Lesson One
Making Decisions
what are you trying to decide?

Identify the problem

Gather information and list possible alternatives

Consider the consequences of each alternative

Select the best course of action

Evaluate the results
what decision-making strategies have you used?

directions
As a class, identify and role-play the various decision-making strategies you’ve used, then answer the questions below.

1. Have the strategies you’ve used worked? Please explain.

2. What factors do you think might have influenced your choice of strategies?
Changing economic factors affect the decisions we make. Using *The Wall Street Journal*, internet, or other sources of economic news, obtain information about current economic trends that influence various saving, investing, spending, and borrowing decisions. For example, higher interest rates make borrowing more expensive; however, higher interest rates make saving more attractive.

<table>
<thead>
<tr>
<th>economic factor</th>
<th>recent trends</th>
<th>possible influences on personal and financial decisions</th>
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<tbody>
<tr>
<td>Interest rates</td>
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<td>Consumer prices</td>
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can you analyze a decision?

Identify the problem

Gather information and list possible alternatives

Consider the consequences of each alternative

Select the best course of action

Evaluate the results
true-false

1. _____ The decision-making process starts with gathering information.

2. _____ Procrastination is an example of an economic influence on decision-making.

3. _____ Higher interest rates result in higher costs of borrowing money.

4. _____ Rising prices causing lower buying power is referred to as an inflation risk.

5. _____ Interest earned on savings may be referred to as the “time value of money.”

multiple choice

6. _____ The final step of the decision-making process is:
   A. evaluating the results
   B. gathering information
   C. identifying the problem
   D. selecting the best course of action

7. _____ Changes in the buying power of the dollar are measured by:
   A. the unemployment rate
   B. the money supply
   C. the consumer price index
   D. interest rates

8. _____ Consumer spending is likely to rise when:
   A. unemployment is high
   B. interest rates are low

9. _____ Investments that may be difficult to convert to cash quickly have a high _________ risk.
   A. inflation
   B. economic
   C. income
   D. liquidity

10. _____ What a person gives up when making a decision is commonly called:
    A. the time value of money
    B. a personal risk
    C. an opportunity cost
    D. spontaneity

case application

In recent weeks, Richard and Fran Jones have considered moving to another city with additional job opportunities. Discuss the personal and economic factors they might consider in this situation. What risks are associated with this decision?