



MIDDLE SCHOOL | UNIT 4 Using Credit Wisely

Title Charge It?

LEARNING OBJECTIVES

Students will:

- **list** various payment options.
- **explain** the decision to use various payment options, including cash, debit cards, and credit cards.
- **compare** the benefits and tradeoffs of various payment options.

Content Area

Financial Literacy: Family and Consumer Sciences and Business

Grades

6–8

Overview

How are credit cards different from debit cards? Which one should I use? The lesson begins with students brainstorming lists of recent purchases made by themselves and by family members and considering the payment methods used for each transaction. Students then receive a description of a character and make purchase and payment decisions based on their assigned identity. In small groups, students complete a graphic organizer that outlines the benefits and tradeoffs of various payment options. The activity concludes with a discussion in which the teacher fills in any gaps in student understanding to make sure students understand the key differences and similarities between the various payment forms.

Themes

Personal Finance: Credit

Family and Consumer Sciences: Consumer and Family Resources

Business: Personal Finance

National Standards for Personal Financial Education

Council for Economic Education and Jump\$tart Coalition, 2021

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.

Pathway to Financial Success

In Schools

III. Saving 12-3 Unless offered by insured financial institutions, mobile payment accounts and cryptocurrency accounts are not federally insured and usually do not pay interest to depositors.

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 Family and Consumer Sciences Education

National Association of State Administrators of Family and Consumer Sciences, 2018

2.6.2 Apply financial management principles to individual and family financial practices.

2.7.1 Demonstrate management of individual and family finances by applying reliable information and systematic decision making.

2.7.4 Manage credit and debt to remain both creditworthy and financially secure.

National Standards for Business Education

National Business Education Association, 2013

Personal Finance VI.1.2 List the basic products and services provided by financial institutions (e.g., savings, checking, certificates of deposits, credit cards, loans, safe deposit boxes).

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.1.10 Evaluate products and services and related costs and fees associated with financial institutions in terms of personal banking needs.

Personal Finance VII.1.1 Explain when and why borrowing is used for the purchase of goods and services.

Personal Finance VII.1.7 Evaluate the various methods of financing a purchase.

Personal Finance VII.1.19 Select an appropriate form of credit for a particular buying decision.

Connect

How does this connect to the student?

As students get older, their ability to choose various methods of payment will expand. This activity encourages students to understand the benefits and tradeoffs associated with various payment options.

How does this connect to careers?

App Developer: Many people use apps or embedded technology on smart devices to make purchases. App developers create and improve upon these options to engage customers.

How does this connect to technology?

The way people pay for goods and services has changed drastically over the years due to advances in technology. People can now pay through smart technology, including their phone or watch.

Key Terms

Credit, credit card, debit card, cash, interest

Prepare

Background: People have many choices about how to pay for the goods and services they buy. **Cash** is often used to make smaller purchases. Using cash helps people to curb their spending, but it is easy to lose and can be hard to carry in large quantities. When people use **debit cards**, the amount of their purchase is immediately deducted from their bank account. **Credit cards** are a form of a loan. People who use credit cards are expected to pay back the amount they spent. If the payment is not made in full, interest is usually charged.

In addition to these traditional forms of payment, technology has enabled new forms of payment. Apps from financial institutions and other providers allow people to make payments at stores and from person-to-person. Mobile phones and smart devices, such as watches, can also be used to make purchases. Most apps and mobile devices link to existing bank or credit accounts.

Materials

- **Would You Pay for It Student Capture Sheet**—two copies of each (Cut one into cards. Reserve the second copy for reference.)
- **Payment Identities Handout**—one copy per student
- **Payment Benefits and Tradeoffs Student Capture Sheet**—one copy per student
- **Payment Benefits and Tradeoffs Answer Key**—one copy for reference
- [What is Credit, and How do You Use It? Unit 4 Student Video](#)

Engage

- Divide students into small groups.
- Direct each group to develop a list of at least 20 goods and/or services that they or someone they know have purchased or paid for in the last several weeks.
- Invite a spokesperson from each group to share several of the items the group listed.
- Ask students if any of the items on their lists were purchased using cash. Invite one or two students to share examples of items or services purchased with cash.
- Challenge students to brainstorm a list of other payment methods they have observed in use. Record their responses. Examples may include debit cards, credit cards, checks, money orders, apps, or a device such as a cell phone or smartwatch.

