

Interest: How much does it cost to borrow money?

Teacher: Justin Ripley Cabell Midland High School
GRADE: 12th Grade
SUBJECT: Interest related to borrowing money
UNIT/LESSON TOPIC: Credit Card Interest/Borrowing Interest

Brief Description: In the past lesson learned about the good and bad of credit cards and the risks associated with. To expand on the risks of credit cards and credit in general the students will now learn about how much it actually costs when they borrow or use credit more specifically. This lesson will help the students to understand that using credit cards will cost them a lot more in the long run. The goals of these lessons are simple: to help educate the students about credit cards and the costs that come with using them.

Content Standards:

- SS.C.O.12.03.01 compile and prioritize lists of wants and needs and defend your decisions, then analyze the opportunity costs when choosing between wants and needs.
- SS.C.O.12.03.08 explain the advantages and disadvantages of credit, discuss appropriate uses of credit, calculate and outline the hidden costs of credit and create a plan to reduce credit. (e.g., personal line of credit, credit cards, national debt)

Financial Literacy Content Objective:

- Buying Goods and Services
- Using Credit

1. Engage:

1. Students have previously learned about credit cards and the costs associated with credit cards, now they are going to learn about the interest and how borrowing money can be very costly.
2. The teacher will post the following the questions on the board for discussion at the start of class:
 - What is interest?
 - How much does it cost to borrow money?
3. Once the teacher has discussed these questions with the students and have guided them to understand that anytime you borrow money there is a cost

associated with it, they will show the following video on YouTube “Credit Card Game Show:”

<https://www.youtube.com/watch?v=9jTGf60bswg>

-Once the video is completed the students will answer the questions associated with the video and discuss as a class. **(Questions are at the bottom of the plan)**

4. Once students have watched the video and completed the discussion questions students will need to look and define the following key terms that will help throughout the lesson:

Interest

Simple Interest

Compound Interest

Annual Interest Rate

Balance

Service Credit

Revolving Credit

Installment Credit

2. Explore:

Using the knowledge gained from the previous lesson, they will now conduct research on where to look up different types of credit cards/loans that will involve finding an option where revolving credit, service credit, and installment credit are each used. The teacher can brainstorm with the students a number of potential websites that they can use and places that they may find this information to help guide their search. Students need to write down their finding on the credit card information sheet and prepared to discuss their results with the class.

- **The main role of the teacher is to help guide the students in finding various types of credit that will lead them to see different types of interest charges that can be associated with each.**

3. Explain:

-As students complete the initial task of looking up various types of credit cards they will now be divided into groups of two where they are going to be “shopping” based up on the cards they have chosen. (Make sure students do not actually buy things)

-The students will be given the task of furnishing their first apartment and the only income that they have are there credit cards they have chosen. With their partner they must come with a list of things that they will need for a two bedroom unfurnished apartment. **(Remind the students that they should evaluate wants vs. needs) (Also remind the students that don't always have to look for most expensive items and they don't have to look at the most expensive stores)**

-Once they have completed their list they need to go online and shop for their apartment. As they are shopping they need to keep track of how much money they are spending on each form of credit.

-Once they have completed their shopping the students need to add the total amount of their purchases for each card. The students will then be using the interest rate provided to figure how much they are actually going to be paying for the items they bought and how long it will take them to pay the cards off. **(Most credit cards have an online tool that will help them figure this out, for example Chase and Discover both have great interest calculators.)**

-Now that this is completed they will create a PowerPoint presentation to show what they bought and how much it will actually cost them be using only credit. These presentations will then be presented to the class.

- **The teacher should help guide the students in the lesson discussing where they can buy things for cheap and the things that they may need to furnish an apartment. Also any other tools for calculating credit can be used.**

4. Elaborate/Extension:

- Now that students have given their presentations to class and been told to use various forms of credit to create debt and see how much interest truly costs them, they will now (as a class or in groups) create a video that can be used as an example for people of similar age to them downfalls of spending too much and how interest can get them into major trouble.

- The teacher should help the students to create roles while producing this video, the roles could include: writer, actor, and videographer. This will allow each member of the class to have a role in the video. The teacher should also help guide the students in creating their script for the video to make sure that it is school appropriate.

- In the video students may also want to highlight the potential consequences of irresponsible credit usage. This video will be something that they all participate in, roles could potentially include: the actors, writers, and videographers. This video can be created on an iPad and uploaded to YouTube for future references when discussing Interest Charges.

- **Note for the teacher if you do not have the technology needed to create this video then students can still create a presentation for the rest of their classmates that can highlight some of the downfalls of interest charges. Also the video does not have to be uploaded to YouTube, it can be simply shown to other classes as an informational video for them.**

5. Evaluate:

- Students will now be given the task of writing a brief essay on the following question: How much does it cost to borrow money?
- This essay should highlight the things that they learned about borrowing money from creditors and how much it actually costs to buy things using credit. They may also want to highlight the difference between wants and needs when credit should be used.
- The teacher will grade students on the following:
 - *Creation of presentation for class.
 - *Completion of forms of credit research sheet.
 - *Participation in classroom video.
 - *Essay on Cost to Borrow Money.

- **Note: Teacher may choose to use a rubric they have created for other presentations when grading the presentation. They may also choose to use a school rubric in grading the essay. The video grade can be used as a participation grade because everyone's role will be different.**

Forms of Credit Research Sheet

Company Name or Credit Name			
Type of Credit			
Annual Interest Rate			
Additional Information about the Credit is relative to interest charges potentially paid			

Credit Card Game Show Activity

Who paid the least amount of money for the \$284 mp3 player? How much?

Who paid the second lowest amount of money for the \$284 mp3 player? How much?

Who paid the highest amount of money for the \$284 mp3 player? How much?

How much must someone pay each month on their credit card bill to remain in good standing?

What is the key take-away message from this video?