$mart
path

Level 7, Lesson 3 Adapted Guide
Level A

The Alpaugh Family
ECONOMICS CENTER

Big Idea:

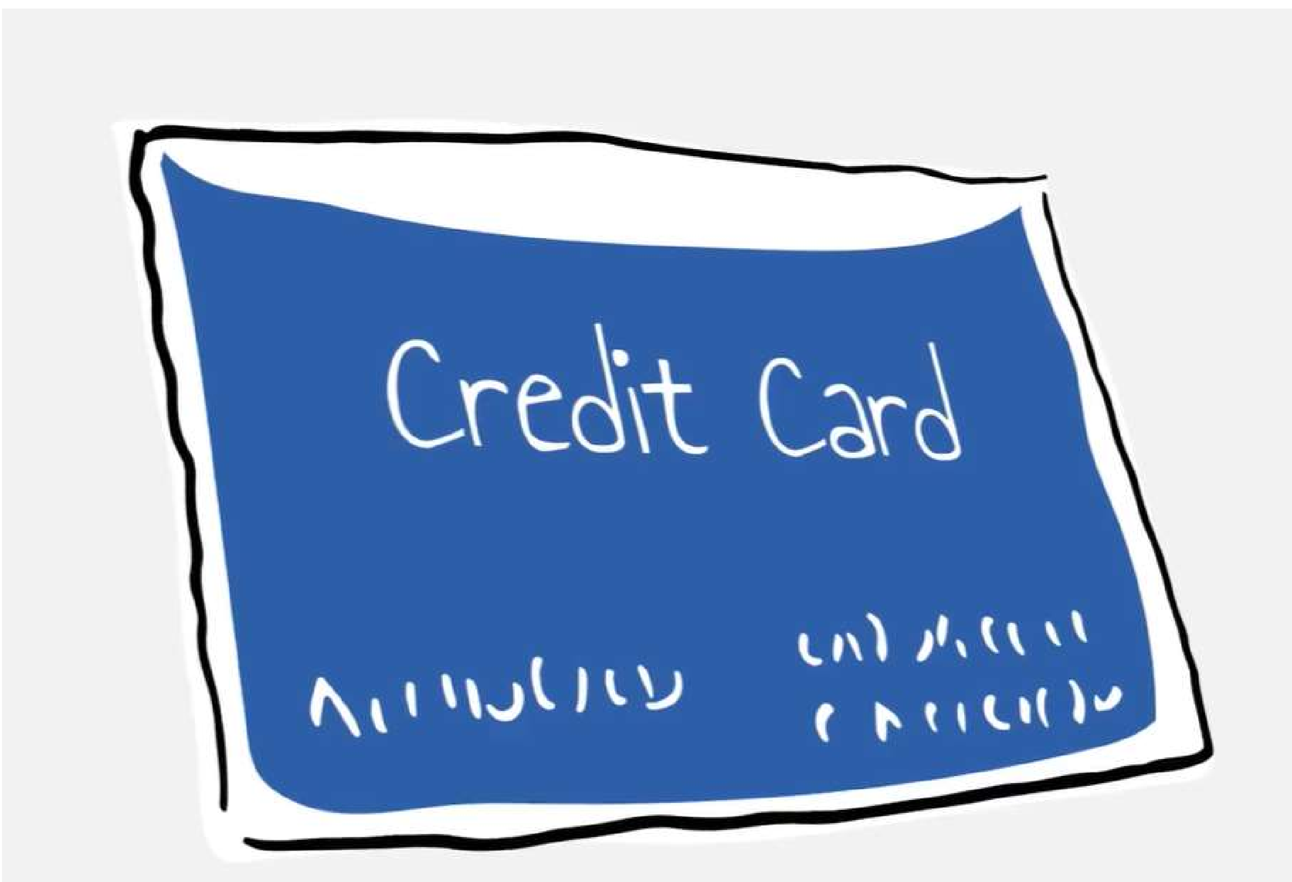
Credit Cards, Interest Rates, and Emergency Funds

Teacher Tip: This lesson will focus on introducing kids to what a credit card is, how it can be used wisely, and the pitfalls of having a credit card. Students will also be introduced to what an emergency fund is and why it is important.

