

Lesson Description

The students are presented with real life situations in which young people have to make important decisions about their future. Students use an online tool to examine how the cost of living affects students' financial situations. Students read about responsible financial behaviors and match these behaviors with given situations. The students evaluate various financial situations and make financial decisions.

Texas Essential Knowledge and Skills (Target standards)

- **PFL Math 8.12F** analyze financial situations to determine if they represent financially responsible decisions and identify the benefits of financial responsibility and the costs of financial irresponsibility

Texas Essential Knowledge and Skills (Prerequisite standards)

- **Math 8.1A:** apply mathematics to problems arising in everyday life, society, and the workplace

National Standards (Supporting standards)

- **CEE Earning 8.2:** People make many decisions over a lifetime about their education, jobs, and careers that affect their incomes and job opportunities.
- **CEE Earning 8.4:** People with less education and fewer job skills tend to earn lower incomes than people with more education and greater job skills.
- **CEE Earning 8.4:** Investment in education and training generally has a positive rate of return in terms of the income that people earn over a lifetime.
- **CEE Using Credit 8.4:** Borrowers who use credit cards for purchases and who do not pay the full balance when it is due pay much higher costs for their purchases because interest is charged monthly. A credit card user can avoid interest charges by paying the entire balance within the grace period specified by the financial institution.

CEE - Council for Economic Education

PFL Terms

- Wage
- Expenses
- Budget
- Credit card
- Debit card
- Overdraft fee
- Loan
- Interest

Time Required

One 45-minute class period

Materials Required

- A copy of **Visual 8.4-1**
- A copy of **Handout 8.4-1** for each student
- A copy of **Activity 8.4-1** for each student
- A copy of **Activity 8.4-2** for each student
- A projection device and Internet for the teacher

Procedure

Engage

1. Say: *Each one of you makes hundreds of decisions every day. You might decide what shoes to wear; what you will eat for lunch; or what song you will listen to next. Some of the decisions you make might affect other areas of your life. For example, if you choose not to set your alarm at night, you might miss the school bus the following day. If you choose to clean your room, you might find your missing wallet. Today, we are going to evaluate financial decisions. Some financial decisions people make are dependent on their financial situation. Responsible financial decisions are made by determining the issues, researching options and then making an informed and thoughtful decision.*
2. Divide the class into groups of 4. Display **Visual 8.4-1** and read the story to the students. Instruct students to think about the questions posed at the end of the story. Tell students that each group member will have 1 minute to tell the group what he/she thinks Kyle should do and why. The teacher will give a signal at the end of each minute. At the end of 4 minutes, groups will have 2 additional minutes to discuss Kyle's future plans.
3. Lead a class discussion by asking the questions below.
 - a. Who thinks Kyle should decline the assistant manager position and go to college full time? What outcomes might come from this decision? (**Sample response: If Kyle gets a degree or certified for a trade his potential for making more money in the future will increase.**)
 - b. Who thinks Kyle should accept the assistant manager position? What outcomes might come from this decision? (**Sample response: If Kyle accepts this position, he will make more money now.**)

Explore

- c. Explain to students that some people are financially successful without a college degree or career school certification. For most of the Texas workforce, the workers who earn more have a college degree. With Kyle's job, there is no guarantee for advancement. Consider what would happen if Kyle chooses to get his own apartment. Will the income from this job provide for all of his necessities? Using a projector and the Internet, the teacher will go to <http://www.familybudgets.org/>. Tell students that this tool will show what it takes for families to make ends meet in each of the Texas metro areas. The teacher should follow the steps below.
 - 1) Choose the metro area in which the class lives.
 - 2) Since Kyle's place of employment will pay for his medical premiums, choose *Employer pays all of one adult's premium and half of premium for rest of family.*
 - 3) Assuming that Kyle will get an apartment alone, choose 1 adult.
 - 4) Assuming that Kyle has no children, choose 0 for number of children.
 - 5) Since it is responsible to save for emergencies, choose *Save for emergencies.*
4. The results, based on the metro area chosen, will be \$9 - \$11. Explain that this hourly wage will cover only the basic needs. Scroll down the screen to display the Basic Expenses that are included. Point out that the Basic Expenses do not include cable, Internet, cell phone or entertainment. Have students compare these results to Kyle's wage if he accepts the assistant manager's position. Ask students if Kyle will be able to afford cell phone service, Internet, television service, or entertainment. (**Sample**

response: He might be able to afford some of these items if he gets a roommate. However, Kyle will most likely live on a very tight budget.)

