Access Your Potential®
Financial Literacy

Borrowing
Basics

A lesson on credit and debt for grades 3–5
Borrowing Basics

A lesson on credit and debt for grades 3–5

Lesson description

In this lesson, students will learn the basics of borrowing, including that credit is a form of a loan and that people who are likely to present more risk as a borrower will be charged a higher interest rate. The lesson begins with students considering the use of the word credit in various statements or questions. They learn that credit and credit cards are forms of borrowing. Students then review descriptions of other students and rank them from least to most risky as borrowers and discuss their answers.

Objectives

Students will be able to:

• Explain that credit cards are a form of a loan
• Describe how risk relates to interest when using credit
• Give examples of risky borrowing behaviors

Lesson at-a-glance

<table>
<thead>
<tr>
<th>Section</th>
<th>Purpose</th>
<th>Approximate time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>Introduce the presenter and the topic of the lesson</td>
<td>5 minutes</td>
</tr>
<tr>
<td>Activity: Defining</td>
<td>Students examine a series of statements and questions and learn</td>
<td>15–20 minutes</td>
</tr>
<tr>
<td>credit</td>
<td>that the word credit can have different meanings</td>
<td></td>
</tr>
<tr>
<td>Activity: Rank the</td>
<td>Students evaluate scenarios and decide which represent the</td>
<td>15–25 minutes</td>
</tr>
<tr>
<td>risk</td>
<td>greatest credit risk</td>
<td></td>
</tr>
<tr>
<td>Closing</td>
<td>Students are encouraged to think about their use of credit in</td>
<td>5 minutes</td>
</tr>
<tr>
<td></td>
<td>the future</td>
<td></td>
</tr>
</tbody>
</table>

Total time 40–55 minutes
Prepare

Materials: Arrive prepared.
- Credit card—for display purposes only
- The many meanings of credit handout—one copy per student
- Definitions of credit handout—one copy per student
- The many meanings of credit answer key and facilitation guide—one per facilitator
- Rank the risk handout—one copy per student or pair of students
- Scissors—one per student or pair of students (OPTIONAL)
- Borrowing Basics post assessment—one for each student (OPTIONAL)

Background: Understand the topic.
At the elementary school level, students should understand that using credit means borrowing money and that people generally pay interest when they borrow. Most elementary school students, however, will not have learned about percentages or how to calculate them. As a result, discussions about interest rates should be simple. Avoid discussion about specific rates amounts or how they might be calculated.

When presenting lessons on credit, be sure to remain neutral on the use of credit. Share both the benefits or advantages of using credit as well as the potential risks or disadvantages. At this age, stick to the basics, such as the ability to pay for large purchases and the risk of spending too much. More advanced considerations such as the impact on a person’s credit report or credit score should be saved for when they are older.

Vocabulary: Use grade-appropriate definitions.
- Credit: A financial tool that allows a person to buy something now and pay for it later.
- Credit card: A card issued by a financial institution that gives the holder access to credit for purchases and other transactions.
- Interest: Money paid at a specified rate for money that is borrowed, deposited in a bank, or owed to a lender.
- Interest rate: The rate at which a lender charges a borrower or that a financial institution offers a person who deposits money there.

Delivery: Decide on the format.
This lesson can be conducted with an entire class or in small groups. For each activity, there are several facilitation options provided. Be sure to review the options in advance and determine which one will work best given the setting, number of facilitators, etc. In some cases, the facilitation option you select will influence the number of handouts needed.
Differentiation: *Be aware of your audience.*

When conducting a lesson on credit and debt, it is important to consider the students and their experiences. Be prepared to acknowledge the range of experiences and backgrounds. Touch base with your classroom teacher in advance to inquire about the student population you will encounter. In particular, keep in mind that some students may have parents/guardians with strong feelings about the use of credit. For example, some families may avoid using credit altogether. Others may rely on credit to get by or manage fluctuations in income. Encourage students to explore both the benefits and risks associated with credit.

