Financial Survivor: Understanding Credit and Banking

In this workshop, youth will learn about credit, the importance of maintaining good credit, and how to access their credit report. Participants will also learn about opening a bank account and how to fill out banking slips and registers.
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Financial Survivor: Understanding Credit and Banking

**Age Range** 16+

**Skill Focus** Youth will learn about building and maintaining credit and how to fill out banking slips and registers.

**Group Size** 4+

**Time Required** 60-90 minutes

**Materials Needed**
- Computer
- Projector
- Financial Survivor: Understanding Credit and Banking PowerPoint
- Flip chart/whiteboard and markers
- Challenge 3 Handout
- Challenge 6 Handout
- Final Challenge Handout

**Adapted From** Preparing Adolescents for Young Adulthood (PAYA); Wells Fargo Hands On Banking Curriculum
This workshop will utilize the *Financial Survivor: Understanding Credit and Banking PowerPoint*. The first portion of the workshop will focus on learning about and understanding credit and banking. During the second half of the workshop, the group will play a game called Financial Survivor to test their knowledge of the focus area. The notes for each slide of the PowerPoint are found on the following pages.

**SLIDE #1: Title Slide**

Introduce yourself and explain the topic for today's workshop.

**SLIDE #2: Learning Objectives**

During this workshop, youth will:
- Learn the definition of credit and why it is important
- Understand the difference between good and bad credit
- Correctly fill out a check, deposit slip, and check register

Before moving to the next slide, ask the youth: *Does anyone know what “credit” is?*

**SLIDE #3: Credit Basics**

Credit means buying now and paying later — using goods and services while paying for them (or borrowing cash and repaying it in the future). Credit also means becoming indebted to someone else; you have to pay back the debt.

When you use a credit card, you are promising to pay in the future for something that you buy now (or to repay a cash advance), plus interest and other fees. Be cautious when using credit. Will you have the money to make the payment and still have enough for basic living expenses?

Credit cards can sometimes encourage you to overspend. If you don’t keep good records, you may lose track of what you owe and find yourself in financial trouble. Using credit cards usually adds to the cost of your purchases.

**Principal** – The initial amount of the purchase. The percentage rate is applied to the principal to decide the amount of the bill.
**Term** – For loans such as car loans and mortgages there is a set amount of time that the borrower has to pay the loan back. This is called the term. In some cases, the longer the term you agree to, the smaller the interest rate.

**Interest rate** - Interest is the amount of money paid by a borrower to a lender in exchange for the use of the lender’s money for a certain period of time. (You *earn* interest from a bank if you have a savings account and you *pay* interest to a lender if you have a loan.) The interest rate is the amount of interest paid per year divided by the principal amount (the amount loaned). Example: if you paid $500 in interest per year for a loan of $10,000, the interest rate is 500 divided by 10,000, or five percent (5%).

**SLIDE #4: Interest Charges**

Here we can see how principal/loan amount, term, and interest interact with one another. In the first example we can see that if you have the same loan amount and interest rate and you increase your term to reduce your monthly payments you will end up paying more in interest.

In the second example we can see that different interest rates with the same term will mean that you end up paying more in the long run. When you are considering a loan or credit card, be sure to pay attention to the interest rate. And don’t be fooled by introductory interest rates that will balloon into larger rates after a set amount of time.

**SLIDE #5: Good Credit vs. Bad Credit**

How do you obtain good credit?
- Make payments on time
- Purchase a home
- Make equity (value) building purchases

What leads to bad credit?
- Failure to pay on time or at all
- Will make it more difficult to borrow in the future
- Loans that drain more than help (i.e. payday or title loans)

**SLIDE #6: Why is Credit Important?**

It is very important to maintain good credit for a number of reasons:
- Can be useful in emergencies
- Move convenient than carrying cash
• **Allows for large purchases** - With good credit, it’s easier to buy what you want, when you want it. You have the financial flexibility to make major purchases that take more money than you have on hand.

