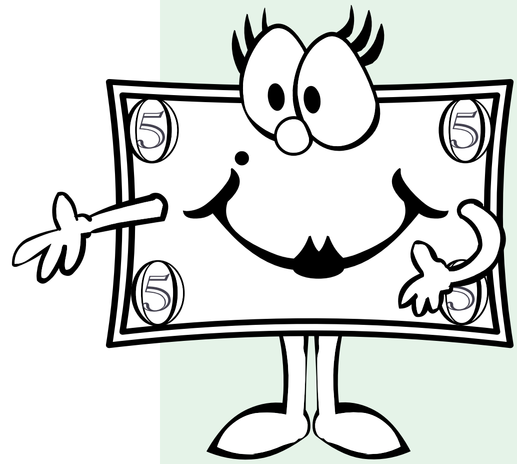
Grade Three

Shopping Smarter



Overview

Students share the book *The Kids' Money Book*, by Jamie Kyle McGillian, to learn about how to become smart consumers and the dangers of credit-card debt. They complete activities on recognizing advertisers' goals and understanding how interest is added on to debt.

Prerequisite Skills

None

Lesson Objectives

Students will be able to:

- Define *debt, consumer,* and *interest*
- Understand the role of credit cards
- Recognize advertising techniques aimed at children
- Understand how credit-card debts increase due to interest added

Materials List

1. Book: *The Kids' Money Book*, by Jamie Kyle McGillian (Sterling Publishing Co., Inc., 2003)
2. Chart paper or chalkboard
3. Optional: several invalid credit cards (for visual aid purposes only)
4. Optional: calculator
5. Handouts:
    - **I Want It Right Now!** worksheet
    - **Interest Adds Up!** worksheet

Content Standards

The activities in this lesson correlate to national standards in economics, math, and language arts. See the end of this lesson for content standards information.

Vocabulary

advertisement

consumer

credit

credit card

debt

fee

immediate gratification

interest

nonfiction

Large-Group Activity

Materials

- Book: *The Kids' Money Book*
- Chart paper or chalkboard
- Handout: **I Want It Right Now!** worksheet

1. Gather students in the reading corner to share the book *The Kids' Money Book*.
   - Say:

     Have you ever bought something when it was on sale? How did you find out about the sale? What made you want to buy it? Allow several students to share their experiences.

     Today we're going to be talking about being smart shoppers. I'm only going to read parts of a book to you. I won't read it all because we don't have enough time, and also because there is too much information in this book to cover all at once. This is a nonfiction book. Do you know what "nonfiction" means? Nonfiction books are filled with information and facts. They are not designed to entertain in the same way fictional stories do.

     This nonfiction book was written to teach kids like you all you need to know about using money. In fact, it's called *The Kids' Money Book*. It was written by Jamie Kyle McGillian and illustrated by Ian Phillips.

     There are six chapters in the book, but I'm going to skip around. First I'll read the end of Chapter Four, the chapter called "Using Your Money Smarts."
   - Begin reading at the section called "Spend, Spend, and then Spend Some More, Please" on page 54 and continue reading to the end of the chapter on page 60. The book is written for children, in a lively style that lends itself well to oral reading.
2. Discuss today's economic concepts covered in Chapter Four: the consumer culture and advertisements; and immediate gratification and debt.
   - ***The Consumer Culture and Advertisements***

     What did the author mean when she spoke about a "consumer culture"?

     (You may need to reread the first paragraph of the section on page 54 to remind students of the answer.) The author called it the ". . . gotta have it now, gotta get the best one, the deluxe model, the top of the line" attitude that many people, especially kids, have today.

     Write the word "consumer" on the board. **A consumer is someone who buys and uses something. So when Ms. McGillian talked about the "consumer culture," she was talking about the fact that buyers are changing the United States, and that kids like you and your friends have made a big difference.**

     One of the changes is the number of commercials you see on TV. There used to be only four or five commercials for every hour-long

program. Now you see that many commercials, one right after the other, every time the program takes a break. How many commercials did the book say you have probably seen in your life so far? The book suggests that kids have seen around 30,000 TV commercials.

