Lesson Description

Students participate in a discussion of the general features of a $1 bill. They learn that although currency is valued, people often "throw currency away" as a result of poor financial decisions and the lack of financial knowledge. Following the discussion, the students play a game in which they attempt to "keep the currency," working in pairs to answer 20 true-or-false questions about credit cards, debit cards and purchasing a car. From this game, which serves as a pretest for subsequent lessons, the students learn that financial literacy is important in keeping currency.

Concepts

Financial literacy

Objectives

Students will:

- Explain the importance of financial literacy.
- Explain the importance of taking responsibility for personal financial decisions.

Content Standards

National Standards in K-12 Personal Finance

Financial Responsibility and Decision Making: Apply reliable information and systematic decision making to personal financial decisions.

- **Standard 1:** Take responsibility for personal financial decisions.
  - Eighth-grade expectation 1: Identify ways to be a financially responsible young adult.
- **Standard 4:** Apply consumer skills to purchase decisions.
  - Eighth-grade expectation 1: Explain the relationship between spending practices and achieving financial goals.

Time Required

45-60 minutes

Materials

- One $1 bill for demonstration
- A copy of Handout 1.1 for each pair of students
- A copy of Handout 1.2 for the teacher
- Copies of Handout 1.3 on paper of one color
- Copies of Handout 1.4 on paper of another color
- Cut Handouts 1.3 and 1.4 apart to provide one set of T and F cards for each pair of students.
- (Optional) Small prizes for the student pairs who have kept the most currency at the end of the "Keep the Currency" game

Procedures

1. Show the class a $1 bill. Discuss some of the general features of the bill, such as usage, color, size and shape. Explain that "currency" is another name for paper money. After a few minutes of discussion, inform the class that the discussion is finished, and throw the bill in the trash. As the students react to this, point out that people "throw currency away" every day in different ways—because of their lack of financial knowledge.

2. Explain that personal finance is becoming more complex every day, yet the average level of financial literacy for U.S. consumers is low. One survey conducted in 2008 found that 12th-grade students could correctly answer only 48.3 percent of the questions on a basic financial-skills quiz. If consumers do not want to throw currency away, they need to arm themselves with knowledge of basic economic and financial principles and to exercise smart spending and saving behaviors. Discuss the following:

    - What is financial literacy? *(Answers may vary. Financial literacy can be defined as having knowledge of financial matters and applying that knowledge to one's life.)*
    - Why do more than one half of 12th-grade students appear to be financially illiterate? *(Answers may vary, but students might cite a lack of experience, poor parental examples and little education in personal finance.)*
    - What type of behavior would someone who is financially illiterate exhibit? *(bounced checks, overdrawn bank accounts, no bank account, spending beyond his or her means, sustained high credit card balances, frivolous credit card usage)*
    - What would you consider to be evidence of responsible financial behavior? *(having a bank account, saving, limited use of credit cards, credit cards paid in full each month, maintenance of a budget)*

- One responsible financial behavior is having a savings account and contributing to it regularly. To achieve a higher level of saving, how might you have to change your spending? *(Answers will vary, but students should recognize ways they could reduce their spending without a severe impact on their life-styles, i.e. fewer stops for premium coffee drinks, one less shirt, fewer ring tone downloads.)*
- Why is it important to take responsibility for personal financial decisions? *(Answers may vary. It is important to take responsibility for personal financial decisions because of the effects of being irresponsible, such as loss of currency.)*
- The effect of financial irresponsibility is the loss of currency.

Note: In April 2008, the National Jump$tart Coalition released the financial literacy scores of 2008 high school seniors as measured by a national survey. This biennial survey was given to 6,856 high school seniors in 40 states. Students answered only 48.3 percent of the questions correctly. Only 48 percent of students knew that a credit card holder who only pays the minimum amount on the monthly card balances will pay more in annual finance charges than a cardholder who pays the full balance each month. The 31-question survey revealed that high school seniors have a lot to learn about personal finance. Additional information about the survey can be found at www.jumpstart.org.

3. Ask the students if they think they could score higher than the students who participated in the national financial literacy survey. Tell the class that although the specific questions on the national survey were different from questions they will answer, they can test their financial knowledge by playing the "Keep the Currency" game.

