

Four Dollars and Fifty Cents

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Source: www.moneymanagement.org

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Financial Literacy Library

Description:

In this lesson, students use the book, *Four Dollars and Fifty Cents*, to discover ways that creditors can obtain payment from reluctant debtors.

Personal Finance Concepts:

Creditor, debtor, collateral, credit report

Instructional Objectives:

Students will be able to:

- Define creditor as someone who lends.
- Define debtor as someone who borrows.
- Define collateral as an item of value that a debtor pledges to a creditor until a debt is paid.
- Explain the function of a credit report.

Time Required:

One class period

Materials Required:

- Copy of *Four Dollars and Fifty Cents*
- Irregular circles cut from brown construction paper to the size of biscuits
- Four desks at each corner of the room to serve as store counters
- A large flannel shirt, a pair of jeans (large enough to fit over a student's pants and fall down without a belt), a cowboy hat, a belt, a piece of paper with the words "Credit Report" written at the top, a pencil, and a pencil eraser - Note: *Use ink to write the words "Credit Report" at the top of the piece of paper. In pencil, list the following names on the report: Widow Macrae, Oscar the Blacksmith, Jesse at the General Store, and Floyd the Barber. Hold the list for procedure step 11.*
- Play money

Procedure:

Note to teacher: This lesson involves role play. It may be necessary to prepare very young students ahead of time to follow the scenarios.

1. Tell students that you are going to read a story about a man who would do anything to avoid paying his debts. Read *Four Dollars and Fifty Cents*. Ask the following questions.
 - a. Why wouldn't Shorty pay the Widow Macrae what he owed her? (*If he paid her, he would have to pay his debts to everyone.*)
 - b. What's a poor, old widow to do? Can people get by with not paying their debts? (*Answers will vary, but students may suggest that people go to jail if they don't pay their debts or that the creditor confiscates something of value from the debtor.*)
2. Explain that a **creditor** is someone who lends money or its equivalent and that a **debtor** is someone who borrows money or its equivalent. Ask students if they have ever been debtors or creditors. (*Perhaps they have loaned friends money for candy or lunch; perhaps they have borrowed money for those purposes.*) Discuss the following.
 - a. Who is the creditor in the story? (*Widow Macrae*)
 - b. Who is the debtor in the story? (*Shorty*)
 - c. What is a deadbeat? (*a person who doesn't pay his or her debts*)
3. Explain that students will play the parts of some of the characters in the book to see if they can find a way to encourage Shorty to pay his debts.
4. Ask for a student volunteer to play the role of Shorty and one to play the role of the Widow Macrae. Dress "Shorty" in the cowboy hat, a flannel shirt (to be worn over the student's shirt), a pair of jeans (to be worn over the student's pants), and a belt to hold up the pants.
5. Have the students role play a scenario between Widow Macrae and Shorty in which Shorty comes to the counter to buy a biscuit from Widow Macrae.
6. Place the Widow Macrae at one of the corner desks to represent her restaurant counter. Suggest to Widow Macrae that she take something of Shorty's to hold for every biscuit he buys on credit. Prompt students to perform the scenario as follows:

- a. Shorty goes to the counter and asks for a biscuit.
 - b. Widow Macrae asks Shorty if he has any money to pay for the biscuit.
 - c. Shorty responds that he has no money but will pay the widow back when he gets some.
 - d. Widow Macrae gives Shorty a biscuit (construction paper), but takes the hat off his head explaining that she will return the hat when he pays for the biscuit.
 - e. Shorty continues asking for biscuits, and the widow keeps taking articles of clothing until she has the hat, shirt, belt, and pants.
7. Explain that in some cases when someone extends credit to someone else, the creditor extending the credit takes something of value from the person getting the credit - the debtor - and holds it until the debt is paid.
 8. Explain that the item of value held until a debt is paid is called **collateral** and that many times creditors use this approach. An approach similar to this is used when someone buys a car on credit. Although the person buying the car on credit gets to use it, if the debtor doesn't make his payments, the creditor comes and takes the car. The car is the collateral.
 9. Remind students that Shorty wouldn't pay Widow Macrae what he owed her because if he paid her, he would have to pay all his other creditors. Explain that it would have been helpful to all the creditors if they had known that Shorty was a deadbeat.
 10. Explain that students will now perform another role play to show how the other creditors could have been warned about Shorty.
 11. Assign roles to six students as follows: Widow Macrae, Oscar the Blacksmith, Jesse at the General Store, Floyd the Barber, Shorty, and Clarence the credit reporter. Give Clarence the piece of paper titled, "Credit Report."
 12. Place Widow Macrae, Oscar, Jesse, and Floyd at desks in the four corners of the room, and have the students continue the role play as follows:
 - a. Have Shorty begin at the center of the room and then move to Widow Macrae's restaurant.
 - b. Have Shorty continue clockwise, going from vendor to vendor trying to buy from each store. Have Clarence follow him into each store with the credit report.
 - c. Instruct each vendor to look at the credit report and refuse to extend credit to

Shorty.

