

Learning Objectives

Students will be able to

- Experience cognitive biases through thought experiments
- Identify various cognitive biases
- Give examples of cognitive biases in their own lives
- Explain what cognitive bias is and how it can impact their decision making

Approximate Time

- Lesson length: 55 mins

Jump\$tart Standards

Spending

- 2a: Select a product or service and describe the various factors that may influence a consumer's purchase decision
- 2b: Describe a process for making an informed consumer decision
- 4a: List different ways retailers advertise the prices of their products

Distribute to Students

- [Student Activity Packet FY-8.1](#)

Plan Your Unit

- [Unit Plan for Behavioral Economics](#)
- [Behavioral Economics on www.ngpf.org](#)
- [Customizable Parent Newsletter: Behavioral Economics](#)




LESSON PLAN

	Resources	Questions	Est. Time
1	DISCUSSION PROMPTS	<p>Discussion Prompts</p> <p>Write your responses to the question. Then, share what you wrote with your classmates or a partner.</p> <ol style="list-style-type: none"> Do you consider yourself a below average, average or above average friend compared to your classmates? 	5 mins
2	<p>EXPERIMENT</p> <ul style="list-style-type: none"> Experiment 1: Buy Now or Buy Later Publisher: NGPF <p>❖ Teacher Tip: You will find all directions and links for the experiments in the Thought Experiment Guide, which can be found in the Sample Student Activity Packet</p>	<p>Experiment 1: Buy Now or Buy Later</p> <p>The Discussion Prompt you answered is an example of Overconfidence Bias - the tendency people have to be more confident in their own abilities when compared to others.</p> <p>We're going to be conducting some thought experiments in this lesson.</p> <p>Follow your teacher's instructions to complete this experiment.</p> <p>Scenario:</p> <p>After your birthday, you have JUST enough money to purchase the new iPhone that you've been saving for. However, if you</p>	5 mins

	for this lesson.	<p>buy it, you won't have any money until you start your new job in 3 weeks. That means no going out, buying food or new clothes.</p> <ol style="list-style-type: none"> 1. Take a look at your assigned group's Amazon listing. Based on the listing, would you spend your money on the iPhone now or would you wait until you started your job? Explain why you made that choice. 2. Reflect - Your teacher will tell you which question to answer: <ol style="list-style-type: none"> Outcome 1: Compare the two images. Why do you think Group 2's purchase rate was higher? Outcome 2: Compare the two images. What are the main differences between them? How do you think these differences might affect your desire to purchase the item? 	
3	<p>EXPERIMENT</p> <ul style="list-style-type: none"> Experiment 2: What's it Worth? Publisher: NGPF <p>❖ Teacher Tip: You will find all directions and links for the experiments in the Thought Experiment Guide, which can be found in the Sample Student Activity Packet for this lesson.</p>	<p>Experiment 2: What's it Worth?</p> <p>Is the value of an item the same for everyone? What would make you value an item more or less?</p> <p>After watching the video, answer the questions for Scenario 1.</p> <p>Then, read the two situations in scenario two and use them to answer the questions.</p>	5 mins
4	<p>EXPERIMENT</p> <ul style="list-style-type: none"> Experiment 3: Find the Sequence Rule Publisher: NGPF <p>❖ Teacher Tip: You will find all directions and links for the experiments in the Thought Experiment Guide, which can be found in the Sample Student Activity Packet for this lesson.</p>	<p>Experiment 3: Find the Sequence Rule</p> <p>Can you guess the rule that goes with a simple sequence of numbers? It may be harder than you think!</p> <p>You can use the table to the right to list possible sequences and possible rules.</p> <p>Follow your teacher's instructions to complete this experiment.</p>	15 mins
5	<p>EXPERIMENT</p> <ul style="list-style-type: none"> Experiment 4: Investing Publisher: NGPF <p>❖ Teacher Tip: You will find all directions and links for the</p>	<p>Experiment 4: Investing</p> <p>The stock market can be volatile from day to day.</p> <p>You are now the proud owner of one share of Gamestop and have to decide when to sell your share. Will you make a profit or sustain a loss?</p> <p>Follow your teacher's instructions to complete this</p>	5 mins

	experiments in the Thought Experiment Guide , which can be found in the Sample Student Activity Packet for this lesson.	experiment.	
6	<p>ARTICLE</p> <ul style="list-style-type: none"> • Cognitive Bias: Understanding How It Affects Your Decisions • Publisher: Healthline <p>VIDEO (7:58)</p> <ul style="list-style-type: none"> • 5 Ways People Are Dumb With Money • Publisher: Two Cents 	<p>Cognitive Bias: Understanding How It Affects Your Decisions</p> <p>5 Ways People Are Dumb With Money The four experiments that you just participated in demonstrate common cognitive biases, which are part of the larger field of Behavioral Economics. Read the section of the article linked above titled “What is cognitive bias?”</p> <p>Then, watch the video by Two Cents to learn more about what cognitive biases are and how they can impact our financial decisions. Finally, answer the questions.</p> <ol style="list-style-type: none"> 1. In your own words, what is cognitive bias? 2. How do behavioral economists view people differently than traditional economists? 3. Give an example of the sunk cost fallacy from the video or from your own experiences. 	15 mins
7	<p>EXIT TICKET</p> <p>❖ Teacher Tip: To access this Exit Ticket, please see the Sample Completed Student Activity Packet (SSAP). You can find this on the Unit Page this resource is in.</p>	<p>Exit Ticket Follow your teacher’s directions to complete the Exit Ticket.</p>	5 mins

 EXTEND THE LEARNING	
DO MORE...	LEARN MORE...
<p>INTERACTIVE</p> <ul style="list-style-type: none"> • Quizlet Vocabulary Behavioral Economics • Publisher: NGPF 	<p>ARTICLE</p> <ul style="list-style-type: none"> • 7 Psychological Triggers That Cause Spending - How to Deal With Them • Publisher: Money Crashers <p>PODCAST</p> <ul style="list-style-type: none"> • NGPF Podcast: Morgan Housel discusses his new book "The Psychology of Money" • Publisher: NGPF <p>QUESTION OF THE DAY</p> <ul style="list-style-type: none"> • What was #1 response from Gen Zers when invited to an activity they could not afford? • Publisher: NGPF

VIDEO

- [Behavioral Economics: Crash Course Economics #27](#)
- Publisher: Crash Course

WEBINAR

- [Investing Series #2: Mind Games: The Psychology of Investing](#)
- Publisher: NGPF

FAST FACTS...

- Most people prefer the certainty of receiving \$3,000 over the 80% chance of \$4,000. However, people prefer the 80% chance of losing \$4,000 over the certainty of losing \$3,000 (City National Rochdale, 2018).