Lesson 1.1: Unlock Your Financial Future

Lesson Author

Meaghan Vitale, Federal Reserve Bank of Philadelphia

Standards and Benchmarks

See page 4.

Lesson Description

In this introductory activity, students work together in groups to estimate the answer to a series of ten questions about economics and personal finance statistics. After answers are revealed, students are presented with additional information about the topic. To obtain answer keys for the handouts and assessment in this lesson, create an account on FederalReserveEducation.org.

Concepts

Credit
Interest rate
Income
Savings
Spending

Objectives

Students will be able to:

- explain decisions that can impact their financial success.

Compelling Question

What decisions impact financial wellbeing?

Time Required

45 minutes

Materials

- Unlock Your Financial Future Lesson 1.1 Slides
- Handout 1.1.1: Game Rules, one copy for each group
- Handout 1.1.2: Answer Sheet, one copy for each group
- Handout 1.1.3: Score Sheet, one copy for each student
- Handout 1.1.4: Insurance Cards, one card for each group, cut apart

- Answer Key 1.1, one copy for teacher
- Optional: Whiteboard and markers, one for each group
- Optional: Calculator

Preparation

- You will need to cut Handout 1.1.4: Insurance Cards.

Procedure

1. Display Slide 2 and ask students

    a. What does it mean to be financially successful? (*Answers will vary. Students may suggest having a lot of money or the ability to buy whatever they want.*)

    b. What steps can you take to become financially successful? (*Answers will vary. Students may suggest getting a high-paying job, going to college, or saving money.*)

2. Display Slide 3 and tell students they will be playing a game that highlights important components of their financial lives. They will work in groups to determine the answers to questions about income, credit, savings, and investing.

3. Divide students into groups of 4-5 and distribute one copy of Handout 1.1.1: Game Rules, Handout 1.1.2: Answer Sheet, and an insurance card from Handout 1.1.4 to each group. Tell students to come up with a name for their group to represent their financial savviness.

4. Explain the rules of the game.

    a. There are 10 questions.

    b. The answers are all numbers.

    c. Some answers are rounded to the nearest dollar or percent whereas others include the hundredth's place.

    d. Groups will select a representative to share their answers with the rest of the class using either the answer sheet or a whiteboard.

    e. You do not have to be exactly correct. Groups earn points if they score within a specified range of the correct answer.

    f. Each group will receive one insurance card. You have one opportunity to use your insurance card to change your answer after the groups share their guesses, but before the answer is revealed. Use it wisely.

    g. Groups cannot use outside help or devices of any kind.

5. Tell students that they will use Handout 1.1.2 to share their answers with the rest of the class.

   NOTE: If you have whiteboards, groups can use them to share their answers with the rest of the class.

6. Distribute Handout 1.1.3 to each student. Tell students this handout is for keeping track of their scores and for taking notes on how to improve their future finances.

7. Display Slide 4. Ask the question on the screen. Have students work together in their groups to write down an answer.

   NOTE: Use the Teacher's Guide in Answer Key 1.1 to help answer any clarifying questions and later, for suggested scoring.

8. Once all groups have decided on an answer, have each group share their guess. Ask groups if they would like to use their insurance card to change their answer.

9. Display Slide 5 with the correct answer. Note to teacher: If a group guesses the exact answer, you can award a bonus point.

10. Read the additional information on the slide.

11. Continue for the remaining 9 rounds.

12. Tell students to calculate the total number of points they earned and announce the winner.

Closure

13. Ask students:

    a. What was the least surprising fact in this activity? (*Answers will vary.*)

    b. What was the most surprising fact in this activity? (*Answers will vary.*)

    c. What steps can you take to be financially successful? (*Answers will vary, but students might suggest saving, using credit wisely, making informed decisions, or staying in school.*)

Assessment

14. Have each student write a brief paragraph explaining what they think is the most important key to financial success using information they learned in the game. (*See Answer Key 1.1 for detailed grading guidance.*)

Standards and Benchmarks

National Standards for Personal Financial Education

Standard 1: Earning Income

Most people earn wage and salary income in return for working, and they can also earn income from interest, dividends, rents, entrepreneurship, business profits, or increases in the value of investments. Employee compensation may also include access to employee benefits such as retirement plans and health insurance. Employers generally pay higher wages and salaries to more educated, skilled, and productive workers. The decision to invest in additional education or training can be made by weighing the benefit of increased income-earning and career potential against the opportunity costs in the form of time, effort, and money. Spendable income is lower than gross income due to taxes assessed on income by federal, state, and local governments

Benchmarks: Grade 12

4. Employers generally pay higher wages or salaries to more educated, skilled, and productive workers than to less educated, skilled, and productive workers

Standard 2: Spending

A budget is a plan for allocating a person's spendable income to necessary and desired goods and services. When there is sufficient money in their budget, people may decide to give money to others, save, or invest to achieve future goals. People can often improve their financial well-being by making well-informed spending decisions, which includes critical evaluation of price, quality, product information, and method of payment. Individual spending decisions may be influenced by financial constraints, personal preferences, unique needs, peers, and advertising.