4. Divide the students into pairs. Give each pair of students one copy of *Handout 1.1: Keep the Currency Score Sheet* and two cards—one T and one F card—cut from Handouts 1.3 and 1.4. Explain the rules of the game as follows:
   - Each pair of students pretends to start the game with $200 in currency. The object of the game is to keep as much of this currency as possible by providing correct "true" or "false" responses to 20 statements.
   - The teacher reads aloud the statements from *Handout 1.2: Keep the Currency Statements with Answers.* After each statement, the student partners should confer with one another, reach an agreement and hold up a card to designate their answer when given the signal by the teacher.
   - When all pairs are holding up their cards, the teacher will announce the correct answer. Pairs holding a card indicating the correct response can keep their currency. If their answer is incorrect, they subtract $10 from their balance.
   - On Handout 1.1, each pair of students should circle either "Keep your currency!" if the question was answered correctly or "Deduct $10" if the question was answered incorrectly. After each response, each pair of students also should enter its updated total of currency kept in the "Current Balance" column.

- After all statements have been read, students who have retained the most currency win.

5. Discuss the fact that knowing the correct answer prevented currency from being thrown away. *(NOTE: Do not debrief the activity further or explain the answers or statements.)* Explain to the class that they will understand these statements more after the unit of study. Save the sets of cards for use at end of unit.

Closure

6. Remind students that ordinary people "throw currency away" because they don't have the financial knowledge and skills they need.

7. Explain that financial literacy involves applying financial knowledge and skills in our everyday lives and taking responsibility for our personal financial decisions. By studying personal finance, students will begin to develop the skills and knowledge they need to avoid throwing money away.

8. Explain that the *Cards, Cars and Currency* unit is designed to introduce some of the skills and knowledge students will need in order to be financially literate.

Assessment

Note: There is no assessment for this introductory lesson, which is designed as an anticipatory set for additional learning.

Handout 1.1: Keep the Currency Score Sheet

		Starting Balance	$200.00
1.	Keep your currency!	Deduct $10	$
2.	Keep your currency!	Deduct $10	$
3.	Keep your currency!	Deduct $10	$
4.	Keep your currency!	Deduct $10	$
5.	Keep your currency!	Deduct $10	$
6.	Keep your currency!	Deduct $10	$
7.	Keep your currency!	Deduct $10	$
8.	Keep your currency!	Deduct $10	$
9.	Keep your currency!	Deduct $10	$
10.	Keep your currency!	Deduct $10	$
11.	Keep your currency!	Deduct $10	$
12.	Keep your currency!	Deduct $10	$
13.	Keep your currency!	Deduct $10	$
14.	Keep your currency!	Deduct $10	$
15.	Keep your currency!	Deduct $10	$
16.	Keep your currency!	Deduct $10	$
17.	Keep your currency!	Deduct $10	$
18.	Keep your currency!	Deduct $10	$
19.	Keep your currency!	Deduct $10	$
20.	Keep your currency!	Deduct $10	$
		Ending Balance	**$**

Handout 1.2: Keep the Currency Statements with Answers

1. APR stands for "annual percentage rate" and is the cost of credit on an annual basis. *(True – APR describes the cost of credit on an annual basis.)*

2. Any person can secure and use a debit card. *(False – A person must have a checking or savings account to secure and use a debit card.)*

3. A debit card does not have a revolving line of credit. *(True – A debit card is used for a transaction that is deducted electronically from a cardholder's bank account.)*

4. The incentive considered most attractive by college students when choosing a credit card is the special store discounts offered with each card. *(False – The top incentive for college students when choosing a credit card is the reward program the card offers. [Special store discounts = 8 percent; rewards program = 28 percent])*

   SOURCE: Experience.com 2006 College Life- Finances & Banking survey of 4,891 college students by Jan Yang and Keith Simmons, *USA TODAY,* Wednesday, Feb. 7, 2007

5. Beginning in 2010, if you have authorized the credit card company to allow transactions that will take you over your credit limit, the credit card company can impose only one fee per billing cycle. *(True: If you opt-in to allowing transactions that take you over your credit limit, your credit card company can impose only one fee per billing cycle.)*

