

TeeJay Publishers

Financial Maths - Life Skills

Credit & Debit Card Unit

MNU 2.09b

CfE Level 2 - Lesson Plan

Produced for TeeJay Publishers by Pamela Fraser, Financial Education Training Officer, Dumfries & Galloway.



Guidance Notes for Teachers

Credit and Debit Card Usage

Lesson Objective: By the end of the lesson, pupils will be expected to understand the differences between a Debit/Credit card, and recognise the pros and cons of using each card.

Curriculum for Excellence Money Outcomes: MNU 2.09b - I understand the costs, benefits and risks of using bank cards to purchase goods or obtain cash and realise that budgeting is important.

Lesson Introduction

As we get older we start to use money differently, we no longer pay for things using coins and notes, and instead we use plastic cards. There are 2 types of plastic card, a debit card and a credit card. Both can be used to pay for things but one is using your own money and one involves you borrowing the money from the bank.

The Debit card is the card you receive from the bank when you open a bank account. The card acts like a key to accessing your money. As you are using your own money, then there are no extra costs to using the card, and when you have spent all the money in the account, it will be empty.

The Credit card is applied for at the bank when you want to be able to borrow money. Everyone who applies for a credit card will receive a certain amount they can borrow up to - the limit. This limit is based on the person's ability to pay back the money that they borrow. The limit will be different for every person.

Unlike the debit card, the credit card does have extra costs attached to borrowing the money. In fact if you are not able to pay the money used straight back then it can end up being very expensive. Banks are businesses and they have to make a profit, these charges are part of that profit.

The bank sends out statements each month on both the credit and the debit card. The statement allows you to keep up to date with your spending and make sure you are able to manage your money.

Before buying an item with a plastic card as adults we need to make some decisions and calculations to ensure that we are using the most secure and cheapest method of payment.

Discussion

Once the introduction has been completed with the class, the attached discussion notes sheet will assist you in opening up the subject of credit and debit cards to the class.

Worksheet - Pupil Activity

Through the discussion it should be ascertained that the pupils understand what a debit card & a credit card are and how they differ from each other. The pupil worksheet will elaborate on these differences and working through the various questions, pupils will have to determine which card will be the most beneficial payment method.

The questions are set around a scenario using real life monetary figures.

Plenary

This sheet summarises the learning and highlights the key points of the lesson.

Pamela Fraser

Discussion Notes

Credit & Debit Cards

Q1: Using a Debit card is like using your own money. What might you have done to get that money ?

A: Worked at a job - wages, money from government benefits e.g. child tax credits, pension, sold things on eBay/car boot sale, won the lottery, birthday or Christmas gifts, pocket money, doing chores etc.

Q2: What are the advantages of using a debit card ?

A: Spending your own money, no possibility of getting into debt, no extra costs, saves you carrying around lots of cash, you can budget better, items paid for when you buy them, etc.

Q3: When you use your credit or debit card, you might have to key in a PIN. What is a PIN ?

A: PIN stands for Personal Identification Number. A PIN is the code used to take money out of the cash machine or confirm payment of goods or services. It is a 4 digit number which is a random set of numbers which should be kept private. You can change your PIN at anytime but if you do then it is important that the numbers are not something which might be easy for others to guess, such as year of birth, telephone number etc.

Q4: When using a Credit card, you are borrowing the money from the bank. The money isn't yours. What does borrowing mean ?

A: Borrowing means that you receive the money but you have to pay it back, often having to pay back extra as a fee for using the borrowed money.

Q5: What is interest and why do banks charge this on credit cards?

A: Interest is the extra amount of money that the bank charges someone when they borrow money. It's the compensation or cost for being allowed to use the money in the first place. This extra money is how the banks make their money, they charge more interest on the money borrowed than they pay out to people who save with them. The difference between the two amounts is profit.

Supplementary Questions

Q6: What are the reasons you might apply for a credit card ?

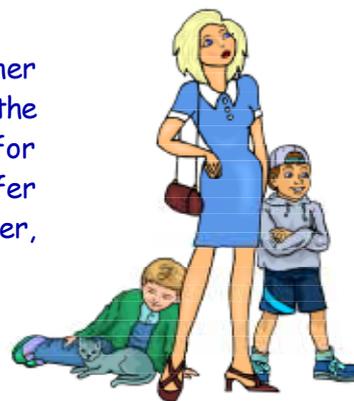
Safer to use over the internet, protection if things go wrong with a purchase, to make an emergency purchase (flights home if you fall ill when abroad), convenience.

