

A SORTED TEACHER'S GUIDE

Credit cards

Handle with care



sorted.org.nz

YOUR INDEPENDENT MONEY GUIDE

BROUGHT TO YOU BY THE RETIREMENT COMMISSION

Welcome to Sorted Journeys

This resource is based on an advertisement featuring real life New Zealander Raeanna on her journey towards getting sorted. Raeanna works out how much her credit card is costing her.

With this resource students explore the following concepts:

- Credit cards are an easy way to pay for things but they can be expensive
- There are certain responsibilities and obligations associated with credit cards
- The way you choose to pay can make a difference to the amount you actually pay in the end.

This resource is intended for students in Years 11-13. It includes lesson suggestions plus extension activities and homework.



What's in this guide?

Section A Learning outcomes & links

Where possible the Sorted Journey advertisements have been linked to the New Zealand Qualification Authority (NZQA) unit standards as a guide for a core teaching programme. In this section you'll find out how this teaching resource links to the Personal Financial Management Curriculum, the NZ Curriculum and suggested links to a range of unit standards.

Section B Preparing for the lesson

This section lists the things you need to prepare for the lesson and includes background information about Raeanna and her Sorted journey.

All lessons require internet access.

Section C Learning activities

This section is split into different topics, each featuring relevant resources and suggested activities for the classroom. Some include suggestions for extension activities and homework as well:

- 1 Raeanna's Sorted journey
- 2 Credit cards – What are they?
- 3 Kiwi stories about credit cards
- 4 Doing the figures on credit cards
- 5 Everyday spending.

Where possible, the exercises are self contained, scalable, and move from simple to advanced. You can choose and adjust the weight of the exercises based on the level of the group.

If you need to alter activities to make them more relevant to your students – their lifestyles, families, cultural values and social backgrounds – please do so.

Sorted Journeys

Sorted Journeys is a series of four television advertisements featuring real New Zealanders using *sorted.org.nz* to get their money matters sorted.

With these Sorted Journey's education resources, students have the opportunity to identify the financial behaviours that reflect their values and attitudes. They learn about the skills and tools they need to manage their financial situation effectively.

Each advertisement is one minute long and features a particular topic:



Budgeting with Carl & Jess



Mortgages with Rochelle & Junior



Credit cards with Raeanna



Retirement planning with Liz

Section A Learning outcomes & links

Links to the Personal Financial Management Curriculum 2006

Students will demonstrate knowledge and understandings of:

How and why people use credit

Students could demonstrate such knowledge and understandings when they:

- Investigate how credit works (including interest costs) and identify a range of credit
- Understand the difference between manageable and unmanageable debt
- Investigate and calculate interest rates for simple interest.

How money is managed over time

Students could demonstrate such knowledge and understandings when they:

- Investigate different forms of payment and relate to different items of expenditure.

Managing credit

Students could demonstrate such knowledge and understandings when they:

- Understand the need to plan and manage debt
- Compare costs, obligations and time frames of different forms of credit arrangements.

This resource
is intended for
students in Years
11-13.

Links to the NZ Curriculum

The Sorted Journey advertisements provide teaching opportunities of the type outlined in the NZ Curriculum.

'Links between learning areas should be explored. This can lead, for example, to units of work or broad programmes designed to: develop students' financial capability, positioning them to make well informed financial decisions throughout their lives.'

Page 39, The NZ Curriculum

There are teaching opportunities designed to provide knowledge and opportunities to develop key competencies.

The people within the Sorted Journey advertisements have to make decisions, manage self, think and use language, symbols and tools. Their financial behaviour is not value-free and there are situations where their beliefs about what are important and desirable, are reflective of their thinking and actions.

Teachers are advised to keep the key competencies in mind when using these resources. Through the teaching resource and financial learning experience, students are given the opportunity to learn about their own values and those of others. They will learn about the different kinds of values, including moral and economic values.

These learning experiences provide students with the opportunities to critically analyse people's values, various life stage decisions and the actions on which they are based.

Financial learning contains literacy and numeracy elements, as finance has specialist use of language, and tools and symbols to make meaning of information.

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Links to NZQA unit standards

Here are some NZQA unit standards that this teaching resource could be relevant to. These are suggestions only and teachers are encouraged to add exercises and resource material to meet assessment guidelines.

