



TEACHING UNIT

General Topic:	Borrowing Money and Using Credit
Unit Title:	Borrowing and Returning/Repaying
Grade Level:	Grade 5
Recommended Curriculum Area:	Language Arts
Other Relevant Curriculum Area(s):	Mathematics



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Possible Curriculum Integration Points

Grade 5 Language Arts Recommended

Outcomes

- 1.1.1 Use personal experiences as a basis for exploring, predicting and expressing opinions and understanding.
- 1.1.2 Seek others' viewpoints to build on personal responses and understanding.
- 1.2.1 Use prior knowledge and experiences selectively to make sense of new information in a variety of ways.
- 1.2.3 Organize ideas and information in ways that clarify and shape understanding.
- 1.2.4 Appraise ideas for clarity and ask extending questions.
- 2.1.3 Use contextual cues (such as key ideas, sequence of major events, table of contents, glossaries...) to construct and confirm meaning.
- 3.1.1 Summarize personal knowledge of a topic in categories to determine information needs.
- 3.1.4 Gather and record information and ideas using a plan.
- 3.2.3 Determine the usefulness of information for inquiry or research purpose and focus using pre-established criteria.
- 4.4.1 Prepare and share information on a topic using print, audio-visual and dramatic forms to engage the audience.
- 4.4.3 Show respect for the presenter(s) through active listening and viewing and other audience behaviours (such as giving polite feedback, responding to the speaker's gestures, showing attentive body language...).
- 5.2.1 Distinguish between on-task and off-task ideas and behaviours in cooperative and collaborative groups; stay on task; identify and solve group productivity issues.
- 5.2.2 Assume the responsibilities of various group roles; choose roles appropriate for tasks and productivity.
- 5.2.3 Demonstrate sensitivity to appropriate language use when communicating orally.

Other Relevant Curriculum Area(s)

Grade 5 Mathematics

Outcomes

- Demonstrate an understanding of addition and subtraction of decimals (limited to thousandths).
- Compare and order decimals (tenths, hundredths, thousandths), by using benchmarks, place value and equivalent decimals.
- Describe and represent decimals (tenths, hundredths, and thousandths) concretely, pictorially, and symbolically.

Relevant Economic Outcomes

- Why people borrow money
- What it means to borrow money
- Ways in which money can be borrowed
- Why there are costs to borrow money
- Where you can borrow money

Background Information

Understanding the use of credit and its implications is difficult for children. As [CreditorWeb](#) states:

- It's the 21st century, and most of the kids are constantly watching their parents put a cute little plastic card into an automated teller machine and seeing the machine instantly spit out a wad of cash. It's like magic! A machine that gives money whenever anybody wants it!
- The concept of "the money that comes out of an ATM really comes from a bank account that holds money which was earned by working" is difficult for many young children to understand. Likewise, it's hard to comprehend the notion that swiping a credit card in a machine at the store really means that mom or dad will get a bill in a month that must be paid with the money earned by going to work.
- Life these days is so electronic that many parents wonder how their children will ever grasp the complexities of how internet banking, automated teller machines, and credit cards work... even in the simplest terms.
- As such, it is important for children, as early as possible, to examine this idea of credit cards and the consequences of borrowing money. This unit will endeavour to heighten their awareness of these issues and help them understand their implications.

Overview of the Unit

The students will be asked to reflect on their use of money and the reasons why people borrow. Through the use of group work and role-playing scenarios the students will examine the consequences of borrowing money and the requirements for being a responsible borrower.

