

**Lesson Description**

This lesson gives students the opportunity to explore the different methods a consumer can pay for goods and services. Students first identify something they want to purchase. They then create a list of ways to pay for the purchase. In small groups, students list what they know about each payment option. This list is then categorized as either an advantage or disadvantage. Examples of purchases will be given and students will choose a method of payment. Finally, the students read about the spending and savings habit for an assigned character. Using the items listed on the board at the beginning of the lesson, they will decide which payment method would be best for each item for their assigned character.

**Texas Essential Knowledge and Skills (Target standards)**

- **PFL Math 5.10C:** identify the advantages and disadvantages of different methods of payment including check, credit card, debit card, and electronic payments

**Texas Essential Knowledge and Skills (Prerequisite standards)**

- **Math 5.1:** Mathematical process standards

**National Standards (Supporting standards)**

- **CEE PFL Using Credit 4.1:** Interest is the price the borrower pays for using someone else's money.
- **CEE PFL Using Credit 4.2:** When people use credit, they receive something of value now and agree to repay the lender over time or at some date in the future, with interest.
- **CEE PFL Using Credit 4.3:** By using credit to buy durable goods, such as cars, houses, and appliances, people are able to use the goods while paying for them.
- **CEE PFL Using Credit 4.4:** 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

CCSS - Common Core State Standards

**Time Required**

- 60 minutes

**Materials Required**

- A copy of **Activity 5.2-1** for each student
- A copy of **Activity 5.2-2** for each student
- A copy of **Activity 5.2-3** for each student
- A copy of **Activity 5.2-4** for each student
- A copy of **Visual 5.2-1**
- One copy of **Activity 5.2-2**
- A sheet of chart paper for each group
- 2-4 markers for each group
- A pair of scissors for each student
- Glue or tape for each student

**PFL Terms**

- Check
- Credit card
- Debit card
- Cash

**Procedure****Engage**

1. Divide the class into groups of three or four. Display **Visual 5.3-1** and distribute one sheet of chart paper and 2-4 markers per group. Assign each group a method of payment; check, debit card, credit card, cash. Some groups may have the same method of payment.
2. Instruct groups to list on the chart paper everything they know about the assigned method of payment.
3. Have one group at a time hang their chart paper in the front of the room. Have the entire group explain what they know about their payment option. Do not comment about items explained on the poster. Students will have an opportunity at the end of the lesson to correct errors and/or add to the list.
4. Have one person from each group read the combined list. Record the answers on the board as the first group calls out their method of payment. Then, ask the other groups to send one delegate to add a check by the items they also listed. Direct students to add new items to the group list.

**Explore**

5. Distribute **Activity 5.2-1**, a pair of scissors and glue to each student. Display **Activity 5.2-1** and read the description about a check to the students. Tell students that at the bottom of the page are fact cards about checks. Direct students to cut the cards out.
6. Instruct students to have different group members read the cards one at a time. The group should then decide if the fact card represents an advantage for using checks as a method of payment or if it is a disadvantage for using checks as a method of payment. Once the group has made a determination, each student should glue the fact card on **Activity 5.2-1** in the appropriate column; advantage or disadvantage.
7. Have all students stand. Explain that you are going to read the check fact cards one at a time. If the student glued the fact card in the advantage column, he or she should sit down. If the student glued the fact card in the disadvantage column, he or she should remain standing. Then have a student explain their choice. The teacher should clarify if needed.
8. Repeat steps 5 and 6 for **Activity 5.2-2** and **Activity 5.2-3**.
9. Distribute **Activity 5.2-4** to each student. Point out to students that the fact cards for cash are blank. Instruct groups to think about their experience with cash. As a group, they are to develop cash fact card.
10. Students are to cut out the cash fact cards. The group should then decide if the cash fact card represents an advantage for using cash as a method of payment or if it is a

disadvantage for using cash as a method of payment. Once the group has made a determination, each student should glue the fact card on **Activity 5.2-4** in the appropriate column; advantage or disadvantage.

