ANOTHER BITE OF ECONOMICS

Federal Reserve Bank *of* Kansas City

Description:
The following activities are taken from the 2011-12 Teacher Talk Planner. These activities and discussions can be easily integrated into the classroom. Teachers can introduce an economic concept which can be developed by the suggested literature, problem solving, social studies, language and art activities.

Grade Level: K-12

ECONOMIC WAY OF THINKING

A reasoning process that involves considering costs and benefits in making decisions.

Use the six principles of the Guide to Economic Reasoning below as a framework for discussing the economic way of thinking.

- People choose.
- People's choices involve costs.
- People respond to incentives in predictable ways.
- People create economic systems that influence individual choices and incentives.
- People gain when they trade voluntarily.
- People's choices have consequences for the future.

For further information on these principles visit: *http://ecedweb.unomaha.edu/lessons/handydandy.htm*.

Elementary Activity

Introduce the first two principles: People choose and people's choices involve costs. Explain that opportunity cost is a person's second-best choice that is given up when the first choice is made. Ask students to give examples of choices they make during a school day, such as lunch and recess options, and name the cost and benefits of each choice.

Middle School Activity

Introduce the first two principles and the concept of opportunity cost (see above). Ask students to imagine they are trying to decide if they want to try out for a sports team. Have them list the costs and benefits of playing on a team. After comparing the costs with the benefits, have each student make a final choice and explain their decision.

High School Activity

Introduce the first three principles, discussing incentives as things that influence the behavior of people. Discuss the concepts of opportunity cost and monetary cost. Provide the following scenario: You are trying to decide whether to start college right after graduation or wait and work for a year before enrolling. Create a table listing the opportunity costs and monetary costs, as well as the benefits of both choices. Make your final decision and explain your reasoning.

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Bite-Size Ideas

- Read *So Few of Me* by Peter Reynolds. Use the children's literature lesson to discuss the topic of opportunity cost in the story: *www.stlouisfed.org/education_resources/assets/lesson_plans/SoFewOfMe.pdf*.
- Choose one principle from the Guide to Economic Reasoning and illustrate it using an everyday life situation. (Example: People gain when they trade voluntarily - a picture of a student trading a food item with another student at lunch.)
- Make a list of incentives that would persuade you to complete the task of cleaning your bedroom from top to bottom. Which of these incentives would your parents agree to?
- Write and perform a rap highlighting one or two of the principles you've discussed from the Guide to Economic Reasoning. Give examples explaining the principles in your lyrics.
- The interest on your savings account has increased from 1% to 2.5%. How much interest would your $100 deposit earn in a year (without compounding) at each percentage? ($1; $2.50) Explain how receiving interest can be an incentive to save.
- Explain why the United States, Canada and Mexico all gain from voluntary trade among their countries.
- The American economic system has tax laws that influence people's behavior. For example, a sales tax increase at restaurants might influence people to stop eating out. Write an essay on how a response to tax increases could have future consequences for businesses.
- Determine which economic principle relates best to the following quote, and then explain its meaning: "I'm talking about economics as forecasting the future. If you own auto stocks, you ought to be very interested in used car prices." - Peter Lynch

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PRODUCERS

People and firms that use resources to make goods and services.

Elementary Activity

Think of people at school who are producers. One example might be cafeteria workers who produce breakfast and lunch for students. Others could be a custodian, principal, administrative assistant or any teacher. Make a list of these producers and the goods or services they offer. Ask each student to write a thank-you note to one of these producers.

Middle School Activity

Choose a food product and ask students to brainstorm all of the natural, human and capital resources used to produce it. (For example: a candy bar - cacao beans, land, sun, water, sugar, milk, farmers, factory workers, assembly line, wrapper, etc.) Ask students to draw pictures or work together on a mural showing the production process.

High School Activity

Cut magazine or catalog pictures of natural, human and capital resources and place them randomly into paper bags. Divide students into groups and give each group a resource bag. Ask them to create a new business using their resources and share how each resource is used within their business to produce a product.

