



# How Credit Affects Your Life

EPISODE #205

## ACTIVITIES & LESSONS

### LESSON LEVEL

Grades 9-12

### KEY TOPICS

- Credit
- Debit
- Debt

### TIME NEEDED

Preview & Screening:  
45 minutes

Activity #1:  
45-60 minutes

Activity #2:  
60-90 minutes

### EPISODE SYNOPSIS

Did you know your credit score could impact whether or not you get into college, get a job, or even rent an apartment? Join the Biz Kids, and you'll learn about building good credit and how the credit laws affect your life. Meet a teen who built her vending machine business on good credit, and a club promoter who explains what happened due to bad credit.

### LEARNING OBJECTIVES

1. Understand a credit score.
2. Learn how to build good credit.
3. Recognize how bad credit can affect future finances.

### EPISODE ENTREPRENEURS & STORIES

- *Kailen's Candy Catering*: Using credit to establish business
- *The "Chicken vs. Egg" Debate*: Credit history vs. credit score
- *Jared's Consequences*: Realizing impact of credit card debt
- *Lauren's Credit Card Debt*: Understanding credit vs. debit
- *Xin Fights His Biggest Battle*: Paying down credit debt

### CONTENTS

- Lesson Prep & Supplies
- Preview/Screening Notes
- Activity #1
- Activity #2
- Biz Terms Vocabulary
- Resources



# LESSON PREP & SUPPLIES

## Getting Started

1. Familiarize yourself with *Biz Kid\$* Episode #205 by watching it ahead of time. The episode will serve as a springboard for student learning, discussions, vocabulary exploration, and related hands-on activities.
2. Determine what equipment is required to show the episode in the classroom and request it if needed.
3. Choose an activity and gather supplies. Have fun exploring “How Credit Affects Your Life.”

### Equipment & Supplies for Preview/Screening

Time Needed:  
45 minutes

Arrange to borrow a TV/DVD player if one is not readily available. Or, if you have a computer, Internet access, and a projection system, the episode can be streamed online at [www.bizkids.com/ey](http://www.bizkids.com/ey). You will need to enter the password of “ey.”

*Items needed for class:*

- TV/DVD Player or Computer/Internet Set-Up
- DVD of Episode #205
- Actual Credit Card Offers (Collected from personal mailbox during weeks prior to Ernst & Young Connect Day)

### Supplies for Activity #1: Credit Card Comparisons

Time Needed:  
45-60 minutes

*Items needed for class (each group):*

- Print one credit offer from [creditcards.com](http://creditcards.com) for each of these three different cards (per group of four students).

#### **Citi® Dividend Platinum Select® Card for College Students**

<http://www.creditcards.com/credit-cards/citi-dividend-platinum-student-card.php>

#### **Discover® Student Card**

<http://www.creditcards.com/credit-cards/discover-student-credit-card.php>

#### **Citi® mtvUTM Platinum Select® Visa® Card**

<http://www.creditcards.com/credit-cards/citi-MTV-credit-card.php>

*Items needed for each student:*

- Pencil
- Photocopy of worksheet/instructions (pages 5-6)

### Supplies for Activity #2: Credit Card Kung Fu

Time Needed:  
60-90 minutes

*Items needed for class:*

- Computer/Internet Access (to access YouTube video)

*Items needed for each student:*

- Pencil
- Photocopy of worksheet instructions (pages 9-11)
- Excel spreadsheet



# PREVIEW & SCREENING

## Introduction

Welcome the students and introduce yourself. Briefly explain what Ernst & Young does and describe your job. Explain that *Biz Kid\$* is a public television series that teaches kids about money and business. Mention that the bizkids.com website has lots of video clips, games, a blog, and other resources to help kids start businesses and learn about money.

## Episode Preview Activity

Before you show *Biz Kid\$* episode #205, “How Credit Affects Your Life,” lead your students in a discussion with the questions below. Use envelopes containing various credit card offers collected from your mailbox (and/or your colleagues’ mailboxes).

Fanning the credit card offers in your hands, ask the following questions:

- Who has ever collected the mail and seen envelopes like these addressed to your parents? To you?
- Who can explain what these are? (credit card offers)
- Why do credit card companies send these out? Why do they send out so many?

Next, approach a student with the credit card offers and say, “Pick an offer...any offer.” Have the student select an offer from your hand at random and ask the following questions:

- Are all credit card offers the same?
- How can you be sure you’ve chosen the best offer?