11. Have one or two people from each group share an advantage and a disadvantage for using cash.

### Explain

12. Lead a class discussion by using the questions below.
  - a. What is same and what is the difference between a debit card and a credit card? ***(Both cards have a magnetic strip on the back and can be read by an electronic card reader. When you use a debit card for payment, the money comes from your checking account. When you use a credit card, you are borrowing money from a financial company.)***
  - b. What are possible fees that someone who uses a credit card might pay? ***(He or she may have to pay late fees if he doesn't make the payment by the due date. He may pay interest if the balance is not paid in full. Some credit card companies charge an annual fee.)***
  - c. Which methods of payment transfer money from the checking account? ***(check and debit card)*** What do you think would happen if someone purchases an item for \$20 with a debit card and only has \$10 in their checking account? ***(The debit card could be denied which means the purchase cannot be made. Or the bank or credit union might charge an additional fee.)*** Explain that this fee is often between \$20 and \$30 for each occurrence. [Source: <http://www.federalreserve.gov/pubs/bounce/>]

### Elaborate

13. Post signs in different areas of the room for each methods of payment: cash, credit card, check, and debit card. The signs should be in an area where a large group of students can gather.
14. Display **Visual 5.2-1**. Tell students that each character shown on the visual has different spending and savings habits. Based on the character's habits and situation, you will decide which method of payment will be the best choice for each character. Explain that for most of the questions, there is no wrong answer.
15. Introduce one character at a time. Then read one question below the character. Instruct students that to move to the sign with the method of payment that they believe is the best choice for the character.
16. After students have made their choice, the teacher will use the **Guide 5.2-1**, to ask each group of students questions based on their choice. Repeat this process for each question on **Visual 5.2-1**.
17. Have students return to **Activity 5.2-1**. Assign each student one of the characters on **Visual 5.2-2**. Write the assigned character's name on **Activity 5.2-1** in the heading section of column 4. Tell students that they are to use what they know about payment methods and their character's spending and savings habits to identify the best payment method for each item listed on the board at the beginning of class. Ask students to write

the item in the row that describes the chosen payment method.

18. Have students return to their groups. Direct one student to retrieve the chart paper from the beginning of the lesson. Groups are to review their chart and make corrections or additions.
19. Have one person from each group report what adjustments were made to their chart.
20. To end the lesson, have students write three sentences describing which method of payment would be best in most circumstances and why. This is their ticket out of class.

**Evaluate**

**Activity 5.2-1**

Name \_\_\_\_\_

Class Period \_\_\_\_\_

**Check**

A check is a small official preprinted note that contains information about a checking account. To get a check book, a person has to open a checking account at a financial institution and deposit money. The owner of the account enters the amount of payment, the date and signs the check. By signing the check the account owner is giving the credit union or bank permission to pay for a purchase out of the account.



Advantage

Disadvantage

<p style="text-align: center;">Check</p> <p>If you write a check for more than the amount in the checking account, you will pay a fee.</p>	<p style="text-align: center;">Check</p> <p>If a payment has to be mailed, sending a check is safer than sending cash.</p>
<p style="text-align: center;">Check</p> <p>If your checks are lost or stolen, someone might try to write checks on the account.</p>	<p style="text-align: center;">Check</p> <p>A check can be used to prove that a payment was made.</p>
<p style="text-align: center;">Check</p> <p>Some stores do not accept checks.</p>	<p style="text-align: center;">Check</p> <p>Most people who write checks keep track of their spending since the check register is in the check book.</p>

**Activity 5.2-2**

Name \_\_\_\_\_

Class Period \_\_\_\_\_

**Debit Card**



A debit card is a small plastic card issued by a financial institution. This card has a magnetic strip on the back. The card is swiped through a card reader and a Personal Identification Number (PIN) is entered. This process will allow for the owner of the card to make a payment or withdraw funds from their checking account. To get a debit card, a person has to open a checking account and deposit money.

