



Credit Cards

Lesson Description:

In this lesson, students learn about using credit cards responsibility, and about the consequences for making poor spending decisions when using credit cards.

Suggested Grade Level:

2nd – 3rd

Economic Concepts:

Scarcity

Spending and saving

Making financial decisions

Credit

Voluntary National Content Standards in Economics:

Content Standard 1: Scarcity

Students will understand that productive resources are limited. Therefore, people cannot have all the goods and services they want; as a result, they must choose some things and give up others.

Content Standard 2: Decision Making

Effective decision making requires comparing the additional costs of alternatives with the additional benefits. Many choices involve doing a little more or a little less of something: few choices are “all or nothing” decisions.

Content Standard 11: Money and Inflation

Money makes it easier to trade, borrow, save, invest, and compare the value of goods and services. The amount of money in the economy affects the overall price level. Inflation is an increase in the overall price level that reduces the value of money.

National Standards for Financial Literacy:

Standard II: Buying Goods and Services

People cannot buy or make all the goods and services they want; as a result, people choose to buy some goods and services and not buy others. People can improve their economic well-being by making informed spending decisions, which entails collecting information, planning, and budgeting.

Standard III: Saving

Saving is the part of income that people choose to set aside for future uses. People save for different reasons during the course of their lives. People make different choices about how they save and how much they save. Time, interest rates, and inflation affect the value of savings.

Standard IV: Using Credit

Credit allows people to purchase goods and services that they can use today and pay for those goods and services in the future with interest.

Jump Start National Standards in K-12 Personal Finance Education

Spending and Saving:

- Standard 1: Develop a plan for spending and saving.
- Standard 4: Apply consumer skills to spending and saving decisions.

Credit and Debt:

- Standard 1: Analyze costs of benefits of various types of credit.
- Standard 3: Apply strategies to avoid or correct debt management problems.

Financial Decision Making:

- Standard 1: Recognize the responsibilities associated with personal financial decisions.
- Standard 4: Make criterion-based financial decisions by systematically considering alternatives and consequences.

Time Suggested:

45-60 minutes (if completed in a single teaching period)

Supplies:

- *Ronan and Ramona Go to Stinkland* video, and means to project it
- One copy of the Consequences for Flea the Frog graphic organizer per student, with writing utensil OR projected copy of the organizer for the whole class to use
- One sheet of blank paper (larger size, if possible) and drawing utensils for each student
- One sticky note per student

Classroom Procedures:

1. This lesson requires some sensitivity in addressing the situations that arise for Flea the Frog. Because of his poor spending and credit decisions, he ends up losing his house and everything he bought with his credit card. If students in your class have experienced homelessness or eviction, be careful to prioritize their emotional needs above completing every part of the lesson.
2. Show the *Ronan and Ramona Go to Stinkland* video in its entirety if students have not watched it previously. After watching, lead students in a brief discussion about it:
 - a. Ask, “what did Ronan and Ramona save their money in order to do?” (**Buy tickets to visit the Stinkland amusement park.**)
 - b. Continue by asking, “what did they have to do in order to save enough money?” (**They had to make choices that allowed them to save money instead of spend it. They also had to keep making those choices over a long period of time in order to save enough money, because the tickets were very expensive.**)
 - c. Follow up by asking, “why wasn’t their friend Flea the Frog able to come with them to Stinkland?” (**Flea did not save his money. Instead, he overused his credit card and ended up having his house and belongings taken away when he couldn’t pay his bills. He didn’t have any money or credit to buy tickets to Stinkland when Ronan and Ramona were ready to go.**)
3. Give each student a copy of the Consequences for Flea the Frog graphic organizer. Project the organizer so that the whole class can see it before continuing. Then, discuss the spending decisions that Flea made when using his credit card. Explain to the class that the boxes on the left show choices made by Flea, and the arrows indicate the consequences of those choices. (There is a completed copy of the organizer at the end of this document for teacher reference, if needed.)
 - a. Begin by discussing the fact that Flea doesn’t have a job, so he has no income. Ask, “why is it important that Flea does not have a job?” (**Most people earn income by working. They are paid to do a job. Since Flea doesn’t have a job, he won’t earn any money, and it will be hard for him to buy the things he wants.**) Continue by asking, “what will be the consequence of Flea using his credit card even though he doesn’t have a job to provide him with an income?” (**He will not have the money he needs to pay for the purchases he makes.**)
 - b. Have students list this consequence on their organizers. The exact wording does not need to match the example, as long as the class understands the larger idea. If students are confused about needing cash to back up credit card purchases, watch the video again, beginning at 3:13, to review Flea’s story. (Flea’s joblessness is mentioned at 4:12.)
 - c. Review the idea that credit cards should only be used when consumers have cash to “back up” their cards – you can even sing the song’s “back it, back it up” chorus to reinforce this idea.
 - d. Continue the conversation by moving down to the next choice listed on the organizer. Ask, “what will happen as a result of Flea buying things without cash to back up his credit card?” (**He will not be able to pay his bill when it is due.**)

Students may not know that credit card charges accrue over roughly a month-long period. If needed, explain this, and help students understand that a month's worth of purchases must be paid for at once. If a consumer has cash to back up their card, this is not a hardship, but for consumer like Flea who lack that cash, it becomes a problem.