## About the Episode

In this episode, you’ll learn about the importance of establishing your credit history and learn how to use a credit card responsibly. You’ll also learn how credit can be used to grow your business and how significant credit debt can negatively impact your financial future.

## Next Steps

Summarize the discussion and play the *Biz Kid\$* episode.



Activity #1:

# CREDIT CARD COMPARISONS

## Activity Learning Objectives

- Compare and contrast three different credit card offers aimed at meeting the needs of college students.
- Evaluate which student credit offer is the strongest and defend that selection.

## Supplies

*Items needed for class (each group):*

- Print one credit offer from [creditcards.com](http://www.creditcards.com) for each of these three different cards (per group of four students).

**Citi® Dividend Platinum Select® Card for College Students**  
<http://www.creditcards.com/credit-cards/citi-dividend-platinum-student-card.php>

**Discover® Student Card**  
<http://www.creditcards.com/credit-cards/discover-student-credit-card.php>

**Citi® mtvUTM Platinum Select® Visa® Card**  
<http://www.creditcards.com/credit-cards/citi-MTV-credit-card.php>

*Items needed for each student:*

- Pencil
- Photocopy of worksheet/instructions (pages 5-6)

## About the Segment: “Chicken vs. Egg” Debate

Biz Kid Ian explains that you can’t have a good credit score until you’ve already had credit — and you can’t get credit unless you’ve already had it for a while. Ian solved his credit “chicken versus egg problem” by getting a credit card when he went to college, putting his textbooks on the card, and paying his entire credit card balance off the next month. Voila... instant credit! Ian stresses the importance of shopping carefully for a credit card by looking for cards with zero fees, zero liabilities, and a low APR rating.

## Biz Terms

- APR
- The “Chicken vs. Egg” Problem
- Credit Card Balance
- Credit Score
- Interest Payment

## Biz Terms & Segment Review

1. Most people’s credit scores generally fall between the 300-850 range. How are these scores used by financial institutions to determine an individual’s creditworthiness?
2. If your personal credit score is low, financial institutions may issue you a credit card with a higher interest rate. How could this affect you?
3. What starts to happen if you continuously carry a credit card balance from month to month?
4. When first trying to establish your credit history, you may feel as if you are struggling with the “chicken vs. egg” problem. What does this mean?
5. Ian encourages people shopping for a credit card to take a careful look at a card’s Annual Percent Rate or APR. Why is this?



# CREDIT CARD COMPARISONS

## INSTRUCTIONS FOR STUDENTS

### Introduction

Ian solved his “chicken vs. egg” problem by getting his first credit card when he went to college. Since he was going to buy his textbooks anyway, he charged the books on his credit card and paid off his entire credit card balance the next month (thereby establishing instant credit).

With the end of your high school career is in sight, it may be time to start shopping for your first credit card. Biz Kids know the importance of comparing credit card offers. It’s YOUR credit score, after all!

### Directions

Using the handouts printed from creditcard.com, look carefully at the differences and similarities between the following three credit card offers. Complete the table below and answer the questions on the next page using the information from the offers.

Card Features	Citi® Dividend Platinum Select® Card	Discover® Student Card	Citi® mtvUTM Platinum Select® Visa® Card
Credit Quality Needed			
Cosigner Required?			
What is the Annual Fee?			
What Are Late Payment Fees?			
Intro APR %			
Intro Period Length			
Standard APR % – Purchases			
Standard APR % – Balance Transfer			
Standard APR % – Cash Advance			
Default APR % – Balance Transfer			
Min. Finance Charge – Purchases			
Min. Finance Charge – Balance Transfer			
Min. Finance Charge – Cash Advance			
Cash Advance Fee Rate			
Balance Transfer Fee Rate			
Special Features?			



# CREDIT CARD COMPARISONS

## Questions for Students

1. Based on the credit card comparisons, which card do you feel is the best choice for a student entering college? Why?

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2. Considering each card's special features, which features are the most appealing to you personally? Why?

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3. Credit card companies sometimes send representatives to college campuses who set attractive tabletop displays in heavily populated student areas including "free" giveaway items like frisbees, water bottles, tee-shirts, and even slices of pizza in exchange for your signature on some paperwork. Why do you think credit card companies use targeting tactics like this?