Bite-Size Ideas

- Read *Ten Mile Day* by Mary Ann Fraser. Use the children's literature lesson to discuss the role of production in the development of the transcontinental railroad: *www.stlouisfed.org/education_resources/assets/lesson_plans/TenMileDay.pdf*
- Play 20 Econ Questions or Econ Word Wiz (*www.federalreserveeducation.org/resources/fiftynifty*) using "producer" as one of the words.
- Choose a country and list the natural, human and capital resources available in that geographic area. Create a business producing a good or service that uses those available resources.
- You are a producer of a new and unique athletic shoe. Develop a poster or commercial to advertise your amazing shoe.
- Choose a publicly-traded company, such as Amazon (AMZN), and follow the price of that company's stock each week for a month. Report whether the price has increased or decreased during that time, and provide a recommendation on buying the stock.
- A crayon factory increases its production in the months before school starts each year. If the factory produces 2,000 boxes of crayons in each five-day week for 12 weeks, how many total boxes are manufactured? (2,000 x 5=10,000 x 12=120,000)
- Research Mattel, Hasbro or other toy companies to see how they determine what toys to produce and supply to retail stores. Use the information you find to predict what toys might be popular in 2020.
- Using the Chicago Board of Trade (www.cmegroup.com), follow the prices of basic commodities used in producing food, such as corn, wheat and meat products. Report results at the end of the month and make a prediction on food prices for the next month.
- Discuss the meaning of this quote: "Henry Ford was right. A prosperous economy requires that workers be able to buy the products they produce. This is as true in a global economy as a national one." - John J. Sweeney

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BUSINESS

Any organization that produces or exchanges goods or services for a profit.

Elementary Activity

Create a map of the neighborhood surrounding the school. Have students add the names of businesses in that area to the map, as well as what good or service they sell. Ask students to suggest other businesses that would complement those already in the neighborhood.

Middle School Activity

Ask students to choose a class business that might be successful in their school, such as a craft, food or entertainment business. Create a business plan, including the following: resources needed, production process, product display, advertising, pricing and labor schedule. Present the plan to your principal for approval.

High School Activity

Many students think about running their own business as adults. Ask students to brainstorm types of businesses that interest them. Invite a local business owner from an area of interest to speak to the class about his/her experiences. Prepare for the speaker by making a list of interview questions related to running a business.

Bite-Size Ideas

- Read *Uncle Jed's Barbershop* by Margaree King Mitchell. Use the children's literature lesson to discuss starting a business at: *www.stlouisfed.org/education_resources/assets/lesson_plans/UncleJedsBarbershop.pdf*.
- Use the Recession Lesson "Navigating the Fear of the Unknown" (*www.kansascityfed.org/publicat/education/teachingresources/RecessionLesson-EconomyUncertainty.pdf*) to learn about the role that economic uncertainty played during the recent recession for businesses and consumers.
- Pick a local publicly traded company. Research the goods and services that the company produces and sells, and create a four-slide minimum PowerPoint illustrating the company and what it does.
- Go to the following website to learn about McDonald's: *http://www.aboutmcdonalds.com/mcd/our_company/mcd_history.html*. Look through the timeline and share three risks the company took as it became an established business.
- The start-up costs for your lemonade business includes $1.99 for the mix and $2.50 for the cups. If you sell each cup for $.60, how many cups do you need to sell to make a profit? (At least 8 cups.)
- Research and list the components of GDP by expenditure. What is the largest component of U.S. GDP? (consumption)
- Invite someone in sales to speak about the skills necessary to be a successful salesperson.
- Visit *www.bos.frb.org/entertainment* to play the online game Show Business: The Economics of Entertainment and learn about economics in the entertainment industry.
- Discuss the importance of the following quote to those who run their own business: "In the business world, the rear-view mirror is always clearer than the windshield." - Warren Buffett

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TRADE

Voluntary exchange of goods and services for money or other goods and services.

Elementary Activity

After assigning classroom jobs (i.e. line leader, paper passer, etc.), provide students with the opportunity to trade jobs with others. After trading is completed, discuss the students' reasons for their trades, making a list of the costs and benefits of each job during the discussion.

Middle School Activity

In professional sports, a trade is a sports league transaction involving and exchange of players' contracts and/or draft picks. Have students research a sports trade in the NBA. Ask them to write a summary of the trade deal, including the advantages and disadvantages for the teams and/or players involved.

