



# THE MONEY CIRCLE

## THEME ONE: INTERPRET THE HISTORY, FUNCTIONS AND CHARACTERISTICS OF MONEY

### LESSON TITLE:

*Theme 1, Lesson 1: Money Is What Money Does*

### Lesson Description:

This lesson helps students understand and interpret the functions and characteristics of money. Through the reading of informational text and a role-play developed by the students, they will demonstrate knowledge about money, how it works within an economy and how it correlates to periods of history. Students will recognize why money takes the shape and form that it does and how the characteristics and functions of money determine what it is.

*Grade Level: 9-12*

*Key Concepts: Functions/uses of money, characteristics of money, barter, purchasing power*

### Objectives: Students will be able to:

1. Define money by its functions/uses as a medium of exchange, a store of value and a unit of account
2. Identify and explain the characteristics of money
3. Demonstrate the changes in money forms throughout history

*Time Required: 50 to 60 minutes*

### Materials:

- Money booklet from the Everyday Economics series, available in a printable PDF at <http://www.dallasfed.org/assets/documents/educate/everyday/money.pdf> or in classroom quantities by request at <http://www.dallasfed.org/microsites/educate/pubs/order.cfm>
- Visual 1
- Handout 1; one for each student
- Handout 1 Answer Key
- Visual 2; one for each student
- Artifact Box: assembled by teacher with samples of historical currency such as corn, pelts, beads, etc. (optional)

### Procedures:

1. To begin the lesson, find examples of something once used as currency, such as corn, beads, shells, furs, etc. Use Visual 1 as an alternative.

**Teacher Note:** *The examples could be in an "Artifact Box" that is passed around the room.*

2. Ask the following questions:
  - What do these artifacts have in common? (*Answers will vary, but may include: items people used in earlier times; early forms of money, etc.*)
  - What types of money do we use today? (*Answers will vary, but may include money in the form of cash, checks, credit and debit cards, etc.*)
3. Distribute a copy of Handout 1 to each student. Ask students to read pages 1 through 5 of the Money booklet and to complete Handout 1 as they read. Ask students the following questions and use the Handout 1 Answer Key to verify accuracy:
  - How does the book define money? (*Money is anything that is widely accepted as a form of payment for goods and services or a repayment of debt.*)
  - Why is bartering inefficient? (*It requires a "coincidence of wants, the goods and services must be immediately available, and both traders must agree on the value of one good in terms of another."*)

**Teacher Note:** *Sharing a contemporary example of coincidence of wants might be helpful, such as carpools, babysitting, household chores, etc.*

- Explain the three uses or functions of money. (*Money functions as a medium of exchange because it can be traded broadly for goods or services in an economy. Money is also a unit of account because it has a unit value by which the prices of other items can be compared to it. Lastly, money is a store of value because its purchasing*

power can be used to buy goods and services now or in the future.)

- Name and explain the characteristics of money. (*Money must be durable, or long-lasting; portable, or easy to carry; divisible, or able to be divided into smaller parts; scarce, or not readily available: uniform, or same type/denomination; and acceptable, or a form of payment approved by all.*)
  - How have the forms of money changed over time, and why? (*Early forms of money included foods, beads, shells, furs, and other items easily bartered. As people became more interdependent and less self-sufficient, the need for a form of money that represented a standard of value became necessary. The first U.S. currency was paper and coins, and its designs have evolved throughout history.*)
4. Divide the class into at least three small groups and assign each group a time frame of one of the following:
    - Early Times: the bartering years
    - Changing Times: the years between barter and money today
    - Current Times: money of today
  5. Display and review Visual 2, Money Live Role Play, with the class and ask each group to work together to develop a 3-5 minute skit about money that reflects a given time frame. Each skit must depict money in the time frame assigned and address the functions and characteristics of money (as described in Money booklet) within the economy at that time. Skits will be presented to the rest of the class upon completion.

#### Closure:

6. Review the lesson by asking the following questions:
  - What are the three functions/uses of money? (*Money functions as a medium of exchange because it can be traded broadly for goods or services in an economy. Money is also a unit of account because it has a unit value by which the prices of other items can be compared to it. Lastly, money is a store of value because its purchasing power can be used to buy goods and services now or in the future.*)
  - What are the six characteristics of money? (*Money must be durable, or long-lasting; portable, or easy to carry; divisible, or able to be divided into smaller parts; scarce, or not readily available: uniform, or same type/denomination; and acceptable, or a form of payment approved by all.*)
  - Explain some of the changes in money forms throughout history. (*Early forms of money included foods, beads, shells, furs, and other items easily bartered. As people became more interdependent and less self-sufficient, the*

*need for a form of money that represented a standard of value became necessary. The first U.S. currency was paper and coins, and its designs evolved throughout history.*)

#### Assessment:

7. Review the definition of purchasing power from page 3 in the Money booklet. Use the information you've learned about the functions and characteristics of money to write a brief essay explaining why the use of money helps stabilize purchasing power and the use of bartering does not.

#### Extension Activity:

8. Divide students into pairs/groups and provide each pair with a historical form of currency by name or from the Artifact Box or Visual 1 used in the Introduction.
9. Direct students to research their form of currency, including when and how it was used. Ask students to develop two statements about their form of currency, one in favor and one in opposition to using it within an economy.

#### Alignment to Standards:

##### National Voluntary Economic Content Standards:

- Standard 11, Money and Inflation: Money makes it easier to trade, borrow, save, invest, and compare the value of goods and services.

##### Common Core Standards:

##### Reading Informational Text:

- Key Ideas and Details:
  - CCSS.ELA-Literacy.RI.9-10.1 Cite strong and thorough textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text.
  - CCSS.ELA-Literacy.RI.11-12.1 Cite strong and thorough textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text, including determining where the text leaves matters uncertain.

##### Writing

- Text Types and Purposes:
  - CCSS.ELA-Literacy.W.9-10.1 Write arguments to support claims in an analysis of substantive topics or texts, using valid reasoning and relevant and sufficient evidence.
  - CCSS.ELA-Literacy.W.9-10.2 Write informative/explanatory texts to examine and convey complex ideas, concepts, and information clearly and accurately through the effective selection, organization, and analysis of content.

- CCSS.ELA-Literacy.W.11-12.1 Write arguments to support claims in an analysis of substantive topics or texts, using valid reasoning and relevant and sufficient evidence.
- CCSS.ELA-Literacy.W.11-12.2 Write informative/explanatory texts to examine and convey complex ideas, concepts, and information clearly and accurately through the effective selection, organization, and analysis of content.
- Research to Build and Present Knowledge:
  - CCSS.ELA-Literacy.W.9-10.8 Gather relevant information from multiple authoritative print and digital sources, using advanced searches effectively; assess the usefulness of each source in answering the research question; integrate information into the text selectively to maintain the flow of ideas, avoiding plagiarism and following a standard format for citation. (Extension Activity)
  - CCSS.ELA-Literacy.W.9-10.9 Draw evidence from literary or informational texts to support analysis, reflection, and research.
  - CCSS.ELA-Literacy.W.11-12.8 Gather relevant information from multiple authoritative print and digital sources, using advanced searches effectively; assess the strengths and limitations of each source in terms of the task, purpose, and audience; integrate information into the text selectively to maintain the flow of ideas, avoiding plagiarism and overreliance on any one source and following a standard format for citation.
  - CCSS.ELA-Literacy.W.11-12.9 Draw evidence from literary or informational texts to support analysis, reflection, and research.

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EARLY MONEY FORMS

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**MONEY: KEY CONCEPTS AND REVIEW**

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*Directions:*

*Use this handout to take notes as you read Money. List the main concepts in the left-hand column and describe and/or give examples of the concept in the right-hand column. Some key concepts are already listed below to get you started.*

KEY CONCEPT	DESCRIPTION/EXAMPLE
<i>Definition of money</i>	
<i>Definition of bartering</i>	
<i>Why is bartering inefficient?</i>	
<i>Uses/Functions of money</i>	
1.	
2.	
3.	
<i>Characteristics of money</i>	
1.	
2.	
3.	
4.	
5.	
6.	

**MONEY: KEY CONCEPTS AND REVIEW ANSWER KEY**

*Directions:*

*Use this handout to take notes as you read Money. List the main concepts in the left-hand column and describe and/or give examples of the concept in the right-hand column. Some key concepts are already listed below to get you started.*

KEY CONCEPT	DESCRIPTION/EXAMPLE
<i>Definition of money</i>	Money is anything that is widely accepted as a form of payment for goods and services or a repayment of debt.
<i>Definition of bartering</i>	Trading goods and services without the use of money
<i>Why is bartering inefficient?</i>	It requires a "coincidence of wants, the goods and services must be immediately available, and both traders must agree on the value of one good in terms of another."
<i>Uses/Functions of money</i>	Money facilitates transactions between buyers and sellers.
1. Medium of exchange	It can be traded broadly for goods or services in an economy.
2. A unit of account	It has a unit value by which the prices of other items can be compared to it.
3. A store of value	Its purchasing power can be used to buy goods and services now or in the future.
<i>Characteristics of money</i>	
1. Durable	Long-lasting. Currency today is made of 75% cotton and 25% linen to make it more durable than paper and more difficult to counterfeit.
2. Portable	Easy to carry and must be convenient in size, weight and denomination(s)
3. Divisible	Able to be divided into smaller parts and adjustable based on the price of goods and services
4. Uniform	Same type or denomination, easily represented by face value and easy to distinguish one from another
5. Scarce	Not readily available, large enough to facilitate transactions but not so large as to degrade its value
6. Acceptable	A form of payment approved by all or most; consumers must have confidence in its ability to be exchanged

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## **MONEY LIVE ROLE PLAY "MONEY YESTERDAY THROUGH TODAY"**

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*Directions:*

*In your small group, develop and outline a 3 to 5 minute skit about money that reflects your given time frame: early times, changing times and current times. The skit must demonstrate the functions and characteristics of money for your time frame. Use the Money booklet for reference. All members in your group must participate. Be prepared to present your skit to the rest of the class. Be creative and be sure to include accurate information from the lesson.*

Our time frame:

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Key ideas and concepts to share:

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Skit Outline:

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# THE MONEY CIRCLE

## THEME ONE: INTERPRET THE HISTORY, FUNCTIONS AND CHARACTERISTICS OF MONEY

### LESSON TITLE:

Theme 1, Lesson 2: Evolution of Money

### Lesson Description:

This lesson helps students understand the history of money and its role in our nation's past. Students will view examples of various forms of currency through an interactive website, read informational text about the notes and discuss identifying characteristics of currency over time. To demonstrate knowledge, students will complete a chart that summarizes the evolution of currency in the United States and further research a specific era relative to currency to complete an essay.