Advantage	Disadvantage

<p><b>Debit Card</b> PIN is a secret number code that only the owner of the account and the bank or credit union knows.</p>	<p><b>Debit Card</b> Debit cards are easy to carry and use.</p>
<p><b>Debit Card</b> If you don't keep track of your spending, you run the risk of spending more than what is in the account. You may have to pay a fee.</p>	<p><b>Debit Card</b> If your debit card is stolen or lost, report it to your financial institution immediately. They will cancel the card and issue a new card.</p>
	<p><b>Debit Card</b> Some financial institutions charge fees for using a debit card.</p>

**Activity 5.2-3**

Name \_\_\_\_\_

Class Period \_\_\_\_\_

**Credit Card**

A credit card is a small plastic card issued by a financial company. When the card is swiped through a card reader, the owner of the card is borrowing money from the financial company to make the payment. The amount of the purchase is transferred from the financial company who issued the credit card to the store's account. Each month the owner of the card will get a bill or a statement from the financial company that states all the purchases, returns and payments. This statement will have a due date. This is the day payment for all the purchases should arrive at the financial company.



## Advantage

## Disadvantage

## Credit Card

If only part of the balance is paid, the owner of the credit card will have to pay a fee which is called interest.

## Credit Card

Some credit cards have additional fees such as annual fees. This is a fee that is charged once a year for providing this service to its customer.

## Credit Card

If there is an emergency and no money is available, a credit card can be used to pay for the emergency.

## Credit Card

If the payment is paid after the due date, a late fee will be charged.

## Credit Card

Credit cards can be used to make online purchases.

## Credit Card

Credit cards are small and easy to use.

**Activity 5.2-3**

Name \_\_\_\_\_

Class Period \_\_\_\_\_

## Cash

Cash (or money) are the bills and coins used in exchange for a good or service.



Advantage	Disadvantage




**Visual 5.2-1**

Walter has a part time job at the local discount store. He has a checking account and a small savings account. He struggles to pay his bills because he does not make much money.

***How should Walter pay for dinner at a restaurant?***

***How should Walter pay for a new television set?***

Lucy likes to buy things. She has a good job but does not save much of the money she earns. She has a checking account, but not a savings account. She frequently pays her credit card bill after the due date and has to pay a late fee.



***How should Lucy pay for watching a movie at a theater?***

**Lucy has \$2 in her pocket and \$62 in her checking account. One day, she gets very ill and goes to the clinic. The cost for Lucy's medical care will be \$115. How should Lucy pay?**



Max has a good job. He has a checking account and savings account. Max pays his credit card bill on time and he pays the entire balance each month.

**How should Max pay for his groceries?**

## Guide 5.2-2



Walter has a part time job at the local discount store. He has a checking account and a small savings account. He struggles to pay his bills because he does not make much money.

### **How should Walter pay for dinner at a restaurant?**

- Ask the group who chose cash: What is an advantage for Walter to pay cash? *(If he has cash, he knows exactly how much he can spend.)*
- Ask the group who chose debit card: What is an advantage for Walter to pay with a debit card? *(Debit cards are small and easy to use. Walter will need to record this transaction in his account register.)*
- Ask the group who chose debit card: What is a disadvantage for Walter to pay with a debit card? *(If Walter uses a debit card and does not have enough money in his checking account, he might have to pay a fee or the financial institution might deny the transaction. This could be embarrassing.)*
- Ask the group who chose credit card: What is a disadvantage for Walter to pay with a credit card? *(Since Walter struggles to pay his bills, he might not pay the balance. He will then have to pay interest.)*
- Ask the group who chose check: What is an advantage for Walter to pay with a check? *(There is no advantage. If Walter does not have enough money in his checking account, he might have to pay a fee. The restaurant may not accept checks.)*

