

TAKING AN INTEREST IN MONEY!

INTEREST:

Write these three words on the board.

Money
Interest
Credit



1. Ask students to write 1-2 complete sentences using these three words. Then ask students to share their responses.
2. Ask students what math concepts/computations they believe will be used for this lesson. Possible answers: percent, decimal, multiplication, money, etc.

FURTHER RESOURCES:

Teacher and Students watch the following tutorial:

http://easylink.playstream.com/21_CenturyLearning/lp/1762-Simple%20Interest.rm

The teacher will model calculating interest by modeling the following problems:

<http://www.thelivinglibrary.com/Content/doc/1763-Simple%20Interest%20Worksheet%2001.doc>

Students will complete the following worksheet in pairs or individually.

<http://www.thelivinglibrary.com/Content/doc/1764-Simple%20Interest%20Worksheet%2002.doc>

WEBSITES TO VISIT FOR ADDITIONAL INFORMATION:

New York State Banking Department

<http://www.banking.state.ny.us/fec/clabc.htm>

The *The ABCs of Credit Card Finance - Essential Facts for Students* pdf link is a document that includes an interest rate table and payment schedule for credit card debt.

Citibank: Use Credit Wisely

<http://www.citibank.com/us/cards/cm/>

There are short videos featuring interviews with students who describe personal experiences with credit cards that could be used to open discussion on credit card debt.



Resource Guide Grades 6-8



CREDIT CARDS:

This lesson can be used as an introduction to credit cards. Students use prior knowledge, discovery, information analysis, and discussion to learn about actual credit card offers. Students will explore and discuss the benefits and risks of being a credit card holder as well as determine features of a credit card offer that should be considered in making a selection.

CREDIT CARD TERMS AND DESCRIPTIONS:

- # **Credit Card** – card, issued by a bank, that authorizes the cardholder to make purchases up to a certain amount
- # **Annual Fee** - yearly cost charged by the issuing bank to use a credit card
- # **Annual Percentage Rate (APR)** - annual rate that is charged for the amount borrowed on a credit card; includes any fees or additional costs associated with the credit card
- # **Average Daily Balance Method** – cardholder’s charges and payments are totaled for each day of the month and then averaged by dividing by the number of days in that month
- # **Cash Advance** –credit card is used like a debit card to get cash; both upfront fees and interest rates higher than those for purchases usually apply
- # **Penalty Fees** – additional fees charged to the cardholder for late payments (late fees), bounced payment checks (bounced check fees), or exceeding the credit limit in charges (over the limit fees).
- # **Cash Back** – credit cards with cash back offers reward the cardholder for charging by giving cash back incentives on certain purchases
- # **Introductory Interest Rate Offers** – lower interest rate may be offered to new cardholders; the rate is typically for a limited time



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ACTIVITIES:

1. Divide students into groups of 2-3. Ask each group to make a T-Chart and list the Benefits and Risks of credit cards (handout: http://www.thelivinglibrary.com/Content/doc/3791_Credit_Cards_Benefits_Risks_T_Chart.doc.) Students should consider:
 - # Reasons people get credit cards
 - # How credit cards can be helpful
 - # How people get in trouble with credit cards
 - # Personal practices/habits that may affect management of a credit card
 - # Incentives and pitfalls of credit card plans
2. Students will share and discuss answers. Combine the groups' responses on a class T-Chart. Additions will be made to the chart as the lesson progresses so it can be readdressed at the end of the lesson.
3. Pass out samples of credit card applications (can be picked up at area businesses) and highlighters to each group (best if one per team member so everyone participates). Working as a group, students will use the information in the applications to:
 - # Highlight the following terms and add details to the descriptions given
 - # Add terms and descriptions to the list
4. Pass out copies of the chart to each student (Credit Card Evaluation). Each group will use their sample credit card application and the chart to organize details of their sample credit card offer. Groups will then share the information with the class so that each group has completed the entire chart with information for all sample applications.
(handout: http://www.thelivinglibrary.com/Content/doc/3789_Credit_Card_Evaluation_chart.doc)
5. Discuss with students the features of each credit card offer. Ask which features are most important in making a choice. *Answers may vary for each group.*
6. Revisit the class T-Chart created at the beginning of the lesson. Add any benefits or risks that have been discovered as a result of the activity. Assign each group one of the Risks and ask them to determine the following for class discussion.
 - # possible consequences of this risk for the cardholder; Answers will vary, but may include: bad credit rating, denied future credit, denied housing (leasing an apartment or buying a house), required to pay higher interest rates on loans)
 - # ways to avoid or overcome the risk

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CREDIT CARD EVALUATION

Use sample credit card applications to complete the chart and compare the features of each offer.

Credit Card (name)	Annual Fee	Interest (APR)	Average Daily Balance Method	Cash Advance (fees)	Penalty Fees	Over Credit Limit Fees	Special Offers

Resource Guide

Grades 6-8