Do you think watching 30,000 television commercials throughout your life has made you want to buy more things? How do commercials make you want something? Allow students to discuss this freely.

How many of you have ever bought a toy because it looked really great on a commercial and then were disappointed when you got it home? Encourage students to share their experiences.

Why do companies work so hard to make their products irresistible? The companies are trying to make their products look so good that viewers will feel that they have to have them and will buy them. Then, the companies can make more money.

Name some other places you can see advertisements besides on TV commercials. Write the heading "Types of Advertisements" on the chalkboard or chart paper and begin a list. Students may suggest some or all of the following. Add more yourself if necessary.

Types of Advertisements

- TV Commercials
- Television Shopping Networks (e.g., QVC or HSN)
- Roadside Billboards
- Magazines
- Newspapers
- Backs of Cereal Boxes
- Radio
- Logos on Clothes
- Internet

Ask students to share some examples of each of the advertisements they've seen. What are their favorites, the funniest, the silliest; which ads made them want to run right out and buy the product, and so on.

Remember, you can't believe everything you see on an advertisement. These companies want your money, and they are working hard to get you to spend it.

❍ ***Immediate Gratification***

The author talked about immediate gratification–the need to have something now. Let's talk about immediate gratification for a while. Write the words "immediate gratification" on the board.

What does "immediate" mean? The word immediate means right now, this instant. **The word "gratification" is a little more difficult to explain. It means great satisfaction. When you are satisfied, you have what you want.**

TEACHING TIP

You may want to share an experience of your own to encourage open discussion.

TEACHING TIP

If students haven't had computer experience, screen captures of Internet sites containing banner ads and embedded links may help.

TEACHING TIP

Having students repeat a key phrase acts as a memory device for auditory learners and will help to cement understanding.

Immediate gratification means you want something, and you want it RIGHT NOW! Stress the last two words to make sure students understand the concept.

In the past, you couldn't buy something unless you had enough money to pay for it. People would save their money–in piggy banks, in regular banks, or wherever they could keep it safe. They would put a little money in savings every week or every month. Then, when they had enough money to pay cash, they would go to the store and buy the washing machine or car or bicycle, or whatever they were saving for.

Have any of you saved money for a long time before buying something? Allow students to share their experiences.

Today, more and more people aren't happy waiting to get something. They don't want to save their money until they have enough to buy it, like people used to do. They want immediate gratification–they want it . . . RIGHT NOW! Encourage students to shout out the last two words with you. Repeat the phrase "They want it . . . RIGHT NOW!" once or twice to make the point.

People who own stores know all about immediate gratification. They count on their advertisements to convince people that they really want their products. How many of you have begged, demanded, or tried to convince your parents to buy something for you that costs a lot of money – like new shoes or a video game or something else? Wait for show of hands.

Were you willing to wait until your parents had saved their money, or did you demand, beg, plead, argue to get immediate gratification? Did you feel like you had to have the new shoes or video game or whatever RIGHT . . . NOW?

- ***Debt***

Immediate gratification is dangerous. Can you guess how the need to have everything you want RIGHT NOW might cause a problem? Allow students to speculate. They should suggest that immediate gratification can make people waste money that they need for other things.

If you don't wait until you've saved enough cash to buy something, where do you get the money? The money comes from credit cards or is borrowed from banks. NOTE: If students suggest writing checks, explain that checks are the same as cash–they only work if you already have the money in a bank checking account. Checking accounts are taught in another lesson.

When you go to a bank to borrow money, or when you use a credit card, you are going into debt. Write the word "debt" on the board.

A debt is something you owe–something you will have to pay back. When your parents use their credit cards, they are actually borrowing money. And when they pay the money back, they have to pay back more than they borrowed. So when you ask your parents for a new pair of shoes that cost $100, they may end up paying $120 by the time they pay back the credit-card debt. We'll talk more about credit cards in small-group discussion.

