



**LIFE SKILLS**

# **FINANCIAL LITERACY: DEBT, CREDIT AND INTEREST >**

Session plan

# AT A GLANCE >

This session will help young people to understand key terms related to saving and borrowing money. They will explore credit, debt and interest, through relatable scenarios and engaging activities.

This session has been made in partnership with Tesco.



## CURRICULUM LINKS

- ✓ PSHE and citizenship: Financial choices



## LLN OPPORTUNITIES

- ✓ Speak in/in front of a group
- ✓ Read and understand case studies
- ✓ Explain the difference between debt and credit



## MATERIALS

- ✓ Financial literacy PowerPoint presentation
- ✓ Computers with internet access (optional)
- ✓ Scenarios worksheet
- ✓ Agony column worksheet (optional)
- ✓ Resources listed on page 10

# LEARNING OUTCOMES >

- ✓ Understand what debt, interest rate and credit score mean
- ✓ Understand the implications of being in debt
- ✓ Know what a financially healthy attitude is

# ACTIVITIES >

ACTIVITY	TIME	PAGE
<u>Icebreaker</u>	5-10 minutes	<u>03</u>
<u>Debt and credit</u>	10 minutes	<u>04</u>
<u>Everyday situations</u>	10 minutes	<u>05</u>
<u>Optional: Money personalities</u>	10-15 minutes	<u>07</u>
<u>Scenarios</u>	10 minutes	<u>08</u>
<u>Credit and debt: The impacts</u>	10 minutes	<u>09</u>
<u>Be a finance expert!</u>	Dependent	<u>10</u>
<u>Wrap up</u>	5-10 minutes	<u>11</u>

# ICEBREAKER



## TIME REQUIRED

5-10 minutes



## MATERIALS

- ✓ Financial literacy PowerPoint presentation

# ACTIVITY STEPS

1. Explain to the learners that in this session you will start to explore money management.
2. Begin by exploring your learners' attitudes towards money. Establish a safe space for sharing: make sure the group feel confident that they can share their views and opinions without judgement or comments from others.
3. Display the questions on slides 2-4 of the Financial literacy PowerPoint presentation. Read through the questions and ask the learners to decide which option they would choose if they were in that situation.

This could be done through discussions in pairs or small groups, holding up a number with their fingers or open discussion.

4. Encourage the learners to share their opinions with the wider group. Discuss the responses as a group. Whatever the responses, remind them habits can be changed over time. This session will help them be better equipped to monitor and change habits in the future.

Suggested answers:

Scenario A - option 3. This promotes good saving habits as the trainers were obviously something you liked for you to make that initial purchase. Also, the price difference is minimal.

Scenario B - option 2. This promotes good saving habits and encourages you to understand how much money you have coming in versus your outgoings.

Scenario C - option 1. This helps minimise unnecessary/unwanted gifts and helps you achieve your target faster.



# DEBT AND CREDIT >



## TIME REQUIRED

10 minutes



## MATERIALS

- ✓ Financial literacy PowerPoint presentation
- ✓ Flipchart/whiteboard

# ACTIVITY STEPS >

1. You will introduce key terminology through exploring the words your learners associate with them. Show them slide 5 of the Financial literacy PowerPoint presentation, which has a word cloud for 'debt'.
2. Using the word cloud and any prior knowledge they may have, encourage the learners to discuss with a partner what they think being in debt means. Ask learners to share their thoughts and ensure they have a good understanding of what 'debt' means before moving on to the next activity.

### SUGGESTED DEFINITIONS:

If you are in debt or get into debt, you owe money, usually to a bank or business/organisation. Casual debt is when you owe money to friends and/or family.

Debt relates to money borrowed from someone else, which would need to be repaid normally with interest added (a charge for borrowing money).

3. Ask the learners to consider what 'credit' means now that they understand what 'debt' means. They could create word clouds or spider diagrams in pairs, with the words they think might be linked to 'credit'.
4. Encourage the group to share some of the words from their word clouds or spider diagrams. Explain that:
  - Credit is an amount of money paid into your account and can be abbreviated to 'CR'. CR is written on bank statements next to payments into an account.
  - An account with money in it is 'in credit' and would have CR written after its balance on a bank statement.

### ADVISER GUIDANCE

Some of your learners may feel uncomfortable discussing debt and money. Make sure you are sensitive to the potential that they or their families may be experiencing debt.

You may want to remind them to talk to a trusted adult if they are concerned about anything. You could also direct them to services such as Citizens Advice, StepChange or National Debtline. All of which are discussed in the Financial Services session.

# EVERYDAY SITUATIONS >



## TIME REQUIRED

10 minutes

## ACTIVITY STEPS >

1. In pairs, ask the learners to write down or discuss examples of everyday situations where the average person experiences credit or debt.
2. Before the learners start this, you may want to explain that although debt commonly has a negative connotation, there are times/examples when debt can be seen in a positive way, e.g. when buying a house.

