

Junior Achievement

SAVE, USA



GRADES 6-8 SESSION

Give Me Some Credit

Give Me Some Credit



GRADES 6-8 SESSION

Acknowledgements

Sponsorship

JA Worldwide (Junior Achievement) gratefully acknowledges the Allstate Foundation for its dedication to the development and implementation of Junior Achievement *\$ave, USA*. JA Worldwide appreciates its partnership with the Allstate Foundation to inspire and prepare young people to succeed in a global economy. JA programs encourage self-confidence and motivate young people to achieve their personal, educational, and career goals.



GRADES 6-8 SESSION

Give Me Some Credit

Overview

Students realize that credit cards, when used responsibly, help consumers acquire the goods and services they want and need. Smart consumers understand the costs and benefits of using credit.

Objectives

Students will be able to:

- Analyze credit card statistics.
- Explain how new credit card regulations affect consumers.
- Evaluate credit card use.
- Distinguish between good and bad debt.

Preparation

Review the session and list of materials. Discuss with the teacher how best to group the students and arrange the room for the activities.

Prepare copies of the student materials listed on Page 2. Ask the teacher to provide sticky notes or bring a package to the classroom. The notes should be large enough for students to prepare a written response to the questions provided on the Credit Question Sheets.

Work with the teacher to identify the best locations to display the Credit Question Sheets. Become familiar with the Key Terms and concepts presented in the session. If possible, post the Key Terms in a visible place. Consider providing a personal example for each.

Check with the teacher to see if Table Tents are needed or recommended. If you plan to use the Table Tents, ask the teacher to provide you with a current student roster prior to the session.

Recommended Time

This activity typically takes 45 minutes to complete. Ask the teacher to help you keep track of the time.

CONCEPTS

Credit CARD Act of 2009
Finance charge
Fees

SKILLS

Analysis
Oral communication
Teamwork

Materials

- Table Tents (per teacher's recommendation; 1 per student)
- Credit Card Sample
- Credit Card Statistics Sheets (A-E)
- Credit CARD Act of 2009 Fact Sheet (1 per group)
- Credit Question Sheets (A-H)
- Sticky Notes (not included)
- Tape (not included)
- Pens or pencils (not included)

Presentation

Introduction

Greet the students, and introduce yourself. Briefly describe what you do and where you work. Relate something special you remember about being in middle school. Give an example of how a good education has been important in your life and to your professional success.

Explain that you are a **volunteer** with Junior Achievement. Note that Junior Achievement is an organization that teaches students about the importance of business and economics in our lives, our nation, and our world. Junior Achievement seeks to educate and inspire young people to value entrepreneurship, financial literacy, and work readiness, and to improve the quality of their lives.

Mention that you are visiting their classroom as a part of a special Junior Achievement *\$ave, USA* program that teaches students basic skills to develop sound financial habits.

Hold up the Sample Credit Card, and have students suggest words that come to mind when they think about credit cards. Write their ideas on the board.

Explain that credit cards often are confused with money, because people use credit cards when they buy things. Tell the students that credit cards are not money, but are actually loans. When consumers use credit cards they agree to pay back the amount borrowed at a future date, plus **interest**.

Explain that credit card companies charge interest for the convenience of using the card. Some cards have interest rates of 20 percent or higher. That means for every dollar you spend, there is a 20-cent **finance charge**.

INTRODUCTION TIME

10 minutes

KEY TERMS

Volunteer: A person who chooses to help another person or business, but receives no pay.

Finance Charge: An amount charged for the use of credit.

Fee: Various costs associated with using a credit card.

Interest: Payment for the use of money (principal x interest rate x time).

What does that mean if you use your credit card to purchase a meal at a fast-food chain? Discuss reasons why it is not a good idea to pay 20 percent more in interest for a hamburger.

Explain that credit cards were first used in the United States in 1950. Prior to that, individual stores issued credit cards that could be used at their business only. The Diners Club was the first to issue a card that allowed consumers to charge meals at participating restaurants; technically, however, it was a more of a charge card because users had to repay the entire balance when they received their bill.

Display the Credit Card Statistics Sheets one at a time. Have the students comment on each Sheet. Point out that since 1950, more and more people use credit cards and the rules for acquiring and using them have become more complicated.

As the credit cards' terms of use became increasingly difficult to understand, consumers became less informed about the stipulations associated with using a credit card.

Write Credit CARD Act of 2009 on the board. Explain that in 2009, in response to the increasing debt of U.S. consumers, Congress passed a regulation that required credit card companies to make card statements and terms of agreement easier for cardholders to understand.

Activity

Separate the class into eight groups and distribute a Credit CARD Act of 2009 Fact Sheet to each group. Allow time for the groups to review the information. Discuss the facts as a class.

Give each group eight Sticky Notes, and assign a skilled speller to be the recorder in each group.

Tape the Credit Question Sheets on the walls around the classroom, leaving room for the students to circulate. Explain that they will participate in an activity called a carousel, in which they will walk with their groups, and stop at each Credit Question Sheet to read and respond to the question.

