

Making spending decisions

Students practice a commonly used decision-making model called PACED to help make spending decisions.

Learning goals

Big idea

Common decision-making models can help you make informed spending choices.

Essential questions

- What types of choices do you make when spending money?
- How can you make thoughtful spending decisions?

Objectives

- Understand the PACED decision-making model
- Apply the PACED model to making spending decisions

What students will do



- Complete one teacher-directed scenario using the PACED decision-making model.
- Use the “Making spending decisions” worksheet to complete additional scenarios.
- Reflect and share thoughts about spending decisions made with the PACED model.

NOTE

Please remember to consider your students’ accommodations and special needs to ensure that all students are able to participate in a meaningful way.

KEY INFORMATION

Building block:

-  Executive function
-  Financial knowledge and decision-making skills

Grade level: High school (9-12)

Age range: 13-19

Topic: Spend (Budgeting, Buying things)

School subject: CTE (Career and technical education), Social studies or history

Teaching strategy: Direct instruction, Personalized instruction

Bloom’s Taxonomy level: Analyze, Evaluate

Activity duration: 45-60 minutes

National Standards for Personal Financial Education, 2021

Spending: 12-1, 12-2, 12-3, 12-5, 12-9

These standards are cumulative, and topics are not repeated in each grade level. This activity may include information students need to understand before exploring this topic in more detail.

Preparing for this activity

- While it's not necessary, completing the "Reflecting on needs versus wants" activity first may make this one more meaningful.
- Print copies of all student materials for each student, or prepare for students to access them electronically.

What you'll need

THIS TEACHER GUIDE

- Making spending decisions (guide)
[cfpb_building_block_activities_making-spending-decisions_guide.pdf](#)

STUDENT MATERIALS

- Making spending decisions (worksheet)
[cfpb_building_block_activities_making-spending-decisions_worksheet.pdf](#)

Exploring key financial concepts

People face a number of decisions about money every day. Understanding the differences between needs and wants helps you make a budget to manage your spending and informs your daily spending choices. Covering all your needs before you spend money on your wants is a wise financial habit.

The PACED decision-making model can help you learn the process of making thoughtful spending decisions by taking you through the steps of considering the problem, imagining alternatives to solve the problem, defining criteria for making a decision, evaluating the best choice for your situation, and settling on a final decision.

TIP

Because financial products, terms, and laws change, students should be encouraged to always look for the most up-to-date information.

Teaching this activity

Whole-class introduction

- Ask students to share things people consider when they decide to buy something.
 - Examples may include price, features, whether the item is a need or a want, or whether they have enough money to buy it.

- Read the “Exploring key financial concepts” section to students to introduce the PACED decision-making model.
- Be sure students understand key vocabulary:
 - **Budget:** A plan that outlines what money you expect to earn or receive (your income) and how you will save it or spend it (your expenses) for a given period of time; also called a spending plan.
 - **Needs:** Basic things people must have to survive (such as food, clothing, and shelter), resources they may need to do their jobs (such as reliable transportation and the tools of the trade), and resources to help build and protect their money and property so they can meet future needs (such as emergency savings and insurance).
 - **Wants:** Upgrades and other things that would be nice to have but aren’t necessary for living, income, or protecting what you have.

TIP

Visit CFPB’s financial education glossary at consumerfinance.gov/financial-education-glossary/.

Individual or group work

- Distribute the “Making spending decisions” worksheet, or have students access it electronically.
- Discuss the process of identifying the problem, considering alternative choices, identifying the criteria to use to compare their options, evaluating the options, and making the decision that works for their needs.
- Walk through the example scenario together as practice.
 - Talk through each step, so they can hear your thinking.
 - Have students fill in the blanks on their worksheet as you identify your response for each step.
 - The following can be a guide for how you might approach the decision-making process for this sample scenario:
 - Problem: You’re hungry and you’re driving from school to work.
 - Alternatives (what are your choices?): Buy a meal at a fast-food restaurant or eat the leftovers from your lunch.
 - Criteria (what criteria will I use to make my decision?): The cost of the meal.
 - Evaluate (what’s the best choice for me?): A fast-food meal would be tasty, but eating leftovers would be cheaper and therefore best for me.
 - Decision (what’s my final decision?): Eat my leftovers from lunch.

- Ask students to complete the rest of the scenarios independently or with a partner.
 - Depending on the time you have or level of your students, you may require students to complete both scenarios or pick one to focus on.
- Walk around the room, checking on students' work and helping answer questions that arise.
- Have students answer the reflection questions individually.

Wrap-up

- Ask students to share their problem-solving strategies. Help them realize that there are many effective ways to solve a problem, and we can learn from different approaches people take to solve the same problem.
- If time allows, ask students to share their answers to the reflection questions.

Suggested next steps

Consider searching for other [CFPB activities](#) that address the topic of spending, including budgeting and buying things. Suggested activities include ["Analyzing budgets"](#) and ["Creating a buying plan"](#).

Measuring student learning

Students' answers on their worksheets and during discussion can give you a sense of their understanding. **Keep in mind that students' answers may vary, as there may not be only one right answer.** The important thing is for students to have reasonable justification for their answers.