Additional standards already registered on the NZQA Framework can be used to deliver financial education content or to use financial education as a context for the standard. These can be found at www.nzqa.govt.nz.

Level 1	
US number	24701
Field	Core Generic
Subfield	Core Generic
Domain	Personal Financial Management
Credits	2
Title	Demonstrate an introductory knowledge of credit for personal financial management.
Elements	Demonstrate an introductory knowledge of credit for personal financial management.

Level 2	
US number	24702
Field	Core Generic
Subfield	Core Generic
Domain	Personal Financial Management
Credits	2
Title	Demonstrate knowledge of credit for personal financial management.
Elements	Demonstrate knowledge of credit for personal financial management.

Level 3	
US number	24703
Field	Core Generic
Subfield	Core Generic
Domain	Personal Financial Management
Credits	3
Title	Demonstrate and apply knowledge of credit for personal financial management.
Elements	Compare alternative forms of credit for personal financial management.

Section B Preparing for the lesson

Preparation

- 1 Watch the advertisement: www.sorted.org.nz/journeys/Raeanna.
- 2 Read Raeanna's story below.
- 3 Preview the teaching material and student workbook so that you're prepared for the topics and tasks that lie ahead. Some learning activities have extension and homework tasks associated with them.
- 4 Print enough student workbooks for your class.

Raeanna's story

Raeanna has learnt some hard lessons about using credit cards.

"It seemed like everyone had a credit card so I thought it was a pretty normal thing to do. When I used my credit card it didn't really feel like I was spending money."

After going on sorted.org.nz, Raeanna's focus is now on paying off her credit card debts as quickly as possible to minimise the amount of interest.

"Some people pay off their card each month and avoid paying interest at all, but if like me, you don't pay it all off monthly, the accumulating debt can become overwhelming.

"I was shocked when I used the Credit card calculator on Sorted and discovered that if I continued paying my debt at the rate that I am, by the time I've paid it off, the interest I'll have paid will be nearly the same amount as the original debt.

"I realise now that the money I am paying in interest could have been going towards retirement savings rather than into someone else's pocket. I think fewer people would get into debt with their credit cards if they did the math beforehand.

If you defer the purchase until you have done the credit card calculations on Sorted, you might decide to save for the goods or even go without," said Raeanna. Raeanna's getting sorted and you can too.



All lessons require internet access.

Section C Learning activities

1 Raeanna's Sorted journey

Students consider Raeanna's financial situation and identify the key themes and messages within the advertisement.

Estimated time 30 minutes

Resources required

Raeanna's advertisement:
www.sorted.org.nz/journeys/raeanna

Student workbook

ADVERTISEMENT

Individually

Students watch Raeanna's advertisement several times. Before showing the advertisement for the first time, alert the students to the key themes they will need to look out for each time the advertisement is played.

Themes

First screening: Ask the students to focus on Raeanna's age, her lifestyle and spare time activities.

Second screening: Ask the students to focus on the financial tools Raeanna uses to find out more about credit cards.

Third screening: Ask the students to focus on Raeanna's future goals and plans.

Give students time to take notes in between each screening.

CREDIT CARDS

WHAT DO YOU REMEMBER?

In pairs/small groups

Using their findings from the advertisement, students discuss the following questions with one another. Students record answers in their workbooks in preparation for the next activity.

-
- Q What activities did Raeanna enjoy doing in her spare time? A *Yoga, shopping and having coffee with friends.*
-
- Q What did Raeanna know about credit cards when she first got one? A *She said she did not know a lot, that she was quite naive and thought that everyone had one so they were a 'normal' thing to have.*
-
- Q Raeanna used a credit card calculator. What information did she have to include? A *Amount on card, interest rate and frequency of payments.*
-
- Q How did Raeanna react when she pushed the 'calculate' button? A *She was shocked. Her interest was nearly the amount of her debt.*
-
- Q True or false – Raeanna keeps track of her spending on her credit cards? A *False.*
-
- Q What money does she keep track of? A *Her cheque account, the money coming in and the money going out.*
-
- Q Is saving for retirement on Raeanna's list of goals? Why? Why not? A *No, it is not on her list. She realises the amount she is paying in interest on her credit card she could be putting into her KiwiSaver account.*
-

REFLECTION

Class discussion

Students discuss their answers as a group.