• **May affect your ability to get:**
  - **Employment** – Bad credit can hinder you from getting a job
  - **Housing** – Having good credit makes it easier to rent an apartment and get services from local utility companies
  - **Insurance** – Insurance companies may not want to provide services to you if you have bad credit
  - **More credit** – A low credit rating makes it tougher for you to get loans or credit the next time. Even if you’re able to borrow you’ll have to pay a higher interest rate.

Note: To avoid debt problems, never let your credit card debt exceed 20% of your yearly net income. Also, keep your credit card debt low enough so that your required payments are no more than 10% of your monthly income.

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**SLIDE #7: Tips for Building Good Credit**

- Pay off your entire credit card bill every month
- Stop using it if you can’t pay it off
- Pay on time to avoid late fees
- Ignore credit card offers
- Be aware that money borrowed costs money
- Avoid title loans and payday loans

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**SLIDE #8: Your Credit Report and Score**

In addition to your credit history, almost all lenders look at your credit score. This is a number that indicates how reliable you are at paying back your debts.

**Your credit score determines how likely you are to get a loan** – A computer program analyzes your entire credit history and generates a single number or score, usually ranging from 300 to 850. This score helps lenders decide if you’re a good credit risk or not. The higher the score, the lower the risk. The higher your credit score, the better the interest rate lenders are likely to offer you – which could mean more money in your pocket!

**Your credit report is FREE once every twelve months** - The three largest credit bureaus in the United States are Equifax, Experian, and TransUnion.
Here’s how credit scores might be grouped.

720 - 850 = Excellent  
680 – 719 = Good  
640 – 679 = Fair  
350 – 639 = Poor  
<349 = No Credit

**Don’t pay for a credit report unless you have to** – You are allowed to get your credit report for free once a year from each of the credit bureaus. Don’t use the companies that advertise, i.e. FreeCreditReport.com. These companies give you a “trial” period, but will charge a monthly fee for their services if you do not cancel within that trial period.

### SLIDE #9: What’s on Your Credit Report?

Consumer Reporting Agencies collect four basic types of information:

- **Basic demographic information** – Your name, birth date, social security number, employer, and spouse’s name are routinely included. The credit bureau also may provide information about your employment history, home ownership, income, and previous addresses.

- **Payment and credit history** — Your accounts with different creditors are listed, showing how much credit has been provided and whether you’ve paid on time. If an overdue account was turned over to a collection agency, this also may be listed.

- **Inquiries** — Credit bureaus maintain a record of those creditors who have asked for your credit history within the past year, as well as a record of those who have requested your credit history for employment purposes for the past two years.

- **Public record information** — Events that are a matter of public record, such as bankruptcies, foreclosures, or tax liens, also may appear in your report.

Note: The free credit reports may or may not include your credit score. For some reports, you may have to pay a fee to access your score or your bank may provide the score to you for free.
SLIDE #10: Accessing Your Report

To obtain a free credit report, visit www.annualcreditreport.com. This is what the website for a truly free credit reports looks like. You can choose to get your credit report from either or all of the bureaus.

Be sure to look over your report to ensure that the information is correct. If you see anything that looks suspicious, reach out to a trusted adult for help on how to correct the issues.

SLIDE #11: Take it to the Bank

Take a short break before moving into the next section of the workshop that will focus on banking.

Opening a bank account is a big step. There are a number of decisions you need to make and questions you should ask before opening an account.

**Which bank?** Decide what bank you want to open your account with. Then see if you can open the account online or if you will have to go to the bank during normal banking hours to open the account. Think about location, services offered, etc.

**What type of account?** Decide what type of account you would like to open. Different banks have different types of accounts. Some have free checking with no minimum balance, some have interest rates or minimum balances. Be sure to know exactly what type of account you are opening and ask a lot of questions to make sure you understand the account and its requirements.