- e. Again, have students record this consequence on their organizers.
 - f. Continue to the next choice listed on the organizer by asking students to consider the consequences of late payment: “what will happen when Flea does not pay his credit card on time?” (**The credit card company will charge him interest. This is the cost of borrowing money. It means that they will charge Flea a certain amount of additional money based on how much credit he has used.**) Tell students that this interest charge is added to the money that Flea already owes, making his next bill even bigger and harder to pay since he has no income and no cash.
 - g. Have students record this consequence on their organizers.
 - h. Finally, ask students to predict what will happen if Flea continues not to pay: “what will be the consequence if Flea continues not to pay the bill for the purchases he has made, or the interest that has been added to it?” (**As seen in the video, Flea will lose the things that he has bought. They will be taken away because he has not actually paid for them.**)
 - i. Students should record this last consequence on their organizers.
4. Now that students have a basic understanding of the consequences of irresponsible credit card use, they can create advertising posters to advise other frogs in making better spending choices in the future. Ask students to imagine that they are in charge of making advertisements for frog consumers. Having seen the irresponsible choices made by Flea and the responsible choices made by Ronan and Ramona, the class should have some tips to help other frogs who need to make wise financial decisions.
5. Give each student a sheet of blank paper, and access to coloring utensils.
- a. Show students examples of posters used to encourage good financial decisions. (Students do not need to fully understand the content of these – they are just meant to show how such advertising works.)
 - i. <https://i.pinimg.com/originals/ed/f1/6a/edf16a07ba88998fa56600c08face1b5.png>
 - ii. <https://www.sapphirestarr.com/2009/06/money-matters-feed-pig.html>
 - iii. <https://americasavesweek.org/wp-content/uploads/2017/11/Just-keeps-saving.pdf>
 - b. Tell students that they should create a poster – with frog consumers as the audience – that gives basic spending advice when using a credit card. Students can use their graphic organizers for assistance. Some students may use the language from the organizer verbatim, while others will be more creative. At this age, the goal is for them to engage with the ideas rather than produce exceptional advertisements. Suggest that they focus on one or two big suggestions from what

they have learned, since advertisements are usually fairly simple and provide only a small amount of information.

- c. Give students 10-15 minutes to complete their posters, using illustrations and phrases to convince their audience to be wise users of credit cards.

Closing:

Have students share their posters, telling what advice they would give to frog consumers and why they think those particular suggestions are important. Encourage positive conversation among students about each other's work. Rather than focusing on who drew the best frog, for example, guide students to support each other's ideas and spending advice.

Assessment:

Ask students to share what they know now about wise credit card use that they did not know before the lesson. Give each student a sticky note, and tell the class to write one thing they learned during the lesson about using credit cards. Have students post these notes in a dedicated location for you to review. Since some students will grasp the concept more quickly than others, using sticky notes avoids one student providing an answer that others restate even if they do not really understand responsible credit card use.

Extension:

In the video, Megan sings briefly about how using a credit card is similar to borrowing a library book. Discuss how this analogy works: using a credit card means that you will need to pay for your purchases, or give back the money you have used, in the same way that you use a library book for a set amount of time and then have to give it back. While the consequences for poor credit decisions are harsher than those for being a poor library citizen, it is a useful analogy for students who may not be familiar with the way credit cards actually work.

Consequences for Flea the Frog

Flea doesn't have a job, so he has no income. He uses his credit card anyway.



Flea doesn't have the money he needs to pay for the purchases he makes.

Flea buys things without cash to back up his credit card.



Flea cannot pay his credit card bill when it comes due.

Flea does not pay his credit card bill on time.



The company that issues Flea's credit card charges him interest – the cost of borrowing money.

Flea continues not to pay his credit card bill, or the interest that adds up.



The things that Flea bought with his credit card are taken away because he hasn't paid for them.

Consequences for Flea the Frog

Flea doesn't have a job, so he has no income. He uses his credit card anyway.



[Empty rounded rectangular box for writing the consequence]

Flea buys things without cash to back up his credit card.



[Empty rounded rectangular box for writing the consequence]

Flea does not pay his credit card bill on time.



[Empty rounded rectangular box for writing the consequence]

Flea continues not to pay his credit card bill, or the interest that adds up.



[Empty rounded rectangular box for writing the consequence]