

More Than Plastic

Overview

This lesson focuses on the costs and benefits of using credit cards to make purchases.

Lesson Objectives

Students will be able to:

- Describe how credit cards are used to purchase today's wants with tomorrow's money.
- Compute the total cost of purchasing goods using credit cards at different interest rates when making minimum payments.

Lesson Procedures

1. Have students read Lesson 8.1. Use the Introduction scenario in the lesson as an overview for the lesson. Have students discuss the different attitudes toward credit cards that is shown by the three students.
2. Review the lesson content, focusing on the main points: the Credit CARD Act, interest on charges, statements, and minimum payments. Be sure students understand that credit cards are not money, but are a form of revolving credit that needs to be repaid – with interest.
3. Remind students that not all credit cards have exactly the same terms. Use Activity 8.1 to illustrate these differences.
4. Conclude the lesson by revisiting the FINAL NOTE.
5. Use Review 8.1 to assess student learning.

PERSONAL FINANCIAL LITERACY

PASS OBJECTIVE

Objective 8.1: Compare costs and benefits of using credit cards and making online purchases (e.g., interest rates, fees, repayment schedules, and personal information protection).

Objective 8.2: Evaluate options for payments on credit cards (e.g., minimum payment, delayed payments, or payment in full).

"If you control your credit cards, you control your future."

Scott Bilker

VOCABULARY

Credit card

Revolving credit

Shopping Online

Overview

This lesson focuses on the costs and benefits of online shopping and the payment options for online purchases.

Lesson Objectives

Students will be able to:

- Describe the costs and benefits of online shopping.
- Compare shopping online to shopping in person.
- Evaluate payment options for online purchases.

Lesson Procedures

1. Have students read Lesson 8.2. Use the Introduction scenario in the lesson and have students respond to the question at the end. Ask them if they prefer shopping online or in person, and why.
2. Review the content of the lesson, focusing on the costs and benefits of shopping locally versus shopping online. Be sure students understand that all choices have costs as well as benefits when making this decision. Use Activity 8.2 to reinforce this concept.
3. Conclude the lesson by revisiting the FINAL NOTE. Ask students what potential problems may be ahead for Mary Jane if she continues this pattern. Also, ask students if (and how) they will change their shopping behavior after studying this lesson.
4. Use Review 8.2 to assess student learning.

PERSONAL FINANCIAL LITERACY

PASS OBJECTIVE

Objective 8.1: Compare costs and benefits of using credit cards and making online purchases (e.g., interest rates, fees, repayment schedules, and personal information protection).

Objective 8.2: Evaluate options for payments on credit cards (e.g., minimum payment, delayed payments, or payment in full).

“One who restrains his appetite avoids debt.”

Chinese Proverb

VOCABULARY

Credit card

Unscrambling a Credit Card Statement

Overview

This activity can be used to review a credit card statement.

Materials

- Copies of the credit card statement (pgs 4 & 5).

Procedures

1. Put students in groups and give each group a copy of the credit card statement. Have students identify the 10 sections of the statement by matching the correct number with the correct terms on the second page of this activity.
2. Debrief their answers to ensure students have the correct answers.

Extension Activities

1. Have students identify other parts of the statement, such as the phone numbers to call for help, credit limit, available credit, and the APR.
2. Using Section 10 of the credit card statement, discuss the reasons that different categories have different interest rates.
3. Have students provide definitions or descriptions of the key terms on the credit card statement.
4. If you have access to computers, have students use a credit card calculator to compare different monthly payments for the \$1,784.53 balance and the time to pay off this account. Compare the difference in interest paid. <http://www.bankrate.com/calculators/credit-cards/credit-card-payoff-calculator.aspx>

Summary of Account Activity	
Previous Balance	\$535.07
Payments	-\$450.00
Other Credits	-\$13.45
Purchases	+\$529.57
Balance Transfers	+\$785.00
Cash Advances	+\$318.00
Past Due Amount	+\$0.00
Fees Charged	+\$69.00
Interest Charged	+\$10.89
New Balance	\$1,784.53
Credit limit	\$2,000.00
Available credit	\$215.47
Statement closing date	3/22/2012
Days in billing cycle	30

QUESTIONS?
 Call Customer Service 1-XXX-XXX-XXXX
 Lost or Stolen Credit Card 1-XXX-XXX-XXXX

Payment Information	
New Balance	\$1,784.53
Minimum Payment Due	\$53.00
Payment Due Date	4/20/12

Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a \$35 fee and your APRs may be increased up to the Penalty APR of 28.99%.

Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and take you longer to pay off your balance. For example:

If you make no additional charges using this card and each month you pay...	You will pay off the balance shown on this statement in about...	And you will end up paying an estimated total of...
Only the minimum payment	10 years	\$3,284
\$62	3 years	\$2,232 (Savings=\$1,052)

If you would like information about credit counseling services, call 1-800-XXX-XXXX.

