



**Money
Smart**

for Grades 6-8



Educator Guide



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TABLE OF CONTENTS

Welcome to Money Smart	4
Getting Started	5
Lesson 9: Give Credit Where Credit Is Due (Credit and Debt)	10
Group Handouts	15
Answer Key	19
Glossary	20

WELCOME TO MONEY SMART

Welcome to **Money Smart**, an exciting interactive exploration of the concepts of money. This standards-aligned, cross-curricular program is designed to promote financial understanding for middle school students in grades 6 through 8. You can use **Money Smart** to add engaging and enriching activities to financial literacy and economics instruction. Extension activities support English Language Arts, Math, Social Studies and Economics, and Technology, while also helping your students build the foundation to become financially responsible adults.

In **Money Smart** you will find:

- **Twelve Lessons** with hands-on, cross-curricular activities that engage sixth- through eighth- grade students in discussing and exploring key financial concepts
- **Teacher Presentation Slides**, which provide helpful visuals, as well as challenge exercises and reflective prompts to support the activities in each lesson
- **A Student Guide** with handouts, worksheets, and resources that let students explore the topics covered in each lesson and apply their new knowledge
- **A Parent/Caregiver Guide** with information about topics and terms being covered in class, conversation starters, online and literary sources, along with activities to try at home and around town

Developing positive financial habits equips students with 21st-century skills and tools that last a lifetime. We hope you and your students enjoy learning about money and its many uses.

We are eager to hear from you about how you use this curriculum. We would like to know what works well and what could be improved to make **Money Smart** even better. If you have any questions, we would like to help. Please contact us with your comments and questions via e-mail at communityaffairs@fdic.gov.

GETTING STARTED

Money Smart provides a comprehensive, developmentally appropriate program for middle school students to build an understanding of key financial concepts.

There are many features that help make the **Money Smart** curriculum engaging, motivating, and easy to use. Each lesson includes learning objectives, essential questions, supplies needed, and preparation required, as well as the following features and components to support easy integration of **Money Smart** activities into your instructional day.

STANDARDS

Each lesson promotes real-world connections through student-centered learning experiences and aligns to the following education standards and learning outcomes, including Common Core State Standards in mathematics and English Language Arts. The **Education Standards Chart** identifies which standards are met in each lesson.

- Financial Literacy JumpStart Standards
- English Language Arts Common Core State Standards
- Mathematics Common Core State Standards
- National Standards for Financial Literacy by the Council for Economic Education
- Partnership for 21st-Century Skills

GRADE-LEVEL MODIFICATIONS

Please note the modifications identified throughout lessons to differentiate learning experiences for beginner and advanced students. Modifications provide developmentally appropriate activity recommendations and extension opportunities.

PRESENTATION TIME

Each lesson plan includes an estimated time needed to teach the lesson. Actual time required will vary from classroom to classroom. The estimation includes instructional time spent on the **Warm Up**, **Guided Exploration**, **Group Exploration**, **Independent Exploration**, and **Wrap Up**. Activities may also be taught as several short lessons over a period of days or weeks. **Extended Exploration** activities are included to extend financial literacy learning opportunities throughout the year and provide easy ways to integrate the topics into various content areas.

ASSESSMENTS

A variety of assessments are integrated throughout each of the twelve lessons. Assessments are designed to build value, meaning, and context around a topic, while providing teachers with opportunities to evaluate prior student knowledge, and collect evidence their new understandings of lesson concepts and skills. Pre- (formative) and post- (summative) assessments are noted on the first page of each lesson. Assessments include discussions, reflections, questions and answers, reading, writing, and problem-solving exercises. Assessments are aligned to standards so that teachers may track students' mastery of standards. Student handouts are an especially useful form of written assessment.

