

Lesson 5: Which Way to Pay

TOPIC: Payment Options

OVERVIEW:

With students comfortably demonstrating the concept of cash through previous lessons, they will explore the concept of other payment options in this lesson. Hands-on activities will guide students through different forms of payment, such as **cash**, **credit cards**, **debit cards**, and **checks**. Students will apply their compounded knowledge by evaluating different real-world scenarios.

Time: 60 min

Supplies:

- Whiteboard or chart paper, markers
- Projector (for teacher presentation slides)
- Access to the Internet (optional)

Preparation:

- Make copies of student handout
- Set up projector with presentation slides

Glossary with key vocabulary 11

OBJECTIVES:

1. Explain the concept of credit and debit (including checks and money orders)
2. Compare and contrast various payment methods (cash, credit, and debit)
3. Apply knowledge of payment options to real-world scenarios
4. Discuss the consequences of paying back credit past the due date
5. Discuss identity theft and types of personal information that should not be shared

HANDOUTS:

- Payment Options: True or False?
- Payment Decisions
- Test Your Payment Knowledge
- Money Smart Book (template from Lesson 1)

TEACHER PRESENTATION SLIDES:

- What Is Credit?
- What Is Debit?
- Private Information
- Story Problems: Payment Decisions

ESSENTIAL QUESTIONS:

- What are credit and debit?
- What are checks?
- Why might someone choose to pay with cash, credit, or debit?
- What is debt?
- What information should not be shared with others to prevent identity theft?

ASSESSMENT ACTIVITIES:

Pre-Assessment:

- **Handout:** Payment Options: True or False?
- **Handout:** Payment Decisions

Post-Assessment:

- **Handout:** Test Your Payment Knowledge)
- **Handout:** Money Smart Book

Instruction Steps

WARM UP

Sharing Prior Knowledge of Payment Options

15 MINUTES

Start the lesson by asking students to think about ways people can pay for things.

Ask:

- *What do you use to pay for things?* (Answers may include: money, cash, bills, or coins.)
- *What do your parents use?* (Answers may include: cash, credit cards, debit cards, checks, or money orders.)

Draw a four-column chart on a whiteboard/chart paper with the title “Forms of Payment” and headings: **cash**, **credit cards**, **debit cards**, and **checks**. Ask students to share what they know about these four payments options and record their answers on the chart.

Next, have students complete the **Payment Options: True or False?** handout, a short true/false quiz about credit, checks, debit, and cash, to test their knowledge of these payment options. Students may complete the handout in pairs or as a class game.

To make the handout a game, divide the class into teams and have students sit together. Read a question and have students do one action, signal, or sound for true and one for false. Review answers together as a class.

Explain that a **credit card** is *not* just an endless supply of money. It is linked to a person’s account and must be paid back by a certain date every month. If it is not paid back in full by that date, that person has to pay **interest** (the cost of borrowing money; also, the money earned from lending it). If someone has a credit card, that person also has a limit to how much “credit” he or she has available to use. The limit is based on how **creditworthy** that person is (how likely someone will be able to pay back a loan).

Explain that creditworthy is similar to trustworthy. Ask students what trustworthy means (deserving of trust, dependable).

Add information students have learned to the “Forms of Payment” chart.

Grade-Level Modifications:

Beginner: If students don’t know an answer on the true/false quiz, ask them to take their best (educated) guess.

Advanced: Students can complete the quiz independently. Have them correct the statements that are false.

MONEY SMART TIP!

Invite students to keep track of their Smart Bucks (see page 7 for more information) in a journal. Have them write down each date they receive Smart Bucks (income), the amount, and how they earn it. They can also record each date they spend their Smart Bucks (expenses), the amount, and what they spend it on.

GUIDED EXPLORATION

Understanding Credit and Debit

20 MINUTES


Review the meaning of credit and discuss that it is not free money but linked to an actual account.