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# CREDIT CARD COMPARISONS

## Activity Wrap-Up

Thank the students for their participation, and remind them that their future credit score will become the equivalent of their financial reputation.

High Score = Good Credit Reputation

Low Score = Bad Credit Reputation

Encourage students to keep those future “financial doors” open by following Ian’s Five Rules to Good Credit:

1. Apply for credit.
2. Spend only what you can repay.
3. Don’t keep a balance on your credit card.
4. Don’t open too many credit cards at once.
5. Pay off all of your other bills on time.



Activity #2:

# CREDIT CARD KUNG FU

## Activity Learning Objectives

- Calculate the length of time needed to pay credit debt off when presented with different scenarios.
- Understand how interest rates can affect credit debt.
- Recognize that making minimum payments can lead to higher overall payments over time.

## About the Segment:

### Xin Fights His Biggest Battle

Xin, a martial arts expert, is engaged in the battle of his life — fighting for a good credit score. Unbeknownst to him, Xin's mother asked him to sign the required paperwork for multiple credit card offers. As a result, he received twelve different credit cards in his name. Xin was burdened by the amount of credit card debt he was carrying. He has worked hard to pay off several cards and continues to pay down his credit card debt.

## Biz Terms

- Burdened
- Credit card score
- Credit card offer
- Credit card debt

## Supplies

*Items needed for class:*

- Computer and Internet access (to access YouTube video)

*Items needed for each student:*

- Pencil
- Photocopy of worksheet/instructions (pages 9-11)
- Excel spreadsheet

## Biz Terms & Segment Review

1. How do financial institutions try to convince consumers to apply for credit cards? (send out enticing credit card offers)
2. How did Xin's mother plan to pay off each new credit card?
3. Describe how Xin was burdened by his mother's flawed plan.
4. How can the opening of multiple credit cards affect a person's credit score?
5. What steps has Xin taken to pay down his credit card debt?



# CREDIT CARD KUNG FU

## INSTRUCTIONS FOR STUDENTS

### Introduction

Having too many credit cards with balances can negatively affect your credit score — something Xin has learned the hard way! He is working hard to reduce the number of credit cards he has and to pay off the remaining \$9,500 in credit debt that he has accumulated on nine different credit cards.

### Directions

In the martial arts, a series of colored belts is used to signify an expert's level of training and expertise. For every credit card math problem you help Xin solve below, you will earn a different colored belt. Help Xin earn his black belt in Credit Card Kung Fu by figuring out how long it will take him to pay off his total amount of credit card debt if he only makes the minimum payment on each card.

1. Watch this YouTube video explaining how to use the Excel NPER function:  
<http://www.youtube.com/watch?v=OJ3OdRafVPA>
2. Using the accompanying Excel spreadsheet, enter the information from the problems below and find the answer to each problem.
3. For the NPER Function, start by putting the equal sign (=) in the cell and then click the "fx" box at the top of the screen. When you select the NPER function, a separate box will pop up. For the rate, enter the APR amount and then divide that by the number 12 to find out the monthly rate. Enter a minus (-) sign before entering the monthly minimum payment amount.



# CREDIT CARD KUNG FU

## Solve the Problems

### WHITE BELT

Credit Card Balance Amount: \$250  
APR: 14%  
Number of Payment Periods: 12  
Minimum Monthly Payment: \$8

How long will it take Xin to pay this credit card balance down to zero if he only makes minimum monthly payments?

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### GREEN BELT

Credit Card Balance Amount: \$700  
APR: 17%  
Number of Payment Periods: 12  
Minimum Monthly Payment: \$21

How long will it take Xin to pay this credit card balance down to zero if he only makes minimum monthly payments?

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### BROWN BELT

Credit Card Balance Amount: \$1,150  
APR: 20%  
Number of Payment Periods: 12  
Minimum Monthly Payment: \$35

How long will it take Xin to pay this credit card balance down to zero if he only makes minimum monthly payments?

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### YELLOW BELT

Credit Card Balance Amount: \$400  
APR: 15%  
Number of Payment Periods: 12  
Minimum Monthly Payment: \$12

How long will it take Xin to pay this credit card balance down to zero if he only makes minimum monthly payments?

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### BLUE BELT

Credit Card Balance Amount: \$850  
APR: 18%  
Number of Payment Periods: 12  
Minimum Monthly Payment: \$26

How long will it take Xin to pay this credit card balance down to zero if he only makes minimum monthly payments?