LESSON STRUCTURE

Each lesson is designed to include the following:

- **Warm Up** introduces students to the topic and sparks inquiry.
- **Guided Exploration** integrates cross-curricular and developmentally appropriate learning activities and assessments while focusing on the key financial literacy learning objectives of the lesson, with teacher guidance.
- **Money Smart Tips** are provided throughout lessons to offer additional guidance, interesting and relevant financial facts, and additional ideas to help make *Money Smart* a success in your classroom.
- **Group Exploration** allows students to work in small groups to explore concepts and solve problems together. Cooperative learning is considered a “best practice” in middle school instruction.
- **Independent Exploration** activities are designed to engage students in the process of learning through individual discovery, research, and interpretation. These activities are more independent than the Guided and Group Exploration activities and may also be used as homework assignments or independent study.
- **Wrap Up** provides a reflection question or activity to review lesson concepts and allow students to demonstrate their understanding.
- **Extended Exploration** provides teachers with additional opportunities to extend financial literacy concepts throughout the school year within core content areas including English Language Arts and Math. Activities can be completed as a class, in small groups, or by students individually. Useful resources (such as books, web links, games, or videos) are also included to promote even more student engagement. The books and online resources suggested in this guide are just a few of the many available resources that explore these topics, and are not endorsed by the FDIC.
- **Student Handouts** (found in the **Student Guide**), **Group Handouts** (found in this guide), and **Teacher Presentation Slides** provide dynamic instructional support. Student and group handouts create an opportunity for students to apply their knowledge and for teachers to assess their understanding. Teacher presentation slides offer visuals and interactive activities corresponding with lessons.
- The **Answer Key**, **Glossary**, and **Standards Chart** house all of the information needed to check for understanding, define key terms, and check which activities meet specific education standards. Vocabulary words are **bolded** in each lesson as they are introduced. It may be helpful to distribute copies of the entire glossary to students as a reference.

MONEY SMART AT HOME

The *Money Smart* curriculum includes a helpful **Parent/Caregiver Guide** that corresponds to the classroom materials. Families may also use it independently of the curriculum. It contains resources, activities, games, and conversation starters on financial literacy topics covered in each lesson. Use the following ideas to encourage parents to use the guide at home:

- Introduce parents to the *Money Smart* program and share the **Parent/Caregiver Guide** at the start of the school year.
- Discuss the *Money Smart* program during parent-teacher conferences or in monthly parent newsletters home, and emphasize the importance of building healthy financial habits from an early age.
- Hold a *Money Smart* family night. Play games and have students share short skits about financial concepts they have learned.
- Send student handouts from each lesson home in homework folders for parents to review and sign.

INTERDISCIPLINARY PROJECTS

Interdisciplinary project-based learning provides the connectedness that many middle school students need as they make the transition from single classroom instruction in elementary school to subject-specific classrooms at the secondary levels. This section provides a few ideas for connecting financial literacy across disciplines into single projects.

1. Financial Literacy Assembly or Community Awareness Campaign

Use arts-integration to allow students a creative outlet to demonstrate their learning from one, some, or all *Money Smart* lessons. Some options include:

- **Drama:** Write and perform a play, a video advertisement, or a news broadcast. For example: students could combine their learning from **Lesson 1: *The Path to Success*** and **Lesson 2: *Bread and Butter*** to write a play about how to select a career field, how to get a job, and what happens once you get a job.
- **Visual Art:** Study and develop public service announcement (PSA) posters for the school or the community. For example: students could use their learning from **Lesson 10: *Protecting Yourself*** to develop PSA posters on what identity theft looks like, how to avoid it, and what you should do if you suspect that you are a victim of it.
- **Music/Choir:** Write and perform a song or rap. For example: students can demonstrate their learning from **Lesson 12: *Spend, Save, or Give?*** by writing a song that helps other students identify the various ways that they can spend, save, or give their money. The song can be played on the school PA system, posted on the school website or performed at an assembly.
- **Technology:** Create PSAs using PowerPoint, Prezi, Microsoft Publisher, online cartoon creators like <http://www.abcya.com/animate.htm> or <http://scratch.mit.edu/>, or other design programs. For example: students could create an online cartoon to share with others that demonstrates their understanding of **Lesson 7: *How to Stash Your Cash***.

