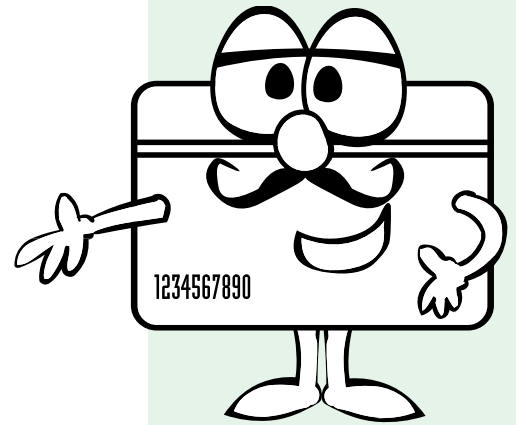


Grade Five

Using Credit



Overview

Students share several chapters from the book *Not for a Billion Gazillion Dollars*, by Paula Danziger, to learn about earning money, saving, credit, and debt. Students complete a worksheet on spending habits, complete an activity in which they determine whether or not they should purchase items with cash or credit, and analyze a credit-card statement.

Lesson Objectives

Students will be able to:

- Define the term *debt*
- Describe good spending habits
- List the advantages and disadvantages of using credit

Prerequisite Skills

Students should have a good understanding of decimal numbers.

Materials List

1. Book: *Not for a Billion Gazillion Dollars*, by Paula Danziger (Delacorte Press, 1992)
2. Copies of a credit-card offer (enough for each student in the small group to have one)
3. Copies of a credit-card statement (enough for each student in the small group to have one)
4. Handouts:
 - **My Spending Habits** worksheet (two pages)
 - **Cash or Credit?** cards

NOTE: You may want to have these cards laminated for durability.

Content Standards

The activities in this lesson correlate to national standards in economics and language arts. See the end of this lesson for content standards information.

Vocabulary

credit
debt
earn
income
interest
save
spend

Large-Group Activity

Materials

■ Book: *Not for a Billion Gazillion Dollars*

■ Handout: **My Spending Habits** worksheet (two pages)

1. Gather students in the reading corner to share the book *Not for a Billion Gazillion Dollars*.

○ Say:

Have you ever seen something you wanted, but you didn't have any money to purchase it? What did you want? Did you get the money to purchase the item? How did you get the money?

Allow students to respond.

I'm going to read you several chapters from a book called *Not for a Billion Gazillion Dollars*. It was written by Paula Danzinger. In this story, Matthew Martin wants a new computer program, but he has no savings, and he's in debt to most of his classmates and his parents.

Let's see if Matthew Martin is able to get the money he needs to buy the computer program.

○ Read chapters one through five aloud to students.

2. Discuss this part of the book with the class.

○ **Why does Matthew want a new computer program?**

Matthew wants the latest and best computer program.

○ **Why won't Matthew's parents give him the money for the new computer program?**

Matthew's parents don't think he appreciates the value of money. They also don't want to spend hundreds of dollars on something that he may lose interest in.

○ **How much money will Matthew's parents contribute toward the computer program?**

Matthew's parents will give him half of the money needed for the computer program.

○ **Why won't Jil! loan Matthew the money he needs for the computer program?**

According to Jil!, Matthew owes half of the kids in sixth grade money, and he never pays it back.

NOTE: This book is part of an ongoing series written by Ms. Danziger. In an earlier book, the character known as Jil! elected to spell her name with an exclamation point. It is spelled that way throughout this book, so that spelling is used in this lesson plan.

○ **What does Matthew do to earn money for the computer program?**

Matthew mows his neighbor's lawn and baby sits.

3. Discuss this lesson's economic concepts: earning money, saving, credit, and debt.

○ *Earning Money and Saving*

What did Matthew do to get money for the computer program?

Students should answer that Matthew mowed his neighbor's lawn and baby sat.

Matthew **earned an income** by exchanging his physical work for money. Most adults earn an income by exchanging their physical or mental work for wages or a salary. Name some things adults in your family do to earn an income.

Have students name things members in their family do to earn an income.

What did Matthew do with the money he earned?

Matthew saved his money.

Matthew saved the money he earned. When you **save** your money, you keep some money for the future instead of buying goods and services right now. Matthew saved his money so he could buy a computer program. Have you ever saved your money? What did you save your money for? Was it difficult or easy to save your money?