This lesson has four vocabulary terms for students to focus on. These terms **are credit card, interest rate, debt and emergency fund.** These terms will all be important to increase financial independence for students.

The adapted lessons are an emergency fund math lesson, and a worksheet about interest. The goal of the interest rate activity is to demonstrate to students that borrowing money and taking time to pay it back will result in the item costing more. These are simplified examples and use the assumption that the items will have a standard monthly interest charge. While this may be unrealistic, it is important for students to grasp the concept of cash vs credit and the interest charges associated with credit. These lessons will help to make these concepts more concrete for students.

Middle School World History
Lesson 3
Virginia Gets a Credit Card
Level A



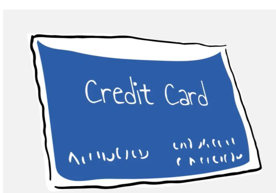
Virginia finds a gold nugget at her dig site. After she

finds the nugget she keeps seeing sparks and getting

shocked. Her things are getting broken.

Virginia gets a credit card to pay for things that have

broken. She is surprised when she gets a huge bill.

LeveL A

Credit cards are not free money. It is borrowed

money that you have to pay back. Credit cards

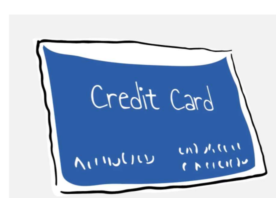
charge interest. This is a fee for borrowing money.

$$1000 + (1000 * 0.16 / 12)$$

You may also pay a late fee if you don't pay on time.

$$000 + (1000 * 0.16 / 12) + 25 =$$

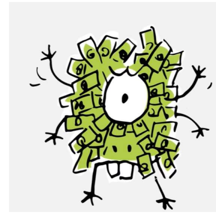
Virginia realizes she can only use credit when she



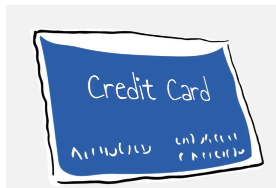
has money to pay it back.

LeveL A

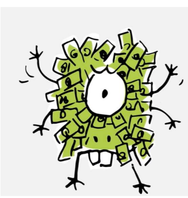
If you don't pay the money back your debt keeps growing

and you can't get more credit. Virginia must pay back her

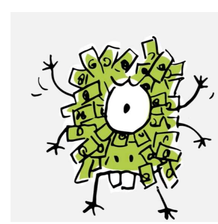


debt as quickly as possible. Virginia needs an emergency



fund to help with expenses. A good goal is to have 3 months

of expenses saved up. Virginia will pay off her debt and save

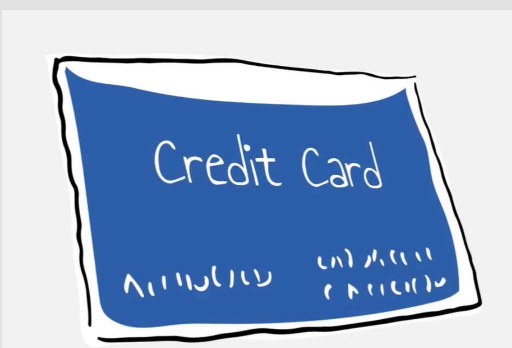



for an emergency fund.

LeveL A

Credit Card

Interest Rate



A service where you can borrow money to pay for things now, and pay it back later with interest.

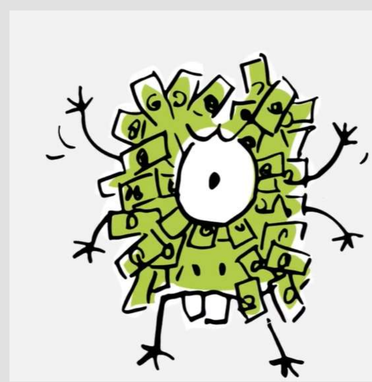
$$1000 + (1000 * 0.16 / 12)$$

A fee charged for borrowing money.

