



EQUITABLE



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Making decisions

Name _____

Date _____

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

How do economic decisions affect making decisions?

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.

Economic factor	Recent trends	Possible influences on personal and financial decisions
Interest rates		
Consumer prices		
Other		
Other		

Can you analyze a decision?

1 Identify the problem

2 Gather information and list possible alternatives

3 Consider the consequences of each alternative

4 Select the best course of action

5 Evaluate the results

Lesson 1 quiz: Making decisions

True/False

1. _____ The decision-making process starts with gathering information.
2. _____ Procrastination is an example of an economic influence on making decisions.
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.
 - C. taxes rise.
 - D. people are putting more money into savings.
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?

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