

Opportunity Cost Lesson Plan

Overview

This lesson introduces the concept of opportunity cost from both the consumer's and producer's perspectives. By the end of the lesson, students will be able to consider the opportunity cost associated with each decision they make.

Objectives

By the end of the lesson, students will:

- Understand the concept of opportunity cost.
- Explicitly define the opportunity cost in various daily scenarios.
- Connect opportunity cost to large scale planning.

Vocabulary

- **Opportunity Cost** is what needs to be given up to get something. This is different from an item's price.
- **Scarcity** is the level of availability of something. The more scarce the less there is of it, e.g. water is scarce in a drought.
- **Choice** is the number of options that you have available to you when making a decision.
- A **need** is something that you cannot live without i.e. water, food for fuel, warmth.
- A **want** is something that is a luxury. Without it, you will still manage to survive.
- **Tradeoff** is when you make a decision and there is an advantage or a disadvantage to that decision.

Standards

This listing is based on the Jump\$tart National Standards for Personal Finance.

To see how this lesson aligns with other standards (including for your state), visit:

<https://www.personalfinancelab.com/standards-alignment/>











Spending and Saving

- Standard 4. Apply consumer skills to spending and saving decisions.

Financial Decision Making

- Standard 1: Recognize the responsibilities associated with personal financial decisions.
- Standard 5: Apply communication strategies when discussing financial issues.

Lesson Plan Includes

	Direct Instruction		Presentations
	Class Discussion		Technology-Based Activity
	Full Class Activities		Worksheets
	Small Group Activities		Assessments
	Individual Activities		External Resources

Activity Summary

- Introduction

Time: 5 mins



- PFL Budget Game

Time: 20 mins.



- 'Opportunity Cost'

Time: 7 mins.



- 'Planning Long Term Purchases'

Time: 10 mins.



- 'Work vs Study'

Time: 11 mins.



- Dinner Prep...

Time: 15 mins.



- Small Group Scenarios

Time 15 mins.



- Planning Prom

Time 20 mins.



- This or That Discussion

Time: 15 mins.



Introduction

Explain to students that today they will be learning about Opportunity Cost.

Explain that everyone faces opportunity costs each and everyday. Some of the opportunity costs may be small and they might be made without even thinking about it while other opportunity costs may be larger and have larger impacts on their lives.

Explain to them that:

- Opportunity Cost is what needs to be given up to get something. This is different from an item's price.

Provide an example:

I am deciding what to do this weekend. I can go take a free coding class offered at the library or go to a music festival with my friends. I choose to go to the coding class because I think it would be more beneficial long-term. The opportunity cost is missing out on quality time with my friends and missing my favorite band performing.

Ask the students:

Think of a choice you made today that involved an opportunity cost, and then share it with your partner.

Independent Activities

Activities designed for students to learn independently, either in class or as homework. Some activities include presentations if you prefer to use them for direct instruction instead of independent study.

Independent Activities Include:

1. PersonalFinanceLab Budget Game.....**Time: 20 Minutes**
2. 'Opportunity Cost' Lesson.....**Time: 7 Minutes**
3. 'Planning Long Term Purchases' Lesson.....**Time: 10 Minutes**
4. 'Work vs Study' Lesson.....**Time: 11 Minutes**
5. Dinner Preparation on a Budget.....**Time: 15 Minutes**



1. PersonalFinanceLab Budget Game

Have students complete 20 minutes of the PersonalFinanceLab.com Budget Game. For each decision they make through the month, have them record their action, with a sentence explaining why. Collect this sheet as an assessment.

Time: 20 Minutes

Type:  Technology-Based Activity

Required Resources: PersonalFinanceLab.com site license & computer access.

 Individual Activity/Homework

 Class Discussion

Resource Links

[Budget Game - PersonalFinanceLab](#)

How to Play the Budget Game

[Tutorial Video](#)

Getting Started

1. Either as a class, or individually, students can watch the [How to Play the Budget Game](#).
2. If your students need more help, there are [Tutorial Videos](#) on every aspect of the Budget Game.
3. The Budget Game can be [accessed from the main menu](#), and their progress saves as they go.

Discussion Questions

1. What was the most difficult decision you had to make, and how did you weigh the opportunity costs of your choices?
2. How did you prioritize your spending?
3. What sacrifices did you make to achieve your monthly savings goals?
4. Were there any decisions you made that you would change, and why?

