



BIZ KID\$

Episode 402: "Debt: The Good, The Bad, and The Ugly"

Episode Synopsis

It's easy to spend more than you make with credit cards. Learn to avoid the pitfalls of overspending by keeping a spending journal, sticking to a budget, and living a cash existence. Meet the owner of a carpet cleaning company and a Radio DJ who have both learned how to manage debt.

Contents

Biz Terms (Vocabulary)
Equipment and Materials Needed
Day One: Lesson Plan
Day Two: Lesson Plan
Family Activity Sheet

Biz Kid\$ Curriculum Package #402



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Biz Terms

1. afford
2. "APR" Annual Percentage Rate
3. bad debt
4. bankrupt
5. budget
6. business loan
7. compound interest
8. credit
9. credit card balance
10. creditors
11. credit score
12. credit agency
13. collection agency
14. debt
15. delinquency
16. educated borrower
17. education loan
18. financial plan
19. financial ruin
20. good debt
21. grants
22. interest
23. interest rates
24. investment
25. lender
26. leveraged
27. loans
28. manage debt
29. minimum payment
30. penalties
31. postpone
32. profit
33. public transportation
34. repay
35. repossessed
36. responsibility
37. risk
38. sacrifices
39. scholarships
40. spending habits
41. ugly debt
42. unexpected expenses





Suggestions for using Biz Terms include:

- Have students research and write dictionary definitions.
- Discuss the use of these terms in the episode of Biz Kid\$.
- Have students construct sentences, write personal financial goals, create a financial journal entry, or a math word problem.
- Have students write paragraphs, stories, dialogs, "raps", or lyrics.





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Equipment/Materials/Prep needed:

Day One and Day Two:

- TV or projection system
- DVD Player
- DVD of Episode 402
- Paper, pens, and/or pencils for each student
- Chalkboard and chalk OR Dry-Erase Board and Dry-Erase markers OR Large chart paper and a set of colored markers for the teacher.

Day Two only:

- Student copies of the "Biz Terms" Sheet
- Student copies of the "Family Activity Sheet"

Preparation to be done prior to session:

- Check to be sure needed equipment is available and operational prior to the sessions.
- Gather listed materials.
- Make an appropriate number of copies of the "Biz Terms" Sheet and the "Family Activity Sheet".



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Day One Previewing Questions:

- Do you have a credit card?
- Are you anxious to get the latest, greatest whatever as soon as it comes on the market?
- Is there such a thing as "good debt", and if so, what is it?
- Do you have trouble repaying things on time?
- Would you be interested in saving yourself thousands of dollars in interest payments as well as unnecessary stress?

Today's episode of "Biz Kid\$", "Debt: The Good, The Bad & The Ugly", will introduce you to some Biz Kids who have used debt wisely, and some who have used debt foolishly.

See the choices they made, and how they solved their debt issues. Debt will happen to everyone at some point. Let's watch the episode and learn how you can avoid financial ruin!

Show Episode 402: "Debt: The Good, The Bad & The Ugly".

Have a brief class discussion about the episode if time permits.

(Because of the sensitive nature of this topic, ask students NOT to share specific people's names when discussing debt. They can say instead, "I know a person who...".)



Question Suggestions:

- Can you give examples of good debt, bad debt, and ugly debt?
- Why is it a good financial practice to repay debt as soon as possible?
- Do you think you will handle credit cards differently in the future as a result of seeing this episode? How?





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Day Two

Review and Connect with the Previous Session

Your financial history begins early, so it's important to understand the consequences of how you handle credit and debt.

1. What are some examples from the episode of "**Good Debt**"?

(Business loans, education loans, investments to improve your life.)

2. What are some examples of "**Bad Debt**"?
(Failure to repay loans, too much debt, maxing out credit cards.)

3. What choices lead to "**Ugly Debt**"?

(More debt than assets or the inability to repay debts that lead to bankruptcy.)

Young Business Owners review:

How did **Biz Kid "Farm Boy Jake"** turn debt into money?

What did **Biz Kid Ta-Tanisha** do to spin her way out of debt?