- d. Have Shorty and Clarence return to the middle of the room, empty-handed. Instruct Clarence to hold up the credit report for the class to see.
13. Explain that each person who has ever borrowed money has a credit report. The credit report follows you everywhere. In this way, creditors have a way of warning each other that someone shouldn't be trusted to pay their loans. Creditors who don't receive payments will report the missing payments to a credit bureau for the debtor's credit report. A good credit report tells creditors that the person who borrows money can be trusted to pay his or her debts.
14. Explain that a credit bureau keeps track of people's payments and missed payments on a credit report, and gives the report to any creditors who ask for it. Ask students what Shorty can do about this dire situation? (*Students may answer that it is necessary for Shorty to restore his ability to get credit by paying his debts, so that he'll have a good credit report.*)
15. Give Shorty four pieces of play money. Remind the students that Shorty came into some money when the bandits ran away. Now that Shorty has money, he can pay all the people he owes. Have Shorty go to each of the stores he owes and pay his debt. Give Clarence an eraser and, as Shorty pays his debts, have Clarence erase the name of each vendor from the credit report. Instruct Shorty and Clarence to move to the center of the room. Have Clarence hold the clean credit report for the class to see.
16. Explain that people with clean credit reports can get credit. Now, if Shorty wants to buy something on credit at these stores, the vendors will see his clean credit report and trust that he will pay his debts.

Closure:

Discuss the following:

1. What is credit? (*money loaned, usually for a fee, that must be repaid at a future time*)
2. What are credit cards? (*Credit cards are used as a method of payment by borrowing. When a customer uses a credit card, he or she is taking out a loan from the bank that issued the credit card. The customer must pay the credit card bill, or a portion of it, when it arrives. If the customer does not pay the full amount of the credit card bill, he or she will be charged interest.*)
3. What is a loan? (*A loan is money provided for temporary use on the condition that the same amount, usually with interest, be returned at a future date.*)
4. What is interest? (*Interest is an extra amount of money the customer pays for using the money borrowed.*)
5. What are the advantages and disadvantages of using credit? (*Cash: advantages - enjoy*

the good or service now, no additional fees or interest; disadvantages - must wait a long time to buy more expensive items, may be dangerous to carry a lot of cash. Credit: advantages - enjoy the good or service now, don't have to wait so long for more expensive purchases; disadvantages - must use money earned/received in the future to pay for the goods and services, must pay fees or interest charges, must give up other goods in the future.)

What is service credit? (*using a service in our homes for which we pay later*)

Assessment:

Place students in pairs. Instruct one of the students to be a creditor and one to be a debtor. Have students develop a role play different from that in this lesson but including collateral and a credit report as part of the solution to the problem. Explain that they should use the new personal finance vocabulary in their plays

Extension:

Instruct students to ask a parent what would happen if the parent didn't pay a debt. This will open suggestions of other ways creditors can obtain payment for debts. Possible answers might be that parents could be charged late fees

Bingo Brown and the Language of Love

Activity 1: Credit Inventory

Dear Parent:

We have been learning about credit. We have learned that people sometimes buy goods and services using credit cards. Sometimes they borrow money with a loan to buy goods and services. We have discussed service credit - receiving services in your home for which you pay at a later time. Also, we have talked about the advantages and disadvantages of using credit. As part of this lesson about credit, the students are asked to have an adult neighbor, parent, or relative help them answer the questions below.

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1. When you receive an electric bill, are you paying for electricity that you have already used or electricity that you will use in the future?
 2. Do you pay for garbage collection? If so, do you pay for a service already provided, or do you pay for the service in advance?
 3. Give some examples of other services used in the home that are paid for after the service is provided.
 4. What happens if you don't pay for the electricity, water, or newspaper delivery service after you have received it?
 5. What types of goods and services do you buy with a credit card?
 6. Have you bought a good or service by taking out a loan? If so, what good or service?

Bingo Brown and the Language of Love
Activity 2: Bingo Brown Bingo

Bingo Brown Bingo

B	I	N	G	O

Bingo Brown and the Language of Love
Activity 3: Bingo Brown Bingo Caller Cards

Bingo Brown Bingo Calling Cards:

B service credit	B service credit	B service credit	B service credit	B service credit	B loan	B loan	B loan
I service credit	I service credit	I service credit	I credit card	I credit card	I credit card	I loan	I loan
N service credit	N service credit	N service credit	N credit card	N credit card	N loan	N loan	N loan
G service credit	G service credit	G credit card	G credit card	G credit card	G loan	G loan	G loan
O service credit	O service credit	O service credit	O credit card	O credit card	O credit card	O loan	O loan
B service credit	I loan	N credit card	O loan	B credit card	I service credit	N loan	O credit card
B loan	I service credit	N credit card	O service credit	B service credit	I loan	N credit card	O service credit