High School Activity

Without international trade, you may not have the items on your back. Ask students to look at the labels on their clothing and accessories, and list the countries that manufactured the items. Create a class graph showing all of the countries represented and compare label totals. Discuss whether clothing and goods made in the U.S. are a prevalent as they once were.

Bite-Size Ideas

- Read *Saturday Sancocho* by Leyla Torres. Use the children's literature lesson to discuss the topic of bartering as a form of trade: *www.stlouisfed.org/education_resources/assets/lesson_plans/SaturdaySancocho.pdf*
- Bring white elephant items from home (with a parent's signed note). After having an opportunity to trade items, explain the benefits of the trades made. Does everyone agree the trades were positive? If not, why not?
- Trade barriers are costs that raise the price of traded products. Examples are tariffs, import and export quotas, and embargoes. In groups, research and make charts to compare and contrast these barriers.
- Write and perform a skit that explores the concept of fair trade, which aims to help producers in developing countries receive higher prices for their goods and improve social and environmental standards. Include advantages and disadvantages to fair trade policies.
- Draw a picture that shows farmers trading equipment, crops or labor with each other. Explain how this trade situation helps farmers and their families.
- Research the purposes of the World Trade Organization (WTO). Hold a mock debate where two countries use the WTO as a forum to discuss their disagreements concerning a trade policy.
- Professionals like lawyers and accountants may trade services, such as an accountant preparing a lawyer's taxes and a lawyer handling a legal matter from the accountant. Write a short news article about the costs and benefits of trading services.
- Discuss what Thomas Jefferson meant when he said, "The merchant has no country."

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MONEY

Anything that is generally accepted as final payment for goods and services.

Elementary Activity

Explore money from around the world by visiting the following website: *www.clevelandfed.org/Learning_Center/Online_Activities/explore_money/index.cfm*. Discuss money symbols and designs from several chosen countries, then vote for the most beautiful piece of currency. Ask students to redesign a U.S. dollar using more symbolism and color.

Middle School Activity

Use the lesson plan "Currency and the Fed" to introduce students to the functions of money and the Federal Reserve System: *www.stlouisfed.org/education/assets/lesson_plans/Currency&Fed.pdf*. Ask students to write a brief newspaper article on how money is handled by the Federal Reserve.

High School Activity

Discuss counterfeit currency and how it has become more prevalent in the U.S. over the years due to technological advancements. Explain how security measures have been added to U.S. bills to thwart counterfeiters, and look at some of these features at: *www.newmoney.gov/currency/default.htm*. Ask a speaker from a bank to speak to the class on detecting counterfeit currency.

Bite-Size Ideas

- Read the book *Alexander Who Used to be Rich Last Saturday* to introduce saving money. Start with Alexander's dollar on the board and subtract the amount of his purchases throughout the story. Discuss Alexander's spending decisions.
- Compare the unit price, or cost per item, of products. To find unit price, divide the price by the number of pieces, ounces or pounds. What would be the unit price for a 20 pound bag of dog food priced at $15? ($.75 per pound)
- Just who was Salmon Chase and why was he on a $10,000 banknote? Explore the American Currency Exhibit: *www.frbsf.org/currency/iconography/portraits.hml* to learn how our country's history is reflected on our currency.
- Use actual coins to show that quarters are 1/4 of a dollar, dimes are 1/10 of a dollar, nickels are 1/20, and pennies are 1/100. Use coins to add fractions to see if you have enough money to pay for sample small items.
- Use the lesson plan and role play for "Payment Parliament" to teach students about the many ways we pay for goods and services: *www.kansascityfed.org/publicat/education/teachingresources/Payment%20Parliament.pdf*.
- Discuss what everyday life would be like if there was no money in circulation and we had to barter to get what we needed and wanted. Write a creative story with the title "Moneyless" to show the problems that might result.
- Look at a dime and identify the portrait. Use the lesson plan, "Why is Roosevelt on the Dime" available at: *http://www.usmint.gov/kids/teachers/lessonPlans/viewLP.cfm?lessonPlanId=156* to learn more about Franklin Roosevelt and why he was chosen for the dime.
- Carl Sandburg once said, "Money is power, freedom, a cushion, the root of all evil, the sum of all blessings." Discuss how money could be explained in each of these different ways.

