



POWELL CENTER FOR  
ECONOMIC LITERACY

*Lesson Plan*

WRITTEN BY Becky Lam

Last Modified: April 28, 2008

## A Penny Saved...

### Time Required

1-1/2 class periods, plus one week to complete research

### Grade Level and Subject

High School; Social Studies

### Keystone Principles

Principle #1 – We All Make Choices

Principle #2 – There Ain't No Such Thing As A Free Lunch

Principle #3 – Choices Have Consequences

### Voluntary National Content Standards in Economics

[Standard #1 – Scarcity](#)

[Standard #2 – Marginal Cost/Benefit](#)

### Economic Concepts

**Opportunity Cost** – *the NEXT BEST alternative that must be sacrificed as a result of choosing one thing over another. ALL choices bear an opportunity cost.*

**Trade-offs** – *giving up some of one thing to get some of another thing.*

**Savings** – *money or other things that people do not use up right away.*

### Overview

To be successful in life, students must learn to manage money. Understanding financial obligations and the need to meet those obligations is important for students in their roles as citizens and consumers. To meet financial obligations, most people must save. Students should realize that saving allows them not only to meet their obligations but also

to dream dreams and reach for future goals. In this lesson, students will learn why they should save money, what savings options are available, and how a decision-making process and comparison shopping can help them to save.

## Objectives

- Students understand why they need to save for the present and the future.
- Students use a decision-making process to analyze savings options.
- Students understand the trade-offs and opportunity costs involved with saving.
- Students understand comparison shopping and how it relates to saving.
- Students use a decision-making grid to comparison shop.
- Students evaluate the yields and services of community savings institutions and determine which institution is best for them.

## Materials and Handouts

- Visual 1, Decision-Making Grid
- Handout 1, Savings Comparison Shopping Chart

## Teaching Activity

Ask the students why people should save, and list their reasons on the chalkboard. Reasons will probably include saving for the future; for a "rainy day"; for college; for a car, house, or other major purchase; for a vacation; and for retirement.

Introduce the concept of paying oneself first, e.g., by making regular deposits in a savings account of some sort while holding back other expenses as necessary. Emphasize to the students that while they have various bills to pay, it is of utmost importance to make sure that they pay themselves first. Also stress the importance of holding a savings reserve for the proverbial "rainy day."

Continue the discussion by having the students examine the trade-offs and opportunity costs involved in saving.

Through this discussion, students will probably begin to realize that before they can save, they need to have money to save, and they need to spend their money wisely in order to have money to save. At this point, introduce the "Decision-Making Grid" (Visual 1) and use it to explain the decision-making process.

In using the "Decision-Making Grid," students first define the problem--what decision needs to be made. Next they narrow down the alternatives they have to choose from. From there, they choose criteria against which to evaluate these alternatives, even ranking the criteria they select. Next, using plus or minus signs, they can evaluate each alternative and make an informed decision. For example, a student must decide what to do with \$20. His alternatives might be to: (1) buy a shirt, (2) buy a CD, or (3) save the money. His criteria could include longevity, cost of the item, enjoyment, and need. Judging each alternative against each criteria, the student can use the grid to help him make a decision.

Put the students into groups of two and give each pair a copy of Consumer Reports. Assign each pair a different consumer product, which they will pretend they are going to purchase. The pair must use the "Decision-Making Grid," with its alternatives and criteria, to decide which brand they would purchase. Give the students 15 minutes to make their decisions. Then ask each pair to report to the class, telling how they spent their money and summarizing the reasons for their decision.

Point out that it is equally important to comparison shop for the best institution in which to save money.

Give each pair of students three copies of the "Savings Comparison Shopping Chart" (Handout 1). Describe the various services of savings institutions. Point out that "free" services such as free checks may actually involve costs for the consumer. Ask each pair to investigate three savings places and, through the decision-making process, decide which would best meet their needs.

Give the students approximately one week to research various savings institutions and to complete the information on their chart. Have them use the "Decision-Making Grid," to decide which institution best fits their needs.

Have each pair report to the class on the savings institution that is best for them and why.

# DECISION-MAKING GRID

- What is the problem?
- What are the alternatives?
- What are the criteria?
- Rank the criteria
- Evaluate the alternatives
- Make a decision

## CRITERIA

Rank of Criteria						
Alternative 1 -						
Alternative 2 -						
Alternative 3 -						
Alternative 4 -						

## SAVINGS COMPARISON-SHOPPING CHART

Savings Institution	Interest on Regular Savings	Services Offered
		<ul style="list-style-type: none"> <li>• “Free” checking _____</li>   <li>• “Free” checks _____  How many _____  What kind _____</li>   <li>• “Free” traveler’s checks _____</li>   <li>• Overdraft protection _____</li>   <li>• Minimum balance requirement on regular savings after first year _____  How much _____</li>   <li>• ATM Charges _____  How much _____</li>   <li>• Customer relations _____</li>   <li>• Penalty on early withdrawal of savings from account:  Regular _____  CD _____  MM _____</li> </ul>