2. Managing a Budget

Planning a field trip, an assembly, or a school party? Develop an interdisciplinary project to allow students to create and manage the budget. Some options include:

- **Social Studies:** Assess the needs and wants of the event. Prioritize necessary items and then wanted items. Students can use their learning from **Lesson 4: *Being a Savvy Shopper*** to research to identify and evaluate costs.
- **Math:** Develop a suggested budget based on assessing needs and wants for the event. If and when the budget is accepted, manage the spending to ensure that the event does not go over budget. Students can use their learning from **Lesson 3: *Designing Dreams*** and **Lesson 5: *Go with the Flow***.
- **English:** Write a persuasive letter to the school administration explaining the needs and wants of the event, analyzing the suggested budget, and requesting the funds to execute the event. Students can use their learning from **Lesson 3: *Designing Dreams*** and **Lesson 5: *Go with the Flow***.

3. School Store

Whether your school has a school store, or it is something that the students might be interested in starting, consider developing a project to provide students with ownership, while allowing them to learn more about financial literacy. Some options include:

- **Social Studies:** In coordination with other students and staff in the building, develop an inventory of needs and wants that can be supplied in the school store. Use research to identify and evaluate costs. Students can use their learning from **Lesson 4: *Being a Savvy Shopper***.
- **Math:** Develop a budget for purchasing bulk items. Consider options for and create sale prices for each item. Create a cash flow statement to determine the amount of product that must be sold in order to turn a profit. Students can use their learning from **Lesson 3: *Designing Dreams*** and **Lesson 5: *Go with the Flow***.
- **Art/Design:** Use advertising techniques to advertise and sell the school store products. Students can use their learning from **Lesson 4: *Being a Savvy Shopper***.
- **English:** Write a persuasive argument to open a school savings account to keep school store profits in a safe place and earn interest. Alternately, write a persuasive argument to invest the profits in an investment vehicle like stocks or bonds. Students can use their learning from **Lesson 7: *How to Stash Your Cash*** and **Lesson 8: *Money Doesn't Grow on Trees***.

4. Create and Use Financial Literacy Games

Playing games is a great way to engage students in learning. Even better, is to allow students to create their own games to play. Students can demonstrate their learning from one, some, or all **Money Smart** lessons. These games can be created and played in several subject areas including Social Studies, English, Math, and Art. Some options include:

- **The Path to Success:** Create a game where you must make choices about your education, your career, the jobs you get and the associated income, the taxes you pay on your income, and the insurance purchases that you can make. **Money Smart** connections: **Lesson 1: *The Path to Success***, **Lesson 2: *Bread and Butter***, **Lesson 11: *Risky Business***.

- **Charge It!** Create a game where you can make choices about which credit card to apply for, make purchases with credit versus cash, and build credit. **Money Smart** connection: **Lesson 9: Credit and Debt.**
- **Money, Money, Money:** Create a game where you can make choices about how to earn and spend money, factoring in cash flow, saving, and charitable giving. **Money Smart** connections: **Lesson 5: Go with the Flow, Lesson 12: Spend, Save, or Give?**

5. Solve a Community Problem

The intersection of problem-solving and real-life application is important for middle school students. What better way to combine the two than to solve a community-wide problem? Start by considering problems in your community. Problems could be split along content lines, for example:

- **Science:** Does your community recycle? How “green” is your community? Investigate science career fields and discover how students might make a career of solving these community problems, using **Lesson 1: The Path to Success.**
- **Technology:** Who has access to technology in your community? Inform your community about online threats after covering **Lesson 10: Protecting Yourself.**
- **Arts:** Does any part of your community need beautifying? Determine a method to raise and spend money on community beautification using **Lesson 5: Go with the Flow.**
- **Foreign Language:** Do non-English speaking members of your community need access to resources? Consider developing a foreign-language PSA that ties to student learning from **Lesson 4: Being a Savvy Shopper.**

Encourage students to use the financial literacy topics learned in **Money Smart** lessons to identify a community problem and develop and maintain a budget for solving the problem.

FINANCIAL LITERACY ALL YEAR LONG

Highlight financial literacy at your school all year long, especially in April, during National Financial Literacy and School Library Month.

