

The Fed Casher Show
A Consumer Call-In Program

**An Introduction to Personal Finance
and Building Wealth**

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Lesson Plan of the Year Contest, 2007–2008

Second Place

LESSON DESCRIPTION

This five-day lesson is an introduction to personal finance and building wealth.

To stimulate student interest, a call-in show format, hosted by “Fed Casher” (the teacher) provides the context for examining personal finance with the help of a Powerpoint presentation.

With Fed Casher’s help, students use Federal Reserve Bank publications to research answers and make written recommendations for solutions to problems presented by several callers to the show.

All of the publications required to teach the lesson are available at little or no cost to the school system.

GRADE LEVEL: High school economics, introduction to business, personal finance.

CONCEPTS

The overall purpose is to introduce and increase awareness of:

- **Building Wealth**
- **Budgeting**
- **Saving**
- **Credit Cards**
- **Insurance**

CONTENT STANDARDS

National Business Educators Association¹

Personal Finance Standards

- ***III. Managing Finances and Budgeting***

Achievement Standard: Develop and evaluate a spending/savings plan.

- ***IV. Saving and Investing***

Achievement Standard: Evaluate savings and investment options to meet short- and long-term goals.

- ***VII. Using Credit***

Achievement Standard: Analyze factors that affect the choice of credit, the cost of credit, and the legal aspects of using credit.

- ***VIII. Protecting Against Risk***

Achievement Standard: Analyze choices available to consumers for protection against risk and financial loss.

¹ National Business Educators Association: Found at <http://www.nbea.org/curfbes.html> under Business Education Standards, Economics, and Personal Finance.

Tennessee Standards²

6.0 Individuals, Groups, and Interactions

- **Standard.** Personal development and identity are shaped by factors including culture, groups, and institutions. Central to this development are exploration, identification, and analysis of how individuals, and groups work independently and cooperatively.
- **Found in Performance indicator 6.1** (a selection)
 1. Explain consumer rights and responsibilities.
 2. Demonstrate skills needed for computing finance charges, safe-debt loads, and personal budgets.
 3. Describe the rights and responsibilities of a borrower.
 4. Understand investment choices and how a person determines the amount to save and invest.
 5. Understand personal aspects of inflation, unemployment, and interest rates.

OBJECTIVES

Students will be able to

- Define what “wealth” means to them personally and understand that a definition of wealth is subjective.
- List and apply steps to create a personal budget.
- Explain that saving occurs when expenses are less than income.
- Interpret a graph to compare how various compound interest rates on the same investment result in different amounts over time.
- Explain the “rule of 72.”
- Compare and contrast credit card offers.
- Explain the importance of a credit report and list sources for obtaining one.
- Define insurance and list various types of insurance.
- Understand and apply personal finance information and skills to recommend solutions to problems and questions.

TIME REQUIRED

5 class periods

MATERIALS

A set of the following for the class:

Building wealth: A beginner’s guide to securing your financial future.
Federal Reserve Bank of Dallas. www.dallasfed.org/ca/wealth/

² Tennessee Standards: Found at http://tennessee.gov/education/ci/ss/9_12_economics.shtml, public access. Tennessee Department of Education.

Choosing a credit card. The Federal Reserve Board. Board of Governors of the Federal Reserve System. www.federalreserve.gov/pubs/shop/default.htm

Applying for credit and charge cards. Federal Reserve Bank of Philadelphia. www.philadelphiafed.org

A penny saved: Why and how we save, and how savings helps the U.S. economy. Federal Reserve Bank of New York. www.newyorkfed.org/publications/orderinfo.cfm

Your credit report. Federal Reserve Bank of San Francisco. www.frbsf.org/publications/consumer/creditreport.htm/

Survey of credit card plans. www.federalreserve.gov/creditcardsurvey/

EQUIPMENT: Projector and screen for a Powerpoint presentation

POWERPOINT: The Fed Casher Show
(Note: The "on-air" portion of the show has red slides, and the "off-air," or classroom teaching slides, are in blue.)