Consider the following questions:

- What do you think will happen to Raeanna in the near future?
- Will Raeanna continue using her credit card the way she is now? Why? Why not?
- What are Raeanna's goals? What do you think is important to her?
- How does Raeanna's lifestyle compare to yours? Do you know someone like Raeanna?

2 Credit cards – What are they?

Raeanna said that since everyone had a credit card she thought it was a normal thing to have and that it didn't seem like she was spending money. Having had one however, Raeanna has learnt some hard lessons about credit cards. In this topic, students are introduced to credit cards.

Estimated time 60 minutes

Resources required

Managing debt section on sorted.org.nz

Brochures, advertisements and direct mail about credit cards from different suppliers

Student workbook

CREDIT CARDS DEFINED

In pairs/small groups

A credit card enables cardholders to purchase goods and services on credit rather than pay by cash, cheque or EFTPOS. Users receive a monthly statement on their credit transactions and will not usually be charged interest if the monthly account is paid in full by the due date. Credit cards may also be used to get cash advances.

In this activity students discuss what they already know about credit cards, broaden their understanding of credit cards and the options available.

Discuss the following questions. Students record key findings in their workbooks.

- What is credit?
- What different types of credit cards are there?
- Why are there different types of credit cards?
- How old do you have to be before you can get a credit card?
- Do you know anyone with a credit card?
- What do they use their credit card for?

CREDIT CARD OPTIONS

Small groups

Students make a list of credit cards options and their different features using:

- Credit card information on sorted.org.nz

CREDIT CARDS

- Brochures, advertisements and direct mail about credit cards from different supplier

Students complete the table in their workbooks and share their results with the class.

REFLECTION

Individually

Students write their responses to the following questions in their workbooks.

- What are the advantages of having a credit card?
- What are the disadvantages of having a credit card?

ACTIVITY VARIATIONS/EXTENSIONS

CREDIT CARD TIPS

Individually/small groups

Students read the '8 rules for credit cards' within the Managing debt section of *sorted.org.nz*. Then create their own tips for credit cards.

DIFFERENT TYPES OF DEBT

Homework

Apart from credit cards, what other sources of debt are there?

Students research debit cards, hire purchase and personal loans. Then record their key features in their workbooks. Report back to class.

INTEREST FREE AND CREDIT CARD LIMITS

Class discussion

Have a class discussion on the following topics:

- Credit cards can be 'interest free' if the cardholder pays the balance in full by the due date each month.
- Credit card limits. How are these set? What are the risks?

Students may need to call banks and credit card operators to find out information for the discussion.

3 Kiwi stories about credit cards

This topic is a reading comprehension activity. Students read and consider different stories about people and their credit cards and debt.

Estimated time 60-75 minutes

Resources required

Money Personality Profiler on sorted.org.nz
Sorted Kiwi stories (printed on Pages 14-15)
Student workbook

KIWI STORIES ABOUT CREDIT CARDS

**Individually/in pairs/
class discussion**

Choose one or more of the following Kiwi stories (these are also printed in the student workbooks) and choose from the activity options below:

- 1** Set a list of questions for the students to answer about the article, depending on the Year group. The list could include questions relating to their current spending habits.
- 2** Students complete the Money Personality Profiler referred to in 'She's gotta have it' and then share their profiles with each other.
- 3** Discuss the stories. In which ones is the debt likely to be manageable or unmanageable? Why?
- 4** Print off the stories and remove the last paragraph. Ask the students to find a solution, once they have completed them give them the final paragraph and see if they have a similar solution. (These stories are in the students' workbooks – so make sure they do this activity without access to their workbooks!)

Provide feedback and reflection opportunities for the students after each article.

CREDIT CARDS

KIWI STORY: YOU CAN'T DO WITHOUT YOUR SLEEP



Trudy is 28, single, and working in an office. She's earning a good salary, and she loves beautiful things. Over the past couple of years she has built up quite a bit of debt, and she's got absolutely no savings. Her credit card balance is \$3,000 and she owes \$1,200 on HP.

It's high interest debt so she's been making a concerted effort to pay it off. But with no savings Trudy is concerned about not having anything put aside for emergencies (like her car breaking down!). In fact she is worrying so much about her money situation that she isn't sleeping at night.