Emergency Fund

Debt

A determined amount of money saved up to pay expenses if needed.

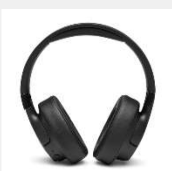


Money owed to other people or companies.

Having an emergency fund is very important. Fill in the chart below to determine how long it would take to save up for an emergency fund. Remember an emergency fund is usually three months of expenses.

Monthly Income	Expenses (fixed, flexible, wants)	Total Emergency Fund needed (Hint: monthly expenses x 3)	Monthly Amount leftover after expenses	Total months until fully funded emergency fund (hint: emergency fund amount/leftover $
$1000	$800	$2400	$200	12 months
$1500	$1000			
$1800	$1200			
$2000	$1600			
$2500	$2000			

It is important to be aware of how much you are paying in interest when you borrow money. Below are the items we bought in lesson two by saving for the item. In this scenario, we borrowed money to buy and had to pay interest on the outstanding balance. The months it took to pay back are the same as it took to save for the item. This way you can see the difference in final cost of the item.

Item	**Cost**	**Interest payment**	**Months it took to pay back**	**Total cost of item**
TV 	$500	$5.00	10 months	$500 + ($5.00 x10 months) = $550 for the TV
Headphones 	$100	$2.00	5 months	
Video game system 	$600	$4.00	6 months	
Dog bed 	$200	$3.00	20 months	
Beach Trip 	$1500	$10.00	15 months	

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Middle School World History, Lesson 3
Adapted Guide
Level B

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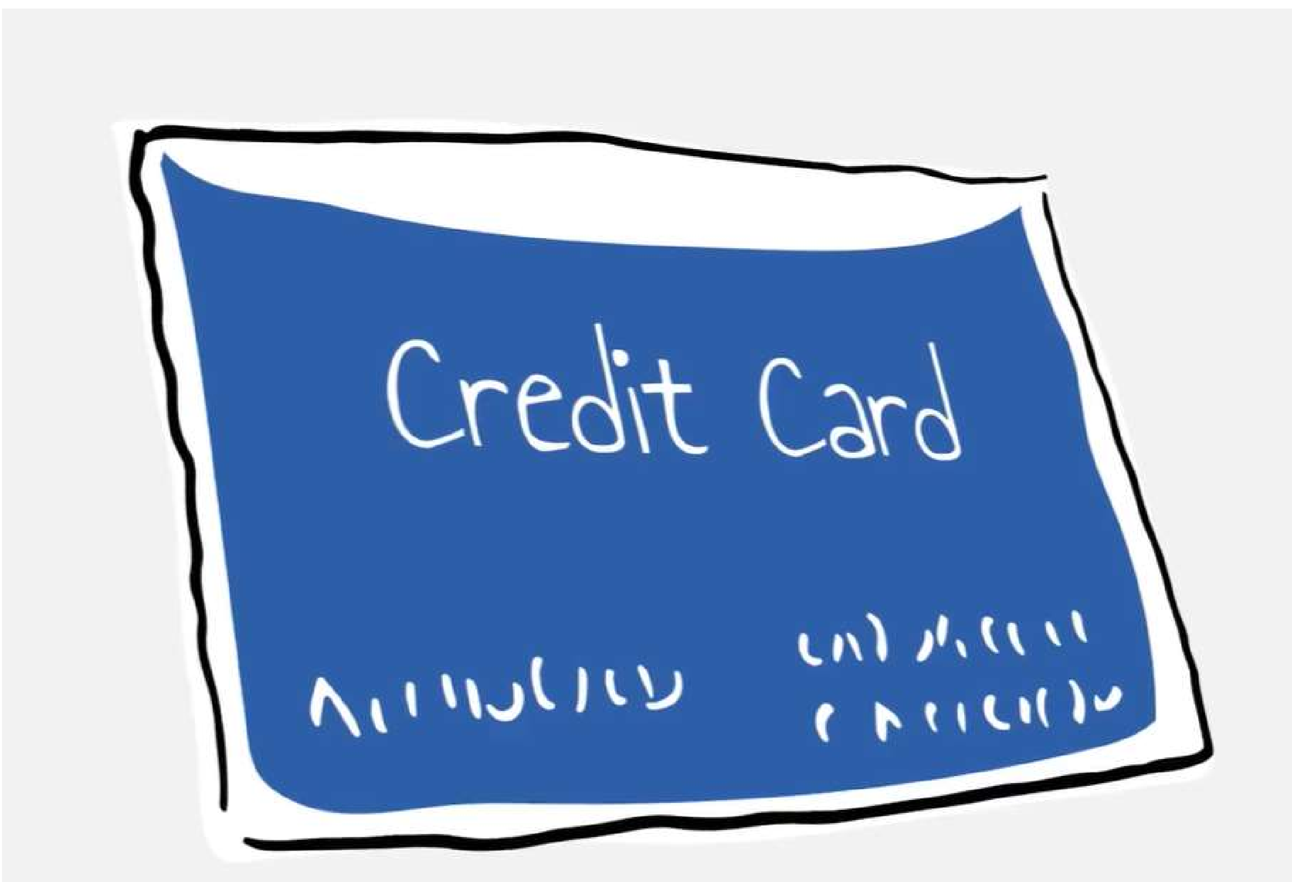
Middle School World History
Lesson 3
Virginia Gets a Credit Card
Level B



