

It doesn't take a rocket scientist to understand finances –

*An Invitation To
Financial Literacy
For Youth.*



“With a small beginning a mighty cause is birthed.”
—FLY

Writings

An Invitation to FLY

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An Invitation to FLY



Remember when you got your first job. Remember when you received your first salary. Remember when you wanted to buy your first car. Did you know what to do?

Six months ago, many of us graduated from university. We realized that we did not know what to do and that our schooling did not prepare us for the financial challenges we were about to face. We did not want students after us to face the same challenges without being prepared. This is why Financial Literacy for Youth (FLY) was started.

FLY’s mission is to improve the financial literacy of high school students by providing a useful teaching resource. We hope that future graduates will have a basic financial background that gives them confidence to face financial challenges that await. Financial decisions are inevitable in all of our lives, and so we believe that every youth should be taught the necessary skills to manage these decisions.

Through conversations with both the education and business community, we realized that two problems exist. There are not many good teaching resources available and students are not stimulated by materials presented currently. We decided that the best way to start is to develop a short 6 lesson unit of study for Planning 10 that is relevant, fun, practical, and easy to use. Through this, we hope to provide a convenient resource to teachers so they can engage students in learning financial concepts. Once inspired to learn, students can learn more on their own. We want to get youth started on a road to better financial literacy.



Why is financial literacy important?

Financial literacy is a growing concern in our society today. The responsibility and risk of financial decisions are having a greater impact on the lives of individuals. With the increase in complex products and services, youth need to know more in order to make good financial decisions. With a sound financial background, it will be easier for youth to create effective financial plans.

Our Approach

Our method of curriculum development is to begin at the grass-root level. We believe in starting with students, working with them to develop teaching materials that are interesting and relevant. We also believe strongly in the involvement of teachers in the process. To us, teachers have the greatest understanding of the needs and interests of students. Teachers will review and pilot draft materials and will eventually use the final unit of study in the Planning 10 course.

What can you do?

Join our team as a Teacher Advisor, where you will be able to:

- Review the 6 lessons of the unit and provide feedback on draft materials through surveys, emails or meetings depending on your preference.
- Give suggestions on how to improve our curriculum and our organization.
- Pilot our lesson plans in your classroom.

Today, FLY consists of 6 university graduates, 5 university students, 3 Board members, and 15 grade 10 students who are inspired by our purpose. Our university students and graduates dedicate their time and energy to create interactive lessons. Our Board of experienced individuals reviews our materials for educational consistency and financial accuracy. Our grade 10 students come together every Saturday to take part in developing the lessons. Imagine 15 grade 10 students willing to give up every Saturday afternoon to benefit others. This is the spirit of FLY!

All aspects of our team have been invaluable to us. However, a critical component we still lack is teacher feedback and involvement. We believe that teachers are fundamental to the education process, and we cannot achieve success without you. We therefore, invite you to join us, as Teacher Advisors, to pilot and contribute to the FLY unit development. We need your feedback and guidance to ensure that our lessons are effective and easy-to-use. Come join us. Together, we can improve financial literacy in the Richmond Community.

Sincerely,

Financial Literacy for Youth Team

Our Mission

“To promote financial literacy in high schools by stimulating students’ interest in financial literacy and encouraging personal financial responsibility.”

To fulfill our mission, we will:

- Create a unit of 6 lessons on personal financial for use in the Planning 10 course. Implementation is planned for January 2009.
- Organize a 1 day conference on “Managing Your Finances Beyond High School” in March / April 2009 for Grade 12 students.

Why us?

We believe that Financial Literacy for Youth is a good choice for teachers of the Richmond School District. Here are our reasons:

- FLY curriculum materials stress *practicality* and *relevance*. We aim to teach concepts that high school students can relate to and use immediately.
- We are locally developed. The benefits to this are that our materials are designed based on the *learning outcomes* stated in Planning 10 by the BC Ministry of Education.
- Our materials are created *for students by students*. We are *grass-root based*; we aim to teach what students want to learn.
- Our teaching materials are simple, clear, and focused on the key concepts of financial literacy. This makes our teaching materials *teacher friendly* and easy to use and user friendly.

How FLY integrates with the Planning 10 curriculum?