3. Introduce the large-group independent activity: **I Want It Right Now!** worksheet.

   - **Let's see what you've learned about advertisements. The worksheet I'm going to give you contains a billboard ad for shoes. Imagine these shoes are the coolest shoes around–all the cool kids are wearing them. Then answer the questions at the bottom of the page.**

     Pass out worksheets to the class and make sure everyone has crayons. Read the instructions aloud. Remind students that Number Five asks them to make their own advertisement on the back of the paper.

     Have students work on their worksheets and drawings while you work with individual groups in the following small-group activities.

Small-Group Activity: Credit Cards

Concepts Taught

Credit-Card Debt and Interest

Materials

- Book: *The Kids' Money Book*
- Chart paper or chalkboard
- Optional: calculator
- Handout: **Interest Adds Up!** worksheet

1. Read sections of Chapter Six, "Be In Control" from *The Kids' Money Book*.

   - Say:

     Earlier we talked about the dangers of immediate gratification. Who can remind us of these dangers? Immediate gratification can lead to debt.

     Right, when you want something RIGHT . . . NOW! . . . you end up borrowing the money or using a credit card, and then you find yourself in debt. Let's talk some more about how credit cards work.

     I'm going to read you another part of *The Kids' Money Book*. This time we'll skip to Chapter Six, "Be In Control," to find out more about using credit cards.

     Begin reading at the beginning of Chapter Six on page 78, and continue reading through page 80. Stop before the section titled "Here's What You Need to Know."

2. Discuss the advantages to having a credit card.

   - **You know that credit cards are like borrowing money that you have to pay back, and pay back more than you borrowed. If that's true, why do people use them? When are credit cards good things to have?** Make a list of the "Pros" to having credit cards on the board as students list advantages that were mentioned in the book.

     - They're good to have in an emergency.

- They are accepted everywhere–even in places that don't accept U.S. money.
- They protect you in case of theft.

Discuss each of these advantages with the group.

3. Discuss the disadvantages of using credit cards.

❍ **We've seen how a credit card can be a big help when you need it. The problem is, people start to think of credit cards as "free money," and they don't know when to stop using them! What are some of the disadvantages of using credit cards that were listed in the book?** Create a list of "Cons."

- You have to pay annual fees.
- You have to pay interest fees.
- You can end up spending more than you can pay back.

Let's look at the first problem: annual fees. A fee is a payment. Do you know what the word "annual" means? It means "yearly," or every year.

Hold up one credit card (as a visual aid only). **Some credit-card companies make you pay a fee every year just to own the card. Even if it sits in your wallet all year and you never use it, you will get a bill from the company for 25 dollars, 75 dollars, or more. Do you like the idea of paying 75 dollars for this piece of plastic that sits in your wallet?** Accept any responses.

Hold up another credit card. **Most credit-card companies also charge you another kind of fee, or payment. It's called interest. Interest is extra money you pay the company for lending you the money to buy things RIGHT NOW.**

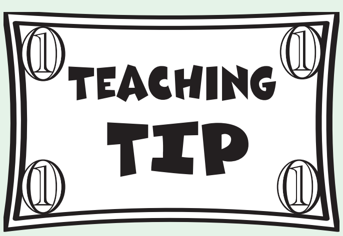
4. Begin the small-group activity: **Interest Adds Up!**

❍ Interest is a tricky little fee. At first, you don't think you're paying very much money for the money you borrowed with the credit card. But let's take a closer look at how interest starts adding up. Pass out the **Interest Adds Up!** worksheets.

The credit-card company charges interest every month on the money that you've borrowed with the card. Real credit-card companies use a complicated math formula to figure out their interest fees, but we're going to make it simple just so you can see how the fees work.

In our example, we will say that the credit-card company charges you these amounts of interest according to the amount of money you owe. Point out the Interest Table at the top of the page. **If I borrowed 35 dollars with my credit card, what would I owe in interest fees that month?** The interest for 35 dollars is $1.25. NOTE: Give more examples for practice if students struggle finding amounts within a range of numbers.

Okay, now that we know how to read the Interest Table, let's use the table to fill out the chart below.



This activity is a very simplified example of interest fees, designed to fit the skills and abilities of third graders.