Key Takeaways

- **Opportunity cost** is weighing your financial decisions and understanding that by choosing one option means giving up another.
- Prioritize your spending to achieve your monthly savings goals by focusing on needs over wants.
- By cutting back on **discretionary spending**, you can allocate your resources more effectively, ultimately achieving your savings goals.
- **Financial stability** means meeting your basic needs while still allowing for some discretionary spending.
- Having a plan and being able to adjust your spending accordingly helps minimize the impact of **unexpected expenses** on your financial goals.








2. 'Opportunity Cost' Lesson

Assign your students the, 'What is Opportunity Cost' lesson on PersonalFinanceLab.com. This lesson is an introduction article to this concept from the view of a producer and a consumer. Students will be required to complete the quiz at the end as an assessment. If used as homework, follow up the next day with discussion questions.

Time: 7 Minutes

Required Resources: PersonalFinanceLab.com site license & computer access.

Type:  Technology-Based Activity  Presentation
 Individual Activity/Homework  Assessment
 Class Discussion

Resource Links

[Opportunity Cost \(personalfinancelab.com\)](https://personalfinancelab.com)

Presentation

[Opportunity Cost GoogleSlides Presentation](#)

Discussion Questions

1. Imagine you're a farmer who has to decide whether to invest in a new irrigation system or upgrade your farm equipment. What would be the opportunity cost of each decision?
 - How would each option impact your farm's productivity and profitability?
 - How would you weigh the benefits of each and make a decision?
2. You've been saving up for a new smartphone, but you've also been eyeing a new pair of sneakers. If you spend your money on the smartphone, you won't have enough left over for the sneakers. What would be the opportunity cost of choosing one over the other?
 - How would it impact your lifestyle and priorities?
3. How would you make a decision that aligns with your values and goals?

Key Takeaways

- **Opportunity cost** refers to what needs to be given up in order to get something.
- Every decision involves an opportunity cost, which is the **trade-off** or cost between two or more options.
- Opportunity costs can also include time, resources, or other valuable assets.
- By considering the opportunity costs of your choices, you can make more thoughtful and intentional decisions that align with your goals and values, allowing you to make more informed and effective choices.








3. 'Planning Long Term Purchases' Lesson

Assign your students the, 'Planning Long Term Purchases' lesson on PersonalFinanceLab.com. This lesson discusses terms like opportunity cost and the depreciation of big items such as a phone or a car. It also goes through a step-by-step calculation to figure out how to plan for a long term purchase. Students will be required to complete the quiz at the end as an assessment.

Time: 10 Minutes

Required Resources: PersonalFinanceLab.com site license & computer access.

Type:  Technology-Based Activity  Presentation
 Individual Activity/Homework  Assessment
 Class Discussion

Resource Links

[Planning Long Term Purchases \(personalfinancelab.com\)](https://personalfinancelab.com)

Presentation

[Planning Long Term Purchases GoogleSlides Presentation](#)

Discussion Questions

1. Why is considering the long-term costs of an item important when making a purchase?
2. Think about a recent purchase you made, what are some of the costs associated with that purchase that might not be immediately apparent?
3. How did you factor those costs into your decision to buy?
4. Imagine you're considering buying a new laptop for school. What are some of the costs you might need to consider beyond the initial purchase price?
5. What does it mean to "amortize" a cost, and how does it relate to opportunity cost?
6. Why is it important to consider the real cost of a product, rather than just the sticker price?

Key Takeaways

- A long-term purchase is something you hope to keep for a long period of time.
- It's important to plan long-term purchases to determine if it's worth purchasing and to avoid impulse buys and waste.
- **Amortization** is spreading the cost of an item over its useful life.
- **Depreciation** is the decrease in value of a purchase over time.
- Calculation for the **Realized Purchase Cost**:
 - $\text{Sticker Value} + \text{Opportunity Cost} = \text{Total Cost}$
 - $\text{Consider how fast the item will lose its value (in years)} = \text{The Item's Useful Life}$
 - $\text{Total Cost} / \text{The Item's Useful Life} = \text{Realized Purchase Cost}$
 - Make a Decision: Compare the costs and benefits to decide if the purchase is worth it.








4. 'Work vs Study' Lesson

Assign your students the 'Work vs Study' lesson on PersonalFinanceLab.com. This lesson addresses the different opportunity costs of continuing your education after high school or going straight into the workplace. It breaks the thought process into four steps to help students understand all their options when it comes to employment, income and opportunity cost. They will be required to complete the quiz at the end as an assessment.