**Provide personal information.** You will generally need two forms of ID to open a bank account. Forms of valid ID may include: driver’s license, student ID, passport with photo, military photo ID, birth certificate, current utility bill, social security card, medical ID card, voters registration, tax bills/receipts, vehicle registration or insurance, credit card. Also, you will need money to deposit into the account.

**Select the products you want with your account.** Select the products that you want with your account, including debit card, checks, internet banking, etc.
SLIDE #12: Filling Out a Check

There are three items that you will have to know how to fill out, including a check, deposit slip, and check register.

With current technology, many ATMs accept cash and online banking is a good way to track your spending. However, some businesses still require checks and these must be recorded in your check register if you want to know exactly how much money you have in your account to ensure you do not overdraft. Online banking is a good way to track your spending, but there can be a delay in payments posting if you pay online or the company puts a hold on the payment.

Go over the parts of a check with the group. Call on different people in the group to explain what each letter represents.

A. Date
B. Name of Person or Business that the check is for
C. Numerical version of amount of check, i.e. $15.00
D. The written out version of the amount of the check, i.e. Fifteen
E. Signature of person writing the check
F. A note to yourself about the purpose of the check
G. Account number
H. Your information

SLIDE #13: Filling out a Deposit Slip

Ask youth: Does anyone know what a deposit slip is?

A deposit slip is a form supplied by the bank for you to fill out in order to deposit money into your account.

Go over the parts of the deposit slip with the group. Have youth volunteer to guess what the letter represents.

A. Account Number: This number ensures that the money is deposited in the correct account. If you do not have your account number with you, your bank can provide the information for you.
B. Signature: You will have to sign the deposit slip and provide ID to confirm you are the account holder, if you would like to withdraw money from your deposit.
C. Date: Write today’s date.
D. Your Information: Your name and address are preprinted on the deposit slip.
E. Cash: If you are depositing cash, write the total amount here.
F. Checks: If you are depositing checks and/or money orders you must list each individually. There is additional space on the back of the slip if more room is needed.
G. Subtotal: Add the checks, money orders, and cash and write total here.
H. Less Cash Received: Use this space to write the amount you would like to get back from the deposit.
I. Total: This is the total amount you will deposit in your account

**SLIDE #14: Tracking your Money**

Explain to the youth the importance of tracking how they are spending their money. While online banking is very helpful, some transactions such as checks that you mail and some debit card transactions are not recorded immediately.

Go over the different columns of the check register.
- Check Number – Record the check you wrote or if it is an ATM transaction.
- Date – The date of the transaction
- Transaction Amount – How much was used or deposited.
- Balance – Subtract or add the amount of the transaction to the previous balance to get new balance.

**SLIDE #15: Bank Statement**

Explain that your bank statement will arrive in the mail or can be viewed online. This will give you information about your account(s) over the last month. The balance will be accurate as of the date the statement was processed. It will show all checks that have cleared by that point and any withdrawals or deposits over that time period.

**SLIDE #16: Financial Survivor Game**

After answering any questions about credit or banking, explain that we will now play a game to recap everything we have learned. The game is called “Financial Survivor” and will give youth the opportunity to answer questions related to credit and banking.

Note: Some of the questions relate to items not discussed in today’s workshop. This will give youth an opportunity to learn about other items related to money management.
SLIDE #17: Rules for the Game

How to play the game:

- **Get in groups of 3-5 and pick a tribe name.**
- The questions will appear on the screen. As the questions are shown, each tribe will have 30 seconds to write down your answer on a piece of paper. *Note: For questions that ask for multiple answers or require some work, give the teams 2-3 minutes.*
- Once the time is up, the teams must hold up their answers.
- The teams who answered correctly get a point.
- **Each time you get a question right you get a challenge and a chance at a bonus point.** (challenge will be on the following slide)
- Teams will have 30 seconds (or longer depending on the nature of the question) to answer the challenge question. Teams who get this answer correct will receive an additional bonus point.
- **Each team will get an immunity idol to pass on a question or challenge and receive a free point for your team. You must surrender the idol once it is used.**
- **The secret final challenge will be revealed at the end of the game for additional points.**
- At the end of the game, the team with the most points wins.
- Note: Assign a helper or co-facilitator to keep score on a flip chart or whiteboard.

