



HIGH SCHOOL | UNIT 2 Using Financial Services

Title

Deciding How to Pay

LEARNING OBJECTIVE(S)

Students will:

- **differentiate** between using cash, checks, debit cards, and credit cards for everyday purchases.
- **explain** the costs and benefits of using a specific payment method in a situation.
- **analyze** personal payment method choices.

Topic

Making Everyday Purchases

Overview

How do you choose the best payment method when making everyday purchases? Students review payment options including cash, debit cards, credit cards, and electronic payments. In small groups, they explore a variety of real-world situations and discuss which payment option they would use. Students describe personal spending choices and what payment method they would use.

Financial Literacy Theme

Mobile Banking

21st-Century Skill(s)

Critical Thinking, Collaboration, Communication

Key Terms

Payment method, cash, check, credit card, debit card, gift cards

Materials

- **So Many Payment Options Student Capture Sheet**—one copy per student
- **How to Pay Student Handout**—cut into cards

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Connect

How does this connect to the student?

With every purchase students make, they have a choice of how to pay. As technology and payment methods evolve, students must be prepared to navigate these everyday choices.

How does this connect to careers?

Market Research Analyst:

Studying market conditions to identify potential sales of a product or service is the primary role of market researchers. Sometimes understanding how people pay for something—and making it more convenient for them to pay—can play a big role in the success of a product or service.

How does this connect to the world?

Bartering—or the exchange of one good or service for another—was once the only mechanism of trade. This evolved into the use of shells and eventually coins and paper money. The more accessible the form of payment, the more individuals, businesses, and even nations can trade.

Prepare

Background: As technology advances, more payment options have become available to consumers. What was once limited to cash or check has grown to a long list of options: debit and credit cards, stored value or gift cards, apps and services tied to smartphones or wearable technology, and a variety of online services. The chart below summarizes some of the pros and cons of various payment methods.

In advance of this activity, consider your own use of various payment options. Have you ever used your smartphone to pay at a store or sent money to a friend or company using an app or online service? If not, consider doing so. Alternately, ask someone who uses such technology to show you how they use it and what was involved in setting it up. Being familiar with a variety of electronic payment methods will help you to instruct and relate to students who are often more willing to adopt such technology.

| Payment Method | Pros | Cons |
|---|---|---|
| Cash —currency or coins | Accepted almost everywhere, easy to understand; can easily limit how much is spent (when money runs out, you stop spending) | Can take up space to carry; risk of it being stolen |
| Debit card —a card issued by a bank or other institution that allows money to be withdrawn from an account | Easy to use; not going into debt; no cost to use | Must have enough money in your bank account; some checking accounts have fees associated with them or minimum balance requirements; may not be accepted for certain transactions, such as renting a car |

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| Payment Method | Pros | Cons |
|---|---|---|
| Credit card —a card issued by a financial institution that gives the holder access to credit for purchases and other transactions | Protection against fraud; paying balances on time can help you build credit; may have benefits such as cashback, points, or miles; record of expenses at end of month | If not paid off each month balance will increase with accrued interest |
| Check —a written order, usually on a standard printed form, directing a bank to pay money | Safe to send by mail; people are often more likely to write down the transaction | May require identification to use; requires a checking account which may have fees or minimum balance requirements; often must be purchased; fee owed if a check is written for more money than is in the account |
| Gift card —prepaid, stored-value card usually issued by a retailer or bank to be used for purchases within a particular store or related business | Can limit payments and help stay within a spending plan | May only be able to be used at certain stores; may lose value over time, expire after a certain date, or have fees; must use another form of payment if value is reached |
| Apps —tools that allow people to transfer money to another person or business (e.g., Venmo or tools within your bank’s mobile application) | No need to mail payment or handle cash | Not all people or businesses accept it; takes time to set up |
| Smartphones/devices —making a payment by placing a smartphone or other device (such as a smartwatch) near a card reader (e.g., ApplePay and Google Wallet) | Fast transactions | Not used by all stores; must secure device so others cannot use payment methods |
| Websites —online services that allow people to make payments using credit cards or bank accounts (e.g., Paypal) | Can keep track of expenses; reliable method for online transactions | Not all people or businesses accept it; takes time to set up; requires internet access |

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Engage

- Place a large piece of paper (bulletin board paper, poster board, etc.) in an area where students can easily reach it and write “Ways to Pay” in the center of it.
- Ask students to think of different situations in which they have paid for something recently or seen others pay. Define **payment method** as a way of paying a person or business. Invite them to write two or three payment methods on the large piece of paper. Before doing so, they should look to see if anyone else has written the methods down also. If so, encourage them to write theirs near the others so you can visualize similarities. Debrief by taking note of common responses as well as unique ones.

