



Banking on Debit Cards (Federal Reserve Bank of St. Louis)

Lesson: Social Sciences & History , Grade(s) SEVENTH GRADE - TWELFTH GRADE

Lesson plan from Federal Reserve Bank of St. Louis

After discussing basic information about debit cards, students work in pairs to balance a bank account statement and calculate the costs of using a debit card irresponsibly. The students then conduct a survey as an out-of-class activity, collecting and interpreting data on debit card usage in their area. The students analyze the advantages and disadvantages of using credit cards and debit cards.

Duration: 240 Minutes

Lesson

Introduction (Bellringers, Hook)

1. Tell student they will be learning about debit cards. Randomly distribute the cut apart terms and definitions from *Handout 3.1: Debit Card Terms* to the students. Tell student that some of them have terms that need to be matched to definitions and others have definitions that need to be matched to terms. Allow students a few minutes to circulate around the room to find matches. When every student has found a match, allow time for each pair of students to read their matched term and definition to the class. Ensure that each pair is correctly matched.
2. Explain that these are all personal finance terms about which they will learn in this lesson. Have students return to their seats.

Objectives

Students will:

- Define the terms listed in the Vocabulary section
- Explain the importance of taking responsibility for person finances
- Describe advantages and disadvantages of standard overdraft services
- Analyze the consequences of not being responsible in keeping a current bank account balance
- Explain the importance of maintaining records of deposits, withdrawals, and payments from bank accounts
- Compare the advantages and disadvantages of differnt card-payment methods

Activities

1. Ask students if they or someone in their household has a checking account. Explain that a checking account is an account held at a bank or credit union into which account owners deposit funds. This means funds are added to the account. The account owners can also withdraw or remove funds from the account. Explain that funds can be withdrawn from the checking account by electronic transfer, check, ATM card, or debit card. Explain that responsibility is important in maintaining a checking account. An account holder must keep a record of deposits and withdrawals to prevent an overdraft. Explain that an overdraft occurs when an account holder does not have enough money to cover transactions from checks, ATM withdrawals, debit card purchases, or electronic payments.
2. Tell the class that consumers sometimes choose and automatic electronic transfer to pay expenses. Explain that this is an online payment that is automatically deducted from the account balance on a recurring basis. Cell phone bills, car payments, and utility bills, such as gas and electric bills, are example of the type of payment that people often choose to pay with an automatic electronic transfer.
3. Explain that consumers can also use checks to withdraw funds from their bank accounts. Define a check as a printed form directing a bank to withdraw money from an account and pay it to another account. Consumers who have checking accounts



can write checks to pay for purchases.

4. Ask the students if they are familiar with ATMs. Tell the class that "ATM" is the abbreviation for "automated teller machine." Emphasize that an ATM card is used to access a computer that allows a bank customer to get cash, make deposits or transfer money between accounts. ATMs are found in banks and many other convenient locations and can be used 24 hours a day, seven days a week. Banks usually provide their customers with ATM cards as a free service. However, when an account holder uses an ATM card at an ATM that is from a different bank, there is usually a fee charged for the transaction.

5. Explain that a debit card is a "pay now" point-of-sale transaction card that replaces cash and checks. Debit cards transactions are deducted electronically from a cardholder's savings or checking account. Debit cards differ from ATM cards because they can be used to make purchases, and they differ from credit cards because they are not loans.

6. Explain other considerations for using debit cards:

- Unlike credit cards, which cap your liability for unauthorized charges at \$50, your liability for a debit card depends on the situation. If you notify the bank within two business days of discovering an unauthorized transaction, your maximum liability is \$50. However, if you don't notify the bank until after the close of those first two days, you could lose up to \$500.
- It can be more difficult to deal with problem transactions involving damaged or defective purchases, major purchases or items purchased online because of the more limited protections in cases of unauthorized transactions or disputes.
- A temporary hold on your funds is made when making some purchases. If the final purchase price is unknown when a debit card is swiped, the hold can be more than the actual purchase. For example, when you check into a hotel, a hold is placed on your funds for the cost of your anticipated stay. Until the final transaction is processed, which could take a day or more, you will not have access to that amount in your account.

7. Explain that in the past, most banks automatically enrolled customers in a standard overdraft service for all types of transactions. Define an overdraft service as a service provided by financial institutions to generally approve and pay overdraft transactions when the account holder does not have enough funds to cover the transactions in return for a fee.

