
Literature Annotation
Financial Literacy is discussed through the topics of putting your money to work, investing and borrowing and making good financial decisions.

Grade Level: Grade 3-5

Duration: Two 45-minute lessons

Maryland State Curriculum
Economics
Standard 4: Students will identify the economic principles and processes that are helpful to producers and consumers when making good decisions.
4.A.1.a Explain why people must make economic choices
4.A.1.b Identify and explain the steps in the decision-making process

Personal Financial Literacy Standards
1.5.A.4 Describe the concept of financial obligations, such as borrowing
1.5.B.1 Identify the factors that affect personal financial decisions and actions
1.5.C.1 Develop and apply financial literacy vocabulary
4.5.A.1 List reasons why people borrow
4.5.B.1 Describe the concept of a loan
4.5.D.1 Define interest and explain how it is used
6.5.C.3 Identify the characteristics of an informed consumer

College and Career Ready Standards for Reading Informational Texts
RI4 Determine the meaning of general academic and domain-specific words and phrases in a text relevant to a grade 3 topic or subject area
RI7 Use information gained from the words in a text to demonstrate understanding of the text

Objectives: Students will...
• define and use financial literacy vocabulary
• explain what is meant by borrowing
• explain interest and how it is used
• calculate simple interest

Vocabulary
budget: a plan for using money wisely
debt: the amount of money owed
expense: the cost of a good or service
good: an item that people make
income: money earned or received
interest: payment for the use of money; usually a percentage of the total amount
investment: the use of money in a way that is intended to earn more money over time
loan: the amount of money given to somebody on the condition that it will be paid back later.

opportunity cost: the good or service you give up when you decide to buy a different good or service

risk: the chance of loss

service: a type of work that people do for others

Teacher Materials
Day 1
- Copy of the book Managing Your Money: Investing in Your Future
- Copy of Resource 2: Managing Your Money Definitions for playing Money game

Student Materials
Day 1
- Resource 1: Managing Your Money Vocabulary
- Resource 2: Managing Your Money Definitions
- Resource 3: Money!
- Markers for playing Money! game
- Resource 4: Show What You Know

Day 2
Teacher Materials
- One copy each of Resource Sheet 1 and 2 from yesterday
- Resource 5: Burt’s Bank
- Resource 6: Bank of Baltimore
- Resource 7: Johnson and Associates
- Resource 8: Diamond Credit Union
- Resource 9: Spinners
- Copy of the book Managing Your Money: Investing in Your Future
- Resource10: New Pool

Student Materials
- Optional: calculators for each students
- Paper clips for spinners
- Resource 11: Bank On It
- Resource 12: Interest.

Teacher Background
Day One of this lesson uses the book to reinforce financial literacy vocabulary while Day Two focuses on the concept of borrowing and provides students with an opportunity to calculate simple interest.
Day 1

Motivation
Put students into pairs or small groups. Distribute one copy of Resource 1: Managing Your Money Vocabulary and Resource 2: Managing Your Money Definitions to each group. Have students match the definitions with the vocabulary terms.

Development
1. Read Managing Your Money: Investing in Your Future and encourage students to adjust their matches as you read.
2. Have students share each vocabulary term and the correct definition.
3. Distribute Resource 3: Money! and have students choose 9 of their vocabulary terms and write one in each space of their game board.
4. Tell students Money! is played like Bingo – the goal is to get three in a row either vertically, horizontally or diagonally. When they get three in a row, they should shout “Money!”
5. Play Money! using the definitions from Resource 2: Managing Your Money Definitions- students should use their matched vocabulary and definitions as a resource while playing.

Conclusion
Have a discussion about the vocabulary terms used today – which terms did they already know, which were new, which are the most difficult, etc.

Assessment
Distribute and have students complete Resource 4: Show What You Know.

Additional Activity
For further practice and reinforcement, the students could play Concentration with the definition and vocabulary cards.

Day 2
Prior to today’s lesson, print one copy of Resource 5: Burt’s Bank, Resource 6: Bank of Baltimore, Resource 7: Johnson and Associates and Resource 8: Diamond Credit Union. Fold each to make a tent-shaped sign for each of 4 “banks.” Print one copy of Resource 9: Spinners and cut the spinners apart and place with the appropriate “bank.” Spread these at 4 stations around the room.
Motivation
Pass out one set of definition and vocabulary cards from yesterday’s lesson, one to each student. Have them circulate to find the student who has their correct match. Have students share their vocabulary term and definition with the class as a review of yesterday’s lesson. Collect cards. Tell students that today you will be focusing on one of those vocabulary terms – interest.

Development
1. Ask a student if you can borrow their pencil. Have a discussion about the meaning of borrow. Have students then brainstorm a class list of what items they and/or their family have borrowed – be sure that money is on the list.

2. Refer to this list and ask students why they borrowed these items (possible responses: wants, short-term goals and long-term goals). Focus on the idea of borrowing money and have students share why they borrow money and from who they borrow money. Record their responses making sure that bank appears on the list.

3. Introduce the term loan, and discuss why someone would loan you money. Then discuss why a bank might loan money to a person.

3. Read page 12 of Managing Your Money: Investing in Your Future. Have a discussion about the meaning of interest and why banks charge people interest to borrow money.

4. Display Resource 10: New Pool. Work through the activity modeling for the students how to calculate interest. Model for students how to use multiplication and/or a calculator to solve the problem.