Trudy visits Sorted and realises that her biggest concern should be improving her net worth - the difference between what she owns and what she owes. So she decides to take a long-term view and stay focused on getting rid of her debt.

She sets a goal to pay off her credit card and HP balance in six months. After that, she will start saving for the emergency fund.

KIWI STORY: SHE'S GOTTA HAVE IT



Mandy loves shopping and often buys on the spur of the moment. If she sees something she likes, she's got to have it, right now!

However, when her partner threatened to cut up her credit card, Mandy realised she might need to review her spending habits.

She did the Money Personality Profiler on Sorted and found she was a Hedonist - someone whose talent for enjoying the good things in life can also make them more subject to impulsive temptations.

That rang true. And it motivated her to try a new tack. Mandy forced herself to slow down and think before her next purchase by slipping her credit card into the freezer.

Next time she felt the urge to splurge on a pair of the latest designer shoes she'd have to come home, de-ice the card, then go back and buy...or not.

KIWI STORY: PUT AWAY THE BOXING GLOVES



If there's one topic that's likely to cause an argument in Pete and Myra's house, it's money. Pete's spur of the moment spending sprees drive Myra nuts. No matter how hard she tries to minimise the times he's alone with their credit card, Pete can't seem to help himself – if he spots something he wants, he buys it. For Pete's part, he doesn't understand why Myra gets so worked up about it. After all, that's what

a credit card's for isn't it? Friends tell Myra & Pete about the Money Personality Profiler on Sorted and how it helped them understand why they had such different attitudes to money. So the two of them decide to give it a go.

Not surprisingly, Pete discovers he's a Money Maestro – prone to bursts of extravagant expenditure. Myra on the other hand is a Practical Domestic – someone who likes order and structure with money, and believes in saving. No wonder Pete's tendencies with the credit card have her lying awake at night. They work together to reach a compromise. They set Pete a monthly spending fund – an amount he can use to buy whatever he likes, as long as he keeps within the budget. And Myra agrees to the fund being slightly more than she'd normally agree to – because she knows they'll actually be able to save more than before because Pete's no longer got a free reign with the credit card.

KIWI STORY: THE RIGHT SORT OF DEBT

Brendan has decided to get a qualification through distance learning. He needs a computer at home so he can keep up with the course work in the evenings.

His course is about to start and he hasn't got enough saved to buy the computer he needs. But Brendan is comfortable about borrowing for this because he knows he's investing in his future.

Brendan has found a 12 month interest free deal for the \$3,000 laptop he wants. He has to pay \$35 in account charges but no repayment insurance premium.

He committed himself to paying off the debt within 12 months so won't be paying any interest with the interest free deal. All up he would end up paying \$35 extra – the set up account charge – for the deal. If Brendan puts the laptop on his credit card at 19.5% interest, he wouldn't pay any additional account charges but he would end up paying around \$300 in interest over the year.

The cost of Brendan's laptop:	
Cash	\$3,000
12 month interest free deal	\$3,035
Credit card	\$3,300 (11 monthly repayments of \$300)

Comparing all the costs, it's obvious to Brendan that, assuming he pays off his laptop inside the interest free 12 months, hire purchase would be a good way to buy the computer.

INTERVIEW

Homework

Students interview someone with a credit card and write an article for Sorted using the same style of language and tone.

Emphasize to the students that the article should focus on the outcome (the lessons learnt) rather than the figures of the credit card debit and ensure all names and personal details are to be changed.

Students present their stories to the class.



4 Doing the figures on credit cards

Credit cards are an easy way to pay for things but they can also be very expensive if you don't pay off the balance in full every month. The longer you leave an unpaid credit card balance the more expensive it gets.

Students discuss interest and use an online Sorted calculator to calculate the true cost of debt.

Estimated time 60 minutes

Resources required

Managing debt on sorted.org.nz

Credit card calculator on sorted.org.nz

Student workbook

INTEREST

Class discussion

Paying by credit card can be a good option – providing you're savvy in the way you operate your account. Credit cards usually have an annual fee. But this may be less than you pay on EFTPOS fees in a year and credit card payments are usually fee-free. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

If you don't pay your monthly balance on time you will be charged interest – often around 20% per year. That means you're paying 20% more than everyone else for the same item. Remember if you add the interest to the outstanding balance then your debt can grow very fast.

