

BETTER MONEY HABITS MIDDLE SCHOOL LESSON: CREDIT AND DEBIT: TWO VERY DIFFERENT CARDS

LESSON 5 -- DEBIT CARDS VS CREDIT CARDS

LESSON DESCRIPTION AND BACKGROUND

Using the Better Money Habits video Credit and Debit: Two Very Different Cards (www.bettermoneyhabits.com), this lesson is designed to introduce students to the advantages and disadvantages of using debit cards and credit cards. This lesson will help students understand the similarities and the differences between the two cards. It will also help students use the appropriate card when making a purchase in order to avoid unwanted consequences.

This lesson can be used in conjunction with Lesson 15: Cash or Credit in Financial Fitness for Life, Grades 6-8. The video is approximately 8 minutes, and the estimated time for this activity is one 45-minute class period.

The lesson requires students to develop a Venn Diagram showing the similarities and differences of the features of both cards. It also provides the opportunity to identify the costs (disadvantages) and the benefits (advantages) of each card.

BETTER MONEY HABITS VIDEO

Personal Banking and Security: Understanding My Bank Account: Credit and Debit - Two Very Different Cards (8:10)

FINANCIAL FITNESS FOR LIFE CONNECTION, GRADES 6-8

Lesson 15: Cash or Credit?

ECONOMIC AND PERSONAL FINANCE CONCEPTS

- Costs
- Benefits
- Debit card
- Credit card
- Fraud protection
- Credit score

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- Interest
- Late fees
- Personal Identification Number (PIN)

NATIONAL STANDARDS FOR FINANCIAL LITERACY

Standard 2. Buying Goods and Services, Benchmark Grade 8

3. People choose from a variety of payment methods in order to buy goods and services.
4. Choosing a payment method entails weighing the costs and benefits of the different payment options.

OBJECTIVES

At the end of this lesson, the student will be able to:

- Describe characteristics of debit and credit cards.
- Identify whether the characteristics are costs or benefits.

TIME REQUIRED

One 45 minute class period

MATERIALS

Handout 5.1: Venn Diagram – Costs and Benefits of Debit and Credit Cards.

PROCEDURE

1. Complete Procedure 1 in Lesson 15: Cash or Credit, Grades 6-8.
2. Ask students if they are familiar with each of these types of payments: cash, check, debit card, gift certificate, and credit card. If not, explain the basic differences. Then, ask students which of them have used each of these payment methods. Record their answers on the board.
3. Ask students if any of them have a debit card? Then ask if they have a credit card? Or, if their household uses debit cards or credit cards.
4. Have students identify the basic characteristics of debit cards and credit cards. Discuss the similarities and the differences between the two cards.
5. If students are not familiar with the differences, offer a few suggestions and explain how important it is to know which card to use when making a purchase.
6. Introduce the video Better Money Habits: Credit and Debit: Two Very Different Cards. Tell students the video will help them understand the similarities and the differences.
7. Show the video. After watching the video, debrief the video using the following questions:

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- What characteristics are the same for both debit and credit cards?
(Convenient, accepted everywhere, fraud protection, secure, replaces cash, plastic)
- What are credit card benefits/advantages?
(Great for emergency situations, may improve credit score, extra perks such as grace periods, reward points, travel insurance, purchase protection)
- What are credit card costs/disadvantages?
(Could pay interest, could be hit with late fees, higher interest rates and a lower credit score if miss a payment, pay fees if go over credit limit, may overspend and have unnecessary debt)
- What are debit card benefits/advantages?
(Keeps track of what you spend, get cash at ATM, get cash at register if have PIN, won't pay interest on purchases, protects you from spending money you don't currently have)
- What are debit card costs/disadvantages?
(Card can be declined if not enough money in your account)
- Which card requires money to be taken automatically out of a checking or savings account?
(Debit card)
- Which card requires money to be borrowed and then repaid at a later date?
(Credit card)

CLOSURE

To summarize this lesson, remind students that choosing the best payment plan for their purchases is as important as making a good choice about the goods and services they purchase. It also a good opportunity to remind students that all choices have both costs and benefits, so understanding the differences will help them become better decision-makers.

ASSESSMENT

Have students complete Handout 5.1: Venn Diagram – Costs and Benefits of Debit and Credit Cards Part A. Review the answers, then have students complete Part B.

EXTENSION

Have students write a “tip sheet” highlighting the costs and benefits of using debit cards and credit cards to share with their parents.

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HANDOUT 5.1

Venn Diagram: Costs and Benefits of Debit and Credit Cards

PART A

Read the following statements about debit and credit cards. Based on what you learned in the video, decide if the statement applies to a debit card, to a credit card, or to both cards. Put an X in the appropriate column. Then decide if the statement is a cost (disadvantage) or a benefit (advantage) when using that card. Use a (-) for costs and a (+) for benefits.