One of our criteria for the curriculum is to tailor our lessons to the established learning outcomes of Planning 10. Below we have provided a description of our lesson plans and how each is aligned to a Planning 10 learning outcome.

- Lesson 1 – Time Value of Money;*
- Lesson 2 – Debt and Credit;
- Lesson 3 – Budgeting;
- Lesson 4 – Post-Secondary Transition;
- Lesson 5 – Types of Investments; and
- Lesson 6 – “How to Start Now!”.

**Note:
Lesson 1 – Time Value of Money is not mentioned below as it teaches a concept that is critical to the understanding of the lessons to follow.*



Planning 10 Learning Outcome

FLY materials aligned to the Planning 10 learning outcomes

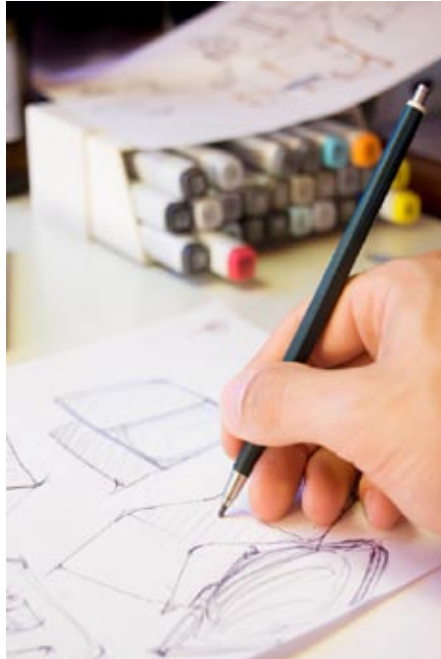
Related financial literacy topics:

- Budgeting skills;
- Planning for transition from secondary school;
- Knowledge about credit and debt; and
- Knowledge of legal requirements for reporting personal income annually.
- The debt and credit lesson teaches students the cost of borrowing, the benefits and costs of credit cards, and how debt may have an effect on credit history.
- The budgeting lesson teaches student the purpose of budgeting and the components of a realistic budget. The goal is to encourage budgeting and provide useful tips while leaving students flexibility to create a budgeting technique that works for them.
- A component of the post-secondary transition lesson will be dedicated to tax. In this lesson, students will learn about basic income tax reporting and common tax credits. Students will also learn the consequences of not reporting income. (See below for other topics included in the post-secondary transition lesson.)

Cost of post-secondary education and career options:

- Identify the costs and funding sources associated with various education and career options
- The second component of the post-secondary transition lesson will provide students with realistic costs of post-secondary education and potential funding methods. It will also provide students with information about agencies and programs that support the transition of high school graduates into their career

to be continued...



"In learning about the importance of credit history, debts and credit rating, I am educated to prepare for my upcoming career, and to take some control over my future. I feel more assured stepping into the 'real' world with this knowledge I have acquired from the FLY team!"

—Maggie Kong (Grade 10,
Steveston-London Secondary School)

LESSON 2 Debt and Credit



"Students should understand the positive and negative aspects of using credit cards to use them to their advantage."

INTRODUCTION

Credit cards provide consumers with one of the most convenient and flexible payment methods. To youth today, the internet is not only a tool for finding information, but also a platform for daily activities such as shopping and socializing. Both online and off, the use of credit cards has become increasingly necessary, and youth are introduced to them at an increasingly early age. As the use of credit cards becomes more wide spread, so has the problem of credit card debt.

According to the Canadian Bankers Association, Canadians carry an average of 2.6 credit cards, but 27% of them do not pay off their balance in full every month (Statistics Canada). A Canadian survey indicates that Canadians' credit card debt amount to a total of \$49.8 billion dollars.

Today, education about credit cards have not caught up to speed with the increase in credit card use. Youth are now more susceptible to debt mismanagement. Therefore, responsible credit card use must be taught to students at an early age.

OVERVIEW

The Debt and Credit lesson is designed to show students both the benefits and costs of credit cards. Although it is important to teach the costs of credit cards, we believe that it is also important to show students the potential benefits, such as building up credit history. Our purpose is to show them an objective view of credit cards so that they can have the freedom to make informed decisions in the future.