Teach

- Let students know that they will learn more about some of the most popular forms of payment by role-playing different “identities.”
- Distribute a **Would You Pay for It Student Capture Sheet** to each student along with an “identity” card from the **Payment Identities Handout**.
- Inform students that they should read the information on their cards and complete the **Would You Pay for It Student Capture Sheet**. Ask students to turn their paper over when they are done so you know when all students have completed the handout.
- Review each expense and ask which students chose to spend money on it. Discuss why students made the spending decisions they did and the payment method each chose. Ask students to share information about their identities to help explain their choices.
- Challenge students to consider which payment option is the “best” one to use. Let students know there is no clear “right” answer to this question. Share that each payment method has benefits and tradeoffs.
- Distribute a copy of the **Payment Benefits and Tradeoffs Student Capture Sheet** to each student. Allow students to work in small groups to complete the graphic organizer.
- Discuss student responses. Use the **Payment Benefits and Tradeoffs Handout Facilitation Guide**, as needed. Make sure students understand the difference between each payment method.
- Play the video, [What is Credit, and How do You Use It?](#) (3:06) to further explain what credit is and how it can be used.
- Challenge students to consider the meaning of the phrase “responsible use of credit.” Answers may include only using credit for items you need, not charging more on credit cards than you can afford to pay back, using credit cards to build credit, etc.

Conclude

- Summarize the key takeaways of the activity, including: people have options about how they pay for goods and services, each payment method has benefits and tradeoffs, there is no “one” best payment method, consumers should consider the impact of their payment choices.
- Direct students to submit an exit ticket answering the question: What payment methods do you think you will use most often as an adult and why?

Extend

- **Math:** Challenge students to consider the financial impact of paying only the minimum amount on a credit card using an online credit card calculator.
- **Technology:** Invite students to explore near-field communication (NFC) technology and how smart devices such as phones and watches use it to make contact-free payments.
- **Research:** Expand upon your discussions of credit cards with materials from the [Credit Cards: How Are They Different?](#) activity which has students research and compare various credit cards.
- **Creative Writing:** Challenge students to consider what the future might hold for payment methods by asking the question: Fifty years from now, how do you think you will pay for most of your purchases?

Would You Pay for It?

Directions: Imagine you are presented with the option to pay for each item below during the course of a week. Based on the “payment identity” you received, which of the following would you pay for and how would you pay for the ones you select?

Expense	Would You Pay for It?	Payment Method
Energy drink and a bag of chips at a convenience store \$5		
Piano lesson \$40		
Lunch at a pizza place \$13		
Drink from a vending machine \$1.50		
College sweatshirt \$50		
Math tutoring session \$30		
In-app purchase in a game \$5		
New laptop \$500		
Admission to a football game \$5		
Hot dog, fries, and a drink at the football game \$8		
Gas for a weekend road trip \$45		
Flat tire repair \$80		

Payment Identities

Directions: Cut into individual cards. Make enough copies so that each student will have a card. Multiple students may have the same card.

“Cash Carrier” Carrie

You only carry cash. Period. You don’t believe in spending more than you can afford and are very careful about determining what is a need and what is a want. Right now, you have \$150 in your wallet.

“Many Methods” Marcus

You like having options. You have \$15 in cash in your wallet along with a debit card and a credit card. You have \$300 in your checking account and a limit of \$500 on your credit card.

“Debit” Destiny

You like knowing how much money you have at all times. You use a debit card so you can easily track your spending with your bank’s mobile app. Right now, you have \$250 in your checking account.