**Tips for PwC facilitators: Make the most of your time in the classroom.**

Before facilitating this lesson for the first time, consider the following:

- **Read through the entire lesson in advance.**

- **Touch base with the classroom teacher to make sure you know when to arrive, the process for entering the building, the room setup, photo release protocol, and any available technology.** For example:
  - Where should you park? Where should you enter the building? Will you find your own way to the classroom or will someone meet you?
  - What is the room set up (individual desks, tables and chairs, etc.)? Will you have access to a whiteboard?
  - Are you allowed to take photos during the lesson? Remember, you are required to get specific written consent from parents/guardians before taking photos of minors. How will you handle the students whose parents/guardians have not given consent?
  - If you opt to use the post-assessments, should students take it using paper and pencil or online with school-provided devices? Will the teacher want to collect the assessments and forward the results, or should you collect them?

- **If you will be presenting with another facilitator or team, consider each person’s strengths when deciding who will lead various sections of the lessons, how students will be organized during the lessons, and who is responsible for preparing the materials.**

- **Remember that adults in most high schools are addressed formally using their title (Mr./Mrs./Ms.). Plan to address the teacher and any of your colleagues in this manner, even if you would normally call each other by first names.**

**Educator insights: Adapt this lesson for your classroom.**

PwC is pleased to offer these lessons for use by classroom teachers to support or augment their financial education efforts. Please recognize that the materials were designed for employees to use as facilitators when visiting a class. Therefore, some sections (such as the introduction) may be unnecessary. Feel free to adapt the materials in whatever way makes the most sense for your classroom including the optional extension activities at the end of the lesson.
Teach

Opening (5–10 minutes)

- Thank the teacher and introduce yourself to the class. Explain to the students that PwC is a professional services firm that is committed to providing all students with financial literacy education through its program, Access Your Potential®. In simple terms, explain what you do at PwC and how it relates to what the students will be learning during the lesson.
- Let students know that you are there to help them learn more about borrowing money.

Activity: Credit true/false snowballs (30–40 minutes)

Set up

- Hold up a credit card and ask students if they know what it is. Affirm that it is a credit card that can be used for making purchases.
- Tell students that the word credit can be used in many different ways.

Implementation

- Distribute a copy of The many meanings of credit handout to each student. Direct students to work with a partner to read each statement or question and discuss who might say it and why.
- Allow time for students to read and reflect on the statements and questions. Review them one at a time and ask for volunteers to share their answers.
- Let students know that if they were to look up the definition of the word credit in a dictionary, they would find that it has many different meanings.
- Pass out a copy of the Definitions of credit handout to each student. Direct students to work with their student group (pairs) again and see if they can match the statements and questions from The many meanings of credit handout with one of the definitions.

Facilitation option:

If there are multiple facilitators, this activity may be done in small groups. The sentences can be divided between student groups (pairs) with answers shared out to the group or with the entire group discussing each statement or question together. Allow more time if taking the full-group approach.

Conclusion

- Ask students to share their answers. Use The many meanings of credit answer key and facilitation guide as reference. Note that definitions 3 and 4 are very similar and may be confused. Acknowledge this with any students that might be disappointed if they incorrectly matched those statements.
- Hold up the credit card again. Let students know that in the phrase credit card, credit is used as an adjective to describe the card.
- Challenge the students to revisit the definitions and decide which definition would best fit credit as an adjective describing the card. The correct answer is 1a: money that a bank or business will allow a person to use and then pay back in the future.
- Explain to students that—when used this way—credit is like a loan. The bank or business lends you the money, and you promise to pay it back.
Activity: Rate the risk (15–20 minutes)

Set up

- Tell students that lending money to people involves risk—in particular, risk that you will not get paid back. Because of this, banks and businesses who lend money charge interest. Ask students if they have ever heard of paying interest.
- Let students know that when you pay interest, you pay more than what you borrowed in the first place. For example, say you borrow $1,000. The bank might tell you that they will charge you $10 in interest. In the end, it will cost you $1,010 instead of the original $1,000—$1,000 plus $10 in interest.
- Ask students why people borrow money if they have to pay interest in order to do so. Discuss the reasons people borrow money or use credit and reinforce that it allows people to use items or experience things they might not get to without the loan. For example, people often borrow money to buy a home or vehicle or to pay for a college education.