We all understand the excitement of owning our first credit card. Therefore, we begin the lesson with an exercise that excites them about the possibilities of owning their first credit card. This exercise will go through the benefits and convenience of a credit card. This will

capture their attention and also show them how easily carried away a person can be with the use of credit cards.

The next exercise is to hand out a credit card statement and ask students how much of the bill they will likely pay off. This brings them to the reality of making purchases with credit cards and the decisions they will face. Students will be asked to pick between minimum payment, partial payment, or full payment and then shown the consequences of their decision. This task will also show students the impact of credit card interest. The objective of this section is to identify common misinterpreted information on credit card statements and show related consequences.

After looking at the negatives of credit cards, we will show they although credit cards can be dangerous, they are likely unavoidable. We present to them the practical application of credit cards and why every individual will likely have a few in their lifetime. Here, we teach them about how a credit card can benefit an individual by building up credit history.

We will end the lesson with a game of “Bankers and Borrowers,” designed to show students the importance of credit history. The game will show students the significant effect credit history will have on their future. The game is designed to be competitive and exciting. We hope this will build up the class energy that can be transferred to the next lesson.

GOALS AND LEARNING OBJECTIVES

At the end of the lesson, the students are expected to:

- Understand the costs and benefits of a credit card;
- Know how to read a credit card statement and understand its vocabulary;
- Know the consequences of not paying the full balance on their credit card;
- Understand the relationship between borrowing behavior and credit rating; and
- Understand the relationship between credit rating and borrowing cost.

5 STEPS Lesson Exercises

Brainstorming 10 mins.



step 1 “Benefits of Having a Credit Card”

a. scenario Tell students to imagine they are now 19 and that they are considering getting a credit card. What are the benefits of having a credit card?

- Cash back
- Paying later
- Online purchases
- Easy, don’t have to carry cash
- Travel reward programs

Discussion 20 mins.



step 2 “Reading a Credit Card Statement”

a. material Hand out “*Original Credit Card Statement*” to students {*appendix #1*}

b. scenario They have spent \$500 on the credit card last month, and their statement has just arrived in the mail.

c. ask “How much are you going to pay off?” Tell students to discuss among themselves and share their reasoning.”
(*Tell students to raise their hand in favor of one the following scenarios*)

- Below minimum payment (\$0 ~ \$ minimum payment)
- Full balance
- Minimum Payment
- Between minimum payment and full balance

d. show Overhead “*Consequence of Payment Choices*” showing interest charges for options 2, 3 and 4 in the next month. {*appendix #2*}

Why?

Minimum payment is only the amount to keep your credit card going, but you still have to pay interest.

If you pay between minimum payment and full balance, it does not reduce your interest, you still pay the same interest.

Demonstration 10 mins.



step 3 “So How Much is the Interest?”

- a. scenario** You really want to buy a laptop, the laptop costs \$500, how much would you pay to have the privilege of having the money now?
- b. explain** If you use a credit card to buy the laptop, and you decide to repay you credit card in 1 year, the true cost is **OVER \$100!**
- d. show** “*True Cost of Paying the Minimum*” graph {*appendix #3*}
- e. note** Point out that if students only paid the monthly minimum:
- It will take 89 months to pay it all off. That's more than 7 years.
 - It will cost \$411 extra in interest charges in addition to the \$500.
 - Interest Charges = 82% in addition to the Original Price!
- f. ask** Ask students to raise their hands if they find the interest rates shocking, and would not get a credit card anymore because of this.
- Avoiding credit cards is not a good solution. If you pay off the balance every months you actually don't lose any money.
- Credit Cards have one additional very important benefit—building credit history.
- g. question**
- “If one of your friends is getting a credit card, what kind of advice would you give them?”

Discussion 10 mins.



Definition

Credit history is a record of your previous borrowing habits that indicates your ability to pay back loans.

step 4 “What is Credit History?”