- Create bulletin boards or posters with students about financial literacy themes learned in **Money Smart.**
- Develop interdisciplinary projects that incorporate financial literacy topics.
- Create a class or school newsletter with students to distribute to the school community about money skills and financial concepts covered in class.
- Integrate real-world applications of financial literacy into content area classes.

The more students are exposed to financial literacy, and the more opportunity they have to practice applying their new knowledge and understanding of concepts, at school and at home, the more prepared they will be to live **Money Smart** lives.



LESSON 9: GIVE CREDIT WHERE CREDIT IS DUE

GRADES
6-8

LESSON OVERVIEW

As students gain additional understanding of borrowing and lending, analyzing the cost of borrowing becomes a critical skill to practice. In this lesson, learners demonstrate their understanding of **credit** by recognizing how to manage and damage credit, qualifications for a credit candidate, and how credit cards fit into the larger discussion on credit.

TOPIC: Credit and Debt

TIME REQUIRED: 55 minutes
(excluding **Extended Exploration** activities)

LEARNING OBJECTIVES:

Students will be able to...

- Understand how to build credit and avoid practices that may hurt credit
- Identify the economic benefits of good credit
- Discuss the consequences of debt

SUPPLIES:

- Loose-leaf paper for **Letter to My Future Self**
- Access to the Internet (**optional**)

PREPARATION:

- Make copies of student handout and group handouts
- Set up individual or group computers with access to the Internet (**optional**)
- Print credit/debt crisis article
- Student grouping strategy for jigsaw activity

Group Handouts	16
Answer Key	20
Glossary with key vocabulary	21

STUDENT HANDOUT:

(found in **Student Guide**)

- **Understanding Credit Anticipation Guide**

GROUP HANDOUTS:

- **Credit Vocabulary** (station set)
- **The Pros and Cons of Credit** (station set)
- **How to Build Good Credit** (station set)
- **Practices That Hurt Credit** (station set)

ESSENTIAL QUESTIONS:

- *What is credit?*
- *In what instances should you use credit?*
- *What are some strategies to maintain good credit?*
- *How does having good credit result in other positive benefits?*

ASSESSMENT ACTIVITIES:

Pre-Assessment:

- **Understanding Credit Anticipation Guide** from the Warm Up

Post-Assessment:

- **Understanding Credit Anticipation Guide** after the Group Exploration
- **Letter to My Future Self** activity



INSTRUCTION STEPS

WARM UP

UNDERSTANDING CREDIT ANTICIPATION GUIDE [5 MINUTES]

Provide students with the *Understanding Credit Anticipation Guide* student handout. Allow students a few minutes to fill it out under the “Before” column. Explain that students will return to their guide during the Group Exploration, as they learn more about credit, but this is ungraded in the “Before” column.

MONEY SMART TIP!

A debit card allows you to make purchases in real time by accessing the money in your savings, checking, or other on-demand accounts. A credit card allows you to use a loan to make purchases and pay back the loan within a specified amount of time. See more at <http://www.consumer.ftc.gov/articles/0332-credit-debit-and-charge-cards>.

GUIDED EXPLORATION

UNDERSTANDING CREDIT MINI-LESSON [10 MINUTES]

Over the course of the lesson, students will learn all of the information they need to accurately complete the “After” section of their *Understanding Credit Anticipation Guide*. To start, explain that, when you get a credit card, the bank is giving you a possible loan up to the credit limit, say \$5,000. (When you apply for a credit card, issuers will determine your ability to handle debt by reviewing your application and credit report. They also determine the credit limit during this process.) In other words, you are borrowing money. If you choose to take a portion of that “loan” to purchase something, and you do not repay it in full by the statement due date, you will be charged **interest** (which is the cost of borrowing money) because you took advantage of the loan.

