



Financial Literacy – Introduction to Credit

This lesson introduces students to credit cards, credit card perks, and responsible use of credit. Students are introduced to the concept of credit and explore it on a meaningful and concrete level through activities and examples.

Grade Level

Grades 9-12

Time Allotment

45-minute class period

Subject Matter:

- Borrowing money through credit
- Evaluating credit and credit card companies

Learning Objectives

Each activity guides students in becoming aware of how credit is obtained, retained, and used in a responsible manner.

Students will be able to:

- Define credit
- Describe how to get credit
- Recognize and explain why banks/institutions offer credit to their customers
- List perks offered by credit card companies
- Compare/contrast borrowing money with borrowing an object

Materials:

- 3-5 pictures of items students are eager to possess
- Copies of play money
- Book to represent the library analogy
- Copies of Venn Diagram worksheet (one per student)

Learning Activities:

Activity:

Background Builder #1:

Show students 3-5 colorful pictures of items that they would like to possess. For example: Laptops, smart phone, clothes, concert tickets, etc. Give each student play money and have them write their name on a bill and have them place it under the item they want, thereby showing which item is most in demand.

State the Objective: tell the students what they will be able to do upon conclusion of the lesson. "Today we are going to learn about credit which will help you in the future when you may decide to make purchases and buy expensive items for which you do not have enough cash to buy or afford all at once. You should be able to define credit and describe how to get it. You should also be able to explain why banks offer credit and what incentives they may offer you to entice you to borrow."

The Lesson Procedure Credit is when a bank agrees to buy a product for you and trusts that you will pay the money back over time. Credit can be in the form of a credit card or loan. A loan lets you buy something expensive that you want such as a boat, a car, an education, or even a home. In order to get credit you have to apply or ask for it. The bank will give you credit if you are approved. But first they have to run a credit report to find out how you've handled money in the past. There are other factors that go into getting approved for a loan. You should also know that the bank will put a limit on how much you can spend/borrow to protect you from taking more than you're able to pay back. If the bank decides to offer you credit, you may have to pay a fee every year to use this service. The bank lends you money because it gives them an opportunity to earn money. If you decide to take a long time paying back the money you borrow, you have to pay back extra which is called interest.

Credit Cards

Credit companies sometimes offer you reward programs for borrowing money from them. Some companies offer point programs that can be put towards airline tickets, shopping or cash back. (Note, in order to earn points in these programs, you have to spend money, so be careful how much you spend on a credit card as you will have to pay it back).

Activity:

Draw a Venn diagram on the board to compare a library with an institution providing credit. The analogy will give students something concrete to attach meaning to when learning this new concept. "Let's compare borrowing a library book with borrowing money to help you understand credit." Respond and record ideas generated for the diagram. Lead students if necessary, to discover the following points as well as others that are shared between the bank and library.

- You can borrow a book/money because the librarian/bank trusts that you'll give it back.
- If you give it back within a week/month that's all you owe.
- If you keep the book/money longer, you have to pay the library/bank money for each day that it's kept past the due date.
- You may get good things in return for going to the library/bank such as a bookmark, a key chain, a lollipop, etc.
- Both entities want you to borrow.
- Both want to make money.
- Both want you to give the item back within a reasonable amount of time so that someone else can borrow the book or money.

Ask students to respond to the following question on a piece of paper. "How do you suppose getting a lunch might relate to getting credit?" Allow 5-7 minutes for them to generate a response. Then ask students to share their responses; guide students to uncover the idea of getting lunch based on credit when you lose or forget your lunch money without having a packed lunch to eat. Closing the Lesson Review with students why people obtain credit and how they use it.

Pair and Share

Students (pairs) interview one another about the lesson content. They must summarize the partner's feedback in either written report or verbal format Sample Questions:

- What item would you be willing to save money for in order to make the purchase?
- Where do you expect to get the money you'll save?
- How much spending money will be available?
- Are there items you'll need to forego in order to save enough money?
- How long will it take you to save enough money for the item you desire?
- Student generated questions should also be encouraged in place of or in addition to the ones listed above.

Cell Phone Plan Background Information

Directions: Find at least one cell phone rate plan. Record the following information about the plan you find.

1. What is the cost of the plan?
2. What company is offering the plan?
3. How many minutes does the plan allow per month?
4. Is there a fee if the number of allowed minutes is exceeded? If so, what is it?
5. What is the cost per minute if you talk more than the allowed number of minutes?
6. Are there any other fees? If so, describe them and list the amounts.

Directions: As best you can, answer the following questions about cell phone plans. If you don't know the answer, ask a friend, do some investigation, or ask your teacher.

- What do cell phone companies mean when they refer to "anytime minutes" or "whenever minutes"?
- What are "night and weekend minutes"?



- What usually happens when a person exceeds the number of minutes allowed by their cell phone plan?