NO PREP

Needs vs. Wants

Making Smart Spending Choices

Includes: Student reading, case study, differentiated questions, teacher key

Name: Period: Date:

Needs vs. Wants: Making Smart Spending Choices

Spending money is a daily part of life, but how do you decide where to spend it? The key to managing your finances effectively lies in understanding the difference between needs and wants. By learning to prioritize spending, you can make smarter financial decisions, avoid unnecessary expenses, and create a budget that supports your goals.

What Are Needs and Wants?

Needs are essential for survival or maintaining a basic standard of living. They include items like food, shelter, clothing, healthcare, and transportation. Needs are non-negotiable expenses—without them, your quality of life would be significantly impacted. Wants, on the other hand, are non-essential items or services

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Why Prioritizing Spending Matters

Prioritizing spending allows you to meet your financial obligations and work toward long-term goals, like saving for college or buying a car. When you focus on needs first, you ensure that your basic requirements are met. Wants can be fulfilled later, using discretionary income or planned savings. Failing to prioritize can lead to financial stress. Imagine spending your paycheck on concert tickets or luxury items,

only to realize you can't pay your rent or buy groceries. Smart spending starts with a clear understanding of what's necessary and what can wait.

Practical Tips for Identifying Needs and Wants

List Your Expenses: Write down all your monthly expenses and categorize them into needs and wants. Ask Yourself Why: Before making a purchase, ask if the item is essential to your well-being or if it's something you can live without. Use the "Pause Rule": For non-essential purchases, wait 24 hours before buying. This pause can help you determine if it's a true want or an impulse buy. Budget for Both: Allocate a portion of your income for needs first. Then, set a smaller amount for wants to avoid overspending.

Cutting Costs: Adjusting Your Wants

When money is tight, cutting back on wants can free up funds for your needs. For example, you might skip buying coffee from a café and make it at home instead. By identifying non-essential expenses, you can adjust your budget without sacrificing your financial stability.

Reflection: Aligning Spending with Goals

Aligning your spending with your goals is an essential part of financial literacy. If you aim to save for a car or college, it's important to minimize unnecessary purchases. Tracking your spending habits can reveal where you might be overspending on wants and help you redirect those funds toward your priorities.

Key Information: Common Expenses: Needs vs. Wants Table

Expense	Need or Want?	Reason
Rent or Mortgage	Need	Essential for shelter
Netflix Subscription	Want	Entertainment, not a necessity
Groceries	Need	Necessary for health and nutrition
Designer Sneakers	Want	Functional alternatives are available
Utility Bills	Need	Required for electricity, water, and heating

Expense	Need or Want?	Reason
Concert Tickets	Want	Leisure activity

Case Study: Jordan's Spending Habits

Jordan is a high school senior who recently got a part-time job. After their first paycheck, Jordan decides to buy new shoes, a video game, and lunch for their friends at a trendy café. By the end of the week, they realize they don't have enough money left for gas or their phone bill. Feeling stressed, Jordan decides to reevaluate their spending habits. They categorize their expenses into needs (gas, phone bill) and wants (new shoes, video game, eating out).

1. How did Jordan's focus on wants affect their ability to meet their needs?

_____

_____

2. What steps could Jordan take to prevent this situation in the future?

_____

_____

Multiple Choice

1. Which of the following is considered a need?
    a) Designer handbag
    b) Streaming subscription
    c) Concert tickets
    d) Utility bill

2. How can the "Pause Rule" help you make smarter spending decisions?

a) It guarantees you will always find a lower price later.

b) It makes budgeting unnecessary.

c) It gives time to decide if a purchase is truly needed.

d) It automatically cancels any purchase you have not planned.

3. Why is it important to budget for wants as well as needs?

a) To ensure you always buy what you want.

b) To prevent financial stress from overspending.

c) To stop saving money and focus only on spending.

d) To avoid spending any money at all on your needs.

Matching

Write the letter of the correct definition on the line next to each term.

Term	Definition
1. ___ Needs	A) Non-essential items for enjoyment
2. ___ Wants	B) Planning income and expenses
3. ___ Pause Rule	C) Categorizing expenses before budgeting
4. ___ Prioritizing Spending	D) Waiting 24 hours before a purchase
5. ___ Budget	E) Items or services critical for survival

Fill-in-the-Blank

1. Items like rent and groceries are examples of _____.

2. Entertainment and dining out are typically classified as _____.

3. Prioritizing _____ over wants ensures your basic requirements are met.

Short Answer

Answer each question in 2-4 complete sentences.

1. Why is it important to differentiate between needs and wants when creating a budget?

2. How can tracking your expenses help you manage your spending habits?

3. What strategies can you use to reduce spending on wants without feeling deprived?