So, let’s say you have a credit card with a 15% **annual percentage rate (APR)**, which is the fee you pay for borrowing money. Most credit cards compound interest on a *daily* basis, so you have to calculate how much interest you owe on a credit card daily. To do this, divide 15% by 365 days in the year, which equals a daily interest rate of 0.041%. Then, let’s say you spent \$10,000 using your credit card. Most credit card companies allow a 21-day grace period before charging interest, but if you cannot pay off your credit card during that time period, you will begin to pay interest. On the first day, you would multiply your \$10,000 credit card balance by the daily interest rate (.00041), and you would get \$4.10. On the second day, you’d multiply your \$10,004.10 balance by the daily interest rate (.00041), and you would get \$4.10 again, making your total \$10,008.20. If you let your credit card compound over 30 days, you’d owe \$10,125.76. Over a year, you’d owe \$11,617.98.

Check students’ understanding by asking:

- *What are the advantages of using a credit card?*
- *What are the disadvantages?*

Remind students that there are many ways to make a purchase, aside from using credit, such as using cash, debit, or installment loans.



MONEY SMART TIP!

Credit card agreements are required to explain the APR of each card, in addition to penalties and fees. The Federal Reserve has an explanation of each.
<http://www.federalreserve.gov/creditcard/flash/offerflash.html>.

CREDIT AND DEBT IN THE UNITED STATES [10 MINUTES]

Select (either from links or from an online news search) an informational text about credit and debt in the United States. Topics include student loans, low credit scores, and defaulting on loans.

After the class has read the article, discuss common problems with credit and debt in the United States. Some broad questions include:

- *What is the crisis here?*
- *What actions could individuals have taken to avert this crisis?*

GROUP EXPLORATION

UNDERSTANDING CREDIT JIGSAW GROUPS [20 MINUTES]

Split students into four groups. Set up four stations, each with one of the following group handouts:

- 1) ***Credit Vocabulary***, 2) ***The Pros and Cons of Credit***, 3) ***How to Build Good Credit***, and 4) ***Practices That Hurt Credit***. Tell students to take their anticipation guides to their stations.

In stations, students should learn more about their topic area. If they come across an answer that is on their ***Understanding Credit Anticipation Guide***, they should write that answer in the “After” column with evidence to support their “After” answer. (For example: if the answer is false, what would make the statement true?) Explain that, eventually, they will be placed in a group with three other people from the other stations, so they must be able to explain the information that they are marking.

Once students are finished with their groups, they should be “jig-sawed” (regrouped) into a group with one member from each station. So, new groups should be composed of at least one member from ***Credit Vocabulary***, at least one member from ***The Pros and Cons of Credit***, at least one member from ***How to Build Good Credit***, and at least one member from ***Practices That Hurt Credit***.

In their groups, students should share and explain the correct answers that they logged in the “After” section of their ***Understanding Credit Anticipation Guide***. By the end of this portion, all students should have the correct answers in the “After” column of their guide.

Optional check for understanding questions:

- *What are some strategies to maintain good credit?*
- *What are the benefits of having good credit?*
- *What are the consequences of being in debt?*
- *When should you use credit?*



WRAP UP

LETTER TO MY FUTURE SELF [10 MINUTES]

Remind students that they have just learned information about credit and debt, but people in the United States continue to struggle under the weight of debt.

Ask students to take out a sheet of loose-leaf paper, on which they will write a letter to their future selves. In their letter, students should provide financial tips about debt and credit and remind themselves about strategies to maintain good credit.

MONEY SMART TIP!

Do you want students to actually receive their letters from the future? “Future Me” allows students to compose an email and send it to themselves in the future. <http://www.futureme.org/>

EXTENDED EXPLORATION

Note: Use the following ideas to extend financial literacy concepts throughout the school year within core content areas through English Language Arts, Math, Social Studies and Economics, and Technology activities, projects, and discussions. Duration of activities will vary.