Teach

- Distribute the **So Many Payment Options Student Handout** to students. Review the list of payment options and see which ones students mentioned. Explain any payment methods that are unfamiliar and discuss the pros and cons of various methods such as those listed.
- Explain that some payment methods make more sense in certain situations than in others. The cost of the item might play a role. People are more likely to use cash for smaller amounts, for example.
- Invite students to form small groups of 3–4. Assign each group a scenario(s) from the **How to Pay Student Handout**. (Optional: Cut the scenarios into strips and give one or more to each group.)
- Ask groups to discuss the scenario and consider the pros and cons of using various payment options. Group members should each share their preferred payment method. Consensus is not needed, but students should be able to articulate and defend their choices to the other members of their group. If time allows, have groups discuss their results and/or assign additional scenarios to each group. Remind students that there is rarely a clear right or wrong payment method to use in each situation. Rather, students should give consideration to their options and make informed choices.

Extend

- **Technology:** Encourage students to research electronic payment methods. What is required to use them and set them up? How do they know if they are trustworthy to use?
- **Family:** Invite students to discuss payment methods with family members. How have the options changed since they were younger? How comfortable are they using electronic methods of payment?

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Standards Correlation

The following standards are addressed in this module.

[National Standards for Personal Financial Education](#) from the Council for Economic Education and Jump\$tart Coalition for Personal Financial Literacy

- II. Spending 4-6 Payment methods for making purchases include cash, checks, debit cards, and credit cards.
- II. Spending 8-4 Consumers weigh the costs and benefits of different payment methods to determine the best option for purchasing goods and services.
- V. Managing Credit 4-2 When a person pays with credit, they have immediate use of purchased goods or services while agreeing to repay the lender in the future with interest.

[National Standards for Business Education](#) from the National Business Education Association

- Personal Finance VI.1.6 Differentiate among types of electronic monetary transactions (e.g., debit cards, credit cards, ATM, PayPal, Zelle, gift cards, and automatic deposits/payments offered by various financial institutions).
- Personal Finance VI.1.7 Identify new and emerging methods of transferring money (e.g., PayPal, Zelle, Venmo, ApplePay, GooglePay) and how they affect financial institutions.
- Personal Finance VI.1.9 Identify other means of transferring funds (e.g., money orders and certified checks).
- Personal Finance VI.1.13 Compare costs and benefits of online and traditional banking.
- Personal Finance VI.1.14 Analyze privacy and security issues associated with financial transactions.

So Many Payment Options

Directions: There are many different ways to pay. Some you carry in a wallet and others use technology. Review the methods below, and check the box that best describes your understanding of each. Take notes during the discussion as needed.

| Payment Type | I have heard of this and can explain it. | I have heard of this but can't explain it. | I have never heard of this. | Notes |
|---|--|--|-----------------------------|-------|
| Cash | | | | |
| Debit Card | | | | |
| Credit Card | | | | |
| Check | | | | |
| Gift Card | | | | |
| Apps that allow you to send money to pay a friend | | | | |
| Smartphone or other device that is connected to your credit card or bank account that lets you pay by placing the device near a card reader | | | | |
| Website that allows you to pay with a credit card or transfer from your bank account | | | | |

How to Pay

Directions: Discuss the scenario(s) assigned by your teacher. How much do you think this will cost? What payment methods are likely to be accepted? Decide which payment method you would use and discuss each group member's choice.

Payment Method Options

cash, debit card, credit card, check, gift card, app, device, website

1. Paying for a school field trip

10. Giving a tip to a server

2. Ordering a pair of shoes online

11. Buying coffee at your favorite shop

3. Paying your friend back for pizza and snacks

12. Getting money from your parents for school supplies

4. Giving money to a friend as a birthday gift

13. Making an annual car insurance payment

5. Getting a drink from a vending machine

14. Buying snacks at a concession stand

6. Paying your monthly cellphone bill

15. Paying to have your hair cut and styled

7. Buying tickets for a show or game

16. Making a down payment on a tux for prom

8. Filling up a car with gas

17. Paying the application fee to apply to college

9. Buying clothes at a local store

18. Buying an app or music from a smartphone