

NAME: \_\_\_\_\_ CLASS PERIOD: \_\_\_\_\_

## The Benefits and Opportunity Costs of Spending and Saving

A person's income represents some of his or her financial resources. Because of limited financial resources, every decision about the use of resource involves an opportunity cost. The opportunity cost is what you give up when you make a choice. It is the most-valued option that you refused because you chose something else. It is your next-best option.

One important choice that everyone faces is whether to consume goods and services today or to consume goods and services later. Spending today brings immediate benefits or gratification. The opportunity cost of spending today is that your spending will leave you with less money to buy goods and services in the future. Saving builds wealth, enabling you to buy goods and services in the future—perhaps a car, a college education, a house, a vacation. The opportunity cost of saving is that saving leaves you with less money to use for buying goods and services today.

**Questions:**

- a. What are the benefits and the opportunity cost of spending your income today?
  
  
  
  
  
  
  
  
  
  
- b. What are the benefits and opportunity cost of saving some of your income?