

**OVERVIEW**

Credit cards, auto loans, home mortgages, pawn shops ... you've probably heard a lot about debt over the years—good and bad. But debt itself is actually neither. It's merely a tool to buy something now and pay for it later.

How we use debt is what's good or bad.

This lesson will help you assess reasons to use or to not use credit.

**LEARNING OUTCOMES**

In this lesson students will weigh the benefits and risks of borrowing. Along the way they will:

- Discuss why people borrow.
- Give examples of acceptable and unacceptable situations to use credit.
- Explain how borrowing impacts spending power.

Students will use what they learn to recognize situations when it makes sense to either use credit or avoid using credit.

**PREPARATION**

- Order a Module 2 Student Guide for each student. (The Guide is also available online to download.)
- Preview the lesson PowerPoint presentation, learning tasks, and Module 2 Student Guide, particularly pages 3-8 and 18-19.
- Print or download the Student Learning Plan and handouts for this lesson so each student has copies.

**WHAT YOU WILL NEED**

- Module 2 Student Guide (pages 3-8, 18-19)
- PowerPoint Presentation 2-1
- Student Learning Plan 2-1
- Task: What Do You Think? (Student Guide, page 4)
- Learning Activity 2-1: Borrowing Fitness Test
- Learning Activity 2-2: What is the Reason?
- Task: News Summary (Further Study)

**NOTES**

Approximate time: 45 minutes (minimum) - 90 minutes (with extension activities)

LEARNING TASKS	TEACHING NOTES	MATERIALS
<p>1. What do you think are good reasons to borrow money? Participate in a discussion to evaluate situations that involve borrowing money.</p>	<p style="text-align: center;">PROCEDURE <span style="float: right;">TIME ESTIMATE: 5 minutes</span></p> <p><input type="checkbox"/> [Slide 2] Have students first read and respond individually to the <b>What Do YOU Think?</b> questions (Student Guide, page 4). Arrange for the students to share and discuss their responses with a nearby partner.</p> <p><input type="checkbox"/> As a whole class, survey responses to each question allowing students to briefly justify their responses. Note: The class will revisit the list later in the lesson to reach final consensus; at this time just gather responses and comments from students to reference throughout the rest of the lesson.</p> <p style="padding-left: 40px;">(Alternative tactic) You can choose do this as a paper and pencil activity, a clicker system activity, a web-based survey activity, or as a visual survey. Should you select the visual survey option, print off each statement in large print and put it on its own paper or poster. Underneath each statement, make two columns, one for “true” responses and one for “false” responses.</p> <p><input type="checkbox"/> [Slide 3] Transition into the lesson by telling the students that they will learn about the reasons for using credit. Preview the Learning Outcomes in the Student Learning Plan. By the end of this lesson, the students should be able recognize situations when it makes sense to either use credit or avoid using credit.</p> <p><input type="checkbox"/> [Slide 4] Introduce Mariah and Jesse, the young people featured in the Student Guide, who will learn about borrowing and credit along with the students. (Student Guide, page 3)</p>	<p>Module 2 Student Guide</p> <p>Student Learning Plan 2-1</p> <p>Student Guide pages 3-4</p> <p>SLIDES 2 – Good or Bad 3 – Preview 4 – Meet Mariah and Jesse</p> <p>ACTIVITY What Do YOU Think, page 4</p>
<p>2. Evaluate your borrowing habits by completing <b>Activity 2.1: Borrowing Fitness Test</b>.</p>	<p style="text-align: center;">PROCEDURE <span style="float: right;">TIME: 5 minutes</span></p> <p><input type="checkbox"/> [Slide 5] Point out to the students that, although they might not yet be able to take out a loan or get their own credit, they are already practicing good and bad borrowing habits. Arrange for students to complete <b>Activity 2.1: Borrowing Fitness Test</b> (Student Guide, page 6).</p> <p><input type="checkbox"/> Debrief by asking students to voluntarily share strategies they might already use to establish a reputation as a responsible borrower. Use this to transition into a discussion about how these same types of borrowing habits apply when they choose to use credit in the future for such things as car loans, credit cards, cellphone service, and cash-advance loans.</p>	<p>STUDENT GUIDE Pages 6-7</p> <p>SLIDE 5 – Using Credit</p> <p>ACTIVITY Activity 2.1: Borrowing Fitness Test</p>