Statement	Debit Card	Credit Card	Both	Cost/ Benefit
Money is borrowed and repaid at a later date.				NA
Money is automatically taken out of a checking or savings account.				NA
Great for emergency situations.				
Card declined if not enough money in account.				
Has extra perks.				
May pay interest.				
May receive cash from ATM.				
Convenient.				
Secure.				
May pay late fees.				
No interest.				
Replaces cash.				
Affects credit score.				
Has fraud protection.				
May cause unnecessary debt.				

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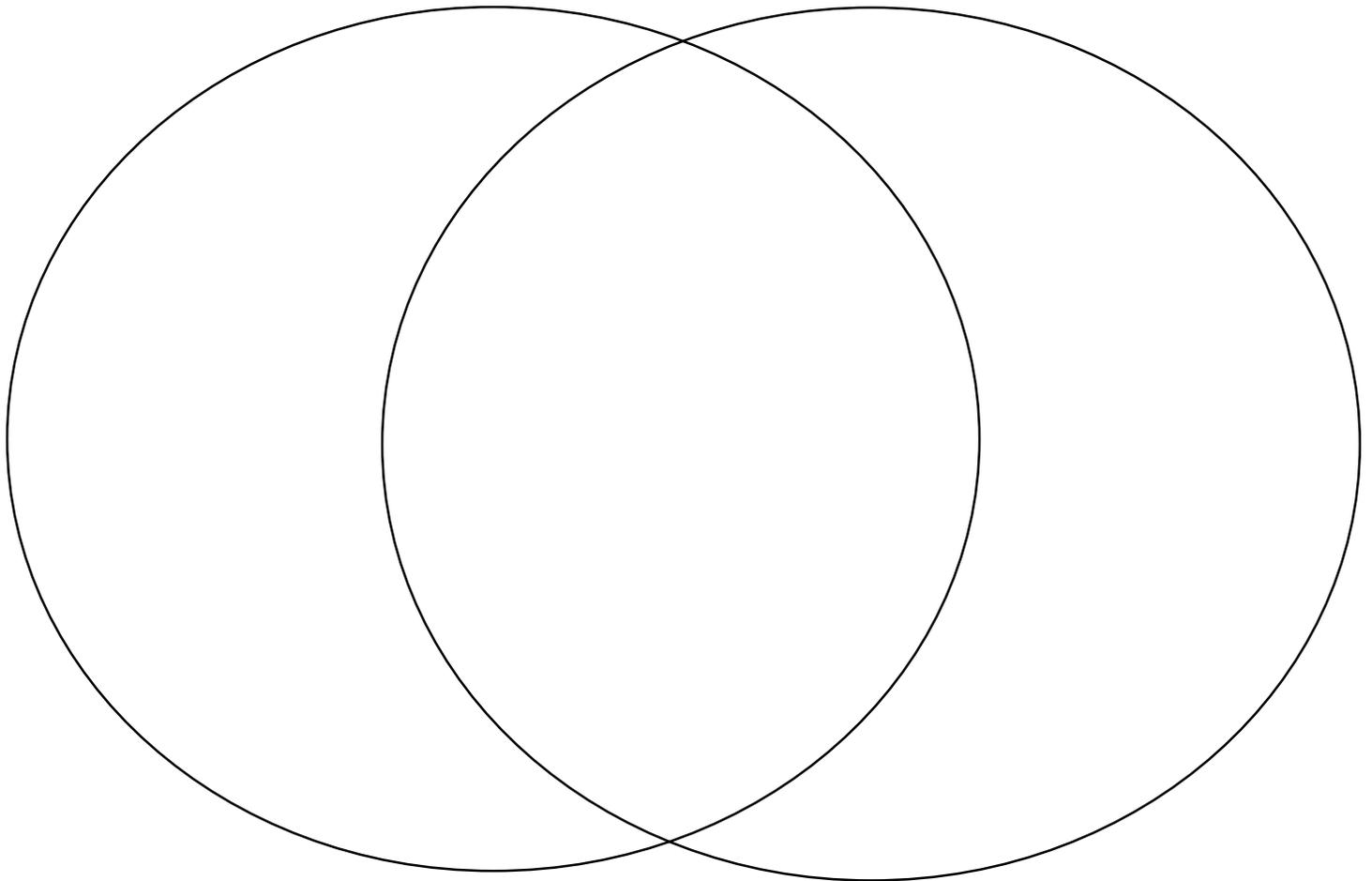
PART B

Making a Venn Diagram

After completing the table in Part A, use that information to create a Venn Diagram below. If the statement describes a credit card, write the statement in the left circle. If the statement describes a debit card, write the statement in the right circle. If the statement describes both a debit card and credit card, write the statement in the overlap between the two circles. If the statement is a benefit, draw a line under the statement. If the statement is a cost, circle the statement.

Credit Card

Debit Card



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HANDOUT 5.1 PART A ANSWERS

Read the following statements about debit and credit cards. Decide if the statement applies to a debit card, to a credit card, or to both cards. Put an X in the appropriate column. Then decide if the statement is a cost (disadvantage) or a benefit (advantage) when using that card. Use a (-) for costs and a (+) for benefits.

