

Lesson Description

The students will share their base knowledge of payment options through a sorting activity. Students will brainstorm with groups to discuss the differences between debit and credit cards. Using this information, the students will create a Venn diagram to compare and contrast credit versus debit cards.

Texas Essential Knowledge and Skills (Target standards)

- **PFL Math 6.14B:** distinguish between debit cards and credit cards

National Standards (Supporting standards)

CCSS - Common Core State Standards

- **CEE Using Credit 8.3:** A credit card purchase is a loan from the financial institution that issued the card. Credit card interest rates tend to be higher than rates for other loans. In addition, financial institutions may charge significant fees related to a credit card and its use.
- **CEE Using Credit 8.4:** Borrowers who use credit cards for purchases and who do not pay the full balance when it is due pay much higher costs for their purchases because interest is charged monthly. A credit card user can avoid interest charges by paying the entire balance within the grace period specified by the financial institution.

Vocabulary

- Debit Card
- Personal Identification Number (PIN)
- Overdraft Protection
- Withdrawal
- Deposit
- Bank Account

Time Required

Three 45-minute classes

Materials Required

- A copy of **Activity 6.1-1** for each student
- 3" x 5" index cards cut in thirds
- Scissors for each student
- Blank paper for each student
- Glue or tape for each student
- Chart paper for each group
- 4-5 markers for each group

Procedure**Engage**

1. Divide student into small groups. Give each group a stack of precut index cards.
2. Present this scenario to the class: *Bridgette would like to buy her parents an alarm clock for their anniversary. How might Bridgette pay for the alarm clock?* Direct students to follow the steps below.
 - a. *Take out a sheet of paper. Independently write down all the different ways Bridgette could pay for this purchase.*
 - b. *Take turns sharing your list with your group. As each person shares, one group member will write each payment method on the precut index cards. Write down each payment option only one time, even if it was contributed by more than one group member*
3. Ask each group to share their payment methods by listing the methods on the board simultaneously. **(Possible responses: credit card, debit card, cash, check, cashier check, and gift card)** Allow groups to create additional cards with payment method if needed.
4. Ask each group to sort the cards using any category. Using a blank sheet of paper have group draw a line down the middle. Write a heading on the top of each side of the paper that describes how the cards will be sorted. **(Possible methods of sorting: loan and non-loan or paper and plastic)**
5. Instruct the groups to explain the rationale for their sorting. Listen for understanding of these payment options and clarify any misunderstandings.

Explore/Explain

6. Distribute one copy of **Activity 6.1-1** to each student. Tell the students that they are going to focus on credit cards and debit cards. Have them use the chart on **Activity 6.1-1** to write everything their group knows about debit and credit cards. Then engage the students in a class discussion in which the groups share their knowledge as the teacher clarifies. Encourage students to record any additional information on their charts during the discussion. Use **Key 6.1-1** as a guide.

Explore/Explain

7. Distribute a sheet of chart paper and 4-5 markers to each group. Direct students to create a Venn diagram that represents the similarities and differences between a debit card and credit card. Students should use **Activity 6.1-1** to find clues. *[Note to teacher: If your students have not had a recent experience creating a Venn Diagram, consider modeling the process using a different comparison such as chicken and an eagle.]*
8. Once the Venn diagrams are complete, have students hang their charts. Direct groups stand by their Venn diagram. Have each group explain their rationale for their model. A sample key is provided.

Evaluate

9. Have students take out a blank sheet of paper. Fold the paper in thirds to create a table tent. Write credit card on one side of the tent and debit card on the other side. The teacher will read the statements below. The student will display side of the tent that represents the statement towards the teacher. If it is a characteristic of both cards, have the students stand up. After each statement, ask students to justify their response.

- a. Money is withdrawn directly from a checking or savings account. **(Debit Card)**
- b. Each purchase is a loan that is repaid later. **(Credit Card)**
- c. Consumers can purchase items now and pay for them later. **(Credit Card)**
- d. Hefty fees may be charged if you spend more than what is in the account. **(Debit Card)**
- e. Convenient to use. **(Debit Card & Credit Card – There is no need to carry cash or a check book.)**
- f. A PIN (Personal Identification Number) is required to make a purchase. **(Debit Card)**
- g. Interest may be charged, but can be avoided by paying the entire balance each month. **(Credit Card – If you cannot pay your entire credit card balance each month, try to pay as much as possible. The balance will decrease and you will pay less interest over time.)**
- h. If the card is lost or stolen, report it immediately. **(Debit Card & Credit Card – It is important to report lost or stolen cards to prevent fraudulent purchases or unauthorized access to your account. Since this phone number appears on the back of the card, write the number down and keep it in a safe place.)**
- i. Eric purchased a movie ticket with his card. This money will come straight out of his checking account. What card did he use? **(Debit card)**
- j. Rosa's gas pump went out as she was driving her car to work. Since she did not have enough money to cover the cost to replace the pump, she used a card that allowed her to pay later. What card did she use? **(Credit card)**
- k. Mrs. Brady took her family out to eat. She handed the waitress a card to purchase the meal. This charge appeared on a bill that she paid three weeks later. **(Credit card)**
- l. To avoid carrying cash, Ned pays for his lunch using this card. Each time he uses this card his checking account decreases. **(Debit card)**

