



## Financial Literacy – Smart Consumers, Smart Choices

In this lesson, students learn what it means to be a smart consumer by engaging in a level-headed analysis of budget, opportunity costs and self-regulation. Students compare prices within a service field, and weigh the choices of spending money on that item, saving that money, or spending the money on something else. This exercise is a good opportunity to present basic economic concepts.

**Grade Level:**

Grades 9-12

**Time Allotment:**

45-minute class period

**Subject Matter:**

Budgeting; opportunity costs; cost-benefit analysis; self-regulation; savings; supply and demand; cost comparisons

**Learning Objectives**

**Students will be able to:**

- Perform an effective economic analysis
- Define and analyze opportunity costs
- Perform a cost-benefit analysis
- Understand the importance of self-regulation
- Perform a financial analysis using compound interest

**Bookmarked sites:**

Before teaching this lesson, bookmark all of the Web sites used in the lesson on each computer in your classroom, create a word-processing document with all of the Web sites listed as hyperlinks, upload all links to an online bookmarking utility such as [www.portaportal.com](http://www.portaportal.com), or make paper handouts of necessary Web pages so that students can access the information on these sites. (Note: It's a good idea to preview these sites before presenting them to your class.) Make sure that your computer has necessary media players, like RealPlayer, to show streaming clips (if applicable). Preview all of the sites and videos before presenting them to your class.

**Materials:**

Teachers will need the following supplies:

- Board and/or chart paper
- Handouts of Web resources if computers are not available in the classroom
- Copies of the [How Smart Consumers Make Smart Choices](#) student organizer

Students will need the following supplies:

- Computers with the capacities indicated above
- Notebook or journal
- Pens/pencils

**Introductory Activities:**

Goal: to make sure that students have a preliminary understanding of the costs of buying an MP3 player, and to bring them into the lesson by personalizing the information.

1. Open the discussion by talking about who in the class has an MP3 player, and why they are an attractive product.
2. Poll students to find out which MP3 player is currently the most popular among their age group.
3. See if students have any sense of what MP3 players cost, including the range of price of different brand names.
4. Finally, ask for a show of hands of who would consider buying an MP3 player, and who doesn't think it's worth the cost. Of those who would buy one, ask who would buy the most popular brand. Record the votes on the board.

### Learning Activities:

1. Have students research the cost of at least two different MP3 players on the Web. As students do their research, have them record the different brands and the costs of each brand they find, using the [How Smart Consumers Make Smart Choices](#) student organizer.  
**NOTE:** If you have access to computers conduct this during class time. If you do not have access to computers have the students conduct this research as homework. It is recommended that you give them a time limit of 30 minutes for the Web research.
2. When they have completed their research, have a class discussion about the different brands of players, how much they cost and which are the most popular among teenagers. Write these on the board.

### Culminating Activities:

1. Using the framework for economic analysis established in the previous class, assess the following market forces regarding the costs of MP3 players. Ask students to record the answers to the following on the [How Smart Consumers Make Smart Choices](#) student organizer and then ask for volunteers to share their answers. Record some of the answers from the student organizer on the board.
  - Given the market forces of supply and demand, where do students see the most demand and supply for MP3 players?
  - What are the opportunity costs of buying an MP3 player? What could that money be used for instead?
  - What are the benefits to owning an MP3 player? Do the benefits outweigh the costs, or vice versa?
  - What types of self-regulation can be employed in this scenario to ensure that the best decision is made?

**NOTE:** In addition to providing a convenient way of storing music, some MP3 players offer additional benefits such as the ability to download different types of audio, like foreign language lessons that can be listened to at a user's convenience. Some MP3 players allow users to also capture audio, for instance students could record lectures or create a "pod cast." Visit <http://en.wikipedia.org/wiki/Podcasting> for a definition of "pod casting."

2. Ask for a show of hands of who would consider buying an MP3 player, and who would definitely not get one. Record the votes on the board, and see if anyone changed a vote post-analysis.
3. Finally, ask for a show of hands of students who would still like to purchase an MP3 player, but would forego the most popular model for the cost savings of a cheaper model.
4. Ask the students who changed their vote since the economic analysis to explain how the analysis impacted their decision.



## How Smart Consumers Make Smart Choices Student Organizer

### Demo Production Segment:

1. As you watch the segment on creating a demo music tape, write down the following information:
  - a. Methods for producing a demo tape.
  
  - b. Different costs of producing a 4-track tape.
  
  - c. Different costs of producing an 8-track tape.
  
  - d. Factors that impact the cost of each type of production.
  
  - e. Likelihood that each tape will yield a recording deal.
  
2. To create a framework for economic analysis in the tape demo process, answer the following questions:
  - a. Given the market forces of supply and demand, where do students see the most supply of recording studios?
  
  
  - b. What are the opportunity costs of doing a demo tape?
  
  
  - c. What are the financial and time costs to doing a demo tape? Are there other costs? What are the realistic benefits? Do the benefits outweigh the costs, or vice versa?
  
  
  - d. What types of self-regulation can be employed in this scenario to ensure that the best decision is made?

**MP3 Player Segment:**

1. As you research MP3 players on the Web, write down the following information:
  - a. The cost of the most popular (as determined by the class) MP3 player.
  
  - b. The cost of the cheapest (as determined by the class) MP3 player.
  
  - c. As many other brands and prices as they can find in the designated research time period.
  
2. To create a framework for economic analysis in the MP3 player process, answer the following questions:
  - a. Given the market forces of supply and demand, where do you see the most demand and supply for MP3 players?
  
  - b. What are the opportunity costs of buying an MP3 player? What else could that money be used for?
  
  - c. What are the benefits to owning an MP3 player? Do the benefits outweigh the costs, or vice versa?
  
  - d. What types of self-regulation can be employed in this scenario to ensure that the best decision is made?