Implementation

- Explain that the amount of interest a person is charged based on risky they seem as a borrower.
- Ask students if they would charge more interest to someone who is a trustworthy borrower or a risky one? Explain that the riskier a borrower is, the more they are likely to be charged in interest—and more of it.
- Distribute a copy of the Rank the risk handout to each student.
- Let students know that each card represents a future borrower. They will need to decide which borrowers they think will represent the least amount of risk in the future and which are the riskiest. Tell students that they may not all agree on the order which if okay. They should just be able to defend their position if asked.
- Facilitate the activity using the method of your choice (See Facilitation options.)

Conclusion

- Review and discuss student responses.
- Ask students which of the borrowers would likely be charged the lowest amount of interest if they were borrowing from a bank. Reinforce that it would be those with the lowest risk. Vice versa, those who are riskiest would pay the highest amount of interest.

Facilitation options:

There are several ways that students can approach this activity.

- Write the rank: Students can write the rank they would assign on the handout. This version requires the least amount of preparation.
- Students cut: Supply one copy of the Rank the risk handout to each pair of students along with one or two pairs of scissors. Direct them to cut the cards and then place them in order from least to most risky. (OPTIONAL) Provide them with tape so they can tape them together in a row.
- Precut cards and pairs: In advance of the lesson, cut the Rank the risk handout into six cards and paperclip them together. Have enough sets so that each pair of students has a set.
- Precut cards and full class: In advance of the lesson, cut the Rank the risk handout into six cards and paperclip them together. Call on six volunteers. Give one card to each volunteer. Invite one person to read what is on his or her card and direct him or her to stand at the front of the class. Have the second person read his or her card. Ask the class if the second borrower seems more or less risky than the first. Direct the second person to stand before (less risky) or after (riskier) the first volunteer. Repeat this process until all six have been placed in order. Ask the students if they are comfortable with the final order and make any final adjustments, as needed.
• Challenge students to consider whether there are any borrowers to whom they simply wouldn’t lend money and why.

Closing (5–10 minutes)

• (OPTIONAL) Distribute a copy of Borrowing Basics post assessment to each student. Direct students to answer the questions. Inform them that they do not need to put their name on the assessment unless the teacher wishes to keep a copy for grading purposes.
• Thank the students and the teacher for letting you come and talk to the class about credit and borrowing.
• Encourage students to be good borrowers so they can avoid paying extra money in interest in the future.

Teacher-led follow up ideas

Bulleted list of ways the educator can extend the lesson once the facilitator leaves. Each list will include a mention of a corresponding module from the Digital Classroom, such as:

• Use The Case of the Frazzled Friends module in the beginner level of the Earn Your Future® Digital Classroom (https://app.pwcfdnearyourfuture.org/) to help students learn even more about income and careers. This resource made possible by the PwC Charitable Foundation, Inc., is designed for students in grades 3–12 and can be delivered in multiple formats (classroom, small group, or individually) and has accompanying educator resource guides to assist in delivery. Students can engage with financial literacy concepts through innovative self-paced modules featuring custom videos, animations, and interactive activities. A free teacher login is required to access the modules.
• Demonstrate for students how to look up interest rates online. Point out that interest rates for a home loan (called a mortgage) are generally lower than interest rates for credit cards. Discuss why this is the case.
• Challenge students to write a letter to themselves or someone else encouraging them to be a good borrower. Students should include at least two reasons that people should be good borrowers and one consequence of being a risky borrower.
• Invite students to interview a family member or other adult about their use of credit. When was the first time they used credit? Do they think using credit is wise? Are there certain uses of credit that they think are better than others?
Standards correlation

This lesson is correlated to the National Standards for Financial Literacy from the Council for Economic Education available at [http://www.councilforeconed.org/resource/national-standards-for-financial-literacy/](http://www.councilforeconed.org/resource/national-standards-for-financial-literacy/). Standards are classified as primary or secondary. Primary standards are addressed directly and thoroughly. Secondary standards are addressed indirectly or partially.