ENGLISH LANGUAGE ARTS

- **Writing Prompts:**
 - Who should be allowed to have a credit card? Do age, personal history, income, or employment matter? Develop criteria for who should be allowed to have a credit card, and support each criterion.
 - Solve the problem. As you have learned, many Americans struggle with credit and debt. How can this problem be solved?
- **Additional Readings/Resources:**
 - *Credit, Loans, and Debt* by the Federal Trade Commission: Articles on credit history and using credit. <http://www.consumer.gov/section/credit-loans-and-debt>
 - *Credit and Loans* by the Federal Trade Commission: Articles on the impact of credit scores, free credit reports, and rights and responsibilities of owning a credit card. <http://www.consumer.ftc.gov/topics/credit-and-loans>
 - *Choosing a Credit Card* by the U.S. government: A list of factors to consider when choosing a credit card. <http://www.usa.gov/topics/money/credit/credit-cards.shtml>
 - *The Math of Credit Card Debt, Explained* by National Public Radio: A video explanation of how credit cards work and how credit card companies make money. (Time of video: 4:30 minutes) <http://blogs.kqed.org/lowdown/2014/01/21/how-credit-cards-really-work/>



MATH

- **Activity/Project Ideas:**
 - Compare credit card statements. Using the same sample purchase, compare the cost of the purchase using each of the credit cards.

SOCIAL STUDIES ANDECONOMICS

- **Activity/Project Ideas:**
 - In 2009, the U.S. federal government passed the Credit Card Accountability, Responsibility, and Disclosure (CARD) Act. Have students evaluate the changes made as a result of this act.

TECHNOLOGY

- **Online Games/Tools:**
 - *It Costs What?* by the Educational Broadcast Corporation: A game that helps students understand credit cards and how four people can end up paying different amounts on the exact something. <http://www.thirteen.org/finance/games/itcostswhat.html>
 - *It All Adds Up* by the Council for Economic Education: Online games teaching students about credit management. <http://www.italladdsup.org/>
 - *Celebrity Calamity!* by Financial Entertainment: A game that helps students learn about credit and debt management by managing the finances of a clueless celebrity. <http://financialentertainment.org/play/celebritycalamity.html>



CREDIT VOCABULARY

Directions: Distribute one copy at station for **Understanding Credit Jigsaw Groups** activity.

Credit: An agreement to provide goods, services, or money in exchange for future payments with interest by a specific date or according to a specific schedule. The use of someone else's money for a fee.

There are many types of credit, but the two most common types are:

- **Installment Loans:** A set amount of money lent to you for a specific purpose.
 - Student Loans
 - Auto Loans
 - Mortgage Loans
- **Revolving Credit:** A line of credit you can keep using after paying it off. You can make purchases with it as long as the balance stays under the credit limit, which can change over time. Credit cards are the most common type of revolving credit.

Credit Card: A plastic card that authorizes the purchase of goods and services in exchange for future payment with interest, according to a specific schedule.

Credit Report: A credit report contains information about your credit — and some bill repayment history — and the status of your credit accounts. This information includes how often you make your payments on time, how much credit you have, how much credit you have available, how much credit you are using, and whether a debt or bill collector is collecting on money you owe. Lenders use these reports to help them decide if they will loan you money, what interest rates they will offer you, or to determine whether you continue to meet the terms of the account. Credit reporting companies (also known as credit bureaus or consumer reporting agencies) compile these reports.

Debt: Something owed, usually measured in dollars.

Source: <http://www.consumerfinance.gov/askcfpb/309/what-is-a-credit-report.html>



THE PROS & CONS OF CREDIT

Directions: Distribute one copy at station for **Understanding Credit Jigsaw Groups** activity.

Pros of Credit	Cons of Credit
<ul style="list-style-type: none">• Immediate Access to Money: Credit can help with an expensive, unexpected emergency and give you the flexibility to pay it off overtime.• Security: Lose cash, and it's gone. Lose a credit card and it can be cancelled. Also, if you report your stolen credit card promptly, you're protected against its unauthorized use.• Convenience: Credit cards are accepted worldwide.• Rewards: Many credit cards have rewards programs that earn you benefits such as free travel.	<ul style="list-style-type: none">• Interest: Using credit means that you are borrowing money and you must return it with interest, if you don't repay by the due date.• Fees: You may have to pay certain additional fees with some credit products, such as an annual fee.• Debt: Often, as a result of late payments, many people find themselves sunk in credit card debt with no way out. Late fees, piling interest, and other charges make it harder and harder to get out of debt.• Overspending: When you have credit, it is easy to overuse it. When you aren't exchanging actual money, it feels like you're not paying anything at all. Soon enough, the charges catch up and sink you in debt.