Grade Level: 9-12

Key Concepts: Money, evolution of money, currency, exchange

**Objectives:** Students will be able to:

1. Identify the primary currency designs of significant historical eras
2. Explain how money has evolved over time by noting characteristics and changes in currency designs
3. Research an era to find how its history affected the currency design of the period

Time Required: Two 50- to 60-minute sessions, with outside research

### Materials:

- Visual 1
- Visual 1 Answer Key
- Access to American Currency Exhibit website for viewing by the entire class: <http://www.frbsf.org/currency/index.html>
- Handout 1; one for each student
- Handout 1 Example
- Handout 2; one for each student
- Handout 3; one for each student

### Procedures:

#### DAY 1

1. To begin the lesson, share Visual 1 and ask students the following questions:
  - Can you identify these images? (*Answers may vary. Use Visual 1 Answer Key to gauge accuracy of responses.*)
  - Where do we see these images in American culture? (*Answers will vary. Possible answers may include in history books, on buildings, or on currency.*)
  - Do any of these images appear to be something we might see in the 21st century? (*Answers will vary. Possible answers may include the pyramid or images of seals.*)
2. Using the American Currency Exhibit website, <http://www.frbsf.org/currency/index.html>, view the sections listed below followed by the guiding questions. Distribute Handout 1, The Evolution of Currency, for students to take notes regarding each currency, its characteristics and how it changed.

**Teacher note:** The American Currency Exhibit website home page lists the eras typically referred to in studying the history of U.S. currency. Some of these eras are tied to historical events while others are related to other influences, such as economic conditions during a time in American history. The site provides additional learning opportunities beyond what is discussed here. An example for Handout 1 is provided for teacher reference.

3. Go to the Colonial and Continental Currency page and ask students to read the introductory text above the currency for background. At the bottom of the page, have students look at the bills. A description of each bill can be seen when you hover your mouse over it or click on it. Ask the following questions:
  - How are the bills similar? (*Answers will vary. Students may suggest similarity in color, size, use of British denomination, and use of seal.*)



- How do they differ? (*Answers will vary. Differences may include denomination amount, images used, and years printed.*)
4. Hand out a copy of Handout 2 to each student and ask them to read this informational text about colonial currency and be prepared to respond to the following questions:
    - After the English colonists arrived in America, how did the British and colonists seek to benefit from each other? (*Britain hoped that its colonists would contribute revenue and stimulate industrial growth by providing both raw materials and markets for British mercantile expansion. In return, the colonists would be protected by British arms and civilized by British rule.*)
    - What were the issues with the coinage in circulation at this time? (*There were not enough coins in circulation to sustain commerce and the demand for silver was greater than the supply.*)
    - How did colonists respond to the fluctuating value of coins in order to facilitate commerce? (*Middle colonies of Pennsylvania, New Jersey, Delaware and eventually Maryland agreed to mutually set rates in order to facilitate commerce throughout the region.*)
  5. Ask students to add information on Colonial Currency to Handout 1.
  6. Go to the Early Banking in the United States page and the Broken Bank Notes and Wildcat Issues page. Have students read the introductory text above each section for background. These sections explain the adoption of the dollar as the unit of measure. Ask students to speculate why paper currency might eliminate confusion and facilitate commerce.
  7. Ask the following question:
    - What changes in currency design do you notice in these two eras? (*Answers will vary. Possible answers may include more symbolism, additional color, wide variety of issuing banks and other organizations.*)
  8. Ask students to add the Early Banking and Wildcat Issues information to Handout 1.

**Teacher note:** For additional student reading about the first and second banks and the free banking period afterward, additional publications are available through [www.philadelphiafed.org/education/](http://www.philadelphiafed.org/education/) (*The First Bank of the United States, the Second Bank of the United States and the State and National Banking Eras*).

9. Go to the next section of the website for a look at Confederate, Fractional and Demand currency. Use the same techniques as above to explore the notes. Ask students the following question:
  - What further evolution of currency design do you notice? (*Answers will vary. Students may suggest the use of more political portraits, the use of "Confederate States" on bills, and more elaborate symbols.*)
10. Ask students to add the Confederate, Fractional and Demand currency information to Handout 1.
11. Ask students to ensure their name is on Handout 1 and collect it for further use on Day Two of the lesson.

## DAY 2

12. Pass Handout 1 back to students. As review, ask them to share which era's currency design they think showed the most significant change in design as compared to the periods studied thus far.
13. Distribute Handout 3 to the class and ask students to read more about both Fractional and Demand notes. Ask students to add additional information about Fractional and Demand currency to Handout 1 based on the reading.
14. Go to the Industrial Revolution era pages to view Legal Tender and National Bank Notes. Ask students how overall characteristics of the notes in this era differ from previous time frames. Tell students to read the background information on these notes on the web page. Ask students the following:
  - How has currency evolved during this era? (*Possible answers may include that this was the first national currency, the denominations and design are becoming more standard.*)
15. Ask students to add the Legal Tender and National Bank Notes information to Handout 1.
16. View the Metal Standards era currency, Gold and Silver Certificates and Treasury Coin Notes. Tell students to read the background information on these notes on the web page. Ask students the following question:
  - What are the changes in currency design that were made in this era? (*Possible answers may include that the metal standards added gold and silver certificates to the mix; the overall design is becoming more standardized.*)

**17.** Tell students to add information on the currency of this era to Handout 1.

**18.** Go to the National Stability and World Standard era pages to view early and current Federal Reserve Notes. Tell students to read the background information on these notes on the web page. Ask students the following question:

- What new changes did you notice in the currency designs of this era? (*Possible answers might be that the currency looks much more uniform in color size and overall features, with presidential portraits in the middle, etc.*)

**19.** Tell students to add information on the currency of these final eras to Handout 1.

#### Closure:

**20.** Review the lesson by asking the following questions:

- What are some of the primary currency designs related to the U.S. historical eras discussed? (*Colonial, Continental, Fractional, Demand, Confederate, Legal Tender, National Bank, Gold and Silver Certificates, Federal Reserve Notes*)
- What are some reasons why currency has evolved throughout history? (*Possible answers may include war, bank panics, change from state to national issues, metal shortages, etc.*)
- What are some currency features that remained fairly standard (the same) throughout history? (*Possible answers may include paper used for currency, use of cultural images, issue dates given, etc.*)

#### Assessment:

**21.** Assign or let students select a key era in the evolution of money. Ask students to research the historical time period and how the currency design reflects the events or historical influence on the currency of the time. Possible websites for research include:

- Bureau of Engraving and Printing - <http://www.moneyfactory.gov/historicalcurrency.html>
- NewMoney.Gov - <http://www.newmoney.gov/uscurrency/history.htm>
- U.S. Treasury - <http://www.treasury.gov/connect/blog/Pages/US-Currency-Brief-History-Part-1.aspx>
- History Channel - <http://www.history.com/news/8-things-you-may-not-know-about-american-money>

**22.** Ask students to use their research to develop a Power-Point or Prezi, detailing the era, its effects on currency design in that period and the rationale for changes to currency.

**Teacher Note:** The assessment should be based on inclusion of at least three significant factors that influenced the history of currency in that era, an accurate account of historical/political influences and accuracy in representing the rationale for changes.

#### Alignment to Standards:

##### National Voluntary Economic Content Standards:

- Standard 11: Money and Inflation: Money makes it easier to trade, borrow, save, invest, and compare the value of goods and services.

##### Common Core Standards:

###### Reading Informational Text:

###### Key Ideas and Details:

- CCSS.ELA-Literacy.RI.9-10.1 Cite strong and thorough textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text.
- CCSS.ELA-Literacy.RI.11-12.1 Cite strong and thorough textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text, including determining where the text leaves matters uncertain.

###### Writing

###### Text Types and Purposes:

- CCSS.ELA-Literacy.W.9-10.1 Write arguments to support claims in an analysis of substantive topics or texts, using valid reasoning and relevant and sufficient evidence.
- CCSS.ELA-Literacy.W.9-10.2 Write informative/explanatory texts to examine and convey complex ideas, concepts and information clearly and accurately through the effective selection, organization and analysis of content.
- CCSS.ELA-Literacy.W.11-12.1 Write arguments to support claims in an analysis of substantive topics or texts, using valid reasoning and relevant and sufficient evidence.
- CCSS.ELA-Literacy.W.11-12.2 Write informative/explanatory texts to examine and convey complex ideas, concepts and information clearly and accurately through the effective selection, organization, and analysis of content.

###### Research to Build and Present Knowledge:

- CCSS.ELA-Literacy.W.9-10.8 Gather relevant information from multiple authoritative print and digital sources, using advanced searches effectively; assess the usefulness of each source in answering the

- research question; integrate information into the text selectively to maintain the flow of ideas, avoiding plagiarism and following a standard format for citation.
- CCSS.ELA-Literacy.W.9-10.9 Draw evidence from literary or informational texts to support analysis, reflection and research.
  - CCSS.ELA-Literacy.W.11-12.8 Gather relevant information from multiple authoritative print and digital sources, using advanced searches effectively; assess the strengths and limitations of each source in terms of the task, purpose, and audience; integrate information into the text selectively to maintain the flow of ideas, avoiding plagiarism and overreliance on any one source; and following a standard format for citation.
  - CCSS.ELA-Literacy.W.11-12.9 Draw evidence from literary or informational texts to support analysis, reflection, and research.

