

Title: Debt Lesson Plan (2 day plan)

Grade Level: 9+

Content Knowledge: Skill: Managing debt/avoiding debt
Content: Understanding what debt is and how it is created

Rationale: Knowing how to manage and limit debt helps to create strong money management skills for life, reduces stress

Standards:

Michigan Standards for Personal Finance:

4.1.4 Using Credit – evaluate the benefits, costs, and potential impacts of using credit to purchase Goods And Services.

Goal: Students will understand how their personal financial choices create debt and be able to create a plan to limit/manage debt

Essential Question: Why do people end up in debt?

Objectives:

1. Using *MoneyMarci's Guide to Financial Literacy* as a guide, students will be able to explain and analyze their personal financial decisions in way that limit or negate having debt.
2. After working through debt and options activity, students will explain how debt can negatively impact their lives if it is not well managed.

Formative Assessment:

- 1) Students will share their debt list with a partner to determine whether it's realistic
- 2) Teacher will collect debt list and assess it based on whether the list is complete and if the rationales are well thought out. (Note: it is not an assessment of whether the teacher agrees with students' lists; each person's priorities may be different).
- 3) Teacher will listen to students' responses about how debt can negatively impact lives.

Procedures/Events of Instruction:

1. Attention Getter & Advanced Organizer (7 minutes)
 - a. Ask: "How many of you know what a debt is? Raise your hand."
 - b. Ask: "What creates debt?" (Answers should include responses like spending more than you earn, big purchases like house or car, college loans, etc). Teacher will write these on the board as they are suggested.
2. State objectives: 1) Using *MoneyMarci's Guide to Financial Literacy* as a guide, students will be able to manage their personal financial decisions in a way that limits or negates having debt. 2) After working through debt and options activity, students will explain how debt can negatively impact their lives if it is not well managed.
3. Provide rationale: Students need to understand how their personal financial choices create debt and be able to create a plan to limit/manage debt. Knowing that our choices create debt is important so that we can make choices that don't create more debt and financial stress in our lives.
4. Stimulate recall of prior knowledge
 - a. If student have already read chapter 3 in Money Marci's book, ask students to review main ideas such as what debt is 'expected' (house and car), what debt is choices (type of house or car, vacations, etc) (6 minutes)
 - b. If students hav3e not already read chapter 3, have them read chapter in pairs. Ask students to stop every three to four paragraphs to write a one sentence summary (Approximately 10-14 minutes).
 - c. Teacher will add any additional aspects of debt to the list on the board
5. Presentation of Content/Student involvement

- a. Based on the list on the board, teacher will lead a discussion by asking questions to the students regarding debt, mortgages, credit cards, student loans, and how paying off these debts restrict the money you have for other expenses. For example:
 - i. “Do you think that having a mortgage on a house is a reasonable reason for going into debt? Why or why not?”
 - ii. “Do you think it’s a good idea to carry a balance on a credit card? What does it mean to carry a balance? What is compounded interest?”
 - iii. “What about student loans? That is a debt that many people carry. Is it a worthwhile debt to have?” Why or why not?
- b. Students will be put into groups of three to discuss what they consider acceptable vs. not-acceptable debt. Students will be asked to come up at least nine different debts that they could realistically have in their lifetimes. Each student will prepare their own debt sheet. (Until end of **Day 1**; **Exit ticket**: teacher checks that students have filled out worksheet)

6. Practice & Feedback

- a. **(Beginning of Day 2)** When all debt sheets are complete, teacher will put students into groups of three. Students will then present their debt sheets to two other students. The “listening” students will critique the debt listings as realistic, thorough, and provide feedback. Every student will provide written feedback in three categories: “I agree with this debt; it was one of my choices” “We considered this debt but ranked something else higher/lower” and “We didn’t think of this one!” for each of the two debt sheets that they listen to. All feedback will be handed in to the teacher as the exit ticket. (See worksheet).

7. Review/Closure (6 minutes)

- a. Have students return to whole class seating. Ask students for examples that their group of three agreed on and disagreed on. Teacher will write these on the board and ask the rest of the class to agree/disagree by raising their hands (e.g., raise one hand if you agree with the ranking of this debt or two hands if you disagree).
- b. Teacher will then ask, “How could debt negatively impact your life if not well managed?” Ask students to share with someone sitting near them and then share with the class.
- c. Teacher will ask students write down two things they learned about debt that they want to take with them into the “adult” world. Have them share with someone sitting near them and then with the class.
- d. Teacher will summarize issue of debt: We all have things we must spend money on and we all have things that we want to spend money on. Sometimes those are the same, sometimes they are not. Sometimes, we do not have money to buy really big items – like a house or college education – all at once and we need to take out loans and go into debt, with the understanding that these will be paid out over a long time. However, how much that debt is may impact our lives – and we may decide individually that it is worth it or not. And that is the takeaway: That we need to be aware of our debts and our spending and make reasonable and realistic decisions about what debt is acceptable and what is not.

8. Preview of Next Lesson (3 minutes)

Now that you know about debt, we are going to begin looking at your paystubs and w-2 (Chapter 25). We’ll be discussing why your net pay (check) is not the same as your gross pay (how much you earn) and what that looks like at the end of the year.

Materials and Aids: *Money Marci’s Guide*, Debt worksheet, Feedback Handout

Adaptations: Depending on the level and ability of students, you can have them work in groups or require less than 3 examples of debt. Lower achieving student groups could work more closely with the teacher.

Enrichments: Higher achieving students could work on their own, could require more examples and greater explanation as to why it is acceptable, and suggestions for how to manage the debt. Also, grouping could be achievement-level based so that higher achieving students challenge each others’ ideas and push each other more.

Debt Worksheet

1) List three types of acceptable debt that you would find acceptable. Explain why are they acceptable.

1)

2)

3)

2) List three types of acceptable debt that you would NOT find acceptable. Explain why are they are NOT acceptable.

1)

2)

3)

Sample Lesson Plan from MoneyMarci.com

Debt Sheet Feedback

Name of Listener

Name of Presenter #1

I agree with this debt, it was one of my choices:

We considered this debt but ranked something else higher/lower (why?):

We didn't think of this one:

Name of Presenter #2

I agree with this debt, it was one of my choices:

We considered this debt but ranked something else higher/lower (why?):

We didn't think of this one:

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