



## Lesson 5: Which Way to Pay

### Topic: Payment Options

#### About This Topic:

Having conversations about payment options helps children understand that credit and debit are not an endless supply of free money, but are linked to an account. Actual cash is then either deducted from an account (debit) or must be paid back by a certain date (credit).

#### From the classroom:

**What is credit and debit?** Credit is a loan. When you pay using credit, you are borrowing money with the agreement to pay it back by a later date. A debit is money taken out of a checking account as payment for an item or service.

**What are checks?** Checks are a type of debit. They are paper forms that a person fills out to make a payment. When you write a check, you give the person to whom you wrote the check the right to ask your bank to take money from your account.

**Why might someone choose to pay with cash, credit, or debit?** Someone may choose to pay with cash if a store accepts only cash. A person may pay with credit or debit when she or he is not carrying enough cash or it is quicker and more convenient.

**What is debt?** Debt is an amount of money that is owed.

**What information should not be shared with others to prevent identity theft?** Personal information should not be shared with anyone without a parent's permission, especially when you are online. That information includes birth date, phone number, home address, school address, bank account number, a parent's credit card number, and passwords. If you use a social networking site, only share your page with friends you know and trust.

#### Words To Know:

**Cash:** Money such as coins and bills.

**Check:** A written order of payment that instructs a financial institution (such as a bank) to withdraw a specific amount of money from the check-writer's account, and pay or deposit it to the person, or business, named on the check.)

**Credit:** The ability to borrow money and pay it back later.

**Debit:** An amount of money taken out of a deposit account to pay for something.

**Debt:** Money that is owed.

## Resources:

### Books:

- *Cash, Credit Cards, or Checks: A Book About Payment Methods* by Nancy Loewen: A father and his children discuss different payment options while shopping together.
- *Double Fudge* by Judy Blume: Peter Hatcher's younger brother, Fudge, is money obsessed. Their family travels to the Bureau of Engraving and Printing in Washington, D.C., where they run into their long-lost relatives.
- *Show Me the Money: How to Make Cents of Economics* by Alvin Hall: This colorful book is filled with photos, illustrations, and fun facts about money, including information about methods of payment.

### Games and Online Resources:

- **Kids.gov** *Field Trip to the Money Factory*: Take a virtual field trip to the Bureau of Engraving and Printing in Washington, D.C., to learn how cash is made.  
<http://kids.usa.gov/watch-videos/money/money-factory/index.shtml>
- **UMSL (University of Missouri—St. Louis)** *Giving Vicki Credit*: Read the story to learn more about credit, and take the interactive quiz.  
[www.umsl.edu/~wpockets/Clubhouse/library.htm](http://www.umsl.edu/~wpockets/Clubhouse/library.htm)
- **The Mint** *Writing a Check and Tracking Your Checking Account*: Practice writing a check and balancing a checking account using this interactive site.  
[www.themint.org/kids/get-some-practice.html](http://www.themint.org/kids/get-some-practice.html)

## Conversation Starters ... Ask Your Child:

- Have you ever lent something to a friend and not gotten it back? How did that make you feel?
- How might you decide whether you can risk lending money to someone? What are the qualities that make someone trustworthy?
- Have you ever borrowed money from a friend? How did it feel to pay it back?
- If you had your own credit card, how would you use it?
- What would you do if a person or a website asked you to share personal information (birth date, home address, bank account, and so on)?

## Try This at ...

### Home:

**Play “Customer” and “Cashier”:** Ask your child to help you count your loose change (saved in a change jar or other container) and/or practice paying with cash by playing the roles of customer and cashier. For example, pick a price as the cashier, such as \$4.25, and have your child pay the correct amount using bills and coins. If your child doesn’t have exact change, return the difference. Then switch roles so your child, as the cashier, can figure out whether you need change back and how much change to give.

**Practice Using Checks:** If you have a checking account, show your child how to write a check and balance a checkbook. You also can go to <http://www.themint.org> with your child to practice together.

**Read a Credit Card Statement:** If you have credit card payments, show your child a credit card statement and explain how to read it. If not (or you don’t feel comfortable sharing it with your child), show your child how to read a credit card statement by going to [www.federalreserve.gov/creditcard/flash/readingyourbill.html](http://www.federalreserve.gov/creditcard/flash/readingyourbill.html).

### Grocery store:

**Estimate and Pay:** As you shop, have your child estimate how much money you are spending to help stay within a certain budget. Before you make your purchase, discuss payment options (cash, check, credit, and debit) with your child.

### Bank:

**Use an ATM:** Show your child how you use the ATM. Explain that an ATM is not a free money machine—you are actually taking cash out of your own bank account—and that the receipt shows how much cash is deducted.