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| About this Lesson |
| In this lesson, students will learn how credit cards work and develop tips to use credit wisely. |

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| **Grade Level** | **Course(s)/subject(s)** | **Learning Goal(s)** | **Suggested**  **Timing** |
| 9–12 | BBI1O/2O – Business Studies  HIF1O/2O – Exploring Family Studies  HIP4O – Personal Life Management  MEL3E – Mathematics for Work and Everyday Life  CIE3M – The Individual and the Economy | At the end of this lesson, students will:   * be able to analyze the importance of credit in finance and be able to discuss how to use it wisely | 75 minutes |

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| Curriculum Links |
| Business Studies, grades 9 and 10 (2006) Introduction to Business Studies (BBI1O/2O)  Finance   * analyze the role and importance of credit in personal and business finance * explain the advantages and disadvantages of both consumer credit and business credit   Social Science and Humanities, grades 9 to 12 (2013) Exploring Family Studies (HIF1O/2O)  Daily living skills  C2.3 Describe and demonstrate financial strategies and the financial literacy skills necessary to manage financial resources to meet personal and family financial goals.  Personal Life Management (HIP4O)  Daily living skills  C1.4 Analyze the relationship between effective decision-making and personal well-being.  C2.2 Demonstrate the use of effective money management strategies.  C2.5 Explain the advantages and disadvantages of buying on credit. |

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| Curriculum Links (cont’d.) |
| Mathematics, grades 11 and 12 (2007)  Mathematics For Work and Everyday Life (MEL3E)  Comparing financial services   * gather, interpret and compare information about the costs (e.g., user fees, annual fees, services charges, interest charges on overdue balances) and incentives (e.g., loyalty rewards, philanthropic incentives such as support for Olympic athletes or a Red Cross disaster relief fund) associated with various credit cards and debit cards   Canadian and World Studies, grades 11 and 12 (2015)  The Individual and the Economy (CIE3M)  Fundamentals of Economics  B4. Financial Planning: demonstrate an understanding of key considerations related to personal financial planning, and use economic data to analyse the costs and benefits of personal financial decisions |

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| Inquiry Question |
| Are credit cards good or bad (financially), a blessing or a curse?  Lightbulb**Big Idea:** Debt limits your options. Pay your bills in full and on-time to establish a good credit rating. |

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| Materials List |
| * How Do Credit Cards Work (Appendix A) * Creating Public Awareness (Appendix B) * Credit Card Quiz (Appendix C) * Computer, data projector and Internet access |

| **Timing**  (Mins.) | **Lesson Sequence** | **Assessment for and as Learning Opportunities** (self/peer/teacher) |
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| MINDS ON | | |
| 10 minutes | WHOLE CLASS  Review the inquiry question.  Teacher Note  Credit cards in and of themselves are neither good nor bad (since it is a financial tool), however, it can cut for you or into you depending on how you use it. Many Canadians don’t understand the rights and responsibilities of using credit and this can lead to stress and crushing debt. <https://globalnews.ca/news/3245694/canadians-still-struggle-with-basic-financial-rules-rights-study/>  How you feel about credit and debt is influenced by your attitudes toward money, the way you define your needs and wants, and your emotions, habits and values.  You can manage the cost of credit by borrowing only when you need to.  If you borrow, borrow for things that have lasting value. “Good debt” is an investment in something that creates value or produces more wealth in the long run. “Bad debt” is debt taken on to buy something that immediately goes down in value.  Read the context for learning story (or similar story) and then have the class watch the video  Class Video: Get it on credit  <https://www.youtube.com/watch?v=EEemJmneaYM&t=3s>   * Review the key points from the video * Refer to the context for learning to reinforce learning from video | Assessment FOR Learning: Discussion |