Why does **Biz Kid Andrew**, the college senior, consider thousands of dollars in education loans to be "Good Debt"?



Biz Kid Ben was an example of what happens when you get into “Ugly Debt”. How did it affect his future? Did he recover?

What professional organization did the **Ferrer Family** turn to in managing their debt?

What are the key steps in a plan to get out of debt?

- Make a budget.
- Examine spending habits to reduce unnecessary purchases.
- Save more than you spend.
- Pay cash when you can.
- Avoid using credit cards, even cutting them up if you need to.
- Get a job, or two jobs to reduce your debt.

What are some examples of ways advertisers entice people to purchase things on credit?

Can you think of any strategies to postpone making a purchase while you reconsider?

Borrowers and lenders both assume risks. What are some risks each assumes?

What are some steps an educated borrower would follow, as opposed to an uneducated borrower?

If you borrowed \$1000, at an interest rate of 30%, how much is a payment with interest? If you repaid the loan on time, what is the amount of the total repayment? Is it possible to reduce the total cost; if so, how?



Activity suggestion:

1. Engage the class in a role-playing exercise.

Divide students into three balanced groups:

- **Delinquent Borrowers Group** (List debts, reasons why they can't pay...)
- **Collection Agency Group** (What would they say to the delinquent borrowers on the phone or in a letter?)
- **Credit Counseling Agency Group** (What would their plan be to help the borrower get out of debt?)

Give the groups ten to fifteen minutes to write a script for their group.

Have each group choose a person to be the group representative for the large group presentation.

Allow about ten minutes for the presentation, followed by a brief evaluation of the process.

The goal is for students to realize that debt, when used carefully, can enhance their lives. However, getting into too much debt, or bad debt, can literally ruin their financial reputations, and cause them to lose their possessions.

2. Class Debt Challenge:

To Spend or Not to Spend – That is the Question

- Have students create a spending journal.
- Write out a budget for the month.



- Keep track of all spending for that month in their journals.
- Write down whether they spent cash or used credit.
- If they used credit – what were the extra costs involved? Could they pay the charges off at the end of the month?
- Enter why/how they made their decisions to spend or not to spend

Reward the top three students who were “on budget” with extra credit points, a special privilege, or gift certificate to a local bookstore.

Other Biz Kid\$ episodes that are appropriate to use on this topic:

Episode 205: “How Credit Affects Your Life”

Episode 213: “Learning From Failure”

Episode 115: “Credit: The Good, The Bad, and The Ugly”

Episode 114: “How to be a Smart Consumer”

Episode 109: “Cash and Credit”

Distribute the **“Family Activity Sheet”** and the **“Biz Terms” Sheet** for students to share with their family and friends.



Episode 402: "Debt: The Good, The Bad, and The Ugly"

Family Activity Sheet

Episode 402 Synopsis:

With credit cards, it's easy to spend more than you make. Learn to avoid the pitfalls of overspending by keeping a spending journal, sticking to a budget, and living a cash existence. Meet the owner of a carpet cleaning company and a radio DJ who have both learned how to manage debt.

Family Activity Suggestions:

Have a family meeting and discussion about credit cards, the pros and cons, as well as the consequences of getting into debt "over your head". Ask your student to share plans and resources for help with debt issues.

Talk about plans and list funding possibilities for college or trade schools for the people in your family.

- Where can you get more information?
- Why is it important to begin this research while still in high school?

Invite your children to participate in solving financial problems and debt issues by re-evaluating their spending habits to eliminate unnecessary purchases.

Keep track of money saved by making other choices so they can see the positive difference they are making in helping the family.



Go to the Biz Kid\$ web site together, www.bizkids.com, and look at some of the other episodes that relate to credit cards and debt:

Episode 205: "How Credit Affects Your Life"

Episode 213: "Learning From Failure"

Episode 115: "Credit: The Good, The Bad, and The Ugly"

Episode 114: "How to be a Smart Consumer"

Episode 109: "Cash and Credit"

Learn the names of local, non-profit, credit counseling agencies to consult if you need help managing debt.