

LESSON PLAN

Understanding Inflation

- IT'S A -
**MONEY
THING®**

INCLUDED IN THIS PACKAGE

- **LESSON PLAN** (2 pages)
- **ACTIVITY** (5 pages)
- **QUIZ** (1 page)
- **ACTIVITY ANSWER KEY** (3 pages)
- **QUIZ ANSWER KEY** (1 page)

COLLECT FROM YOUR LIBRARY

- **VIDEO 17** (*Understanding Inflation*)
- **HANDOUT 17** (*Understanding Inflation*)

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LESSON PLAN

Understanding Inflation

GRADES

7 to 12

TIME

45 minutes



OVERVIEW

From groceries to graphics cards, prices keep rising in ways that aren't always easy to understand. In this lesson, students explore what inflation is, what causes it and why it matters for personal finance. Students will also learn how to protect the value of their money over time.

GOALS

- Introduce students to the concept of inflation and its role in personal finance
- Encourage students to think critically about how prices and wages are influenced by economic forces beyond their control

OBJECTIVES

- Define inflation and explain how it reduces the purchasing power of money over time
- Identify factors that contribute to inflation
- Compare prices and wages across time to understand changes in purchasing power
- Explain how investing can help counteract the negative effects of inflation

ASSESSMENT

Use the activity in this lesson plan to assess students' grasp of the topic. An optional quiz is also provided (the quiz is not factored into the lesson's 45-minute runtime).

***Did you know?** This lesson plan explores concepts from Standard 6 (Managing Risk) from the Council for Economic Education's National Standards for Personal Financial Education.*

MATERIALS

- ☐ **VIDEO 17**—*Understanding Inflation*
- ☐ **ACTIVITY**—*Inflation Chain Reaction and Answer Key*
- ☐ **HANDOUT 17**—*Understanding Inflation*
- ☐ **QUIZ**—*Understanding Inflation and Answer Key*

PREPARATION

- Gather digital material (video)
- Print **HANDOUT 17** for each student
- Prepare the **ACTIVITY**: Print and cut out the cards, ensuring you have one per student. To better accommodate your class size, you can skip an entire chain, have students share cards or omit the final step from one of the chains.
- (Optional) Print **QUIZ** (Understanding Inflation) for each student



LESSON PLAN

Understanding Inflation

TIMELINE

- 10 minutes** Introduce topic and distribute **HANDOUT 17**
- 5 minutes** Show **VIDEO 17** (*Understanding Inflation*)
- 25 minutes** Facilitate **ACTIVITY**
- 5 minutes** Wrap up discussion
- (Optional)** Assessment: **QUIZ** (*Understanding Inflation*)

INSTRUCTIONS

- Introduce the topic: “Today, we’re going to explore why prices rise over time and how that affects what we can afford to buy.”
Ask students:
 - How much would you say a hamburger costs today?
 - How much do you think a hamburger cost in 1950?

Write down a few guesses on the board before revealing the answer to the second question: 15 cents.
- Distribute **HANDOUT 17**:
 - Highlight a few other examples of price changes over time; note that some items may already cost more than what’s listed
 - Review the definition of inflation at the top of the page and explain that it’s tracked using the consumer price index (CPI)
- Show **VIDEO 17**
- Facilitate the **ACTIVITY**:
 - Distribute one card to each student
 - Explain that each card represents a possible cause, reaction or effect related to inflation

- Students move around the room to form logical cause-and-effect chains; each chain should have five cards, unless the number has been adjusted to fit your class size
- Use the Answer Key to check accuracy as chains are formed
- After 10 minutes, bring the class back together to discuss each chain and the connections students made

- Wrap up by sharing the following: “In the video and activity, we saw that inflation can happen because of forces we can’t control. If prices are going up, what can we do to protect ourselves?”

Highlight these key ideas:

- To protect your purchasing power, you need to help your money grow
 - You can grow your money by investing, saving or earning more
 - Growing your money helps you continue to afford the things that matter, even as prices rise
- (Optional) Distribute **QUIZ** for individual assessment, or answer the questions together as a class; decide whether or not students can reference their notes/ handouts during the quiz

NOTES



ACTIVITY

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INFLATION CHAIN REACTION

Directions: Cut out the cards and shuffle them. Distribute one to each student. Instruct students to work together to figure out which cards connect to form a full chain of events.





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QUIZ

Understanding Inflation

NAME: _____

TOTAL
/7 pts

MULTIPLE CHOICE

Directions: Select the appropriate word from the Word Bank to fill in each blank. Note that some words may be used more than once, and not all words will be used.

