03

Opportunity costs

Refer to what a person gives up when a decision is made. This cost, also called a trade-off, may involve one or more of your resources (time, money, and effort).

Personal opportunity costs

These may involve time, health, or energy. For example, time spent on studying usually means lost time for leisure or working. However, this trade-off may be appropriate since your learning and grades will likely improve.

Financial opportunity costs

Involve monetary values of decisions made. For example, the purchase of an item with money from your savings means you will no longer obtain interest on those funds.

Time value of money

Can be used to measure financial opportunity costs using interest calculations.

Calculation

$\$1,000 \times .04$ (4 percent) $\times 1$ year = \$40

Over 10 years, that \$40 a year (saved at 4 percent) would have a value of over \$480 due to compound interest.

Example

Spending \$1,000 from a savings account paying 4 percent a year means an opportunity cost of \$40 in lost interest.



name: _____

date: _____

True/False (5 marks)

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

Multiple Choice (5 marks)

6. 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. 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. 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. Investments that may be difficult to convert to cash quickly have a high _____ risk.
 - A. Inflation
 - B. Economic
 - C. Income
 - D. Liquidity
10. What a person gives up when making a decision is commonly called
 - A. The time value of money
 - B. A personal risk
 - C. Opportunity costs
 - D. Spontaneity

Case Application (5 marks)—write your answers in your notebook.

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?

Communication (5 marks)—write your answers in your notebook.

Describe three decision-making strategies that you have used. For two of the strategies, explain what factors influenced your choice of strategies?



Answers

Making Decisions

quiz

Quiz

01.01

True/False (5 marks)

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 that cause lower buying power are referred to as an inflation risk.
5. **T** Interest earned on savings may be referred to as the “time value of money.”

Multiple Choice (5 marks)

6. The final step of the decision-making process is:
A. Evaluating the results
7. Changes in the buying power of the dollar are measured by:
C. The consumer price index
8. Consumer spending is likely to rise when:
B. Interest rates are low
9. Investments that may be difficult to convert to cash quickly have a high _____ risk.
D. Liquidity
10. What a person gives up when making a decision is commonly called:
C. An opportunity costs

Case Application (5 marks)

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.

Communication (5 marks)

Describe three decision-making strategies that you have used. For two of the strategies, explain what factors influenced your choice of strategies?

Answers will vary.