“App Pay” Jay

Wallet? What’s that? You prefer technology. You have an app on your phone that can be used to buy things at stores or to pay friends. It takes the money straight from your bank account which currently has a balance of \$300.

“Mix it Up” Miguel

You’ve been told that using a credit card is fine if you pay it off each month when the bill comes. Your credit limit (the maximum you can spend) is set at \$500. You also have a \$20 bill in case you are somewhere that does not take credit cards.

“Big Spender” Spencer

You are known for always having a wallet full of cash, a debit card, and multiple credit cards. You rarely track your spending, and you don’t care if you go into debt. You just like getting what you want—when you want it.

“Nothing but Green” Tariem

You’ve had problems in the past with overspending. You took the recommendation of a friend and now only carry the amount of cash you can afford to spend in your wallet. You have \$20 left that you can spend until you get paid again.

“Green” Josephine

You have \$80 in cash in your wallet. You like using cash because it helps you track how much money you can spend. It can be hard, though, when you want to make a large purchase—like the new laptop you want.

“Watch Wearing” Will

You got a smartwatch as a gift and set it up so you can use it to make purchases. At many stores you can hold it up to the payment device and pay with either your bank account (like a debit card) or your credit card.

“Credit” Chloe

You use credit cards because they help you track your spending. You can tell where you spent money by looking at your statements. This helps you create—and stick to—a budget. You never spend more than \$200 a month, so you know you can pay the entire bill when it comes.

“Options” Olivia

You like having options because you know some places do not accept certain forms of payment. You NEVER want to be stuck, so you always have cash, a debit card, and a credit card in your wallet. Plus, you have an app on your phone that connects to your bank account.

“Germfree” Juliana

You’re a bit of a germaphobe. You don’t like touching cash because of how many other people have used it. Given a choice, you pick “touch free” payments like apps and your smartphone every time. When that does not work, you swipe your debit card.

Payment Benefits and Tradeoffs

Directions: Complete the table. List at least three reasons in each box.

Payment Method	Benefits	Tradeoffs
Cash		
Debit Card		
Credit Card		
Payment Apps		
Smart Device		

Payment Benefits and Tradeoffs

Directions: Complete the table. List at least three reasons in each box.

Payment Method	How It Works	Benefits	Tradeoffs
Cash	Cash includes both paper currency and coins, each with its own value.	<ul style="list-style-type: none"> • Easy to access • Accepted almost everywhere • Can help people avoid overspending 	<ul style="list-style-type: none"> • Easily lost or stolen • Not easy to carry a large amount • Can require frequent trips to a bank or ATM
Debit Card	When people use debit cards, the amount of their purchase is subtracted from the balance in their checking account.	<ul style="list-style-type: none"> • Easy to carry • Accepted most places • Built-in protections if stolen 	<ul style="list-style-type: none"> • Must keep track of account balance • If used for purchases such as gas, a “hold” is placed which may tie up money until it is released
Credit Card	Credit cards are a form of a loan. The user is responsible for repaying the loan. Any charges that cannot be paid for when the bill arrives are subject to interest.	<ul style="list-style-type: none"> • Easy to carry • Accepted most places • Built-in protections if stolen • Consistent, reliable use can help build a strong credit history 	<ul style="list-style-type: none"> • Easy to overspend • Have credit limits that “cap” how much can be spent • Will charge interest if you do not pay it off at the end of each month
Payment Apps	Apps are used as payment methods by linking them to existing bank or credit card accounts. Examples include Venmo and PayPal.	<ul style="list-style-type: none"> • Does not require carrying a wallet • Easy to use and contact-free 	<ul style="list-style-type: none"> • Not accepted everywhere • Must secure your phone or device with a password
Smart Device	Smart devices such as phones and watches can be linked to existing bank or credit card accounts for use in making payments. Examples include Apply Pay and Google Pay.	<ul style="list-style-type: none"> • Does not require carrying a wallet • Easy to use and contact-free 	<ul style="list-style-type: none"> • Not accepted everywhere • Must secure your phone or device with a password • Smart devices can be expensive