- Explain**
5. Explain to students that when making a decision, it is important to consider all the options. A financially responsible decision includes evaluating your options. Because each individual has his/her own set of circumstances, there is no one correct answer.
- Explore**
6. Distribute **Handout 8.4-1** and **Activity 8.4-1** to each student and have them read **Handout 8.4-1**. Instruct students to read the situations on **Activity 8.4-1** and identify the responsible behavior from **Handout 8.4-1** that most accurately describes each situation.
 7. Have the students compare their answers with their group. Allow students to make changes if needed.
 8. Ask students to share answers. Use the **Key 8.4-1** to check students' answers.
- Elaborate**
9. Distribute **Activity 8.4-2** to each student. Explain that this activity presents financial situations. Students are to examine each situation with their group and answer the questions below each financial situation.
 10. Name each group A, B, C, etc. Have students in each group number 1 to 4. Ask all the even numbered students to take **Activity 8.4-2** and their answer sheet and move to the group that follows their group name in the alphabet. For example students number 2 and 4 from group A will move to group B. Students number 2 and 4 from group B will move to group C. Student numbers 2 and 4 from the last lettered group will move to group A.
 11. Direct the even numbered students to explain their answer for numbers on **Activity 8.4-2** 1 and 2. Then have the odd number students explain their answer for numbers 1 and 2. If the students hear a better solution to the situation, have them make a note on their paper.
 12. Instruct even numbered students to rotate again to the next letter group.
 13. Direct the even numbered students to explain their answer for numbers 3, 4, and 5. Then, have the odd number students explain their answers for numbers 3, 4, and 5. If the students hear a better solution to the situation, have them make a note on their paper.
 14. Instruct even numbered students to return their original group. If any group member heard a better response than the original, they are to share with their group.
 15. Have at least two students share the best solution for each situation. See **Key 8.4-2** for sample responses.
- Evaluate/End**
16. Distribute exit tickets for students to complete before leaving the classroom. As students exit the classroom, they hand the teacher completed exit ticket. Consider creating a bulletin board with the exit tickets to serve as a reminder of financial responsible decisions.

Visual 8.4-1

Kyle's Dilemma

Kyle graduated from high school in May. During the spring semester, Kyle completed his college application and submitted his Free Application for Federal Student Aid (FAFSA) online. FAFSA determines a student's eligibility for financial assistance towards college expenses.

Kyle decided to work full time during the summer selling cell phones at The Every Cell store. Two weeks before college started, Kyle received notification that he was eligible for partial tuition assistance. The next day at work, he reminded his boss that he will only be able to work 20 hours per week when school starts. His boss was very happy with Kyle's work ethics. He showed up on time every morning and worked late on nights when they were busy. His boss knew that sales would go down once Kyle started to work part-time. After very little consideration, his boss made a proposal. If Kyle continues working full time, she will make him the assistant manager and increase his hourly wage from \$8.50 per hour to \$11.00 per hour. In addition, the company will pay Kyle's medical premiums.

How might accepting the assistant manager position affect Kyle's future?

How might declining the assistant manager position affect Kyle's future?

What would you do if you were in Kyle's position? Explain.

What do you think Kyle should do? Explain.

Handout 8.4-1**Responsible Financial Behavior**

Financial responsibility is the action one takes to make decisions for today as well as plan for the future while avoiding overspending or “throwing money away”.

Planning for the Future

Invest in yourself. According to the National Center for Education Statistics, in 2010, young adults ages 25–34 with a bachelor's degree earned 114 percent more than young adults without a high school diploma or its equivalent, 50 percent more than young adult High school completers, and 22 percent more than young adults with an associate's degree. [Source: National Center for Education Statistics, http://www.bls.gov/emp/ep_chart_001.htm] Investing hard work, time and money in a college education can result in a higher paycheck. The cost for college is expensive. Be smart about how you pay for college or career school. Know the cost of loans associated with post-secondary education.

Pay yourself first. Before spending your paycheck, deposit a set amount into savings for emergencies, large purchases, or for career school or college. This will remove the temptation to spend the money budgeted for your savings.

Save early and save often. The more you save now, the more you will have for your long term goals.

Avoid Overspending

Live within your means. Create a budget that includes a category for saving. If expenses exceed net income, use the budget to determine where expenses can be reduced.

Avoid impulsive spending. Know the difference between needs and wants. Needs are what a person requires for survival. Wants are things that are desired. A person might need a vehicle to get to work, but a sports car is a want. The basic economic problem is that consumers have unlimited wants and limited resources.