HOW TO BUILD GOOD CREDIT

Directions: Distribute one copy at station for **Understanding Credit Jigsaw Groups** activity.

HOW TO BUILD GOOD CREDIT

Here are some tips to help you establish good credit:

- Pay your loans, bills, and other debts on time. This will show you are responsible for your finances.
- If you have a credit card, try to charge only what you can afford to pay off immediately or very soon.
- Review your credit report for errors.
- Think carefully before you take out new credit cards or loans. Multiple credit inquiries can lower your credit score.
- You can apply for a bank loan secured by the funds you have on deposit. You can also ask a friend or relative who has good enough credit to cosign a loan, which means that he or she shares the liability for the loan with you. Before you apply for credit, however, make sure you understand the terms.

Patience is important. It takes time to establish credit, to build a record of consistency in making payments that demonstrates your creditworthiness. And it is much better to go slowly and assemble a strong credit record than to apply for too many credit cards or a loan that is larger than you can handle. Remember that credit represents real money and has to be repaid with interest. Those are the keys to establishing good credit.

THE BENEFITS OF GOOD CREDIT

In general, the better your credit history and credit score:

- The better your chances are of getting a loan, including a credit card.
- The more likely you will be offered an attractive interest rate (this will save you money).

Credit reports and scores also can be considered when you apply for a job, an insurance policy or an apartment.

Sources: The FDIC, FTC, and the Federal Reserve Bank of Philadelphia



PRACTICES THAT HURT CREDIT

Directions: Distribute one copy at station for **Understanding Credit Jigsaw Groups** activity.

PRACTICES THAT HURT CREDIT

When you borrow money, you will generally sign an agreement to repay the money you borrow (plus interest) according to a specific schedule. Some of the ways that you can harm your credit include:

- Not repaying a loan on time as you agreed
- Not repaying other debts (such as phone or utility bills) on time
- Borrowing as much (or more) money on your credit card as your lender agreed to lend you (having an outstanding balance that is close the credit limit)
- Applying for a lot of credit over a short period of time

THE DRAWBACKS OF BAD CREDIT

If you have a poor credit history, you are more likely to:

- Not be approved for a loan or credit card
- If you are offered a loan, you will likely pay more money in interest
- Pay more money for insurance
- Have an application to rent an apartment be denied, or if it is approved, pay a larger security deposit

Sources: The FDIC, FTC, and the Federal Reserve Bank of Philadelphia

ANSWER KEY

for Student Handouts

LESSON 9: UNDERSTANDING CREDIT ANTICIPATION GUIDE

Credit Statement	Before	After
1) Credit cards are the only type of credit available.		F
2) One reason why people use credit is to help pay for an unexpected emergency expense.		T
3) One reason why people don't like using credit is that few businesses accept credit.		F
4) One way to build credit is to request your credit report once a month.		F
5) Credit reports include information on credit card accounts and student loans.		T
6) Credit cards allow you to miss several payments without penalties.		F
7) Negative credit information stays on your credit report for only two years.		F
8) When credit is used, a portion of your future income is spent/committed.		T

GLOSSARY

Annual Percentage Rate (APR): The cost of borrowing money on a yearly basis, expressed as a percentage rate.

Bank: A financial institution and business that accepts deposits, makes loans, and handles other financial transactions.

Budget: A plan that outlines what money you expect to earn or receive (your income) and how you will save it or spend it (your expenses) for a given period of time.

Career: The type of work a person pursues for the majority of their life that may involve formal education, special training, or be within a specific industry.

Cash Flow: Income and expenses over a given period of time.

Credit: The ability to borrow money and pay it back later.

Credit Card: A plastic card that can be used to obtain credit (such as to purchase goods and services).

Debit: An amount of money taken out of a deposit account to pay for something.

