

Needs vs. Wants

Standard 1: Managing an Income

Susan McHale, Kristen Sublett, Niky Styers, Melissa Gunter
Published by *K20 Center*

This work is licensed under a Creative Commons CC BY-SA 4.0 License

Grade Level	7th – 12th Grade	**Time Frame**	100 minutes
Subject	Financial Literacy, Social Studies	**Duration**	1-2 class period(s)
Course	Personal Financial Literacy		

Essential Question

How do I prepare for the future that I want? How does limiting my expenses affect future goals?

Summary

Students will create a list of personal “wants” they would like to achieve or obtain by 25 years of age. They will consider how realistic these wants are as they move through this lesson. Students then will look at household income charts in small groups and draw conclusions about how Americans primarily spend their money. Finally, students will determine what essential elements are needed for daily living and how limiting certain expenses can help people stay within their means. This is a companion lesson that should be taught after "How Do My Choices Affect My Future?"

Snapshot

Engage

Students identify career choices and future plans through a Commit and Toss activity.

Explore

Students create and compare their lists of personal objectives with a range of careers and their salaries as well as reflect on how an earned income contributes to their future goals.

Explain

Students look at charts that depict how Americans spend their income in low-income, average, and wealthy households and create pie charts, answer questions, and draw conclusions regarding the charts.

Extend

Students determine what is included in essential living expenses are and what is not. Students also read and discuss an article about the "Boomerang" generation as an optional activity.

Evaluate

Students reflect on what they learned in this lesson by completing a personal goals chart.

Standards

ACT College and Career Readiness Standards - Reading (6-12)

CLR301: Locate simple details at the sentence and paragraph level in somewhat challenging passages
CLR302: Draw simple logical conclusions in somewhat challenging passages
REL402: Identify clear comparative relationships in somewhat challenging passages

Oklahoma Academic Standards (Personal Financial Literacy (7th through 12th grade))

PFL.1: The student will describe the importance of earning an income and explain how to manage personal income through the use of a budget.
PFL.1.1: Using decision-making models, evaluate how career choices, educational/vocational preparation, skills, and entrepreneurship affect income and standard of living (e.g., postsecondary degree/ certification, needs versus wants, and the ability to live on less than you earn).
PFL.1.2: Identify the components of a personal/family budget (e.g., income, savings/investments, taxes, emergency fund, expenses, and charitable giving) based on short, medium, and long term goals (e.g., financial, personal, educational, and career).

Attachments

- Handout 1 American Household Charts - Spanish.docx
- Handout 1 American Household Charts - Spanish.pdf
- Handout 1 American Household Charts.docx
- Handout 1 American Household Charts.pdf
- Handout 2 Pie Chart Template - Spanish.docx
- Handout 2 Pie Chart Template - Spanish.pdf
- Handout 2 Pie Chart Template.docx
- Handout 2 Pie Chart Template.pdf
- Lesson Slides — Needs vs. Wants.pptx
- Pie Chart Questions for American Households - Spanish.docx
- Pie Chart Questions for American Households - Spanish.pdf
- Pie Chart Questions for American Households.docx
- Pie Chart Questions for American Households.pdf

Materials

- Lesson Slides (attached)
- American Household Income Charts x 3 handout (attached)
- Student Comparison Pie Charts handout (attached)
- Student device with internet access
- Student calculators (1/2 of a class set)
- Colored pencils (optional)

Engage

Use the attached **Lesson Slides** to guide the lesson. Display **slide 3**, showing students the chart of careers and degree requirements. Begin a class discussion about this chart. Ask student what careers might look interesting to them. Ask how many careers require a college degree or some type of post-secondary training? How many require a high school diploma? What would you imagine the income to be between someone who has a college degree versus someone with a high school diploma?

Commit and Toss activity: Ask students to write on a scrap piece of paper one career they might be interested in and what educational plans they have to attain it. It does not have to be something on the chart. They are not to put their name on it. Students wad their paper into a ball and toss it into a large box in the center of the room. Shake the box with all the papers in it. Have students select a new piece of paper. They are to read the career choice silently. You can ask a few to share what is on the paper. Toss them back into the box and repeat this procedure two more times.

