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What is Needs vs Goals

Understanding Needs vs Goals for Smart Financial Choices

DEFINITION

Needs are essential for survival, while goals are aspirations we want to achieve. Knowing the difference helps us make better financial decisions.

KEY CONCEPTS

Needs

Basic requirements like food, shelter, and clothing that are necessary for survival.

Goals

Desired outcomes or achievements, such as saving for a bike or a vacation.

Short-term Goals

Objectives you want to achieve soon, usually within a year, like buying a toy.

Long-term Goals

Aspirations that take longer to achieve, like saving for college or a car.

Budgeting

Planning how to spend your money to meet both needs and goals effectively.

EXAMPLES

- Buying groceries is a need, while saving for a new video game is a goal.
- Paying rent is a need, but planning a trip is a goal.
- Getting school supplies is a need, while saving for a bike is a goal.

MEMORY TIPS

- ★ Remember 'Needs are Now' and 'Goals are Later' to differentiate them.
- ★ Use the acronym 'NAG' - Needs Always Grow, for understanding needs.
- ★ Visualize a scale: Needs weigh more than Goals in importance.

COMMON MISTAKES

- ✗ Confusing wants with needs, thinking they are the same.
- ✗ Neglecting to budget for goals while focusing only on needs.
- ✗ Setting unrealistic goals without considering current needs.

QUICK RECAP

Needs are essential for living, while goals are what we aspire to achieve. Understanding the difference helps prioritize spending and saving effectively.