TOPIC: Financial Risk

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

LEARNING OBJECTIVES:   
*Students will be able to…*

* Identify methods to protect themselves from unwanted financial risk
* Create a risk management plan   
  for a purchase

SUPPLIES:

* Access to the Internet **(optional)**

Preparation:

* Make copies of student handout and group handouts
* Set up individual or group computers with access to the Internet (**optional**)

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

* ***Insure Yourself***

Group handouts:

* ***Purchasing a Car*** (1 per group)
* ***Insurance Scenarios*** (1 per group)

ESSENTIAL QUESTIONS:

* *What is risk management?*
* *How does risk management change based on different situations?*

ASSESSMENT ACTIVITIES:

**Pre-Assessment:**

* ***There’s a Little Risk   
  in Everything*** activity

**Post-Assessment:**

* ***Insure Yourself*** student handout
* ***Financial Risk Exit Options***

Instruction Steps

WARM UP

There’s a Little Risk in Everything [10 minutes]

Explain to students that, although they may seem fairly routine, activities such as riding a bike, skateboarding, or driving a car could be classified as **risky** behaviors. In fact, some might say that there’s a risk in almost everything we do, from walking to school to sitting down at the dinner table to eat. Consider some everyday activities. Ask: *What are the risks involved with those activities*? (Possible answers: you can fall off of your bike or skateboard, you can choke while you’re eating, you can accidentally cut yourself with scissors)

Next, ask students: *What are some actions that people could take to make those activities less risky?* (Possible answers: wearing a helmet, cutting up food or chewing slowly, holding the pencil in a safe way) Ask students to consider: *Could some of these events happen even if you took action to try to avoid them?* (Yes)

Ask students: *What are the costs of some of these bad things happening?* (Possible answers: having to go to the doctor or the hospital) Explain that that is one reason why we purchase insurance. If those risks end up becoming a reality, the cost of taking care of yourself is not too high.

Introducing Risk Management and Insurance [10 minutes]

Link to the Warm Up by introducing the vocabulary: **risk management** and **insurance**. Explain to students that what they just did was a type of risk management. True risk management is “the process of calculating risk and devising methods to minimize or manage loss.” For example: when you buy a car, you are purchasing something valuable.

What are some of the financial risks of owning a car? Possible answers: getting into an accident, car repairs, flood damage, theft. In order to minimize the financial risk of owning a car, car owners purchase insurance. Insurance is “a risk management tool that protects individuals from specific financial losses under specific terms and premium payments, as described in a written policy document”– for example: covering property damage during a car accident, or protecting dependents if someone passes away and those dependents lose their income.

Check for understanding by discussing with students:

* *What are some purchases that have financial risk?* (Possible answers: house, car, big vacation, your business)
* *What are those risks*? (Possible answers: accident or weather-related damage, loss, or theft)
* *Why is it a good idea to buy insurance for your purchases?* (Possible answer: It makes potential damage or loss less severe because the insurance company helps you recover. For   
  example, if you get into a car accident, having vehicle insurance means that you won’t   
  have to pay for all of the repairs yourself.)

MONEY SMART TIP!

What are the health insurance laws in your state? How does having health insurance   
reduce financial risk? Find resources at [**https://www.healthcare.gov/families/**](https://www.healthcare.gov/families/)**.**

group Exploration

Making Insurance Decisions [30 minutes]

Split students into groups of three or four. Distribute the ***Insure Yourself*** student handout and the ***Purchasing a Car*** and ***Insurance Scenarios*** group handouts.

Grade-Level Modification:

Advanced: Allow students to search for additional insurance options online to see if they can find more coverage, more appropriate insurance, or a better deal.

Guide students to read through the teacher presentation slide about their purchase, the cost of the purchase, and the options for insuring their purchase. Students should use the ***Insure Yourself*** worksheet to record information and make their decision.

As groups move through the scenario activity, see whether their choice of insurance matches the   
***Insurance Scenarios*** group handout. Have students copy or paraphrase the scenario onto their   
***Insure Yourself*** student handouts, then determine how much they pay with and without the insurance   
based on the scenario. (Note: Decide in advance which student groups get Scenario 1, which groups get Scenario 2, and so on.) See page 103 of the Answer Key for a sample answer of the ***Insure Yourself*** student handout.

When all groups have finished, allow each group a few minutes to present their purchase and explain why they chose one insurance plan over the other.

Check for understanding and review questions:

* *What types of insurance exist? Do you know of any others?*
* *Why is insurance a good investment?*
* *Do you need to insure everything you own? Why or why not?*

Wrap Up

Financial Risk Exit Options [10 minutes]

Present students with three options for their closing activity:

* Create a fictional financial risk superhero cartoon. Based on what you have learned today, create a superhero that can make possible damages or losses less severe for the public.
* Quick-write: Consider your own family situation. What risks does your family have? What actions can be taken to protect your family from risk? Why?
* Write a letter to your future self, explaining why it’s important to protect yourself against unwanted financial situations and how you can protect yourself.

extended exploration

**Note:** Use the following ideas to extend financial literacy concepts throughout the school year within core content areas through English Language Arts, Math, Social Studies and Economics, and Technology activities, projects, and discussions. Duration of activities will vary.

English Language Arts

* **Writing Prompts:**
* Describe a different scenario in which you would need to buy insurance (for example: purchasing a house, or buying life insurance). Explain the financial risk involved and how insurance could lessen that financial risk.
* **Additional Readings/Resources:**
* *Protect Your Belongings* by the U.S. government: Helpful tips on homeowner’s and renter’s insurance. <http://www.usa.gov/topics/family-homes/insurance.shtml>
* *The World Is a Risky Place* by BizKids: A short video clip on the risks involved in business and protections available. (Time of video: 1:20 minutes) <http://bizkids.com/episode/the-world-is-a-risky-place>

Math

* **Activity/Project Ideas:**
* Explore the real-world cost of insurance. Research types of insurance, the cost of each type of insurance, and the protections afforded by the insurance. Evaluate to determine the best types of insurance for different scenarios.

Social Studies and Economics

* **Activity/Project Ideas:**
* Most states have specific laws about the required types of car insurance. Research your state’s laws and compare them to the activity from this lesson.

Technology

* **Online Games/Tools:**
* *Risk and Insurance* by Junior Achievement: An online activity to help students understand the concepts and terms associated with risk and insurance. <http://games-juniorachievement-org.s3-website-us-west-2.amazonaws.com/courseware/final/index.html>

Group Handouts 73

Answer Key 96

Glossary with key vocabulary 105

Standards met by lesson 107

Lesson Overview

This lesson will explore the basic principles of financial risk, engaging students in initial **risk-management** debates about **insurance** and emergency **savings**.