Be a smart shopper. Compare prices and consider quality of the product before making a purchase. Watch for products to go on sale. Consumers should match the type of product with his/her needs. For instance, a cell phone that offers more capabilities than is needed will cost more. Shop for a model that offers the components that best match your needs and wants while staying within your budget.

Avoid “throwing away” money:

Shop around for a credit card. Before applying for a credit card, compare fees and interest rates to find a card that meets your needs. If you know you are going to pay off your credit card monthly, choose low fees over low interest. If you know you may carry a balance, choose a credit card with a low interest rate.

Pay your bills on time. To avoid paying late fees, pay your bills on time. Negative information, such as late payments, stays on your credit report for 7 years and increases your interest rate for loans.

Pay off your credit card each month. To avoid paying interest, pay off your credit card each month. Interest will be charged for the remaining balance.

Keep track of your spending. Avoid overdraft fees with your bank account by keeping track of your balance. Keeping a check register with all your transactions will ensure that you do not overdraw your account.

Read notices sent from financial institutions. Banks and credit unions will attempt to contact you if you have an overdraft fee.

Activity 8.4-1

Name _____ Class Period _____

Directions: For each situation below, identify which responsible financial behavior(s) from Handout 8.4-1 is modeled.

Situation	Responsible Financial Behavior
<p>Cara has a bank register. She records all her transactions including debit card purchases, electronic payments, and deposits. After each transaction, Cara balances the bank register.</p>	
<p>Daniel wants to purchase a larger house. He could get a house loan but he might not be able to afford the monthly payments. He decides it is not something he can afford at this time.</p>	
<p>Edwin is graduating from college. He has accumulated \$15,000 in student loans; however, he will now be making \$20,000 more per year than he could have made without a Bachelor's degree.</p>	
<p>Jayden uses his credit card to purchase gas, groceries, and for eating out. He has a balance of \$311.56. Jayden decides not to purchase concert tickets so he can pay off his credit card.</p>	
<p>Arielle has her bank transfer \$50 from each paycheck into her savings account. That way, she never sees the money and will not spend it. Her savings account is growing quickly.</p>	

Key 8.4-1

Name _____ Class Period _____

Directions: For each situation below, identify which responsible financial behavior from Handout 8.4-1 is modeled.

Situation	Responsible Financial Behavior
<p>Cara has a bank register. She records all her transactions including debit card purchases, electronic payments, and deposits. After each transaction, Cara balances the bank register.</p>	<p>Keep track of your spending.</p>
<p>Daniel wants to purchase a larger house. He could get a house loan but he might not be able to afford the monthly payments. He decides it is not something he can afford at this time.</p>	<p>Live within your means.</p>
<p>Edwin is graduating from college. He has accumulated \$15,000 in student loans; however, he will now be making \$20,000 more per year than he could have made without a Bachelor's degree.</p>	<p>Invest in yourself.</p>
<p>Jayden uses his credit card to purchase gas, groceries, and for eating out. He has a balance of \$311.56. Jayden decides not to purchase concert tickets so he can pay off his credit card.</p>	<p>Payoff your credit card each month.</p>
<p>Arielle has her bank transfer \$50 from each paycheck into her savings account. That way, she never sees the money and will not spend it. Her savings account is growing quickly.</p>	<p>Pay yourself first. or Save early and save often.</p>

Activity 8.4-2

Name _____ Class Period _____

Directions: Each of the following involves making a financial decision. Read each scenario and record your answer on a blank sheet of paper.

1. Nicholas wants a new cell phone. Rather than waiting until payday, he decides to get a payday loan of \$200. He promises to repay the loan on payday plus a \$20 fee. The loan company explains that if he is unable to pay the loan by this date, they will give him an extension and only charge an additional \$20. The day before he is to repay the loan, a pipe in his bathroom breaks. Since he had to pay for the plumbing repair he cannot repay the loan. It takes Nicholas 8 weeks to repay the original \$200 he borrowed. His total repayment was \$280.

What could Nicholas have done differently to avoid the high fees?

2. Penny is buying a used car for \$6000. She has \$2000 in her savings. Penny plans to borrow the entire \$6000 at 5% and use her savings to go on a vacation. Penny's best friend tells her that this is not a financially responsible decision.

Explain the best friend's rationale as to why this is not the best financial decision for Penny.

Write a plan that will allow Penny to purchase the car and go on a vacation.

3. Samuel's mother gave him \$5.00 to buy a 20 ounce box of WakeUp Cereal for \$3.99. When he got to the store, Samuel decided to buy two boxes of the 11 ounce cereal for \$1.90 each.

Did Samuel make a responsible choice? Justify your answer.