- **Let's say you used a credit card to buy a new DVD player that costs 100 dollars. From the chart, we see that a 100-dollar debt costs $2.50 in interest. How much is 100 dollars plus 2 dollars and 50 cents?** The total is $102.50.

  If you have enough money when the credit-card bill comes in, you could pay $102.50 and be done with your debt. But maybe you still don't have that much money. The credit-card company will let you pay part of the amount and leave the rest of the debt there. Let's say you can pay them 10 dollars. How much will be left on the debt? You will still owe $92.50. Have students write $92.50 in the "Debt" area of line two.

  The next month, the credit-card company charges you another fee. What would the interest be for $92.50? The interest is $2.50. **Let's add that on to our balance. Now we owe $95.00. We'll pay 10 dollars again, so our balance is . . .** $85.00. Write $85.00 in the "Debt" area of line three.

  In the first two months we've paid back 20 dollars, but because of interest, we only took 15 dollars off of the debt. (Show the math "$100.00 – 85.00 = $15.00" on the chalkboard or chart paper.)

  Continue working through the months of the worksheet with the group. Occasionally pause the activity and point out how much they have paid on the debt and how much they still owe.

  Work through as many months as time permits, allowing a few extra minutes for the wrap-up discussion. After working through several rounds (or the entire 12 months), say:

  This shows what happens to your credit-card debt when you buy only one item and pay it off a little bit at a time. Unfortunately, most people use their credit cards a lot more often. Imagine how the debt would change and grow if you kept using your credit card to buy more and more things!

  To end the discussion, read the section titled "Here's What You Need to Know" on pages 80 and 81 of *The Kids' Money Book*.

Additional Small-Group Activities in *The Kids' Money Book*

There are several more chapters in the book that deal with other issues on personal finances, geared to young audiences. Many of the chapters contain quizzes and other comprehension checks that you can use with small groups.

Assessment

Check students' understanding by listening carefully to the responses they give during group discussions and on the **Interest Adds Up!** worksheet. Have students share their advertisements on the back of the **I Want It Right Now!** worksheet from the large-group activity.

TEACHING TIP

Students may use the back of the paper or a calculator to compute the problems on the worksheet.

Suggested Online Activity

NOTE: Teachers should preview all sites to ensure they are age-appropriate for their students. At the time of publication, all URLs listed here were valid. In addition, some Web sites provide lessons via pop-up screens, so you may have to disable your computer's pop-up blocker software to access them.

Exact Change, Please

The State of Tennessee's Department of Finances hosts an interactive game for children. Abraham Lincoln works at a diner, requiring students to pay for their purchases with the exact change. (This interactive game requires the Sun Java plug-in.) Found at: www.state.tn.us/financialinst/java/game/game.html.

National Standards Correlations

Economics

The activities in this lesson correlate to the following Voluntary National Content Standards in Economics, as determined by the National Council on Economic Education, found at: www.ncee.net/ea/standards.

Standard 10: Role of Economic Institutions

Students will understand that: Institutions evolve in market economies to help individuals and groups accomplish their goals. Banks, labor unions, corporations, legal systems, and not-for-profit organizations are examples of important institutions. A different kind of institution, [and] clearly defined and enforced property rights, [are] essential to a market economy.

K–4 Benchmarks:

- Banks are institutions where people save money and earn interest, and where other people borrow money and pay interest.

Standard 11: The Role of Money

Money makes it easier to trade, borrow, save, invest, and compare the value of goods and services.

K–4 Benchmarks:

- Money is anything widely accepted as final payment for goods and services.
- Money makes trading easier by replacing barter with transactions involving currency, coins, or checks.

Mathematics

In addition to economics, the activities in this lesson also correlate to the following *Principles and Standards for School Mathematics,* from the National Council of Teachers of Mathematics, found at: standards.nctm.org/document/index.htm.

Numbers and Operations Standards

Understand numbers, ways of representing numbers, relationships among numbers, and number systems

3-5 Benchmarks:

- Understand the place-value structure of the base-ten number system and be able to represent and compare whole numbers and decimals

Compute fluently and make reasonable estimates.

