Personal Finance

Unit 1: Lesson 4
Your Decision-Making Toolkit: Part 2

DURATION 45 minutes

OVERVIEW

In this lesson, students learn about the two remaining principles of economic thinking (marginal and interdependence principles) and have a chance to practice applying the principles of economic thinking to decision making. Explicit connections are made between these principles and the primary activity in Lesson 1.2. This lesson assumes that students were introduced to the first two principles of economic thinking in Lesson 1.3.

LEARNING OBJECTIVES

Students will be able to:

- Describe the marginal principle and explain the role it plays in financial decision making.
- Describe the interdependence principle and explain the role it plays in financial decision making.

RELEVANT UNIT BIG IDEA

- Economic thinking provides a framework for making decisions that benefit you.

RELEVANT UNIT ESSENTIAL QUESTION

- How can economic thinking improve the decisions you make?

MATERIALS

Instruction Slides (display during class period)

Activator Messages p. 4 (1 copy per student)

Student Handout (previously distributed)

Retrieval Practice pp. 5-8 (1 copy per student)

Optional: Text Message Template (can be used to customize *Activator Messages*)

SEQUENCE

Activator — 6 minutes (Slides 2-5)

1. Display Slide 2. Distribute 1 copy of *Activator Messages* to each student. Allow students 3 minutes to individually follow the instructions on the slide. After 3 minutes, tell students to share their responses to the prompt with a peer, then call on two students to share their responses with the class.
    a. **Note**: This activity is designed to allow students to practice for the Unit 1 summative assessment. (Additional educator tips/details/suggested answers are in the notes section throughout *Instruction Slides*.)
2. Advance to Slide 3. Click to reveal the text on the slide and elaborate on the student responses as needed.

©2026 ECONIFUL. Last edited: 9/4/2026

3. Proceed to Slide 4. Tell students to retrieve *1.3 Student Handout (Your Decision-Making Toolkit)* — distributed in Lesson 1.3.
4. Display Slide 5 and introduce the learning objectives for the lesson.

Introduction to Economic Principles — 14 minutes (Slides 6-19)

5. Proceed through Slides 6 and 7 to remind students that, in the previous lesson, they learned about the first two principles of economic thinking and how to use those principles as a framework for decision making.
6. Advance to Slide 8 and click to reveal the text to introduce the marginal principle.
    a. **Note**: You may want to alert students to the anchor question on Slide 8 — "One more?" — as a helpful tool for applying the marginal principle. Remind students throughout the lesson that they may add notes to *Student Handout*.
7. Display Slide 9. Ask students to recall their choices from the primary activity in Lesson 1.2 and answer the questions on the slide with a peer. Click to explain that students were applying the marginal principle in their decision making.
8. Proceed to Slide 10. Click to guide students through the decision-making graphic to illustrate how the marginal principle and cost-benefit principle are applied.
9. Progress through Slides 11-12. Explain how thinking at the margin supports the maximization of benefits and define rational behavior.
10. Proceed to Slide 13. Direct students to discuss their answers with a peer to assess students' ability to identify choices that require marginal decision making.
11. Progress to Slide 14 to reveal the correct responses and explain as needed.
12. Display Slide 15. Use the text on the slide to emphasize that not all decisions involve the marginal principle.
13. Progress through Slides 16-17 to transition to the interdependence principle. Click to reveal the text on Slide 17 to introduce the interdependence principle.
    a. **Note**: You may want to alert students to the anchor question on Slide 17 — "What else?" — as a helpful tool for applying the interdependence principle.
14. Use Slides 18-19 to illustrate examples of applying the interdependence principle from the primary activity in Lesson 1.2 and students' lives. Pause between slides to allow students to discuss their answers with a peer and then debrief the questions as a class.

Applying the Principles of Economic Thinking — 15 minutes (Slides 20-30)

15. Advance to Slide 20. Tell students that they will now explain how the principles of economic thinking apply to decisions.
16. Use Slides 21-25 to guide students through the process of identifying and explaining how the principles of economic thinking apply to a scenario.
17. Proceed to Slide 26. Remind students to consult the anchor questions on *the Student Handout* as they collaborate with a peer to identify and explain how the principles of economic thinking apply to the personal finance scenario presented on the slide. Allow approximately 3 minutes for pairs to analyze and discuss the scenario. Afterward, conduct a class discussion to debrief. Use Slide 27 as needed.

©2026 ECONIFUL

18. Advance to Slide 28. Repeat Step 17. Use Slide 29 to debrief as needed.
19. Display Slide 30. Use the text on the slide to emphasize that not all decisions involve the marginal principle.

