# Back to basics

Credit and debt

## OBJECTIVES

1. To introduce the concepts of credit, debt, and the cost of credit.
2. To learn about the different types of credit products.
3. To understand how credit influences our spending habits.

## DISCUSSION

Get your students involved by tailoring these discussion points to their grade level, interests and experience:

* Have you ever borrowed money from family or friends?
* Why do we borrow money?
* How is borrowing money from a bank different than borrowing money from family or friends?
* How many types of credit can you name?
* What does it mean to be “in debt”?
* What is interest?
* What is the cost of credit?
* Is it more expensive to buy with cash or credit?
* Does credit make it easy to overspend?
* How can FOMO (Fear of Missing Out) impact your spending habits and use of credit?
* What are the consequences of not paying back the money you borrow?
* What is a credit score? What is a credit report? What are these used for?

## ACTIVITY

**COST OF BORROWING**

Length: 30**–**45 minutes

Materials: ***Cost of borrowing handout***, a computer and the Financial Consumer Agency of Canada’s (FCAC) [Credit Card Payment Calculator](http://itools-ioutils.fcac-acfc.gc.ca/ccpc-cpcc/ccpc-cpcc-eng.aspx)\*

* Working in groups of two, have students fill out the ***Cost of borrowing handout*** using the FCAC’s Credit Card Payment Calculator.
* Once students have completed the handout, discuss their findings as a class.

\* [itools-ioutils.fcac-acfc.gc.ca/ccpc-cpcc/ccpc-cpcc-eng.aspx](http://itools-ioutils.fcac-acfc.gc.ca/ccpc-cpcc/ccpc-cpcc-eng.aspx)

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## EXTENSION

* Using the ***Funding your future handout***, have students research the cost of a post-secondary education and explore the payment options available to them. The [Government of Canada’s Student Financial Assistance website](https://www.canada.ca/en/employment-social-development/services/student-financial-aid.html)\* provides information on student loans, grants, scholarships and education

savings programs. Financial institutions also offer private education financing.

Have students research scholarship programs and complete a scholarship application. Grade 12 students who are pursuing post-secondary education will be able to submit their applications and younger students will benefit from the experience when they reach grade 12.

## COLLABORATIVE FEEDBACK

* Have the class discuss their payment plans from the extension activity.
* What are the advantages and disadvantages of their plans?
* Have any of the students started saving for their education? What are the advantages of saving early on?
* What strategies can help the students borrow less? Discuss scholarships as a source of education funding.

## TEACHER TIPS

* Invite a recent post-secondary student, scholarship program representative or a student financial services representative to speak to your class about funding their education.
* Use FCNB’s [Credit Card Infographic](https://fcnb.ca/en/online-services/resources)\*\* to show how quickly interest can increase the cost of a purchase.

## PRE- AND POST-ASSESSMENT OF LESSON

* What do you know about credit and debt?
* What did you learn about credit and debt?

\* [www.canada.ca/en/employment-social-development/services/student-financial-aid.html](https://www.canada.ca/en/employment-social-development/services/student-financial-aid.html)

\*\* [fcnb.ca/en/online-services/resources](https://fcnb.ca/en/online-services/resources)

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