

Lesson 1: Katrina Strikes

Part 2: Goals and Decision Making

Lesson Description

During ordinary times, people with financial knowledge and skills contribute to a stable economy by consuming wisely, saving, and investing. In the face of a natural disaster such as a hurricane, tornado, or earthquake, or in the face of a personal crisis or tragedy, the financially prepared are generally able to recover more quickly, which helps the economy remain stable. This lesson covers strategies for setting goals, making decisions, and being financially prepared.

The PowerPoint-based lesson is designed for personal finance and other related classrooms.

Time Required

One 50- to 55-minute class period for entire lesson.

Concepts

Decision making	Needs
Emergency preparedness	Opportunity cost
Financial preparedness	Planning
Goals	Scarcity
Managing risk	Wants

Objectives

The students will be able to:

- Differentiate between needs and wants.
- Identify and develop short-, intermediate-, and long-term goals.
- Recognize the need for financial preparedness in the face of a disaster.

Materials

- **Presentation:** *Katrina’s Classroom* Lesson 1, Part 2
- **Infographic:** *Why Prepare for the Unexpected?* (<https://www.frbatlanta.org/education/katrinaclassroom/lesson1/infographic.aspx>) Display infographic prior to starting the lesson
- **“Katrina Strikes” video:** DVD, flash drive, or online (www.youtube.com/watch?v=sxCibT1T65A)

National Curriculum Standards

COMMON CORE STANDARDS

Grades 6–8 students	Grades 9–10 students	Grades 11–12 students
College and Career Readiness Anchor Standards for Reading Integration of Knowledge and Ideas		
7. Integrate and evaluate content presented in diverse formats and media, including visually and quantitatively, as well as in words.		
Reading Standards for Literacy in History/Social Studies 6–12 Key Ideas and Details		
2. Determine the central ideas or conclusions of a text; provide an accurate summary of the text distinct from prior knowledge or opinions.	2. Determine the central ideas or conclusions of a text; trace the text’s explanation or depiction of a complex process, phenomenon, or concept; provide an accurate summary of the text.	2. Determine the central ideas or conclusions of a text; summarize complex concepts, processes, or information presented in a text by paraphrasing them in simpler but still accurate terms.

National Curriculum Standards (continued)

JUMP\$TART NATIONAL PERSONAL FINANCE STANDARDS

8th Grade Students Additional Expectations	12th Grade Students Additional Expectations
Financial Responsibility and Decision Making	
Standard 1: Take responsibility for personal financial decisions.	
Identify ways to be a financially responsible young adult. Give examples of the benefits of financial responsibility and the costs of financial responsibility.	Explain how individuals demonstrate responsibility for financial well-being over a lifetime.
Standard 2: Find and evaluate financial information from a variety of sources.	
	Given a scenario, identify relevant financial information needed to make a decision.
Standard 4: Make financial decisions by systematically considering alternatives and consequences.	
Set measurable short- and medium-term financial goals. Prioritize personal financial goals. Apply systematic decision making to a medium-term goal.	Set measurable short-and medium-term financial goals. Apply systematic decision making to a long-term goal. Give examples of how decisions made today can affect future opportunities.

Lesson Procedures

Specific instructions for PowerPoint are highlighted with a dotted border.

SLIDE 1. KATRINA STRIKES (TITLE PAGE)

During ordinary times, people with financial knowledge and skills contribute to a stable economy by consuming wisely, saving, and investing. In the face of a natural disaster—such as Hurricane Katrina, tornados, or earthquakes—or a personal tragedy, the financially prepared are generally able to recover more quickly, which helps the economy remain stable.

SLIDE 2. LESSON OBJECTIVES

This lesson will cover needs and wants, goals, and financial preparedness.

SLIDE 3. EMERGENCY AND FINANCIAL PREPAREDNESS

Part of being financially prepared for an emergency is having enough savings to tide you over until life goes back to normal.

Click on the picture of the money jar for an article and news clip about how prepared Americans are for unexpected expenses and financial emergencies. <http://www.cnn.com/2015/01/07/60-percent-of-americans-cant-cover-unexpected-expenses.html>

ASK THE STUDENTS

How much do you think you will need to save for an emergency?

