



## INTRODUCTION TO CREDIT

### Key Concepts

Borrowing money through credit, evaluating credit and credit card companies.

### Summary

This lesson introduces students to credit cards, credit card perks, and responsible use of credit.

### Overview & Lesson Objectives

This lesson is intended for students in fourth and fifth grades. The lesson introduces the concept of credit and allows students to explore it on a meaningful and concrete level through activities and examples. Each activity guides students in becoming aware of how credit is obtained, retained, and used in a responsible manner.

Students will be able to:

- Define credit
- Describe how to get credit
- Recognize and explain why banks/institutions offer credit to their customers
- List perks offered by credit card companies
- Compare/contrast borrowing money with borrowing an object

### Time Allocation:

15 - 20 Minute Prep

35 - 40 Minutes Engagement

### Materials:

- 3-5 pictures of items students are eager to possess
- Copies of play money
- Book to represent the library analogy
- Copies of Venn Diagram worksheet (one per student)



## Lesson Begins: Setting the Stage

**Background Builder #1:** Show students 3-5 colorful pictures of items that children of this age would like to possess. For example: Laptops, smart phone, cloths, concert tickets, etc. Or create a 3-5 item T-chart on the board. Give each student play money and have them write their name on a bill and have them place it under the item they want, thereby showing which item is most in demand.

**State the Objective:** tell the students what they will be able to do upon conclusion of the lesson.

*“Today we are going to learn about credit which will help you in the future when you may decide to make purchases and buy expensive items for which you do not have enough cash to buy or afford all at once. You should be able to define credit and describe how to get it. You should also be able to explain why banks offer credit and what incentives they may offer you to entice you to borrow.”*

## The Lesson Procedure

Credit is when a bank agrees to buy a product for you and trusts that you will pay the money back over time. Credit can be in the form of a credit card or loan. A loan lets you buy something expensive that you want such as a boat, a car, an education, or even a home.

In order to get credit you have to apply or ask for it. The bank will give you credit if you are approved. But first they have to run a credit report to find out how you’ve handled money in the past. There are other factors that go into getting approved for a loan.

You should also know that the bank will put a limit on how much you can spend/borrow to protect you from taking more than you’re able to pay back. If the bank decides to offer you credit, you may have to pay a fee every year to use this service.

The bank lends you money because it gives them an opportunity to earn money. If you decide to take a long time paying back the money you borrow, you have to pay back extra which is called interest.

- **Credit companies sometimes offer you reward programs for borrowing money from them.** Some companies offer point programs that can be put towards airline tickets, shopping or cash back. (Note, in order to earn points in these programs, you have to spend money, so be careful how much you spend on a credit card as you will have to pay it back).
- **Getting credit protection is a great idea!** There are two types of protection you may want to consider. One involves protecting you in case your credit card is lost or stolen and someone else makes purchases with it. The other ensures your debt gets paid in case you become unable to work and generate an income.



*Draw a Venn diagram on the board to compare a library with an institution providing credit. The analogy will give students something concrete to attach meaning to when learning this new concept.*

**“Let’s compare borrowing a library book with borrowing money to help you understand credit.”**

Respond and record ideas generated for the diagram. Lead students if necessary to discover the following points as well as others that are shared between the bank and library.

- You can borrow a book/money because the librarian/bank trusts that you’ll give it back.
- As long as you give it back within a week/month that’s all you owe.
- If you keep the book/money longer, you have to pay the library/bank money for each day that it’s kept past the due date.
- You may get good things in return for going to the library/bank such as a bookmark, a key chain, a lollipop, etc.
- Both entities want you to borrow.
- Both want to make money.
- Both want you to give the item back within a reasonable amount of time so that someone else can borrow the book or money.

Ask students to respond to the following question on a piece of paper. **“How do you suppose getting a lunch might relate to getting credit?”** Allow 5-7 minutes for them to generate a response. Then ask students to share their responses; guide students to uncover the idea of getting lunch based on credit when you lose or forget your lunch money without having a packed lunch to eat.

