



## Part 2, Module 7: Debt – Is it Worth the Price?

### **Lesson Overview:**

The purpose of this lesson is to help students understand the true cost of incurring debt. In the online learning module, students will see the differences between necessary and unnecessary debt.

### **As a result of this lesson, students will:**

- Differentiate between needs and wants when purchasing items
- Identify the different types of debt that college students may need to assume

### **Materials you will need to teach this lesson include:**

- Notecards or pieces of paper with the following categories (one item per paper) written:
  - Medical event or situation
  - Education
  - Transportation
  - Homeownership
  - Credit Card Debt
  - Finance Company Loans
  - Home Equity Loans
  - Rent-to-Own
  - Auto Title Loans
  - Payday Loans
- Tape

### **Students will need:**

- Notebook and pen

### **Instructions:**

Give students 2 minutes to write down all of the things they will need and want to buy for college. Once finished with their lists, have students circle the items that are truly needs, items they could not live without (housing, transportation, healthcare, etc.). Lead the class to discuss how they should differentiate between wants and needs based on their individual values.

Take the notecards or pieces of paper with the categories of debts and have the students take turns placing a card into the categories of either “Necessary Debt” or “Unnecessary Debt”. Once the student places the card into a category, have them explain the benefits and/or dangers associated with this type of debt.



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### Homework Assignment:

Assign students to locate and bring to class advertisements for credit cards, payday loans, home equity loans, etc. They should research the true cost of taking on this type of debt and identify any misleading advertising language. Students should get in small groups to share their findings and educate other students about the dangers of unnecessary debts.

### Variations on this lesson:

Students could be placed into small groups to determine their lists of items that may need to be purchased for college. The students would then have to determine which items on their list are truly needs and which items are wants.

Using the chart below, you can have the students guess the amount of interest or fees that would be paid in 1 year on a \$1,000 loan balance or contract balance for each type of account.