Time: 11 Minutes

Required Resources: PersonalFinanceLab.com site license & computer access.

Type:  Technology-Based Activity  Presentation
 Individual Activity/Homework  Assessment
 Class Discussion

Resource Links

[Work vs Study \(personalfinancelab.com\)](https://personalfinancelab.com)

Presentation

[Work vs Study GoogleSlides Presentation](#)

Discussion Questions

1. What do you understand about the difference between work and study? How do you think these two paths might impact your future?
2. Currently, students across the US have a combined debt of \$1.73 trillion dollars. What could you do to minimize your education costs and avoid accumulating debt?
3. How can you balance the costs of education with the potential benefits of attending college or pursuing a certain career path?
4. How can you use networking to build relationships and connections that can help you achieve your goals?
5. As you prepare to enter the workforce or continue your education, think about the skills and experiences you want to gain to build a strong career foundation. What skills do you want to develop or improve? What types of experiences do you want to have?
6. How can you gain these skills and experiences through jobs, internships, volunteer work, or other opportunities?

Key Takeaways

- Before making a decision about continuing in school or joining the workforce, create a career plan and consider your goals.
- Consider three key factors: building skills, building a network, and comparing the costs of each option.
- Regardless of whether you decide to pursue further education or enter the workforce, remember to prioritize building a strong foundation for your future career.



5. Dinner Preparation on a Budget

Students will plan a dinner party with a budget of \$50, assess the opportunity cost of selecting guests and a menu, and relate it back to opportunity cost.

Time: 15 Minutes

Required Resources: Teachers-Pay-Teachers Account, Worksheet

Type:



Technology-Based Activity



Worksheet



Individual Activity/Homework



External Resource



Class Discussion

External Resource

[Dinner Preparation on a Budget! Opportunity Cost Activity from Teachers Pay Teachers](#)

Instructions

- Have students complete this worksheet that asks them to plan a dinner party with a budget of only \$50.
- Students must assess the opportunity cost when it comes to selecting guests and a menu.
- They will then research online the cost of the dishes they selected to see if they remain on budget or go over.
- Finally they will answer questions about the process and relate it back to opportunity cost. The questions at the end of the worksheet can be used as the start of a class discussion as well.
- Collect the worksheet, and evaluate as an assessment.

Discussion Questions

1. Was there anyone you wanted to invite that you could not invite? Why could you not invite them?
2. Would your list of people to invite be different if you had \$100 to spend?
3. Would the food you offered be different if you had \$100 to spend?
4. How does all of this relate to economics and opportunity costs?

Full Class & Small Group Activities

Small Group Activities are designed for small groups of 3-4 students. These resources are best used after full-class direct instruction and activities.

Small Group Activities Include:

- 6. Small group Scenarios.....**Time: 15 Minutes**
- 7. Planning Prom.....**Time: 20 Minutes**

Full Class Activities are designed for whole-class participation. These are best used along with the direct instruction portion of the lesson.

Full Class Activities Include:

- 8. This or That Discussion.....**Time: 15 Minutes**



6. Small Group Scenarios

In this activity students will be working in small groups to read scenarios that involve opportunity costs. They must work as a group to make a decision and then identify and record the opportunity cost.

Time: 15 Minutes

Required Resources: Worksheet, scissors, an envelope

Type:  Small Group Activity

 Class Discussion

Resources

Opportunity Cost Scenarios Worksheet

Instructions

- Cut out the 10 different scenarios (on the following page) and place them in an envelope
- Place students in small groups and have them select one scenario at a time.
- With each scenario, the group will record their choice and then write 1-2 sentences about the opportunity cost that came with making that decision.
- Follow-up with a class discussion.

Discussion Questions

1. Why should people look at the opportunity cost of an action?
2. How can we use opportunity cost in a non-monetary context?
3. What is the opportunity cost of showing up to class? What is the opportunity cost of not showing up to class?
4. What are some reasons that companies and individuals should be aware of opportunity costs?
5. How might opportunity cost affect comparative advantage?

Opportunity Cost Scenarios Worksheet

Cut out the 10 different scenarios and place them in an envelope.

You have a free ticket to go to the movies or a ride to go study in the library for an upcoming test.

At the ice cream parlor, you have to choose between rocky road and strawberry.

You are a high school basketball player. You have the chance to go on vacation with your family or to stay in town and attend practice all week.

This semester you can only have one elective but you want both basket-weaving and choir.

You only have enough funds to pay either the electricity bill or water bill.

