

A Sample Lesson

Each lesson in the *Keys to Financial Success Teacher's Manual* has a number of key features, which help the teacher to carry out effective instruction to achieve student-specific learning objectives. This sample lesson gives you an overview of those components.

THEME 5: CREDIT
LESSON 5.4

Lesson 5.4: Making Credit Choices

Lesson Description
In this lesson, students face many credit choices. Students in this lesson act as financial advisors providing advice on when it may or may not be appropriate to use different forms of credit.

Content Standards
National Standards in Personal Finance: Credit and Debt: Standard 1

Concepts
Credit

Objectives
Students will be able to:

1. Identify advantages and disadvantages of using credit.
2. Make decisions about the wise use of credit.


Time Required
45-60 minutes

Materials

Financial Fitness for Life Teacher's Guide
• pp. 64-66, one copy for the teacher
Financial Fitness for Life Student Workouts
• Exercise 12.1—Fickle Financial Advisors, pp. 73-75, one copy for each student
Keys Materials
• "Credit History: The Evolution of Consumer Credit in America," one copy for each student

Procedure

1. Complete the "Workout" found on pp. 65-66 of the **Financial Fitness for Life Teacher's Guide**.
2. Introduce the students to the 20/10 rule and explain to them that this rule is important for them to know and understand when they begin to look for lenders offering credit. They can calculate the 20/10 rule themselves before they approach lenders and have a better understanding of how creditworthy they may be in the eyes of lenders.
3. Tell students that the 20/10 rule is one of many methods that lenders and creditors often use to grant credit to consumers. The 20/10 rule is made up of two parts with the 20 dealing more specifically with the total debt as opposed to the monthly payments associated with such debt, and the 10 deals with the monthly payments.



FFL Teacher's Guide, pp. 64-66



Exercise 12.1
FFL Student Workouts, pp. 73-75

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The teacher's manual follows a clear structure with numbered and color-coded lessons covering the nine themes of the course.

Each lesson begins with a lesson description that briefly introduces the teacher to the purpose of the lesson and provides a brief description of the procedure.

Every lesson is benchmarked to the applicable national personal finance and/or economics standard.

Each lesson clearly states the personal finance concept covered and lists in the objectives the student-centered learning outcomes that will be achieved by the procedure.

Each lesson includes the estimated completion time.

The materials section in each lesson lists the specific handouts, visuals, and additional resources the teacher will need to collect from the ancillary curriculum and duplicate prior to class. The various sources of the materials are color coded to make it quick and easy for the teacher to locate the relevant materials.

Each lesson includes a detailed procedure, which often refers the teacher to specific additional procedure steps contained in ancillary curriculum materials.


Thumbnails provide visual clues that assist teachers in locating materials from the ancillary curriculum.

Each lesson includes a specific closure section aimed at ensuring that the students have learned the important points of the lesson.

Throughout the procedure and the closure, carefully constructed discussion questions check for students' understanding and draw the students into the learning process.

Each lesson includes assessment items specifically designed to assess whether the students have achieved the lesson's learning objectives.

LESSON 5.4 **THEME 5: CREDIT**



4. Explain that your total annual household debt, excluding your mortgage, should not exceed 20 percent of your annual take home income. Net take home income is what you actually take home after taxes and deductions. Give the students the following example: Your take home income is \$35,000 per year. Take $\$35,000 \times 20 \text{ percent} = \$7,000$. Your total consumer debt under the 20 rule should not exceed \$7,000.

5. Explain that your total monthly debt payments, excluding your mortgage payments, should not exceed 10 percent of your net monthly take home income. Give the students the following example: Your take home income is \$35,000 per year. Take \$35,000 and divide it by 12 = \$2,916.66. Now take the $\$2,916.66 \times 10 \text{ percent} = \291.66 . Your total monthly payment under the 10 rule should not exceed \$291.66 per month.

6. Have the students calculate the 20/10 rule using their chosen career's income. This calculation should help them better understand why it is important to be aware of their household debt.

Closure

7. Review the important points of the lesson by completing the following:

- Complete the "COOL DOWN" found on p. 66 of the **Financial Fitness for Life Teacher's Guide**.
- Ask the following questions:
 - What is one very important aspect to consider when deciding whether or not to use credit when purchasing a car? (*Answers will vary but it is important to consider that a car is an asset that loses its value quickly.*)
 - What is one very important aspect to consider when giving financial advice? (*Answers will vary; however, students should consider that when giving financial advice, not all financial advice fits every person and the situation they are currently in. Giving financial advice is like practicing medicine – the entire patient's information must be collected and reviewed before any type of treatment or advice can made. Be very careful of giving advice without knowing exactly what is going on with the individual or group asking for the advice. Do not hesitate to recommend to individuals or groups that they should see a professional financial advisor for more advice.*)

Assessment

8. Have the students read the article "Credit History: The Evolution of Consumer Credit in America," *The Ledger*, Federal Reserve Bank of Boston: Spring/Summer 2004.

9. Write the following statement on the board: "... it was hardly an exaggeration to say that the American standard of living was bought on the installment plan"—Daniel Boorstin, historian.

10. Have the students write a short essay explaining what Daniel Boorstin meant by this statement. Students should give examples that Boorstin cited in the article and explain how those examples support his statement.

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Standards

Each lesson in the Keys to Financial Success program is correlated with the national content standards in economics and personal finance.

- **National Standards in Economics**

Council for Economic Education, 1997. *Voluntary National Content Standards in Economics*. New York.

Available at <http://www.councilforeconed.org/ea/standards/standards.pdf>

- **National Standards in Personal Finance**

Jump\$Start Coalition for Personal Financial Literacy, 2007. *National Standards in K-12 Personal Finance Education*. Washington, D.C.

Available at <http://www.jumpstart.org/national-standards.html>