LEARNING TASKS	TEACHING NOTES	MATERIALS
<p>3. Give examples of ways people use credit. Complete <b>Activity 2.2: What is the Reason?</b></p>	<p style="text-align: right;">PROCEDURE <span style="float: right;">TIME: 10 minutes</span></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> [Slide 6] Illustrate out how credit can potentially contribute to economic growth because money is circulated between consumers, businesses, and workers (Student Guide, page 8). Businesses often borrow money to start businesses, expand operations, or develop new products or services.</li> <li><input type="checkbox"/> [Slide 7] Introduce ways that individuals use credit to buy now and pay later for things they need and want (Student Guide, pages 18-19).</li> <li><input type="checkbox"/> Guide student to read <b>Reap the Rewards</b> for reasons why individuals borrow money rather than pay cash for purchases (Student Guide, page 7). Arrange for students to work independently or in pairs to complete <b>Activity 2.2: What is the Reason?</b> Direct the students to compare their responses with a partner or another student team.</li> <li><input type="checkbox"/> Debrief by pointing out that a person’s reason to borrow might seem acceptable at the time, but the borrower must take into consideration how future spending options will be limited by each borrowing decision. In essence, each decision to borrow money in the present reduces the amount of funds someone has available for later purchases.</li> <li><input type="checkbox"/> [Slide 8] Money that needs to be repaid is something to include in a spending plan. This will require adjusting allocations for other expenses. Ask the students to suggest how Jesse might adjust his spending plan when he has to make \$200 monthly payments for a truck loan without increasing the total expense amount.</li> </ul>	<p>STUDENT GUIDE Pages 5-8, 18-19</p> <p>SLIDES 6 – Credit in the Community 7 – Credit Options 8 – Jesse’s Plan</p> <p>ACTIVITY Activity 2.2: What is the Reason</p>
<p>4. Share a story about a time you made an impulse purchase that you regretted later. Have you ever been glad that you waited to make a purchase?</p>	<p style="text-align: right;">PROCEDURE <span style="float: right;">TIME: 10 minutes</span></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> In partners or as a whole class, have students share stories of times when they didn’t wait to make a purchase and got burned or did wait to make a purchase and were rewarded.</li> <li><input type="checkbox"/> [Slide 9] Explain the difference between <i>instant gratification</i> (an unwillingness to give up something now in return for something later) and <i>delayed gratification</i> (A willingness to give up something now in return for something later). Ask students how having a credit card would impact their ability to delay gratification.</li> <li><input type="checkbox"/> [Slide 10] If time allows, revisit or introduce the <b>Stop Drop and Think</b> test presented in Module 1 as a way to test whether or not a borrowing decision makes sense at the time of the purchase, in particular asking the final question about what will be given up as a result of using credit for a particular purchase. (Appendix, page 40)</li> </ul>	<p>STUDENT GUIDE Page 40</p> <p>SLIDES 9 – Now or Later 10 – Stop Drop and Think Before Using Credit Test</p>

LEARNING TASKS	TEACHING NOTES	MATERIALS
<p>5. Mariah’s mom doesn’t think that Mariah should have a credit card. Role play a conversation between Mariah and her mother about the reasons to get or not get a card.</p>	<p>PROCEDURE <span style="float: right;">TIME: 15 minutes</span></p> <p><input type="checkbox"/> [Slide 11] Arrange the class into small groups of four or five students, or ask two volunteers to role play for the entire class. Designate who will take on the role of Mariah and who will portray Mariah’s mother. As time allows, assign students to help either “Mariah” or the “mother” identify two to three talking points to argue the case either for or against a credit card. Stage the role play either in small groups or a whole class.</p> <p><input type="checkbox"/> Debrief by asking the students if there is additional information they need to help them make a case for or against getting a credit card. Point out that they will learn more in future lessons about the pros and cons of using credit.</p> <p><input type="checkbox"/> As time allows, revisit the <b>What do YOU Think? Task</b> (Student Guide, page 4) to see if students have different responses compared to earlier in the lesson.</p>	<p>STUDENT GUIDE Page 4</p> <p>SLIDE 11 – Role Play</p> <p>ACTIVITY What do YOU Think?, page 4</p>
<p>REFLECTION</p> <p>How do you rate your ability for responsible borrowing?</p>	<p>PROCEDURE <span style="float: right;">In-class or out-of-class assignment</span></p> <p><input type="checkbox"/> Assign students to reflect on their responses to <b>Activity 2.1: Borrowing Fitness Test</b>.</p>	<p>SLIDE 12 - Reflection</p>
<p>ALTERNATE ACTIVITY</p> <p>Write an analogy to compare ways that credit is similar to a car.</p>	<p>PROCEDURE <span style="float: right;">In-class or out-of-class activity</span></p> <p><input type="checkbox"/> One thing that many students crave is a car—the symbol of independence. It can be the most effective means to convey lessons regarding finance. Try it out—compare credit to a car. In small groups, direct the students to brainstorm the ways that credit is like a car. Set up the task with the following scenario:</p> <p style="padding-left: 40px;"><i>Mariah’s mom is not sure she even understands what credit is and asks Mariah to compare it to something else. Mariah has a hard time coming up with a comparison. Help her out. Complete the following analogy: “Credit is like a car because ...”</i></p> <p>NOTE: An analogy is a comparison of similarities of features or aspects between two things that might otherwise be considered dissimilar. Analogies can be an effective way to clarify an abstract idea.</p> <p>If students need help getting started, use the following example as a prompt: “Both are tools that can get you to a goal,” or “Both need an annual inspection to make sure it works for you.” Suggest that the students list out what they know about credit to start the brainstorm.</p>	<p>SLIDE 13 – Analogy</p> <p>ACTIVITY Poster paper markers</p>

LEARNING TASKS	TEACHING NOTES	MATERIALS
<p><b>FURTHER STUDY</b></p> <p>Find a news story that relates to the risks or rewards of borrowing. Summarize two or three new things that you learned from the story.</p>	<p><b>PROCEDURE</b> <span style="float: right;">In-class or out-of-class assignment</span></p> <p><input type="checkbox"/> Direct students to locate a news story that relates to the risks or rewards of borrowing. Arrange for students to share what they find within a written or verbal summary. Use the <b>News Summary Task</b> handout to guide student work.</p> <p><b>RESOURCES:</b> Students can get local, state, and national news from the school library, the town/city library, and news websites. If they see or hear a news story on television or the radio, chances are pretty good that the radio or television station has a website that will also contain that story. If possible, have students bring a copy of the story in with their summary—they can cut it out, make a copy, or print it from the website.</p>	<p><b>ACTIVITIES</b></p> <p>Task: News Summary</p> <p>Internet</p> <p>News stories</p>

 **REFLECTION**

Reflect on your answers for **Activity 2.1: Borrowing Fitness Test**. Which one area would you say is your weakest? Write down two things you can do to strengthen your ability for that one area of weakness.

 **FURTHER STUDY**

Find a news story that relates to the risks or rewards of borrowing. Summarize two or three new things that you learned from the story.