Virginia finds a gold nugget at her dig site. After she

finds the nugget things keep getting broken. Virginia

gets a credit card to pay for things that have broken.

She is surprised when she gets a huge bill.

Level B

Credit cards are borrowed money that you have to

pay back. Credit cards charge interest. This is a fee

$1000 + (1000 * 0.16 / 12)$

for borrowing money. You may also pay a late fee if

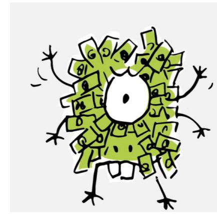
$000 + (1000 * 0.16 / 12) + 25 =$

you don't pay on time. Virginia should use credit

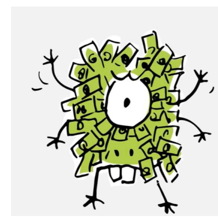
when she has money to pay it back.

Level B

If you don't pay the money back your debt keeps

growing. Virginia must pay back her debt. Virginia

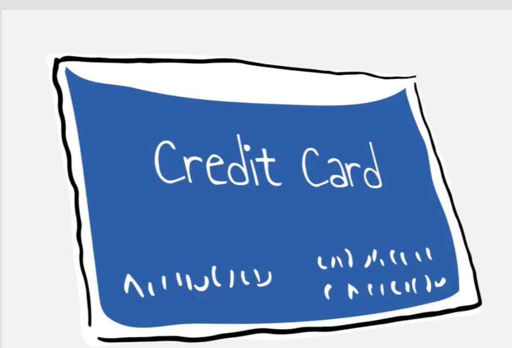

needs an emergency fund. A good goal is to have

3 months of expenses saved up. Virginia will pay

off her debt and save for an emergency fund.


Level B

Credit Card	**Interest Rate**



A service where you can borrow money to pay for things now, and pay it back later with interest.

$$1000 + (1000 * 0.16 / 12)$$

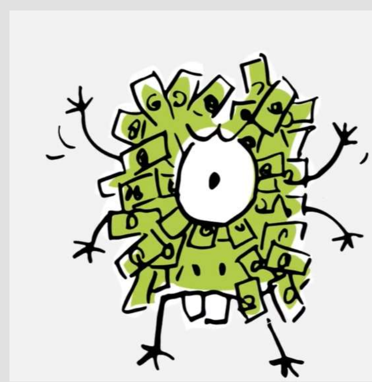
A fee charged for borrowing money.

Level B

Emergency Fund

Debt

A determined amount of money saved up to pay expenses if needed.



Money owed to other people or companies.

