



## LifeSmarts U Personal Finance Lesson

### Credit: Lesson Plan

#### Lesson Description:

Explore the types of credit, its advantages, disadvantages, and some of the most common identity theft concerns when using credit. This lesson provides the basic information that will help students understand both the obligations and concerns that using credit entails.

#### Lesson Objectives:

- Distinguish between the use and abuse of credit.
- Compare and contrast open- and closed-end credit.

#### Time:

2 class periods

#### Background:

Understanding the types of credit and the use and abuse of credit is basic to financial literacy. Experts estimate that the average American family's credit card balance is five percent of their annual income (Source: Federal Reserve) and that teens have a perception that using credit cards is a right, not a privilege. Learning about credit, and integrating that information with knowledge of budgeting and spending habits, can help young adults form healthy money management strategies when planning to live independently.

#### Materials:

- PowerPoint Presentation—*What Do You Know About Credit?*
- Student Note Scaffold—*What Do You Know About Credit?*
- Student Note Scaffold KEY—*What Do You Know About Credit?*
- Student Activity—*Dear Mr. Moneyman*
- Teacher Prompts—*Dear Mr. Moneyman*

#### Procedures

##### Day 1:

1. View the What Do You Know About Credit? PowerPoint Slide Presentation, you may wish to have students take notes.
2. Engage the class in discussion throughout the presentation using the discussion prompts provided in the PowerPoint notes.

##### Day 2:

1. Distribute What Do You Know About Credit? Student Note Scaffold. Complete the scaffold from memory or from notes.
2. Distribute Dear Mr. Moneyman Student Activity. Students may complete individually or in small groups.
3. Ask students to read their answers aloud, soliciting several different answers for each letter.
4. Discuss the results and add any concepts that may be listed in Dear Mr. Moneyman Teacher Prompts, but were not presented during class discussion.



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#### Discussion Questions:

1. Compare and contrast the use of credit cards to the use of cash.
2. Some businesses offer cash customers a discount. Is this a fair business practice? Be ready to defend your answer.
3. What are the hidden costs of credit to a business?
4. Do you think most 22-year-olds have the maturity to use a credit card wisely? Be ready to defend your answer.
5. Brainstorm guidelines for using credit cards safely on the Internet.

#### Differentiating Instruction Tips:

1. Abbreviate the What Do You Know About Credit? PowerPoint Slide Presentation by ending the presentation and discussion at slide number 22, before the slides outlining credit law.
2. Provide students with the What Do You Know About Credit? Student Note Scaffold before the PowerPoint Slide Presentation.
3. Assign student small groups to research the credit laws outlined in their Student Note Scaffold. Small groups may present their finding to the class or create an informational newsletter targeted at a community group or underserved population.
4. Assign small groups to write their own Dear Mr. Moneyman letters and exchange them between groups to generate responses.
5. Ask students to design and create posters that inform the public about Identity Theft. Display the posters in the community as a public service.