

# The Basics of Spending Money

Notes:

## Learner Outcomes

Outcome #1: Participants will be able to name common ways to pay for something.

Outcome #2: Participants will be able to identify the largest household expense for most families.

Outcome #3: Participants will be able to name at least one type of financial institution.

## Target Audience

Elementary-age kids (grades 3 to 6)

## Materials

1. Flip chart and markers or a dry-erase board and dry-erase markers
2. Name tags (downloaded for free from the Bank It Web site), one for each participant
3. A pen or pencil for each participant
4. Something to track time
5. Evaluation Pretest #1-SP-E for each participant
6. Evaluation Posttest #1-SP-E for each participant
7. Take-Home Notes #1-SP-E for each participant
8. Optional: PowerPoint Presentation PDF #1-SP-E
9. Optional: Handout #1-SP-E for each participant

## Timing

1 hour

**Want more background and training tips?** See the free, downloadable Bank It Elementary Quick Start Leader's Guide at [www.bankit.com](http://www.bankit.com).

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## 1. Welcome and Overview (5 minutes)

Arrive early. We highly recommend that you use the optional PowerPoint Presentation PDF and the optional handout—both will greatly enhance your session. If you're using the PowerPoint Presentation PDF, show the "Welcome to Bank It" slide as participants enter the room.

Greet each participant individually and learn their names as they arrive. Have them create a name tag with their first name only.

Give participants either a pen or pencil. Have them sit in clusters of about four people. If possible, have them sit at tables. Then welcome the whole group to the session.

*Say: Welcome to Bank It. Bank It delivers real-world financial topics and tools for kids and parents that make it easier to understand, talk about, and manage your money. Bank It was developed by Capital One and Search Institute. I'm glad each one of you is here.*

*Today we will focus on the basics of spending money, and we plan on meeting three goals. One: By the end of this session, you will be able to name common ways to pay for something. Two: You will be able to identify the largest household expense for most families. Three: You will be able to name at least one type of financial institution.*

If this session is not the first session you're presenting to this group, consider briefly discussing the challenge you may have given participants at the end of your previous session.

The optional challenges offered at the end of each session provide you a way to connect sessions together to make a series. Once your group comes back together for the next session you can use the optional challenge as a refresher and review.

## 2. Pretest and Activity (15 minutes)

*Say: The first activity we'll do is a short pretest. The pretest has only six questions, and I don't want you to worry about how well you'll do on it. We'll take this exact test again at the end of our session after we have learned about the money concepts on this test.*

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What matters most is how much you learn and how well you do on the test at the end of our session, not on how well you do on the pretest.

Distribute the Evaluation Pretest #1-SP-E to participants. Give them time to complete the pretest. Then collect the pretests when they have finished. The Evaluation Key #1-SP-E has all the answers for your information.

*Say: Research shows that children in the United States spend lots of money.<sup>1</sup> Before 1990, spending by children ages 4 to 12 almost doubled every 10 years.<sup>2</sup> In the 1990s, it tripled.<sup>3</sup> Currently, children spend \$40 billion every year.<sup>4</sup>*

*Ask: What do you use to spend money?* Write participants' answers on a flip chart. The most common method for kids is cash (coins or bills), and sometimes they use gift cards. Then list four major ways adults pay for something. These include: 1. Cash. 2. Check. 3. Debit card. 4. Credit card.

*Briefly describe each method of payment: When you pay with cash you use dollar bills and coins. When you use credit, you're using a credit card for which you receive a monthly statement that lists all of the items and services you bought with your credit card. You can write a check, which is tied to an account. Or you can use a debit card, which looks like a credit card but is tied to an account where the funds are taken out right away.*

*Then ask: Do you pay attention when adults in your family spend money? What do they use a lot to pay for things? (Answers: Credit card. Checks. Cash. Debit cards.)*

*Ask: What's the best way for someone your age to use money as a method of payment? (Answer: Cash.) Ask: Why? (Answer: Because children your age are too young to use checks and credit cards. Some children can get a debit card when they are older and get an account at a financial institution. Cash is also the easiest way to keep track of your money. You know when you have it and when you don't.)*

*Ask: What's the best way for an adult to use money as a method of payment? (Answer: It depends.) Ask: Why? (Answer: Because each way of spending can be helpful if an adult uses that type of spending well. If used responsibly, credit cards, for example, can help adults build their credit rating, which is something we'll learn more about in the Borrow Well session.)*

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Once participants understand the four major payment methods, say that you're going to do a quick activity called "Spend or Stop?" Say: *I'm going to name an amount of money that a person has. Then I'll name two things that person could buy for a certain price. If the amount of money the person has is higher than the price of the two items combined, stand up and shout "Spend!" If the amount of money the person has is lower than the price of the two items combined, stay seated and shout, "Stop!"*

This requires participants to do some math. If participants want to use paper and pencil, encourage them to do that. You want them to think about which number is higher and what the higher number means. (If participants are good at math, do this activity quickly.)

