

Financial Literacy Lesson: Why Credit Is Important



Grade Levels : 9 - 12th

Lesson Purpose:

To introduce students to credit and the vocabulary associated with important factors like their credit report and credit score. Facilitators should make a point to highlight the different areas which credit, good or bad, can affect the quality of future financial decisions.

Objective:

To introduce students to the concept of credit and ways that it will affect future purchasing choices.

Teacher Lesson Outline:

Planned to A.T. Introduction Video:

Why Credit Is Important (3 min)

Teacher-Led: (5 min)

- Essential Questions
- Quick Check- In

Student activity:

Check Yourself, It's Credit Health (Individual Activity) (7 min)

Student activity:

Why Establishing Credit is Wealth
(Group and Individual Activity) (7 min)

Wrap-up Question:

(Whole group or Small group) How does what students found during their research on question B compare to how they answered question A? (5 min)



START : Essential Question(s)

Q: Have you heard of credit before?

Credit is when you borrow money from a lender, which could be a person or company with the understanding that you'll pay it back later.

Q: Have you heard of a credit report or credit score?

A credit report is a statement that has personal information about your credit activity such as how you pay back a loan and the status of your credit accounts.

A credit score is a number that estimates your credit behavior, like how likely you are to pay a loan back, and on time. It is a summary of your personal financial history to show how responsible you are with your money. This information comes from your credit reports.

Q: What are some large items that you think you will want to buy in the future?

Answers will vary

QUICK Check in:

Q: Do you feel like credit is important?

Answers will vary

Education Standards Addressed:

SSEPF6 Evaluate the costs and benefits of using credit.

b. Describe the basic components of a credit score including payment history, debt to income ratio, amount owed, length of credit history, types of credit used, amount of available credit, and recent credit applications.

Additional Lesson Materials:

- Organization approved search engine



Check Yourself, It's Credit Health

(Individual Activity)



Directions: Have you given any thought as to what your first big purchase will be? Read over the following list and check each purchase you feel would best apply to you in the future. **Select all that apply**

Purchase a house _____ Get a job _____ Purchase a car _____

Apply for a credit card _____ Purchase your own phone plan _____

Apply for a loan (ex. student, house, car) _____ Purchase internet/wifi _____

Rent an apartment _____ Apply for utilities (ex. Electricity, water, gas) _____

Insurance (ex. Auto and Home) _____

Government assistance (ex. Rent assistance) _____

Department Store Credit Card
(ex. Apply for this card and get 30% off your purchase, today!) _____

Most of these items will cost you thousands of dollars or have the potential of accumulating thousands of dollars in your name. You also will more than likely have to loan money or borrow money from a lender in order to make large purchases like a home or car. Having **good or bad credit** affects each of those future purchasing choices and will determine how much money you will have to pay back to the lender.

In order to be approved for something like a credit card, lenders want you to be able to show them a few things:

1. You have steady income (money) like a job that will help you pay for the loan.
2. A good credit score or number that shows how responsible you are with paying back your loan, **on time**.
3. How much is your rent or mortgage this is usually a high monthly payment.

Why Establishing Credit is Wealth

(Group and Individual Activity)



Directions: Imagine you were walking into a store with your parent or guardian and you wanted to buy a book or video game. The cashier totals your item to \$17 but when you reach inside your pocket to pay for the item you realize you only have \$7 in cash. You still need \$10 to purchase the item.

If this happens to you, what three choices do you feel like you would have:

1. _____
2. _____
3. _____

As you get older and begin to purchase items you might find yourself having to choose between these three choices:

- Go without the item you want
- Save money until you have the \$15 to purchase the item
- Ask to borrow the \$10 and tell the person/company you will repay the borrowed money back. This is credit.



Have you heard the saying “the secret to getting ahead, is getting started”? It’s a famous quote by Mark Twain and it applies to everything in your life, but especially when it comes to your credit!

Question A :

Do you think people who already have a lot of liquid capital, AKA a lot of money, like millionaires and billionaires need to have good credit?

Circle your answer: Yes or No

Why?

Question B :

Research the following topics below and record your findings. Be prepared to share.

1. Do rich people still need good credit?
2. Can you be rich with bad credit?
3. Do rich people need good credit scores to get a loan?
4. Do all wealthy people have high credit scores?

On an approved search engine compare the answers of two of the above questions and record your answer:

In a small group discuss what answers you found during your research.

Wrap-up Question:

How does your answer to question A compare to your research on question B?