## Closing the Lesson

Review with students why people obtain credit and how they use it. You may also select any number of activities from the section entitled “Additional Engagement Opportunities/Resources”.



## Additional Engagement Opportunities / Resources

### Pair and Share

Students (pairs) interview one another about the lesson content. They must summarize the partner's feedback in either written report or verbal format

Sample Questions:

- What item would you be willing to save money for in order to make the purchase?
- Where do you expect to get the money you'll save?
- How much spending money will be available?
- Are there items you'll need to forego in order to save enough money?
- How long will it take you to save enough money for the item you desire?
- *Student generated questions should also be encouraged in place of or in addition to the ones listed above.*

### Quiz the Teacher

Students have the opportunity to flip roles and ask the teacher the questions typically asked of them. Questions need to be generated by each student.

### Storyboard/Stretch to Sketch

Students write and illustrate a storyboard which is a piece of paper folded into six or eight squares. Each square is filled with a picture and caption. The story should be an example of how saving could be useful in each student's life.

## Educational Standards

### **National Council of Teachers of Mathematics Principles and Standards for School Mathematics, 2000:**

Connections – (Students will) Recognize and use connections among mathematical ideas.

Connections – (Students will) Recognize and apply mathematics in contexts outside of mathematics.

### **NJ Core Curriculum Content Standards in Personal Financial Literacy 2014:**

*Standard 9.1: 21<sup>st</sup> Century Life and Careers*

*9.1 C. Credit and Debt Management: 9.1.4.C.1, 9.1.4.C.2*

*9.1 E. Becoming a Critical Consumer: 9.1.4.E.2*

### **National Standards in K – 12 Personal Finance Education (from Jump\$tart Coalition) 2017:**

*Financial Decision Making:*

*Standard 1, "Recognize the responsibilities associated with personal financial decisions."*

