



MONEY!

Subject Matter: Economics, Life Management Skills

Grade Levels: 11-12

Time Allotment: One 60-minute class session

Master Teacher: Mary Groves

Overview

As one of the largest groups of consumers in America, teenagers know about spending money but have little understanding of the real power of money, or, in contrast, the complexity of money and credit. Credit cards are such an easy, convenient solution to money issues that they can even seduce adults. Preparing teenagers to enter the credit-card scene is extremely important because more than 80 percent of teenagers and young adults have at least one credit card.

Learning Objectives

Students will be able to:

- Explain features of specific credit cards.
- Demonstrate an understanding of interest charges on credit cards.
- Calculate interest charges for a specific time period.

Oregon Standards Available at:

<http://www.ode.state.or.us/cifs>

Social Sciences - Economics

- Understand how money makes saving and borrowing easier.
- Understand a cost-benefit analysis of economic choices.
- Analyze and evaluate economic issues, problems and decisions at local, national or international levels, considering economic data, concepts and theories.
- Understand the purposes and functions of major international economic organizations and the role of the United States in them.
- Understand how money functions in the banking system and as part of fiscal policy.
- Understand the risks and benefits to the use of credit.

National Economic Standards From the National Council on Economic Education

Standard #11 (<http://www.economicamerica.org/standards/cs11.html>)

1. The basic money supply in the United States consists of currency, coins and checking account deposits.
2. In many economies, when banks make loans, the money supply increases; when loans are paid off, the money supply decreases.
3. Select examples of money from a collection of pictures that show coins, currency, checking accounts, savings account passbooks, ATM cards and various types of credit cards and explain whether each is considered money.
4. Demonstrate how successive deposits and loans by commercial banks, resulting from one new deposit in the banking system, cause the money supply to expand and how repayment of loans causes the money supply to contract.

Standard #12 (<http://www.economicamerica.org/standards/cs12.html>)

1. An interest rate is a price of money that is borrowed or saved.
2. Like other prices, interest rates are determined by the forces of supply and demand.
3. The real interest rate is the nominal or current market interest rate minus the expected rate of inflation.
4. Higher real interest rates provide incentives for people to save more and borrow less. Lower real interest rates provide incentives for people to save less and borrow more.
5. Real interest rates normally are positive because people must be compensated for deferring the use of resources from the present into the future.
6. Riskier loans command higher interest rates than safer loans because of the greater chance of default on the repayment of the risky loan.
7. Higher interest rates reduce business investment spending and consumer spending on housing, cars and other major purchases. Policies that raise interest rates can be used to reduce these kinds of spending, while policies that decrease interest rates can be used to increase these kinds of spending.

Media Components

Video

Check the link at <http://www.opb.org/edmedia/trs/> to find access to the video(s) from unitedstreaming™ referenced in this lesson plan.

“Credit and Credit Cards” (22:00)

- **Clip:** “Proceed with Caution: Welcome to the World of Credit and Credit Cards!” (01:02)
- **Clip:** “The Horror of Bad Debt” (00:53)
- **Clip:** “Viewing Your Credit Line as Spendable Income” (01:45)
- **Clip:** “Interest Rates” (03:16)
- **Clip:** “Fees Can Hurt” (00:37)
- **Clip:** “Pitfalls and Blunders” (02:56)

Web

- **Practical Money Skills for Students**
Lesson 8 on this site provides downloadable worksheets in PDF format pertaining to credit-card instruction. See the “Prep for Teachers” section for downloading instructions. This Web site is also available in Spanish.
<http://www.practicalmoneyskills.com/english/students/lesson.php?id=130>
- **The True Cost of Credit**
Each student will examine what a favorite item or “want” will cost and how much they will be paying in monthly payments by using this calculator.
http://www.practicalmoneyskills.com/english/resources/calculators/calc_creditcard.php
- **The Credit Card Web**
Credit-card information in table format provides comparison opportunities for evaluation. Students will be able to identify types of cards, interest rates and other requirements of each card.
<http://www.cardweb.com/cardlocator/>
- **“Virtual” Shopping**
This site will allow students to look for their favorite need or want and find a price for their items.
<http://shopping.yahoo.com/>

Prep for Teachers

Prior to teaching this lesson, bookmark all of the Web sites used in the lesson on each computer in your classroom.

Download the video clips onto the computer you will use to project the clips. Be certain each computer in the classroom has a copy of the free Windows Media Player installed (some clips aren't available for use with QuickTime Player). Also download Flash and Shockwave at <http://www.macromedia.com/downloads/>.

Download a copy of the "Shopping for Credit" exercise at <http://www.practicalmoneyskills.com/english/students/lesson.php?id=130>.

When using media, provide students with a **Focus for Media Interaction**, a specific task to complete and/or information to identify during or after viewing of video segments, Web sites or other multimedia elements.

Materials

Per Student:

- Use of a computer with Internet connectivity
- Copies of worksheets for each student
- 1 3-ring binder for each student to create a "Personal Financial Portfolio"

Introductory Activity

Step 1: Explain to the students that they are going to create their own Personal Financial Portfolios. Unlike a financial portfolio in the financial world, this is an informational portfolio full of items of importance to the students, such as terms, concepts, ideas and procedures they can apply to understanding their first financial portfolio involving their own money. They can take this information with them upon graduation and keep it as they proceed down the road of life to fiscal self-determination. Ask the students to indicate whether they have a credit card in their name, have a credit card in their parents' name or have had some other type of credit-card experience. Ask students if they are responsible for the bills. If there is a student in the group with their own credit card, ask that student about any fiscal policy that they are operating under to control spending. For example, they have a limit on the card amount, they can't spend over a certain dollar amount for any one purchase, they can't spend more than a certain dollar amount in a given time period, etc. So, what's the big deal about credit cards? As a **Focus for Media Interaction**, students should indicate in their financial portfolios how many teenagers, according to the video clip, have a credit card and how many have more than one. Students should also

write down the average balance a teenager carries on their credit card. **Play** the video clip, “Proceed with Caution: Welcome to the World of Credit and Credit Cards” (01:02), from the video, “Credit and Credit Cards” (22:00).