What's more, cash advances (when you withdraw money with your credit card) can be expensive because you're charged interest from the day you get the money out instead of getting a month or more free credit.

It's important that you choose a credit card that suits how much you spend and your ability to repay. For example, if you tend not to pay off your card every month, you'll probably be better off with a lower interest rate.

Discuss:

- What do the students understand about interest?
- What information do students think is important to know about interest and credit cards?

Record findings on the board.

CREDIT CARDS

CALCULATIONS

Individually/In pairs

In this activity students see the effect of interest and how this adds up over time - compared to the original amount borrowed.

Using the Credit card calculator on sorted.org.nz students calculate how long it will take for the people in the table below to pay back their credit card debt, to see how much interest would have been paid over that time and the total amount paid.

Name	Credit card debt \$	Current interest rate %	Repayment amount \$	Frequency	How long will it take to repay?	Interest paid \$	Total amount paid \$
Jules	3,000	21.95	150.00	Monthly			
Hans	15,000	19.00	1,450.00	Monthly			
Claire	450	15.90	22.50	Monthly			
Hoani	1,680	22.20	50.40	Monthly			
Liana	6,500	19.95	260.00	Monthly			

REFLECTION

Class discussion

Consider the following questions:

- What reaction do students have to the length of time and the interest amount on the amount borrowed for each person?
- Compare the original amount borrowed with the total amount paid – what are the students' thoughts?
- What suggestions and advice do the students have for any of the people above?

5 Everyday spending

When you want to buy something like a MP3 player, a new pair of shoes or a DVD, you probably don't think a lot about how to pay for it. But the way you pay can make a difference to how much you actually pay.

Students identify where their money is going and assess the best methods of payment for purchasing different items.

Estimated time 60 minutes

Resources required

Everyday Money section on sorted.org.nz

Spendometer on sorted.org.nz/spendometer

Managing debt movie on sorted.org.nz/movies

Student workbook

WHERE DOES MY MONEY GO?

Class activity

Raeanna kept an eye on her cheque account – the money coming in and going out. Ever wondered where your money goes?

As a class, students estimate how much they spend on discretionary items such as the ones listed below and list their preferred methods of payment in their workbooks:

- Food and drink
- Transport
- Entertainment
- Sports gear/tickets
- Communication (mobiles, internet downloads)
- Music

How much does your class spend in a month on the above items?

Record findings on the board.

REFLECTION

Class discussion

Consider the following questions:

- Are the students surprised at any of the figures for the month? If so which ones? Why?

CREDIT CARDS

- Does one particular item stand out as being where most of their money goes? If so why do they think this is?
- What items would the students like to spend more money on? Why?

THE TRUE COST

In pairs/small groups

The way you choose to pay for things can make a huge difference to how much you actually pay in the end.

Using the Spendometer on sorted.org.nz, students explore different payment options. Students choose up to four items to purchase and review the true cost of the different payment options. Students record the best method of paying for the item and the reasons why they have chosen that option in their workbooks.

Students report findings back to the class.

Class activity

Consider the following questions:

- Were the students aware of the different ways to pay?
- Now students know the way to pay can affect the cost of what they buy – will any of them change their spending behaviour or consider this in the future?

ACTIVITY VARIATIONS/EXTENSIONS

MANAGING DEBT MOVIE

Individually

Students watch the Managing debt movie on www.sorted.org.nz/movies and write any observations or notes in their student workbook.

The Retirement Commission

The Retirement Commission helps New Zealanders prepare financially for retirement, through education, information and promotion.

Our Sorted information programme helps Kiwis of all ages to understand money matters and manage their personal finances throughout life. The Sorted programme is made up of the website sorted.org.nz, a range of Sorted booklets and Sorted seminars, as well as these educational resources.

The Sorted website was launched in 2001 along with the Sorted mouse, which was created to encourage people to go online and get sorted. The catch phrase for the Sorted website was 'To Get Sorted on Money Matters – Use Your Mouse'.

If you have any feedback about these resources we would like to hear from you. Please email the Sorted team at office@sorted.org.nz.

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To order Sorted booklets:

- ▶ sorted.org.nz/ordering
- ▶ 0800 SORT MONEY (767 866)



sorted.org.nz
YOUR INDEPENDENT MONEY GUIDE