Notice of Changes to Your Interest Rates

You have triggered the Penalty APR of 28.99%. This change will impact your account as follows:

Transactions made on or after 4/9/12: As of 5/10/12, the Penalty APR will apply to these transactions. We may keep the APR at this level indefinitely.

Transactions made before 4/9/12: Current rates will continue to apply to these transactions. However, if you become more than 60 days late on your account, the Penalty APR will apply to those transactions as well.

Important Changes to Your Account Terms

The following is a summary of changes that are being made to your account terms. For more detailed information, please refer to the booklet enclosed with this statement.

These changes will impact your account as follows:

Transactions made on or after 4/9/12: As of 5/10/12, any changes to APRs described below will apply to these transactions.

Transactions made before 4/9/12: Current APRs will continue to apply to these transactions.

If you are already being charged a higher Penalty APR for purchases: In this case, any changes to APRs described below will not go into effect at this time. These changes will go into effect when the Penalty APR no longer applies to your account.

Revised Terms, as of 5/10/12	
APR for Purchases	16.99%

Transactions 7				
Reference Number	Trans Date	Post Date	Description of Transaction or Credit	Amount
5884188PS0388W6YM	2/22	2/23	Store #1	\$133.74
854338203FS8OO0Z5	2/25	2/25	Pymt Thank You	\$450.00-
564891561545KOSH0	2/25	2/26	Store #2	\$247.36
1542202074TWWZV48	2/26	2/26	Cash Advance	\$318.00
4545754784KOHUIOS	2/27	3/1	Balance Transfer	\$785.00
2564561023184102315	2/28	3/1	Store #3	\$34.32
045148714518979874	3/4	3/5	Store #4	\$29.45
0547810544898718AF	3/15	3/17	Store #5	\$72.25
Fees 8				
9525156489SFD4545Q	2/23	2/23	Late Fee	\$35.00
84151564SADS8745H	2/27	2/27	Balance Transfer Fee	\$23.55
256489156189451516L	2/28	2/28	Cash Advance Fee	\$10.90
TOTAL FEES FOR THIS PERIOD				\$69.45
Interest Charged				
Interest Charge on Purchases				\$6.31
Interest Charge on Cash Advances				\$4.58
TOTAL INTEREST FOR THIS PERIOD				\$10.89
2012 Totals Year-to-Date 9				
Total fees charged in 2012				\$90.14
Total interest charged in 2012				\$18.27

Interest Charge Calculation 10			
Your Annual Percentage Rate (APR) is the interest rate on your account.			
Type of Balance	Annual Percentage Rate (APR)	Balance Subject to Interest Rate	Interest Charge
Purchases	14.99% (v)	\$512.14	\$6.31
Cash Advances	21.99% (v)	\$253.50	\$4.58
Balance Transfers	0.00%	\$637.50	\$0.00
(v) = Variable Rate			

Source: Bankrate.com

- | | |
|--------------------------------------|---|
| _____ Account Summary | _____ Summary of Interest Charges by Category |
| _____ Transactions | _____ Change in Other Items (other than interest) |
| _____ Minimum Payment Warning | _____ Payment Summary |
| _____ Change in Interest Rate | _____ Fees and Interest Charges |
| _____ Year to Date Fees and Interest | _____ Late Payment Warning |

Shopping Online: Cost vs Benefits

Overview

This activity is designed to help students identify the costs and benefits of buying online vs buying locally. It can be used as a review of Lesson 8.2.

Materials

- 4 poster boards, one each with the following labels:
 - Shopping Online Benefits
 - Shopping Online Costs
 - Shopping Locally Benefits
 - Shopping Locally Costs
- Sticky Notes (4 different colors) or 4 different colors of markers

Procedures

1. After completing student lesson 8.2, hang the four poster boards around the classroom. Put students in groups, giving each group either four colors of sticky notes or four colors of markers. Assign one color to each poster. Have students post (or write) the costs and benefits of online shopping and shopping locally on the appropriate poster.
2. Debrief the activity by reviewing their answers.

Online Shopping –
Benefits

Online Shopping –
Costs

Shopping Locally –
Benefits

Shopping Locally –
Costs

Extending the Lessons

Use the quotes in the Teacher’s Guide as an introductory discussion or review for the lessons.

Have students form two teams and debate the potential loss of sales tax or business for local merchants due to the increase in online shopping.

Resources

Lessons:

Free lesson plans and other resources at <http://moneyisok.com/standards/standard-8-online-shopping-and-credit-cards/>

Free lesson plans / Stay Safe Online – Teach Online Safety: <https://staysafeonline.org/teach-online-safety/>

Videos/Online Resources:

Free video Your Money Your Life/Chapter 3 Digging Out of Debt at <http://www.pbs.org/your-life-your-money/videos.php>

Free Videos at www.bettermoneyhabits.com. Free lesson plans for some videos available under Better Money Habits tab at <http://www.econedlink.org/>

Teaching Tools:

The Credit CARD Act: A Bill of Rights for Credit Cardholders:
<http://www.consumerfinance.gov/credit-cards/credit-card-act/>

General personal finance resources available at:

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