Say: *A person has \$20. The person wants to buy two items, one for \$5 and one for \$14. (Give participants time to stand if they would say spend the money and to sit if they would not. Then have participants look around to see how many are standing and sitting. The answer is: Stand and spend. Note, however, that you may have someone who questions whether you should always spend your money, even if you have it, which is a great point to discuss.)*

Then say other scenarios, such as these, one at a time, giving time for participants to stand or sit: *You have \$10. You want to buy two items, one for \$6 and one for \$5. (Answer: Stop and sit.) You have \$5. You want to buy two items, one for \$3 and one for \$2. (Answer: Stand and spend.) You have \$8. You want to buy three items, one for \$4, one for \$3, and one for \$2. (Answer: Stop and sit.)*

After you've finished the activity, debrief it. Ask: *How do you decide how to spend your money? How do you decide when to save your money?*

### 3. Present (15 minutes)

Explain that money experts classify the money we spend, called *expenses*, in two ways. On a flip chart, write "Fixed" on the left-hand side and "Variable" on the right-hand side. Ask if anyone knows the definitions of these two words. Explain that a fixed expense is expected to stay the same and a variable expense means that it will change. (Consider writing "stays the same" and "will change" in parentheses under the labels to help participants understand them.)

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Explain that you're going to name different money situations and participants need to decide if the situation fits the "fixed" category or the "variable" category. Write the answer in the correct spot after you decide as a group.

Name money situations such as these: *You borrow money from your parents and agree to pay them back \$1 each week. Fixed or variable? (Answer: Fixed.) You spend \$2 on snacks one week and \$1 on snacks the next week. Fixed or variable? (Answer: Variable.)*

*You buy a video game for \$30 one month and then don't buy another video game until six months later. Fixed or variable? (Answer: Variable.) You buy a school lunch every day for the same price. Fixed or variable? (Answer: Fixed.)*

Explain that adults have fixed and variable costs as well. Ask: *Where can you cut back on your spending more easily: with fixed costs or variable? (Answer: Variable because it changes.)*

If you want participants to become more active in the learning process, consider doing the Fixed Versus Variable Activity listed under Optional Activities at the end of this session.

Say: *Now let's talk about how families spend money. On another piece of flip chart write "Household expenses." Then list these items: food, housing, clothing, transportation, health care, entertainment, and insurance and pensions. Explain that you're going to discuss each of these categories as a group.*

Ask the following questions. See if anyone knows any of the answers, but don't expect participants to know much if they haven't had much experience in this area.

Ask: *What are food expenses? (Answer: Groceries. Eating out. Buying snacks.) What are housing expenses? (Answer: Rent or the monthly amount a person pays to own a house, which is called a mortgage payment.) What are clothing expenses? (Answer: Pants. Shirts. Shoes. Belts. Pajamas.)*

Ask: *What are transportation expenses? (Answer: Bus pass. Subway pass. Car payment. Gas for the car. Insurance for the car. Cab fares.) What are health care costs? (Answer: Cost to go to the doctor. Medicine. Health care insurance.) What are entertainment costs? (Answer: Movies. Concerts. Video games.)*

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Ask: *What are insurance and pensions?* (Answer: Life insurance. Health insurance. Car insurance. Retirement funds. IRAs.) If you plan to distribute the optional handout, use it at this time.

If you have third or fourth graders, have them make a list of the numbers on the handout from biggest to smallest before completing the handout. The Handout Key #1-SP-E has all the correct answers for your information.

Ask: *What is the most common household expense for most families?* Let participants guess from the list of expenses you listed on the flip chart. (Answer: Housing.<sup>5</sup>) *What is the least common household expense for most families?* Let participants guess. (Answer: Clothing.<sup>6</sup>)

If you want participants to become more active in the learning process, consider doing the Grocery List Activity listed under Optional Activities at the end of this session.

Say: *Let's talk about debit cards. What does a debit card look like?* (Answer: It's plastic. It looks like a credit card.) *Even though a debit card looks like a credit card, it's very different. A debit card is linked to a savings or checking account. As soon as you use the debit card, the money is taken out of your account.*

Say: *Right now you are too young to get a debit card, but when you turn 13 you can get one when you open a savings or checking account if your parent or legal guardian agrees to be added to your account and be responsible for charges to the debit card. You don't have to wait to become an adult, like you do to get a credit card.*

Say: *To get a debit card, you have to have a savings or checking account. These accounts are available at financial institutions. On a flip chart list the three major types of financial institutions: Bank. Savings and loan. Credit union.*

Say: *Raise your hand if you've heard adults talk about a bank.* (Pause. Ask participants to notice how many hands are raised.) *Raise your hand if you've heard adults talk about a savings and loan.* (Pause. Ask participants to notice how many hands are raised.)

Say: *Raise your hand if you've heard adults talk about a credit union.* (Pause. Ask participants to notice how many hands are raised.)