WORD BANK

Demand-pull	Inflation	Monetary	Supply
Interest	Wages	Purchasing Power	Consumers
Economy	Cost-push	Prices	Investing

1. Over time, _____ causes the value of money to drop, so you can't buy as much with the same amount.
2. Your _____ determines how much you can get for your money.
3. _____ inflation happens when rising costs force companies to charge more for their goods and services.
4. _____ inflation happens when lots of people want to buy something, but there isn't enough to go around.
5. If your _____ increase more slowly than inflation, you might struggle to afford the same things each year.
6. While _____ can make your savings lose value over time, _____ offers a chance to grow your money and stay ahead.

/7 pts

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ACTIVITY ANSWER KEY

Understanding Inflation

INFLATION CHAIN REACTION

Directions: Use the chart below to review students' chain reactions. If any cards are out of order or grouped unexpectedly, ask students to consider how each card connects to the overall theme. With younger students, discuss whether each card is a cause, a reaction or an effect; with older students, focus on inflation types and discussion points.

CHAIN AND INFLATION TYPE	CARD TEXT	DISCUSSION POINTS
Fuel Prices (Cost-Push)	Oil prices spike due to global conflict	<i>How do international events affect fuel prices at home?</i>
	Fuel becomes more expensive for trucks and planes	<i>What industries rely on fuel?</i>
	Shipping costs for stores go up	<i>Why would store prices rise if shipping costs go up?</i>
	Stores raise prices to cover shipping costs	<i>How might different types of businesses respond to rising shipping costs?</i>
	Shoppers pay more for everyday goods	<i>What are some examples of goods you've noticed increasing in price?</i>
Food Supply (Cost-Push)	A natural disaster damages farmland	<i>How does damage in one region affect food prices everywhere?</i>
	There's less food available in stores	<i>How do people react when there's not enough food on the shelves?</i>
	Grocery prices go up	<i>Why do prices rise when there's less of something?</i>
	Families buy fewer non-essential items	<i>What kinds of items do people stop buying when money is tight?</i>
	More people experience food insecurity	<i>What does food insecurity mean? (Not having access to affordable, nutritious food.)</i>

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CHAIN AND INFLATION TYPE	CARD TEXT	DISCUSSION POINTS
Housing and Rent (Monetary and Cost-Push)	More people move to a growing city	<i>What might attract people to move to a particular city?</i>
	Rent prices go up	<i>Why do rents increase in high-demand areas?</i>
	People spend more of their income on rent	<i>How might rising rent lead to changes in lifestyle or living arrangements?</i>
	Fewer young adults can afford to live on their own	<i>How has this trend changed over time?</i>
	More people call for affordable housing options	<i>Who should help make housing more affordable?</i>
Consumer Spending (Demand-Pull)	People receive extra money from the government	<i>What are some examples? (Stimulus checks, tax credits.)</i>
	Families feel confident and spend more	<i>What are some signs that people feel secure with their money?</i>
	Stores run low on popular items	<i>What happens when demand is higher than supply?</i>
	Businesses raise prices because demand is high	<i>Do you think that's fair? Why or why not?</i>
	People rush to buy things before prices increase again	<i>Why do people sometimes stock up or rush to buy things?</i>

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CHAIN AND INFLATION TYPE	CARD TEXT	DISCUSSION POINTS
Employment and Wages (Monetary)	Workers ask for higher pay	<i>What causes workers to ask for raises?</i>
	Employers increase wages to keep their employees	<i>What's the risk if businesses don't raise wages?</i>
	Businesses raise prices to cover the higher wages	<i>What's the ripple effect on consumers?</i>
	Shoppers get frustrated by rising prices	<i>What emotional responses does inflation create?</i>
	Some businesses lay off staff to cut costs	<i>What's the long-term impact of layoffs during inflation?</i>



QUIZ ANSWER KEY

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MULTIPLE CHOICE

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WORD BANK

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Interest	Wages	Purchasing Power	Consumers
Economy	Cost-Push	Prices	Investing

- Over time, INFLATION causes the value of money to drop, so you can't buy as much with the same amount.
- Your PURCHASING POWER determines how much you can get for your money.
- COST-PUSH inflation happens when rising costs force companies to charge more for their goods and services.
- DEMAND-PULL inflation happens when lots of people want to buy something, but there isn't enough to go around.
- If your WAGES increase more slowly than inflation, you might struggle to afford the same things each year.
- While INFLATION can make your savings lose value over time, INVESTING offers a chance to grow your money and stay ahead.

/7 pts