Allow students to share their experiences with saving.

Some people have a difficult time saving money because they would rather purchase items immediately.

○ *Credit*

Before Matthew wanted the computer program, he had a hard time saving his money. He spent more money than he earned. Over half of the sixth graders at the school had loaned Matthew money so he could purchase items right away. Have you ever convinced a friend or family member to loan you money? Why were they willing to give you the loan? Was it difficult to pay the loan back?

Allow students to describe their experiences with getting a loan.

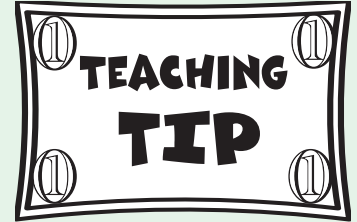
When friends or adults loan you money, they are giving you money on **credit**. Credit is an agreement to borrow money or receive goods or services now in return for a promise to pay later.

When someone gives a loan, he or she trusts the borrower to pay it back. In *Not For a Billion Gazillion Dollars*, Jil! refused to loan Matthew money because she didn't think he would pay it back.

○ *Debt*

Matthew owed lots of people money. He borrowed so much on his future allowances that he wouldn't have any allowance for himself until September. When you owe people or businesses money, you are in **debt**.

Many people have a hard time paying back money that they borrow. Why do you think people have a hard time paying back money they borrow?



If needed, explain the term "mental work" with examples of careers such as accountants and authors.

Have students share their ideas. Students may say that it is difficult to pay money back because people have alternative uses for their money.

People who borrow money usually have to pay back interest. This means they must pay a little extra money for every dollar they borrow. It can take a very long time to pay back money you borrowed if you have to pay a lot of interest.

4. Have students complete the **My Spending Habits** worksheets.

- Hold up a copy of the **My Spending Habits** worksheets.

Matthew had poor spending habits. He spent more money than he earned, and did not keep track of how much money he spent or owed. What are your spending habits like? Take the quiz on this worksheet and find out. After you take the quiz, write a paragraph that explains how you can improve your spending habits.

Allow students to work on this worksheet while you work with individual groups in the following small-group activities. After small-group work you might want to have students discuss their spending habits.

Small-Group Activity One: Cash or Credit?

Concept Taught

Credit

Materials

- Book: *Not for a Billion Gazillion Dollars*
- Chalkboard or chart paper
- Copies of a credit-card offer (enough for each student in the small group to have one)
- Handout: **Cash or Credit?** cards

NOTE: You may want to have these cards laminated for durability.

1. Begin Activity One: Cash or Credit?

- Say:

I'm going to read you another chapter in *Not for a Billion Gazillion Dollars*. This chapter explains why Matthew's parents are so concerned about his spending habits.

- Read chapter nine aloud to students. Then discuss the chapter.

What did the Martins do when they were young?

The Martins spent more money than they earned. They borrowed against their future earnings by charging things on their credit cards.

What did the Martins do to pay off their debts?

The Martins went to an agency that helped them work out a repayment schedule and a strict budget. It took a long time to pay off all their debts.

What did Matthew's parents do to make sure he paid off his debt?

Matthew's parents made him make a list of everyone to whom he owed money. His parents loaned him the money to pay them back. To pay back his parents, Matthew only got 50 percent of his allowance until his debts were paid off.

2. Discuss credit-card fees.

- Give each student a copy of a credit-card offer.

People often receive credit-card applications in the mail. When you get a credit-card application, it is important to read the information carefully. This will help you understand the fees and charges you may incur from using the credit card.

Look carefully at this credit-card application. What fees will you have to pay if you use this credit card?

Write student responses on the chalkboard or chart paper. Students should look for the annual percentage rate, enrollment fees, annual membership fees, cash advance fees, minimum finance charges, late payment charges, over-the-limit charges, and other charges.

3. Have students discuss the scenarios printed on the **Cash or Credit?** cards.

- **When you have a credit card, it's easy to spend money you don't have. You might buy things without hesitation that you never would if you had to pay cash. With all of the credit-card fees and the interest charged, you may end up paying a lot of extra money for using a credit card. That is why it is important to think about your purchases before using a credit card.**
- Give each student a **Cash or Credit?** card.

I have given each of you a card with a scenario written on it. Read this scenario to the group, and tell the group whether or not you would use a credit card to make the purchase. Then explain why you would or would not.