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AMERICAN CULTURE IMAGES

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## **AMERICAN CULTURE IMAGES ANSWER KEY**

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- 1.** Sioux Chief Running Antelope is the only Native American whose portrait is featured on American currency. Portraying the chief in a Pawnee headdress, rather than his Sioux tribal headdress, created a political scandal. The Pawnee and Sioux tribes considered the depiction insensitive and inaccurate.
- 2.** Since 1929, monuments have appeared on the back of most U.S. currency. Sometimes the monuments depicted relate to the portrait on the front of the bill. The current \$5 bill has a portrait of Abraham Lincoln on the front and a picture of the Lincoln Memorial on its reverse side. The \$10 bill has a picture of Alexander Hamilton, the first secretary of the Treasury, on its front side and a view of the Treasury building on the back. Benjamin Franklin appears on the front of the \$100 bill, and Independence Hall in Philadelphia, where Benjamin Franklin lived, is on the back.
- 3.** Images of both war and peace are represented on the official seals and currency of the United States. The eagle on the Great Seal of the United States has the arrows of war in one of its talons and the olive branch of peace in the other.
- 4.** The four major agricultural products in Colonial America—corn, cotton, wheat, and tobacco—all appear on currency.
- 5.** The Great Seal of the United States appears on the back of the current \$1 note. Although it's not generally known, the horizontal lines across the top of the shield are meant to represent Congress. The unattached shield lying across the eagle's breast is not an engraver's mistake; rather, it is purposely designed to express the idea that America can rely upon its own virtues without help from anyone.
- 6.** Many historic events have been incorporated into the design of America's currency. Some of these events include the Pilgrims embarking on their journey and landing at Plymouth Rock, General George Washington crossing the Delaware and the signing of the Declaration of Independence.
- 7.** Liberty has been depicted as a fierce protector with a sword as well as a gentle creature of peace holding an olive branch. She is at times accompanied by eagles, flags and even an altar on one bank note.
- 8.** A pyramid, a symbol of permanence and strength. The unfinished pyramid represents striving toward growth. The eye represents an all-seeing deity and places the spiritual above the material. At the pyramid's base, 1776 appears in roman numerals. The motto "Annuit Coeptis" translates to "He [God] Has Favored Our Undertakings." "Novus Ordo Seclorum" is translated as "A New Order of the Ages" and signifies the beginning of the New American Era.
- 9.** Sometimes called the "horn of plenty," the cornucopia appears in the corners and on the edges of many bank notes. It is the proud symbol of the nation's prosperity and good fortune.

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## THE EVOLUTION OF CURRENCY

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CURRENCY TYPE/ERA	CHARACTERISTICS	CHANGES
COLONIAL CURRENCY		
EARLY BANKING IN THE U.S.		
WILDCAT ISSUES		
CONFEDERATE CURRENCY		
FRACTIONAL CURRENCY		
DEMAND CURRENCY		
LEGAL TENDER		
NATIONAL BANK NOTES		
TREASURY COIN NOTES		
GOLD AND SILVER CERTIFICATES		
FEDERAL RESERVE NOTES		

THE EVOLUTION OF CURRENCY EXAMPLE (PAGE 1 OF 2)

CURRENCY TYPE/ERA	CHARACTERISTICS	CHANGES
COLONIAL CURRENCY	<ul style="list-style-type: none"> <li>• First issued in 1690</li> <li>• Usually denominated in Spanish Milled Dollars and British shillings, pounds, and pence</li> <li>• In 1764, the British declared Colonial currency illegal</li> </ul>	<ul style="list-style-type: none"> <li>• Square/rectangular in design with text in black or red</li> <li>• Designs include border images</li> </ul>
EARLY BANKING IN THE U.S.	<ul style="list-style-type: none"> <li>• Dollar adopted as unit of national currency in 1785</li> <li>• First and Second Banks of the U.S. chartered in 1790 and 1816 respectively, 20 year charter each</li> <li>• Issued paper notes and served as U.S. Treasury fiscal agent</li> <li>• President Andrew Jackson vetoed the re-charter of the Second Bank</li> </ul>	<ul style="list-style-type: none"> <li>• Designs featured buildings primarily and monochromatic color</li> </ul>
WILDCAT ISSUES	<ul style="list-style-type: none"> <li>• Free Banking Era (1837-1866)</li> <li>• Paper money issued by anyone</li> <li>• "Wildcat" referred to remote locations of some banks</li> <li>• When a bank, store, etc. failed, their currency became worthless</li> </ul>	<ul style="list-style-type: none"> <li>• Varied designs, colors, fonts, images, etc.</li> </ul>
CONFEDERATE CURRENCY	<ul style="list-style-type: none"> <li>• Issued by Confederacy (1861-1865) to Southerners expecting victory in the Civil War</li> <li>• Some Northerners also printed and circulated the currency to devalue it</li> <li>• By the end of the war, Confederate notes were worthless</li> </ul>	<ul style="list-style-type: none"> <li>• Designs featured portraits, war images, also varied in color</li> </ul>

THE EVOLUTION OF CURRENCY EXAMPLE (PAGE 2 OF 2)

CURRENCY TYPE/ERA	CHARACTERISTICS	CHANGES
FRACTIONAL CURRENCY	<ul style="list-style-type: none"> <li>• Need for metals in Civil War led to paper currency to replace coins</li> <li>• \$.03 - \$.50 denominations</li> <li>• Not needed after the Civil War</li> </ul>	<ul style="list-style-type: none"> <li>• Small in size with portraits as main design feature</li> </ul>
DEMAND CURRENCY	<ul style="list-style-type: none"> <li>• First paper currency from U.S. Treasury</li> <li>• Also known as greenbacks</li> <li>• Redeemable in coin on demand</li> <li>• Primarily issued to finance the Civil War</li> <li>• Congress retired Demand notes in 1862</li> </ul>	<ul style="list-style-type: none"> <li>• Green color with images of American culture in design</li> </ul>
LEGAL TENDER	<ul style="list-style-type: none"> <li>• Also known as U.S. Notes</li> <li>• First national currency used as legal tender for most public and private debt</li> </ul>	<ul style="list-style-type: none"> <li>• Bold U.S. lettering, portraits and images of America</li> </ul>
NATIONAL BANK NOTES	<ul style="list-style-type: none"> <li>• Made up mostly of paper currency distributed between Civil War and World War I</li> </ul>	<ul style="list-style-type: none"> <li>• Design included lots of text tied to specific cities and included seals</li> </ul>
TREASURY COIN NOTES	<ul style="list-style-type: none"> <li>• Issued with passage of The Treasury Note Act of 1890</li> </ul>	<ul style="list-style-type: none"> <li>• Design featured portraits and large denomination text</li> </ul>
GOLD AND SILVER CERTIFICATES	<ul style="list-style-type: none"> <li>• Offered in exchange for deposits of gold and silver</li> <li>• Gold Reserve Act of 1934 required Federal Reserve Banks to turn over all gold in exchange</li> </ul>	<ul style="list-style-type: none"> <li>• Design included gold coloring/ lettering and seal</li> </ul>
FEDERAL RESERVE NOTES	<ul style="list-style-type: none"> <li>• Sole currency issued today</li> <li>• Ranged in denominations from \$5 - \$10,000 originally; now up to \$100</li> </ul>	<ul style="list-style-type: none"> <li>• Portraits are key part of design with text at top and bottom and symbols on sides</li> </ul>



## **THE COMPARATIVE VALUE OF MONEY BETWEEN BRITAIN AND THE COLONIES**

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When the English colonists arrived in America they naturally continued to use the monetary units of Britain, namely the pound, shilling and pence. This appeared to be a simple transplantation of economic units, but due to British colonial policy the situation became quite complex. Basically, British policy was guided by the supposition that its colonies would contribute revenue and stimulate industrial growth by providing both raw materials and markets for British mercantile expansion. In return, the colonies would be protected by British arms and civilized by British rule. Toward this end parliament enacted laws prohibiting the export of British silver coinage as it was thought the colonies should be providing Britain with precious metals rather than draining them away. The result of this policy was that British silver coins were quite scarce in the North American colonies.

This problem adversely affected local commerce and forced - colonists to use foreign coins, primarily Spanish American silver produced in Mexico and Peru. As there were not enough of these coins in circulation to sustain commerce, the first colonists turned to barter transactions as well as the use of wampum and commodity monies like tobacco as mediums of exchange. However, these substitutes were not acceptable to British exporters providing colonial merchants with British goods. Colonial merchants needed to pay British exporters in silver, resulting in a severe drain on an already scarce commodity. As the demand for silver coinage far exceeded the available supply, silver coins traded at a premium.

Further, except for the Boston mint of 1652-1682, the colonies did not produce any significant quantity of coinage. Rather, in colonial America, most silver coinage in circulation came from Spanish America, Spain, the Netherlands, the German States, France and other foreign countries. The colonial exchange rate of the Spanish dollar and other silver coins continued to fluctuate based on the legislated rates in the colonies. Generally, colonial rates fluctuated upward through about 1750. The Middle colonies of Pennsylvania, New Jersey, Delaware and eventually Maryland agreed to mutually set rates in order to facilitate commerce throughout the region.

*Source: Colonial Currency website, A Project of the Robert H. Gore, Jr. Numismatic Endowment  
University of Notre Dame, Department of Special Collections, <http://www.coins.nd.edu/ColCurrency/CurrencyIntros/IntroValue.html>*

## **FRACTIONAL CURRENCY AND DEMAND NOTES**

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### FRACTIONAL CURRENCY

In the early stages of the Civil War period, the public chose to hold on to coins because of their value as precious metal. The result was a shortage of available coins for circulation. To remedy the situation, the congressional act of July 17, 1862 (12 Stat. 592), authorized the use of postage and other stamps for paying debts to the U.S. Government. This created a shortage of postage stamps. To fix this new problem, notes in denominations of less than \$1 were issued, although these were never authorized by legislation. Such notes were known as postage notes or Postage Currency because their designs were taken from existing postage stamps. Later issues of notes in denominations under \$1 had designs more in keeping with the appearance of currency notes. These issues were known as Fractional Currency and were authorized under the congressional act of March 3, 1863 (12 Stat. 709). In all, there were five issues of Fractional Currency of varying denominations from 3 cents to 50 cents authorized between 1862 and 1876.

### DEMAND NOTES

Demand Notes represented the first general circulation of paper currency notes by the U.S. Government. Issued in 1861 and 1862 as a way to pay for goods and services related to Civil War costs, the notes were essentially Government IOUs and were called Demand Notes because they were payable "on demand" in coin at certain Treasury facilities. They were also popularly known as "greenbacks" because of the color ink used to print the backs.

Printed by a private company, Demand Notes were sent to the Treasury in sheets of four notes each, where dozens of clerks and laborers signed, separated, and trimmed them by hand before issuance. The notes did not have a Treasury Seal, nor were they signed by the actual Treasury officials listed on the note but rather by designated Treasury employees. Demand Notes were supplanted by United States Notes in 1862.