Display **slide 4**. Ask students to take out a piece of paper and list these four categories of personal, financial, educational, and career plans on it like the chart shown. Tell them to imagine that they are 25 years old. They should write down one achievement, attainment, or expectation of something they think they should have or should have done by this age for each of these categories. For example, in education, do they have a college degree? In financial, do they have any savings? What is their salary? Do they have a house or a car? In personal, are they single, or are they married? Do they have children by now?

Discuss with students what might be helpful to do now to achieve their goals by the end of the school year. (See questions on slide 4). *Important*: Have students keep this notebook paper chart and the 2 questions to turn in at the end of the lesson.

Explore

Display **slide 5**. Place the chart of salaries and careers on the board. This chart comes from the Bureau of Labor Statistics and is a national average income for each of the careers listed. Ask students to look at their paper with their personal or financial goals that they wrote down. Which careers (and their salaries) would make some of the objectives shared easier to attain at age 25? Discuss this as a class.

Teacher's Note: Class Discussion

While a high salary should not be the only reason for a career, it is helpful for students to reflect on some of the things they want versus how much income they might earn. You may wish to own a nice home by 25, but it may take you longer to save for it if you have a lower salary (income earned) or chose to prolong your college education. Some people will spend beyond their means for the things they want, quickly using loans or credit cards to go into debt.

Assign students into pairs and pass out "Handout 1 American Household Charts - Wealthy, Average and Low-Income Households." Explain to the students that these charts represent what typical Americans spend on their household expenses a year. Explain that the OTHER category on the chart is expenses that are not covered under the other categories. Examples would be personal care products, personal goods (like a cell phone and clothing) and services like insurance.

Ask student pairs to look at the charts and have them share any general observations they might see immediately in comparing the three charts.

Explain

For this activity, student pairs will need at least three or four of the pie chart templates (located under attachments), a copy of "Handout 1 American Household Charts," some colored pencils (optional), and a calculator. Tell the students that they will work together to compare the three charts. To do this accurately they will need to look at what percentages each type of American household is spending on living expenses as compared to their total income. To do that, students will need to look at the money amount spent in each category as a percentage of the total income. Ask students to find the total income on each chart and the total expenses. What do they notice immediately? (They should notice that the low-income household is spending more on average than they earn.)

Teacher's Note: Calculating Percentages

Students should be able to calculate percentages using a calculator. There are also online tools and videos to help. If internet access is available, students can use the percentage calculator at: http://www.percentagecalculator.net. YouTube also has a simple video about how to calculate percentages at: https://www.youtube.com/watch?v=3ulgek4u0i8.

Students are to convert the current household charts of low-income, average, and wealthy families' living expenses into pie charts to compare them more easily. A sample pie chart is on **slide 6** to demonstrate what a pie chart does and is designed to do. Hint: The pie chart for the average low-income household will exceed 100% because low-income households are spending MORE on living expenses than their total income. Average and wealthy incomes will have pie charts where part of their total income is not spent.

Once students have completed the activity, have a few of the pairs share their charts with the class. You can also show the pie chart **slides 7-10** and have students compare and/or correct their pie charts according to the slides. After the pie charts are completed, students are to answer or discuss the following questions These questions can be used as a general class discussion or as an added assignment. The questions are listed on **slide 11** and a handout is also provided for the assignment.

Optional Written Assignment

The questions can also be given as an additional assignment to be completed by the students, if you wish.

1. Which American household is over their budget?
2. For the low-income American household, where is the largest percentage of their money spent?
3. Which household is spending the least amount on expenses for what they earn? Why do you think they have so much extra money?
4. What might be the reason for the larger amount of food costs for the wealthy American household as compared to the others?
5. For the average American household, where is the largest percentage of their money spent?
6. The low-income household is spending more than they earn. In your opinion, in what areas (other than housing, which usually is a set amount) could they reduce their expenses?
7. What other conclusions can you determine from the three household charts?
8. In your opinion, what should be most important in a budget? Least important?

