

The Leaves in October

by Karen Ackerman

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Description:

In this lesson, students read a story about a family living in a shelter. The daughter, Livvy, and a friend, Belinda, sell tissue roses. They share their profits. Belinda spends her money; Livvy saves her. Students learn about different places to save their money and the advantages and disadvantages of each. They also learn that spending and saving decisions have opportunity costs.

Personal Finance Concepts:

Saving, income, spending, opportunity cost, interest

Instructional Objectives:

Students will be able to:

- Identify the opportunity cost of various spending and saving decisions.
- List the advantages and disadvantages of various places to save their money.
- Determine whether to save or spend and defend a decision.
- Define saving, spending, opportunity cost and interest.

Time Required:

Two class periods

Materials Required:

- One copy of *The Leaves in October* by Karen Ackerman
- Copy of Activities 1 and 2 for each student
- Straws, craft sticks, or tongue depressors, glue and scissors

Procedure:

1. Read the story to the class, or, if multiple copies are available, instruct students to read the book.
2. Discuss the following:
 - a. Why did Livvy and Belinda decide to make and sell tissue roses? (*They both wanted to earn money.*) Explain that the money they earned from the sale of their tissue roses is called **income**.
 - b. What did Belinda plan to do with her income? (*She wanted to buy a present for her mother and a tie for her father to wear when he went looking for a job.*)
 - c. What did Livvy want to do with her income? (*She wanted to buy a gift and a cake for her brother's birthday and save the rest.*)

- d. Explain that **spending** means using some of your income to buy goods and services. Explain that **saving** is income not spent. Ask students for examples of times when they have been spenders and savers.
 - e. Tell students that when individuals save they usually have a goal. What was Livvy's savings goal? (*Her father had promised that they would leave the homeless shelter when the leaves turned red and gold in October. Livvy wanted to save money to help her father find a place for them to live.*)
 - f. Where did Livvy keep her savings? (*under her bedcovers in a pajama bag*)
 - g. Was this a good place for Livvy to keep her savings? (*The shelter didn't provide much privacy, and the savings could have been stolen.*)
 - h. Ask students for examples of places where they keep their savings. (*piggy banks, box in their bedrooms, with an adult, in a savings account*)
3. Divide students into pairs. Distribute a copy of Activity 1 to each student. Ask them to list at least one advantage and one disadvantage for each place listed for savings.
 4. Review students' answers referring to answer sheet.
 5. Tell students that if Livvy had put her money into a savings account, she could have earned interest. Explain that interest is a payment made for the use of borrowed money or received for loaned money. Point out that when students put money into their savings accounts, the bank loans the money to others and pays the students money called interest for the use of their money.
 6. Discuss the following:
 - a. How much interest would Livvy have earned if the interest rate were 10% a year? (*Livvy had \$196. She would have earned \$19.60 or about \$20 in a year.*)
 - b. What might be a reason Livvy did not use a savings account? (*Usually, children under 18 years of age must have a parent or guardian's name on the account. Livvy didn't want her father to know about the money she was saving. Maybe she didn't know about savings accounts.*)
 7. Ask students if they have ever had to make a choice between two items or things they wanted. On the board label two columns, CHOICE and OPPORTUNITY COST. As each student states his/her two alternatives ask the following questions:
 - a. What did you choose? (Write the things they chose under the column CHOICE.)
 - b. Why couldn't you have both things? (Answers will vary. Most student examples will include either not enough time or not enough money.)
 - c. What did you have to give up? (Write the other thing that was given up under the column labeled OPPORTUNITY COST.)
 8. Explain that **opportunity cost** is the highest valued alternative that must be

foregone (given up) because another option or alternative is chosen. Discuss the following:

- a. When Belinda chose to spend her money on a gift for her mother and tie for her father, what was her opportunity cost? (*something else that she might have bought with the money or saving the money to use later*)
 - b. When Livvy decided to save her money, what was her opportunity cost? (*loss of the opportunity to spend her money on something for herself or someone else*)
9. Distribute a copy of Activity 2 and a tongue depressor, craft stick or drinking straw to each student. Tell them to cut out the two circles, glue the Spending Circle to the stick or straw, and then glue the Saving Circle to back of the Spending Circle.
 10. Explain that you are going to read a spending/saving choice problem. Students should indicate how the problem is best solved by holding up the Spending Circle or the Saving Circle. For each decision, ask students to defend their answers and state the opportunity cost.

