

Financial literacy

lesson 4: debt



Learning objectives

By the end of this lesson, you will be able to...

1. Identify the costs of using various types of _____.
2. Describe the elements of a _____ _____.
3. Understand the benefits of buying a used car.

Key terms

- ▶ _____ _____: Type of card issued by a bank that allows users to finance a purchase
- ▶ _____ _____: A detailed report of an individual's credit history
- ▶ _____ _____: A measure of an individual's credit risk; calculated from a credit report using a standardized formula
- ▶ _____: something, typically money, that is owed or due

3

debt

- ▶ Debt limits how we spend our money.

What is an example of debt people typically have or owe?

4

debt

▶ Common ways people go into debt:

- ▶ Credit card debt
- ▶ Buying a ____ ____
- ▶ Buying a _____



5

Credit cards

Pros:

- Build credit
- If you pay on time, you
interest on the

Cons:

- if balance isn't
owe
balance

- **If you can, pay for purchases with _____ or your
_____.**

6

Buying a car

- ▶ It is best to save up enough cash to buy a car with no debt!
 - ▶ Otherwise, you pay _____ on the price of the car.
- ▶ A _____, _____ car is much cheaper than a brand new one.

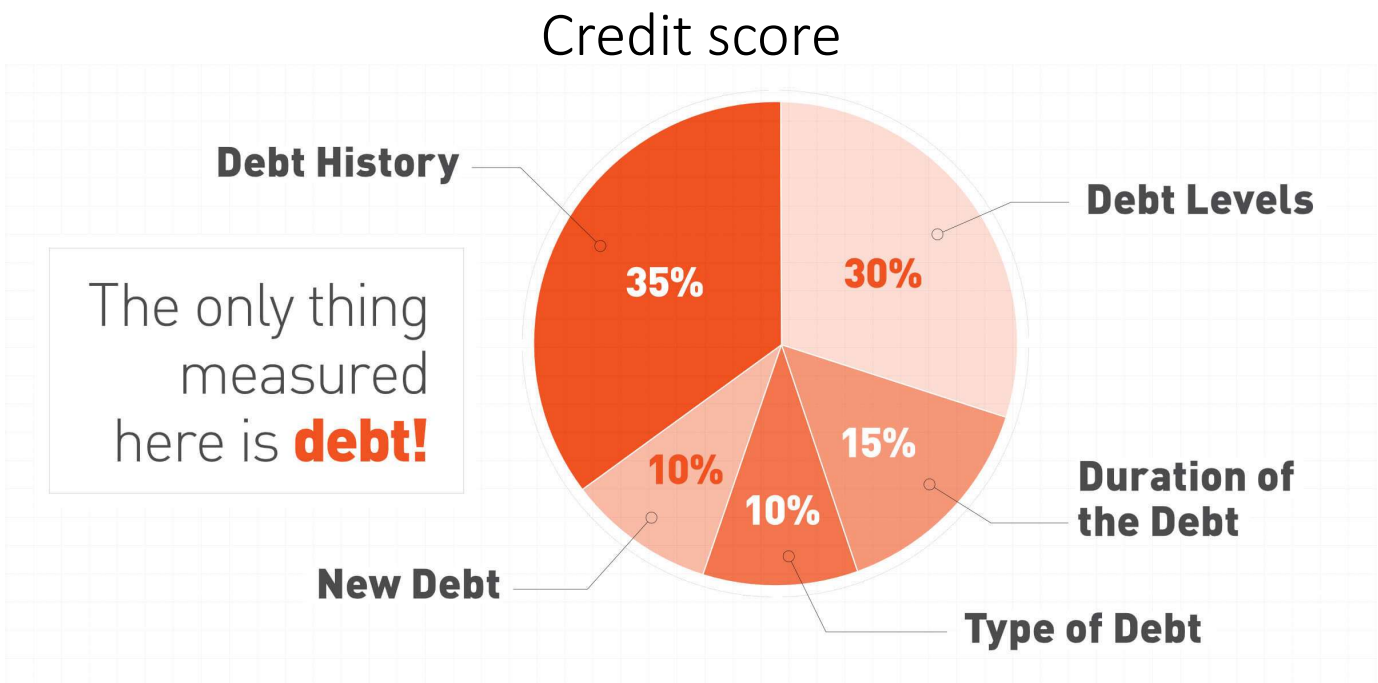


7

Credit (FICO) SCORE

- ▶ Overview of a _____ score (Fair Isaac Corporation)
 - ▶ Ranges from _____ - _____
 - ▶ Measures the risk of your not repaying debt; it is **NOT** a measure of financial success.

8



9

Learning check

1. Identify the costs of using various types of credit.
2. Describe the elements of a credit score.
3. Understand the benefits of buying a used car.

Journal question

What does a credit score measure?

Activity: compare credit
cards