

How do you make decisions? Do you choose the easiest solution? Flip a coin? Do the same thing you always do? Do some research about your choices? Ask friends or family for their advice? Make a list of the pros and cons for each choice?

Is there a difference between deciding what you will eat for lunch and deciding what car you will buy? Sure there is! Different decisions require different methods for finding the best answers.

## Easy versus hard decisions



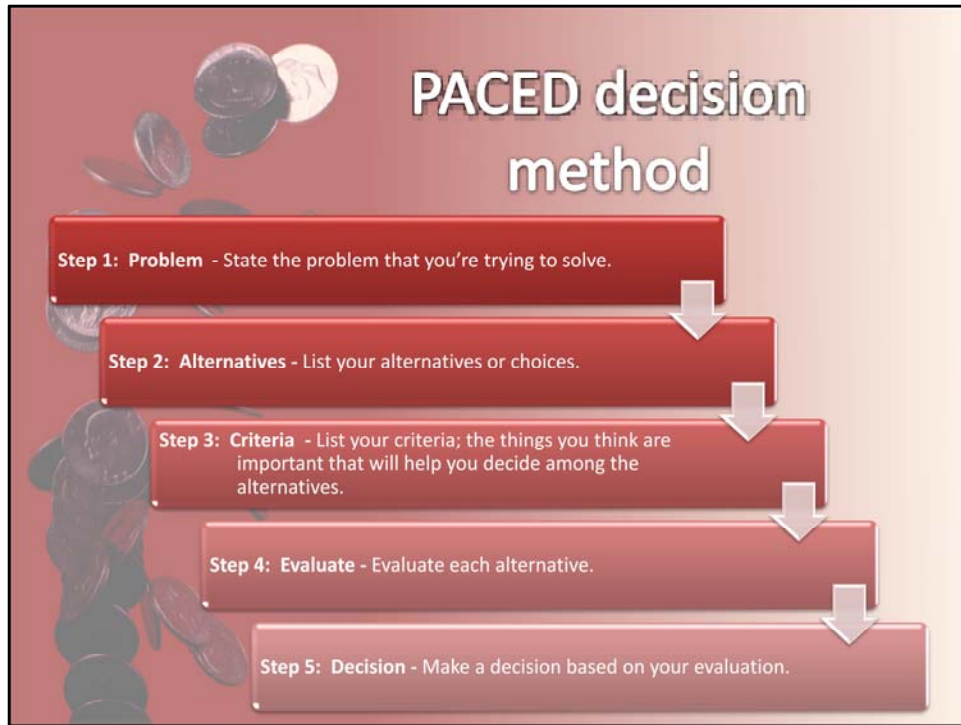
Some answers will be easy to decide on. If you are talking about lunch, the easiest answer might be "whatever is in the cafeteria." Maybe you will have pizza and French fries because that is what you always eat on Fridays. Or you could mentally flip a coin and end up with a burger instead. You get the idea.

But when it comes to the harder decisions, you don't want to use the same methods. The easiest solution to buying a car might be to take the first one the salesperson shows you, or, to pick the red one because it's your favorite color. Why not? It works when deciding what to eat for lunch, doesn't it?

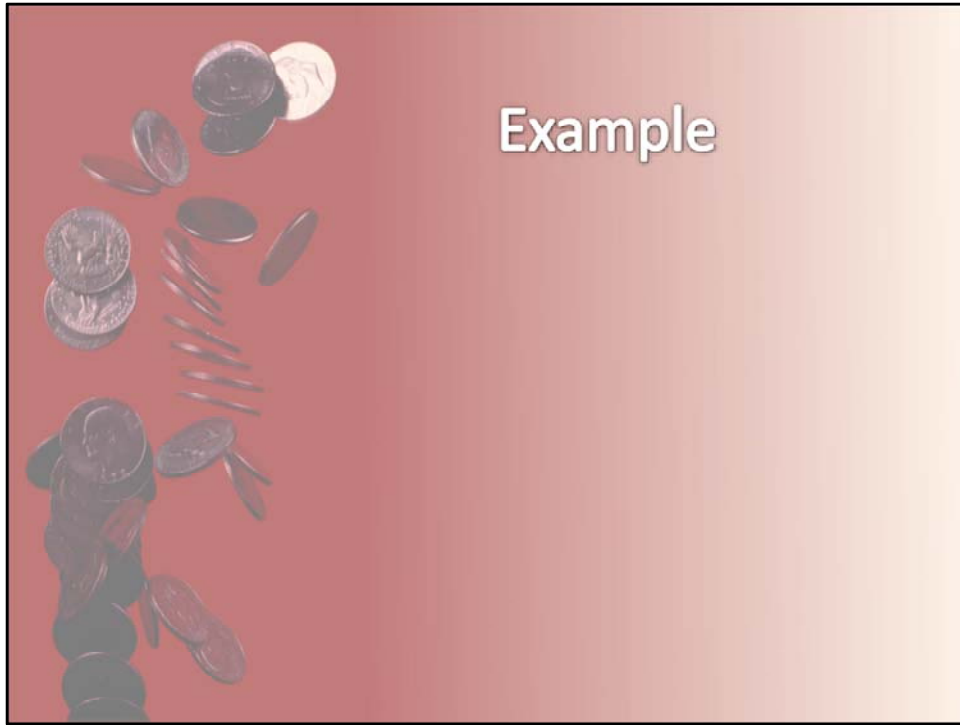


Of course not. We all know that there is a big difference between buying lunch and buying a car. A car is much more expensive, and is something you're going to have live with, and put money into, for a long time. But sometimes we approach the important decisions in our lives without thinking through the details, looking at our choices, doing our research, or weighing the **opportunity cost** of what we're giving up to choose one thing over another. Impulse decisions are usually the choices that you will end up regretting later.

To help you make the right decision, you need a plan, a process, an economic way of thinking!



Follow these five steps from the National Council on Economic Education when making an important decision. A good way to help you remember the steps is to think of the word PACED: each letter stands for a step in the process.




Now, let's look at an example using the PACED model to figure out what to have for lunch.

**PACED**

### Introduction

Let's walk through the economic decision process with a relatively easy decision to make. We'll practice on the easy ones so when you get to the more complicated decisions later on in this course you'll already be familiar with the process. Remember, think *PACED*!



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What did you decide to have for lunch? Why do you think the chart didn't have the "answer" circled?

The most important thing to remember about the PACED guide and the economic decision making process is that ***there is no right or wrong answer***. The guide is just a way to compare alternatives so that you can make a thoughtful decision based on the criteria that are most important to you, not an impulse decision based on what you want ***right now***. The most important thing about the process is ***DOING IT***.

The second most important thing to remember is that ***everyone's answer is going to be different***. Think about the criteria that we used. Maybe eating healthy is what you value the most. So the "healthy" criteria has added value for you. Some of the criteria may be more important to you than others.