Teacher's Note: Pie Charts

Completed pie charts for each of the American household charts are available in the attached Power Point. These were created with a free pie chart maker website, https://www.meta-chart.com/. Other online pie chart creator sites exist. For Question 6, the low-income household might spend less on transportation if they could carpool or use public transportation more often and might be able to reduce expenses in extra areas such as alcohol, entertainment, and other personal goods and services. Though, you might make note that even if the alcohol, entertainment, and other categories were eliminated completely, low-income households would still need to cut transportation costs in half to reach 100% of their average income.

Extend

Explain to students that these are what the average households in each category earn and spend. To stay within their means and not go into debt, it is important to have a budget. Ask students to fold a piece of notebook paper in half lengthwise. At the top of column one, have students write the word "essential." Have students head column two with the words, "not essential." Explain that "essential" stands for those things that we need to survive to live. Non-essential represents those things that are not as highly needed to survive but might make life more comfortable.

Combine students into groups of four. You may be able to use the pairs from the pie chart activity to create combined groups of four. Display **slide 12**. Ask the groups to create a list of essential and non-essential things for daily living. Explain that this is usually where a budget starts. People must budget for the things that are essential to their survival. People usually spend only on the essential (needed) things in life and then save for the non-essential things (wanted).

Have various student groups share their lists. As they share, create a list on the board of the responses. Don't worry if something ends up on both the essential and non-essential lists at the same time. Once two complete lists are on the board, have the class vote for the top three or four in each category. Allow students to speak on behalf of any thing on the list to persuade others why it is important to keep, prior to voting.

Optional Addition

One way some young people are saving money until they can buy what they want is to live at home with their parents after or during college or when they start their first job. Pass out the news article about the "Boomerang" generation (linked here or you can find the URL in the Resources section of this lesson). Only the first section of the article is necessary for this activity. After reading the article, ask students to discuss what would be the challenges of living with their parents again during/after college or while they begin a job? What would be the benefits? Under what circumstances, would they be willing to move back in with their parents?

Evaluate

The pie charts completed by the pairs will serve as an evaluative assessment. The questions related to the pie charts can also be used as a written assignment.

Reflection Activity: Ask students to get out their chart of their own goals by age 25 from earlier in the lesson and display **slide 13**. A third question has been added to the chart about wants and needs. Have students answer all three questions and complete their chart of goals or achievements in the different categories by age 25. Have students turn this in for a participation/reflection grade as well.

Teacher's Note: Looking for Hands-on Financial Literacy?

Mind Your Own Budget (MYOB) is a comprehensive game-based learning application for financial literacy. Mind Your Own Budget is aligned with the OK Passport and National Standards for Financial Literacy. Through game-playing, students encounter everyday financial tasks such as making and keeping a budget, paying recurring and emergency expenses, managing financial accounts and using financial instruments. Each scenario presents a new challenge and teaches new concepts while building on important budgeting basics. To find out more about K20 Digital Game-Based Learning, go to https://k20center.ou.edu/games/ or email k20center@ou.edu.

Resources

- Free Pie Chart Creator: https://www.meta-chart.com/
- Online Percentage Calculator: www.percentagecalculator.net
- Bureau of Labor Statistics, Occupational Outlook Handbook: http://www.bls.gov/ooh/
- K20 Center. (n.d.). Commit and Toss. Strategies. https://learn.k20center.ou.edu/strategy/d9908066f654727934df7bf4f505b3d0
- Parker, K. (2012). The Boomerang Generation. Pew Research Center. http://www.pewsocialtrends.org/2012/03/15/the-boomerang-generation/
- Bureau of Labor Statistics L. (2013, June 1). Consumer spending: How much of their income do poor and rich American families spend on housing, education, healthcare, food and transportation? [Infographic]. International Business Times. http://www.ibtimes.com/consumer-spending-how-much-their-income-do-poor-rich-american-families-spend-housing-1287121
- Two-Point-Four. (2012, May 5). How to calculate percentages [Video]. YouTube. https://www.youtube.com/watch?v=3ulgek4u0i8