

Risk Routes

Compare the costs and benefits of three ways to handle risk.

SS.8.FL.6.6 “Explain that individuals can choose to accept some risk, to take steps to avoid or reduce risk, or to transfer risk to others through the purchase of insurance and that each option has different costs and benefits.”

NAME _____

DATE _____

1 READ AND MARK _____ Read it twice

YOUR JOB Underline the three sentences that name a way Jordan's family could handle bicycle risk. Write A for accept, R for reduce, or T for transfer beside each underlined sentence.

Jordan's Bicycle Choice

- ① Every choice about money includes risk, the chance that an unwanted loss will happen. Jordan rides a bicycle to school and parks it at a rack all day. A stolen or damaged bike would cost money to replace or repair. Jordan and Jordan's family cannot make the risk disappear completely, but they can decide how to handle it. Their choice may involve paying money now, spending time, or facing a possible larger cost later than now.
- ② They could accept the risk by using the ordinary rack and buying no extra protection. This choice costs no additional money today. Its benefit is that Jordan keeps more money for other needs. Its cost is uncertainty: if the bicycle is stolen, the family may need to pay the full replacement cost. Accepting risk can make sense when a possible loss is affordable or unlikely, but it can be difficult when the loss would severely strain a household budget.
- ③ To reduce risk, the family could buy a strong lock and use it correctly. The lock has a price and takes time to use, but it lowers the chance of theft. To transfer some risk, they could purchase bicycle insurance. They would pay a premium, even if no theft occurs. If a covered loss happens, the insurer may pay part or all of the covered cost after any deductible. Insurance can protect a budget from a large loss, yet coverage limits, deductibles, and premiums are costs.

2

ANSWER WITH EVIDENCE

Use the passage

- 1
- What risk does Jordan face by parking a bicycle at school?
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-
- 2
- What is one benefit and one possible cost of accepting the bicycle risk?
-
-
- 3
- How does using a strong lock reduce risk, and what does this choice cost?
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-
- 4
- How does bicycle insurance transfer some risk, and why might a family still have costs after buying it?
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-
-

3

YOUR TURN

Your own words

Choose a valuable item or activity other than a bicycle. Complete the table to compare accepting the risk, reducing the risk, and transferring some risk through insurance.

CHOICE	WHAT YOU WOULD DO	COST	BENEFIT

PART 1 • READ AND MARK

Underline the three sentences that name a way Jordan's family could handle bicycle risk. Write A for accept, R for reduce, or T for transfer beside each underlined sentence. Accept any marking that follows this job and points at the right text.

PART 2 • ANSWERS

#	QUESTION	ANSWER
1	What risk does Jordan face by parking a bicycle at school?	The bicycle could be stolen or damaged, creating repair or replacement costs.
2	What is one benefit and one possible cost of accepting the bicycle risk?	Benefit: Jordan pays no additional money today and keeps money for other needs. Possible cost: the family may have to pay the full replacement cost if the bicycle is stolen.
3	How does using a strong lock reduce risk, and what does this choice cost?	A strong lock lowers the chance of theft. It costs money to buy and takes time to use.
4	How does bicycle insurance transfer some risk, and why might a family still have costs after buying it?	The insurer may pay part or all of a covered loss after a deductible. The family still pays premiums and may face a deductible or coverage limits.

PART 3 • YOUR TURN (SAMPLE ANSWER)

CHOICE	WHAT YOU WOULD DO	COST	BENEFIT
Accept risk	Use my phone without a protective case or insurance	No extra cost now, but I could pay for repairs if it breaks	I keep more money now
Reduce risk	Buy a protective case and screen protector	I pay for the case and protector	The phone is less likely to be damaged
Transfer risk	Purchase phone insurance	I pay premiums and may pay a deductible	The insurer may help pay for a covered repair or replacement

Accept reasonable responses that correctly connect each strategy to its costs and benefits. For the table, accept different items and actions if accepting involves possible loss, reducing lowers the chance or size of loss, and insurance transfers some covered financial loss to an insurer.