- a. ask** “If there are two people, one never misses any payments, and one misses all the time, who would you lend your money to?”
- The person who never misses. Same logic for the banks. Credit history is important because it indicates trustworthiness.
- Not having a credit card means that banks have no basis to decide whether to trust you or not.
- b. ask** “Think about those same two people. If you had to lend them money, who would you give the lower interest rate to, and why?”
- Banks give lower rates to people with better credit history to attract lenders who are likely to return their money
- Banks give higher rates to people with poor credit history to make up for the risk they are taking
- c. ask** “If you were a bank, what information would you like to know before you decide to lend money?”
- Credit Rating and Credit History
 - Occupation and Income
 - How much money they are already borrowing

Activity 25 mins.



step 5 “Bankers & Borrowers”

- a. explain** Instructions for ‘Bankers and Borrowers’ game. Refer to “*Bankers and Borrowers Rules and Instructions.*” {appendix #4}
- b. material** Hand out “Bankers Account Sheet” to groups of bankers. Hand out “Borrower Profiles” to all other students. {appendix #5 & 6}
- c. activity** Play “Bankers + Borrowers” game.
- d. debrief** Debrief students on what the game means.
- e. ask** Ask ‘borrowers’ from group A, B, and C what the average interest rate for their group tended to be.
- f. note & show** Show students that group A got the best rates, while group C got the worst rates—the trend is linked to the borrower’s credit rating. Then show the “Credit Rating compared to Interest Rates Chart” {appendix #7} to show students how credit ratings affect their interest rates.

g. question

“What kind of questions did the bankers ask and why did they ask them?”

EVALUATION Debt and Credit

CASE STUDY

Lloyd Flyness has always been confused about his credit card statements. He always seems to be charged interest, but he does not know why. He pays the minimum balance every month for his credit card and has never understood what the difference was between statement balance and minimum balance. Lloyd does not usually mind paying a bit of interest as he thinks that this is just what happens when you have a credit card and that it won’t accumulate to too much anyways.

Identify misunderstandings by Lloyd and let him know about the consequences. Advise him on what credit card management skills he should change. Remember not to scare him into not having a credit card at all by showing him the potential benefits as well.

Answer

Possible Answers

Identification

- Minimum balance does not mean you will not get interest charged;
- Statement balance verses Minimum balance;
- High interest rates on credit cards; and
- Credit cards do not usually have interest if repaid properly.

Consequences

- If total balance not repaid, charged interest rate on full balance;
- Interest charged from day of purchase; and
- Credit history.

Advice

- Pay back full balance every month;
- Seek to understand the credit card statement;
- Should not stop using credit cards because credit cards build credit history; and
- Credit cards are necessary for purchases such as online shopping.

APPENDIX In-Class Handouts & Overheads

Handout Step 2. a

“Original Credit Card Statement” —
A sample credit card statement representing the students’ first month of credit card spending transactions.

Overhead Step 2. d

“Consequence of Payment Choices” —
Chart showing consequence (interest charge) of minimum payment, partial payment and full payment of balance.

Overhead Step 3. d

“True Cost of Paying the Minimum” —
Graph illustrating the total cost of paying just the minimum payment on a credit card every month.

Reference Step 5. a

“Bankers and Borrowers” —
Rules and Instructions.

Handout Step 5. b

“Bankers Account Sheet” —
Worksheet for students playing as bankers, used to record loans they make.

Overhead Step 5. f

“Credit Rates Compared to Interest Rates Chart” — Chart showing the relationship between good credit rating and low interest rates when borrowing.



Handout Step 2.a

CREDIT INFORMATION		PAYMENT DUE SUMMARY		ACCOUNT SUMMARY	
Account number	5193-9310-0070-9394	Payment due	\$26	Previous balance	\$500.00
Statement date	07/03/2008	Payment due by	Friday, March 28 2008	Payments	- \$450.00
Your credit limit	\$800	Over limit amount	\$0.00	Other credits	- \$0.00
Credit available	\$300	Past due amount	\$0.00	Purchases	+ 388.61
Period covered from	February 9, 2008	Minimum payment	\$26	Cash advances/	+ 50.00
to	March 7, 2008			Balance transfer	\$0.00
				Interest	+ \$11.39
				Other charges	+ \$0.00
				New Balance	= \$500.00

Report any items which do not agree with your records within 30 days of your statement

