

Shelbi's Decisions

Directions: Read the story below. Underline any financial decisions that Shelbi makes during the story (5 points for completion). Then, choose two of the decisions underlined and determine what the trade-offs and opportunity costs of those decisions are in the table below.

As Shelbi left the bank, she thought about her conversation with Ethan. She wanted to buy a car in the next year, but Ethan was right... how was she going to be able to have money to buy a car and pay for all the expenses that come along with owning a car if she spent every penny she earned? In order to save money to purchase a car, Shelbi realized that she was going to have to make some decisions regarding what she would and would not spend her money on. She had planned to spend her first month's paycheck on a brand new prom dress as well as new shoes and jewelry to match the dress. Shelbi thought about what other choices she had available that would allow her to spend less money.

A friend had told her about an upscale used clothing boutique downtown that had some really nice dresses that looked like they had never been worn for less than half the cost of a new dress. This could be an option, but Shelbi wasn't too excited about it. She had already fallen in love with a dress in the mall... the color, style, and fit of that dress were perfect! Shelbi decided that she couldn't pass this perfect dress up. This was THE dress for her... she would feel much happier if she purchased the dress in the mall.

"Since I am buying the new prom dress, how can I save money on shoes and jewelry," Shelbi thought. Ah hah! Shelbi remembered that she already owned a pair of black high heels that would look really nice with the dress. "And the dress is long so no one will really see my shoes anyway, right?" Wearing the shoes she already owns would save quite a large chunk of money versus buying new shoes.

Now what about her jewelry... she could go without but that wouldn't be very fun. She could make her own jewelry but she didn't have any jewelry making supplies. She had thought of borrowing jewelry. Of course! Her friend Keisha had a very large jewelry collection. She was sure she could find some jewelry to match her dress in Keisha's collection. In fact, she could already picture the exact necklace of Keisha's that would match her dress perfectly. And she knew Keisha wouldn't mind if she borrowed her jewelry for the night.

By the time Shelbi returned home, she felt great about her decisions. She determined that by wearing the shoes she already owned and borrowing jewelry she would be able to save an additional \$100 of her paycheck that she otherwise would have spent, and she would still have an amazing prom!

Decision 1

Identify two financial decisions that Shelbi made. (2 points)

She determined that by wearing the shoes she already owned and borrowing jewelry she would be able to save an additional \$100 of her paycheck that she otherwise would have spent, and she would still have an amazing prom!

Identify one trade-off of this decision. What is one thing that Shelbi gave up by making this decision? (2 points)

She gave up buying new shoes and wearing shoes she already has

Identify the opportunity cost of that trade-off. What is the value of that trade-off to Shelbi? (2 points)

She saved about \$50

Decision 2

Identify two financial decisions that Shelbi made. (2 points)

She had thought of borrowing jewelry.

Identify one trade-off of this decision. What is one thing that Shelbi gave up by making this decision? (2 points)

She saved money by borrowing jewelry

Identify the opportunity cost of that trade-off. What is the value of that trade-off to Shelbi? (2 points)

The value of the trade off could be around \$50 maybe