

choices & decisions

taking charge of your financial life™



lesson plans

acknowledgements

choices & decisions Canadian revision team

Thanks to the members of the Canadian Revision Team who expanded and updated this resource for the Canadian consumer and educational community. Team members are educators with a background in business education.

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4th Printing, 2002 [Second Edition, 2000]
Printing Department, Bradda Printing Services Inc.
Ottawa, Ontario

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Également disponible en français sous le titre : *Choix et décisions : Prendre sa vie financière en main^{md}*

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acknowledgments

choices & decisions financial support

Thank you to the following Visa Members who provided funding for this project:

Bank One International
Canadian Imperial Bank of Commerce
Citibank (Canada)
Citizens Bank of Canada
Laurentian Bank of Canada
Royal Bank of Canada
TD Bank Financial Group
The Bank of Nova Scotia
Vancouver City Savings Credit Union
Visa Desjardins

choices & decisions curriculum update

This instructional unit was expanded and updated by Dr. Les Dlabay, Associate Professor of Business, Lake Forest College, Lake Forest, Illinois. Dr. Dlabay has taught more than 30 different business courses in high school, college, university, adult education, and teacher preparation programs. He has conducted workshops and seminars for teachers in more than 20 states. Dr. Dlabay is co-author of *Personal Finance*, Fifth Edition, published by Irwin/McGraw-Hill. Previous editions of this book have been used at more than 600 colleges and universities. He is also author of *Business in a Global Economy*, published by ITP/South-Western Educational Publishing. Dr. Dlabay may be contacted via email at dlabay@LFC.edu. Judith Cohart, as Director of Education/Training for the National Foundation for Consumer Credit, reviewed the materials and provided guidance for the revisions. She has extensive expertise in program development for adult education and has taught at both the high school and college level.



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choices & decisions

lesson plans

lesson one making decisions

lesson two making money

lesson three the art of budgeting

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lesson five buying a home

lesson six banking services

lesson seven about credit

lesson eight credit cards

lesson nine cars and loans

lesson ten the influence of advertising

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lesson twelve saving and investing

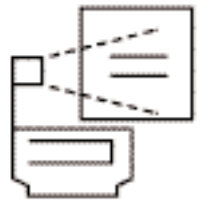
lesson thirteen in trouble

lesson fourteen about consumer privacy

lesson fifteen financing your education

lesson one

making decisions



overheads



the decision-making process

The Decision-Making Process



Identify the problem



Gather information and list possible alternatives



Consider consequences of each alternative



Select the best course of action



Evaluate the results



factors that can influence a decision



A. Values

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

B. Peers

- People you know
- Pressure for 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



common decision-making strategies

agonizing

Accumulating so much information that analyzing the options becomes overwhelming.

avoidance

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

compliance

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

desire

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

destiny

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

inspiration

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

intention

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

procrastination

Postponing thought and action until options are limited.

security

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

spontaneity

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

synthesis

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

economic influences on decision making



These economic factors may influence 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

(such as the Dow Jones Averages, NASDAQ, TSE 300)
indicate general trends in the value of stocks

unemployment

the number of people without employment who are willing to work



risks associated with decision making

Risks are associated with every decision. The following are common risks 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

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

opportunity costs and the time value of money



opportunity cost refers 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 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.

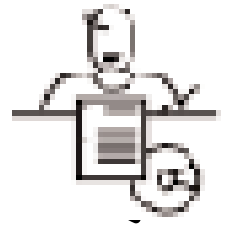
e.g. **For example:** spending \$1,000 from a savings account paying 4 percent a year means an opportunity cost of \$40 in lost interest.

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 when taking into account compound interest.

lesson one

making decisions



student activities

name: _____

date: _____



the decision-making process

Identify the problem



Gather information and list possible alternatives



Consider the consequences of each alternative



Select the best course of action



Evaluate the results



name: _____

date: _____

what decision-making strategies have you used?



directions

As a class, identify and role-play the various decision-making strategies you've used. Then, be prepared to answer the questions below.

1. Have the strategies you've used worked? Please explain.

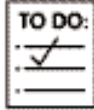
2. What factors do you think might have influenced your choice of strategies?

name: _____

date: _____



researching current economic conditions



Changing economic factors affect the decisions we make. Using newspaper business pages, Internet, or other sources of economic news, obtain 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
Interest rates		
Consumer prices		
Other		
Other		

name: _____

date: _____



analyzing a decision

Identify the problem



Gather information and list possible alternatives



Consider the consequences of each alternative

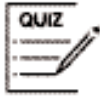


Select the best course of action



Evaluate the results





lesson one quiz: making decisions

true-false

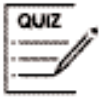
1. _____ The decision-making process starts with gathering information.
2. _____ Procrastination is an example of an economic influence on decision making.
3. _____ Higher interest rates result in higher costs of borrowing money.
4. _____ Rising prices causing lower buying power is referred to as an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

multiple choice

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. an opportunity cost.
D. spontaneity.

case application

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?



lesson one quiz: making decisions answer key

true-false

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 causing lower buying power is referred to as an inflation risk.
5. t Interest earned on savings may be referred to as the “time value of money.”

multiple choice

6. A 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. C 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. B Consumer spending is likely to rise when:
A. unemployment is high.
B. interest rates are low.
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D. people are putting more money into savings accounts.
9. D Investments that may be difficult to convert to cash quickly have a high _____ risk.
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B. a personal risk.
C. an opportunity cost.
D. spontaneity.

case application

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 Jones 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.