- Select appropriate methods and tools for computing with whole numbers from among mental computation, estimation, calculators, and paper and pencil according to the context and nature of the computation and use the selected method or tools

Algebra Standards

Understand patterns, relations, and functions.

- Describe, extend, and make generalizations about geometric and numeric patterns
- Represent and analyze patterns and functions, using words, tables, and graphs

Use mathematical models to represent and understand quantitative relationships.

- Model problem situations with objects and use representations such as graphs, tables, and equations to draw conclusions

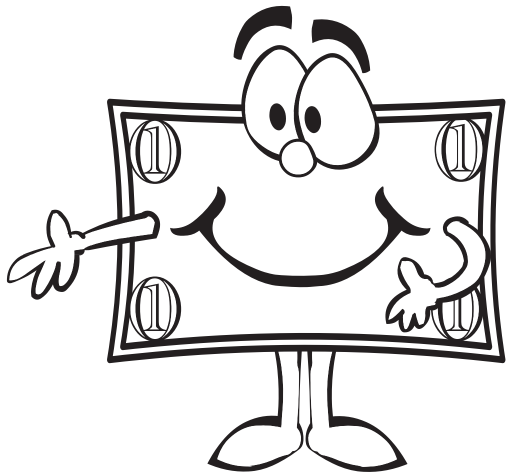
Language Arts

This lesson, based on the children's book *The Kids' Money Book,* by Jamie Kyle McGillian, also correlates to the following Standards for the English Language Arts, from the National Council of Teachers of English, found at: www.ncte.org/print.asp?id=110846&node=204.

1. Students read a wide range of print and non-print texts to build an understanding of texts, of themselves, and of the cultures of the United States and the world; to acquire new information; to respond to the needs and demands of society and the workplace; and for personal fulfillment. Among these texts are fiction and nonfiction, classic and contemporary works.

3. Students apply a wide range of strategies to comprehend, interpret, evaluate, and appreciate texts. They draw on their prior experience, their interactions with other readers and writers, their knowledge of word meaning and of other texts, their word identification strategies, and their understanding of textual features (e.g., sound-letter correspondence, sentence structure, context, graphics).

I Want It Right Now!



Name ______________________

Answer the questions below about the following billboard advertisement.

1. What does the billboard promise the shoes will help you do?

____

Do you believe the promise? ______________

2. The billboard says that if you wear these shoes you will be like

____

3. Why do you think the shoes are given such a fancy name?

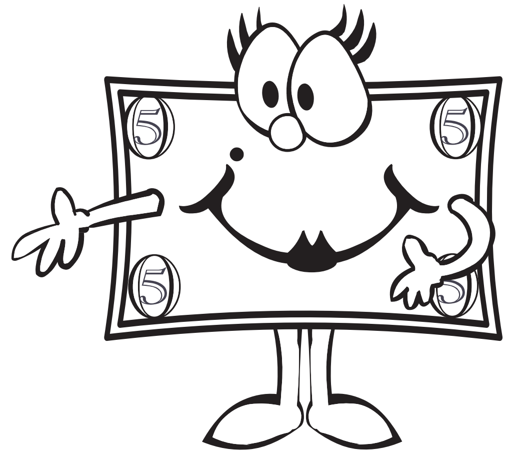
____

4. Would you buy these shoes? Why?

____

5. On the back of this paper, draw a billboard for a pair of jeans. Use words and pictures to get people to want to buy your jeans RIGHT NOW!

Interest Adds Up!



Name ______________________

Use this Interest Table to determine how interest fees go up every month, and fill in the chart as your group discusses it.

Interest Table

Amount Owed	Monthly Interest Fee
$1.00—$10.00	$0.25
$11.00—$50.00	$1.25
$51.00—$100.00	$2.50
$101.00—$150.00	$5.00
$151.00—$200.00	$7.50
$201.00—$250.00	$10.00

Month	**Credit-Card Debt**	**Interest**	**Owed**	**Payment**
1	DVD Player: $100.00	$2.50	$100.00 + 2.50 =	$10.00
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				