SAVING / SPENDING CHOICE PROBLEMS

- a. Alex received \$15 for his birthday. He really wants to buy an electronic game that has a price of \$39.95. He has already saved \$10 for the electronic game. He also wants to buy a new board game that is on sale for \$14.95. Should Alex save his \$15 or spend it on a new board game? What is the opportunity cost of the decision?
- b. Louisa has \$25 in her savings account. She is saving for a class trip to an amusement park. She has been invited to go to a movie and out for pizza with her friend's family, and she'll spend \$10. Louisa has already spent her \$10 weekly allowance at the mall. Her mother said that if she wants to go with her friend, she must take money out of her savings account. Should Louisa save the \$10 or withdraw it from her account and spend it on a movie and pizza? What is the opportunity cost of the decision?
- c. Juan has been walking his neighbor's dog after school every Friday. He earns \$3 each time he walks the dog. He has been saving the \$3 for three weeks. He wants to buy his grandmother a box of candy for her birthday. The price of the candy is \$12.95. This week Juan wants to spend his \$3 on a burger, fries, and a soda with his friends. Should Juan spend or save? What is the opportunity cost of the decision?
- d. Ask students for examples of spending/saving choice problem. Have students share their problems and identify the opportunity cost.

Closure:

1. Review the key points of the lesson by discussing the following questions:
 - a. What is spending? (using some of your income to buy goods and services)
 - b. What is saving? (Saving is income not spent.)
 - c. What are the advantages and disadvantages of saving? (Advantage: ability to have a larger amount of money at a later date to buy something or to use for emergencies. Disadvantage: doing without what is wanted in the present for something at a later date.)
2. Review the various places to save money. Ask students to complete the following sentence: "I think the best place for me to keep my savings is _____. This is the best choice for me because. . . ."
3. Pose the following: Rick wants to spend his allowance on a movie ticket. He also has set up a plan to save his allowance until he has enough for a CD-ROM. If Rick saves his allowance, what is his opportunity cost? (movie ticket) If Rick buys the movie ticket, what is his opportunity cost? (loss of opportunity to save his allowance and reach his goal sooner) What do you think Rick should do? Why? Tell students that Rick has his savings in an envelope in his dresser drawer. Is this the best place for his savings? Explain.

Assessment:

Tell students that they are in charge of writing the "Ms. Money Matters" column for the school newspaper. Instruct them to write a response to the following letter:

Dear Ms. Money Matters,

I received \$25 for my birthday. I could put it in a savings account. I also could use it for spending money on a family vacation. My mother is encouraging me to save the \$25, but I really want to buy some souvenirs on my vacation. What should I do?

Extension:




1. Read *Uncle Jed's Barbershop* by Margaret King Mitchell and teach the lesson from *Economics and Children's Literature -- Supplement 2*, SPEC Publishers, Inc., St. Louis, 1998.
2. Read *A Chair for My Mother* by Vera Williams and teach the lesson from *Economics and Children's Literature*, SPEC Publishers, Inc., 1993.
3. Teach Lesson 5, "The Grasshopper and the Ant," from *Personal Finance Economics 3-5: Smart Spending and Saving*, National Council on Economic

Education, New York, 1996.

4. Teach Lesson 6, "Jeff's Big Decision," from *Personal Finance Economics 3-5: Smart Spending and Saving*, National Council on Economic Education, New York, 1996.
5. Teach Lesson 7, "Why? How? Where?" from *Personal Finance Economics 3-5: Smart Spending and Saving*, National Council on Economic Education, 1996.

The Leaves in October
Activity 1: Where to Save?

Where to Save?

LOCATION	ADVANTAGES	DISADVANTAGES
		
		
		

The Leaves in October
Activity 2: Spending/Saving Circles

