

Problem Solving and Decision Making (Pt1)

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Key Points Summary

1. Everyday Decision Making

- We all make daily decisions — some trivial, others life-altering.
- The greater the consequence, the more important it is to make informed, rational choices.

2. Fast vs. Slow Thinking (Daniel Kahneman)

- System 1: Fast, automatic, intuitive — often responsible for quick, instinctive decisions.
- System 2: Slow, deliberate, logical — used for complex or important decisions.
- Mistakes often occur when System 1 acts too quickly on problems that require deeper analysis.

3. The Bat and Ball Example

- Illustrates how System 1 may lead us to an incorrect answer (\$0.10) instead of the correct one (\$0.05).
- A reminder that quick logic isn't always right.

4. The Lazy Brain Trap

Our brain defaults to easy solutions. Recognizing when to activate System 2 can prevent poor decision-making.

5. Loss Aversion and Money Decisions

- We fear loss more than we value gain.
- Scenarios that are logically identical feel emotionally different depending on how they're framed.
- Emotion can distort financial judgment. When money is involved: "Leave your emotions at home."

Exercises

Exercise 1: Fast vs. Slow Thinking

- Recall a decision you made on impulse. What was the result?

- How could activating System 2 have helped you in that situation?

Exercise 2: Reworking the Bat and Ball

- Use simple math to explain why \$0.05 is the correct answer.

- Write down another example where quick thinking could be misleading.

Exercise 3: Emotional Triggers

- Describe a time when emotion influenced your money decision.

- How would your decision have changed if you used logic or data?

Activities to Consolidate Learning

Activity 1: System Tracking

For the next three days, track:

- Any decisions made impulsively (System 1).

- Any decisions made with reflection and analysis (System 2).

- Which led to better outcomes?

Activity 2: Reframing Financial Choices

Revisit a past financial decision:

- How did framing (gain vs. loss) affect your choice?

- How would you reframe it to assess it more logically?

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Reflection Questions

1. When do you rely most on System 1 thinking?

2. What's one area in life where you need more System 2 engagement?

3. How might awareness of emotional framing help you?

Action Plan

- Practice pausing before making important decisions.
 - Use paper or journaling to engage System 2 thinking.
 - Question your first answer to a complex question.
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Summary

Problem solving starts with understanding how we think. By being aware of the traps set by our fast-thinking, emotional brain, we can choose when to engage deeper, more rational systems. The key to better decisions lies in reflection, logic, and emotional awareness.

Good luck, and keep practicing positivity!

"The only limits that exist are the ones you create in your mind."