*Source: Bureau of Engraving and Printing Currency Notes*



# THE MONEY CIRCLE

## THEME TWO: SIGNIFICANCE OF LEARNING, EARNING AND SPENDING ON PERSONAL FINANCIAL WELL-BEING

### LESSON TITLE:

*Theme 2, Lesson 1: Learn to Earn*

### Lesson Description:

In this lesson, students will evaluate the significance of career and education/training choices in relation to earning potential. Students will research a future job and determine the qualifications, skills and knowledge needed to obtain the job. Students will weigh the costs and benefits of a potential job/career path and learn about income levels of specific careers.

*Grade Level: 9-12*

*Key Concepts: Human resources, labor, labor force, job/career, cost/benefit analysis, income*

### Objectives: Students will be able to:

1. Explain the importance of advanced education or training in relation to employment options.
2. Interpret income level charts relative to specific industries.
3. Formulate the job qualifications needed for a specific job/career.
4. Evaluate the costs and benefits of job choices.

*Time Required: Two 50- to 60-minute sessions*

### Materials:

- Handout 1; one per student
- Handout 1 Answer Key
- Handout 2; cut apart into individual cards
- Visual 1
- Visual 2
- Handout 3; one per student
- Handout 4; one per student
- Assessment Scoring Guide; copy for teacher

### Procedures:

#### DAY 1

1. Ask students how many currently have or previously had a part-time job. Tell students to count any jobs they have had in their lifetime in which they earned money or a wage. (Answers will vary.) Count the number and write the ratio of those who said yes compared to the total number of students. (Example: 16/25 of the class have or previously had jobs.)

2. Tell students that those with jobs are examples of human resources performing labor.

Define human resources as workers who make goods and provide services and labor as the human effort directed toward producing goods and services.

3. Continue the discussion by asking how many students have had two jobs. Count and write that ratio next to the first ratio. Ask how many have had three or more jobs. Count and write that ratio. Compare ratios and discuss why the ratios might vary. (Answers could include: needing money for specific reasons/goals, proximity to employment opportunities, etc.)
4. Ask if any students applied for jobs but were not hired. Tell them that they are also included in the labor force, which is defined as the people in a nation who are 16 and over and are employed actively or looking for work.
5. Distribute a copy of Handout 1 to each student.
6. Explain that the handout includes statistical data from the Bureau of Labor Statistics and the Census Bureau about the average number of jobs held by individuals and median earnings in reference to educational attainment, or level of education completed. Ask students to work in

pairs to review the tables in Handout 1 and respond to the questions included.

7. Review the answers to Handout 1 using the Handout 1 Answer Key.
8. Distribute the Industry Cards from Handout 2, one card per student.
9. Tell students that each card represents all the jobs related to a particular business or industry. (Example: A drug store might include a manager, pharmacist and cashier.)
10. Ask students to divide into groups of three or four and to rank each of their Industry Cards in order of highest to lowest income.
11. Invite a few groups to share their results.
12. Show Visual 1 and allow groups to check the accuracy of their responses and to share how the actual rankings differ from their assumptions.

**Teacher Note:** The source for the above activity is a table entitled *Jobs in the U.S.: Average Hourly Pay, Total Employment from Employment Growth in America: Exploring Where Good Jobs Grow* working paper by Christopher H. Wheeler, [http://www.stlouisfed.org/community/assets/pdf/job\\_growth\\_study.pdf](http://www.stlouisfed.org/community/assets/pdf/job_growth_study.pdf). Using the original research, you can update the industries in the activity to represent industries in your community or industries that are of more interest to your students.

13. Show Visual 2 and ask one student to read the list of job qualifications. Invite the rest of the class to guess the job that it represents. (pharmacy technician)
14. Distribute a copy of Handout 3 to each student. Inform students that they will research their “ideal job/career” and identify the necessary qualifications, education, training, knowledge and skills required. Students may find the following websites useful in their research:
  - [www.myskillsmyfuture.org](http://www.myskillsmyfuture.org)
  - [www.missouriconnections.org](http://www.missouriconnections.org) (log on as Guest and go to Occupations tab)
  - [www.kansascareerpipeline.org](http://www.kansascareerpipeline.org) (register to access)
15. Ask students to complete their list of job qualifications using the handout as homework. They must list at least seven but can include more (on the back if needed) and must include any necessary education or training. Caution students against sharing their ideal job/career choice with

others because others will guess this information in the next class.

## DAY 2

16. Review homework assignment directions from Day 1.
17. Ask students to share their thoughts on which skills/qualifications would be helpful to have for multiple jobs or careers. (Answers will vary, but could include good customer service skills, teamwork, and multi-tasking.)
18. Divide the class into small groups of three to four. Ask each student to share their list of qualifications for their ideal job (Handout 3) with their group and to have others in their group guess their ideal job. Encourage groups to add additional skills or qualifications for each job if warranted.
19. Ask student groups to highlight the education and training components of their jobs during their discussion and to note any similarities and differences between their lists of skills and qualifications.
20. Distribute a copy of Handout 4 to each student and ask them to evaluate the costs and benefits of pursuing their ideal career using the handout. Define costs as things that are unfavorable and benefits as things that are favorable when making a decision.
21. Provide an example of costs and benefits of a decision students can relate to.

**Teacher Note:** An example could be deciding whether to attend college near home. Potential costs could be less independence for the student and frequent visits from parents, whereas potential benefits could be lower tuition than out-of-state schools and the ability to do their laundry at home rather than at school.

### Closure:

22. Ask students the following questions:
  - What are human resources? (Workers who make goods and provide services.)
  - How does labor differ from labor force? (Labor is the human effort directed toward producing goods and services; labor force is the people in a nation who are 16 and over and are employed actively or looking for work.)

- How are education and training related to employment options and income? (Education and training can help to develop skills and qualifications needed for specific jobs, and according to BLS data, those with more education tend to have higher income.)

#### Assessment:

- 23.** Ask students to work in their same cooperative groups to prepare a one-page career newsletter on the topic of their ideal jobs, with short articles on each of their careers that include qualifications, education needed, websites for other students to use for researching these jobs, salary potential, etc. The Assessment Scoring Guide is available to help evaluate student/group performance.

#### Extension Activity:

- 24.** Using a smart board or projector and screen, introduce students to the Reality Check for their personal finance needs at <http://www.jumpstart.org/reality-check.html> to determine how much they must earn a month to support their desired lifestyle. If a computer lab is available, allow students to complete the form individually. Invite students to discuss their results with the class and whether their expected standard of living matched their expected level of income.

**Teacher Note:** *The Jump\$tart activity is based on national averages.*

#### Alignment to Standards:

##### National Voluntary Economic Content Standards:

- Standard 2, Decision-making: Effective decision making requires comparing the additional costs of alternatives with the additional benefits. Many choices involve doing a little more or a little less of something; few choices are “all or nothing” decisions.
- Standard 13, Income: Income for most people is determined by the market value of the productive resources they sell. What workers earn primarily depends on the market value of what they produce.

##### National Standards for Financial Literacy:

- Standard 1: Earning Income

##### Jump\$tart National Personal Finance Standards:

- Standard 1: Income and Careers

#### Common Core Standards:

##### Writing:

- Production and Distribution of Writing:
  - CCSS.ELA-Literacy.W.9-10.4 Produce clear and coherent writing in which the development, organization, and style are appropriate to task, purpose and audience. (Grade-specific expectations for writing types are defined in standards 1-3 above.)
  - CCSS.ELA-Literacy.W.9-10.6 Use technology, including the Internet, to produce, publish and update individual or shared writing products, taking advantage of technology’s capacity to link to other information and to display information flexibly and dynamically.
  - CCSS.ELA-Literacy.W.11-12.4 Produce clear and coherent writing in which the development, organization and style are appropriate to task, purpose and audience. (Grade-specific expectations for writing types are defined in standards 1-3 above.)
  - CCSS.ELA-Literacy.W.11-12.6 Use technology, including the Internet, to produce, publish and update individual or shared writing products in response to ongoing feedback, including new arguments or information.

**EDUCATION AND INCOME DATA (PAGE 1 OF 2)**

TABLE 1. NUMBER OF JOBS HELD BY EDUCATION AND ETHNICITY

Characteristic	PERCENT DISTRIBUTION BY NUMBER OF JOBS HELD							Mean number of jobs held
	Total	0 or 1 job	2 to 4 jobs	5 to 7 jobs	8 to 10 jobs	11 to 14 jobs	15 or more jobs	
Total	100.0	1.1	10.1	19.3	20.8	22.5	26.3	11.3
Less than a high school diploma	100.0	2.8	9.9	15.0	16.9	24.9	30.5	11.9
High school graduates, no college <sup>1</sup>	100.0	1.0	13.2	23.1	20.2	19.1	23.4	10.6
Some college or associate degree	100.0	0.6	9.8	19.3	19.2	22.7	28.4	11.7
Bachelor's degree and higher <sup>2</sup>	100.0	0.7	6.2	16.1	24.5	25.9	26.6	11.7
Men	100.0	0.8	10.0	18.4	20.7	21.8	28.4	11.6
Less than a high school diploma	100.0	0.7	7.4	11.6	16.0	26.1	38.2	13.3
High school graduates, no college <sup>1</sup>	100.0	1.0	12.6	21.0	20.4	18.4	26.6	11.0
Some college or associate degree	100.0	0.6	10.4	20.6	17.3	18.1	33.1	12.0
Bachelor's degree and higher <sup>2</sup>	100.0	0.6	7.2	16.8	25.8	27.1	22.6	11.2
Women	100.0	1.4	10.2	20.2	21.0	23.2	24.1	11.0
Less than a high school diploma	100.0	5.8	13.5	19.6	18.2	23.1	19.7	9.9
High school graduates, no college <sup>1</sup>	100.0	1.0	13.8	25.5	20.1	19.8	19.8	10.1
Some college or associate degree	100.0	0.6	9.3	18.3	20.7	26.5	24.6	11.4
Bachelor's degree and higher <sup>2</sup>	100.0	0.8	5.2	15.4	23.4	24.7	30.5	12.2
White non-Hispanic	100.0	0.8	9.8	19.5	20.4	22.9	26.5	11.4
Less than a high school diploma	100.0	2.3	7.6	13.4	15.3	27.3	34.1	12.6
High school graduates, no college <sup>1</sup>	100.0	0.6	13.3	24.1	20.2	18.8	23.1	10.5
Some college or associate degree	100.0	0.5	10.5	19.4	17.9	23.0	28.7	11.7
Bachelor's degree and higher <sup>2</sup>	100.0	0.8	6.0	16.3	24.0	26.3	26.6	11.7
Black non-Hispanic	100.0	2.0	10.8	18.4	21.5	21.1	26.2	11.0
Less than a high school diploma	100.0	3.7	14.7	17.5	21.1	18.0	25.0	10.3
High school graduates, no college <sup>1</sup>	100.0	2.6	12.3	20.2	20.2	19.6	25.1	10.6
Some college or associate degree	100.0	1.0	7.2	18.2	21.1	23.1	29.4	11.9
Bachelor's degree and higher <sup>2</sup>	100.0	0.0	8.5	15.1	25.9	25.1	25.5	11.5
Hispanic or Latino	100.0	1.4	11.3	20.1	22.8	20.0	24.5	10.9
Less than a high school diploma	100.0	1.9	14.7	19.7	18.3	21.0	24.4	10.8
High school graduates, no college <sup>1</sup>	100.0	1.7	11.6	20.3	22.1	20.7	23.6	10.6
Some college or associate degree	100.0	0.3	9.5	20.6	26.1	19.8	23.7	11.2
Bachelor's degree and higher <sup>2</sup>	100.0	1.7	6.7	19.0	27.9	15.9	28.8	11.3