SLIDE #18: Good Luck Survivors

Good luck survivors! Let’s get started...

SLIDES #19-73: Survivor Game

SLIDE #19: Question 1

When you receive goods and services now, and pay for them later, you are using what?

SLIDE #20: Answer 1

Credit

SLIDE #21: Challenge 1

Name at least two of the three credit bureaus.
SLIDE #22: Challenge 1 Answer

Equifax, Experian, Transunion

SLIDE #23: Question 2

Name at least two items that are taken out of your paycheck before you get it.

SLIDE #24: Answer 2

Correct answers include:
1. Federal income tax
2. State income tax
3. Social Security
4. Medicare Contributions

SLIDE #25: Challenge 2

How much Federal Income tax was deducted during this pay period?

![Pay Stub Image]

SLIDE #26: Challenge 2 Answer

$0.00

SLIDE #27: Question 3

Name two things you must have in order to open a bank account.
SLIDE #28: Answer 3

1. Identification
2. Money to deposit

SLIDE #29: Challenge 3

For this challenge, pass out the Challenge 3 Handout to the groups.

On April 24, 2014 you purchased a new outfit from Macy’s with a check. Fill out the check for your purchase.

- Pants- $22.99
- Shirt- $17.99
- Shoes- $35.99
- Subtotal- $76.97
- Tax- $3.46

SLIDE #30: Challenge 3 Answer

Review the teams’ completed check on the Challenge 3 Handout to determine if they filled it out correctly.

SLIDE #31: Question 4

If you do this when you write a check, you will always know your account balance.

SLIDE #32: Answer 4

Use your check register.
SLIDE #33: Challenge 4

List two ways you can build good credit.

SLIDE #34: Challenge 4 Answer

Possible answers include:
- Pay off your entire credit card bill every month.
- Pay bills on time to avoid late fees.
- Ignore credit card offers.
- Avoid title loans and payday loans.
- Make equity (value) building purchases.

SLIDE #35: Question 5

Your bank statement will show:
- A) Current amount in account
- B) Amount in account at the time statement was printed
- C) Up to date list of withdrawals and deposits
- D) All of the above

SLIDE #36: Answer 5

B) Amount in account at the time the statement was printed.

SLIDE #37: Challenge 5

Name two things that are listed on your credit report.

SLIDE #38: Challenge 5 Answer

Answer choices include:
- Demographic information (name, birthdate, address, social security number)
- Payment and credit history
- Inquiries from creditors
- Public records information (bankruptcies, foreclosures, etc.)

Note: Not all credit reports will include your credit score. You may need to pay an additional fee to obtain your score, or your bank may provide you the score for free.
SLIDE #39: Question 6

How can good or bad credit affect your life? List two ways it can impact you.

SLIDE #40: Answer 6

Possible answers include:
- Employment – Help or hinder you from getting a job
- Housing – Good credit helps you get an apartment or home
- Insurance – Companies may not provide services to people with bad credit
- More credit – Bad credit makes it difficult to get loans

SLIDE #41: Challenge 6

Pass out the Challenge 6 Handout to the groups who answered question 6 correctly.

You received five birthday cards with the following enclosures:
- $75 in cash
- $50 check #123
- $35 check #526
- $25 in cash
- $25 check #725

Deposit half into your checking account, and get half back in cash. Fill out the deposit slip.

SLIDE #42: Challenge 6 Answer

Review the completed Challenge 6 Handout sheets for the groups to determine if they filled out the deposit slip correctly.
SLIDE #43: Question 7

What is stored in the magnetic strip on the back of your credit/debit card?