ACTIVITIES

Activity 1: Call-In Scripts

Activity 2: Comparing Betty and Lynne

Activity 3: A Penny Saved: Quiz

Activity 4: Compound Interest

Activity 5: Your Credit Report

Activity 6: Insurance

PROCEDURE

Day 1

1. Tell students that they are going to participate in a consumer call-in show. "Fed Casher," the famous host, is going to broadcast from their high school for the next few days. When people call in with questions, the students will research answers using resource materials that you, as the teacher, will provide for them. They will eventually prepare written recommendations for responses to callers' questions, and you will grade them on their work. Accordingly, it will be important for them to keep their notes and copies of all materials to help prepare their written recommendations.
2. Begin by showing "The Fed Casher Show" Powerpoint **slide 1**. If you wish, play music, introduce yourself as Fed Casher or have a student introduce you. (You will notice that notes accompany each slide for your convenience. These are only suggestions and you can change

them to meet your requirements. Remember that red slides are “on-air” and blue slides are for teaching purposes.)

3. **Show slide 2.** Welcome the audience and emphasize the importance of financial education and sound decision-making skills.
4. **Show slide 3.** Tell the audience that you are broadcasting from _____ High School. Students are going to research answers to callers’ questions and make written recommendations for solutions to their problems.
5. Tell the class that there is a call from Amy in Debt Hollow, Arkansas. Give a copy of *Activity 1: Call-In Scripts* to a student and have her read Amy’s script.
6. **Show Slide 4** (Amy’s script) and let students read it to ensure they understand her question.
7. **Show slide 5.** Thank Amy for the call and ask students to summarize her question. Tell students that you are now going off the air so that they can begin their research on saving and building wealth.
8. **Show slide 6** and ask, “What is wealth?” (Answers will vary.) Point out that “wealth” can mean different things to different people.
9. **Show slide 7.** Distribute copies of *Building Wealth: A beginner’s guide to securing your financial future* and ask students to read page 1. Have them write their own definitions of what wealth is in the spaces provided. Ask them to share their definitions with another student. Ask why everyone did not have exactly the same answers (Responses will vary.) Emphasize that “wealth” is subjective, or personal, depending on one’s individual situation, goals, and values.
10. Ask students to list the four time-honored principles listed on page 1 for building wealth (budget to save; save and invest; control debt; protect your wealth). **Show slide 8**, and tell students that they are going to focus on budgeting and saving to help research Amy’s question.
11. Ask students, “What is a budget?” Accept answers and **show slide 9**. Point out that every word in this definition is important. Emphasize words *itemized, summary, probable income and expenses, given period*.
12. Tell students that goal setting is important, and if they don’t know where they are going, they may end up somewhere else. **Show slide 10**. Tell students that goals must be realistic and attainable; there must be specified times for achieving goals; there has to be a

plan of action; yet, people should remain flexible to adapt to change when necessary.