**EDUCATION AND INCOME DATA (PAGE 2 OF 2)**

TABLE 2. ANNUAL EARNINGS BY LEVEL OF EDUCATION AND WORK STATUS

Characteristic	Population aged 25-64	Median earnings
TOTAL	159,814,440	\$27,455
<b>EDUCATION</b>		
None-8th grade	7,815,325	\$10,271
9th-12th grade	12,972,423	\$10,996
High school graduate	45,408,258	\$21,569
Some college	33,405,090	\$27,361
Associate's degree	13,299,842	\$32,602
Bachelor's degree	30,138,179	\$42,783
Master's degree	11,825,602	\$53,716
Professional degree	3,152,004	\$79,977
Doctorate degree	1,752,717	\$73,575
<b>GENDER</b>		
Male	79,365,902	\$36,422
Female	80,448,538	\$20,050

Source: Census Bureau, <http://www.census.gov/prod/2011pubs/acs-14.pdf>

1. Based on the information in Table 1, have men or women held more jobs on average?
2. Which ethnic group has held 15 or more jobs at less than a high school diploma and at what percentage?
3. How many jobs on average did the total population hold?
4. According to Table 2, which gender earns less on average?
5. What is the difference between median earnings for those with a doctorate degree compared to those with a high school diploma?
6. How can the information in Table 2 help you to better prepare for your future?

**EDUCATION AND INCOME DATA ANSWER KEY**

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1. Based on the information in Table 1, have men or women held more jobs on average?  
*A: Men*
2. Which ethnic group has held 15 or more jobs at less than a high school diploma and at what percentage?  
*A: White non-Hispanic, 34.1%*
3. How many jobs on average did the total population hold?  
*A: 11.3*
4. According to Table 2, which gender earns less on average?  
*A: Women*
5. What is the difference between median earnings for those with a doctorate degree compared to those with a high school diploma?  
*A: \$52,006*
6. How can the information in Table 2 help you to better prepare for your future?  
*A: Answers will vary, possible answer could be a decision to stay in school and pursue advanced education for higher earning potential.*



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**INDUSTRY CARDS (PAGE 1 OF 5)**

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**METAL MINING**

**ENGINEERING AND  
ARCHITECTURE**

**COMPUTER PROCESSING**

**DENTIST OFFICES**

**LEGAL SERVICES**

**ADVERTISING**

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**INDUSTRY CARDS (PAGE 2 OF 5)**

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**REAL ESTATE**

**ACCOUNTING AND  
AUDITING**

**INSURANCE**

**BANKING**

**COLLEGES AND  
UNIVERSITIES**

**DRUG STORES**

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**INDUSTRY CARDS (PAGE 3 OF 5)**

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**PRINTING AND  
PUBLISHING**

**ENTERTAINMENT AND  
RECREATION SERVICES**

**ELEMENTARY AND  
SECONDARY SCHOOLS**

**TRUCKING SERVICES**

**OPTOMETRIST OFFICES**

**LIBRARIES**

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**INDUSTRY CARDS (PAGE 4 OF 5)**

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**FURNITURE STORES**

**NURSING**

**DETECTIVE AND  
PROTECTIVE SERVICES**

**HOTEL AND MOTEL  
SERVICES**

**AUTOMOTIVE REPAIR**

**DEPARTMENT STORES**

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**INDUSTRY CARDS (PAGE 5 OF 5)**

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**SOCIAL SERVICES**

**EATING AND DRINKING  
SERVICES**

**GROCERY STORES**

## WHICH INDUSTRIES EARN THE HIGHEST INCOME?

In order of highest to lowest

	INDUSTRY	AVG. HOURLY WAGE (\$)		INDUSTRY	AVG. HOURLY WAGE (\$)
<b>1</b>	Metal Mining	38.61	<b>16</b>	Motor Vehicle Dealers	19.10
<b>2</b>	Computer Processing	29.70	<b>17</b>	Construction	18.55
<b>3</b>	Legal Services	29.02	<b>18</b>	Sanitation Services	18.09
<b>4</b>	Engineering and Architecture	26.04	<b>19</b>	Entertainment and Receptions Services	17.65
<b>5</b>	Dentist Services	24.99	<b>20</b>	Trucking Services	17.37
<b>6</b>	Advertising	24.85	<b>21</b>	Libraries	16.85
<b>7</b>	Real Estate	23.28	<b>22</b>	Furniture Stores	16.49
<b>8</b>	Insurance	22.86	<b>23</b>	Detective and Protective Services	15.53
<b>9</b>	Colleges and Universities	22.58	<b>24</b>	Automotive Repair	15.38
<b>10</b>	Accounting and Auditing	21.72	<b>25</b>	Nursing	14.63
<b>11</b>	Banking	20.62	<b>26</b>	Hotel and Motel Services	13.81
<b>12</b>	Drug Stores	20.21	<b>27</b>	Department Stores	13.58
<b>13</b>	Printing and Publishing	20.04	<b>28</b>	Social Services	13.41
<b>14</b>	Elementary and Secondary Schools	19.93	<b>29</b>	Grocery Stores	13.16
<b>15</b>	Optometrist Offices	19.27	<b>30</b>	Eating and Drinking Services	12.06

## **JOB QUALIFICATIONS SAMPLE**

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- *Excellent customer service skills*
- *Works well with others/team*
- *Detail oriented and organized*
- *Reliable and able to work with minimal supervision*
- *Ability to multitask in a high pressure environment*
- *Must have high school diploma or GED*
- *Pass drug test and physical exam*
- *Should have at least one year of related experience*
- *Basic computer skills, including fundamental knowledge of Windows software*
- *Be licensed and/or registered with the State Board of Pharmacy and be in good standing*
- *Ability to communicate, perform and comprehend pharmacy operations*

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## QUALIFICATIONS FOR MY IDEAL JOB

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*Directions:* Write a list of knowledge, skills and qualifications for your ideal job above. Be sure to include qualifications that reflect the education/training needed and skills required for all aspects of the job based on your research. You may use the websites listed below or other job/career websites you find.

- [www.myskillsmyfuture.org](http://www.myskillsmyfuture.org)
- [www.missouriconnections.org](http://www.missouriconnections.org) (log on as Guest and go to Occupations tab)
- [www.kansascareerpipeline.org](http://www.kansascareerpipeline.org) (register to access)

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**IDEAL JOB CHOICE COST/BENEFIT ANALYSIS**

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*Directions:* Think about the job researched and the information gained about this particular job. If you were to pursue employment in this field, what would be your costs and what would be your benefits of working in a job of this nature?

**COSTS**

**BENEFITS**

*Ex: May not be available in my preferred city/region*

*Ex: Available in multiple cities/regions*

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*Analyze your job choice based on your listing of the Costs and Benefits. Do you think this would be a good job choice for you and your future goals?*

*Explain your response:*

**LEARN TO EARN ASSESSMENT SCORING GUIDE**

<b>CATEGORY</b>	<b>15</b>	<b>10</b>	<b>5</b>
<b>QUALIFICATIONS</b>	For each job/career path the qualifications are well-defined for job entry.	For several jobs/career paths the qualifications are defined.	Newsletter contains minimal information on the qualifications for the jobs/career paths. Information is too vague.
<b>EDUCATION/TRAINING</b>	Newsletter adequately describes the education/training needed for each job/career path.	Education/training information is included but lacks detail for some career paths.	Education/training information is not in enough detail to help students understand requirements.
<b>SALARY</b>	Concise salary information is included and easily referenced.	General salary information is included.	Salary information was incomplete and/or not current. The method of reporting was not reader-friendly.
<b>ADDITIONAL REFERENCES</b>	Newsletter includes resources for students to research more details for jobs/career paths.	Newsletter mentions resources, but the print materials are not readily available to others.	Newsletter does not list current resources and those that are listed are not available locally.
<b>COOPERATIVE GROUP CONTRIBUTION</b>	Student contributed to the group willingly and completed his/her assignment on time and met expectations.	Student contributed to the group, but the work was not in a useful format or was late.	Student was not an active participant in the activity and his/her contribution was lacking substance requiring others to edit/redo.
<b>TOTAL POINTS</b>			



# THE MONEY CIRCLE

## THEME TWO: SIGNIFICANCE OF LEARNING, EARNING AND SPENDING ON PERSONAL FINANCIAL WELL-BEING

### LESSON TITLE:

*Theme 2, Lesson 2: Credit: Friend or Foe?*

### Lesson Description:

This lesson will help students evaluate spending and credit use, as well as factors involved with creditworthiness. It will also highlight important aspects to consider when making decisions about spending and credit. Students will identify effective techniques for their personal finances and learn ways to avoid pitfalls associated with misuse of credit.