SLIDE #44: Answer 7

Your account number

SLIDE #45: Challenge 7

Name one thing you should not use when choosing a PIN number for your debit card.

SLIDE #46: Challenge 7 Answer

Possible answers include:
- Birthdates
- Street address
- Social security number

SLIDE #47: Question 8

What is the free website you can use to access your credit report?

SLIDE #48: Answer 8

www.annualcreditreport.com

SLIDE #49: Challenge 8

What is the name of the form you use to put money (checks/cash) into the bank?

SLIDE #50: Challenge 8 Answer

Deposit Slip

SLIDE #51: Question 9

When deciding to purchase an item, the best thing to ask yourself is...?

SLIDE #52: Answer 9

Do I need this?
SLIDE #53: Challenge 9

True or False? If I pay my credit card in full by the due date I will not owe any interest.

SLIDE #54: Challenge 9 Answer

True. If you pay the entire balance within the grace period allowed (usually about 28 days), you will not owe any interest on your purchases.

SLIDE #55: Question 10

How often can you request to see your credit report for free?

SLIDE #56: Answer 10

Once a year.

SLIDE #57: Challenge 10

True or False? If I pay the minimum monthly payment on a credit card, then I won’t owe any interest.

SLIDE #58: Challenge 10 Answer

False. After you subtract the minimum payment from your balance, finance charges will be added to your remaining balance. So avoid the minimum payment trap. Pay your bill in full, or as close to in full as you can.

SLIDE #59: Question 11

What is it called when you spend more money that what is in your account?

SLIDE #60: Answer 11

An overdraft.

If you overdraft on your account, you will almost always be required to pay a fee.

SLIDE #61: Challenge 11

Justin just found a job with a take-home pay of $2200 per month.
His expenses are:
- Rent: $800
- Groceries: $200
- Transportation: $200
- Clothing: $100
- Restaurants: $150
- Miscellaneous: $250

How long will it take him to save $1000?

**SLIDE #62: Challenge 11 Answer**

2 months

**SLIDE #63: Question 12**

True or False? Your credit score determines how likely you are to get a loan.

**SLIDE #64: Answer 12**

True. Your credit score helps lenders decide if you're a good credit risk or not. The higher the score, the lower the risk. The higher your credit score, the more likely they are to give you a loan and the better the interest rate lenders are likely to offer you – which means more money in your pocket!

**SLIDE #65: Challenge 12**

True or False? When opening a credit card, it’s good to find the card with the highest interest rate.

**SLIDE #66: Challenge 12 Answer**

False. The higher the interest rate, the more you pay in the long run. When opening a credit card, look for the lowest interest rate. Don’t be fooled by introductory interest rates that will balloon into larger rates after a set amount of time.

**SLIDE #67: Final Challenge**

Have tribes determine how many points they would like to risk for the final challenge. Write these numbers on the board or flip chart.

Have teams complete the final challenge on the next slide.
SLIDE #68: Final Challenge

Pass out the **Final Challenge Handout** to the teams. Give youth 10-12 minutes to complete the challenge.

Fill out the given checks, deposit slips, and register to balance your checkbook.

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**SLIDE #69 Final Challenge Answer (Part 1)**

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![Check images]

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B. A. Saver
123 Dollar LN
Savings, USA 12345

**Virginia National Bank**
Richmond, VA

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Pay to the Order of
Mrs. Anderson

Two hundred 00/100 Dollars

Virginia National Bank
Richmond, VA

Memo: Rent

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B. A. Saver

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Pay to the Order of
Dominion Power

Twenty five 00/100 Dollars

Virginia National Bank
Richmond, VA

Memo: Electric bill

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B. A. Saver

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After the final challenge, add or subtract the points from each tribe. The team with the most wins.

Ask the group if they have any questions about anything they learned today.

*Note: Refer to the Good Sense Money Management workshop in this curriculum for additional information about budgeting and money management.*