

Name:

Students will be able to:

- Observe how interest-bearing credit accounts impact a person's ability to manage debt
- Analyze the actions of someone who found themselves in problematic debt
- Assess multiple strategies to reduce or eliminate debt
- Compare when late payments become troublesome and the potential consequences for late payments of different types of debt

NOTE: Vocabulary for this unit can be found in the [NGPF Personal Finance Dictionary](#)



ACTIVITY: INTERACTIVE: Compounding Cat Insanity

Taking care of one cat should be easy, right? But how easy would it be to care for five cats? Or even ten? This is similar to how it feels when you're forced to manage multiple sources of debt that continue to grow due to interest. Will you be able to keep up? Follow the directions on the worksheet to complete this activity.



VIDEO: What Happened When I Didn't Pay a Debt Collector

Many people choose to take out debt for a variety of reasons, like taking out an auto loan to buy a car or a mortgage to buy a home. That's when the responsibility of making timely payments comes into play. Watch the video to hear the story of JoAnn and her experience with debt. Then, answer the questions.

- 1. Describe a time in your life when you should have been more proactive, but procrastinating ended up hurting you in the long run.**

2. **What are some things you can do to make sure you don't end up in the same situation you described above, or in JoAnn's situation, when it comes to managing your debt?**
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ARTICLE: [How to Get Out of Debt](#)

A person can choose to utilize debt for any number of different reasons. But when it becomes too much, finding an effective way to reduce or eliminate that debt can feel like a daunting task. Review the article to learn about different strategies that can help tackle debt. Then, answer the questions.

1. **One of the strategies suggests increasing your income by doing things like asking for a raise, starting a side hustle, or even getting a second job. Although it would be effective, what problems could come from doing these things and why might it be difficult for some people?**

 2. **Are there any other strategies you think you would struggle with more than others? If so, explain why.**
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EDPUZZLE: [Strategies for Paying Down Debts](#)

The snowball and high rate methods are two popular strategies to pay down multiple debts. Watch this video and follow your teacher's directions to answer questions 1-3 either in your student activity packet or within the EdPuzzle itself. Then, answer the additional question 4 in your student activity packet.

1. **If you're using the Snowball Method, which debt do you focus on first after you've made all of your minimum payments?**
 - a. Highest balance
 - b. Lowest interest rate
 - c. Lowest balance
 - d. Highest interest rate

2. **If you're using the High Rate Method, which debt do you focus on first after you've made all of your minimum payments?**
 - a. Lowest interest rate
 - b. Highest interest rate
 - c. Highest balance
 - d. Lowest balance

3. **If the High Rate Method makes the most mathematical sense, why would anyone use the Snowball Method instead?**
 - a. It saves more money in interest
 - b. It increases the number of debts you have to repay
 - c. It increases the number of monthly payments you need to make
 - d. Paying off any debt in full feels good and motivates you to keep going

4. **Vivian has the debts listed below and has decided that she wants to pay them all off while paying the smallest possible amount of interest. Identify which method she should use and explain the process she would follow to accomplish her goal.**
 - **\$2,400 balance on an auto loan with a 6.0% interest rate**
 - **\$6,700 balance on a student loan with a 3.5% interest rate**
 - **\$900 balance on a personal loan with 10.2% interest rate**

ARTICLE: [How Much Breathing Room You Have On Different Types of Debt](#)

Even if you use the strategies you just learned about to help pay off your debt, it's possible that you might still reach a point where payments become difficult to make. Depending on the type of debt you have, the amount of time before late payments become troublesome and the potential consequences that come with that can vary. Scroll down to review the table in the article to learn more. Then, answer the questions.

- 1. What types of loans could result in the seizure of your property? Why might that be particularly bad for a young borrower?**

- 2. How does the punishment for late payment of student loans differ between Federal and private loans?**



EXIT TICKET

Follow your teacher's directions to complete the Exit Ticket.