For the average person it would be very difficult to save up the amount of money to buy a house and getting a mortgage would be the only solution. This would be seen as “good debt”. By proving you can pay back this “good debt”, banks are more likely to lend you money in the future when you need it.

3. Encourage the learners to share their examples. Below are some suggested answers:

### DEBT EXAMPLES:

- When buying a house, most people need a mortgage unless they are a cash buyer
- When buying a car, most people will get a loan
- Borrowing money from a friend/family to pay for a celebration event/birthday party
- If going to university, most students get a student loan to help them pay for tuition fees, accommodation and living costs

### CREDIT EXAMPLES:

- When returning an item of clothing and you don't want to buy anything else, you will get credit. You may either get your money back in full or a credit note. This is an IOU from the retailer for the value of the item you have returned. You can use this to purchase an item online/in the shop within the allotted time period (normally 12 months) that equates to the amount on the credit note.
- When people booked a holiday and the COVID-19 pandemic struck, the UK stopped all unnecessary travel abroad. Travel companies provided credit for anyone who had booked a holiday, to be used within a 12 month period.

## ADVISER GUIDANCE

You may also want to discuss credit scores after discussing the everyday situations of credit and debt. There will be an opportunity to explore credit scores later in the session, but this could be a good point to introduce the term for the first time.

You could explain that credit scores are scores (between 300 and 850) given to individuals. The scores are based on how much debt a person has, how well they have repaid previous loans, the number of accounts they have and other factors.

Lenders will see what credit score someone has before lending them money, e.g. for a mortgage.



# OPTIONAL: MONEY PERSONALITIES >



## TIME REQUIRED

10-15 minutes



## MATERIALS

- ✓ Computer with internet access

## ACTIVITY STEPS >

1. Explain to the learners that everyone has different attitudes towards money. They can complete this online money personality quiz to see what their attitude is: <https://barclayslifeskills.com/i-want-to-get-to-grips-with-money-and-fraud/school/money-personality-quiz/>.

This can be done individually, in small groups or as a class, depending on the number of computers/devices your group has access to.

2. As a group, watch the 2 videos on the same page (<https://barclayslifeskills.com/i-want-to-get-to-grips-with-money-and-fraud/school/money-personality-quiz/>):

- Sam – Getting better with cash (1 minute 19 seconds)
- Jo – Looking after your money (1 minute 40 seconds)

3. After watching the videos, discuss what positive actions were mentioned. Suggested answers:

### **SAM:**

- Works out how much he gets (£10 allowance and £15 paper round)
- Rents new releases of computer games instead of buying
- Uses the mobile banking app to keep up to date with his balance
- Plans his outgoings and savings
- Opts to take on jobs around the house for extra allowance and more paper rounds during the week to increase wages

### **JO:**

- Has a goal (driving lessons)
- Works out how much her weekly allowance and part-time job bring in (£170pw)
- Creates a spend and save plan
- Looks online for discounts to save on full-price items when shopping (20% off price of trainers)
- Has a monthly savings goal (£70 per month)

# SCENARIOS >



## TIME REQUIRED

10 minutes



## MATERIALS

- ✓ Scenarios worksheet
- ✓ Financial literacy PowerPoint presentation (optional)

# ACTIVITY STEPS >

1. If you did not complete the last activity: Money personalities, then have a short group discussion about positive steps people can take to have a healthy attitude towards money. See the suggested answers in step 3 on page 7.

2. Hand out the Scenarios worksheet. Encourage the learners to read through the two scenarios of Maz and Chris. Their task is to offer them advice on some positive changes they can make to have a healthier attitude towards money.

You may want to read through Maz's situation and offer her advice as a whole group before moving on to Chris' individually or in pairs, depending on the level of your learners.

3. Encourage the learners to share the suggestions they made for Maz and Chris to check their understanding. There are some suggested pieces of advice on the worksheets already - you could use these to judge whether the advice learners gave is along the same lines.

## OPTIONAL EXTENSION

Depending on the time, age and requirements of your group, you could explore how they manage their own money. Start by showing them slide 6 of the Financial literacy presentation.

In pairs, learners should make a list of their outgoings and then categorise whether they are essential or not. They should discuss with their partner why they have categorised them in that way.

Next, they should write down 3 things on their list to buy in the next few weeks. Categorise them into 'Need' and 'Want'. Encourage them to discuss why they have categorised them in that way.

Remind your learners that:

- A 'need' is when you require something because it is essential or very important to your life.
- A 'want' is when you have a desire to own or do something but it's not completely essential.