5. Distribute Resource 11: Bank on It!

6. Put students into groups of 5 or 6 and have each group rotate through the 4 stations you have set up. At each station they will complete one of the sections of Resource Sheet 11 Bank on It!

7. As a class, share and discuss student responses. Explain to students that by shopping around for a loan they have just acted out a characteristic of a good consumer.

Conclusion
Refer back to the beginning of the lesson where you introduced the term, interest. Have students define, explain, give examples, etc in order to refocus the students on the objective of the lesson.

Assessment
Distribute and have students independently complete Resource 12: Interest.
Managing Your Money Vocabulary

- budget
- expense
- debt
- good
- income
- interest
- investment
- loan
- opportunity cost
- risk
- service
Managing Your Money Definitions

- the cost of the good or service that you give up when you decide to buy a different good or service
- an item that people make
- a type of work that people do for others
- a plan for using money wisely
- money earned by working or received from another source
- money spent on a good or service
- the chance of loss
- something that is owed
- the amount of money borrowed
- payment for the use of money; usually a percentage of the total amount
- the use of money in a way that is intended to earn more money over time
Show What You Know

Directions: Read each statement. If the vocabulary word is used correctly, circle T (true). If it is NOT used correctly, circle F (false) and change the underlined word in the false statements to make them true.

Example:
T  F  John was in debt because he had saved $10.

Correction: John was in debt because he had borrowed $10.

1. T  F  My family earned $5.40 interest from our savings account.
   Correction: ____________________________________________

2. T  F  Having a person paint your house is an example of a good.
   Correction: ____________________________________________

3. T  F  Money you earn from a job is called an expense.
   Correction: ____________________________________________

4. T  F  A loan can help you pay for college.
   Correction: ____________________________________________

5. T  F  An investment is what you give up when you buy a certain item.
   Correction: ____________________________________________
Burt’s Bank
Bank of Baltimore
Johnson and Associates
DIAMOND CREDIT UNION
<table>
<thead>
<tr>
<th>Bank</th>
<th>Amount of Loan</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Burt’s Bank</strong></td>
<td>$10,000, $20,000</td>
<td>5%, 10%</td>
</tr>
<tr>
<td></td>
<td>$40,000, $30,000</td>
<td>2%, 1%</td>
</tr>
<tr>
<td><strong>Bank of Baltimore</strong></td>
<td>$100,000, $200,000</td>
<td>4%, 10%</td>
</tr>
<tr>
<td></td>
<td>$50,000, $300,000</td>
<td>7%, 5%</td>
</tr>
<tr>
<td><strong>Johnson and Associates</strong></td>
<td>$5,000, $2,000</td>
<td>10%, 5%</td>
</tr>
<tr>
<td></td>
<td>$8,000, $10,000</td>
<td>4%, 2%</td>
</tr>
<tr>
<td><strong>Diamond Credit Union</strong></td>
<td>$10,000, $20,000</td>
<td>10%, 5%</td>
</tr>
<tr>
<td></td>
<td>$40,000, $30,000</td>
<td>4%, 2%</td>
</tr>
</tbody>
</table>
**New Pool**

You and your family are putting a new pool in your backyard but you need to take out a loan to pay for it.

Spin the first spinner to determine the amount you will borrow.

Spin the second spinner to determine the percent of interest the bank will charge.

<table>
<thead>
<tr>
<th>Amount borrowed _______</th>
<th>Interest rate (%) _______</th>
</tr>
</thead>
</table>

Total amount needed to pay back after 1 month: __________
Show your work.

Total amount needed to pay back after 2 months: __________
Show your work.

$5,000 $10,000 $50,000 $20,000

4% 2% 1% 5%
## Bank on It

<table>
<thead>
<tr>
<th>Burt’s Bank</th>
<th>Bank of Baltimore</th>
</tr>
</thead>
<tbody>
<tr>
<td>You are heading off to college. You need to borrow money to help pay for tuition.</td>
<td>Your family is building a new home. You need to make a loan from the bank.</td>
</tr>
<tr>
<td>Amount borrowed __________</td>
<td>Amount borrowed __________</td>
</tr>
<tr>
<td>Interest rate (%) __________</td>
<td>Interest rate (%) __________</td>
</tr>
<tr>
<td>Total needed to pay back after 1 month</td>
<td>Total needed to pay back after 1 month</td>
</tr>
<tr>
<td>Total needed to pay back after 2 months</td>
<td>Total needed to pay back after 2 months</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Johnson and Associates</th>
<th>Diamond Credit Union</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your family is buying a new car but you need to borrow from the bank.</td>
<td>You want to start a cookie business and will need a loan to get started.</td>
</tr>
<tr>
<td>Amount borrowed __________</td>
<td>Amount borrowed __________</td>
</tr>
<tr>
<td>Interest rate (%) __________</td>
<td>Interest rate (%) __________</td>
</tr>
<tr>
<td>Total needed to pay back after 1 month</td>
<td>Total needed to pay back after 1 month</td>
</tr>
<tr>
<td>Total needed to pay back after 2 months</td>
<td>Total needed to pay back after 2 months</td>
</tr>
</tbody>
</table>
**Interest**

Answer the following questions in a short paragraph to demonstrate your understanding of **interest**. Use the vocabulary we have used in class.

What is interest? How is it calculated? Why do banks charge interest?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________