Estimated Time Frame: 3 periods – 60 minutes each

Suggested Implementation Strategy

Period 1 60 minutes

Before the class begins, the teacher may want to make a printed copy of the Savers and Borrowers Script

- Begin the lesson by asking the students how they get their spending money.
- List the students' responses.
- Ask how many students have bank accounts and if they would ever think of spending that money.
- Have them provide reasons for their answers.
- Ask the students why they put and keep their money in the bank.
The responses should include the fact that they get interest on their money. If this reason is not given, introduce it as a reason for putting money in the bank.
- Have the students complete the drag and drop activity at: Save My Money, http://www.econedlink.org/interactives/EconEdLink-interactive-tool-player.php?filename=nn585_dragndrop_v3.swf&lid=585 to see the benefits of putting money in the bank. (If computer access is not available for them then reproduce the graph and have them place the responses in the correct column.)
- Ask the students to explain how it is possible for the bank to pay them to keep their money in the bank.
- Ask for three volunteers and play out the following brief role-play to illustrate how the bank uses the money that is deposited and, as a result, can afford to pay interest to depositors.
- Provide the appropriate play money for the actors and allow the scenes to play out.

Savers and Borrowers Script

Scene One:

- Saver: Shake hands with the banker and say, "Hello. I would like to put \$500.00 in a savings account."
- Banker: Say, "Okay. Let me tell you about our interest rates. We can offer you a two-percent interest rate. This means that every year we will give you two cents for every dollar you have in your savings account."
- Saver: Give the banker \$500.00.
- Banker: Take the \$500.00 and say, "Thank you."

Scene Two:

Borrower: Shake hands with the banker and say, "Hello. I would like to borrow \$500.00 to pay for college."

Banker: Shake hands with the borrower and say, "Okay. Let me tell you about our interest rates. We charge five percent interest on loans. This means that for every dollar you borrow, we will charge you five cents a year. You will have to pay back \$500.00 plus the interest." Give the borrower \$500.00.

Scene Three:

Borrower: "I can't believe one year has passed. I have the money to pay back to you. Here is the \$525.00 I owe you."

Banker: Take the \$525.00 and say, "Thank you."

Scene Four:

Saver: Tell the banker, "I would like to take my money out of my savings account."

Banker: "Okay. Here is \$510.00."

- Once the role play has been completed, ask the students to indicate how much money the bank and the saver made and how much the borrower had to pay.
- To ensure understanding of how interest rates work ask them to indicate how much the bank would make if it paid 3% on deposits and charged 7% on loans.
- Put the students into groups of 5 to 6 students and ask them to identify at least three reasons why people borrow money and list where they might get the money. Have them also explain consequences that face people when they borrow money.
- Allow them time to complete this task and then have each group report back.
- End the lesson by telling the students that the focus of the next lesson will be on why people and banks sometimes will not lend money to certain individuals.

Period 2

60 minutes – (as adapted from "Giving Credit – Activity Two"

<http://www.econedlink.org/lessons/index.php?lid=481&type=educator>)

- Divide the class into 6 groups.
- Provide the groups with a copy of the activity sheet entitled, "Who is Credit-Worthy" found in "Handouts/Resources" below.
- Have each group assess the creditworthiness of the potential borrowers in each of the six situations. Based on the ratings provided, direct the students to decide which of the potential borrowers' requests they would grant.
- Once they have completed their responses, assign each group one of the six situations to role-play in front of the class. Assign the following tasks:

1. In situations in which the group decided not to lend money, have them come up with ways to refuse the requests.
2. In situations in which they decide to lend money, have them act out what they would do if the person did not pay them back as promised.
3. When the group presents its scenario to the class, have one of the groups set the scene for the situation, and the borrower and lender act out what the group has decided about how to handle the situation appropriately.

[NOTE: If you want to involve more students in role playing, you can have them work in pairs or teams of three taking responsibility for more than one of the tasks described above.]

- Allow the students the remainder of class time to plan and rehearse their scenario.

Period 3 **60 minutes**

- Begin the lesson by having the groups present their role-play scenario.
- After each role-play episode, discuss: How did the 3 C's of credit influence the group decision?
 1. Character - reliable, honest
 2. Capital - possessions, savings
 3. Capacity - salary, debts
- Can you think of other ways in which the situation might have been handled? Did other groups make a different decision? Why?
- Explain to the students that most people lend to others only when they know they can trust the borrowers to take good care of what they borrow, and return it. When we are the borrower and we want someone to loan something to us, we must demonstrate that we will return it in good condition and in the time frame promised.
- As a concluding activity, have the students complete the following task and hand it in by the end of the period.