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BANK

A financial institution that provides products and services, including checking and savings accounts and loans.

Elementary Activity

Use the lesson plan and role play for "There's No Business Like Bank Business" to teach students the concept of how banks operate as a business: *www.kansascityfed.org/publicat/education/teachingresources/No_Business_lesson.pdf* and *www.kansascityfed.org/publicat/education/teachingresources/Bank_Business_script.pdf*.

Middle School Activity

Introduce banking by asking which students have bank accounts and where they bank. Discuss how a bank operates as a business by asking the following questions: Do banks hold all money deposited in their vaults? (No) What do banks do with the deposited dollars? (They keep the required reserve amount on hand, and lend out most of the remaining dollars.) What would happen if banks kept all the deposited money? (Customers would not get loans, and the bank would not receive interest from the loans.)

High School Activity

Use the lesson "M&M Interesting," found at *http://ecedweb.unomaha.edu/lessons/M&M6-8.pdf#* to learn about the advantages of compound interest. Discuss why it is important to start a savings account while you are young.

Bite-Size Ideas

- Read *Saving Strawberry Farm* by Deborah Hopkinson. Use the children's literature lesson to discuss the role banks played during the Great Depression: *www.stlouisfed.org/education_resources/assets/lesson_plans/StrawberryFarm.pdf*.
- Currency is printed at the Bureau of Engraving and Printing (in Washington, DC or Fort Worth, TX) and then shipped to the Federal Reserve for distribution to local banks when needed. Find these locations and the Federal Reserve office closest to you on a U.S. map.
- Work in pairs to design a new and improved ATM for 2020. Make posters to highlight services and features that might be available in the future. As a class, vote on the best future design.
- Invite a bank manager to visit as a guest speaker. Create interview questions that ask about the education, skills and responsibilities that are needed for his/her position.
- Visit a local bank or credit union and ask for some deposit slips. Use addition and subtraction and place value to practice filling out the slips.
- Research the new Credit Card Accountability, Responsibility and Disclosure Act (CARD Act) at: *www.federalreserve.gov/consumerinfo/wyntk_creditcardrules.htm*. What rule targets underage consumers? Discuss the advantages and disadvantages of this rule for college students.
- Brainstorm the skills and knowledge that will be needed in the future to work as a bank teller. Write a job posting that might be used by a local bank describing the characteristics that banks will be looking for when hiring tellers.
- Discuss this proverb: "It is a wise man who lives with money in the bank, it is a fool who dies that way."

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SAVINGS

Money set aside for future use.

Elementary Activity

Ask students to make a list of items that they would like to purchase in six months, including the estimated cost. Ask them to select on item and divide the cost by 6 for a monthly amount to save. Have them divide the monthly amount by 4 for a weekly savings amount. Ask if it would be a realistic weekly savings goal. If not, what would they do to make this a goal they could reach?

Middle School Activity

Certificates of deposit (CDs) are accounts that earn interest at a fixed rate over a set of time period and include penalties for withdrawing money early. Ask students to research interest rates of CDs at local banks. Make a class list of the best rates for each of the following CDs: 6 months; 12 months; 24 months; 36 months. Discuss why banks and credit unions pay higher rates for longer terms. Ask students if they would invest in a CD and why.

High School Activity

Most states have created 529 plans to assist parents in saving for their children's future education. Have students research plans for the states in their region, including regulators, fees and internet options. Make a chart comparing neighboring states' 529 plans to your home state.

Bite-Size Ideas

- Read *Bunny Money* by Rosemary Wells. Use the children's literature lesson to discuss the topic of short and long-term savings goals: *www.kansascityfed.org/publicat/education/teachingresources/Bunny-Money-Lesson-Plan.pdf*.
- Brainstorm a class list of typical weekly expenses and add the estimated costs. Find ways to cut expenses and add the new estimated costs. Subtract the new total from the original one to discover how much money can now be saved.
- Discover how the recession influenced the savings habits of consumers in the Recession Lesson: "The Silver Lining of the Economic Downturn" at *www.kansascityfed.org/publicat/education/teachingresources/RecessionLesson-SavingsHabits.pdf*.
- Make a collage of magazine ads that would appeal to consumers urging them to save money, possibly by living greener.
- Create a skit in small groups about possible financial situations at age 65 (i.e., no savings vs. wealthy investor). Discuss possible actions that can lead to financial security in retirement.
- Write a haiku on the importance of paying yourself first.
- Research the household savings rates of several different countries. Make a chart comparing the rates. Which country's rate is the highest? What are some possible reasons for this?
- How does the following quote relate to today's rate of savings? "In the old days, a man who saved money was a miser; nowadays, he's a wonder." - Author unknown

