

Lesson Plan for College Debt

The goal of this activity is to increase students' financial literacy, which has been defined as "the ability to use knowledge and skills to manage one's financial resources effectively for lifetime financial security."¹ Many *adults* lack basic knowledge about finances and, according to one source, only about one-quarter of the states require students to take a personal finance course in high school.² Yet, despite inadequate preparation to understand finances, many young people, and their families, must make difficult decisions about paying for a college education.

Financing college has become more challenging during the past generation because the cost of attending post-secondary schools has grown faster than inflation for decades. As a result, many students must borrow substantial amounts of money to pay for education. They and their parents should make informed decisions. For example, borrowers should understand the terms of any loan they take out, including the required monthly payments, penalties that may be incurred (such as for late payments), forgiveness provisions (if any), and so on.

The Jump\$tart Coalition has developed National Standards in K-12 Personal Finance Education (see jumpstart.org). Standard 1 is, "Take responsibility for personal financial decisions and Standard 2 is, "Find and evaluate financial information from a variety of sources." This SmartGraphs activity addresses both standards 1 and 2. Because paying for college requires a complex set of decisions, no single, short activity, such as this one, can substitute for research, conversations with well-informed counselors, and thinking carefully about one's individual needs and circumstances. There are many sources of information about paying for college, including websites maintained by the College Board, the federal government, news organizations, and other institutions.

¹ Jump\$tart Coalition for Personal Financial Literacy. (2007). *National standards in K-12 personal finance education*. Author: Washington, DC.

² Coombes, Andrea. (September 4, 2012.) True or false: Many Americans don't understand the basics of investing. *The Wall Street Journal*.

Stage 2 - Assessment Evidence

<p>Performance Tasks</p> <p>In this activity, students:</p> <ul style="list-style-type: none"> Find and evaluate financial information using on-line resources such as collegeloan.com and finaid.com, studentaid.ed.gov. Plot points, calculate slope, determine rate of change and qualitatively judge faster and slower rates of change. Determine what amount of debt is appropriate in relation to goals. Determine the most cost-effective way to re-pay a loan. Learn the long-term financial impact of borrowing money for college. (other tasks tbd by teacher) 	<p>Other Evidence:</p> <ul style="list-style-type: none"> <i>College Debt</i> Check-In (other assessments tbd by teacher)
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Stage 3 - Learning Plan

<p>Lesson Procedure</p> <p>Many days before:</p> <ul style="list-style-type: none"> Discuss choices that students have for post-high school and the financial impact of their choice. Have students locate data on taking out a loan. Have students investigate cost of various colleges and tech schools. Have students research cost of living, salary data. Have students evaluate information on websites (e.g., collegeloan.com, studentaid.ed.gov) Have students research the <i>Rule of 72</i> <p>Day of:</p> <ul style="list-style-type: none"> Set up groups and computers. Introduce lesson (method tbd by teacher). Have students complete <i>College Debt</i>. Conclude lesson (method tbd by teacher). 	<p>Required Materials:</p> <ul style="list-style-type: none"> Computers for research on college debt, cost of borrowing, cost of college tuition. Supported Internet browser with access to SmartGraphs portal Projection device (LCD, SmartBoard, or large monitor) preferred but not required Note-taking supplies.
<p>Possible Discussion Questions for Students:</p>	<p>Sample Answers to Discussion Questions:</p>
What determines what you do after high school?	Cost, curriculum, family history, etc.
Define the term living wage.	Salary required to support a household.
How would the amount necessary to live be determined?	Total all expenses and add a percentage for miscellaneous expenses.
What variables would be involved in comparing the cost of paying back a debt such as a loan?	Amount of the loan, interest rate, time taken to pay it off, monthly payments.
What data might be graphed to illustrate costs related to loan debt?	Years to payoff vs. monthly payment Years to payoff vs. total amount re-paid.
What would be a reasonable length of time in which to payoff a college loan?	Answers will vary. Could be up to 30 years.
What would be a reasonable monthly payment?	Answers will vary. Depends on data from above expenses. Could be up to \$600 or more.
What is the <i>Rule of 72</i> and why is it surprising?	Rule that calculates how long it takes for the loan to double in value (i.e. Borrow \$10,000, re-pay \$20,000)
What would you consider to be the most important consideration when borrowing money for college?	Answers will vary. Could be interest paid, length of pay back time, monthly payments, possible salary in first job.