| **Timing**  (Mins.) | **Lesson Sequence** | **Assessment for and as Learning Opportunities** (self/peer/teacher) |
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| MINDS ON (cont’d.) | | |
|  | Context for Learning  Use the scenario below (or similar story) to provide a context for learning  Raj Smith is a first-year student at a major post-secondary institution. During orientation, he is surprised to find a booth from his bank offering him a student credit card. He applied for the card, reasoning should he need funds for an emergency at school he would have his card to use and not have to use his savings. Upon receiving his card, Raj charged some school clothing, food and school events. When he received his first statement he was shocked to see that he owed $400. However, he only had to make a minimum payment of $15 but wasn’t sure if that was the financial wise thing to do or not. |  |
| ACTION | | | |
| 15 minutes | | INDIVIDUALLY  Handout   * Distribute How Do Credit Cards Work (Appendix A) * Take up or assess student answers – you may want to clarify the assessment task   Class Video: Using a credit card wisely  <https://www.canada.ca/en/financial-consumer-agency/services/financial-toolkit/credit/credit-3/11.html> |  |
| 15 minutes | | INDIVIDUALLY  Internet discovery   * Refer to story and have students examine how wise it would be to just pay minimum for Raj Smith – how long will it take to pay off (assuming no more buying – how realistic would that be?) * Using online credit card calculators, see effect of different rates and payments options * <http://itools-ioutils.fcac-acfc.gc.ca/CCPC-CPCC/CCPC-CPCC-eng.aspx>   Try different amounts – have students compare adding $5 or $10 above minimum payment amount to see difference it makes. |

| **Timing**  (Mins.) | **Lesson Sequence** | **Assessment for and as Learning Opportunities** (self/peer/teacher) |
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| ACTION (cont’d.) | | |
| 30 minutes | INDIVIDUALLY  Credit card primer  Have students create a brochure or primer for selecting a credit card and tips for its use – Creating Public Awareness (Appendix B).  *You could also have them create a YouTube or Animoto video that shows tips for selecting and using their credit cards.* |  |
| CONSOLIDATION/DEBRIEF | | |
| 5 minutes | INDIVIDUALLY  Choose one activity individual/class: quiz about selecting credit cards   * Wrap up with a quiz – See Sample Credit Card Quiz (Appendix C). Can be done individually or as an entire class exercise. * Wrap up with online activity   <https://www.inspirefinanciallearning.ca/index.php/tools-videos/interactive-tools/the-credit-or-debit-quiz/>  OR  Have the students complete the cranial cash clash-debt drama – either individual or groups  <https://www.getsmarteraboutmoney.ca/tools/cranial-cash-clash/> |  |

| **Timing**  (Mins.) | **Lesson Sequence** | **Assessment for and as Learning Opportunities** (self/peer/teacher) |
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| CONSOLIDATION/DEBRIEF (cont’d.) | | |
|  | Key Summary Points   * Credit cards offer many benefits, but they can become a problem if used irresponsibly. * When applying for a credit card, make sure you understand the agreement, including the interest rate you will be charged, any fees and when you will be expected to pay. * Compare the features of different cards to choose the best one for you. * Don’t charge more than you can repay. * Pay your credit card bills in full and on time. * Read your monthly statement and question anything that appears incorrect. * Take steps to protect yourself from credit card fraud. |  |

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| How Credit Cards Work |
| Review the Buy Now & Pay Later statement and answer the questions on the next page   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | Buy Now & Pay Later  First National Bank of Ontario | Credit Card Statement | | | | | | Name: Raj Smith Account #: 6230 0100 0156 8219 Statement Date: January 13, 20-- | Previous balance | $124.32 | Credit Limit | $500.00 | | Less: Payments & credits | $124.32 | Available Credit Limit | $307.70 | | Plus: New charges /adjustments, interest | $192.30 |  |  | | Equals: New balance | $192.30 |  |  | | Minimum payment due on  February 3, 20-- | $10.00 | If each month you pay only the mini-mum amount due | 1 year and 11 months | | Date of purchase  Dec. 14, 201--  Dec. 24, 20--  Jan. 1, 20--  Jan. 10, 20--  Interest rate: 18% | Description  AA Fashion Store, Bontown  Electronics & Accessories, Bytown  World Downloads, Newtown  Fast Food Kiosk, Folksview | | Amount  $84.75  $75.00  $23.99  $8.56 | |  1. What was the period during which the purchases were made?      1. How many days are in this payment period? 2. What was the total amount of purchases made during the statement period? 3. What is the minimum amount that must be paid by the due date? |