Benchmarks: Grade 12

2. Consumer decisions are influenced by the price of products or services, the price of alternatives, the consumer's budget and preferences, and potential impact on the environment, society, and economy.
6. Housing decisions depend on individual preferences, circumstances, and costs, and can impact personal satisfaction and financial well-being.
8. Federal and state laws, regulations, and consumer protection agencies (e.g., Federal Trade Commission, Consumer Affairs office, and Consumer Financial Protection Bureau) can help individuals avoid unsafe products, unfair practices, and marketplace fraud.

Standard 3: Saving

People who have sufficient income can choose to save some of it for future uses such as emergencies or later purchases. Savings decisions depend on individual preferences and circumstances. Funds needed for transactions, bill-paying, or purchases, are commonly held in federally insured checking or savings accounts at financial institutions because these accounts offer easy access to their money and low risk. Interest rates, fees, and other account features vary by type of account and among financial institutions, with higher rates resulting in greater compound interest earned by savers.

Benchmarks: Grade 12

2. Deposit account interest rates and fees vary between financial institutions and depend on market conditions and competition.

Standard 4: Investing

People can choose to invest some of their money in financial assets to achieve long-term financial goals, such as buying a house, funding future education, or securing retirement income. Investors receive a return on their investment in the form of income and/or growth in value of their investment over time. People can more easily achieve their financial goals by investing steadily over many years, reinvesting dividends, and capital gains to compound their returns. Investors have many choices of investments that differ in expected rates of return and risk. Riskier investments tend to earn higher long-run rates of return than lower-risk investments. Investors select investments that are consistent with their risk tolerance, and they diversify across a number of different investment choices to reduce investment risk

Benchmarks: Grade 8

7. The benefits of compounding for building wealth are greatest for people who invest regularly over longer periods of time.

Standard 5: Credit

Credit allows people to purchase and enjoy goods and services today, while agreeing to pay for them in the future, usually with interest. There are many choices for borrowing money, and lenders charge higher interest and fees for riskier loans or riskier borrowers. Lenders evaluate creditworthiness of a borrower based on the type of credit, past credit history, and expected ability to repay the loan in the future. Credit reports compile information on a person's credit history, and lenders use credit scores to assess a potential borrower's creditworthiness. A low credit score can result in a lender denying credit to someone they perceive as having a low level of creditworthiness. Common types of credit include credit cards, auto loans, home mortgage loans, and student loans. The cost of postsecondary education can be financed through a combination of grants, scholarships, work-study, savings, and federal or private student loans.

Benchmarks: Grade 8

5. Lenders charge different interest rates based on borrower risk of nonpayment, which is commonly evaluated using information in the borrower's credit report

Benchmarks: Grade 12

5. Federal student loans have lower rates and more favorable repayment terms than private student loans and may be subsidized.

Standard 6: Managing Risk

People are exposed to personal risks that can result in lost income, assets, health, life, or identity. They can choose to manage those risks by accepting, reducing, or transferring them to others. When people transfer risk by buying insurance, they pay money now in return for the insurer covering some or all financial losses that may occur in the future. Common types of insurance include health insurance, life insurance, and homeowner's or renter's insurance. The cost of insurance is related to the size of the potential loss, the likelihood that the loss event will happen, and the risk characteristics of the asset or person being insured. Identity theft is a growing concern for consumers and businesses. Stolen personal information can result in financial losses and fraudulent credit charges. The risk of identity theft can be minimized by carefully guarding personal financial information.

Benchmarks: Grade 12

11. Online transactions and failure to safeguard personal documents can make consumers vulnerable to privacy infringement, identity theft, and fraud.

Handout 1.1.2: Answer Sheet (page 1 of 2)

1.
2.
3.
4.
5.

Handout 1.1.2: Answer Sheet (page 2 of 2)

6.
7.
8.
9.
10.

Handout 1.1.3: Score Sheet

Use this sheet to keep track of your team's points after each round and take notes on ways to be financially successful.

Team Name:			
Guess	Answer	Points	Notes
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
Total			

Handout 1.1.4: Insurance Card