8. Explain that because of the increasing percentage of bank overdrafts triggered by debit card and ATM transactions, the rules for standard overdraft service have been changed. Effective July 1, 2010, financial institutions are required to provide customers a notice that explains overdraft services including ATM cards and debit card transactions, and consumer must be given a choice as to whether the overdraft service will apply to debit card and ATM transactions.

9. Distribute a copy of Handout 3.2: Overdraft Service. Tell the students that this form is similar to one that a financial institution is required to send to account holders under the new rules.

10. Divide the class into pairs. Instruct each pair of students to work together to read the contents of the handout and underline 10 things that would be important to an account holder.

11. Allow time for each pair of students to share information considered important. (*Responses will vary but should include all content on the form.*)

12. Distribute a copy of Handout 3.3: Debit Cards in the News, Part I to each student. Divide the class into four groups. Assign each group one of the paragraphs on the handout. Explain that their assigned paragraph is a news report. Instruct each group to work together to develop a presentation based on the content of their paragraph. Encourage the groups to design a visual as part of their news report presentation. (Visuals might include graphs, charts, illustrations or graphics.)

13. Distribute a copy of Handout 3.3: Debit Cards in the News, Part II to each student. Explain that as each of the four news reports are presented, they should write answers to the questions based on the presentations given.

14. Allow time for each group to present its news reports. After presentations have been given, allow time for class discussion. Guide the discussion using Handout 3.3: Debit Cards in the News, Part II—Answer Key.

15. Display *Visual 3.1: The Causes of Overdrafts* and discuss the causes of overdrafts according to the 2008 survey cited on the visual. Explain that the percentages of overdrafts from each category will change based on the actions of the consumers. Ask the students to predict the percentage change in categories for the future.



- Which category will probably decrease? (The check category will probably decrease as more consumers use fewer checks.)
- Which categories will probably increase? (The electronic and debit/ATM categories will probably increase as consumers use these services more.)

16. Explain that taking responsibility for personal financial decisions includes being responsible when using a debit card. Because debit card transactions are deducted electronically from a cardholder's bank account, it is important to maintain current bank-account records. Banks usually provide account information online, and an increasing number of consumers view their accounts online. Like a printed account statement, however, an online account statement is not always a reliable reflection of a bank account balance. An account holder may have written a check that has not yet been presented to the bank for payment by the time the online statement is produced, for example, or a recurring electronic transaction may be scheduled after the most recent online statement is produced. Also, occasional errors can be made on an account. These are some of the reasons that maintaining an up-to-date bank-account balance is important.

17. Provide each student will a calculator and three handouts - *Handout 3.4: Jane's Bank Account*, *Handout 3.5: Jane's Bank Account Register*, and *Handout 3.6: Analyzing Jane's Transactions*. Divide the class into pairs and allow each pair of students to work together to complete the three handouts.

18. After the students have completed the three handouts, allow time for class discussion and to review answers using Handouts 3.5 and 3.6 answer keys. Ask the class the following questions:

- Would you describe Janes as being financially responsible? Why or why not?
- What advice would you have for Jane?

19. Display *Visual 3.2: The Plastic of Choice*. Ask students to compare the 2003 data and the 2008 data as shown in the charts. Discuss possible reasons for the increasing popularity of debit cards across the nation.

20. Remind the students that the information on *Visual 3.2* is from data collected on a national level. Ask the students the following questions about how data collected in their community might compare with the national data:

- Do you think debit cards are the plastic of choice in this locality?
- Do you think debit card usage will increase in this locality in the next few years? (Answers to both questions will vary. Accept all answers as valid thoughts based on limited information.)

21. Tell the student that they will collect data related to debit card usage at the local level for a homework project. Give each student four copies of *Handout 3.7: Debit Card Survey*. Instruct students to use the survey forms to interview four adults, using a separate survey for each adult and asking each adult all the questions on the form. Remind the students that to protect the confidentiality of the information they collect, they should not put any surveyed persons names' on the survey forms. Tell the students to bring their completed surveys back to class by a specific date.

22. When the students have brought the completed surveys to class, display *Visual 3.3: Debit Card Survey Results*. Divide the class into groups of four to tabulate the collected survey data and summarize the findings. Provide a copy of *Handout 3.7* to each group. When students have completed summarizing the data by group, record and summarize the findings on *Visual 3.3* and discuss the results.

23. Instruct the students to assume the role of news reporters. Their assignment is to use data and information collected in the debit card survey to write a news story on the use of debit cards and payment methods in their locality. The students should convert the numerical data to percentages for their stories. Stress the importance of objectivity and confidentiality in their stories to protect the survey participants.