TECHNOLOGY TIP

If your classroom has access to a Smart Board, display the sample terms and conditions information provided at: applyonlinenow.com/USCCapp/Ctl/entry?sc=UABHD4

ACTIVITY TIME

35 minutes

Have each group move to one of the Credit Question Sheets. Tell them they will have about 3 minutes to discuss the question and agree on one answer. Ask the recorder to write the answer neatly on a Sticky Note and attach it to the Credit Question Sheet, being careful not to cover the question. Ask the groups to begin.

After 3 minutes, have the students move clockwise to the next Credit Question Sheet, where they will repeat the process. Tell the groups to read the answers that have been posted to avoid repetition.

Continue the activity until each group returns to its original Credit Question Sheet. Ask the recorders to remove their Sheet from the wall and bring it to the front of the class. Have the students return to their seats.

Beginning with Credit Question Sheet One, read aloud each Sheet's question and the groups' responses. Ask the students to comment on any responses with which they disagree, select the response they feel is the best, and then sort the responses from strongest to weakest.

Pause after Credit Question Sheet Seven, and explain to the students that understanding how to use credit cards does not happen by accident.

Hold up Credit Question Sheet Eight, and read aloud the responses. Discuss other ideas students have for developing positive borrowing habits. Possible responses include: always return items you borrow, keep track of what you borrow, don't lend important items to people who aren't trustworthy.

Remind the students that the path to using credit wisely begins now, with making good decisions at home and with friends.

Summary and Review

Review the credit card statistics and the major provisions of the Credit CARD Act of 2009. Reiterate that wise credit card use begins by understanding the pros and cons of credit card use, and exhibiting responsible borrowing behavior.

SUMMARY AND REVIEW TIME

5 minutes

Session Outline

Introduction

- Greet the students, and introduce yourself.
- Display the credit card statistics.
- Present information about the Credit CARD Act of 2009.
- Discuss credit card use.

Activity

- Conduct the carousel activity.

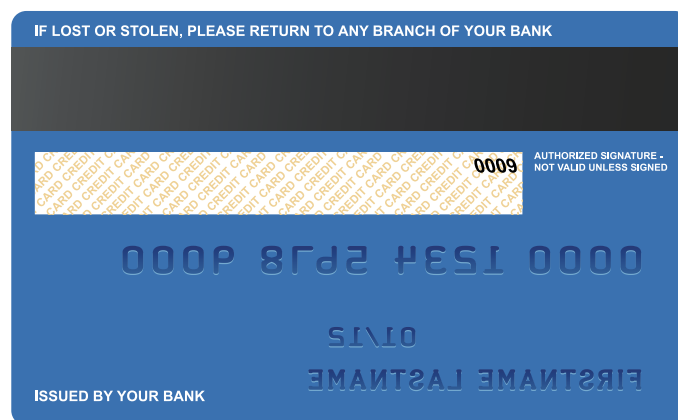
Summary and Review

- Review key concepts.
- Emphasize the importance of developing good borrowing habits.
- Thank the students for their participation.

Answers to Pre-/Post-Test

1. b, 2. c, 3. a, 4. b, 5. b, 6. b

Credit Card Sample



Credit Card Statistic

Americans have approximately 1.5 billion credit cards.



Sources:

money-zine.com/Financial-Planning/Debt-Consolidation/Consumer-Debt-Statistics/ hoffmanbrinker.com/credit-card-debt-statistics.html

Credit Card Statistic

At least one in 10 consumers has more than 10 credit cards (the average is four).



Sources:

money-zine.com/Financial-Planning/Debt-Consolidation/Consumer-Debt-Statistics/ hoffmanbrinker.com/credit-card-debt-statistics.html

Credit Card Statistics



Cardholder Statistics

- One-third of Americans do not have a credit card.
- 54 percent pay their balance in full each month.
- 33 percent carry balances up to \$10,000 (median balance: \$2,254).
- 13 percent carry balances over \$10,000 (median balance: \$17,366).

Sources:

money-zine.com/Financial-Planning/Debt-Consolidation/Consumer-Debt-Statistics/ hoffmanbrinker.com/credit-card-debt-statistics.html

Credit Card Statistic

The average credit card debt per household is approximately \$15,700 (individual debt is about \$5,100).



Sources:

money-zine.com/Financial-Planning/Debt-Consolidation/Consumer-Debt-Statistics/ hoffmanbrinker.com/credit-card-debt-statistics.html

Credit Card Statistic

In the summer of 2009, outstanding credit card debt in the United States was \$899 million. In 1968, it was \$8 billion.