Possible answers: specific dollar amounts, enough money to pay for expenses while we are displaced, enough money to pay for repairs to property

An emergency fund can be vital not only for dealing with natural disasters, but also for dealing with unexpected life situations such as a job loss. Most people should have an emergency fund equal to three to six months of their living expenses.

Have students refer to the *Why Prepare for the Unexpected?* infographic, specifically the section about an emergency fund.

Envision yourself living on your own after high school or college. If your monthly living expenses are \$1,000 per month, how much do you need in an emergency fund?

Answer: Students will need to have \$3,000 to \$6,000 (three to six months of living expenses) in a savings account to tide them over if there is a disruption in income due to

an emergency. That may seem like a lot of money to save, but you can reach your savings targets by setting financial goals.

SLIDE 4. GOALS

Goals are a way to help keep us on track related to spending and saving. Goals are end results that we want to achieve. Setting goals can be an important part of reaching the desired outcome. In its report, “Making the Case for Financial Literacy,” the National Jump\$tart Coalition notes that teens who reported they had learned a great deal about goal setting were significantly more likely to also report that they had saved money for something they wanted and then purchased it than those who said they had learned little or nothing about goal setting.

Goals are generally classified into three categories: short-, intermediate-, and long-term goals. **Short-term goals** are those that you want to achieve in the near future, generally less than one year. Short-term goals may include creating an emergency financial plan, developing a résumé and work portfolio, or taking a class on a specific topic. **Intermediate-term goals** are achieved in one to five years. An example of an intermediate-term goal may be to save enough money to pay for the first year of college or to volunteer a certain number of hours to gain experience in a particular field. **Long-term goals** are often our more meaningful and important goals. The time frame on long-term goals is generally five years or more. An example of a long-term goal may be to graduate college or to start a business. Defining goals is important because it helps to keep us on track.

SLIDE 5. SET GOALS

Goals are generally either personal or financial. Personal goals might include living on your own, buying a car, taking a vacation, or getting an education. Financial goals describe how you will pay for your personal goals.

Spending and saving goals very often fall in the short-, intermediate-, and long-term categories. Defining these goals can be an important part of your overall goal-setting plan.

Goals should be **SMART** – that is, Specific, Measurable, Attainable, Realistic, and Time-bound.

- **Specific** – The goal should be clear, unambiguous, and tell exactly what, why, and who.
- **Measurable** – The goal should provide concrete criteria for determining whether it has been accomplished.
- **Attainable** – The goal should be achievable, though it may be a stretch, but it should not be so extreme that it cannot be achieved.
- **Realistic** – The goal should be one that you are willing and able to work toward achieving and that is achievable. For example, a short-term goal of losing 30 pounds in one month, training for a marathon in one month, or saving to buy a new car in one month is not realistic because it is typically not achievable.
- **Time-bound** – The goal should be grounded in a time frame—by what date will you accomplish your goal?

ASK THE STUDENTS

Evaluate the following goal to determine if it is a good SMART goal or how it could be improved: “I want to save money.”

- Is it specific? No. The goal seems too vague.
- Is it measurable? No. It could be made better by including definite numbers and values.
- Is it attainable? Perhaps, but we will only be able to determine that after the other components are made stronger.
- Is it realistic? Perhaps, but again more information could make the goal stronger.
- Is it time-bound? No. A time frame for attaining the goal should be added.

Have students rewrite the example as a SMART goal. To make it a SMART goal, it could be changed from “I want to save money” to “I want to save \$50 per month for the next year to purchase a new laptop computer.” Making these changes turns this into a SMART goal.

Have students write two or three SMART goals for themselves. Ask for volunteers to share their SMART goals. Have the class evaluate if the goal is a SMART goal or if it needs to be adjusted so that it’s stronger.

Goals are not meant to be rigid and inflexible. As you implement your plan, review the plan as necessary to be sure it is working. Revise the plan as needed to accommodate the current situation. Repeat the process: implement the new plan, review, revise, and repeat. Don’t be afraid to change a goal. For example, if your goal is to save \$50 per month for the next year to purchase a new laptop, but you find that saving the \$50 is too much of a burden, change the amount and the time frame to something that works so that you can stay on track. It is better to reduce the monthly saving amount and the target end date than to skip saving steps along the way.