Have students read the scenarios and explain what they would do.

Small-Group Activity Two: Credit-Card Statements

Concept Taught

Credit

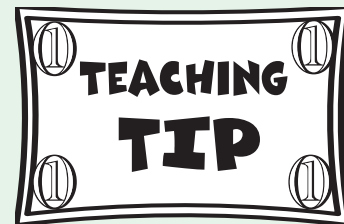
Materials

- Book: *Not for a Billion Gazillion Dollars*
- Copies of a credit-card statement (enough for each student in the small group to have one)

1. Begin Activity Two: Credit-Card Statements.

- Say:

If you use a credit card, you will be given a statement once a month. A credit-card statement shows information such as how and when you've used your card, how much you owe, how much interest you have been charged, how much your minimum payment is, and



Point out that not all credit card companies offer the same benefits, and sometimes disadvantages are hidden in small print.

how much credit you have left. It is important to know how to read a credit-card statement so you can catch unauthorized charges and errors.

2. Have students look at a credit-card statement.

- Give each student a copy of a credit-card statement.

Let's look at this credit-card statement.

- Ask the following questions.
 - What is the date of the statement?
 - What is the new balance?
 - What was the previous balance?
 - How many charges were made during this billing cycle?
 - How many credits and payments were made during this billing cycle?
 - Were there any charges for late payments? If so, what were the charges?
 - What is the total line of credit?
 - What is the total amount of credit available?
 - What is the total amount of charges made during this billing cycle?
 - What is the total amount of finance charges made during this billing cycle?
 - What is the account number?
 - What is the minimum payment due?
 - What is the payment due date?
 - Where should the payment be sent?

Assessment

Check students' understanding by listening carefully to the responses they give during group discussions and on the **My Spending Habits** worksheet. Give students a blank piece of notebook paper. Have them create a table that shows the advantages and disadvantages of using a credit card.

Suggested Online Activity

NOTE: Teachers should preview all sites to ensure they are age-appropriate for their students. At the time of publication, all URLs listed here were valid. In addition, some Web sites provide lessons via pop-up screens, so you may have to disable your computer's pop-up blocker software to access them.

It All Adds Up: Getting and Using a Credit Card

Have students visit www.italladdsup.org/mod1 and play a credit-card game. While playing this game, students will learn how to develop a good credit rating and find out how long it can take to pay off a credit-card balance. The It All Adds Up Web site was developed by the National Council for Economic Education.

National Standards Correlations

Economics

The activities in this lesson correlate to the following Voluntary National Content Standards in Economics, as determined by the National Council on Economic Education, found at: www.ncee.net/ea/standards.

Standard 10: Role of Economic Institutions

Students will understand that: Institutions evolve in market economies to help individuals and groups accomplish their goals. Banks, labor unions, corporations, legal systems, and not-for-profit organizations are examples of important institutions. A different kind of institution, [and] clearly defined and enforced property rights, [are] essential to a market economy.

K-4 Grade Benchmarks:

- Banks are institutions where people save money and earn interest, and where other people borrow money and pay interest.
- Saving is the part of income not spent on taxes or consumption.

5-8 Grade Benchmarks:

- Banks and other financial institutions channel funds from savers to borrowers and investors.

Standard 11: Role of Money

Money makes it easier to trade, borrow, save, invest, and compare the value of goods and services.

5-8 Grade Benchmarks:

- As a store of value, money makes it easier for people to save and defer consumption until the future.

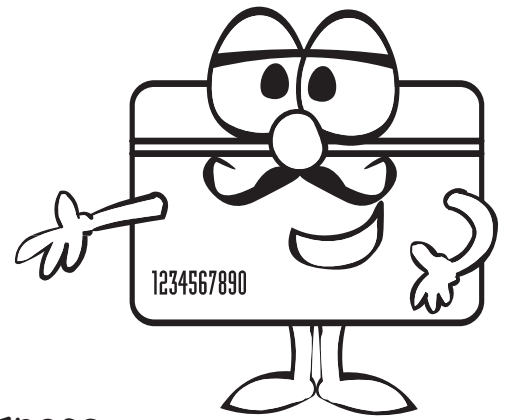
Language Arts

This lesson, based on the children's book *Not for a Billion Gazillion Dollars*, by Paula Danzinger, also correlates to the following *Standards for the English Language Arts*, from the National Council of Teachers of English, found at: www.ncte.org/print.asp?id=110846&node=204.

