

Opportunity Costs Lesson Plan

Opportunity Costs

Objective:

Introduce the concept of **opportunity costs**. Show students there is always a price paid when choices are made.

Students will be able to:

- Recognize and identify the opportunity costs of choices.
- Evaluate the subjective value of the choices they make.
- Evaluate the quantitative values of choices they make.
- Calculate the future value of time deposit investments.
- Calculate the minimum monthly payment required on a credit balance.

Consumer Math Standards & Benchmarks

Common Core State Standards Initiative (CCSSI)

The CCSSI was developed by the Federal Government in an attempt to standardize learning practices across states and to assist students in being better prepared for college and higher education.

The CCSSI mission Statement:

The Common Core State Standards provide a consistent, clear understanding of what students are expected to learn, so teachers and parents know what they need to do to help them. The standards are designed to be robust and relevant to the real world, reflecting the knowledge and skills that our young people need for success in college and careers. With American students fully prepared for the future, our communities will be best positioned to compete successfully in the global economy.

This lesson conforms to the “Eight Standards for Mathematical Practice” as published by CCSSI.

Mathematical Practices

1. Make sense of problems and persevere in solving them.
2. Reason abstractly and quantitatively.
3. Construct viable arguments and critique the reasoning of others.
4. Model with mathematics.
5. Use appropriate tools strategically.
6. Attend to precision.
7. Look for and make use of structure.
8. Look for and express regularity in repeated reasoning

Teaching Materials:

- Lesson Plan
- Lesson Plan Content Document
- Assessment/Evaluation Exercise Document & Answer Key

Lesson Activity:

- Introduce opportunity costs of choices made.
 - Ask students to make a list of what they could do with \$20.
 - Write their responses on the board as a bullet list.
 - Ask them to individually decide on their two top choices.
 - Ask for volunteers to share their choices.
 - Lead a discussion of the pro's and con's of each of their two top choices.
 - Ask how they determined their top choice was superior to their second choice.
 - Define the opportunity cost of their first choice is their second choice.
- Introduce and Present the Lesson Content Document (see attachment)
 - Define opportunity costs and ask questions to the students about how they make financial decisions.
 - Read and discuss \$100 choices example (concert, dinner or theme park ticket).
 - Explain Taylor's **\$5G Walk or Ride** example.
 - Ask for a preliminary decision on what they would choose to do: What would the future value of that investment likely be?
 - Next, ask: What would a \$5,000 investment at 3.5% APR be worth in a month?
 - What would the investment be in the second month?
 - Introduce the **Compound Interest Formula**.
 - Follow the calculation of Taylor's specific example.
 - Re-poll the group to see if their initial preliminary choice had changed.

- Ask if it would be possible for Taylor to invest the \$5,000 and get the car? How?
 - Introduce the **Monthly Payment Formula**.
 - Review the example of financing Taylor's car.
 - Show how Taylor's brother Tyler has a different perspective on saving and spending.
 - Discuss how Tyler got himself into debt.
 - Discuss why Tyler's smartest move is to use his \$5,000 windfall to pay off the debt he's accumulated.
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- Introduce and Present the **Exercises Document** (see attached)
 - Ask students to answer the first five subjective questions
 - Review the **Compound Interest Formula** example
 - Students complete **Assessment Part A**
 - Review the **Monthly Payment Formula** example
 - Students complete **Assessment Part B**

 - **Complete Assessment and Evaluation** (answer key is attached)