Summarizer — 10 minutes (Slides 31-32)

20. Progress through Slides 31-32. Tell students that for this portion of the class, they will work alone. Distribute 1 copy of *Retrieval Practice* to each student. Explain to students that *Retrieval Practice* is a low-stakes opportunity to assess their current level of understanding.
21. Allow students 10 minutes to complete *Retrieval Practice*, including the portion that calls for the "Reinforcement Readings," using the instructions on *Retrieval Practice*.
    a. **Note**: Students are given all sections of "Reinforcement Readings" to provide students with additional examples of each principle of economic thinking.
22. Collect *Retrieval Practice* and review for common misconceptions and/or gaps in understanding to address at the start of the following class.

STANDARDS: National Content Standards in K-12 Economics

STANDARD 1 Scarcity and Allocation

STANDARD 2 Decision-Making

FEEDBACK & QUESTIONS

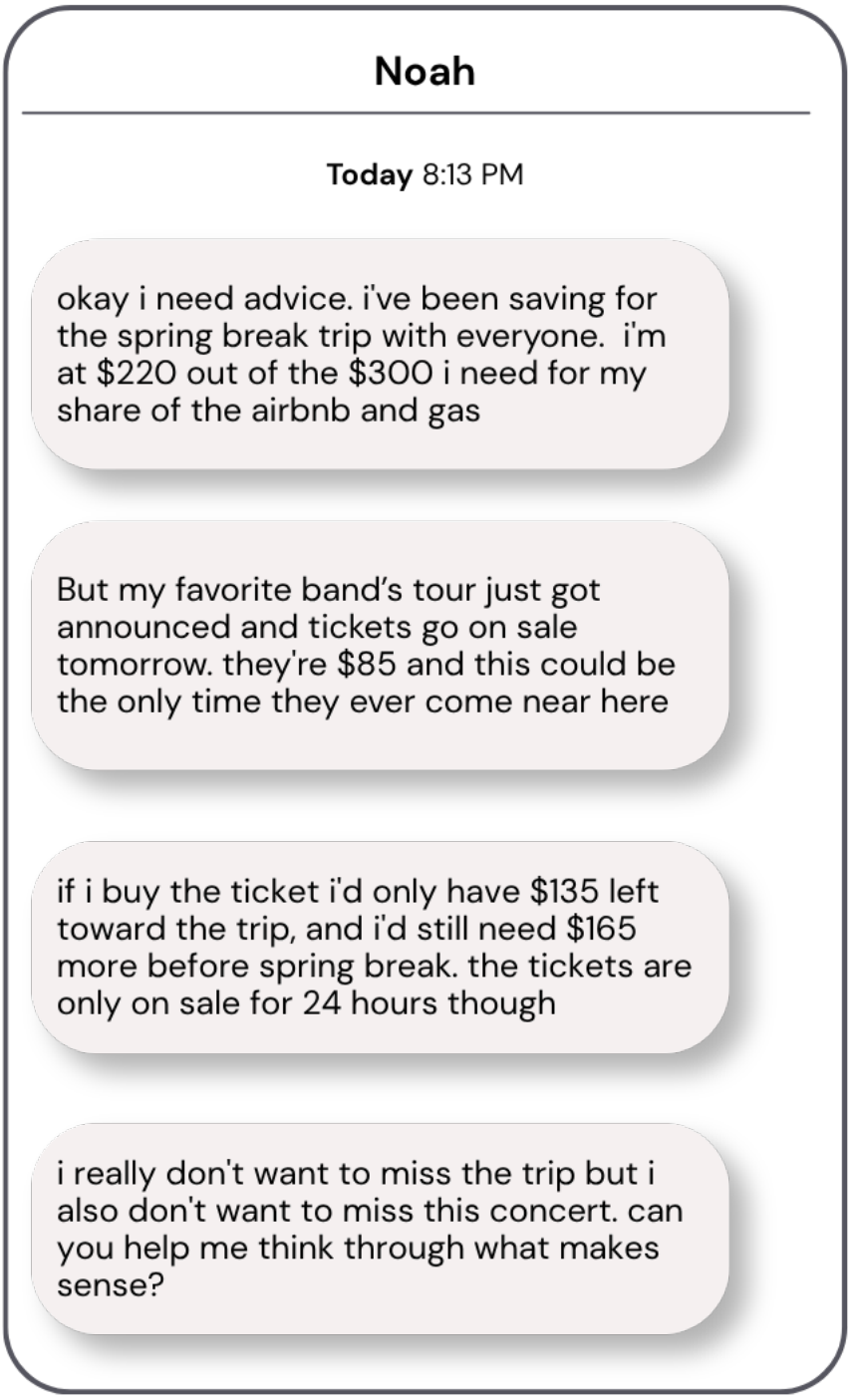
Fill out this 30-second feedback form to let us know how the lesson went. Thank you!

