



## **BIZ KID\$**

### **Episode 205: "How Credit Affects Your Life"**

#### **Day Two Introduction**

Play part of the theme music for "Biz Kid\$" from the episode intro to motivate and engage the students. Then stop the music, welcome the students/youth to today's session, and introduce yourself. If needed, ask students to please use their nametags.

#### **Review and Connect with the Previous Session**

We learned in Episode 205 that your credit score is your financial reputation; and that it follows you for the rest of your life. You also learned that you can control that credit reputation by being financially educated and making responsible choices.

As a young child, Biz Kid Kailen wondered where her quarter went when she put it in a vending machine. Her curiosity led her to become a young entrepreneur, a business owner with nine vending machines! She had to establish a good credit history in order to expand her business; and she uses both cash and credit to manage her business.

Jared, however, was a "bad choice guy" who learned the hard way. He still suffers the consequences of his financial choices. He had parking tickets and driving tickets he ignored and failed to pay. He had old cell phone debt. Another poor choice he made was to get quick money from a "Pay Day Loan Company" costing ten times the original amount borrowed. It takes a very long time to repay a loan with such an





exorbitant interest rate. His ability to expand his business now and his success as a business owner are limited by his poor credit history.

You don't have to make the same mistakes because you are now aware of the consequences of such choices.

Ian, another Biz Kid, spent two years working at building good credit. He gave us "Ian's five rules for getting a good credit score":

1. Apply for a credit card
2. Always spend within your means
3. Pay the credit card off regularly every month (don't keep a balance).
4. Don't open too many credit card accounts at once.
5. Pay all your other bills on time as well.

We learned that people are assigned a credit score within a range of 300 to 850. A good credit score is between 750 and 850. A score below 600 is considered bad.

We met Judge Info, a Bankruptcy Court Judge from New York. He said that credit card debt is the worst because it mounts up quickly and people don't focus on it. If you only make the minimum payments on the cards, it takes many years to repay the debt and you're spending thousands of dollars on interest.

Lauren was the poster girl for credit card misuse. When she was using the credit card her parents gave her for a trip, it didn't seem to her like she was using "real money". Her debt continued to increase due to interest charges. She had to take on extra jobs to earn more money to pay her debt. Now she uses a debit card instead of a credit card, which forces her to live within her means, and only buy what she can afford.





Another lesson learned the hard way...

Xin (pronounced "Zin"), also known as the "Urban Ninja", teaches martial arts. He managed to acquire 12 credit cards, using one card to make payments on another card...until he was thousands of dollars in debt and had no more credit. Now he must pay cash because of his bad credit history, and he still owes nearly \$10,000.00!!!

His ultimate goal is to reverse bad credit and pay off all debts.

Let's see how many of the five steps this group can recall of the "Biz Kid\$ Credit Card Shuffle."

Responses should include:

- Open an account at a Financial Institution, such as a credit union or bank
- Make a deposit
- Pay all your bills on time
- Get a pre-paid credit card and use it responsibly
- Never "max out" a credit card, only using it for needs, not wants!

A big emphasis of this program is to be sure that you understand that your financial history begins early. As you begin your "financial life", it is important to understand the consequences of how you handle credit.

### **Activity**

Explain that during this activity, the class will act as moneylenders.

Display an OHP Transparency of the worksheet titled: "**Ways to Build Good Credit**".





With the students, review this list and discuss why each item might be important in terms of establishing good credit.

Two student volunteers will be selected to read different credit scenarios aloud to the class.

The remainder of the class will use the tips listed on the OHP Transparency to determine whether or not the characters in the scenarios would be good or poor credit risks.

After each "Scenario" is read, the entire class will discuss the reasons why the characters would or would not be a good credit risk.

**Define a good credit risk as an individual or company with a high likelihood of paying back a loan according to the agreed-upon terms.**

- Ask for two student volunteers to read the scenarios aloud to the class.
- Give the student volunteers each a **"Credit Scenario A" Card** from the **"Credit Scenarios Sheet."**
- Ask the readers to take turns reading the cards to the class.
- After both students have read their scenarios, ask the class to whom they would feel most comfortable lending money, and why.
- If a person in the scenario is a poor credit risk, have students suggest ways they can improve their chances of being granted credit in the future.

Encourage discussion by allowing multiple students to respond.





**Repeat this activity for Scenarios B through D.**

Distribute the “**Family Activity Sheet**” and “**Biz Terms**” for all students to take home and share with their families.

Thank students for their attention and participation in today’s session.