SLIDE 6. WANTS AND NEEDS

In differentiating between wants and needs, we commonly say that needs are the things one must have in order to live and that wants are things we would like or desire. Financially speaking, basic needs include money or the financial capacity to acquire what we need. Our **basic needs** include air, food, water, shelter, and clothing. **Wants** vary by individuals but may include items such as video games, cell phones, and tablets. It is important to note that needs and wants are relative. A need to one person may be a want to another depending upon each person’s situation. Additionally, when considering needs, it may be necessary to evaluate whether specific items that fall under this heading are actually needs or if they are crossing over into wants.

Ask students to consider this example from the food category. Someone may argue that steak is a need since it is food. What do you think? Are there substitutes for steak? What are the costs and benefits of the alternatives? Perhaps one alternative is less expensive, but the taste is less desirable to the individual. Similar considerations may need to be made for housing—a smaller square footage home versus a luxury mansion—and clothing—name brand versus lower-cost alternatives. Remember, all of these considerations involve economic reasoning.

SLIDE 7. DETERMINING WANTS AND NEEDS

Students will apply their knowledge of wants and needs in an activity that presents 12 statements and students must determine if the statement is a want or need.

PowerPoint Instructions

Press **Enter** and a statement will appear. Ask students if this is a want or need. Press **Enter** again and the statement will appear in the category in which it belongs. Press **Enter** again and the next statement will appear. Continue for all 12 statements.

SLIDE 8. SCARCITY AND DECISION MAKING

As we consider our wants and needs, we must also take into account scarcity and decision making. **Scarcity** occurs because human wants are greater than the capacity of available resources to provide for those wants. To put it simply, we have unlimited wants and limited resources. As a result, we must prioritize and make decisions. With every decision, something must be given up. **Opportunity cost** is the highest-valued alternative that is given up when a decision is made.

When people make personal, business, or societal decisions, they incur opportunity costs. For example, when you graduate from high school, you may make the decision to get a job. In that case, your opportunity cost may be not going to college. The opportunity cost is the highest-valued alternative that you gave up. For one individual the opportunity cost of getting a job may be not going to college while for another individual the opportunity cost could be not relaxing on the couch at home. Or consider that if you go to the beach for spring break, your opportunity cost may be the books for your first semester course in college.

ASK THE STUDENTS

What examples of opportunity cost do you have?

Possible responses: if I go to the movies, then the opportunity cost is hanging out at the mall (time related); if I buy a pizza, the opportunity cost is buying a book (financial).

Consider the concept of opportunity cost from business and government perspectives—first, the business side. When a business, such as a bakery, decides to use its resources to produce chocolate muffins, it gives up using those same resources to produce pastries. When society through government decides to produce more health care, it must give up producing something else—roads and bridges or education, for example, whatever the highest-valued alternative is—and that is the opportunity cost.

SLIDE 9. DECISION MAKING

People make decisions by weighing the costs and benefits of various alternatives. The **costs** are the negative outcomes and the **benefits** are the positive outcomes of the decision as identified by the decision maker. The costs and benefits may vary by individual. Costs and benefits can be monetary or nonmonetary. People generally make decisions by selecting the alternative for which they perceive the most benefits relative to the costs.

ASK THE STUDENTS**What are the costs and benefits of attending school?**

Possible costs: not working and earning an income, not being able to stay at home and play video games

Possible benefits: gaining knowledge and skills, being with friends, getting to be a student in your class

Faced with a set of alternatives, people weigh costs and benefits differently and, as a result, make different choices. For a young person who contributes to his or her family's income, the cost of giving up income earned to attend college would be weighted much more heavily than it might be for a young person whose income isn't needed by his or her family.

The consequences of the decisions people make lie in the future, and may be positive or negative.

Consequences may be short, intermediate, or long term. Suppose you were to choose not to seek further training or education after high school and, instead, find a job and begin working. What might the consequences be? The long-term consequences might include earning less income over your lifetime than individuals who pursue further education. A positive intermediate-term consequence might include accumulating things that those attending school must postpone until they have graduated and have jobs—for example, cars, furniture, and so on. However, a negative intermediate-term consequence may be the inability to move up the career ladder since additional education may be needed for higher-level positions. The short-term positive consequences might include earning income and saving right away compared to delaying earning and saving by those who go to college and aren't working.