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### RED BELT

Credit Card Balance Amount: \$1,300  
APR: 21%  
Number of Payment Periods: 12  
Minimum Monthly Payment: \$39

How long will it take Xin to pay this credit card balance down to zero if he only makes minimum monthly payments?

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### ORANGE BELT

Credit Card Balance Amount: \$550  
APR: 16%  
Number of Payment Periods: 12  
Minimum Monthly Payment: \$17

How long will it take Xin to pay this credit card balance down to zero if he only makes minimum monthly payments?

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### PURPLE BELT

Credit Card Balance Amount: \$1,000  
APR: 19%  
Number of Payment Periods: 12  
Minimum Monthly Payment: \$30

How long will it take Xin to pay this credit card balance down to zero if he only makes minimum monthly payments?

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### BLACK BELT

Credit Card Balance Amount: \$3,300  
APR: 22%  
Number of Payment Periods: 12  
Minimum Monthly Payment: \$99

How long will it take Xin to pay this credit card balance down to zero if he only makes minimum monthly payments?

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# CREDIT CARD KUNG FU

## Questions

1. During the first year that he is making payments, how much money will Xin be paying each month in total across all 9 credit cards just to cover the minimum balances on each card?

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2. Credit card companies prefer that people only pay the minimum payment each month. Why is this?

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3. Why should a consumer like Xin consider the APR of a credit card?

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## Activity Wrap-Up

Remember that when shopping for a credit card, it's always best to find a card with a low APR rating and avoid credit cards with hidden fees. When you do have a credit card, it's best to pay the balance in full each month. Keep in mind that you should only spend what you can repay immediately.



# BIZ TERMS VOCABULARY

- **Annual Percent Range (APR):** the annual rate that an individual is charged for borrowing money (% number representing the annual cost of funds over the duration of a loan)
- **Burdened:** feeling loaded down by a heavy responsibility
- **The “Chicken vs. Egg” Debate:** a question that has baffled scientists through the ages: “Which came first, the chicken or the egg?”
- **Credit Card Balance:** the outstanding amount owed on a credit card (amount carried over to the next month instead of completely paying the total amount due at one time)
- **Credit Card Offer:** an invitation extended to individuals inviting them to apply for a credit card (offers usually involve information regarding rates, fees, and various financial incentives related to a the selection of a particular credit card)
- **Credit Card Debt:** a term describing when someone continuously carries a balance on their credit cards after a grace period has expired
- **Credit Score:** a numeric figure between 300 - 850 expressing an individual’s creditworthiness that is used by lenders to determine that person’s likelihood of paying back debt (the higher the score, the more likely a person is to repay debt)
- **Interest Rate:** the amount charged by a financial lender to a borrower for the use of assets (in this case, the money that is advanced through the use of a credit card)



# RESOURCES

**What's Up in Finance?**

<http://www.thirteen.org/finance/index.html>

**"It Costs What?!" On-Line Game**

<http://www.thirteen.org/finance/games/itcostswhat.html>

**United States Treasury: "Bad Credit Hotel" On-Line Game**

<http://www.controlyourcredit.gov/>

**Frontline: "Secret History of the Credit Card"**

<http://www.pbs.org/wgbh/pages/frontline/shows/credit/>

**PBS "Electric Money" Website**

<http://www.pbs.org/opb/electricmoney/index.html>

**"Smart Money Quiz Show" On-Line Game**

<http://www.practicalmoneyskills.com/games/>

**EconEdLink: "The Credit Card Mystery"**

<http://www.econedlink.org/lessons/index.php?lid=847&type=educator>

**Federal Reserve Bank of St. Louis – Lesson Plan: "Extra Credit: It's No Fairy Tale"**

<http://www.stlouisfed.org/publications/itv/articles/?id=1592>

**The Wall Street Journal: "The New Card on Campus – Prepaid Debit"**

[http://online.wsj.com/article/SB122109287812921669.html#mod=2\\_1559\\_topbox](http://online.wsj.com/article/SB122109287812921669.html#mod=2_1559_topbox)

**The Wall Street Journal Classroom Edition: "The New Rules of College Credit"**

[http://classroomedition.com/ce/articles/10may\\_colm\\_creditcard.htm](http://classroomedition.com/ce/articles/10may_colm_creditcard.htm)



Produced by: *Biz Kid\$* LLP

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Funded by:

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Co-Produced by:

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Distributed by:

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