Contact Kathleen Cusack with questions at Kathleen@econiful.org.

©2026 ECONIFUL

1.4 Activator Messages (Your Decision-Making Toolkit: Part 2)

Read the messages and use the principles of economic thinking to advise Noah.



©2026 ECONIFUL

1.4 Retrieval Practice (Your Decision-Making Toolkit: Part 2)

Retrieval Practice

Name_____ Period_____

STEP 1 Rank how confident you are in defining, explaining, and applying each principle of economic thinking from 1-4 (1 being the most confident and 4 being the least confident).

____Marginal principle ____Opportunity cost principle

____Cost-benefit principle ____Interdependence principle

STEP 2 Quiz yourself by completing the multiple-choice items below. Circle the best response to each prompt.

1. Personal finance is an application of economics. Economics is most accurately described as the study of ...
    A. the stock market and finance.
    B. how people make choices.
    C. why some businesses succeed and others fail.

2. Cost-benefit analysis is a decision-making process that
    A. involves weighing the positive and negative incentives of a decision.
    B. involves weighing the additional incentives of a decision.
    C. involves weighing the incentives of two completely unrelated decisions.

3. Suppose you prefer buying a concert ticket to saving your paycheck and you prefer saving your paycheck to buying a new pair of sneakers. What is your opportunity cost of buying the concert ticket?
    A. Saving your paycheck
    B. Saving your paycheck and buying a new pair of sneakers
    C. The price of the concert ticket

4. Having already spent three hours studying personal finance, Amira decides she should spend one more hour studying personal finance. Which of the following is most likely true?
    A. The marginal benefit of the fourth hour is less than the marginal cost of the fourth hour.
    B. The marginal benefit of the fourth hour is greater than the marginal cost of the fourth hour.
    C. The marginal benefit of the fourth hour is greater than the marginal benefit of the third hour.

5. The interdependence principle is the idea that decisions are ...
    A. only based on individual preferences.
    B. made based on past experiences.
    C. based on many factors.

STEP 3 Flip this paper over to review the correct answers and elaborative feedback on the multiple-choice items.

©2026 ECONIFUL

Answer Key for Multiple Choice Items

1. Personal finance is an application of economics. Economics is most accurately described as the study of …

   B. how people make choices. Economics, as a social science discipline, centers on the concept of choice — a fundamental aspect of human behavior. Its core supposition is that resources are scarce and that individuals must make decisions regarding the allocation of these resources.

2. Cost-benefit analysis is a decision-making process that

   A. involves weighing the total incentives of a decision. Cost-benefit analysis is a decision-making process that involves weighing the total costs and total benefits of a decision. This allows individuals to determine whether the benefits of a decision outweigh its costs, or vice versa. By analyzing the costs and benefits in this way, individuals can make more informed decisions that maximize their overall well-being.

3. Suppose you prefer buying a concert ticket to saving your paycheck and you prefer saving your paycheck to buying a new pair of sneakers. What is your opportunity cost of buying the concert ticket?

   A. Saving your paycheck. The activities, ranked by preference, are: buying the concert ticket, saving your paycheck, and buying a new pair of sneakers. Opportunity cost refers to the value of the next best alternative that must be given up to obtain something. In this case, the opportunity cost of buying the concert ticket is saving your paycheck.

4. Having already spent three hours studying personal finance, Amira decides she should spend one more hour studying personal finance. Which of the following is most likely true?

   B. The marginal benefit of the fourth hour is greater than the marginal cost of the fourth hour. According to the marginal principle, one will continue to do something until the marginal benefit is less than the marginal cost. In this case, because Amira chose to study that additional fourth hour, the marginal benefit of studying the fourth hour must be greater than the marginal cost of studying for the fourth hour.

5. The interdependence principle is the idea that decisions are …

   C. based on many factors. Interdependency is the idea that decisions are dependent on many factors, including other choices one makes, external developments, and expectations about the future. Any change in these factors can impact the best choice of the decision maker.

STEP 4 Reassess your initial ranking of the principles of economic thinking based on your performance on the multiple-choice items. Consider: Were you overly confident about any of the principles? Were you overly critical of your understanding of any of the principles?