Optional: Use the link <https://handsonbanking.org/kids/credit-and-you/credit/what-is-credit/> to show students an interactive cartoon story about credit and loans (six lessons, approximately 5 or 6 minutes). The class can also explore the virtual calculator and money math questions together.

What is Credit?

Credit is a loan. When you pay using credit, you are borrowing money.

A **credit card** is a plastic card that lets you pay using credit. The card has a limit on how much you can **charge** (spend).



Each month, you'll receive a statement or bill showing details such as new charges on the card and how much you owe. If you don't pay all the money back on time, you have to pay it back with interest. Interest can add up quickly! It's important to only use credit cards for things you can afford to pay back soon.


Money Smart for Young People Grades 3 - 5

What is Debit?

A **debit** is money removed from an account.

A **debit card** is a plastic card that, when it's used, money is taken out of your checking account right away.

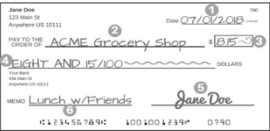
If you don't have enough money in your account to make a purchase, you can't pay with your debit card.



Money Smart for Young People Grades 3 - 5

What is Debit? (CONTINUED)

Check = Form of Debit



- Date check is written
- Recipient of payment
- Money represented numerically, that will be deducted from your checking account to pay recipient.
- The written form of money being deducted for payment. Always be sure to have enough money in your account before writing a check to avoid paying extra fees.
- Signature of person writing check
- Reason for payment

Money Smart for Young People Grades 3 - 5

Share the *What Is Credit?* and *What Is Debit?* slides with students and discuss. To review and ensure understanding, have a discussion using the following guiding questions:

- **What are credit and debit?** (Credit is a loan. When you pay using credit, you are borrowing money with the agreement to pay it back by a later date. A debit is money taken out of a checking account as payment for an item or service.)
- **What are checks?** (A check is a written order of payment that instructs a financial institution, such as a bank, to withdraw a specific amount of money from the check-writer's account, and pay or deposit it to the person, or business, named on the check.)

In addition to what students learned from the slides, you might also want to ask:

- **How is technology used to make payments between individual people?** (Person to person payments using websites and apps allow customers to transfer money directly from their bank account or credit card to another person's account.)
- **What is a money order?** (It is similar to a check but can be purchased at different places such as a bank or post office and used to make a payment of a specific amount of money.)

Review the following:

- **What is interest?** (the cost of using money—you pay interest when you borrow money, and a bank can pay you interest when you deposit money with them)
- **What is debt?** (an amount of money owed) Explain that, if you use a credit card to make purchases and then cannot pay for them by your statement due date, you will likely pay interest.

The interest owed is a debt. It can make a purchase more expensive than you had expected. For example, let's say your October credit card statement shows you owe \$250. The money is due by November 5th. If you can, you should pay back the \$250 on time. If you can only pay back \$100, then you would owe \$150 plus interest.

Next, ask students to share what they know about identity theft (a crime in which someone uses personal information from another person to steal his or her money). Share the **Private Information** slide and explain that students should never buy anything online or share personal information with anyone without a parent's permission.

Review by removing the slide and asking: *What information should not be shared with others to prevent identity theft?* (Personal information should not be shared with others, especially when you are online. That information includes birth date, phone number, home address, school name and address, bank account number, a credit card number, and passwords. If you use a social networking site, only share your page with friends you know and trust.)

Private Information 22

Some information should be kept personal. It should not be shared with anyone without a parent's permission, especially when you are online.

Here is some personal information you should keep private:

- Birth date
- Phone number
- Home address
- Bank account number
- A parent's credit card number
- Passwords
- School name and address

Protecting your personal information helps prevent identity theft.