SLIDE 10. LEARNING THROUGH REAL-LIFE EXPERIENCES

Explain that during Hurricane Katrina many people along the Gulf Coast lost their homes and everything they owned. Some families evacuated and stayed in other towns for weeks and even months. Others remained near the coast, living in crowded shelters, trailers, or their homes. Living conditions were extremely difficult. Families who were financially prepared were able to get their lives back on track more quickly after the storm. Inform students that they will watch a short video called "Katrina Strikes" that provides an overview of the hurricane as well as challenges faced by three students and their families who lived through this natural disaster.

SLIDE 11. “KATRINA STRIKES” VIDEO

As the students watch the video, have them identify the needs, wants, and goals mentioned.

Click on the picture to take you to the video clip “Katrina Strikes,” which is approximately four minutes in length.

It is available at www.youtube.com/watch?v=sxCibT1T65A.

ASK THE STUDENTS

What are your impressions of what the people in these stories went through?

Possible responses: difficult situations, dealt with scarcity (food, gas, and money), some became homeless

If you were in a similar situation, what would you take with you?

Possible responses: clothes, money, pets, pictures, valuables

Based on what you saw, what were some of the people’s wants, needs, and goals? Can you predict what their future wants, needs, and goals might be?

Possible responses: Needs: Food, water, gas, shelter, cash; Wants: comfortable place to stay, to be with friends; Goals: getting financially stable, returning home, going to school, earning extra income, completing college

Why would being financially prepared help a family survive a disaster?

Possible responses: the family could find a place to live, buy food, leave the area more easily

What would be some good ways to be financially prepared?

Possible responses: a bank account, an emergency fund, financial records at hand, managing important documents

The young people in these stories all learned the differences between needs and wants. As they try to rebuild their lives, they are also discovering personal goals. Some of these goals will require good financial practices. Making wise financial decisions requires an awareness of what we want and need as well as the goals we wish to achieve.

The three additional videos and lessons of *Katrina's Classroom* provide more detailed information about the students and their families as well as the challenges they faced and the lessons they learned. Students will learn more about how the families focused on stabilizing their lives after Hurricane Katrina.

SLIDE 12. VOCABULARY REVIEW

Students will review the vocabulary used in parts 1 and 2 of the lesson.

PowerPoint Instructions

A word bank appears at the top of the slide. Start with the first definition and have students identify the matching vocabulary word. Press **Enter** and the correct answer will appear.

Answers

- **Natural disaster:** Naturally occurring event that can cause severe threats to the public health
- **Emergency preparedness:** A plan of action that has been put in place prior to a natural disaster or unforeseen event
- **Emergency fund:** A reserve of cash kept available to meet the costs of any unexpected financial emergency
- **Goals:** Things we would like to achieve or purchase in the future
- **Want:** Something that you desire or would like
- **Basic need:** A necessity for survival
- **Risk:** The uncertainty about the outcome of a situation or event
- **Scarcity:** The concept that we have unlimited wants and needs in a world of limited resources

SLIDE 13. IN SUMMARY

In this lesson, we learned that:

- A want is something that you desire or would like.
- A basic need is something you must have to survive.
- Goals should be specific, measurable, attainable, realistic, and time bound.
- Part of being financially prepared for an emergency is having enough savings to tide you over until life goes back to normal.

The closing assessment for this lesson challenges students to reflect on parts 1 and 2 of the lesson and the information learned to write a narrative about steps they will take to better prepare themselves and their families for an emergency situation.

LESSON 1: KATRINA STRIKES

Tell students to take a moment to reflect on the lesson and the information learned about natural disasters, financial preparedness, planning, needs, wants, and goals.

CLOSING ACTIVITY

Write a five-paragraph narrative about steps you will take to better prepare yourself and your family for an emergency situation. The narrative should include the following:

- The first paragraph should introduce the topic.
- Three body paragraphs should include each of the following topics:
 - Natural disasters you may face in the area where you live, compared and contrasted with Hurricane Katrina
 - Financial preparedness and planning
 - Needs, wants, and goals
- The fifth paragraph should offer concluding thoughts.

Katrina's Classroom was developed by a team of senior economic and financial education specialists at the Federal Reserve Bank of Atlanta.

Claire Loup, New Orleans Branch • Julie Kornegay, Birmingham Branch • Jackie Morgan, Nashville Branch

For additional classroom resources and professional development opportunities, please visit www.frbatlanta.org/education