Evaluate/End

11. Have the students provide a written response to the following prompt as an exit ticket. Enrique needs to buy a book for his college math class that costs \$140.00. Currently, he has \$162.05 in his checking account. Should Enrique use a credit card or a debit card? Defend your reason for choosing that card.

Activity 6.1-1

Name _____ Class Period _____

Directions: With your group, complete the chart below to compare debit cards and credit cards. Write everything your group knows about these cards.

	Debit Card	Credit Card
What does it look like and feel like?		
How does it work?		
Are there any fees?		
Are there any limitations to how much you can spend?		
What are other things you know about these cards?		

Sample Key 6.1-1

	Debit Card	Credit Card
What does it look like and feel like?	<ul style="list-style-type: none"> • Small, hard, plastic card that fits in a wallet. It has the owner's name and account number on the front. The back has a magnetic strip and a phone number to call if the card is lost or stolen. Explain that debit cards are sometimes called ATM cards. An ATM is an Automated Teller Machine used to make cash withdrawals, make deposits and to check account balances. 	<ul style="list-style-type: none"> • Small, hard, plastic card that fits in a wallet. It has the owner's name and account number on the front. The back has a magnetic strip and a phone number to call if the card is lost or stolen. Point out that a credit card looks similar to a debit card.
How does it work?	<ul style="list-style-type: none"> • The card owner deposits money into a bank account. The card can be used to withdraw this money or to purchase goods and services. 	<ul style="list-style-type: none"> • Each time the card owner purchases goods or services with the card, he or she is borrowing money from the credit card company.
Are there any fees?	<ul style="list-style-type: none"> • Possible monthly fee for this service • Possible fee for withdrawing cash • Hefty fee if you spend more than what is in your account <p>Explain that since the money comes out of your checking or savings account, it is important to keep track of deposits and withdrawals. Remember a withdrawal can be any action that decreases the balance of the account; such as taking money out of an ATM machine, purchasing a good or service, or making an online payment. Students will learn about transactions and keeping track of their balance in Lesson 2.</p>	<ul style="list-style-type: none"> • Possible yearly fee • Card owner will pay interest if balance is not paid off monthly. Explain that the balance owed can grow quickly if the bill is not paid monthly. Students will learn how the interest is calculated in grade 8. • Late fee will be charged if bill is not paid on time. <p>Explain that every consumer has a credit history that is maintained by credit bureaus in the form of a credit report. This credit report is a record of each consumer's credit use. The consumer has to apply for a credit card. The interest rate and fees depend on the individual's credit history. Students will about credit history and credit reports in Lesson 3.</p>
Are there any limitations to how much you can spend?	<ul style="list-style-type: none"> • You cannot spend more than what is in your bank account. <p>Reiterate that if you spend more than the balance of your account, you will owe the financial institution this money plus a hefty fee.</p>	<ul style="list-style-type: none"> • You will be given a credit limit. This is the maximum dollar amount you can borrow.
What are other things you know about these cards?	<ul style="list-style-type: none"> • You should keep track of the money in your account. 	<ul style="list-style-type: none"> • If you use your card responsibly and pay your bill on time, you can build a positive credit history. Explain that a positive credit

	<ul style="list-style-type: none">• You will receive a statement at the end of the month to compare to your tracking documentation.• A PIN (Personal Identification Number) is entered when making a purchase or withdrawing cash. Explain that this protects the card owner from unauthorized charges. Check your bank statement carefully for transactions you didn't make. Report these transactions to the card issuer as quickly as possible. [Source: http://www.consumer.ftc.gov/articles/0213-lost-or-stolen-credit-atm-and-debit-cards]	<p>history will help them qualify for low interest rates and loans such as car loans and mortgage (house) loans.</p> <ul style="list-style-type: none">• Keep your receipts to verify your purchases.• It is easy to overspend. Keep track of your spending. Check your credit card statement carefully for transactions you didn't make. Report these transactions to the card issuer as quickly as possible. [Source: http://www.consumer.ftc.gov/articles/0213-lost-or-stolen-credit-atm-and-debit-cards]
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Sample Venn diagram.