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BUDGET

A plan for spending and saving, based on estimated income and expenses for a specific time period.

Elementary Activity

Introduce budgeting as a plan for spending, saving and sharing money by balancing income with expenses. Ask students to divide drawing paper into three sections and draw examples of these three ways to use money. Ask them to explain which of these examples is easiest for them to do and to give reasons why.

Middle School Activity

Introduce the importance of weekly budgeting. Ask the class to use spending journals to track their purchases for a week. After journals are completed, students should share results for a class list of typical purchases and costs. Have students use the list to create a graph showing the areas where most purchases were made. Discuss ways to cut back on common buys to stay within their budgets.

High School Activity

Use Lesson Two "Budget to Save: Developing a Budget" from *Building Wealth in the Classroom: www.dallasfed.org/education/pubs/wealth_classroom/02_lesson.pdf* to discuss budgets in relation to financial goals. Do the suggested activity of a budget analysis for a high school senior saving for the prom. Discuss areas where this budget could be streamlined to meet the student's financial goals.

Bite-Size Ideas

- Through a story and activities, Piggy Bank Primer introduces students to economic concepts such as saving and budgeting: *http://www.stlouisfed.org/education_resources/assets/lesson_plans/piggy_bank_primer/StudentSaving-Budgeting.pdf*.
- Develop a budget for a classic picnic. Use grocery ads to plan a meal for 20 students that includes an entrée, two sides and a dessert, for $50 or less
- Make a list of your impulse purchases in the last month and share it with a partner. Describe what spending weak spots you have and discuss a plan to help avoid these areas in the future.
- Debate this topic: "The benefits of making financial mistakes outweigh the costs."
- Look up the current national budget deficit at *www.brillig.com/debt_clock*. Consider methods to reduce the deficit, and write a letter to Congress with recommendations.
- Entertainment purchases can be a budget downfall. Brainstorm a list of 10 budget-friendly ideas for family entertainment that cost $5 or less.
- Discuss fixed budget expenses (costs that remain the same) and variable expenses (costs that change). Write and perform a skit about college students living on campus who deal with these expenses.
- Draw a cartoon about a time when you experienced either a buyer's high or buyer's remorse after a purchase. In the panels, show the purchase, how the purchase made you feel and what you might do differently in the future.
- Discuss the meaning of the following quote: "Budget: a mathematical confirmation of your suspicions." - A.A. Latimer

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Taxes

Required payments of money made to governments by individuals and businesses.

Elementary Activity

Introduce taxes by asking what happens on April 15. Discuss that one of the purposes of income taxes is to pay for public goods (such as parks and roads) and public services (such as police, fire and military workers). Ask students to imagine what would happen if the government didn't use tax money to provide these goods and services. Have them draw a picture of a situation where a lack of public goods or services caused a problem.

Middle School Activity

Discuss that not all organizations are required to pay taxes to the government. These include schools, churches and not-for-profit groups, such as scouts, animal protection agencies and charities. Ask the class for reasons why these organizations are tax-exempt and whether they think this is fair to everyone else. Have students write a letter to the school newspaper explaining their opinion.

High School Activity

Imagine your school district does not have enough money in its budget to provide all the services necessary to run your local schools. Assuming the role of the president of the school board, brainstorm a list of all the benefits of a tax increase. Then consider the perspective of a taxpayer against the increase and make a list of the monetary costs. Use the lists for a classroom debate on the topic.

