FINANCIAL LITERACY

LESSON 9-24 ▲ LEARNING TO USE MONEY IN 9TH GRADE: MONEY MANAGEMENT

**LEARNING GOALS/OUTCOMES**

* Relate deferred gratification to effective money management.
* Explain how goals can be achieved through the management of money.
* Differentiate between personal needs and personal wants.
* Identify family, social, and media influences on personal needs and wants.

**MATERIALS NEEDED**

* **Student Handouts:**
* Needs and Wants List
* Journal Page
* **Copies of Sunday electronics ads or printouts from an electronics store’s web** site showing different models of music players with their prices

**CLASSROOM ACTIVITIES**

1. **Students plan how to get a new music player.** Divide students into groups of three or four. Distribute copies of music player ads with prices showing. Tell students that each of their groups represents the collective brain of one person who has just been given $50 for their birthday and wants to buy a new music player. Ask each group to make a plan: is there a music player they could buy for the $50 they have? If not, or if they want a more expensive player, how could they get the remaining money they would need? How long would it take them? Ask each group to write down their chosen player, its price, a plan to earn or get the remaining money, and an estimate for how long earning that money would take them.
2. **Students share their plans to purchase a new music player**. Ask the groups to share their ideas for what types of music player their imaginary person would like to buy, how much money they would need, how they would get that money, and how long it would take them. Make a list of students’ ideas to earn (or get) money, and their belief about how long acquiring that money would take them. Encourage students to appreciate that everyone has things they would like to purchase that they cannot afford today. Some people are better at saving money to get the things they want.
3. **Students relate deferred gratification to effective money management.** Tell students a brief story of a person who had $100 in savings, receives $50/month for allowance, and wants to buy a $400 music player. This person is offered a choice by the store: to pay $600 for the player on a deferred payment plan ($50/month for the next 12 months) and take it home right now, or wait six months and purchase the player for $400 with money the person has saved. Ask students what choice they would make: to take the music player for $600 right now and pay it off over the next year, or wait six months and pay $400. Have them go to two sides of the room, based on their choice.

Ask students on each side to appoint a spokesperson and give them three minutes to come up with an argument for why their decision is the best one. Let each spokesperson briefly express their point of view. Encourage students to see that people’s desire to have what they want right away enables product sellers to make more money. That is because buyers are often willing to pay for the product and also for their need for immediate gratification. People who can wait to get things they want generally pay less and are more able to manage their money. Tell students that the ability to wait to obtain something a person wants is called “deferred gratification.” Each person who buys something must decide on how much extra they are willing to pay to have it right now.
4. **Students learn how goals can be achieved by managing their money.** Ask students to return to their seats. Tell students to imagine they are buying a new $25,000 car. They have $1,000 in the bank for a down payment, reducing the money they need to save to $24,000. Assuming they can save $500/month for their car, how many months would it take for them to save enough to buy the car? (48 months = 4 years).

Tell students that the car dealer is offering a payment plan that allows them to purchase the car right now. If they are willing to pay $1,000 down payment and $500/month for the next five years, they can drive the car home today. Ask students to calculate how much they would pay for the car, if they paid for the car and took it home right now. (60 months = $30,000 plus the $1,000 down payment = $31,000).

Tell students that they can have the car in four years for $25,000 saved (fully paid when you buy it), or have the car right now for $31,000 borrowed on a payment plan (fully paid five years from now at a 24% higher cost). Ask for a show of hands: who would wait until they have saved $25,000 and buy later, or who would pay the 24% higher cost and buy now?

Tell students that people who effectively save money and defer gratification pay less for life in the long run because they seldom use their money to buy things right now. Everyone is wise to learn money management skills as the most cost effective way to acquire the things they want from life. However, there is nothing wrong with paying more money for immediate gratification, as long as the buyer is aware of the higher costs of borrowing to get what they want.
5. **Students differentiate between personal needs and personal wants.** Have students return to their small groups. Explain to students that a NEED is something that a person requires to live their daily life. A WANT is something that enhances a person’s life but it is not necessary for daily living.

Distribute the Needs and Wants List and ask each student to work with their team to list ten things people NEED to live. Have the team estimate the annual cost for each of those items and write it beside the need. Have the team identify various kinds of things people WANT. Each individual should listen to their group discussion and write ten things they WANT to have on their worksheet. Discuss the groups’ lists with your students. Note common themes on the NEED list: food, shelter, clothing, etc.
6. **Students identify family, social, and media influences on personal needs and wants.** With students still in their groups, ask for volunteers to share some of the items from their lists of things they WANT. Identify similarities between students and ask why some wants are quite common. Ask students to identify the forces that might influence what a person wants: the media, their peers, their families. Ask students to examine their list of WANTS and check those things that might have been influenced by outside forces (media, peers, family).

Ask students to return to their seats and complete the last section of the handout individually. Encourage them to see the value of career/life planning as a means to earn them enough income to support the cost of their unique needs and wants. Good money managers borrow for their NEEDS (if required) and save for their WANTS.
7. **Students develop a personal plan to acquire something they want.** Distribute the Journal Page. Ask each student to answer the following questions about something they would like to have (a WANT, not necessarily a NEED).
* What do I want?
* Why do I want it?
* How will I get it?

**STUDENT PRODUCTS**

* **Completed *Needs and Wants List***
* **Completed *Journal Page***

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LESSON 9-24 STUDENT HANDOUT

 NEEDS AND WANTS LIST

What do you NEED to live? What do you WANT to have? List below 10 things you NEED and 10 things you WANT.

**THINGS I NEED** **THINGS I WANT**

Imagine you lived on your own. How much money is required annually for you to afford your NEEDS? How much extra money would you have to earn to afford your WANTS?

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 JOURNAL PAGE

**DATE:**

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***Q1:*** What do I want?

***Q2:*** Why do I want it?

***Q3:*** How will I get it?

***Answers:***