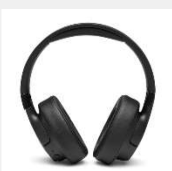
Level B

Having an emergency fund is very important. Fill in the chart below to determine how long it would take to save up for an emergency fund. Remember an emergency fund is usually three months of expenses.

Monthly Income	Expenses (fixed, flexible, wants)	Total Emergency Fund needed (Hint: monthly expenses x 3)	Monthly Amount leftover after expenses	Total months until fully funded emergency fund (hint: emergency fund amount/leftover $
$100	$50	$150	$50	3 months
$500	$1000			
$600	$1200			
$1000	$2000			

LeveL B

It is important to be aware of how much you are paying in interest when you borrow money. Below are the items we bought in lesson two by saving for the item. In this scenario, we borrowed money to buy and had to pay interest on the outstanding balance. The months it took to pay back are the same as it took to save for the item. This way you can see the difference in final cost of the item.

Item	**Cost**	**Interest payment**	**Months it took to pay back**	**Total cost of item**
TV 	$300	$5.00	6 months	$300 + ($5.00 x6 months) = $330 for the TV
Headphones 	$100	$2.00	5 months	
Video game system 	$400	$4.00	4 months	
Dog bed 	$200	$3.00	20 months	
Beach Trip 	$500	$10.00	5 months	

Level B

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Middle School World History, Lesson 3
Adapted Guide
Level C

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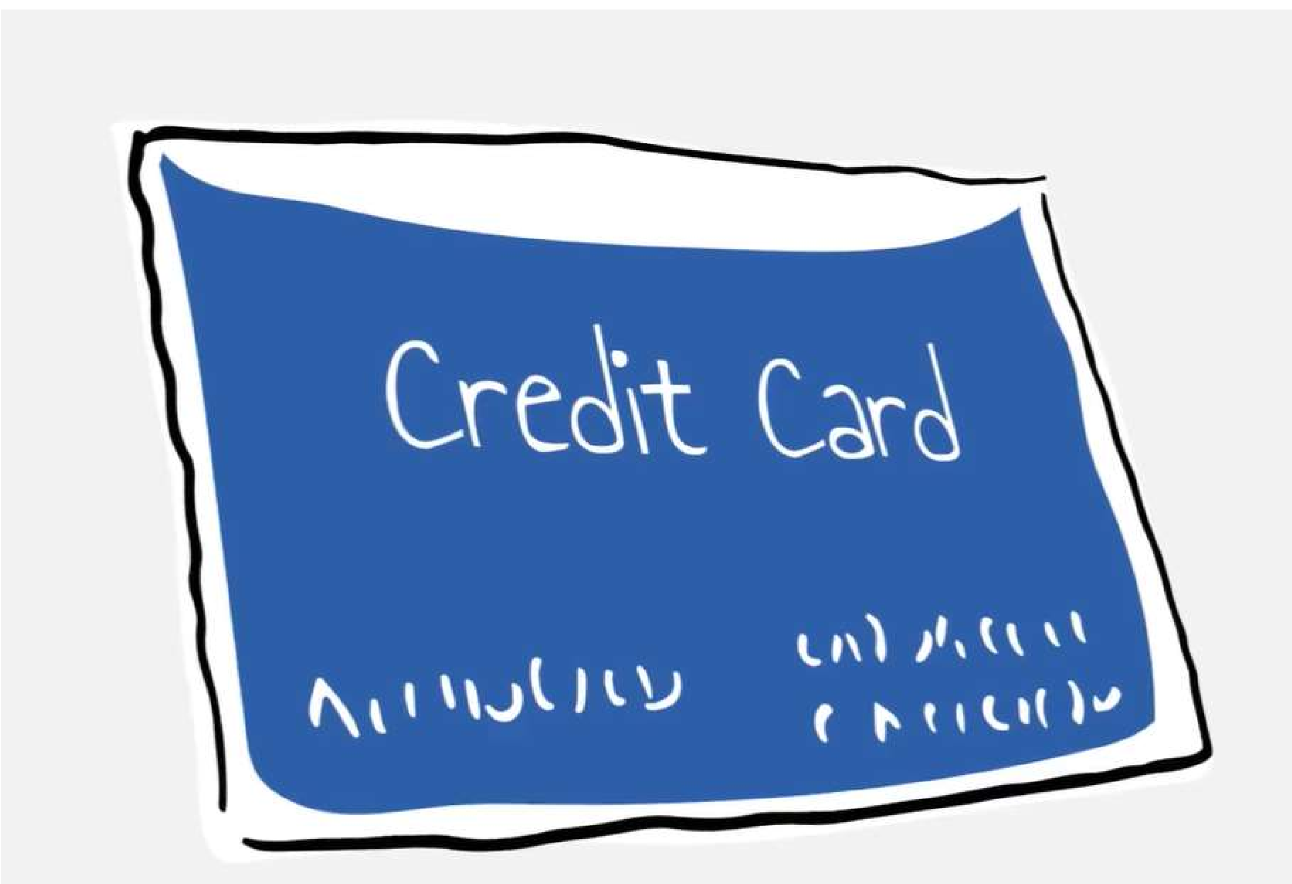
Middle School World History
Lesson 3
Virginia Gets a Credit Card
Level C



