

Managing High Levels of Debt

Overview

This lesson focuses on the problems associated with high levels of debt and different strategies for dealing with it.

Lesson Objectives

Students will be able to:

- Identify ways to deal with high levels of personal debt.
- Compare the costs and benefits of filing bankruptcy.
- Recognize the impact of filing bankruptcy.
- Explain the importance of reestablishing positive credit history.
- Demonstrate the steps to rebuilding positive credit history.

Lesson Procedures

1. Have students read Lesson 13.1. Use the Introduction scenario in the lesson as an overview for the lesson.
2. Review the lesson content by discussing the different ways to handle high levels of debt, the process of bankruptcy, the types of bankruptcy, and various issues after bankruptcy. Remind students that bankruptcy is generally considered a last resort, when no other options will work.
3. Use Activity 13.1 to review the key points and discuss the activity.
4. Conclude the lesson by revisiting the FINAL NOTE.
5. Use Review 13.1 to assess student learning.

PERSONAL FINANCIAL LITERACY

PASS OBJECTIVE

Objective 13.1: Assess the costs and benefits of bankruptcy to individuals, families, and society.

Objective 13.2: Examine ways to prevent bankruptcy and identify alternatives to bankruptcy (e.g., budget management, debt management, refinancing, and financial counseling).

Objective 13.3: Explain the importance of reestablishing a positive credit history

“There are no shortcuts when it comes to getting out of debt.”

Dave Ramsey

VOCABULARY

Bankrupt

Bankruptcy

Consumer credit
Counseling

Creditor

Debt consolidation loan

Financial counseling

Garnishment

Home equity loan

Repossession

Bankruptcy Baseball

Overview

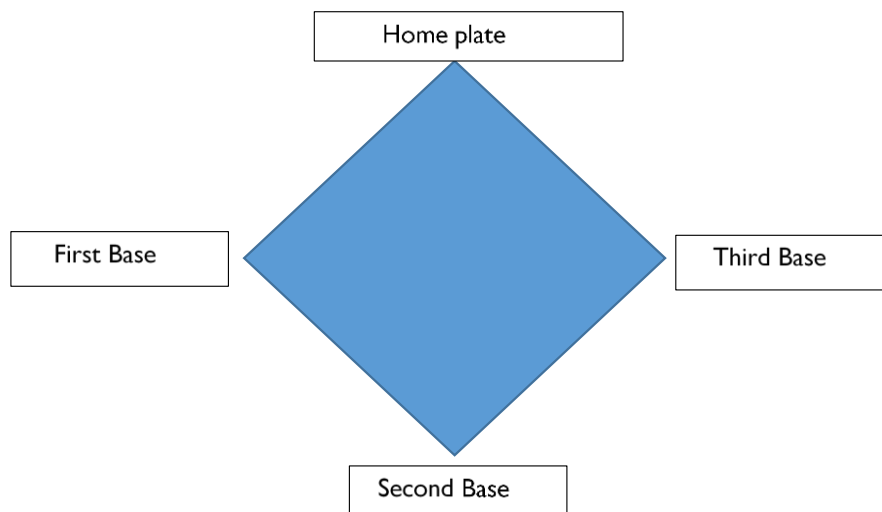
This activity can be used as a review of the content in Standard 13.

Materials

- One set of questions

Procedures

1. Draw a baseball diamond on the board, similar to the one below. Put students into small groups or “teams”. Assign each team a color or a letter that will be used to track their progress on the baseball diamond. Tell students they will need give the correct answer to questions in order to advance around the diamond, scoring “runs”. Questions will be assigned “hits” as follows: single, double, triple and home run.
2. Determine which team gets “to bat” first. Tell them they can choose a single, double, triple, or home run question. If the team gets the answer right, the team advances to the appropriate base on the diamond you drew on the board. Use a post-it note labeled with the team name, color or letter or mark it on the board as they advance keeping score of each homerun. If the first student misses, then he makes an “out”. In this game, each team only gets one out per “inning”.
3. Proceed to the next team and continue until all teams have played the first “inning”. Continue playing until all questions have been answered. The team with the most runs wins. Any team that gets three “outs” is out of the game.
4. Debrief the activity by asking students to write a short summary of what they have learned about managing high levels of debt. Have them share their answers with the rest of the class.



Baseball Bankruptcy Questions

Singles

1. What is bankruptcy?
2. What is a creditor?
3. What is a debt consolidation loan?
4. What is a home equity loan?

Doubles

1. What is Chapter 7 bankruptcy?
2. What is Chapter 13 bankruptcy?
3. Give an example of an “exempt” item when filing bankruptcy.
4. Give an example of a “nonexempt” item when filing bankruptcy.

Triples

1. Give one of the top reasons for filing bankruptcy.
2. How long does bankruptcy stay on your credit report?
3. Identify one benefit of filing bankruptcy.
4. Identify one cost of filing bankruptcy.

Homeruns

1. Why does bankruptcy have a cost to society?
2. What are two debts that cannot be dismissed in bankruptcy?
3. What is one step you can take to recover from bankruptcy?
4. Why should you call your creditors if you are having trouble making your payments?

Extending the Lessons

Use the quote in the Teacher’s Guide as an introductory discussion or review for the lessons. You may also want to search for other quotes on debt and put students in small groups to react to them.

Invite a bankruptcy attorney or someone from a financial institution to visit your class and answer student questions about bankruptcy.

Resources

Lessons:

Free lesson plans at <http://www.econedlink.org/>

Free lesson plans and other resources at <http://moneyisok.com/standards/standard-13-bankruptcy/>

Free videos at www.bettermoneyhabits.com

General personal finance resources available at:

- www.federalreserveeducation.org
- www.mymoney.gov
- www.jumpstart.org