

**Section 2—Use of Credit****Title of Lesson/Subject:** *Credit Card Debt***Prepared by:****Contact Information****E-mail address:****Phone:****Time Allotment:**

Two 50-minute class periods

**Grade Level:**

Junior and Senior Consumer Math Students

**ND Standards Competencies:****Key Economic Concepts:****Brief Description:****Learner Objectives:**

Students will:

- Explain the importance of managing credit wisely
- Define the cost of credit
- Describe good and bad uses of credit
- Identify the financial consequences of credit
- Describe steps to fix credit card debt

**Introduction:****Materials Needed:**

- \* NEFE Unit 5 Introduction from internet with background information on credit and debt
- \* NEFE Unit 5 Visuals 5-A to 5-F
- \* Board for writing lecture notes
- \* Budgets from Module 1 Lesson Plan
- \* Resources on credit cards from:  
<http://www.financial-education-icfe.org/>

**Audio/Visual Equipment Needed:****Lesson Outline:**

1. Discuss facts about credit and debt from the introduction to NEFE Unit 5:

<http://www.nefe.org/hspfportal/includes/main/home.asp?page=25000>

2. Have the students do a KWL chart about credit in general (from NEFE Unit 5—Lesson 1)

- What do you know about credit and types of credit
- What do you want to know about credit and/or

3. Share the Acceptable Uses of Credit from the Institute of Consumer Financial Education:

[http://www.financial-education-icfe.org/credit\\_card\\_spending\\_tips/acceptable\\_uses\\_of\\_credit.asp](http://www.financial-education-icfe.org/credit_card_spending_tips/acceptable_uses_of_credit.asp)

4. Have students make lists of the pros and cons of credit cards. Discuss their lists as a class. Add additional information to their lists from the ICFE site about when credit cards are good and bad:

[http://www.financial-education-icfe.org/credit\\_card\\_spending\\_tips/acceptable\\_uses\\_of\\_credit.asp#When%20Credit%20Cards%20Are%20Bad](http://www.financial-education-icfe.org/credit_card_spending_tips/acceptable_uses_of_credit.asp#When%20Credit%20Cards%20Are%20Bad)

5. Use the Scenario Cards from NEFE Unit 5 Lesson “Let’s Break Down a Deal”. Have students figure the cost of credit and what is the better deal. Point out that buying on credit always makes the item you are purchasing cost more in the end and as a consumer you must decide if that cost is worth it.

6. Make up different amounts of credit card debt with minimum payment. Have students draw one out of a hat. With their budget from Module 1/Lesson 1 have them adjust their budget to take in account the added credit card payment (minimum payment):

- \* How did the added payment affect your budget?
- \* What did you have to give up so you could make the payment?
- \* How long do you think it will take you to payoff the balance?
- \* What will happen if you keep using the credit card and only make the minimum payment?

7. Using the Visual from NEFE Unit 5 show and discuss with the students how long it will take to pay off credit card debt. Make sure to point out these results are dependent on the consumer no longer using the card.

8. Have them go back to their credit card debt and budget. Have the students adjust their month payment so they can payoff their debt in 5 years:

- \* How did this amount affect the budget?
- \* Is the amount to high? Do they need longer to pay off the balance?
- \* Are the trade-offs worth the debt payment?

9. As a wrap up have each student do the Spender Profile at:

[http://www.financial-education-icfe.org/mending\\_spending/are\\_you\\_a\\_good\\_spender.asp](http://www.financial-education-icfe.org/mending_spending/are_you_a_good_spender.asp).

Discuss ways to be a better spender and how to improve spending habits from the ICFE site:

[http://www.financial-education-icfe.org/mending\\_spending/develop\\_improved\\_spending.asp](http://www.financial-education-icfe.org/mending_spending/develop_improved_spending.asp)  
credit cards?

**Resources:**

**Activities:**

**Application/Assignment:**

**Evaluation Plan:**

Have the student write a letter to a college student who is considering getting a credit card. In the letter they need to summarize the objectives of this lesson and educate the reader on how to use credit wisely.