*Grade Level: 9-12*

*Key Concepts: Spending, decision-making, credit, credit report, credit score, credit history, credit rights*

### Objectives: Students will be able to:

1. Explain credit rights, credit reports and how to use and protect credit
2. Discuss the importance of a good credit history
3. Evaluate the costs and benefits of using credit
4. Identify key ideas associated with using credit wisely

*Time Required: 50 - 60 minutes*

### Materials:

- 8 x 11.5 paper; one per student
- Visual 1
- Visual 1 Answer Key
- Visual 2: picture of a \$100 bill
- Flipchart or whiteboard
- Credit Reports and Credit Scores, available online at <http://www.federalreserve.gov/creditreports/>; one per student
- Handout 1; one per student
- How to Establish, Use and Protect Credit, available online at <http://www.philadelphiafed.org/consumer-resources/publications/establish-use-and-protect-credit.cfm>; one per student
- Do You Know Your Credit Rights, available online at <http://www.philadelphiafed.org/consumer-resources/publications/know-your-credit-rights.cfm>; one per student

- What Your Credit Report Says About You, available online at <http://www.philadelphiafed.org/consumer-resources/publications/what-your-credit-report-says.cfm>; one per student

### Procedures:

1. Distribute the 8 x 11.5 paper to each student and ask students to write a "T" for true on one side and an "F" for false on the other side.
2. Walk through Visual 1, reading each statement aloud and ask students to hold up the "T" or "F" for each statement according to their own opinion.
3. Review correct answers and explanations using the Visual 1 Answer Key.
4. Show Visual 2 and ask the class to share how they would use this \$100 if it were theirs.

**Teacher Note:** *As the students are responding, be aware of students who indicate they would save or donate their \$100. This is why the question is worded with the word "use."*

5. Use the information provided to create a chart of Spending Patterns on flip chart paper, a white board, smart board, etc., with Spending in one column, Saving/Investing in another column and Donating in a third. Add a tally mark to the appropriate column based on student responses. Summarize results using ratios, such as 18 students out of 25 would choose to spend their money, while three would donate and four would save or invest.
6. Distribute a copy of Credit Reports and Credit Scores to each student or allow them to access it online. Ask students to read it on their own.
7. Distribute Handout 1 and ask students to complete their list of the three Most Important Things (MITs) they learned from the reading.

**Teacher Note:** Some key points students might list include: a credit report is a record of your credit history; a credit report is important because lenders may use it to assess your credit worthiness; the three major credit bureaus are Equifax, Experian and TransUnion; I can get a free copy of my credit report from [www.annualcreditreport.com](http://www.annualcreditreport.com); information generally stays on my credit report for seven years; a credit score is a number that reflects information in my credit report; etc.

8. Pair the students and invite them to share results from Handout 1 with each other. Ask each pair to share one MIT from their discussion with the class.
9. Divide the class into three groups and give each group copies of one of the following brochures or website links:
  - How to Establish, Use and Protect Credit
  - Do You Know Your Credit Rights?
  - What Your Credit Report Says About You
10. Have the students formulate essential questions as a group to guide them through the review of the brochure or website. The questions could be related to the use of credit, how to establish or protect credit, and/or credit reports. Give an example of a possible essential question, such as "What credit rights do I have?" or "What are key ways to build credit?"

**Teacher Note:** Students can read these resources independently in a computer lab or outside of class as alternatives.

11. Invite a student from each of the three groups to write at least two of their essential questions on the white board to remind them of the direction of their group's assigned research.
12. When the research is completed, ask a representative from each group to share answers to their group's essential questions with the class and any other key details they learned from the research.

#### Closure:

13. Ask students to determine three to five points that consumers should consider regarding use of credit. (Answers will vary, but could include checking your credit report regularly; being aware of your credit history; using credit wisely, etc.)
14. Record their suggestions on the white board, smartboard, etc.

#### Assessment:

15. Ask each student to design a tri-fold brochure titled Credit: Friend or Foe that details costs of credit on one panel, benefits of credit on another panel and a short statement about whether credit is a "friend" or "foe" in their opinion. Answers may vary but could include the following:

#### Costs:

- Credit is a debt that has to be repaid.
- The cost of credit, interest, can be higher if a consumer has no credit history or a bad credit history.
- Information on your credit report can affect you for seven or more years.
- Your credit standing can impact your ability to be hired for a job, even if the position is unrelated.

#### Benefits:

- Credit can enable consumers to acquire large-scale items like a house or business that they don't have money for right now.
- Every consumer is entitled to a free credit report annually from each of the three credit reporting agencies.
- Credit access is not limited based on a person's sex, marital status, color, race, religion, national origin, age, etc.

#### Extension Activity 1:

16. Encourage students to record their spending habits over the next several weeks/months, including how much they save.

#### Extension Activity 2:

17. Ask each student to design a one-page flier to distribute to other students in the school, parents or in their community of Top Ten Tips for Using Credit Wisely.

**Teacher Note:** Students can use software applications such as PowerPoint, Adobe Acrobat, Prezi, etc.

18. They may rename the flier as long as the overall goal is to inform others on best practices to approach spending and credit decisions in their personal lives.

**National Voluntary Economic Content Standards:**

- Standard 2 - Decision-making: Effective decision making requires comparing the additional costs of alternatives with the additional benefits. Many choices involve doing a little more or a little less of something: few choices are “all or nothing” decisions.

**National Standards for Financial Literacy:**

- Standard 4, Using Credit: Lenders make credit decisions based in part on consumer payment history. Credit bureaus record borrowers’ credit and payment histories and provide that information to lenders in credit reports.
- Standard 4, Using Credit: Lenders can pay to receive a borrower’s credit score from a credit bureau. A credit score is a number based on information in a credit report and assesses a person’s credit risk.
- Standard 4, Using Credit: In addition to assessing a person’s credit risk, credit reports and scores may be requested and used by employers in hiring decisions, landlords in deciding whether to rent apartments, and insurance companies in charging premiums.
- Standard 4, Using Credit: Failure to repay a loan has significant consequences for borrowers such as negative entries on their credit report, repossession of property (collateral), garnishment of wages, and the inability to obtain loans in the future.
- Standard 4, Using Credit: Consumers who have difficulty repaying debt can seek assistance through credit counseling services and by negotiating directly with creditors.
- Standard 4, Using Credit: Consumers who use credit should be aware of laws that are in place to protect them. These include requirements to provide full disclosure of credit terms such as APR and fees, as well as protection against discrimination and abusive marketing or collection practices.

**Jump\$tart National Personal Finance Standards:**

- Standard 2, Financial Responsibility and Decision-Making: Find and evaluate financial information from a variety of sources.
- Standard 1, Credit and Debt: Identify the costs and benefits of various types of credit.
- Standard 1, Credit and Debt: Explain the purpose of a credit record and identify borrowers’ credit report rights.
- Standard 1, Credit and Debt: Describe ways to avoid or correct debt problems.

**Common Core Standards:**

**Reading Informational Text:**

- Key Ideas and Details:
  - CCSS.ELA-Literacy.RI.9-10.2 Determine a central idea of a text and analyze its development over the course of the text, including how it emerges and is shaped and refined by specific details; provide an objective summary of the text.
  - CCSS.ELA-Literacy.RI.11-12.2 Determine two or more central ideas of a text and analyze their development over the course of the text, including how they interact and build on one another to provide a complex analysis; provide an objective summary of the text.

**Writing:**

- Production and Distribution of Writing:
  - CCSS.ELA-Literacy.W.9-10.4 Produce clear and coherent writing in which the development, organization and style are appropriate to task, purpose and audience. (Grade-specific expectations for writing types are defined in standards 1-3 above.)
  - CCSS.ELA-Literacy.W.9-10.6 Use technology, including the Internet, to produce, publish and update individual or shared writing products, taking advantage of technology’s capacity to link to other information and to display information flexibly and dynamically. (Extension Activity only)
  - CCSS.ELA-Literacy.W.11-12.4 Produce clear and coherent writing in which the development, organization and style are appropriate to task, purpose and audience. (Grade-specific expectations for writing types are defined in standards 1-3 above.)
  - CCSS.ELA-Literacy.W.11-12.6 Use technology, including the Internet, to produce, publish and update individual or shared writing products in response to ongoing feedback, including new arguments or information. (Extension Activity only)

## **WHAT DO YOU KNOW ABOUT SPENDING AND CREDIT?**

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*Decide if the following statements are true or false. If you believe the statement is true, hold up the "T"; if you believe the statement is false, hold up the "F".*

- 1.** Your credit report history includes information about late or missed payments.
- 2.** A common reason to deny someone credit is the number of credit cards opened in his/her name.
- 3.** A charge card is the same thing as a credit card.
- 4.** Credit scores are calculated based on information in your credit report and a score of 780 is considered good.
- 5.** Your credit report influences whether you are able to get certain jobs.
- 6.** The Federal Reserve Bank approves all credit card purchases.

## **WHAT DO YOU KNOW ABOUT SPENDING AND CREDIT? ANSWER KEY**

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Decide if the following statements are true or false. If you believe the statement is true, hold up the "T"; if you believe the statement is false, hold up the "F".

- 1.** Your credit report history includes information about late or missed payments.  
*True: all your credit history information, good and bad, remains on your credit report for seven years, including late and missed payments.*
- 2.** A common reason to deny someone credit is the number of credit cards opened in his/her name.  
*False: the most common reasons people are turned down when they apply for credit are:*

  - *Too little time in current job or at current residence*
  - *Too much outstanding debt*
  - *Unreasonable purpose for requesting credit*
  - *Limited credit experience*
  - *Foreclosure or repossession*
  - *Delinquent past or present credit obligations*
- 3.** A charge card is the same thing as a credit card.  
*False: a charge card is similar to a credit card except that the monthly balance must be paid in full on the due date and cannot be carried over.*
- 4.** Credit scores are calculated based on information in your credit report and a score of 780 is considered good.  
*True: credit scores range from 350 - 850 (FICO) and scores above 760 tend to get the best (lowest) interest rates. The higher the score, the lower the perceived risk to the lender.*
- 5.** Your credit report influences whether you are able to get certain jobs.  
*True: it is extremely important to protect your credit rating by making loan and bill payments on time and by not taking on more debt than you can handle.*
- 6.** The Federal Reserve Bank approves all credit card purchases.  
*False: in 1978, Congress passed the Electronic Funds Transfer Act, directing the Federal Reserve to develop a legal framework for identifying rights and responsibilities of consumers and financial institutions in the use of EFT. In this way the Federal Reserve protects the consumer but does not approve all credit card transactions.*

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ONE HUNDRED DOLLAR BILL

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## MOST IMPORTANT THINGS LEARNED FROM CREDIT REPORTS AND CREDIT SCORES

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*Directions: After reading the text, list the three MITs that you learned about credit.*

1. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*Share your MITs with a partner and collectively choose one MIT to share with the class.*



# THE MONEY CIRCLE

## THEME THREE: APPLY FINANCIAL PLANNING AND BUDGETING MECHANISMS

### LESSON TITLE:

*Theme 3, Lesson 1: Money Logic*

### Lesson Description:

This lesson helps students better understand what financial wealth is and how to achieve it by exercising systematic decision-making principles. Students will use the P.A.C.E.D. decision-making model for use in budgeting and making choices in their daily lives.