Money Smart for Young People Grades 3–5

Private Information (CONTINUED) 23

Identity theft is a crime. It is when someone pretends to be another person by taking that person's personal information to steal his or her money. For example:

- A thief might steal someone else's credit card number to buy things online. Then the bill is sent to the owner of the credit card, not the thief. Let's say your parent's credit card number was stolen. On the next statement, your parent notices a charge for 50 pounds of lizard food. Wait a minute — you don't have a pet lizard! Now your parent has to call the credit card company and report a theft.
- Let's say you are using the computer and you get a pop-up ad. It says you can win a prize if you click on the ad. (Don't click on the ad!) But if you did click on the ad, it might ask you to enter personal information so you can collect your prize. NEVER enter personal information without a parent's permission. If you do, someone may use the information you entered to steal your identity.

Money Smart for Young People Grades 3–5

Exploring Different Payment Scenarios

15 MINUTES

Begin the activity with a quick review of the terms and differences between the following payment methods: cash, checks, debit cards, and credit cards. Ask: Why might someone choose to pay with cash, credit, or debit? (Someone may choose to pay with cash if that person is carrying enough cash or a store only takes cash. A person may pay with credit or debit when he or she is not carrying enough cash, or it is quicker and more convenient.)

Share the **Story Problems: Payment Decisions** slide and ask students to work with a partner to choose and solve one of the three problems. Have students share which challenge they selected and discuss solutions that partners reached.

STORY PROBLEMS: Payment Decisions 24

People can make purchases using different payment options.

Directions: Read each scenario and answer the questions to make payment decisions.

1. Violet has \$20 cash and her checkbook. She is in a hurry and needs to pay for a birthday card that costs \$3. How should she pay for the card? Why?
2. Sierra and her grandmother go out for lunch. Her grandmother needs to pay \$32 and has \$35 in her wallet, along with a credit card. She wants to make sure she has at least \$5 left for the rest of the day. How should Sierra's grandmother pay for the meal? Why?
3. Max has to pay his credit card bill. It is due in two weeks. Max wants to mail in a check for the total amount of \$135. He has \$100 in his checking account. Does Max have enough money to write the check? If not, how can he still pay by check?

Money Smart for Young People Grades 3–5

Next break students into four groups, assign each group one of the **Payment Decisions** handout challenges. Have students read and solve the challenge together, then present their process and solution to the class.

Grade-Level Modifications:

Beginner: Group students with different strengths and abilities to support students in reading and solving the problems together. Teams may also write or model number sentences to reach a decision of the best payment decision.

Advanced: After students finish the handout, ask them to create one or two of their own examples.

Ask students to complete the **Test Your Payment Knowledge** handout as a post-lesson assessment to see how much they learned regarding payment options and identity theft.

WRAP UP Class Reflection

10 MINUTES

Lead a class discussion about the following questions: *What is the difference between credit and debit? How can credit be used responsibly? What information should not be shared with others to prevent identity theft?* The prompts above may be responded to within the **Money Smart Book**, a writing journal or completed as a think-pair-share discussion with a peer or small group. Students may keep their **Money Smart Book** for reflection and discussion throughout the lessons. The summary and final product will provide a measurable assessment. Students can also share the book with their parents as a discussion starter about what they have learned.

Extended Exploration

Note: Use the following activities to extend the lesson topic throughout the year. Activities can be completed as a class, in small groups, or during center time. Duration of activities will vary.

- Take students on a virtual field trip to the U.S. Bureau of Engraving and Printing to learn more about where cash is made at www.usa.gov/money-factory-lesson-plan
- Invite students to step into the world of Money Metropolis where they can earn, save, and spend from virtual bank accounts at www.practicalmoneyskills.com/play/money_metropolis.
- Divide students into groups and have them make posters about identity theft and online safety, including the personal information that should be kept private and not shared with others. Hang them up in the classroom.

Answer Key

Student Handout 1:

Payment Options: True or False?