You can quit your job and get more education or stay at your job.

After you graduate high school you have the opportunity to attend college or start a job.

You need to paint a room in your house. You can do it yourself or pay someone to do it.

A company has to choose between spending money on conducting focus groups or hiring new laborers.

You have to choose between buying generic toothpaste or dentist recommended toothpaste



7. Planning Prom

Students will work in groups to plan their school's prom, selecting a band, location, and refreshments/decorations. Once all groups have made their choices, they will collaborate with other groups to negotiate the best possible deal and maximize their budget.

Time: 20 Minutes

Required Resources: Worksheet



Small Group Activity



Class Discussion



Worksheet

Resources

Planning Prom Worksheet

Instructions

- Group students into small teams.
- Provide each student with a Planning Prom Worksheet.
- Students have a budget of \$9,635 to spend on three categories of expenditures.
 - Band
 - Location
 - Refreshments & Decorations
- Give students 5 minutes to make their section.
- Bring the groups together to negotiate the best possible deal.
- Follow-up with the discussion questions.

Discussion Questions

1. What strategies did you use to make your initial suggestions?
2. Did anyone have to give up one of their ideas in order to please the group?
3. What challenges did you have when you brought your ideas to the whole class?
4. In what ways is this problem similar to economizing problems faced by your family?
5. In what ways is it different?

Planning Prom Worksheet

Your class has \$9,635 to spend on your prom. You may not spend more than this amount, but you don't have to spend all of it. There are three major expenditures that the prom committee needs to decide on.

1. Hiring a band
2. Renting a place to hold the dance
3. Providing refreshments and decorations

As a group select one item from each expenditure category.

Available Bands

Cost	Details
\$1,000	A local garage band that can play a decent set
\$2,500	A band from out of town that plays weddings and events
\$4,000	A more a mature band that can play classic rock, old school pop and retro songs
\$5,000	A well-known cover band that plays anything you want them to
\$6,500	A popular new group with several songs that get regular airtime on local radio stations
\$8,000	A well-known band who tour the country and play on the small stage at festivals

Available Locations

Cost	Details
\$200	School Gym
\$600	Community Events Hall
\$1,500	The Local Inn
\$2,000	The 4-Star Hotel
\$3,000	The Country Club

Refreshments & Decorations

Cost	Details
\$500	Your class prepares food and decorations
\$1,000	Catered – simple snacks and decorations
\$3,000	Catered – fancy snacks and decorations
\$5,000	Catered – full service meals, and decorations

8. This or That Discussion

This is a teacher led discussion where students will be choosing between two different options. Throughout the process students will be encouraged to think about the opportunity cost that comes with each decision.

Time: 30 Minutes

Required Resources: blackboard or whiteboard



Full Class Activity



Class Discussion

Instructions

- Write the following on the board:
 - Eating Oatmeal v Eating Pancakes
 - Going to the Library v Going to the Movies
 - Going to College v Getting a Job
 - Joining a Gym v Getting a Tutor
 - Playing Lacrosse v Joining the Play
 - Work vs Study
- Have students get into pairs or groups and discuss the explicit costs (Monetary) of each of the ideas. Write their ideas on the board.
- Next have them discuss the opportunity cost.
 - Is there more than one cost?
 - Does each opportunity cost carry the same weight as the next?
- Again, write key responses on the board.
- For at least one of the examples, tree chart the outcomes of making the original decision.
- Keep mapping out the decisions for at least 5 steps.
- Have the students map out one example on their own.
- Go through each option and have students vote for which is better.

Discussion Questions

1. Why should people look at the opportunity cost of an action?
2. How can we use opportunity cost in a non-monetary context?
3. What is the opportunity cost of showing up to class?
4. What is the opportunity cost of not showing up to class?
5. What are some reasons that companies and individuals should be aware of opportunity costs?
6. How do you think opportunity costs affect the macroeconomics of a nation?
7. How might opportunity cost affect comparative advantage?

Conclusion

Bring the group back together and have them all think about a situation today (in or out of class) that required a choice between two things hence came with an opportunity cost. Remind them that they will be making decisions for the rest of their lives and it is important to think about the opportunity cost that comes with those decisions.

Remind students that:

- **Opportunity Cost** is what needs to be given up to get something.
- It is important to know that the price of a good is not the same as an opportunity cost.
- Each choice leads to another.

Ask the students to turn to their shoulder partner and give an example of an opportunity cost they faced today. Ask a few groups to share out with the class.