



Financial Literacy with Mr. 401(k)
Spring Term 2026
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Making & Spending Money

Class 5: From Value to Exchange -- Why People Trade



Quick Review: Human Action & Subjective Value

Human Action

Every choice is purposeful. You always act to improve your situation.

Subjective Value

Value is not in the object itself. Value comes from the person who wants it.

Preferences

You rank what you value, and those rankings change with your circumstances.

Today's big question: If everyone values things differently, how do we get what we want from each other?

The Problem: Getting What You Want

Imagine this scenario:

You

You have: A bag of homemade cookies

You want: Help studying for a math test

The cookies are nice, but you really need to pass that test. You value the tutoring help more than the cookies right now.



Your Classmate

They have: Great math skills and study time

They want: Homemade cookies for the bake sale

Math is easy for them, but they have no time to bake. They value the cookies more than their study time.

Both of you can walk away better off. This is the foundation of all trade.

Voluntary Exchange: Both Sides Win



When two people trade voluntarily, both believe they are getting something more valuable than what they are giving up. That is why trade happens. Trade makes both people better off.

1

It Must Be Voluntary

No one is forced. Both people choose to trade because they expect to benefit.

2

Value Is Not Equal

You do not trade things of "equal" value. You trade something you value less for something you value more.

3

Both Sides Gain

If both people did not expect to benefit, the trade would not happen. This is not a zero-sum game.



Class Discussion

Think of the last time you traded something with a friend. Did both of you feel like you got a good deal?

Specialization: Do What You Do Best



Because people have different skills, interests, and preferences, it makes sense for everyone to focus on what they do best and then trade for what they need.

Without Specialization

Imagine making everything yourself:

- *Grow your own food*
- *Sew your own clothes*
- *Build your own house*
- *Make your own phone*

*You would be terrible at most of these, and **your quality of life would suffer.***

With Specialization

Everyone focuses on their strengths:

- *A farmer grows food for thousands*
- *A tailor makes great clothes*
- *A builder constructs solid houses*
- *An engineer designs amazing phones*

***Everyone is better off** because each person does what they are best at.*



Class Discussion

What is something you are good at that other people might value?



Class Discussion

*What is
something
others do better
than you?*

From Creating Value to Making Money: Income

When you create value for others, they pay you. That payment is income.

Earned Income

You use your time and skills to create value for an employer or customer.

Examples:

Working a job; mowing lawns; tutoring; babysitting; pet sitting; dog walking

Passive Income

You own something that creates value, without your active work.

Examples:

Rental property income; royalties from a book or song; interest on savings

Portfolio Income

You own something that has become more valuable to others.

Examples:

Stocks gaining value; a baseball card or a doll going up in value

Practical Application



In your Money Journals, write down your answers:

1. What skills or talents do you have that other people might value enough to pay for?
2. Can you think of an example of each type of income (earned, passive, portfolio) from people you know?
3. What problems might your business idea solve? How might your Money Mavericks business idea create value for customers?



Three Key Takeaways

1. Voluntary exchange makes both people better off, because you trade something you value less for something you value more.
2. Specialization lets people focus on their strengths and trade for everything else.
3. Income is what you earn when you create value for others, through your time (earned), your assets (passive), or your investments (portfolio).



Where to Learn More

- Video: ["I, Pencil"](#)
- Book: [Whatever Happened to Penny Candy?](#) by Richard J. Maybury
- Book: [The Tuttle Twins and the Miraculous Pencil](#) by Connor Boyack



Business Plan Project

Money Mavericks

Objective: Continue the brainstorm on problems that people face. These could be day-to-day problems, simple problems, or complicated problems. Discuss whether those problems have potential customers who are willing to pay for a solution.



Business Plan: Defining Your Value Proposition

1

What problem does your business solve?

Remember: customers pay to resolve problems.

2

**Who are your customers?
What do they value?**

Think about their preferences and circumstances.

3

What makes your solutions valuable to customers?

Why would they choose you over other options?

4

How will your business make money?

What products or services will your business sell?