Debit Card: A plastic card that can be used to deposit or withdraw cash from a checking or other bank deposit account, such as at automated teller machines or at retail locations that accept cards.

Debt: Money that is owed.

Discretionary Expenses: Money that is not essential to spend; money spent on wants.

Diversification: The approach of spreading your money among various investments with the hope that if one investment loses money, the others will make up for those losses; also referred to by the phrase "don't put all your eggs in one basket".

Earned Income: Money you get from working, such as wages, commissions and tips.

Expense: The cost of goods and services; the amount of money that is spent.

Federal Deposit Insurance Corporation (FDIC): Preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least \$250,000. An independent agency of the federal government, the FDIC was created in 1933.

Financial Institution: A bank or credit union.

Fixed Expense: An expense that does not change from month to month.

Goal: Something you wish to achieve or accomplish in a specific amount of time.

Identity Theft: When someone steals another person's identity to commit fraud, such as by using his or her name or Social Security number to get something. Identity theft is a crime.

Income: Money that you receive from jobs, allowances, gifts, interest, dividends, and other sources.

Income Tax: Taxes on income, both earned (salaries, wages, tips, commissions) and unearned (interest, dividends). Income taxes can be levied on both individuals (personal income taxes) and businesses (business and corporate incometaxes).

Insurance: A contractual relationship that exists when one party (the Insurer), for a fee(the

GLOSSARY (continued)

premium) agrees to reimburse another party (the Insured or third party on behalf of the Insured) for a specific loss.

Interest: Money that a bank or other financial institution pays you for keeping money on deposit with them, or the amount of money you pay a bank as a fee when you borrow money.

Invest: To put money at risk with the goal of making a profit in the future.

Investment Vehicles: The methods that a person (or business) can use to invest money.

Job: A specific duty, task, or activity someone completes using his or her time, skills, and energy to earn money.

Mutual Fund: An investment tool that pools the money of many investors and invests it in stocks, bonds, and money market assets, or other securities.

Need: Something you must have to survive, such as clothes, shelter, or food.

Opportunity Cost: The next best thing that you give up in order to do something else; a trade-off of a decision you make.

Payroll Deduction: Money that an employer withholds from earnings.

Phishing: When fraudsters impersonate a business or government agency to try to get you to give them personal information, such as through an email or text message. Can also be thought of as “fishing for confidential information”.

Profit: The money gained or left over after money spent (expense) is subtracted from money earned (income).

Return: Money made (profit) from an investment.

Risk: The possibility that something unplanned or unintended may happen (such as losing money). Uncertainty about outcomes that are not equally desirable. In finance, it refers to the degree of uncertainty about the rate of return and the potential harm that could arise when financial returns are not what the investor expected.

Risk Management: The process of calculating risk and choosing approaches to minimize or manage loss.

Save: Setting something, like money, aside to use in the future.

Savings Account: A bank account that you can use to set aside money, and that pays you interest.

Savings Bond: People lend money to the Government so it can pay its bills. Over time, the Government gives that money, plus a bit extra (interest), back to those people as payment for using the borrowed money.

Stock: An investment that represents a share of ownership in a company.

Tax: Money that has to be paid to a government to provide public goods and services.

Variable Expense: Money that a person spends or gives away that varies from month to month.

Want: Something that you would like to have but that you could live without, such as a TV or tickets to a baseball game.



**Money
Smart**

for Grades 6-8
Student Guide



A fun way to help kids
get smart about money.





UNDERSTANDING CREDIT ANTICIPATION GUIDE

Name: _____

Directions: Read the statement, then write T for TRUE or F for FALSE after each statement.

Credit Statement	Before	After
1) Credit cards are the only type of credit available.		
2) One reason why people use credit is to help pay for an unexpected emergency expense.		
3) One reason why people don't like using credit is that few businesses accept credit.		
4) One way to build credit is to request your credit report once a month.		
5) Credit reports include information on credit card accounts and student loans.		
6) Credit cards allow you to miss several payments without penalties.		
7) Negative credit information stays on your credit report for only two years.		
8) When credit is used, a portion of your future income is spent/committed.		