*Grade Level: 9-12*

*Key Concepts: Assets, liabilities, net worth, financial planning, budgeting, decision-making, fixed expenses, variable expenses*

### Objectives: Students will be able to:

1. Identify how assets, liabilities and net worth define financial wealth.
2. Explain the budgeting process, including fixed and variable expenses.
3. Apply strategic decision-making to the financial planning process

*Time Required: 50 - 60 minutes*

### Materials:

- Handout 1; one per student
- Handout 1 Answer Key
- Visual 1
- Handout 2
- Handout 3; one per small group/pair
- Handout 4; one per small group/pair
- Visual 2
- Handout 5; (extension activity)

### Procedures:

1. Ask students to share what financial wealth means to them. (Answers will vary, but could include being a millionaire, having your wants and needs met, having money for extras, etc.)

2. Tell students that financial wealth can be calculated as the difference between an individual's assets and liabilities, also known as net worth.
3. Write the formula on the board:  $\text{Assets} - \text{Liabilities} = \text{Net Worth}$ .  
Define assets and liabilities.
  - Asset: something of monetary value owned by an individual or organization.
  - Liability: money an individual or organization owes; same as debt.
4. Distribute Handout 1 and ask students to read the story on their own and identify the assets and liabilities. Assets should be marked with an "A" and liabilities should be marked with an "L."
5. Use Handout 1 Answer Key to review correct answers with the class.
6. Ask students to think about what they would like their net worth to be. Then ask how many students have a plan in place to increase their net worth. Allow some students to share their plans.
7. Explain that most people with high amounts of net worth did not become wealthy overnight or through an inheritance; they achieved wealth by setting budget goals and planning.
8. Share concepts from Visual 1 with students.
9. Explain that in the next activity students will have an opportunity to begin developing budgeting principles to help them reach their financial goals. The exercise also will include a model for decision-making that students can use in their daily lives.

**Teacher note:** The next exercise uses the P.A.C.E.D. decision-making model. Review how the model works through the steps outlined below before conducting the exercise in class.

**10.** Share Handout 2 with the class and ask one of the students to read the paragraph aloud.

**11.** Create a blank P.A.C.E.D grid on the board and fill it in based on responses from the class from the next few steps.


**12.** Ask a student to identify Jessica’s problem (Jessica has to choose a community service project for her senior class to complete before graduation).

**13.** Ask the class what Jessica’s alternatives or options are and list them in the first column of the blank grid, as indicated in the sample below (environmental cleanup, car wash, blood drive, homeless shelter).

**Teacher note:** Sample table with alternatives.

	Criteria 1	Criteria 2	Criteria 3	Criteria 4
Environment				
Car Wash				
Blood Drive				
Homeless Shelter				

**14.** Introduce/review the word “criteria” as “a standard used to judge or evaluate something.” Ask the class what criteria Jessica should consider as she makes her decision. This can also be phrased as “how should Jessica judge the importance of each alternative?” The criteria should be placed in the first row of the table, as indicated in the sample below (appeal to students, what will not take too much time away from other interests, what would have the greatest impact in the community, etc.).

**Teacher note:** Sample table with alternatives and criteria.

	Appealing	Time Away From Other Interests	High Impact	Evaluation
Environment				
Car Wash				
Blood Drive				
Homeless Shelter				

**15.** Also ask the class to consider if any of the criteria are more important than the others and should carry more weight (e.g., what is appealing to the most students is more important, because the more students who participate, the faster they’ll reach their goal). If certain criteria are more important, indicate how many times more important by adding to the table as indicated below (e.g., twice as important = x2; three times as important = x3, etc.).

**16.** Using positive (+) and negative (-) symbols, evaluate the alternatives based on the criteria given and place them in the evaluation column of the table per the sample below.

**Teacher note:** Sample table with alternatives, criteria and evaluation.

	Appealing X2	Time Away From Other Interests	High Impact	Evaluation
Environment	--	-	-	-4
Car Wash	++	+	-	+2
Blood Drive	--	-	+	-2
Homeless Shelter	--	-	+	-2

**17.** The alternative with the highest number in the “Evaluate” column becomes the decision that Jessica should choose. Inform the class that choices may change based on the alternatives and criteria at a given time, but that the P.A.C.E.D. decision-making tool can be used to help with any decision. For instance, this tool can be used when it comes to personal financial planning and budgeting.

**Teacher note:** The economic concept of opportunity cost could be introduced following the sample scenario and defined as the “next best alternative.” Ask students to identify the next best alternative or opportunity cost in the scenario. (The blood drive and homeless shelter are the next best alternatives based on results above).

**18.** Divide the class into small groups or pairs and distribute a copy of Handouts 3 and 4 to each group or pair. Ask each group to review the budget scenario in Handout 3, delineating fixed vs. variable expenses, and find a way to have more assets than liabilities at the end of the month and at least \$100 to save or invest using Handout 4. Share Visual 2 as an example of how they might accomplish these goals.

**Teacher note:** The decision-making grid in Handout 4 allows up to six alternatives and five criteria. Inform students that they do not have to use all of these in order to reach a decision. Students should set up their grid similar to the example in Visual 2.

- 19.** Invite each group to share its evaluation and results with the class.

#### Closure:

- 20.** Ask students the following questions:
- How do you calculate financial wealth or net worth? (assets minus liabilities)
  - What are assets? (something of monetary value owned by an individual or organization)
  - What are liabilities? (money an individual or organization owes; same as debt)
  - How do fixed expenses differ from variable expenses? (fixed expenses stay the same from month to month and variable expenses fluctuate)
  - What are the principles for successful budgeting? (know where your money is going, ensure you don't spend more than you make and find uses for your money that will increase your financial wealth)
  - What are the steps to complete a PACED decision-making grid? (Identify the problem, list the alternatives, select the criteria most important to consider, evaluate options compared to criteria, and make a decision)

#### Assessment:

- 21.** Ask students to develop a 3- to 4-minute presentation (using PowerPoint, Prezi, etc.) on their personal plan for future financial wealth, including all of the key concepts (assets, liabilities, net worth, budgeting, decision-making, fixed expenses, variable expenses) reviewed in the lesson, to share with other students, either in small groups or as a class.

#### Extension Activity 1:

- 22.** Encourage students to identify their savings goals and to make a plan to budget for those goals accordingly using Handout 5.

#### Extension Activity 2:

- 23.** Ask students to apply the P.A.C.E.D. decision-making tool to a choice they have to make or have made in their personal lives.

#### Alignment to Standards:

##### National Economic Content Standards:

- Standard 2, Decision-making: Effective decision making requires comparing the additional costs of alternatives with the additional benefits. Many choices involve doing a little more or a little less of something; few choices are "all or nothing" decisions.

##### National Standards for Financial Literacy:

- Standard 2, Buying Goods and Services: A budget includes fixed and variable expenses, as well as income, savings and taxes.
- Standard 3, Saving: People choose between immediate spending and saving for future consumption. Some people have a tendency to be impatient, choosing immediate spending over saving for the future.

##### JumpStart National Personal Finance Standards:

- Standard 1, Financial Responsibility and Decision-Making: Take responsibility for personal financial decisions.
- Standard 4, Financial Responsibility and Decision-Making: Make financial decisions by systematically considering alternatives and consequences.
- Standard 1, Planning and Money Management: Develop a plan for spending and saving.
- Standard 6, Planning and Money Management: Develop a personal financial plan.

##### Common Core Standards:

###### Writing:

- Production and Distribution of Writing:
  - CCSS.ELA-Literacy.W.9-10.4 Produce clear and coherent writing in which the development, organization and style are appropriate to task, purpose and audience.
  - CCSS.ELA-Literacy.W.11-12.4 Produce clear and coherent writing in which the development, organization and style are appropriate to task, purpose and audience.

## **ASSETS OR LIABILITIES**

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Joseph, a high school student, is preparing to leave for college in a few months and has begun to think about expenses in his new environment. He is worried about needing money to buy things he wants. Joseph will take the television that his parents bought for him and the stereo system he is paying for in installments from the local electronics store. Because freshmen at his college aren't allowed to park their cars on campus, he won't take his car. But his younger sister has agreed to rent his car for \$75/month while he's gone. Joseph has a limited edition collection of comic books and knows a few people that might be interested in buying them. He has about \$175 in a savings account that his grandparents started for him on his 16th birthday. He had more money originally, but spent some of it on new clothes and music. He may have to work a part-time job on weekends to make some extra spending money. His parents agreed to send him a \$50 monthly allowance if he keeps his grades at a B or above average. They bought a few savings bonds in his name, but don't want him to cash the bonds until he graduates from college. He's decided to pursue a business degree and will need a laptop computer. One of his friends who will attend trade school and won't need his laptop has agreed to let Joseph purchase it in installments of \$30/month.

## ASSETS OR LIABILITIES ANSWER KEY

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Joseph, a high school student, is preparing to leave for college in a few months and has begun to think about expenses in his new environment. He is worried about needing money to buy things he wants. Joseph will take the <sup>A</sup>television that his parents bought for him and the <sup>L</sup>stereo system he is paying for in installments from the local electronics store. Because freshmen at his college aren't allowed to park their cars on campus, he won't take his <sup>A</sup>car. But his younger sister has agreed to <sup>A</sup>rent his car for \$75/month while he's gone. Joseph has a limited edition collection of <sup>A</sup>comic books and knows a few people that might be interested in buying them. He has about \$175 in a <sup>A</sup>savings account that his grandparents started for him on his 16th birthday. He had more money originally, but spent some of it on new clothes and music. He may have to work a part-time job on weekends to make some extra spending money. His parents agreed to send him a \$50 monthly <sup>A</sup>allowance if he keeps his grades at a B or above average. They bought a few <sup>A</sup>savings bonds in his name, but don't want him to cash the bonds until he graduates from college. He's decided to pursue a business degree and will need a laptop computer. One of his friends who will attend trade school and won't need his <sup>L</sup>laptop has agreed to let Joseph purchase it in installments of \$30/month.

