Lesson plan for credit cards topic - duration 30 minutes+

<u>Learning objectives</u>

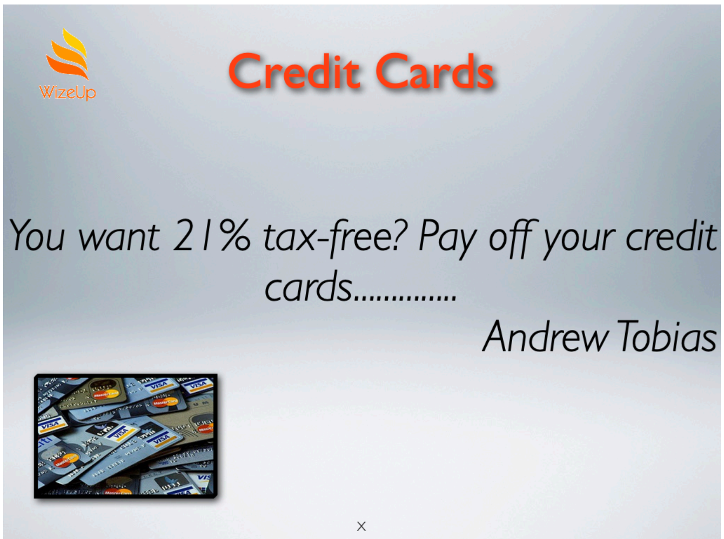
- To explain the pros and cons of using a credit card
- To explain how they work
- Why it might be worth considering using one.
- To remove preconceptions about credit cards

<u>Resources</u>

- WizeUp powerpoint presentation
- online games
- Videos
- Kahoot! quiz

<u>Content & teach activity</u>

Slides



<u>Starter</u>

•Ask students who are likely to use a credit card in the future
•Find out what the preconceptions are
•Explain that no one will be offered a card until their 18th birthday.
•Explain that there may be some offers to new customers.

•List of some credit cards which are available in the UK.
•Explain that there are lots and not all from banks.
•APR and minimum payment amounts will vary from card to card.

WizeUp

Remember...

Student credit card is linked to student account.

APR likely to be high.

Almost certainly a low initial credit limit.

Minimum payment likely to be higher than on a standard credit card.

Purchase protection on items >£100.

x

- A student credit card will be offered by banks when you go to university.
- It will be linked to your student account.
- It is likely to have a low initial credit list although this will go up with good account management.
- As you have no payment history the minimum repayment each month is likely to be quite high although as it is on a small overall balance it won't be that much in real terms.
- Users will receive payment protection on all purchases on credit cards over £100

WizeUp

Managing your account

Paying off outstanding balance means no interest charges

Minimum payment goes down along with your balance .

You will be asked to set up a direct debit for the minimum payment.

Cancel unused cards.

x

- If you pay the entire balance off every month then there will be no interest to pay.
- The minimum amount you have to pay every month decreases along with the card balance.
- To pay the minimum balance the user will be asked to set up a direct debit with their bank and the card company.
- Companies share your information so ensure to cancel unused cards as the limit will be applied to you even if you're not using it.

WizeUp

DIRECT Debit

Allows the company you have set up the direct debit with to approach your bank and ask for a sum of money

Provided you have the money in your account your bank will pay the company

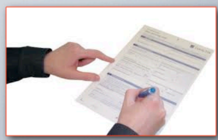
Used to pay a regular non-standard bill eg Phone

x

- A direct debit is an agreement between an individual and a company which allows the company to take an unspecified amount of money from the individuals account of a fixed date.
- It will be paid by the bank as long as there are funds or a facility to cover the payment.
- Ask students to think of the things that are likely to be paid with it.
- Mobile phone bill, mortgage etc.

WizeUp

Standing Orders



By setting one up you will pay the same amount at the same time each period to the same company

It will only be paid as long as you are below your overdraft limit

Typically used to make regular payments eg mortgage, savings

You need to know the other parties bank details - account name, number, bank and sort-code

•A standing order is an instruction to your bank to pay a third party a fixed amount of money on a fixed date every week/month/year.
•It will be paid by the bank as long as there are funds or a facility to cover the payment.
•Ask students to think of the things that are likely to be paid with it.
•Loan repayment

WizeUp

D.D. V S.O.

Example - £500 balance, 20% APR, minimum repayment 1% of balance + interest, 2.25% of balance or £5

1% of balance + interest = £5 + £8.33 = £13.33
2.25% of balance = £11.25
or £5

x

•Example to show the effect of changing a direct debit for the minimum payment to a standing order for the same amount.
•Explain that this is a real credit card (Santander)
•Explain how the minimum amount is calculated.
•The minimum amount used will be the highest amount.
•So £13.33 in this case.
•This will decrease a tiny amount every month as the balance decrease.

WizeUp

D.D. V S.O.

If only the minimum payment is made each month how long does it take to repay the debt and how much interest is paid?

Direct Debit for decreasing minimum payment.

12 years 10 months

Interest costs - £571.

x

•Ask students to guess how long they think it will take to repay the debt if only the minimum payment is made each month.
•Highlight that interest costs are bigger than the original borrowed amount.

WizeUp

D.D. V S.O.

What happens if the direct debit is cancelled an a standing order is set up for £13.33 each month?

Time to repay now is 4 years 9 months.

Interest costs are now - £249.

x

- Explain that the direct debit can be cancelled and replaced by a standing order for exactly the same amount - £13.33
- Ask students to judge what effect this would have on how long it takes to repay the loan.
- How long do they think it will take now?

WizeUp

D.D. V S.O.

What happens if the Standing Order is for fixed payment of £20 per month?

2 years 8 months.
Interest costs - £135.

What happens if the Standing Order is for fixed payment of £30 per month?

1 years 8 months.
Interest costs - £82.

x

- Show different scenarios of repayment profile.
- Ask students what conclusions they can draw from it.
- Higher regular monthly payment = shorter repayment time = less interest paid = cheaper.
- BUT - don't over extend and never miss a payment date

WizeUp

A well run account will increase your credit rating quicker than anything else.......

x

- If you can run a credit card well for 6 months you will have access to cheaper, bigger deals.
- It will have a very positive effect on your credit rating which you will begin on your 18th birthday.

Could show a film from the website here is time allows

Test Knowledge
Kahoot! Quiz on the website

Plenary
Check out what students credit deals are out there.
Discuss results - find out if this has altered people's opinions