Statement	Debit Card	Credit Card	Both	Cost/ Benefit
Money is borrowed and repaid at a later date.		X		NA
Money is automatically taken out of a checking or savings account.	X			NA
Great for emergency situations.		X		+
Card declined if not enough money in account.	X			-
Has extra perks.		X		+
May pay interest.		X		-
May receive cash from ATM.	X			+
Convenient.			X	+
Secure.			X	+
May pay late fees.		X		-
No interest.	X			+
Replaces cash.			X	+
Affects credit score.*		X		+/-
Has fraud protection.			X	+
May cause unnecessary debt.		X		-

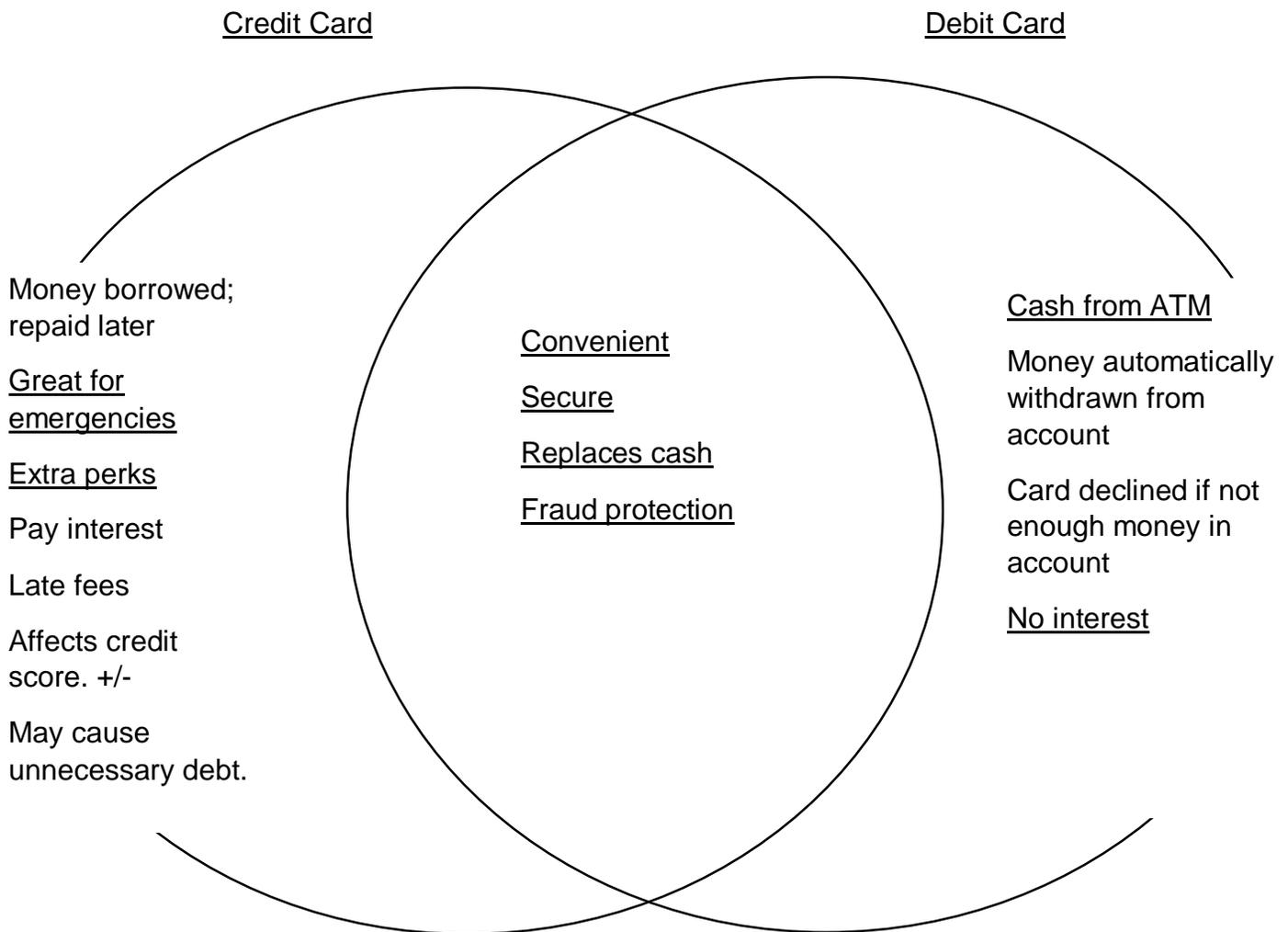
**Credit cards can have either a positive or negative impact on credit; it is positive for people who maintain low balances and pay their monthly bills on time; it is negative for those who max out credit and have late or skipped payments.*

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PART B

Making a Venn Diagram

After completing the table in Part B, use that information to create a Venn Diagram below. If the statement describes a credit card, write the statement in the left circle. If the statement describes a debit card, write the statement in the right circle. If the statement describes both a debit card and credit card, write the statement in the overlap between the two circles. If the statement is a benefit, draw a line under the statement. If the statement is a cost, circle the statement.



Note: Answers underlined in this key are benefits; answers not underlined are costs.