Change your ranking if necessary.

STEP 5 Strengthen your understanding. Read the section of "Reinforcement Reading" on the next page that corresponds to the principle of economic thinking to which you gave the <u>lowest</u> confidence rating (in STEP 4), and then complete the task below.

a. Now that you have had a chance to review the "Reinforcement Reading" about the _____ principle, provide an additional, **original example** of the principle in the space below.

_____

_____

_____

_____

©2026 ECONIFUL

Reinforcement Reading

Cost-benefit principle: Costs and benefits are the incentives that shape decisions. Decision makers should evaluate the full set of costs and benefits of any choice, and only pursue choices which maximize their benefits.

Additional Examples of the Cost-Benefit Principle

- Deciding whether to rent an apartment on your own or with roommates involves weighing different incentives, including the cost of rent and utilities, the privacy and independence of living alone, the companionship of living with roommates, among others. Evaluating all the costs and benefits enables you to make a rational decision.
- Deciding whether to buy lunch at school or pack one from home requires you to consider various incentives, such as the convenience of not having to prepare anything, getting exactly what you want to eat, and the few dollars it would save you to pack your lunch instead of buying it, among others. By carefully assessing the costs and benefits, you can make a rational decision.
- Deciding whether to go for a run requires you to weigh the incentives like exerting yourself against benefits such as reduced stress, better sleep, and physical movement. Evaluating all of the costs and benefits (including the expected utility of your next best alternative, like having a snack) enables you to make a rational decision.

Opportunity cost principle: The true cost of something is determined by the next best alternative that must be sacrificed to obtain it. Rational decision making should consider this opportunity cost, which extends beyond mere financial expenses. This fundamental concept in economics highlights the absence of truly 'free' outcomes, as every action or gain necessitates giving up something else. For instance, when an individual calls into a radio program and wins “free” tickets to a concert, the cost of those tickets is the value of the activity they would have pursued as the next best alternative to calling into the radio program.

Additional Examples of the Opportunity Cost Principle

- Enrolling in a trade or technical education program carries an opportunity cost, as it means giving up the paycheck you could be earning by going straight into the workforce instead.
- Choosing to purchase a meal carries an opportunity cost, as it means forgoing the next best use of that money (whatever you would have spent or saved it on instead).
- Spending Saturday afternoon with friends carries an opportunity cost, as it means forgoing the next best use of the time, such as spending it practicing an instrument.

©2026 ECONIFUL

Marginal principle: This fundamental concept states that any individual facing an incremental decision (How much? How many? For how long?) should only continue if the additional benefits outweigh or equal the additional costs. This principle enables complex decisions regarding production or consumption to be broken down into a series of smaller decisions. It prompts economic thinkers to assess whether the next action, such as producing or consuming the next good or service, taking the next step, having the next bite, spending the next dollar, or hiring the next employee, and so on, is justified.

Additional Examples of the Marginal Principle

- You are deciding whether to keep paying for another month of a gym membership. If the value you expected to get from one more month (marginal benefit) is greater than the marginal cost (the monthly fee and what else that money could go toward), then you should continue the membership for another month.
- You are deciding whether to sign up for one more guitar lesson. If the improvement in your playing from one more lesson (marginal benefit) is greater than the marginal cost (the lesson fee and the time it takes), then you should sign up for the lesson.
- You are deciding whether to sign up for one more tutoring session before a big test. If the expected improvement in your score from one more session (marginal benefit) is greater than the marginal cost (the cost of the session and the time it takes), then you should sign up for the session.

Interdependence principle: This principle states that the optimal decision can vary depending on your other choices, external influences, and future expectations. Asking yourself, 'What else?' is a useful approach to consider how a decision may impact your other choices and how external factors can influence your decision making.

Additional Examples of the Interdependence Principle

- When deciding whether to renew a subscription (like a streaming or gaming service), your best choice depends on whether you've actually been using it and what new shows or games are coming out. If any of those factors change then your best choice might change.
- When you decide where to open a bank account, your best choice depends on the account's fees, whether it has a minimum balance requirement, and how easy it is to access your money. If any of those factors change, then your best choice might change.
- When deciding to go to a school dance your best choice is influenced by the price of the tickets, what your experience with school dances has been, the amount of fun you expect you will have at the dance, and whether your friends are planning on attending the dance, and more. If all of these factors made you choose not to buy a ticket to the dance (the best choice for you at the time), but then later you found out all of your friends had bought tickets and tickets were cheaper than you thought, then your best choice might change.

©2026 ECONIFUL