<table>
<thead>
<tr>
<th>Primary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Using credit:</td>
</tr>
<tr>
<td>• Interest is the price the borrower pays for using someone else’s money.</td>
</tr>
<tr>
<td>• When people use credit, they receive something of value now and agree to repay the lender over time, or at some date in the future, with interest.</td>
</tr>
<tr>
<td>• Borrowers who repay loans as promised show that they are worthy of getting credit in the future. A reputation for not repaying a loan as promised can result in higher interest charges on future loans, if loans are available at all.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Secondary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Using credit:</td>
</tr>
<tr>
<td>• By using credit to buy durable goods—such as cars, houses, and appliances—people are able to use the goods while paying for them.</td>
</tr>
</tbody>
</table>
Borrowing Basics

The many meanings of credit handout

Directions: Read each statement or question and decide who might say it and why.

1. Will I get extra credit if I do the bonus problem on the test?

2. We stayed until the end of the movie. My dad always likes to see the credits at the end.

3. At first, the coach gave Max credit for scoring the goal, but it was really Trevor who made it.

4. My brother said he will earn 15 credits if he does well in all of his college classes this semester.

5. Do you want to sign up for credit and save twenty percent on today’s purchase?

6. Yes, we can accept your return. A credit of $25 will go back to your account.

7. She is a very talented artist who has brought credit to our school.

8. I will need to check your credit before lending you the money.

9. Did I get credit for the coupon code I used?
Borrowing Basics

Definitions of credit handout

Credit /ˈkrɛdɪt/  noun (plural credits)

1.  a: money that a bank or business will allow a person to use and then pay back in the future
    b: a record of how well you have paid your bills in the past

2.  a: an amount of money that is added to an account
    b: an amount of money that is subtracted from the amount that must be paid

3.  praise or special attention that is given to someone for doing something or for making something happen

4.  a good opinion that people have about someone or something; a source of honor or pride for someone or something

5.  (credits [plural]) a list of the names of the people who have worked on or performed in a movie, television program, etc.

6.  a: a unit that measures a student's progress towards earning a degree in a school, college, etc.
    b: the amount of points earned for work done on a test, exam, project, etc.

Adapted from the Learner’s Dictionary by Merriam-Webster (www.learnersdictionary.com)
## Borrowing Basics

### The many meanings of credit answer key and facilitation guide

<table>
<thead>
<tr>
<th>Statement or question</th>
<th>Might be said by</th>
<th>Matching definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Will I get extra credit if I do the bonus problem on the test?</td>
<td>A student to his or her teacher</td>
<td>6b (the amount of points earned for work done on a test, exam, project, etc.)</td>
</tr>
<tr>
<td>2. We stayed until the end of the movie. My dad always likes to see the credits at the end.</td>
<td>A child about his family going to the movies</td>
<td>5 (a list of the names of the people who have worked on or performed in a movie, television program, etc.)</td>
</tr>
<tr>
<td>3. At first, the coach gave Max credit for scoring the goal, but it was really Trevor who made it.</td>
<td>A player on a soccer or basketball team</td>
<td>3 (praise or special attention that is given to someone for doing something or for making something happen)</td>
</tr>
<tr>
<td>4. My brother said he will earn 15 credits if he does well in all of his college classes this semester</td>
<td>A younger sibling whose brother is in college</td>
<td>6a (a unit that measures a student’s progress towards earning a degree in a school, college, etc.)</td>
</tr>
<tr>
<td>5. Do you want to sign up for credit and save twenty percent on today’s purchase?</td>
<td>Someone who is shopping</td>
<td>1a (money that a bank or business will allow a person to use and then pay back in the future)</td>
</tr>
<tr>
<td>6. Yes, we can except your return. A credit of $25 will go back to your account.</td>
<td>A cashier when someone returns an item to the store</td>
<td>2a (an amount of money that is added to an account)</td>
</tr>
<tr>
<td>7. She is a very talented artist who has brought credit to our school.</td>
<td>A teacher about a student</td>
<td>4 (a good opinion that people have about someone or something; a source of honor or pride for someone or something)</td>
</tr>
<tr>
<td>8. I will need to check your credit before lending you the money.</td>
<td>Someone who works for a bank</td>
<td>1b: a record of how well you have paid your bills in the past</td>
</tr>
<tr>
<td>9. Did I get credit for the coupon code I used?</td>
<td>Someone who is shopping to the cashier</td>
<td>2b (an amount of money that is subtracted from the amount that must be paid)</td>
</tr>
</tbody>
</table>
# Borrowing Basics