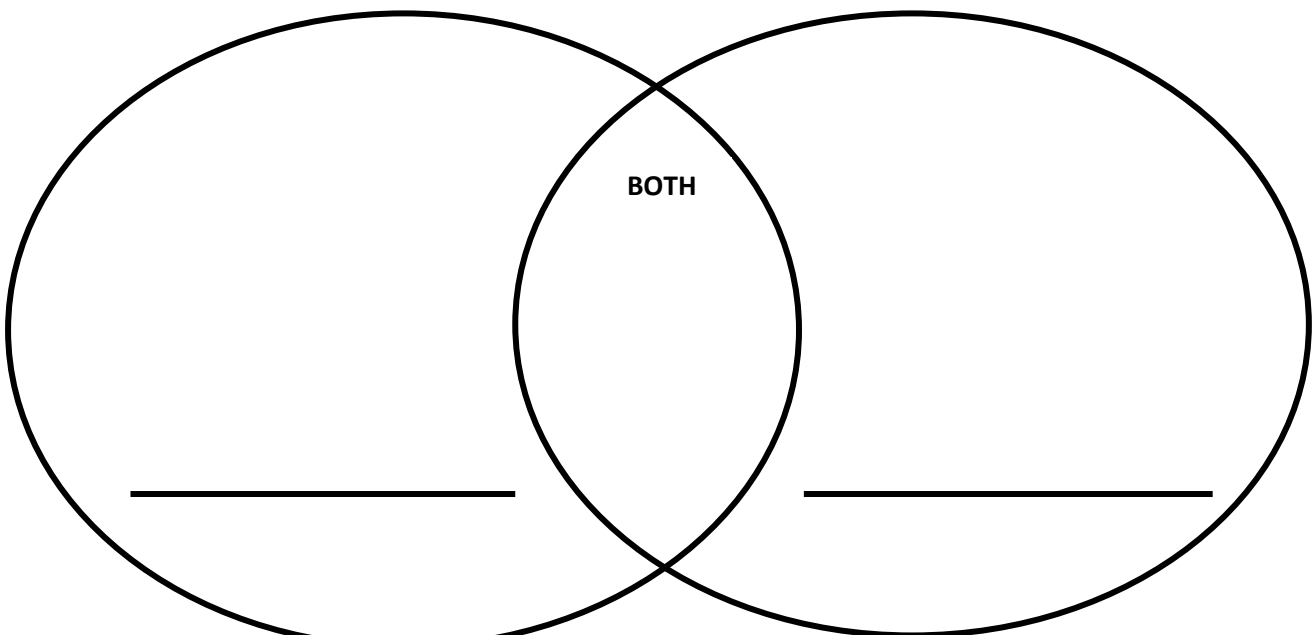
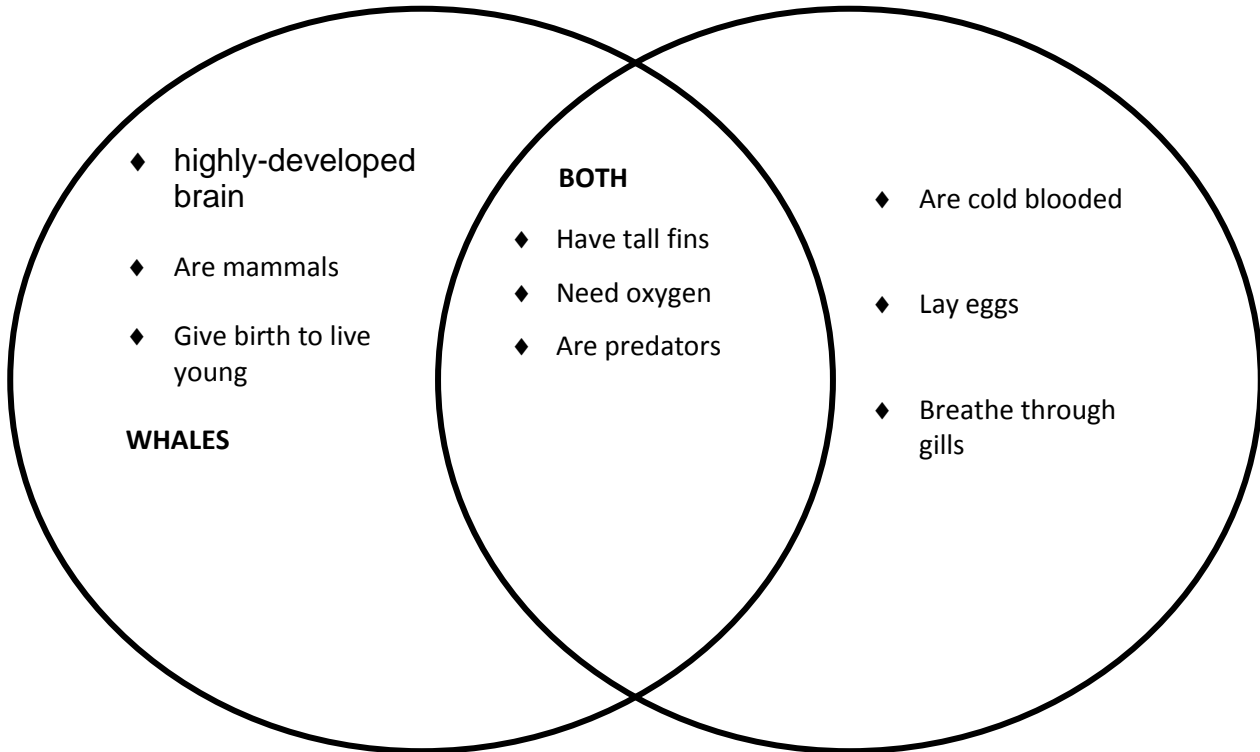
*Credit and Debt:*

*Standard 1, "Analyze the costs and benefits of various types of credit."*



## Venn diagram worksheet

In a Venn diagram, two people, places, or things are compared and contrasted. Two overlapping circles are most often used to contain the comparisons, but other shapes may be used. The shared portion of both circles will list qualities that are held in common, while the opposite portions list characteristics unique to that subject. A sample Venn diagram follows





Bank

# Financial Education