1. Students read a wide range of print and non-print texts to build an understanding of texts, of themselves, and of the cultures of the United States and the world; to acquire new information; to respond to the needs and demands of society and the workplace; and for personal fulfillment. Among these texts are fiction and nonfiction, classic and contemporary works.
3. Students apply a wide range of strategies to comprehend, interpret, evaluate, and appreciate texts. They draw on their prior experience, their interactions with other readers and writers, their knowledge of word meaning and of other texts, their word identification strategies, and their understanding of textual features (e.g., sound-letter correspondence, sentence structure, context, graphics).

My Spending Habits

Name _____



Directions: The following 10 statements relate to spending and saving habits. For each statement, decide which of the five responses are most like you, and mark the number in the space provided. When you are done, calculate the total of your responses.

Scoring Points

- 1—Not like me at all
- 2—A little like me
- 3—Equally like and unlike me
- 4—A lot like me
- 5—Totally like me

- _____ 1. I keep track of all the money I save or earn.
- _____ 2. I use coupons whenever possible.
- _____ 3. Every time I earn or receive money, I usually save some of it.
- _____ 4. Before making a purchase, I look at the quality, value, and price of the item.
- _____ 5. I set aside a pre-determined amount of money for regular weekly expenses.
- _____ 6. My saving and spending is planned with a savings plan or budget.
- _____ 7. I have comparison-shopped for food and clothing in the last year.
- _____ 8. I am saving for a long-term goal, such as college.
- _____ 9. I account for all my spending by saving my receipts.
- _____ 10. I have deposited some money in a savings account.

My Total Score

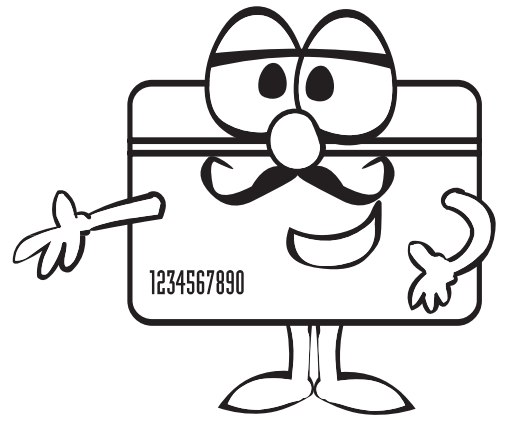
Find your score to see how your spending habits add up!

- | | |
|--------------|------------------------|
| 45 or higher | Great spending habits! |
| 38 - 44 | Pretty good |
| 30 - 54 | Average |
| 20 - 29 | Not so good |
| 10 - 19 | Work on those habits! |

My Spending Habits

Name _____

Directions: Now that you have taken a closer look at your saving and spending habits, write a paragraph that explains how you can improve these habits.



Cash or Credit? Cards

Teacher Directions: Cut the cards apart. You may want to laminate them for durability.

Ben is saving for a new CD player that costs \$99.00. He has \$50.00, and the one he likes is on sale right now for \$75.00. To get the sale price, he must buy it before Sunday. Should he use a credit card?

Natasha wants to buy her mom an outfit for her birthday. The dress, shoes, purse, and jewelry will cost about \$150.00. But Natasha has only \$70.00 saved. If she uses a credit card, it will take her three weeks to pay off the balance. Should she use a credit card?

Gina's friend has invited her to go to an amusement park on the last day of summer. She has enough money to go, but then she won't have enough money to buy the school supplies she needs. If she doesn't go now, she will have to wait until next summer to go to the amusement park. Should she use a credit card to pay for her trip to the amusement park?

Javier needs some new shoes before track season starts. He has only \$20.00, and the shoes he wants cost \$49.99. If he uses a credit card, he can pay off the balance by the end of the month. Should he use a credit card?

Min's car broke down. It will cost her \$700.00 to get it fixed. If she uses a credit card, it will take her at least four months to pay it off. If she doesn't get the car fixed, she won't have transportation to work. Should she use her credit card?

Jamal is a photographer. He needs a new camera for his job. The one he wants costs \$2,500.00. Jamal has only \$500.00. If he buys the new camera, he will probably get more business. Should he use a credit card?