### **How should Walter pay for a new television set?**

- Ask the group who chose cash: What is a disadvantage for Walter to pay cash? *(If Walter loses the receipt and the television doesn't work, he has no proof that he bought the television at that store.)*
- Ask the group who chose debit card: What is a disadvantage for Walter to pay with a debit card? *(If Walter uses a debit card and does not have enough money in his checking account, he might have to pay a fee. Walter should save his money for large purchases. Once he has enough saved, then he can buy it with his debit card.)*
- Ask the group who chose credit card: What is an advantage for Walter to pay with a credit card? *(Credit cards are easy to carry and easy to use. However, if Walter uses a credit card, it would be wise to save for the purchase first. This will allow him to pay the balance when the credit card bill is due and avoid paying fees.)*
- Ask group who chose check: What is an advantage for Walter to pay with a check? *(If Walter loses the receipt and the television doesn't work, he can get the check from the bank to show that bought the television at that store.)*

Lucy likes to buy things. She has a good job but does not save much of the money she earns. She has a checking account, but not a savings account. She frequently pays her credit card bill after the due date and has to pay a late fee.



### How should Lucy pay for watching a movie at a theater?

- Ask the group who chose cash: What is an advantage for Lucy to pay cash? *(Since it is a small purchase, it is easy to pay with cash.)*
- Ask the group who chose debit card: What is an advantage for Lucy to pay with a debit card? *(Debit cards are small and easy to carry.)*
- Ask the group who chose debit card: What is a disadvantage for Lucy to pay with a debit card? *(If Lucy doesn't have enough money in her checking account, she may have pay a fee or her financial institution might deny the payment. She might be left stranded while her friends watch the movie.)*
- Ask the group who chose credit card: What is a disadvantage for Lucy to pay with a credit card? *(Since Lucy sometimes pays her credit bill late, she should avoid using her credit card.)*
- Ask group who chose check: What is an advantage for Lucy to pay with a check? *(There is no advantage. Movie theaters often do not accept checks. Lucy may not have enough money in her checking account.)*

**Lucy has \$2 in her pocket and \$62 in her checking account. She gets very ill and goes to the clinic. The cost for her medical care will be \$115. How should Lucy pay?**

- All students should move to the credit card area. If students move to any other area, ask them if Lucy has enough money to pay cash or does she have enough money in her checking account to pay with a debit card or check. Ask the students: What is the advantage for Lucy to pay with a credit card? *(Credit cards are good to use for an emergency. When you use a credit card you are borrowing money. When Lucy gets her credit card bill, she should pay her bill on time and try to pay the entire balance.)*



Max has a good job. He has a checking account and savings account. Max pays his credit card bill on time and he pays the entire balance each month.

### How should Max pay for his groceries?

- Ask the group who chose debit card: *What are important steps Max should do if he decides to pay with his debit card? (Max will have to enter his PIN to allow his financial institution to transfer money from his account to the grocery store account. Max should then record his transaction and calculate his checking account balance. This way he will know how much money is in his account.)*
- Ask the group who chose debit card: *Why is Max required to enter a PIN when using his debit card? (By entering his PIN, he is informing his financial institution that he is the owner of the checking account.)*
- Ask the group who chose credit card: *What is an advantage for Max to pay with a credit card? (Credit cards are easy to carry and easy to use. Since Max has demonstrated financial responsibility when he pays his bills, he will most likely pay back the entire amount he owes the credit card company on or before the due date.)*
- Ask group who chose check: *What are important steps Max should do if he decides to pay with a check? (Max will have to write the date and the name of the grocery store; write the total amount due in numbers and word; and sign the check. Max should then record his transaction and calculate his checking account balance. This way he will know how much money is in his account.)*
- Ask group who chose cash: *What are disadvantages for carrying a large amount of cash? (If you lose cash, it is difficult to find it. If someone finds your money, you have no proof that you lost it.)*