   SOURCE: www.federalreserve.gov/consumerinfo/wyntk_creditcardrules.htm

6. "Caveat emptor" is a Latin phrase that means the consumer is always right. *(False – This saying means "buyer beware" and is meant to serve as a warning to consumers to make careful purchasing decisions.)*

7. The sum total of all payments paid on a car loan is equal to the purchase price of the car. *(False – The total amount of payments is the purchase price of the car plus interest and finance charges.)*

8. It is more advantageous to use a debit card than a credit card for purchases. *(False – Both debit cards and credit cards have advantages and disadvantages.)*

9. By law, lenders who make car loans must charge all consumers the same fixed interest rate on contracts issued on the same day. *(False – Interest rates charged on car contracts will vary from one consumer to another, based on his or her credit report and credit history.)*

10. Most overdraft charges on bank accounts occur because people write checks when they don't have enough money in their account to cover the checks. *(False – According to the Center for Responsible Lending. Most overdraft charges on bank accounts [46.3 percent] are caused from debit-card purchases and ATM withdrawals.)*

    SOURCE: Center for Responsible Lending, by Julie Snider, *USA TODAY*, Jan. 25, 2007.

Handout 1.2: Keep the Currency Statements with Answers, cont.

11. A credit card lender does not require collateral for a credit card account because it is an unsecured loan. *(True – An unsecured loan is not backed by collateral, and is quite risky for the lender. The term "unsecured" means that the loan is not secured by anything of value.)*

12. Beginning in 2010, if you want an increase in the credit limit on your credit card and you are under age 21 and have a credit card with a cosigner, your increase will be approved if you have made your payments on time for at least six consecutive months. *(False: If you are under age 21 and have a card with a cosigner and want an increase in the credit limit, your cosigner must agree in writing to the increase.)*

    SOURCE: www.federalreserve.gov/consumerinfo/wyntk_creditcardrules.htm

13. Beginning in 2010, financial institutions are required to provide all customers standard overdraft services for debit cards and ATM transactions. *(False: Beginning in 2010, financial institutions must give consumers the choice as to whether overdraft service will apply to debit card and ATM transactions.)*

    SOURCE: www.federalreserve.gov/consumerinfo/wyntk_overdraft.htm

14. Because of the easy access to credit cards, the number of credit card transactions exceeds the number of debit card transactions by more than one-third. *(False: There are more debit card transactions than credit cards transactions.)*

    SOURCE: *The Nilson Report*, Dec. 2009, Issue 938

15. If a credit card is lost or stolen, the maximum amount a cardholder must pay is $50. *(True – The Truth in Lending Act is a federal law that protects cardholders against unauthorized use of their credit cards. If a card is lost or stolen, the maximum amount a cardholder must pay is $50.)*

16. Debit cards are the same as ATM cards. *(False – Debit cards differ from ATM cards in that debit cards can be used to make purchases. Although an ATM card is a type of debit card, it is used to access a computer to get cash, make deposits or transfer money between accounts and is not used to make purchases.)*

17. If a consumer does not make payments on a loan for a vehicle, the vehicle is repossessed and sold by the creditor, thus eliminating the consumer's debt. *(False – The debt is eliminated only if the vehicle sells for the amount of the loan. If the vehicle is sold for less than what is owed, the consumer is responsible for the difference and still has a debt to pay.)*

18. When a car dealership has several promotional offers and incentive programs, the best deal for the buyer will be the one that offers a zero-percent interest rate because there will be no interest charges to pay. *(False – Promotional offers and incentive programs can be quite different, and each should be considered individually to determine which is best. A loan with a zero-percent interest rate is not always the best deal.)*

19. The interest rates on car loans are usually lower than on unsecured loans because there is less risk to the lender. *(True – A car loan is secured by the car. The car can be repossessed if terms of the contract are not kept.)*

20. Consumers should record their transactions in a check register at the end of the month when they receive their bank statement. *(False – Consumers should record transactions as they occur to prevent being overdrawn.)*

Handout 1.3: T Cards

T

T

Handout 1.4: F Cards

F

F