# CREDIT AND DEBT: THE IMPACTS >



## TIME REQUIRED

10 minutes



## MATERIALS

- ✓ Financial literacy PowerPoint presentation
- ✓ Computer with internet access (optional)

## ACTIVITY STEPS >

1. Explain to the group that you are now going to explore what impact credit and debt can have on people's lives.

2. Start by completing the short quiz on slide 7 of the Financial literacy presentation. If you did not explain credit score before, then use the explanation on page 6, before completing the quiz. Answers:

Q1. A - missing a payment can have a negative impact on your future credit score, including loan/mortgage applications

Q2. A - an overdraft is when you borrow from the bank. If you have no money in your account, you are then effectively borrowing from the bank, i.e. using an overdraft if you have set one up with them

Q3. All of them are correct - your credit score is a record of your money habits

3. Ask the group if they know what the implications (negative impacts) are of being in debt and how it can affect people.

4. Show and talk through slides 8-9 of the presentation, which explains some of these implications.

5. Explain that debt is not something only reserved for some people. It can affect all of us regardless of whether we are already earning lots of money or are just starting to think about different jobs. Whether we are lawyers, teachers, students or do not have a job.

People have struggled over the centuries with situations such as poverty, extravagant lifestyles, addictions, like gambling, and not having an understanding of the basic principles of money. You could show them the story of Charles Dickens' father on slide 10.

### OPTIONAL EXTENSION

Play the group this video: <https://www.youtube.com/watch?v=waQpLMKmBqY&list=PLzJl8W1q5m7rIk701t2hVi-1NY9MBUqAy6> It shows young people discussing the highs and lows of earning, saving and spending money.

# BE A FINANCE EXPERT! >



## TIME REQUIRED

Dependent



## MATERIALS

- ✓ Computers with internet access (optional)
- ✓ Pens and paper for creating posters (optional)
- ✓ Video recording equipment (optional)

# ACTIVITY STEPS >

1. Tell the learners that throughout the session they have learnt about credit, debt, other associated terms and the impacts. They are now ready to help explain these terms to other people!
2. Explain to the group that they are going to create a fictional Instagram post or YouTube video that explains three key terms to other young people their age:
  - a. Debt
  - b. Interest rate
  - c. Credit score
3. Allow the learners time to go over their notes from today's session and/or do extra research to ensure that they are fully confident that they understand what these terms mean. If using the internet to research, make sure they are using reliable websites from sources, such as the Money Advice Service or a reputable bank.
4. Explain that they can make their Instagram post in the form of a poster or using the computers (PowerPoint presentations, etc.), depending on the resources you have available to you. If the learners want to make a 'YouTube video', then ensure they have suitable recording devices and the appropriate consent has been received from their parents/guardians and your setting.
5. Encourage the learners to be as creative as possible with their 'posts' and videos and to make sure that they clearly define the three terms.

# WRAP UP >



## TIME REQUIRED

5-10 minutes



## MATERIALS

- ✓ Financial literacy supporting PowerPoint presentation
- ✓ Agony column worksheet (optional)

# ACTIVITY STEPS >

1. To wrap up the session, remind the learners that someone is in debt if they have £X money coming in but they spend more than this amount even by a penny, because they do not have this money in their possession/account. If they have £X money coming in and they spend less than this amount, then they will be in credit.
2. Do a final check of learners' understanding by completing the quiz on slide 11 of the supporting presentation. Answers:
  1. Credit - as you have a total of £20 in your account and the spend would be £18.80
  2. Credit - as you have £55 in total to spend and the present would cost £54.99, including postage and packing
  3. Debt - as you only had £9 and you overspent at the restaurant by £3.60. You borrowed money from your friend, which will have to be repaid.
3. End the session by running through some final tips:
  - The basic principles of staying in credit mean that you do not spend more than you have. If you do spend more, then you get into debt.
  - Having control on your spending will help you to identify whether something is essential or not – do you really need it or do you want it - is it something nice to have?
  - Knowing how much money you have coming in at what time of the week/month, as well as noting all your essential outgoings, will really help you to understand how much you have for all the “nice-to-haves”.

Ask the group if anyone else has any final tips to add.

## OPTIONAL EXTENSION

If you have extra time or your group would enjoy or benefit from further activities, ask learners to complete this Financial Agony Aunt activity.

There is a new online school newspaper being launched and the focus for the month will be Staying Financially Healthy. The editor thinks it would be a good idea to have an Agony Aunt column - helping to answer teenage problems on money, anonymously of course!

Read the example on slide 12 and the reply that Shaheeda wrote. Do the learners agree with the response that choosing how to pay for something is mostly a personal preference? Or would they recommend one way over another? Try to encourage them to use what they have learnt in this session about debt and credit to form their opinions, e.g. a credit card, if paid off on time, will help build a good credit score, however if it's not paid on time, it could lead to a bad credit score and debt.

Ask the learners to complete the Agony column worksheet by writing a response to each of the letters/emails. Encourage them to share their responses with another learner. Do they agree with each other's advice or would they have written something different?