**Rate the risk handout.**

<table>
<thead>
<tr>
<th>Jamal is the kind of kid who writes down every single assignment in his planner. He never turns in projects late and always returns things that he borrows. You can always count on him to do what he promises.</th>
<th>Bekah is your best friend in the whole world. You've known her since you were three years old. She is like a sister to you. But, she's often forgetful. You are always afraid she will lose your things when she borrows them.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colby is new to your school and is really quiet. You've tried talking to him but he's still pretty shy. You worked on a project together in science class. You two worked well together, but you still don't feel like know him very well.</td>
<td>You and Ashanti borrow things from each other all the time. You know you can always count on her to return your things to you in great condition and on time. You do the same with everything you borrow from her.</td>
</tr>
<tr>
<td>Cameron is always losing stuff. Last month he used your soccer ball at practice because he forgot his own. At the end of practice, he accidentally took it home with him. He keeps saying he will bring it to practice but you still haven’t seen it. You are wondering if you will ever see it again.</td>
<td>Ali and Alex are the most popular kids in school. They are twins and are known for being really nice to classmates. Their mom is the principal at a nearby high school, and everyone loves when she comes to volunteer.</td>
</tr>
</tbody>
</table>
Borrowing Basics

Post-assessment

Section 1: Please select the correct answer for each of the following questions.

1. Which of the following definitions of credit describes using a credit card?
   a. Money that a bank or business will allow a person to use and then pay back in the future
   b. A record of how well you have paid your bills in the past
   c. An amount of money that is subtracted from the amount that must be paid
   d. The amount of points earned for work done on a test, exam, project, etc.

2. People who are considered very risky borrowers are likely to pay more ______ when they borrow money.
   a. attention
   b. commission
   c. credit
   d. interest

3. Which of the following people are likely to be charged the LOWEST amount of interest?
   a. A person who has never borrowed money before.
   b. Someone who borrows money all the time from many different sources
   c. A person who has a history of borrowing money and paying it back on time
   d. Someone who borrows money and rarely returns it

Section 2: Please choose the number on the scale that best indicates how strongly you agree or disagree with the following statements:

<table>
<thead>
<tr>
<th>I understand that using credit means borrowing money.</th>
<th>Strongly disagree</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I feel confident making decisions about credit.</td>
<td>Strongly disagree</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>Strongly agree</td>
</tr>
<tr>
<td>I am interested in learning more about using credit.</td>
<td>Strongly disagree</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>Strongly agree</td>
</tr>
</tbody>
</table>

Section 3: Circle your grade level.

K 1 2 3 4 5 6 7 8 9 10 11 12
Borrowing Basics

Post-assessment l Answer key

Section 1: Please select the correct answer for each of the following questions.

1. Which of the following definitions of credit describes using a credit card?
   a. Money that a bank or business will allow a person to use and then pay back in the future
   b. A record of how well you have paid your bills in the past
   c. An amount of money that is subtracted from the amount that must be paid
   d. The amount of points earned for work done on a test, exam, project, etc.

2. People who are considered very risky borrowers are likely to pay more ______ when they borrow money.
   a. attention
   b. commission
   c. credit
   d. interest

3. Which of the following people are likely to be charged the LOWEST amount of interest?
   a. A person who has never borrowed money before.
   b. Someone who borrows money all the time from many different sources
   c. A person who has a history of borrowing money and paying it back on time
   d. Someone who borrows money and rarely returns it