24. Divide the class into pairs. Provide each pair of students a copy of *Handout 3.8: The Pros and Cons of Debit Cards* and a copy of *Handout 3.9: The Pros and Cons of Credit Cards*. Instruct each pair of students to complete the handouts together by listing the advantages and disadvantages of using each type of card.

25. When each pair of students has completed the handouts, discuss the advantages and disadvantages of each method of payment. Ensure the discuss includes the following:



- fees
- convenience
- choice
- responsibility
- liabilities
- consumer protection

Materials/Resources

- Visual 3.1, 3.2, and 3.3 (see PDF)
- A copy of Handout 3.1 cut into strips, with each strip cut in half so that terms and definitions are two different pieces of paper (see PDF)
- A copy of Handouts 3.2, 3.3, 3.4, 3.5, 3.6, 3.8 and 3.9 for each student (see PDF)
- Four copies of Handout 3.7 for each student plus a copy for each group of four students (see PDF)
- A copy of Handout 3.10, cut into strips (see PDF)
- Two large sheets of chart paper
- A copy of Handouts 3.3 Part II, 3.5, 3.6, 3.10–Answer Keys for the teacher (see PDF)
- A copy of Handout 3.11 for half the students (see PDF)
- A copy of Handout 3.12 for half the students (see PDF)
- A calculator for each student

Vocabulary

- Automated Teller Machine (ATM) card
- Automated electronic transfer
- Check
- Checking Account
- Debit Cards
- Overdraft
- Overdraft service

Assessments



1. Tape one piece of chart paper labeled "Debit Card" on one wall of the classroom and a second piece of chart paper labeled "Credit Card" on another wall. Pass out the eight strips cut from Handout 3.10: Debit or Credit? to eight different students. Tell the students to decide if the description on their strip refers to a debit card or a credit card and to walk to a spot near the appropriate piece of chart paper. After the eight students have moved to the charts, call on each student to read his or her sentence strip aloud. Ask the class to applaud to designate their agreement. After checking to be sure students are located in the correct places, have them return to their seats.
2. Distribute one copy of Handout 3.11: Banking on Debit Cards, Part I to half the class and one copy of Handout 3.12: Banking on Debit Cards, Part II to the other half. Tell the students to choose any five of the terms on their handout and write a brief definition of those terms in the same space as the term.
3. Tell students they will now play a game using their copies of Handout 3.11 and Handout 3.12. Explain that you will randomly call out a term from the handouts. If a student has written a definition on his/her card for the word that is called out, the student should mark an "X" through that space. The first student who has all five of his/her boxed marked this way wins the game, provided the student can identify all five terms correctly.
4. Begin the game by calling out terms randomly from Handouts 3.11 and 3.12. After calling out each term, allow time for the students to search their copies of the handouts and mark an "X" if they have defined a called-out term. When a student indicates he or she has marked all five terms, ask the student to define the five marked terms. If the student cannot define all five terms correctly, play continues until another student has marked and correctly defined the five terms. Play the game for more than one round. (Optional: Give a small prize to the winner of each round of play.)

Standards Covered

NGSSS - Social Studies Standards

SS.7.ESS.7.E: Economics

SS.7.E.SS.7.E.1: Understand the fundamental concepts relevant to the development of a market economy.

- SS.7.E.1.2: Discuss the importance of borrowing and lending in the United States, the government's role in controlling financial institutions, and list the advantages and disadvantages of using credit.
- SS.7.E.1.4: Discuss the function of financial institutions in the development of a market economy.
- SS.7.E.1.6: Compare the national budget process to the personal budget process. Prepare an individual budget which includes housing, food, leisure, communication, and miscellaneous categories and compare that to federal government budget allocations.

SS.912.E: Economics

SS.912.E.1: Understand the fundamental concepts relevant to the development of a market economy.

- SS.912.E.1.14: Compare credit, savings, and investment services available to the consumer from financial institutions.
- SS.912.E.1.16: Construct a one-year budget plan for a specific career path including expenses and construction of a credit plan for purchasing a major item. Examples of a career path are university student, trade school student, food service employee, retail employee, laborer, armed forces enlisted personnel. Examples of a budget plan are housing expenses, furnishing, utilities, food costs, transportation, and personal expenses - medical, clothing, grooming, entertainment and recreation, and gifts and contributions. Examples of a credit plan are interest rates, credit scores, payment plan.

Materials

For a closer look at the materials list below, log onto <https://escambia.schoolnet.com>

Resources:

1. Banking of Debit Cards (Federal Reserve Bank of St. Louis)



Additional Properties

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