Q7: The bank sends you a statement each month with information about your credit card on it. What kinds of information do you think will be included on the statement ?

The balance on the account, the customer's name & address, the interest charged, details of all the items paid for by the card, payments made to the account, card account number, bank/credit card name & address.

Managing a Budget Worksheet 1

Eve is a single mother of two young boys Alfie and Finn. Eve now has her finances under control with careful budgeting, so when she receives the offer of a Credit Card through the mail she thinks it might be handy for making purchases online and for emergencies. Eve applies for the offer and soon receives the new credit card with a £1000 limit. Soon after, she goes on a trip to Glasgow with two of her friends.



1. Eve uses her debit card to pay for the train tickets costing £28.40 and buy a magazine and a coffee for the journey totalling £4.15. She had £120 in her bank account, how much has she now got left to spend using the card ?
2. Eve finds a pair of the latest trainers that Alfie has been asking for his birthday. She decides to buy them as the shop has a special 20% discount on everything.
 - a If the trainers were originally £95 how much does Eve pay for them ?
 - b How much has Eve spent using her debit card ?
3. Eve suggests to her friends that they go for lunch. Eve wants to impress her friends and pays for their lunch too. The bill is £60. She pays for the bill using her credit card. Why do you think she did this ?
4. On the way to the railway station Eve sees a lovely red dress in a shop window. The dress cost £130 and matching shoes should have been £115 but are now half price in the sale. She treats herself to both as using the Credit card was so easy. How much money did Eve have to pay using her credit card ?
5. Eve buys a chocolate bar and a cappuccino on the train; it costs her £3.80 which she paid for using her debit card. How much money has Eve spent in total on her day out ?
6. A month later, Eve receives a statement for one of the cards and she was shocked at the amount of interest she was charged. Which card is this for ?
7. The statement shows the total amount of money Eve spent. Now she has to pay the money she borrowed back by the end of the month or pay it back in instalments of £10 per month
 - a How much has Eve borrowed on her credit card ?
 - b Eve cannot afford to pay it all back at once. So how long will it take her to pay the money back in instalments (in months and years) ?
8. Eve has also been charged £29 in interest for borrowing the money. Now how long will it take her to pay the money back in full in years and months ?
9. Reviewing her monthly budget Eve feels that she could pay £25 per month towards paying off her account. If she does this how long would it take to pay off the money borrowed ?
10. What are the consequences of Eve's overspending ?

Managing a Budget Worksheet 2



Eve's sister Sophie and her husband Dan have recently had a baby girl, Alice. They have always been good at looking after their money but are finding out that having a new baby can be expensive. Since they got married they have had a joint bank account with debit cards and they have just opened a credit card account with a limit of £2450.

1. Dan's salary of £1400.00 and Sophie's Child Tax credit of £195.60 is deposited into their bank account every month. What is the total amount of money that goes into their account each month?
2. Sophie also receives £20.30 Child Benefit every week for Alice which she puts into a separate savings account for when her daughter is older.
 - a How much money is saved in the account each month?
 - b Alice is 9 months old, so what is the total balance in the account?
3. Before the baby was born Sophie worked full time. They had quite a lot of spare cash for treats then, but now money is tighter. They have calculated that they have £44.00 left over each month after their bills have been paid. How much do they spend each month?
4. Dan is working away from home and has to pay for his hotel and food bills until he gets his expenses back from his employer. His hotel costs £425.00 and his food bills total £92.00. He then fills the car with petrol on his way home costing him £80.00. He pays for all of this using his credit card. How much has he spent in total?
5. Sophie decides to buy some baby clothes at the local department store sale. She buys 2 dresses costing £22.50 each, 2 packets of bibs each costing £9.00, 3 babygros reduced to £9.99 each and a snowsuit with 25% off the original price of £80. How much has she splashed out on and put on the credit card?
6. The credit card bill comes in at the end of the month and Dan is shocked by the balance. How much will the total bill be for?
7. On top of the amount that they have spent Dan & Sophie realise that they will be charged interest for borrowing the money. The Annual Percentage Rate (APR) interest rate charged is 16.9%.
 - a How much interest will they be charged on the balance for a year?
 - b How much interest will this mean they would have to pay back each month?
8. There is a delay with Dan's expenses and they won't be paid for another month. Dan & Sophie will not be able to pay off some of their credit card bill so must either pay a minimum of £5 or 3% of the balance whichever is greater. How much do they pay to their credit card?
9. When Dan's expenses come in they use that to pay off some of the credit card bill however they still have £141.03 left to pay. Sophie wants to clear the debt as soon as possible.
 - a What is the maximum they could afford to pay from their debit account per month?
 - b Paying this amount, how long would it take them to pay off the debt?
10. There is another way that they could pay off the debt quicker?
 - a How could they pay the credit card bill?
 - b Do you think that this would be a good decision for them to make?

