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What is Needs and Wants

Understanding Needs vs. Wants: A Key to Smart Spending!

DEFINITION

Needs are essentials for survival, while wants are things that make life enjoyable. Knowing the difference helps us manage money wisely.

KEY CONCEPTS

Needs

These are basic requirements like food, shelter, and clothing necessary for survival.

Wants

These are desires that enhance our lives but are not essential, like toys or video games.

Prioritizing

Deciding what to buy first based on whether it's a need or a want.

Budgeting

Creating a plan for how to spend money, focusing on needs before wants.

Decision Making

Evaluating purchases to determine if they are needs or wants helps in making smart choices.

EXAMPLES

- Buying groceries (need) vs. buying candy (want).
- Paying rent (need) vs. going to the movies (want).
- Purchasing clothes (need) vs. getting the latest smartphone (want).

MEMORY TIPS

- ★ Remember 'N' for Needs: Necessary for life.
- ★ Wants are 'W' for Wishes: Things we desire.
- ★ Think of a pyramid: Needs at the base, wants at the top.

COMMON MISTAKES

- ✗ Confusing wants with needs and overspending.
- ✗ Not prioritizing needs when budgeting.
- ✗ Thinking all purchases are equally important.

QUICK RECAP

Needs are essential for living, while wants are extra comforts. Understanding this difference helps in making better financial choices and managing money effectively.