Pretend that a friend has asked to borrow something from you. List three questions you would ask before you would say yes to the friend's request. Now write out a list of three ways in which you can show others that they are creditworthy.

Possible Evaluations

1. The group assignment in Lesson 1 could be evaluated.
2. The concluding activity in Lesson 3 could be evaluated.

Follow-up Activities

1. As a class, visit the school library and talk to the librarian about the importance of caring for and returning library books. Discuss the consequences when books are damaged or lost. [For example, the cost of replacement, fewer new books, and books unavailable for student projects.]
2. Using student tips on borrowing and lending from the assessment activity, create a class tip sheet or series of posters illustrating how to be a good borrower and/or lender.
3. The students could visit a bank and see what interest rates they are paying on a savings account and charging on a basic loan.

Modifications or Suggestions for Different Learners

1. The group activity and role-play allow for students with different capabilities and interests to contribute utilizing their strengths and interests.

Additional Related Links

- On-line Game for Financial Issues
<http://www.genirevolution.org/index.php>
- One Hen – the story of how a loan helped a fatherless child
<http://onehen.opportunity.org/>
- Giving Credit – the story of a girl borrowing shin pads
<http://www.econedlink.org/lessons/index.php?lid=481&type=educator>

Handouts / Resources

1. Who Is Credit-Worthy? – Use the copy provided or use the online version
http://www.econedlink.org/lessons/docs_lessons/481_Who_is_Creditworthy1.pdf

EconEdLink: Who is Credit-Worthy?

Name: _____ **Date:** _____

Read each of the situations below. In the boxes that follow, rate the character, capacity and collateral of the person asking for credit on a scale of 1 to 5. Use 1 for a poor rating and 5 for very good. If you can't make a rating with the information provided, leave the box blank. Next, write 3-4 sentences telling whether you would make a loan to the person and why.

Remember:

- **Character** is a borrower's willingness to pay and you past history paying back loans
- **Capacity** is the borrower's ability to pay back the money you have borrowed.
- **Collateral** is property that can be taken to cover the amount owed if the borrower fails to pay you back as promised.

Situation 1. You and your best friend are at the mall when you find a video game on sale that you both have wanted for weeks. Your friend has half of the \$20 needed to buy it. He asks you to lend him the rest. You have loaned him small amounts for lunch in the past and he has always paid you back.

Character

Capacity

Collateral

Your Decision:

Situation 2. Your older sister needs \$5.00 to buy gas to get to work. She says she will pay you back tomorrow when she gets her paycheck. You remind her she already owes you \$12.00 and she has a history of not paying you back as promised. She offers to let you keep her boom box until she pays you back.

Character

Capacity

Collateral

Your Decision:

Situation 3. You and a new friend are at the movies on Saturday afternoon. Your friend asks you to lend her \$2.50 for popcorn. He tells you he will pay you back when she gets her allowance at the end of the week.

Character

Capacity

Collateral

Your Decision:

Situation 4. A friend asks to borrow your favorite T-shirt. She has borrowed clothing from you before. Sometimes she returns things right away. But other times you have to keep reminding her that you want an item back. You don't appreciate it when she returns things dirty and stained.

Character

Capacity

Collateral

Your Decision:

Situation 5. Your younger brother wants to buy a model car he sees while you are at a car show. You know he has enough money at home in his piggy bank to pay you back half of what he is borrowing. He will have to take the rest out of his allowance over the next four weeks.

Character

Capacity

Collateral

Your Decision:

Situation 6. A neighbor asks you to lend him your baseball glove. Last year, he borrowed your glove and lost it. He eventually bought you a new glove but you weren't very happy waiting 8 weeks till he had earned enough money to pay for it.

Character

Capacity

Collateral

Your Decision:

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