Credit & Debit Cards Worksheets - Answers

WORKSHEET 1

1. £87.45
2. a £76
b £108.55
3. She doesn't have enough money left on her debit card. She only has £11.45 left.
4. £187.50
5. £356.05
6. It's for the credit card
7. a £247.50 b 25 months (2 years 1 month)
8. 2 years 4 months
9. 12 months
10. Eve has borrowed money which she will have to try and find each month in her budget. She has bought things that she didn't really need. She said she was going to use the card for online and emergency purchases. She might continue to spend money that she doesn't have.



WORKSHEET 2

1. £1595.60
2. £87.97
3. £1551.60
4. £597.00
5. £152.97
6. £749.97
7. a £126.74 b £10.56
8. £22.50
9. a £44.00 b 4 months
10. a They could use some of the money from Alice's savings account
b **There is no right or wrong answer to this question however**



If answered 'yes' the reasoning for this should be based on the fact that the money is for Alice and the clothes bought were for her, money received from the government for the child and they do not specify what you use it for.

If answered 'no' the reasoning for this should be based on the fact that saving the money for Alice's future, she probably didn't need the clothes just wanted them because they were in the sale and she liked them, it's not Alice's fault that her parents overspent on their credit card so she shouldn't have to pay for their mistakes.

Summary/Plenary Sheet

The exercises you have just completed shows how easy it can be to get into financial debt by using money on a credit card. Eve and Sophie found it easy to spend the money on items that they wanted rather than to keep the credit card for items and situations when they really needed it.

A debit card is a much more sensible and secure way of spending money. It's your own money and when it's gone it's gone. But you should still think carefully about what you are spending the money on.

Good money management is a very important life skill and something that you will need to learn to do, so that you don't get into financial difficulties. A budget helps us manage our money efficiently.

Questions to assess student understanding

What were some of the bad choices Eve made when using her cards ?

- *Applying for a credit card*
- *Not keeping the card for online purchases and emergencies only*
- *Paying for her friends' lunch to impress them, when she actually didn't have money available to buy lunch.*
- *Buying the dress & shoes just because she liked them and having discovered how easy it was to purchase using the Credit card.*

What types of items would be appropriate to buy using your credit card ?

- *Unexpected expenditure such as repairs to car or home.*
- *Holidays/ items online as it's more secure but make sure you can afford to repay the amount borrowed on the Credit card over a fairly short period*
- *Some companies only accept credit cards - concert promoters etc*

What should Eve have done rather than buy the items with her credit card ?

- *Not buy the items as she couldn't afford to buy them*
- *Save up to buy the items*
- *Not offered to pay for lunch*
- *Spent less money on Alfie's trainers than she could maybe have treated herself*

Recap on Key Learning Points

- A Debit Card is a card used to access YOUR money from your bank account.
- A Credit Card is used to borrow money from the bank.
- When you use a Credit card the Bank will charge you interest but only if you repay over a period of time
- You can pay back the money borrowed either in one lump sum or in monthly chunks called instalments.

Extended Learning

- **TeeJay Publisher's CfE Book 2a Chapter 7.**
- Pupils to use money comparison websites to compare credit card providers
- Pupils to research how other plastic cards work such as loyalty or cash card and identify situations when they would be useful.