Lesson Overview

With students comfortably demonstrating the concept of cash through previous lessons, they will explore the concept of other payment options in this lesson. Hands-on activities will guide students through different forms of payment, such as **cash**, **credit cards**, **debit cards**, and **checks**. Students will apply their compounded knowledge by evaluating different real-world scenarios.

TOPIC: Payment Options

TIME REQUIRED: 60 minutes   
*(excluding* **Extended Exploration***activities)*

LEARNING OBJECTIVES:   
*Students will be able to…*

* Explain the concept of credit and debit (including checks and money orders)
* Compare and contrast various payment methods (cash, credit, and debit)
* Apply knowledge of payment options to real-world scenarios
* Discuss the consequences of paying back credit past the due date
* Discuss identity theft and types of personal information that should not   
  be shared

SUPPLIES:

* Projector (for teacher presentation slides)
* Whiteboard or chart paper, markers
* Access to the Internet **(optional)**

Preparation:

* Make copies of student handouts
* Set up projector with presentation slides

STUDENT HANDOUTS:  
*(found in* **Student Guide***)*

* ***Payment Options: True or False?***
* ***Payment Decisions***
* ***Test Your Payment Knowledge***
* ***Money Smart Book*** *(template from Lesson 1)*

TEACHER PRESENTATION SLIDES:

* ***What Is Credit?***
* ***What Is Debit?***
* ***Story Problems: Payment Decisions***
* ***Private Information***

ESSENTIAL QUESTIONS:

* *What are credit and debit?*
* *What are checks?*
* *Why might someone choose to pay with cash, credit, or debit?*
* *What is debt?*
* *What information should not be shared with others to prevent identity theft?*

ASSESSMENT ACTIVITIES:

**Pre-Assessment:**

* ***Payment Options: True or False?*** handout
* ***Payment Decisions*** handout

**Post-Assessment:**

* ***Test Your Payment Knowledge*** handout
* ***Money Smart Book*** handout

Instruction Steps

WARM UP

Sharing Prior Knowledge of Payment Options [15 minutes]

Start the lesson by asking students to think about ways people can pay for things. Ask: *What do you use to pay for things?* (Answers may include: money, cash, bills, or coins.) *What do your parents use?* (Answers may include: cash, credit cards, debit cards, checks, or money orders.) Draw a four-column chart on a whiteboard/chart paper with the title “Forms of Payment” and headings: **cash**, **credit cards**, **debit cards**, and **checks**. Ask students to share what they know about these four payment options, and record their answers on the chart.

Next, have students work in pairs to complete the ***Payment Options: True or False?*** handout, a short true/false quiz about credit, checks, debit, and cash, to test their knowledge of these payment options. Review answers together as a class.

Explain that a **credit card** is not just an endless supply of money. It is linked to a person’s account and must be paid back by a certain date every month. If it is not paid back in full by that date, that person has to pay **interest** (the cost of borrowing money; also the money earned from lending it). If someone has a credit card, that person also has a limit to how much “credit” he or she has available to use. The limit is based on how **creditworthy** that person is (how likely someone will be able to pay back a loan). Explain that creditworthy is similar to trustworthy. Ask students what trustworthy means (deserving of trust, dependable).

Add information students have learned to the “Forms of Payment” chart.

Grade-Level Modifications:

Beginner: If students don’t know an answer on the true/false quiz, ask them to take their best (educated) guess.

Advanced: Students can complete the quiz independently. Have them correct the statements that are false.

MONEY SMART TIP!

Invite students to keep track of their Smart Bucks (see page 7 for more information)  
in a journal. Have them write down each date they receive Smart Bucks (income),  
the amount, and how they earn it. They can also record each date they spend   
their Smart Bucks (expenses), the amount, and what they spend it on.

Guided Exploration

Understanding Credit and Debit [20 minutes]

Review the meaning of credit and discuss that it is not free money, but linked to an actual account.

Optional: Use the link <http://handsonbanking.org/htdocs/en/k> and click on “Credit & You” to show students an interactive cartoon video about credit and loans (six lessons, approximately 5 or 6 minutes). The class can also explore the virtual calculator and money math questions together.

Share the ***What Is Credit?*** and ***What Is Debit?*** slides with students, and discuss. To review and ensure understanding, have a discussion using the following guiding questions: *What are* ***credit*** *and* ***debit****?* (Credit is a loan. When you pay using credit, you are borrowing money with the agreement to pay it back by a later date. A debit is money taken out of a checking account as payment for an item or service.) *What are* ***checks****?* (A check is a written order of payment that instructs a financial institution, such as a bank, to withdraw a specific amount of money from the check-writer’s account, and pay or deposit it to the person, or business, named on the check.) In addition to what students learned from the slides, you might also want to ask: *What is a* ***money order****?* (It is similar to a check, but can be purchased at a bank or post office, and used to make a payment of a specific amount of money.)

Review the following: *What is* ***interest****?* (the cost of borrowing money) *What is* ***debt****?* (an amount of money owed) Explain that, if you use a credit card to make purchases and then cannot pay for them by your statement due date, you will likely pay interest. The interest owed is a debt. It can make a purchase more expensive than you had expected.

Next, ask students to share what they know about identity theft (a crime in which someone uses personal information from another person to steal his or her money). Share the ***Private Information*** slide, and explain that students should never buy anything online or share personal information with anyone without a parent’s permission. Review by removing the slide and asking: *What information should not be shared with others to prevent identity theft?* (Personal information should not be shared with others, especially when you are online. That information includes birth date, phone number, home address, school name and address, bank account number, a parent’s credit card number, and passwords. If you use a social networking site, only share your page with friends you know and trust.)

Exploring Different Payment Scenarios [15 minutes]

Begin the activity with a quick review of the terms and differences between the following payment methods: cash, checks, debit cards, and credit cards. Ask: *Why might someone choose to pay with cash, credit, or debit?* (Someone may choose to pay with cash if that person is carrying enough cash or a store only takes cash. A person may pay with credit or debit when he or she is not carrying enough cash or it is quicker and more convenient.)

Share the ***Story Problems: Payment Decisions*** slide and ask students to solve the problems as a whole class. Then have students try answering some more real-world scenarios on their own using the ***Payment Decisions*** handout. Review the payment decisions as a class.

Grade-Level Modifications:

Beginner: The last question may be tricky for beginners. You may want to give them some clues for solving it and/or have students work on the problem with a partner or as a whole-   
class activity.

Advanced: After students finish the handout, ask them to create one or two of their own examples.

Ask students to complete the ***Test Your Payment Knowledge*** handout as a post-lesson assessment to see how much they learned regarding payment options and identity theft.

Wrap Up

Class Reflection [10 minutes]

Lead a class discussion about the following questions: *What is the difference between credit and debit?* *What information should not be shared with others to prevent identity theft?* Ask students to write an entry in their ***Money Smart Books*** about the discussion questions.

Extended Exploration

Note: Use the following activities to extend the lesson topic throughout the year. Activities can be completed as a class or in small groups. Duration of activities will vary.

* Take students on a virtual field trip to the U.S. Bureau of Engraving and Printing to learn more about where cash is made at <http://kids.usa.gov/watch-videos/money/money-factory/index.shtml>.
* Invite students to read the online story “Giving Vicki Credit” at <http://www.umsl.edu/~wpockets/Clubhouse/library.htm> to learn more about credit. The website also offers an interactive quiz students can take to test their knowledge.
* Divide students into groups and have them make posters about identity theft and online safety, including the personal information that should be kept private and not shared with others. Hang them up in the classroom.

Answer Key 43

Glossary with key vocabulary 46

Standards met by lesson 48