TRANSACTION DETAILS

Item #	Trans Date	Post date	Description	Amount (\$)
Werman Hong - Card Number 5193-9310-0070-9394				
1	09 Feb	09 Feb	INTEREST	11.39
3	12 Feb	14 Feb	NEOBEAUTY.COM LOS ANGELE CA 44.95 USD @ 1.1132	50.04
1	13 Feb	15 Feb	CDN TIRE STORE #00606 RICHMOND BC	14.81
6	14 Feb	15 Feb	MCDONALD'S #8053 Q04 RICHMOND BC	13.87
7	14 Feb	15 Feb	EB GAMES VANCOUVER BC	51.30
8	16 Feb	16 Feb	MCDONALD'S #7053 Q70 RICHMOND BC	5.89
1	18 Feb	23 Feb	CDN TIRE STORE #00606 RICHMOND BC	14.81
11	20 Feb	23 Feb	WORLD OF WARCRAF ONLINE TORONTO ON	46.77
12	23 Feb	26 Feb	ARITZIA #7 RICHMOND BC	35.77
1	28 Feb	07 Mar	CDN TIRE STORE #00606 RICHMOND BC	12.83
15	01 Mar	10 Feb	CASH ADVANCE	50.00
16	07 Mar	10 Feb	ABERCOMBIE AND FITCH #70 LOS ANGELE CA 50.98 USD @ 1.1139	56.79
17	07 Mar	08 Mar	BESTBUY #3 LOS ANGELE CA 100.80 USD @ 1.1135	28.58
1	07 Mar	08 Mar	CDN TIRE STORE #00606 RICHMOND BC	14.81
19	07 Mar	08 Mar	MCDONALD'S #7053 Q01 LOS ANGELE CA 9.83 USD @ 1.1135	10.95
20	07 Mar	08 Mar	SHUBA INDIAN CUISIN SURREY BC	20.00

Your account is overdue. Please make your payment immediately at 1-888-902-4722

Account Number	5193-9310-0070-9394	
New Balance	Payment due by	Payment due
\$500	March 28, 2008	\$26

Overhead Step 2.d

How Much Interest Do You Pay?

Consequence of Various Payment Amounts Ranging from Minimum Payment to Full Balance.

If you pay ...

Full Amount

\$500.00

Your interest charge will be ...

Paid: Full Balance

ACCOUNT SUMMARY	
Previous balance	\$500.00
Payments	- \$500.00
Other credits	- \$0.00
Purchases	+ 388.61
Cash advances/	+ 50.00
Balance transfer	\$0.00
Interest	+ \$0.00
Other charges	+ \$0.00
New Balance	= \$438.61

Minimum Payment

\$26.00

Your interest charge will be ...

Paid Minimum Payment Only

ACCOUNT SUMMARY	
Previous balance	\$500.00
Payments	- \$26.00
Other credits	- \$0.00
Purchases	+ 388.61
Cash advances/	+ 50.00
Balance transfer	\$0.00
Interest	+ \$11.39
Other charges	+ \$0.00
New Balance	= \$774.00

