



Lesson 1: Money Matters

TOPIC: Buying Decisions

About This Topic:

Understanding the difference between needs and wants helps children learn to prioritize how they use their money so they can spend it wisely.

From the classroom:

What is the difference between a need and a want? A need is something you cannot live without (for example: food, water, shelter); a want is something you would like, but can live without (toys, candy, the latest fashions, and so on).

How can one person's need be another person's want? One person might need something, while someone else already has it and wants another. For example, you might need shoes when your only pair is getting too small. Someone else might want another pair of shoes when he or she already has several pairs.

How can comparing choices help you decide what to buy? Comparing choices can help you decide which item is more important to buy or has the best value. People can choose between needs and wants. A person may need shoes, but not a pair that costs \$100. The expensive pair would be a want. People can also choose between different brands, stores, prices, quality levels, and so on.

What is an opportunity cost? An opportunity cost is the “trade-off” of making one choice over another. If you choose to play outside, you might be giving up the opportunity to read a book indoors. If you have only \$3, and choose to buy a notebook with the money, you give up the opportunity to buy something else, such as stickers.

Words To Know:

Need: Something you must have to survive, such as clothes, shelter, or food.

Opportunity Cost: The next best thing that you give up in order to do something else; a trade-off of a decision you make.

Want: Something that you would like to have but that you could live without.

Resources:

Books:

- *Do I Need It? or Do I Want It?: Making Budget Choices* by Jennifer S. Larson: This nonfiction book teaches children about needs and wants, making choices, saving, spending, and budgets.
- *Erandi's Braids* by Antonio Hernandez Madrigal: A girl named Erandi, from a poor Mexican village, has several choices to make as she picks a birthday gift and offers to sell her hair to help her family buy a new fishing net.

- *The Money Tree* by Sarah Stewart: Miss McGillicuddy, who is not affected by a money tree growing in her yard, watches as her greedy neighbors pick all of the money.
- *Tops and Bottoms* by Janet Stevens: This Caldecott Honor Book, a folktale about a lazy bear and a hardworking rabbit, demonstrates opportunity cost, as the bear must repeatedly choose between the “tops” or “bottoms” of crops, and always ends up with the inedible parts.

Games and Online Resources:

- **Practical Money Skills Ed’s Bank:** Help Ed collect coins to buy items he wants at the store.
http://www.practicalmoneyskills.com/games/ed_bank/
- **Kids.gov Ca\$h Puzzler:** Take a virtual field trip to the Money Factory in Washington, D.C., to learn how cash is made.
<http://kids.usa.gov/watch-videos/money/money-factory/index.shtml>

Conversation Starters ... Ask Your Child:

- What are some things on your wish list (wants)?
- What are some things that you need?
- What is money and why do we use it?
- If you had \$50, how would you use it, and why?
- What did you give up today in order to do something else? Why?

Try This at ...

Home:

Play “I Spy”: Take turns playing an “I Spy” guessing game. Give clues to different items around the house (clothes, food, toys, and so on). For example, “I spy something we eat that is round.” After the correct item is guessed, identify whether it is a need or a want, and explain why.

Make a Shopping List: Make a list with your child of items you need or want to buy for the family (for example: food, toilet paper, toothpaste, birthday cards, clothes, markers). Ask your child to identify the needs and wants, and to prioritize the items by numbering them in order of importance.

Grocery Store:

Sort Checkout Items: While waiting in line, examine items in the checkout area. Ask your child whether those items are needs or wants. Discuss how stores purposely place items that are wants near the registers to encourage impulse buying. Ask them what they think “impulse buying” means (an unplanned decision to buy something).

Around Town:

Identify Trade-Offs: Take turns with your child identifying different opportunity costs (the “trade-off” of making one choice over another) while walking around the neighborhood. For example, you might say, “If we choose to walk down the street, we give up the opportunity to jog.” Your child might then say, “If I choose to play on the playground, I give up the opportunity to read a book.”