

# Unit 7: Behavioral Economics

Content Area: **Business**  
Course(s): **Generic Course**  
Time Period: **Semester 1 & 2**  
Length: **3 weeks**  
Status: **Published**

## Enduring Understanding

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Students will understand that financial decisions around things like investments are greatly influenced by human emotion and unconscious biases.

## Standards

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PFL.9.1.12.D.4	Assess factors that influence financial planning.
PFL.9.1.12.E.2	Analyze and apply multiple sources of financial information when prioritizing financial decisions.
PFL.9.1.12.E.3	Determine how objective, accurate, and current financial information affects the prioritization of financial decisions.
PFL.9.1.12.E.4	Evaluate how media, bias, purpose, and validity affect the prioritization of consumer decisions and spending.

## Essential Questions

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- Are you really in control of your decisions? (cognitive biases)
- Why don't we always choose the best option when making a decision? (cognitive biases)
- How can I make decisions for myself, no matter what others are doing? (FOMO)
- Why do we spend money as soon as we get it? (hedonic adaptation)
- Why do we hold onto things when we shouldn't? (endowment effect and sunk costs)
- How do our biases affect our financial decisions?

## Knowledge and Skills

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- Explain what cognitive bias is and how it can impact their decision making
- Analyze loss aversion from the perspective of consumers and investors

- Make decisions that involve risk and the possibility of loss
- Learn how to overcome loss aversion
- Identify how the endowment effect and sunk costs can affect our decision making
- Discuss how the endowment effect and sunk costs are connected to our personal finances
- Practice making decisions that are influenced by sunk costs
- Understand what herd mentality and FOMO are
- Explain how these two cognitive biases impact our personal finances
- Identify practical steps someone can take to combat the influence of herd mentality and FOMO
- Understand what confirmation bias and overconfidence are
- Explain how these two biases can influence their decision making
- Explore strategies to avoid confirmation bias and overconfidence
- Understand what hedonic adaptation is and how it influences our financial decisions

## **Transfer Goal**

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Make economically sound financial decisions.

Some impulse decisions have lasting consequences.

## **Resources**

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NextGen Personal Finance (<https://www.ngpf.org/>)