13. Have students read page 4 in *Building Wealth* and list their short-and long-term goals in the spaces provided at the bottom of the page.
14. Ask for volunteers to share their goals with the class. What were some similarities? What were some differences? Ask students why everyone does not always have the same goals? (Individuals' circumstances, tastes, and preferences vary; this is normal.)
15. **Show slide 11.** Assign students to work in pairs. Have them read page 5 in *Building Wealth*. Distribute *Activity 2: Comparing Betty and Lynne* to each student. Ask students to complete Question 1 together. Then, have each student complete question 2 by writing a paragraph explaining which woman is in the better financial position and why.
16. Ask several students to read their paragraphs out loud, and make sure they all understand that one valuable tool that Lynne used was tracking expenses. Refer students to page 6 in *Building Wealth* to see how Lynne actually tracked her expenses by listing them daily. Have students track their own expenses for several days on the blank page 7 in *Building Wealth*. (Check these lists daily to monitor that they are being maintained.)
17. Explain that by accurately tracking one's spending a person sees a complete picture of where money is actually going. This picture is a tool to help diagnose spending habits and determine what, if any, changes should be made.
18. Tell students that they are going to examine Lynne's budget on page 8, *Building Wealth*. Have them look at current income and current expenses. Ask, "What were Lynne's total expenses?" (\$2,320) "What was her total income?" (\$2,235) "What is the problem?" (Lynne has spent \$85 more than she earned.)
19. Have students read the paragraph at the top of page 8, *Building Wealth*. Ask them what Lynne's goal was. (to save \$125 per month) What strategies did Lynne use to meet her goal? (She worked overtime to earn more money and cut her spending on clothes, TV, gas, restaurants, and entertainment.) Ask students to identify the amounts that are shown for each of these items under "income changes" and "spending changes" on Lynne's budget. (earned an extra \$40, spent \$20 less on gas, \$20 less on cable, \$30 less on clothes, \$50 less on meals and entertainment, and \$50 less on miscellaneous items, such as soft drinks, magazines, video rental, cookies, newspapers)

20. Review the steps that Lynne took to save money. (tracked expenses, set a goal, increased income, and cut expenses)
21. Remind students of Amy's call and how these ideas will be helpful in a report to Amy.

Day 2

22. Review Amy's call again and ask students to explain the term "saving." (Answers will vary.) Explain that saving exists when expenses are less than income.
23. **Show slide 12.** Distribute copies of *A Penny Saved* and ask students to read pages 1–8.
24. Distribute a copy of *Activity 3: A Penny Saved: Quiz*. **Show slide 13** (the quiz). When students have finished, go over the answers question by question. Suggested answers:
 - Saving means refraining from spending all of our income on the things we buy now such as food, clothing, housing, transportation, and entertainment.
 - People went without a real diamond, a wedding, a college education, sneakers, travel, a house, meat, and transportation.
 - Banks pay interest. Banks are also safe.
 - Compound interest pays interest on interest earned as well as interest on savings.
 - "72" divided by the interest rate gives the approximate number of years that it will take the original deposit to double.
25. Reinforce the concept of compound interest. **Show slide 14.** Have students read page 10 of *Building Wealth*. Hand out *Activity 4: Compound Interest*, and tell students to answer the questions. (If you save \$125 per month for 25 years, you would have about \$190,000–\$200,000 given a 10% compound interest rate; \$130,000–\$150,000 given an 8% compound interest rate; \$90,000 given a 5% compound interest rate; \$40,000 given no interest. Compound interest helps build wealth because interest is paid on interest as well as on the original deposit.) Go over students' answers and respond to any questions. Ask how many students were surprised at the differences in the amounts that resulted from various interest rates. Emphasize that compound interest is a powerful tool that can work to their advantage. (It can, however, be an expensive tool if they are paying it instead of receiving it.) Remind students that this information will also be important when reporting to Amy.

Day 3

26. Tell the class that there is another caller on the line. Give a copy of *Activity 1: Call-In Scripts* to a student and have him read Jeremy's script. **Show slide 15**—Jeremy's call.
27. Ask students, "What is credit?" (The ability to borrow money from a lender. The lender is a "creditor" and the borrower is a "debtor.")
28. Ask students, "What is a credit card?" (Answers will vary.) Explain that a credit card allows the cardholder to take out a loan for transactions in return for promising payment. Often students do not think of people as taking out a loan when they use a credit card.
29. What is the main benefit of using a credit card? (It gives the ability to purchase goods and services now and pay for them in the future.)
30. What are the costs of using a credit card? (Credit card issuers charge interest and fees for the use of their money. Because these charges vary from card to card, people should compare charges, fees, and conditions before selecting a credit card.) Give each student a copy of *Applying for Credit and Charge Cards* and point out that the brochure summarizes what a credit card issuer must disclose. Refer students to the section on disclosure, and emphasize that credit card companies are required by federal law to disclose all annual percentage rates charged, variable rate information, annual fees, grace period for repayment of balances, methods of computing balances for purchases, minimum finance charge, transaction fee for cash advances, balance-transfer fees, late-payment fees, and over-the-credit-limit fees.
31. Tell students that they are going to do some research on credit cards. Distribute a copy of *Choosing a Credit Card* to each student. Refer students to pages 2–3, which provide a template for comparing credit cards. Have students work in pairs to analyze the credit card information, which that you have assembled from:
 - the Federal Reserve's credit card survey (www.federalreserve.gov/creditcardsurvey/)
 - blank applications that have been mailed to you or,
 - online information sites for various businesses that offer credit cards.Distribute credit card information from three different companies to each pair of students.
32. When students have completed their blank templates by compiling their information on three different credit cards, ask each pair to select the card they think would be best for Jeremy. Have them explain why, and tell them to keep notes for a recommendation to Jeremy.