Virginia finds a gold nugget. Then things

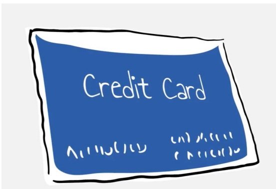
keep breaking. Virginia gets a credit card

to pay for things that have broken. She

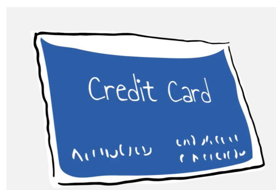
gets a huge bill.

Level C

Credit cards are borrowed money. You must



pay them back. Credit cards charge a fee for



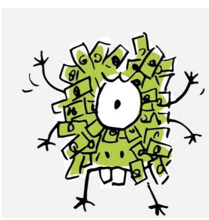
borrowing money. Virginia should use credit

when she has money to pay it back.

Level C

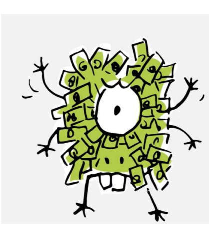
If you don’t pay the money back your

debt keeps growing. Virginia needs an



emergency fund. Virginia will pay off her

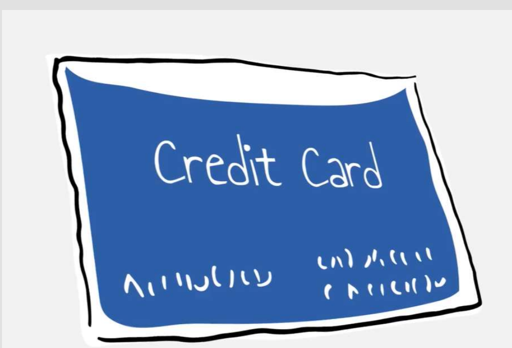
debt and save for an emergency fund.



LeveL C

Credit Card

Interest Rate



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Level C

Emergency Fund

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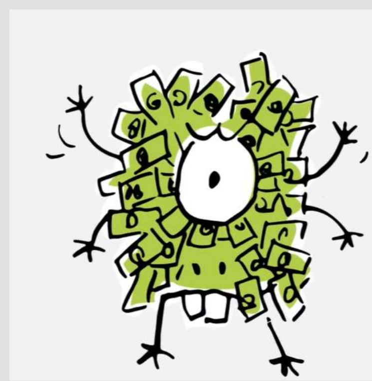

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$10	$5	$15	$5	3 months
$25	$10			
$50	$40			
$100	$75			

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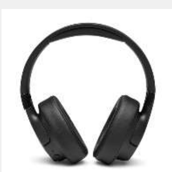
Item	**Cost**	**Interest payment**	**Months it took to pay back**	**Total cost of item**
TV 	$100	$5.00	10 months	$100 + ($5.00 x 10 months) = $150 for the TV
Headphones 	$50	$2.00	10 months	
Video game system 	$25	$4.00	5 months	
Dog bed 	$10	$3.00	5 months	

LeveL C