Somewhere In Between

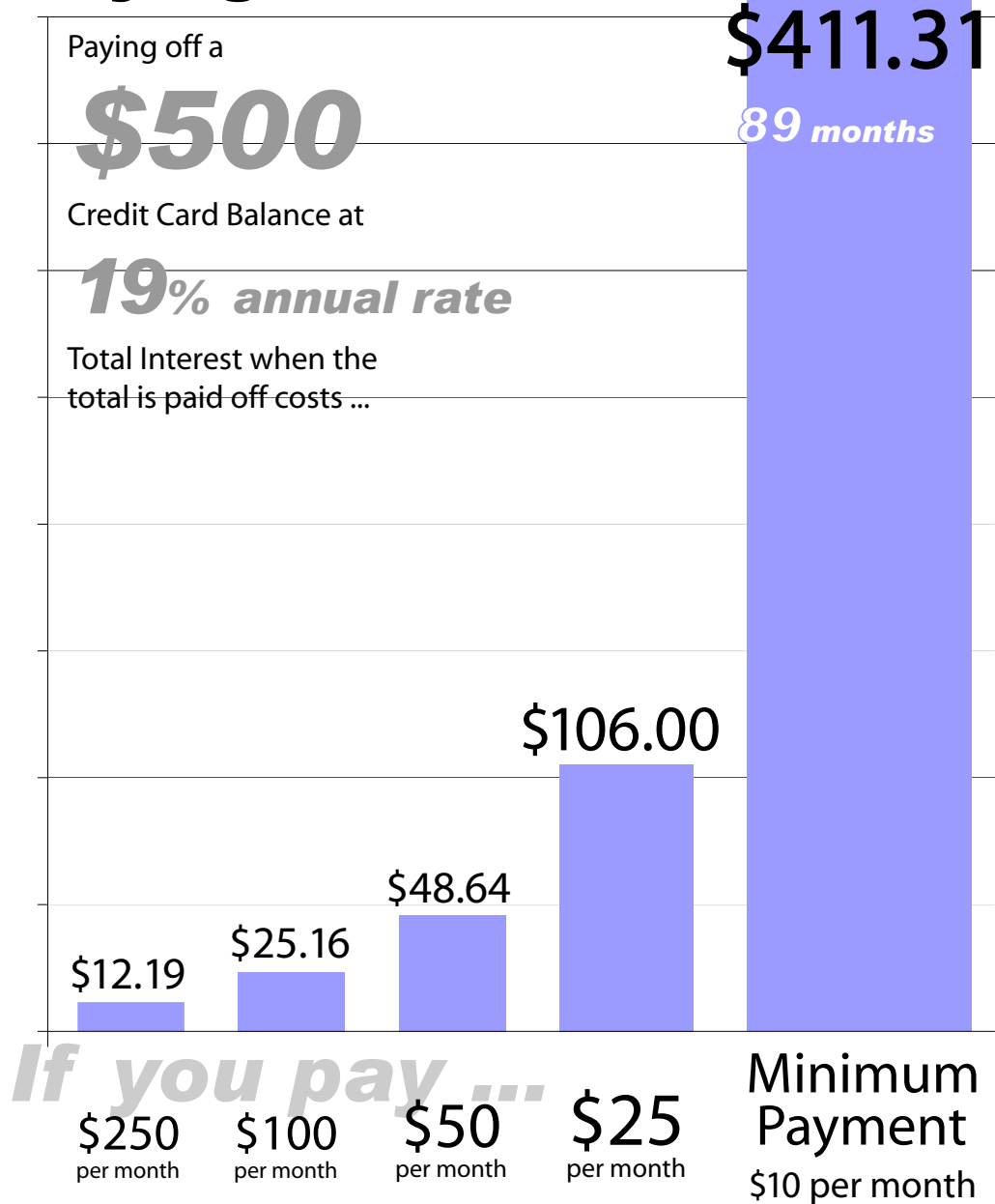
\$450.00

Your interest charge will be ...

Paid: \$450

ACCOUNT SUMMARY	
Previous balance	\$500.00
Payments	- \$450.00
Other credits	- \$0.00
Purchases	+ 388.61
Cash advances/	+ 50.00
Balance transfer	\$0.00
Interest	+ \$11.39
Other charges	+ \$0.00
New Balance	= \$500.00

The True Cost of Paying the Minimum



Bankers and Borrowers

Summary

Students are divided into bankers and borrowers, who negotiate with each other in financing loans. Bankers compete with each other to give out the highest rates, lowest risk loans. Borrowers compete with each other to get the lowest rate loans from the bankers.

Learning Outcomes

- Understanding how banks work
- Understanding how credit history affects a bank's decision
- The use of interest rate comparison

Materials

- Borrower profiles (roughly 20 of them)
- Banker account sheets
- Students need Calculators

Instructions

1. Divide class into two groups – bankers, and borrowers.
 - Explains the roles and objectives of the two roles
 - Bankers
 - Objective: Make the most money on loans
 - Role: Lend out money to borrowers. Negotiate with them about interest rates. Make decisions based on interest rates and risk of borrower defaulting on loan.
 - Borrowers
 - Objectives: Get the best rates on their loan
 - Role: Compare bankers to find the lowest rate, and negotiate for low rates.
 - Profiles: Each borrower is given a profile card, which has their credit history and financial background. They are also assigned an amount they need to borrow.
 - Profiles have categories, based on difficulty of securing a loan. Three categories are **safe**, **average**, and **risky**.
2. Bankers and borrowers negotiate with each other to secure loans, and make deals. When the two parties have made their deal, the borrower should hand over their profile to the lender. Loans must have rates between **2 – 8%**, and must have terms between **3 – 7 years**.
3. When everyone is done, or when time is up ...
 1. Ask every borrower to gather around the banker from whom they borrowed money.
 2. Everyone plays rock-paper-scissors with their banker.
 3. Ask every winner of RPS to raise their hands
 4. Ask every borrower from **safe** profiles and **average** profiles to lower their hands
 5. Ask the bankers who lost to risky profile borrowers to stand up.
 6. “You just lost a lot of money!” – Every risky profile borrower who won at RPS defaults on their loan.
4. Winners!
 1. Borrowers – The borrowers with the lowest interest rate in their profile category wins.
 2. Bankers – The banker with the most interest money wins.
5. Explanations: Explain what the game illustrates. See Lesson Procedures for debriefing.

