

PERSONAL FINANCE LESSON PLAN

LESSON TITLE:

"Credit Cards: More Than Plastic"



This lesson will allow students to have a better understanding of how credit cards are used to purchase things today with tomorrow's money.

Lesson Author: Oklahoma State Department of Education

Econ/Personal Finance Standards:

Standard 4: Students will understand strategies used to establish, build, maintain, monitor, and control credit.

Standard 5: Students will apply decision-making skills and models to maximize consumer satisfaction when buying goods and services.

Key Concepts:

- Understand how credit cards work
- Discover how not all credit cards are the same
- Better understand the concept of credit card interest and minimum payments

Introduction:

Credit cards are more than plastic used to make purchases. They are a specific form of consumer credit originating in the United States during the 1920s when individual companies, such as hotel chains and oil companies, issued them to customers to make purchases at their businesses. The use of credit cards has grown tremendously since then and is now one of the primary sources of purchases for most consumers in the country.

Credit card accounts are an example of open-end consumer credit, often called revolving credit. While credit cards are a convenient way to make purchases, they also tend to promote "impulse spending" and overspending. Spending money is fun and easy; paying off credit card bills is not!

Resources:

- Personal Financial Literacy, Pearson Education, Inc./Prentice-Hall Publishing, 2010 ©. Jeff Madura, Mike Casey, Sherry J. Roberts, authors. Chapter 11, Pages 200-205.
- <http://lesson.moneyinstructor.com/147/credit-cards-plastic.html>

Process:

1. Upon completion of the Chapter 11 reading, students will be introduced to credit cards
2. Read together the Student Module 8.1 Handout
3. Understand the mathematical process of calculating interest
4. Demonstrate the difference in making minimum payments and how paying more than minimum payments can reduce the amount of interest
5. Complete the Comparing Credit Cards activity
6. Students will begin to compare different credit card offers
7. Understand the purchasing power of credit cards

Conclusion:

Using credit cards is a great convenience for most consumers, but it can also be a very costly choice. If you are not paying off your credit card balance in full every month, then you are increasing the cost of your purchases and reducing the amount of money you could put in savings to meet your future goals. The cost and benefits of using credit cards depend on the interest rate charged by the credit card company and the amount of payments you are able to make on a monthly basis. Making minimum payments on credit card purchases means you end up paying for many years, and doubling or tripling the cost of the items purchased. In addition, it is important to review your monthly statement to ensure it is correct and to keep from paying unnecessary fees.