Day 4

33. Remind students of the research they did yesterday on credit cards, and tell them that how they use credit can have implications for their personal finances for years to come. Give a copy of *Activity 1: Call-In Scripts* to a student and have her read the script of a call from Jamie in Crisis Living, Alabama. **Show slide 18**, Jamie's call. Thank Jamie for the call and ask students whether they know what a credit report is.
34. Explain that a credit report is an important document to everyone, and the research they are about to do will be helpful to them as well as Jamie.
35. Distribute a copy to each student of *Your Credit Report*, available at www.frbsf.org/publications/consumer/creditreport.htm/ and a copy of *Activity 5: Your Credit Report*. Have students work in pairs to answer the questions, and then review the questions and answers with the class.
 - What kind of information is in a credit report? (credit card accounts, loan balances, payment records, any actions taken against you because of unpaid bills)
 - How long is the information left on the report? (7–10 years, depending on the type of information)
 - What is a consumer reporting agency? (a company that collects information on people's credit activities and sells that information for a fee)
 - Where do consumer reporting agencies get their information? (from places that have previously given you a loan or credit, such as a store, bank, or gas company)
 - What is a credit rating? (a score that rates your borrowing, charging, and repayment activities. Your score is generated from information on your credit report. Scores range from 300–850; higher is better than lower.)
 - Who can look at your credit report? (companies that have granted you past credit, potential employers, potential insurers, a government agency reviewing your financial status, or others with a legitimate reason, such as potential landlords)
 - Why should you obtain a copy of your credit report? (to know what is in it, check for accuracy, and make sure any changes are correct)
 - How can you get a copy of your credit report? (You can get one free copy per year by contacting www.annualcreditreport.com or one of the three major credit-reporting agencies listed on slide 19. You will have to furnish personal contact information.)
36. **Show slide 19**. Tell students to keep all this information for future use in a report to Jamie.

Day 5

37. Announce that there is another call, this time from Tennessee. Distribute *Activity 1* to a student and have him read Andy's script.
Show slide 20.
38. Thank Andy for his call and tell students that he is referring to insurance. Explain that people seek protection against financial loss when the potential loss is great, there is a high likelihood or probability of loss, or the law requires insurance.
39. Ask students to give examples of insurance with which they are familiar. (Answers will vary.)
40. Explain that insurance is a contract between individual policyholders (those who buy insurance) and the insurer (the company that provides insurance). Policyholders pay a premium, an amount that is less than the value of the item they are insuring. When a policyholder incurs a loss, the insurance company reimburses that person from all the premiums that other policyholders have paid. Premiums are set by the insurers based on the insurers' cost and the probability or likelihood of loss.
41. Point out that insurance is available for many types of risks. Have students read pages 25–28 in *Building Wealth*. Distribute copies of *Activity 6: Insurance*, and have students answer the questions in the spaces provided.
42. Review answers to *Activity 6: Insurance* with the students.
 - People buy insurance to protect themselves from major financial loss.
 - Automobile liability insurance covers injury to other people or damage to their property. State law requires such insurance.
 - A standard homeowner's insurance policy will usually not cover flood damage.
 - Renters' possessions are not covered by a landlord's insurance.
 - A lack of medical insurance can result in a lot of debt if you have a serious illness or accident.
 - Disability insurance helps pay for living expenses, if a person is sick, injured, or unable to work for a long time.
 - Life insurance pays money to a "beneficiary"—usually a spouse, children, or family member—when the insured person dies. It can serve to protect young families.
 - A young person might choose to buy long-term-care insurance because the premiums are usually less expensive, if the policy is bought while a person is still young.
43. Answer other questions and remind students to keep the information on insurance for a written report to Andy.