**APPENDIX A**

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| How Credit Cards Work (cont’d.) |
| 1. If interest rate was calculated using the following formula:      1. What is the yearly interest rate charged on overdue balances? 2. What is the monthly interest rate charged on overdue balances? 3. How much interest would you be charged if you forgot to make the payment owed to the credit card issuer? 4. How long would it take to pay off this debt if you make only the minimum monthly payments? |

**APPENDIX A**

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| Creating Public Awareness |
| Background  In March 2014, student debt in Canada was estimated to be $22 billion. The average varies widely by province, from $15,000 in Quebec to an estimated $35,000 in Nova Scotia.  The high cost of post-secondary education means that many students are borrowing more and falling deeper into debt to get a post-secondary education.  Six out of 10 young Canadians, aged 18 to 29, are in debt of some kind, with credit card debt being the most common, followed by student loans, according to a 2008 Environics survey. One in five had debts totalling more than $20,000. Half of those with debt felt that their debt level was as much or more than they could handle. These numbers are conservative. As the study notes, three in 10 surveyed either did not know their debt level or would not divulge that information.  Introduction  You have been hired to prepare a student brochure or video on how to appropriately deal with credit. Your public awareness project should include considerations when selecting a credit card and tips for its use including credit card security.  What to Include   * Glossary of terms * Credit, debt, statement, interest, principal, annual percentage rate (APR), credit rating, grace period, cash advance fee, currency exchange * Things to consider when selecting a credit card * Tips for using a credit card |

**APPENDIX B**

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| Credit Card Quiz |
| True/False – Indicate whether the statement is true or false.   1. Last month, your credit card balance was zero. This month, your statement shows that you made a $500 purchase. If you can pay off only $450 by the due date indicated on your statement, you will be charged interest only on the $50 left to pay. 2. You are carrying a $1,000 balance on your credit card: $800 for purchases you made two months ago, and $200 for cash advances you took this month. Your credit card agreement says your annual interest rate is 16% for purchases, and 20% for cash advances. When you make a $300 payment, the issuer will apply it to your purchases, because they occurred first. 3. You won’t pay interest on a cash advance as long as you pay your credit card bill in full by the due date indicated on your statement. 4. If you frequently pay your credit card just a couple of days after the due date, this won’t affect your credit rating. 5. Credit rating agencies will charge you a fee for sending you a copy of your credit report by mail.   Multiple choice – Identify the choice that best completes the statement or answers the question.   1. Getting the lowest rate possible when borrowing money could be a function of one or more of the following factors: 2. Borrowing record 3. Loan history 4. Credit risk 5. All of the above 6. A credit report is…? 7. A list of your financial assets and liabilities 8. A monthly credit card statement 9. A loan and bill payment history 10. A credit line with a financial institution 11. When we’re talking about credit cards, what do the letters APR stand for? 12. Accelerated percentage rate 13. Average percentage rate 14. Annual percentage rate 15. Anticipated performance rate 16. Which of the following can hurt your credit rating? 17. Making late payments on loans and debts 18. Staying in one job too long 19. Living in the same location too long 20. Using your credit card frequently for purchases 21. Jack is having trouble paying his credit card bill this month. What should he do? 22. Ignore it and wait until he has the money. 23. Get another credit card and use that one to pay the first card. 24. Call his credit card company to discuss his options. 25. Screen his calls to avoid bill collectors. |

**APPENDIX C**