

## **Section 2—Financial Basics**

**Title of Lesson/Subject:** *In Trouble*

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**Time Allotment:** 1-2 Class Periods

**Grade Level or Target Audience:** Upper Elem, Middle School, High School

**ND Standards Competencies:**

ND State Standards: Social Studies

4.3.3 Understand the role of currency in everyday life.

8.3.4 Understand the importance of management of personal finances.

12.3.2 Understand how major economic forces and institutions influence individual decisions of producers, consumers, and investors.

**Key Economic Concepts:** money management counseling, bankruptcy, credit history, Chapter 7, Chapter 13,

**Brief Description:**

"What should I do if I can't pay my bills?"

"Where can I get assistance with money management counseling?"

The material in this lesson will help students become aware of the warning signs of financial difficulties. Most financial problems are a result of overspending, the misuse of credit, and unexpected emergencies.

When difficulties arise, students should first contact their creditors. Next, efforts should be made to revise spending patterns. In addition, assistance from a member of the National Foundation for Consumer Credit service agencies might be considered.

What if these actions do not help? In the next sections of the lesson, students will examine other actions that might be considered, such as debt consolidation loans and bankruptcy. Students should also be aware of fair debt collection practices and wage garnishment.

**Learner Objectives:**

- Describe some of the ways you can get in trouble using credit
- Explain the first steps to take if you can't pay your bills on time
- Describe the debt management services provided by nonprofit credit-counseling centers
- List some of the promises made by "credit repair" companies
- Understand how to evaluate a "credit repair" company before deciding whether or not to use its services

- Understand the protections provided by the Fair Debt-Collection Practices Act
- List and understand the wage garnishment and repossession rights of creditors
- Understand the difference between straight bankruptcy and the wage-earner plan
- Understand the disadvantages of using bankruptcy as a solution to debt
- List the ten types of debt that are not affected by bankruptcy

**Introduction:**

How you can get in trouble using credit

1. Why consumers don't pay
2. Warning signs of trouble
3. Scenarios of trouble
  - Overspending
  - Mismanaged budget
  - Increased cost of living
  - Unemployment
  - Illness or disability
  - Family emergencies

**Materials Needed:**

- 9-A (PDF) -- Why Consumers Don't Pay
- 9-B (PDF) -- Warning Signs of Trouble
- 9-C (PDF) -- First Steps to Take if You Can't Pay Your Bills
- 9-D (PDF) -- A Close Look at Your Budget
- 9-E (PDF) -- Credit Counseling
- 9-F (PDF) -- Consolidating Your Debts
- 9-G (PDF) -- Fair Debt-Collection Practices
- 9-H (PDF) -- Wage Garnishment
- 9-I (PDF) -- Wage Assignment and Wage Attachment
- 9-J (PDF) -- Car Repossession
- 9-K (PDF) -- Wage-Earner Bankruptcy
- 9-L (PDF) -- Straight Bankruptcy

**Audio/Visual Equipment Needed:** Overhead Projector

**Lesson Outline:**

First steps to take if you can't pay your bills

1. Contact your creditors immediately
  - Call before you get behind
  - Ask for a voluntary plan for paying debts
  - Special problems of car loans
2. Cut living expenses (examples)
  - Decisions made during video
  - Personal budgets developed in class
3. How much credit can you handle
  - Review the 20-10 rule

## Credit counseling

1. National Foundation for Consumer Credit (NFCC)
  - a. Nonprofit financial counseling service
  - b. Arranges repayment plans that work for both debtor and creditor
  - c. Helps you set a realistic budget
  - d. Finding the office nearest to you
2. Cooperative Extension Service
  - a. County-based source of education and information on financial and consumer topics
  - b. Offers educational programs and/or direct guidance on budgeting and other financial management matters
  - c. Finding a local office

## Consolidating your debts

1. Loan consolidation
2. Credit repair companies
  - For-profit financial counseling service
  - Offers debt consolidation loans, debt counseling, debt reorganization plans
  - Can't erase a poor credit history
  - Investigate reputation and performance history before using

## About fair debt-collection practices

1. What debts are covered
2. What a debt collector does
3. How debt collectors can contact you
4. How you can stop a debt collector from contacting you
5. Who else a debt collector may contact
6. What a debt collector must tell you
7. Practices that are prohibited
  - Harassment
  - False statements
  - Unfair practices
8. What to do if you think a debt collector broke the law

## About wage garnishment

1. Wage garnishment
  - What it is
  - Under what circumstances it can be done
2. Wage assignment
  - What it is
  - Under what circumstances it can be done
3. Wage attachment
  - What it is
  - Under what circumstances it can be done
4. Car repossession

- What it is
- Under what circumstances it can be done
- Creditor's rights
- What you can still owe

## Bankruptcy

### 1. Wage-earner bankruptcy (Chapter 13)

- What it is
- Who qualifies
- How it works
- Advantages
- Disadvantages

### 2. Straight bankruptcy (Chapter 7)

- What it is
- Who qualifies
- How it works
- Advantages
- Disadvantages

## Resources:

Adapted from:

[http://www.practicalmoneyskills.com/english/at\\_school/teachers/lesson.php?id=545&o=1](http://www.practicalmoneyskills.com/english/at_school/teachers/lesson.php?id=545&o=1)

## Activities:

### 9-1 Test Your Knowledge of Trouble

- Have students complete this exercise.
- Discuss their answers.

### 9-2 Are They in Trouble?

- Give each student a copy of the scenarios, which contain a budget, an income, and a list of unpaid bills and/or an unexpected crisis for each character.
- Have students rework the budget and decide what other actions (if any) they should take to get the character out of financial trouble.

### 9-3 Lesson Nine Quiz

**Application/Assignment:** See Activities and Web Site

## Evaluation Plan:

Test your knowledge

1. Questions
2. Reworking troubled budgets