

Not for a Billion Gazillion Dollar

by Paula Danziger

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Financial Literacy Library

Description:

Students read a book about Matthew Martin who wants a new computer program. He has no savings, and he's in debt to most of his classmates and his parents. His parents share their experiences of buying on credit and getting out of debt. Matthew uses his allowance to pay off his debts and saves until he can buy the computer program. Students learn about the advantages and disadvantages of saving and credit, and they have an opportunity to obtain homework passes on credit.

Personal Finance Concepts:

Credit, Debit, Saving

Related Subject Areas:

Language arts

Instructional Objectives:

Students will be able to:

- Define debt, saving, and credit.
- Explain the advantages and disadvantages of saving.
- Explain the advantages and disadvantages of credit.
- Analyze a credit request and determine if it should be granted.

Time Required:

Two class periods

Materials Required:

- Copy of *Not for a Billion Gazillion Dollars* by Paula Danziger
- Transparency and multiple copies of Activity 1
- Transparency and copies for students (optional) of Activity 2

Procedure:

1. Ask students for examples of when they have been in a store with an adult or good friend and have seen something they wanted, but haven't had the money to buy the desired item.
2. Discuss the following.

- a. How many of you convinced the friend or adult to loan you the money you needed to purchase the item?
 - b. What was an advantage of buying the item with a loan? (*Getting the item immediately.*)
 - c. What was a disadvantage of borrowing the money? (*Having to pay the money back later with future earnings; getting an item that turned out not to be what was expected, but still having to pay off the loan.*)
 - d. Why was paying back the loan difficult? (*Had alternative uses for the money.*)
 - e. Why were the adults or good friends willing to make the loan? (*They believed that it would be repaid because the student had the money or would earn the money.*)
3. Tell students that when the adult or friend loaned the money, they gave the students money on credit. **Credit** is an agreement to receive cash, goods, or services now and pay for them at a later date.
 4. Explain that the word "credit" comes from the Latin word "creditus" that means "to trust." When someone makes a loan, he or she trusts the borrower to pay it back.
 5. Tell students that you will read a book, *Not for a Billion Gazillion Dollars* by Paula Danziger, that is about a young man who borrows money but doesn't pay people back.
 6. After reading the book, discuss the following.
 - a. Why were Matthew's parents unwilling to buy a new computer program for him? (*They felt that Matthew had no appreciation of the value of money or of how hard they had to work for it. Matthew always wanted things and then didn't use them after he got them.*)
 - b. Why did his friend, Jill, refuse to lend him the money? (*He had borrowed money from her and three quarters of the sixth-grade class and had never paid them back.*)
 - c. What does Matthew mean when he says that he has gotten enough advances on allowances to keep him broke until school starts? (*He has borrowed so much on his future allowances that he won't receive an allowance until September.*)
 - d. Why were Matthew's parents so upset over his spending and borrowing patterns? (*The Martins were concerned that Matthew might do the same thing they did. When they were young, they had borrowed against their future earnings by charging things on their credit cards. They were in debt. They spent more than they made. Creditors were calling them. The Martins went to an agency that helped them work out a repayment schedule and a strict budget. It took a long time to pay off all their debts.*)
 7. Tell students that a **debt** is money owed to a person or business. Discuss the following.

- a. What plan did Matthew's parents set up to insure he paid off his debts? *(He made a list of everyone to whom he owed money. His parents loaned him the money to pay them back; that is, they gave him credit. Matthew only got 50% of his allowance until his debts were paid off.)*
 - b. How did this plan affect his spending decisions? *(He was more careful how he spent his money. He had to make choices such as whether to spend money on a trip or go to the movies.)*
 - c. What were the disadvantages of Matthew borrowing money? *(He couldn't pay off his debts; he often bought things he didn't really want; he had no money to buy the computer program which was something he really wanted; he could have lost his friends if he continued to borrow money and not paid it back.)*
 - d. What were some advantages of Matthew's borrowing? *(He was able to buy things he wanted immediately.)*
 - e. Why does Matthew feel good about earning enough money to pay for half of the computer program? *(He worked several jobs to earn the money. He was pleased that he hadn't wasted any of the money - he had saved it.)*
8. Remind students that Matthew saved for his computer program. Define **saving** as income not spent.
- a. What is an advantage of saving? *(Money accumulates; it may earn interest; it allows people to buy items without using credit.)*
 - b. What is a disadvantage of saving? *(Savers are unable to use the money to buy goods and services in the present.)*
 - c. What lessons did Matthew learn from his experience? *(Borrowing money is easier than paying it back. Sometimes, waiting to buy something is better than buying it with credit.)*
9. Tell students that you are going to give them an opportunity to borrow homework passes. You will loan them half-hour homework passes "on credit." They will have one week to repay each half-hour homework.
10. Display a transparency of Activity 1. Complete a sample credit slip. Discuss the following.
- a. Why might a student want to borrow a credit slip? *(A student might have soccer practice or a family event in the evening and needs to do homework at a later time.)*
 - b. What would be a disadvantage of borrowing a homework pass? *(It must be repaid in the future.)*

11. Fill out homework credit slips for students who want to borrow them. Be sure they understand that they owe you a half an hour of homework and must pay off their debt in a week. Be sure that they fulfill their obligations.
12. Ask students for examples when borrowing is a good decision and when it is not. Ask them to explain their decisions. (*Good decision: buying goods and services that require large sums of money such as automobiles and houses, borrowing when people know they will have plenty of future income to repay the debt; bad decision: borrowing for items purchased on impulse or for small items that don't seem like much but add up, borrowing when people don't have the means to repay the money in the future.*)

Closure:

Discuss the following.

1. What is debt? (*Money owed to a person or business.*)
2. What is credit? (*Credit is an agreement to receive cash, goods, or services now and pay for them at a later date.*)
3. What is the advantage of buying goods and services with credit? (*The ability to buy goods and services when a person doesn't have the money and to pay for them at a later date.*)
4. What is a disadvantage of buying with credit? (*The debt must be paid off with future income.*)
5. What is saving? (*Income not spent in the present.*)
6. What is a disadvantage of saving? (*Inability to get goods and services immediately.*)
7. What is an advantage of saving? (*To have money for emergencies, to have the ability to buy goods and services without borrowing, to earn interest in an interest-bearing savings account.*)
8. Give examples of times when you might want to borrow and times when you should wait and save.

Assessment:

Display a transparency of Activity 2. Read the instructions with the students. Tell students to write what Matthew might say to Jill when he calls her.

Extension:

1. Read "Should You Borrow Money?" in *Zillions*, March/April 1998, pp. 29-31.
2. Teach lesson 8, "Credit Is Based on Trust," from *Personal Finance Economics*, 3-5: *Smart Spending and Saving*, National Council on Economic Education, 1996.

**Not for a Billion Gazillion Dollars.
Activity 1: Homework Pass Credit Slip**



Homework Pass Credit Slip

_____ loans to _____
(Teacher) (Student)

one, half-hour homework pass This pass must be repaid by _____

(Teacher Signature)

(Student Signature)

**Not for a Billion Gazillion Dollars.
Activity 2: Advice for Jill**

Jill's mother decides to return to the lake for the rest of the summer. Jill writes to Matthew and tells him how frustrated she is because she has no opportunity to earn money. She asks Matthew if he will loan her money to buy some new CDs and jewelry. Matthew calls Jill to give her his decision.

Based on what Matthew has learned, write what he might say to Jill concerning her request. Include the decision you think Matthew should make and support your answer.