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## 4. Discuss (5 minutes)

Say: *Take some time to talk to the people near you. Talk to about two or three people. Take turns. I want you to do two things: 1. Say your first name. 2. Name the best thing you bought lately. Start with the person who has the most pets. Then have each person take a turn.*

## 5. Review and Evaluate (15 minutes)

Review what was accomplished during this session. Ask: *What are common ways to pay for something?* (Answer: 1. Cash. 2. Check. 3. Debit card. 4. Credit card. 5. Online banking. 6. Loans.) *How do money experts classify expenses?* (Answer: 1. Fixed. 2. Variable.)

Ask: *What is usually the largest household expense for most families?* (Answer: Housing.) *What is usually the smallest household expense for most families?* (Answer: Clothing.)

Ask: *What is true about debit cards?* (Answer: 1. A debit card is linked to a checking or savings account. 2. A debit card is different from a credit card. 3. The money is stored in an account, not on the debit card. 4. You can get a debit card when you're a child or teenager if you have an account and your parents agree to be responsible for the charges.)

Ask: *What are examples of financial institutions?* (Answer: 1. Bank. 2. Savings and loan. 3. Credit union.)

At the end of the review, distribute Evaluation Posttest #1-SP-E to each participant. Give participants time to fill out the posttest. Collect all the posttests after participants finish so you can find out the measurable outcomes for the session. The Evaluation Key #1-SP-E has all the answers for your information.

## 6. Close (5 minutes)

Do a short activity for the closing. Have participants stand and form a circle. Ask: *What do the adults you know say about spending your money well?* Encourage participants to share what they've heard. Have the group talk about which bits of advice they like the best.

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Say: *We all spend money. We can make good choices when we spend money.* Distribute the Take-Home Notes #1-SP-E. Challenge participants to talk to family members about this topic, which is listed under the Talk about It section of their Take-Home Notes. Thank participants for coming and for being involved.

## Optional Activities

**1. Distribute Handout #1-SP-E: Family Expenses.** Give participants the handout to complete. Afterward, discuss their answers. Handout Key #1-SP-E has the correct answers for your information.

**2. Show the PowerPoint Presentation PDF #1-SP-E.** Use the presentation to accompany the one-hour session.

**3. Do the Fixed Versus Variable Activity.** Have young people sit in a circle. Explain that you’re going to play a game based on the “fixed” and “variable” concepts. Talk through the game the first time before you actually play. Explain that one person will start. That person will say either “fixed” or “variable.” The person on his or her right will say a number, such as the number three.

If the first person said “fixed,” every time someone else says “fixed,” the person who speaks next must say the exact number that was said the first time after the word “fixed,” such as the number three. If the person does, you proceed around the circle. If the person makes a mistake, you start going back around the circle in the opposite direction.

The game works by having the first, third, fifth (and every odd-numbered person) say either “fixed” or “variable.” The person on the right says a number. If “variable” was said, the person needs to pick any number except for the fixed number named before. If the person accidentally says the “fixed” number, the circle reverses itself.

Every time the word “variable” is said, the number spoken after it needs to be different from the “fixed” number and also from the previous “variable” number. The participants will need to pay close attention to what’s being said. As they learn the game, encourage them to speed it up to make it more fun and challenging.



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**4. Do the Grocery List Activity.** Have participants line up along the wall on one side of the room. Explain that you’re going to play the Grocery List Activity. Each person will take a turn and name one item that can be purchased at the grocery store. If the person names something that no one has said before, he or she can cross the room to the opposite side. Start with the person who went grocery shopping with his or her family most recently.

If a person names something that has already been said (or doesn’t know what to say), that person needs to leave the activity. Once everyone has moved from one side of the room to the other, begin naming grocery items again to move to the opposite side of the room. Continue doing the activity until only one person is standing.

**5. Give Participants a Challenge.** Encourage participants to use the next week to ask their parents how they decide whether to use cash or some other way to spend money. Ask what their parents think about their spending. (If you wish, follow up during your next session to find out how the challenge went.)

Questions? Looking for more ideas? Visit [www.bankit.com](http://www.bankit.com) for answers and more resources.

## For More Information

*National Standards in K–12 Personal Finance Education* (Washington, D.C., Jump\$tart Coalition for Personal Financial Literacy, 2007), standards 1 and 3 in the area of Planning and Money Management.

*An Asset Builder’s Guide to Youth and Money* by Jolene Roehlkepartain (Minneapolis: Search Institute, 1999).

## Sources

- <sup>1</sup> Packaged Facts, “The Kids Market in the U.S.,” seventh edition, a Packaged Facts report, May 1, 2006.
- <sup>2</sup> James U. McNeal, *The Kids Market: Myths and Realities* (Ithaca, NY: Paramount Market Publishing Inc., 1999).
- <sup>3</sup> Ibid.
- <sup>4</sup> Packaged Facts, *ibid.*
- <sup>5</sup> U.S. Bureau of Labor Statistics, “Consumer Expenditures—2009,” *Economic News Release*, October 5, 2010.
- <sup>6</sup> Ibid.