Bite-Size Ideas

- Read *Scraps of Time 1960s: Abby Takes a Stand* by Patricia C. McKissak. Use the children's literature lesson to learn about how taxes fund transfer programs such as Head Start and Medicaid: *www.stlouisfed.org/education_resources/assets/lesson_plans/Scraps_of_time.pdf*
- Working in groups, use restaurant menus to pick something to order and then calculate the sales tax on the order. Report the cost with tax and figure the tip using the tax rate as a guide.
- Estimate the cost: If you want to buy an item for $9.50 with a 9% sales tax, is $10 enough money?
- Use a graphic organizer to show how the price of gas varies from your state to several neighboring states. How can the same gallon of gas from the same distributor, such as Shell or Phillips, differ in price from one state to the next?
- In a classroom mini-economy where everyone has a designated income, have the government (the teacher) set tax rates during different periods to illustrate progressive, proportional and regressive taxes.
- Hand out various grocery receipts to students with the sales tax blacked out. Discuss that some states tax only non-food items, while others tax both food and non-food. have students calculate the sales tax for both situations.
- Learn about federal income taxes, FICA, W-4 and W-2 forms in Know your dough Lesson Two: "W" is for Wages, W-4 and W-2: *www.stlouisfed.org/education_resources/assets/lesson_plans/paycheck/IYP_lesson2.pdf*.
- Brainstorm a list of careers or jobs that are associated with taxes (such as accountant). Research one of these careers to learn about the education qualifications, income level and demand for the job.

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CREDIT

The opportunity to borrow money or to receive goods or services in return for a promise to pay later.

Elementary Activity

Introduce the topic of credit and discuss the responsibilities of credit use. Discuss the rule of thumb that credit should not be used for purchase of basic needs (such as groceries, utilities and rent). Make two lists of goods and services. Include items that are good purchases to make with credit on one list, and on the other list detail items you do NOT want to purchase using credit.

Middle School Activity

Create a three-column KWL (What I know, want to know, and what I've learned) about credit cards. Brainstorm to complete the first two columns, then discuss information from the Federal Reserve's website on credit cards: *www.federalreserve.gov/creditcard*. Summarize what students have learned by asking them to create true/false statements about credit to complete the third column.

High School Activity

Use the lesson plan and role play "Professor Finance and Fed Boy Meet the Catastrophe Clan" to discuss the uses and misuses of credit: *www.kansascityfed.org/publicat/education/teachingresoruces/fed_boy_lesson_plan.pdf*.

Bite-Size Ideas

- Read *Less Than Zero* by Stuart J. Murphy. Use the children's literature lesson to discuss the topic of borrowing and credit: *www.stlouisfed.org/education_resources/assets/lesson_plans/LessThanZero.pdf*.
- Imagine two people: one who has access to credit, and one who does not. Discuss the advantages of having access to credit and the barriers of non-access to credit and how it might shape each individual's future as his or her life unfolds.
- Credit card bills now provide an estimate of how long it will take to pay off a balance making only the minimum payment. Paying more than the minimum can substantially decrease the total amount of the purchase. Discover the savings using the credit card repayment calculator at *www.federalreserve.gov/creditcardcalculator*.
- Look at the Federal Trade Commission's website: *www.ftc.gov/bcp/edu/pubs/consumer/credit/cre34.shtm* to learn about the Fair Credit Reporting Act. Discuss why consumers should order a copy of their credit report yearly.
- The following statements are common descriptions of credit. Discuss each example and use one as a topic for a creative story.
  - Credit is your reputation for financial responsibility.
  - Credit is the time allowed for payment for something sold on trust.
  - Credit is a source of revenue for financial institutions.
  - Credit is NOT more money; it is "tomorrow's" money.
- Find auto loan 36-month interest rates for a used car from three banks. Record the rates and any additional fees or conditions from each bank. Discuss which bank you would choose to finance your car loan and give reasons why.
- Brainstorm the qualities that create credit worthiness. Assume the role of loan officers and review the credit histories of several fictitious individual who are requesting a loan. Decide to approve or reject the requests and provide rationale.
- Explain the wisdom of this quote: "If you lend someone $20, and never see that person again, it was probably worth it."
- Learn more about the importance of credit score by watching "The Drawing Board: your Credit Score" *http://www.youtube.com/watch?v=DWa34pB3pQA&feature=player_embedded*.

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