

Opportunity Cost

Opportunity Cost helps you decide if there is a different Option that makes more sense
(Trade=off)



Because of scarcity, there is always one next best alternative that is not chosen.
That means you make a trade-off for the next best thing.

You may not have enough time, money or resources
to get your *first choice*,
so you choose your *second choice instead!*



The value of this next best alternative is the **Opportunity Cost (trade-off)**

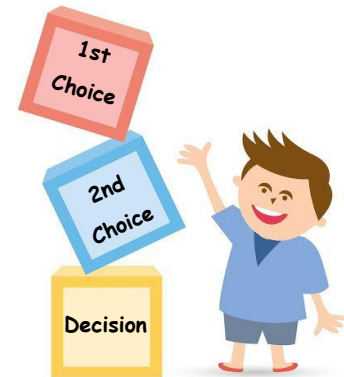
It is the "trade-off" you make when you choose one thing over another.

When we make a financial choice, we often use **comparison shopping**.

We compare prices and value from different sellers.

This means we look at different options and decide which choice is the best in our situation:

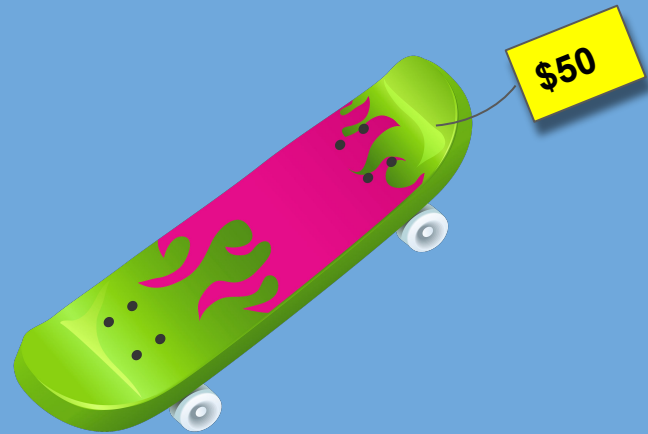
- We look at our first choice
- We compare it to our second choice (trade-off),
- We decide which choice will meet our need or want using the resources (money) that we have available.



We call this trade-off the **OPPORTUNITY COST**

Alex wants a skateboard...
He goes shopping and realizes he doesn't have
enough money for the skateboard.

I have \$30



He sees a scooter that only costs \$20.

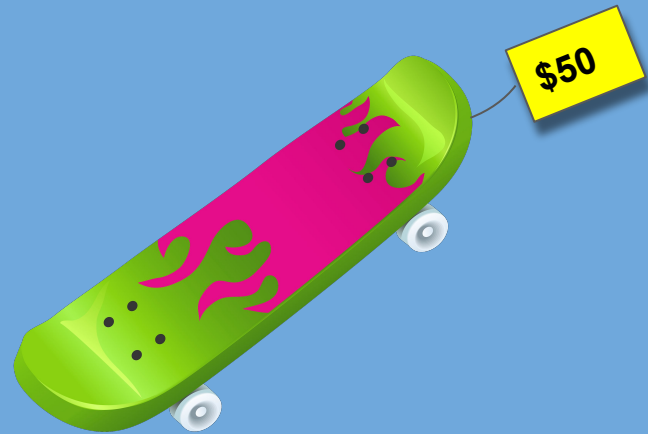
And he really enjoys riding Maddy's scooter.



I have \$30



He realizes that if he has a scooter,
he can still play with his friends when
they are skateboarding...





Alex has to make a decision!

Alex decides to buy the Scooter!

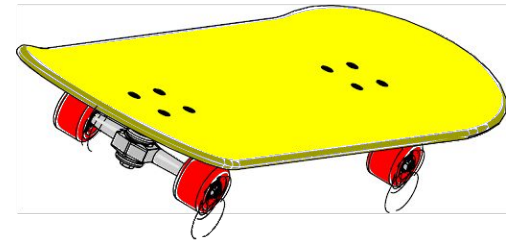
Alex loves his new scooter!



Alex used Opportunity Cost to make his decision.

What was the trade-off?

Skateboard



The value of the Skateboard
is the opportunity cost (trade-off)
when he chose the Scooter.

Opportunity Cost

helps you decide if there is a different option
that makes more sense

It allows you to make good decisions about
how and when to spend your money

It helps you make your money last!



Opportunity Cost = Trade-Off