1. True, 2. True, 3. False (Credit cards and debit cards are made of plastic.), 4. True, 5. False (If you use a credit card, you receive a monthly bill.), 6. False (Credit cards do set limits to how much you can spend.), 7. True, 8. False (A debit is money removed from an account.), 9. True, 10. True

Student Handout 2:

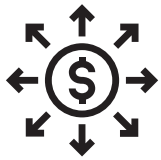
Payment Decisions

1. She will have to pay interest on any of the credit card balance that she cannot pay in full by the due date.
2. He should pay with cash because the store only accepts cash.
3. She should pay with her debit card because she doesn't have enough cash. 4. He should pay with his debit card because he has enough money in his checking account (\$2,800). He shouldn't use his credit card because he has a \$3,000 credit card limit and has already charged \$800. ($\$3,000 - \$800 = \$2,200$. That is \$100 less than his car bill of \$2,300.)

Student Handout 3:

Test Your Payment Knowledge

1. A (checks and debit cards), 2. C (month), 3. C (using a credit card), 4. B (check), 5. B (Keep your personal information private.)



Lesson 5: Which Way to Pay?

PAYMENT OPTIONS: TRUE OR FALSE?

Name: _____

When you put money into a savings account, you are paid **interest**. It is the money you earn from lending money to the bank.

Directions: How much do you know about different payment options? Read each statement and circle whether it is true or false

- | | | |
|---|------|-------|
| 1. Cash, credit, and debit are payment options. | True | False |
| 2. Some businesses only accept cash payments. | True | False |
| 3. Credit cards and debit cards are made of paper. | True | False |
| 4. When you pay with credit, you are borrowing money. | True | False |
| 5. If you use a credit card, you receive a yearly bill. | True | False |
| 6. Credit cards set no limits to how much you can spend. | True | False |
| 7. A debit card is linked to a person's checking account. | True | False |
| 8. A debit is money added to an account. | True | False |
| 9. Checks come in a small book called a checkbook. | True | False |
| 10. A check is piece of paper used for making a payment. | True | False |





Lesson 5: Which Way to Pay?

PAYMENT DECISIONS

Name: _____

People can make purchases using different payment options

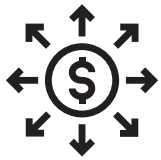
Directions: Read each scenario and answer the questions that follow.

1. Jose and his mother are buying food at the grocery store. The total is \$65. Jose's mom has a credit card and \$40 cash in her wallet. **How should she pay for the food? Why?**

2. Ryan is buying a \$3 slice of pizza at a small restaurant. The sign in the store says "cash only." Ryan has a credit card and \$5 cash. **Which payment option should he use? Why?**

3. Sera is in college. She has a debit card and \$24 cash in her wallet. She has \$120 in her checking account. Sera needs a new pair of sneakers and finds a pair she likes for \$55. **Which payment option should she use? Why?**

4. Tim needs to pay for an expensive car repair. The total is \$2,300. Tim has a credit card and a debit card in his wallet. He has \$2,800 in his checking account. His credit card limit is \$3,000 and he has already charged \$800. **Which payment option should he use? Why?** (Please show your math.)



Lesson 5: Which Way to Pay?

TEST YOUR PAYMENT KNOWLEDGE

Name: _____

Directions: How much did you learn about payment options and identity theft? Circle the best answer to each statement or question below.

1. You need to buy new shoes. Which two ways can you pay if you want the money to come out of your checking account?
a. checks and debit cards b. debit and credit cards c. credit cards and checks
2. Since you have a credit card, you receive a statement every. The statement is a record of what you bought and the payment due.
a. day b. week c. month
3. People say you are trustworthy. You always pay back the money you borrow. Which payment option is the same as borrowing money?
a. paying by check b. using a debit card c. using a credit card
4. Sometimes, you choose to fill out a paper form to make a payment. That paper form is called a
a. debt b. check c. credit
5. You just learned about identity theft. What advice would you give to someone who asks how to prevent it?
a. Only pay for things with cash or checks.
b. Keep your personal information private.
c. Never borrow money from a close friend.