**Sources:**

money-zine.com/Financial-Planning/Debt-Consolidation/Consumer-Debt-Statistics/ hoffmanbrinker.com/credit-card-debt-statistics.html

Credit CARD Act of 2009 Fact Sheet

- Officially titled the Credit Card Accountability Responsibility and Disclosure Act of 2009.
- Credit cards cannot be issued to people under the age of 21, unless he or she has proof of stable income, or an adult co-signer.
- Credit card companies are limited in how they can market their cards. If the offer includes freebies, credit card companies must stay at least 1,000 feet from schools.
- Fees and finance charges must be spelled out on monthly statements. Late fees must be reasonable and proportional and cannot exceed a consumer's minimum payment. For example, if the minimum payment is \$30, the late fee can't be \$35.
- Credit card companies must give consumers at least 45-days notice before changing an interest rate or fee. Companies cannot charge consumers for not using their cards.
- Credit card statements must explain—at a glance—how long it will take to pay off a bill. If you use your credit card to buy a \$1,000 TV, your statement must show the time required to pay for the TV if you pay only the minimum each month. If your card charges 18 percent interest, it will take 113 months (more than 9 years) to pay off the TV. Your total finance charge will be \$923.12, nearly as much as the TV.
- Online calculators provide an accurate way to calculate payments. One example is available at bankrate.com/calculators/managing-debt/minimum-payment-calculator.aspx.



Credit Question

What are some advantages (benefits) to using a credit card to make purchases?

Credit Question

What are some disadvantages (costs) to using a credit card to make purchases?

Credit Question

What is one way that the Credit CARD Act of 2009 will affect you as a consumer?

Credit Question

Some people think that children as young as 12 should be able to have their own credit cards. Do you agree or disagree? Why?

Credit Question

Good debt means using your credit card to buy items that last and will provide value for an extended period of time. What are two purchases you consider good debt?

Credit Question

Bad debt means using your credit card and paying interest for consumable purchases that have lost their value before they are paid-off. What are two purchases you consider bad debt?

Credit Question

Impulse buys (buying something without comparison shopping) can be trouble. What are some ways you can reduce the temptation and avoid impulse buying?

Credit Question

What habits can you develop now to demonstrate you are a responsible borrower?

Student Information

1. What are the first three letters of your **last** name?
2. When were you born?
Month Day Year
3. What grade are you in? (Please check one box only.) 6th 7th 8th Other: _____
4. NOT including this session, how many times have you participated in JA?
(Please check one box only.)
This is my first time. 1 2 3 4 5 or more
5. Are you completing the pre- or post-test?
 Pre-Test
 Post-Test

Knowledge Questions (Please circle the correct answer.)

1. If you buy an item using a credit card, which of the following is true?
 - a. You will pay less for the item over time.
 - b. You will pay interest on the amount you don't pay in full each month.
 - c. You will pay 15% interest on the amount of the purchase.
 - d. You will save money by not using cash.
2. Cindy wants to build a positive credit history. Which of the following is one way she can increase the likelihood of success in this area?
 - a. Never applying for a credit card.
 - b. Using a credit card to purchase items everyday items, such as fast food.
 - c. Paying off the credit card balance each month.
 - d. Carrying a balance on the credit card every month.
3. Which of the following is true?
 - a. Credit cards provide loans that must be repaid.
 - b. Most Americans do not own a credit card.
 - c. A person under 21 years old can have a credit card without a co-signer.
 - d. Credit cards are the same as cash.
4. A disadvantage of credit is:
 - a. It allows you to track expenditures.
 - b. It encourages impulse spending.
 - c. It allows you to establish credit.
 - d. It allows you to buy now and pay later.

5. If you purchase a tablet computer using a credit card and pay only the minimum credit card balance each month, which of the following statements is true?
- Over time, you will pay less for the tablet than if you had purchased it with cash.
 - Over time, you will pay more for the tablet than if you had purchased it with cash.
 - Over time, you will pay the same amount for the tablet.

6. The Credit Card Act of 2009:
- Requires everyone in America to own a credit card.
 - Makes credit card statements easier to understand.
 - Prevents credit card companies from having interest rates over 15%.
 - Protects credit card consumers from identity theft.

7. Financial Management Behaviors

Please indicate the extent to which you engage in the following behaviors.		Never	Rarely	Sometimes	Often	Always
a.	I save my money.	1	2	3	4	5
b.	I have a bank account.	1	2	3	4	5
c.	Before I buy something, I stop to think if I need it or not.	1	2	3	4	5
d.	I save my money for future wants and needs.	1	2	3	4	5
e.	I know how to protect my privacy.	1	2	3	4	5
f.	I set personal financial goals for myself.	1	2	3	4	5
g.	I track how I spend my money regularly.	1	2	3	4	5

Post-Test Only

Are these sentences true for you?				
Please check the box under the answer that applies to you.		Yes	No	I don't know
a.	Junior Achievement made school more interesting.			
b.	Junior Achievement made me aware of career options.			
c.	Junior Achievement was fun.			
d.	Junior Achievement provided a challenge.			
e.	Junior Achievement connected what I learned in the classroom with real life.			
f.	Junior Achievement helped me prepare for the future.			
g.	Junior Achievement made me realize the importance of staying in school.			

Would you recommend this program to a friend? Yes No

List two things you learned from the program that you think are important:

1. _____

2. _____