CLOSURE and ASSESSMENT

1. Tell students that there are no more calls to the Fed Casher show. They have taken four calls, which have spanned a variety of personal finance topics. They have researched building wealth, budgeting, saving, credit cards, credit reports, and insurance. They have certain print resources in their possession, and they have information from activities, research, and discussion.
2. Give each student a copy of *Activity 1: Call-In Scripts*. Assign each student one of the scripts. **Show slide 21.**
3. Ask students to prepare a written report that can be mailed to their caller (This may be a homework assignment, depending on the time available.) The report should:
 - summarize the caller's question or problem,
 - suggest strategies or steps that can answer the question or address the problem, and
 - refer the caller to additional information that pertains to the question or problem (If desired, the teacher can become Fed Casher once more and have students present their reports in a call-in show setting.)

Activity 1

Call-In Scripts

Call from Amy in Debt Hollow, Arkansas

“Hello, Fed, love your show. I am 24 and have been working in my career job for three years. I’ve heard that saving is important and that the sooner I start to save, the better. However, I don’t know much about it. Can you please help me?”

Call from Jeremy in Lendon, Nebraska

“Hi, Fed. I am 22, and I get lots of credit card offers in the mail. I have a good job and no debt, but I’ve never had a credit card before. Can you tell me how I can sort through the offers and try to make a good decision?”

Call from Jamie in Crisis Living, Alabama

“What is a credit report, Fed, and how do I get mine?”

Call from Andy in Shortchange, Tennessee

“Hello, Fed. First-time caller, long-time listener. I want to know what I can do to protect my possessions and myself against unforeseen losses such as theft, fire, or accidents.”

Activity 3

A Penny Saved: Quiz on pages 1–8

Name: _____

What is the definition of "saving"?

List three examples given of what people went without because they did not save.

Why would someone deposit his or her savings in a savings account in a bank?

What is the benefit of compound interest to a saver?

What is the "rule of 72"?

Activity 4

Compound Interest

1. Study the graph on page 10, *Building Wealth*.

If you save \$125 per month for 25 years, how much would you have saved (approximately),

- given a compound interest rate of 10%? _____
- given a compound interest rate of 8%? _____
- given a compound interest rate of 5%? _____
- given no interest? _____

2. How does compound interest help to build wealth?

3. Are you surprised at the different amounts you see in question 1?

Activity 5

Your Credit Report

Directions: Read a copy of *Your Credit Report*, available online at www.frbsf.org/publications/consumer/creditreport.htm/ Work in pairs to answer the following questions.

What kind of information is in a credit report?

How long does information stay on a credit report?

What is a consumer reporting agency?

Where do consumer reporting agencies get their information?

What is a credit rating?

Activity 5, continued

Who can look at your credit report?

Why should you obtain a copy of your credit report?

How can you get a copy of your credit report?

Activity 6

Insurance

Directions: Read *Building Wealth*, pages 25–28, and answer the following questions:

1. Why do people buy insurance?

2. What is the purpose of automobile liability insurance?

_____ Is it optional? _____

3. If you live in a flood plain, will a standard homeowner's policy cover flood damage?

4. Why should renters purchase their own insurance?

5. What reasons are there for having medical insurance?

6. What is disability insurance?

7. What is the purpose of life insurance?

8. Why might a younger person buy long-term-care insurance?