4. Dillon has a savings account, a debit card for his checking account and a credit card that charges 18% interest. He is saving to buy a laptop that costs \$900. So far, he has saved \$710.00 in his savings account. He has been able to deposit \$75.00 every month into this savings. While reading the newspaper ads, he noticed that the computer is now on sale for 20% off. The tax rate in his city is 8.25%.

Write a plan for Dillon to purchase the laptop and spend the least amount of money.

5. Anthony wants a new vehicle. After running a credit report on Anthony, his bank told him he does not qualify for a loan because he has a very low credit score. The loan officer explains to Anthony that a low credit score typically means that the person has large debt or history of paying bills late.

Which of the following would be responsible financial decisions for Anthony?

- a. Create a budget to determine where he can reduce his spending.
- b. Ask his parents to loan him the money for a car.
- c. Apply for a loan at another loan institution.
- d. Stop using his credit card until he can pay off the balance each month.
- e. Ask the credit card company if his interest rate can be reduced.
- f. Increase his monthly payments to the credit card company.
- g. Get another credit card.

Key 8.4-2

Name _____ Class Period _____

The answers below are sample responses.

1. Nicholas wants a new cell phone. Rather than waiting 2 weeks till payday, he decides to get a payday loan of \$200. He promises to repay the loan on payday plus a \$20 fee. The loan company explains that if he is unable to pay the loan by this date, they will give him a 2 week extension and only charge an additional \$20. The day before he is to repay the loan, a pipe in his bathroom breaks. Since he had to pay for the plumbing repair he cannot repay the loan. It takes Nicholas 8 weeks to repay the original \$200 he borrowed. His total repayment was \$280.

What could Nicholas have done differently to avoid the high fees? Nicholas could have waited until he saved \$200 before he purchased the phone. If Nicholas had an emergency savings account, he might have had money to pay for the pipe.

2. Penny is buying a used car for \$6000. She has \$2000 in her savings. Penny plans to borrow the entire \$6000 at 9% and use her savings to go on a vacation. Penny's best friend tells her that this is not a financially responsible decision.

Explain the best friend's rationale as to why this is not the best financial decision for Penny. Penny will pay interest on \$6000. If she uses the \$2000 towards the car payment, she will only have to borrow \$4000. Paying interest on \$4000 at 9% will be less than paying interest on \$6000 at 9%.

Write a plan that will allow Penny to purchase the car and go on a vacation. Penny can use the \$2000 towards the car payment now and save for a vacation. Penny can use \$1500 towards the car payment and go on a less expensive vacation.

3. Samuel's mother gave him \$5.00 to buy a 20 ounce box of WakeUp Cereal for \$3.99. When he got to the store, Samuel decided to buy two boxes of the 11 ounce cereal for \$1.90 each.

Did Samuel make a responsible choice? Justify your answer. Yes. The 20 ounce box of cereal costs about 20 cents per ounce. The box of 11 ounce cereal costs about 17 cents per ounce. Samuel will pay \$3.80 for 22 ounces. This is a lesser price for more cereal than the 20 ounce box for \$3.99.

4. Dillon has a savings account, a debit card for his checking account and a credit card that charges 18% interest. He is saving to buy a laptop that costs \$900. So far, he has saved \$710.00 in his savings account. He has been able to deposit \$75.00 every month into this savings. While reading the newspaper ads, he noticed that the computer is now on sale for 20% off. The tax rate in his city is 8.25%.

Write a plan for Dillon to purchase the laptop and spend the least amount of money.

The sale price for the laptop will be \$720 and \$779.40 with tax. Dillon is short \$69.40. Therefore, he could purchase the laptop with his credit card now. When his credit card statement comes in, he should have the additional \$75 to pay the card off in full.

5. Anthony wants a new vehicle. After running a credit report on Anthony, his bank told him he does not qualify for a loan because he has a very low credit score. The loan officer explains to Anthony that a low credit score typically means that the person has large debt or history of paying bills late.

Which of the following would be responsible financial decisions for Anthony? a, d, e, f

- a. Create a budget to determine where he can reduce his spending.
- b. Ask his parents to loan him the money for a car.
- c. Apply for a loan at another loan institution.
- d. Stop using his credit card until he can pay off the balance each month.
- e. Ask the credit card company if his interest rate can be reduced.
- f. Increase his monthly payments to the credit card company.
- g. Get another credit card.

Exit Ticket

The most important thing I learned from today's lesson is

Three responsible financial behaviors are

- 1.
- 2.
- 3.

Name:

Period:

Exit Ticket

The most important thing I learned from today's lesson is

Three responsible financial behaviors are

- 1.
- 2.
- 3.

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