Step 2: After viewing the video clip, discuss with students ways that they use credit. As a **Focus for Media Interaction**, students should indicate in their Personal Financial Portfolios how long bad credit stays on your records and under which circumstances people check your credit. **Play** the video clip, “The Horror of Bad Debt” (00:53), from the video, “Credit and Credit Cards” (22:00).

Learning Activities

Activity 1

Step 1: Tell students that they are going to do an activity that requires them to compare credit cards using very important information about credit cards. As a **Focus for Media Interaction**, have students complete the “Shopping for Credit” Worksheet (Student Pages – Teens – Lesson 8 – Credit Cards Page 1) previously downloaded at

<http://www.practicalmoneyskills.com/english/students/lesson.php?id=130>.

Students can use this sheet to compare a number of credit cards at

<http://www.cardweb.com/cardlocator/>. Choose one of the monthly credit-card surveys to view information pertaining to different card types. Direct students to compare one credit card from the low-rate survey and another credit card from the standard survey. Emphasize that they should be examining credit cards that they already hold or ones that they would like to have in the future. Punch holes in these comparisons so students can place them in their 3-ring binders.

Step 2: Tell students that they have just completed a comparison of credit cards, but that they probably encountered a lot of unfamiliar terms. In the video clip students are about to view, the characters talk about a line of credit. As a **Focus for Media Interaction**, have students predict what they think a line of credit for a teenager their age may be. **Play** the video clip, “Viewing Your Credit Line as Spendable Income” (01:45), from the video, “Credit and Credit Cards” (22:00). Upon completion of the video clip, discuss with students their predictions of the meaning of the term “line of credit.”

Step 3: Tell students that being an informed consumer means that they will know how much interest the credit card company will charge. Learning to find this information is easy once you know how. As a **Focus for Media Interaction**, have students identify the difference between a credit card and a debit card and write a two-paragraph essay in their Personal Financial Portfolios. **Play** the video clip, “Interest Rates” (03:16), from the video, “Credit and Credit Cards” (22:00).

Step 4: Provide students with the handout Activity 8-3a (Student Pages – Teens – Lesson 8 – “How much will it really cost” Page 3) which is available in PDF format at

<http://www.practicalmoneyskills.com/english/students/lesson.php?id=131&ids=120:121:122:123>

[:124:125:126:127:128:129::130:131:132:133](#). Have students complete the calculations. Give students approximately 15 minutes and then complete the calculations as a group on the whiteboard or chalkboard. (The key to this activity should be downloaded from the same source.) An explanation of terms will be required and students should be taking notes for their Personal Financial Portfolios. Punch holes in these comparisons so students can place them in their 3-ring binders.

Activity 2

Step 1: Tell students that they are two days late paying their credit-card bill of \$115.00. Their interest rate is 12.9%. As a **Focus for Media Interaction**, have students predict how much it will cost them to be late on their bill and write it down in their Personal Financial Portfolio under the heading “late fees.” **Play** the video clip, “Fees Can Hurt” (00:37), from the video, “Credit and Credit Cards” (22:00). After viewing the video clip, have the students compare what they thought they would be charged to what the video revealed as the true charges for being one day late.

Step 2: Explain to students that their credit card represents them and their financial status in the world. Unfortunately, there are some very bad things that can happen if you lose your credit card. As a **Focus for Media Interaction**, have students create a list of ways they can protect their credit cards and credit-card identity and place it in their Personal Financial Portfolios. **Play** the video clip, “Pitfalls and Blunders” (02:56), from the video, “Credit and Credit Cards” (22:00). Review students’ lists and create a unified list on the whiteboard.

Culminating Activity

Students will go on a “virtual” shopping trip at Yahoo Shopping at <http://shopping.yahoo.com/> and choose 10 items. Students must write down in their Personal Financial Portfolios the 10 items and then calculate the monthly payment for their purchases using 14.5% APR for the first five items and 21% APR for the second five items. As a **Focus for Media Interaction**, have students complete the interactive credit-card calculator at http://www.practicalmoneyskills.com/english/resources/calculators/calc_creditcard.php. Students should write a paragraph examining the issues of monthly payments and the ease with which these payments conceal the amount of interest they are truly paying.

Cross-Curricular Extensions

Math

- Have students calculate the amount of money they could have saved if they saved up for a stereo priced at \$1,000 versus purchasing it immediately using a credit card. The credit-card rate is 22% and you plan to pay off the credit card in 3 years.

History/Art

- Using the following Web sites as sources, create a timeline of the invention of the credit card and its use: <http://money.howstuffworks.com/credit-card.htm> and <http://www.didyouknow.cd/creditcards.htm>. The timeline should show the development of the credit card and the subsequent variations on credit-card use.

Business/Career

- Write an essay depicting the various career paths and jobs available in the credit-card industry. In particular, how has the credit-card industry affected business practices worldwide?

Community Connections

- Invite a local businessperson into the classroom to discuss the credit-card industry and how credit-card use affects their business. This discussion should include the positive and negative issues surrounding credit cards from their perspective.
- Visit a local bank to discuss credit cards/debit cards and how that has changed the banking industry. Discuss with the banker the percentage of banking done by credit/debit card versus checking in today's world.
- Invite a local person who has had credit-card problems (i.e. stolen card, lost card) to visit your class and discuss the difficulties they encountered after losing a credit card.