Bankers Account Sheet – Banks and Borrowers

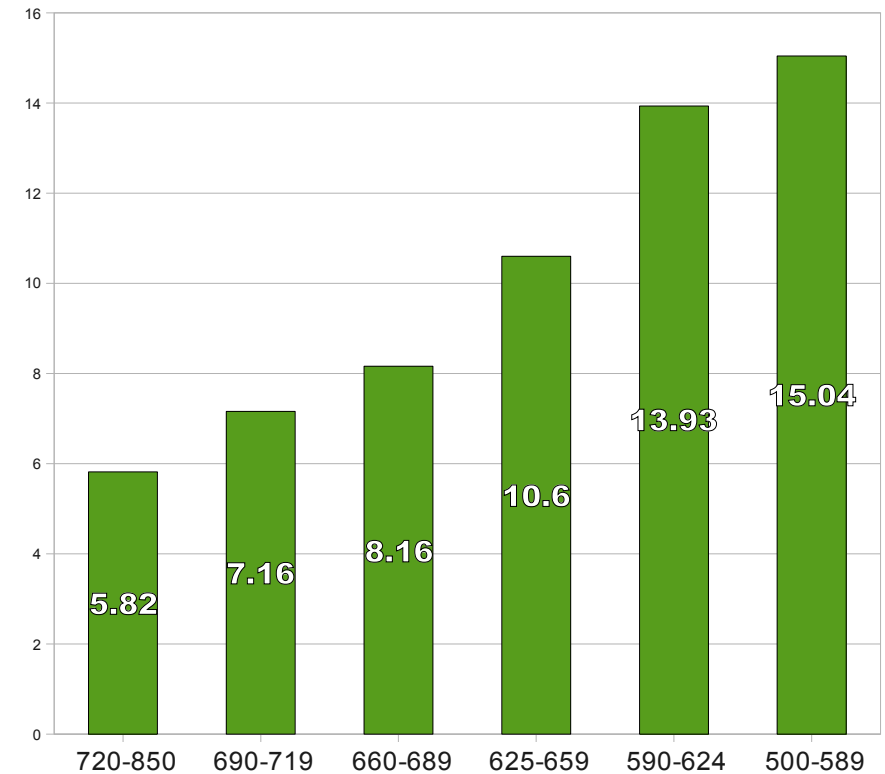
Goal: Lend out as many loans as possible, at the highest interest rates possible.
Problem: Some debtors who borrow money from you might not be able to pay back their loan.

Instruction: Negotiate with your debtors how much money (principal) you want to lend them, and at what interest rate. Record your debtors name, the details of their loan, and how much you will make when the debt is paid back.

Name	Interest (per year)	Principal Borrowed	Term (in years)	Profit
			Total:	

Poor Credit Rating Costs You

Let's say you want a 36-month loan for a new car. You get a fixed rate loan. The lower your credit score, the higher the interest rate you have to pay.



Imagine you are buying a \$30,000 car; If your credit score is in the lowest range, you end up paying...

\$4,694 more in interest!

... than the person with the highest credit rating.

Big Ideas

$$\begin{aligned} \hat{H} &= i\hbar \frac{d}{dt} \\ e^{iEt/\hbar} \\ \psi(t) &= \\ e^{iEt/\hbar} \\ \psi(0)^* \psi(0) \\ \langle \psi | \psi \rangle &= |\psi|^2 \\ \psi^2 &= \psi^2 \end{aligned}$$