## BUDGETING PRINCIPLES

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### *A budget allows you to:*

- Understand where your money goes.
- Ensure you don't spend more than you make.
- Find uses for your money that will increase your wealth.

### *To develop a budget, you should:*

- Calculate your income (from allowance, part-time job, etc.).
- Determine how much money you will save to achieve your financial goals and "pay yourself first."
- Decide how much money you need to pay your fixed expenses (car payment, insurance, school lunch card, etc.).
- Track your other (variable) expenses to ensure you are in line with your financial goals.
- Adjust if needed to build wealth or as fixed expenses change, etc.

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## **P.A.C.E.D DECISION-MAKING MODEL**

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Jessica is the senior class president at her high school and has to choose a community service project for her class to complete. The senior class has to collectively earn a total of 150 hours of community service before graduation, and they can select one type of activity. Jessica wants to identify an activity that will appeal to the most students; that will not take away from other school and extracurricular activities that students might be involved in; and that will have the highest impact in their community. Last year's senior class completed an environmental cleanup project of local parks and highways. Other ideas that have been suggested include: coordinating a car wash and giving the proceeds to a national children's charity; hosting a community blood drive twice a year at the school; and volunteering at local homeless shelters every month. What should Jessica choose as the senior class community service project?

- P** - Identify the *problem*
- A** - List the *alternatives*
- C** - Select the *criteria* that is most important to consider
- E** - *Evaluate* the options compared to the criteria
- D** - Make a *decision*

	CRITERIA 1	CRITERIA 2	CRITERIA 3	EVALUATE
ALTERNATIVE 1				
ALTERNATIVE 2				
ALTERNATIVE 3				
ALTERNATIVE 4				



**SAMPLE MONTHLY BUDGET**

	<b>CURRENT INCOME</b>	<b>INCOME CHANGES</b>	<b>NEW BUDGET</b>
Wage/Salary (after taxes and deductions)	\$2,085		
Interest on saving accounts	\$ –		
Investment earnings	\$ –		
Other income	\$ –		
<b>TOTAL INCOME</b>	<b>\$2,085</b>		
	<b>CURRENT EXPENSES</b>	<b>SPENDING CHANGES</b>	<b>NEW BUDGET</b>
Rent	\$650		
Renter's Insurance	\$20		
Tuition loan	\$50		
Electricity	\$60		
Gas	\$25		
Water	\$25		
Trash/Sewage	\$15		
Telephone	\$50		
Cell phone	\$35		
Cable TV	\$60		
Internet	\$20		
Life Insurance	\$ –		
Credit card payment	\$35		
Groceries	\$160		
Clothing	\$75		
Car loan	\$350		
Car insurance	\$85		
Gas for car	\$160		
Eating out/entertainment	\$200		
Miscellaneous	\$55		
<b>TOTAL EXPENSES</b>	<b>\$2,130</b>		
Monthly Net (Income – Expenses)	<b>\$(45)</b>		
Available to SAVE or INVEST	<b>\$ –</b>		

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## FINANCIAL PLANNING TEMPLATE

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- P** - Identify the *problem*
- A** - List the *alternatives*
- C** - Select the *criteria* that is most important to consider
- E** - *Evaluate* the options compared to the criteria
- D** - Make a *decision*

	CRITERIA 1	CRITERIA 2	CRITERIA 3	CRITERIA 4	CRITERIA 5	EVALUATE
ALT. 1						
ALT. 2						
ALT. 3						
ALT. 4						
ALT. 5						
ALT. 6						

**FINANCIAL PLANNING USING P.A.C.E.D. EXAMPLE**

- P** - Identify the *problem*
- A** - List the *alternatives*
- C** - Select the *criteria* that is most important to consider
- E** - *Evaluate* the options compared to the criteria
- D** - Make a *decision*

	<b>CRITERIA 1</b> Appealing (X2)	<b>CRITERIA 2</b> Reasonable	<b>CRITERIA 3</b> High Impact	<b>CRITERIA 4</b>	<b>CRITERIA 5</b>	<b>EVALUATE</b>
<b>ALT. 1</b> Cut Cable TV	++	+	-			+2
<b>ALT. 2</b> Cut Internet	++	+	-			+2
<b>ALT. 3</b> Reduce Entertainment by half	++	+	+			+4
<b>ALT. 4</b> Reduce Groceries by 25%	++	-	-			0
<b>ALT. 5</b> Cut Clothing	++	-	-			0
<b>ALT. 6</b> Cut Gas	++	-	+			+2

**PERSONAL MONTHLY BUDGET**

SAVINGS GOAL \_\_\_\_\_

ESTIMATED COST \$ \_\_\_\_\_

	CURRENT INCOME	INCOME CHANGES	NEW INCOME
Wage/Salary (after taxes and deductions)			
Allowance			
Gifts			
Interest on savings accounts			
Investment earnings			
<b>TOTAL INCOME</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	CURRENT EXPENSES	SPENDING CHANGES	NEW EXPENSES
Shelter			
Food			
Clothing			
Vehicle			
Gas for vehicle			
Cell phone			
Entertainment			
<b>TOTAL EXPENSES</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Monthly Net (Income – Expenses)	<b>\$</b>	<b>\$</b>	<b>\$</b>
MONTHLY SAVINGS GOAL	<b>\$</b>	<b>\$</b>	<b>\$</b>



# THE MONEY CIRCLE

## THEME THREE: APPLY FINANCIAL PLANNING AND BUDGETING MECHANISMS

### LESSON TITLE:

*Theme 3, Lesson 2: Money Magic*

### Lesson Description:

This lesson helps students compare and contrast saving and investing alternatives and better understand how to interpret and differentiate the types of saving and investing tools available. Students also will better understand the concepts of making money grow and how that can improve their financial well-being.

*Grade Level: 9-12*

*Key Concepts: Compound interest, rule of 72, savings account, money market account, government securities, stocks, bonds, mutual funds, principal*

### Objectives: Students will be able to:

1. Identify and compare saving and investing tools
2. Explain how saving and investing differ
3. Discuss how compound interest helps savings grow
4. Describe why saving is important to the economy

*Time Required: 50 to 60 minutes*

### Materials:

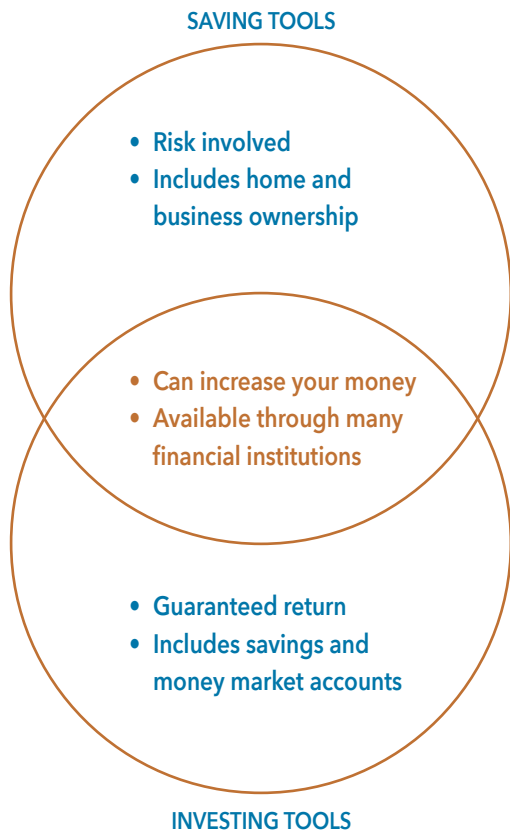
- Building Wealth, available online at <http://www.dallasfed.org/educate/pfe.cfm?tab=0##dallastabs> or free by request in classroom quantities at <http://www.dallasfed.org/microsites/educate/pubs/order.cfm>
- Handout 1; one per student
- Visual 1
- Handout 2; one per student
- Handout 2 Answer Key
- Handout 3; one per student
- Handout 3 Answer Key
- Calculator; one per student

### Procedures:

1. Ask students to name one item they would like to save for. (*Answers will vary, but could include computers, video game systems, cell phones, designer clothing, etc.*)
2. Ask students to give reasons why saving is important for individuals. (*Answers will vary, but could include emergencies, special occasions, college and future investments, etc.*)
3. Tell students that saving is also important for the economy. If consumers save and put money into banks, then banks have more money to lend individuals and businesses.
4. Explain that when we choose not to spend now, we do so in order to have more spending power in the future.
5. Ask students to name the savings tools available for those who don't spend their money now (*Answers will vary, but could include savings accounts, investments, C.D.s, stocks, bonds, etc.*)
6. Explain that to save means to keep money to spend later and to invest is to use money to gain a profit. These are ways money can grow on its own. Investments and savings differ in various ways.
7. Share that the next activity is going to provide an overview of different saving and investing tools that are available and how each differs.
8. Distribute copies of Building Wealth to students or a printed copy of pages 10-17 from the online student version, <http://www.dallasfed.org/educate/pfe.cfm?tab=0##dallastabs>. Ask students to read this information and complete Handout 1. Students may work individually or with a partner.
9. Review each saving and investing tool listed in Handout 1 with the class and invite students to share the pros and cons they recorded.

- 10.** Ask students what all of the saving and investing tools have in common (e.g., the potential to gain interest or more money).

*Teacher note: This step can be completed using a Venn diagram to illustrate the similarities and differences of each tool on the white board, smart board, etc. for the class.*



- 11.** Explain that saving and investing are ways to build wealth through compound interest. Define compound interest as interest that is computed based on the sum of the original deposit (or principal) and the accrued interest.
- 12.** Walk through examples of compound interest and “rule of 72” with students through Visual 1 and Charts 1 and 2.
- 13.** Distribute Handout 2 to students and ask them to calculate the compound interest and rule of 72 as indicated in the examples in Visual 1. Calculators can be provided if desired. Review responses using the Handout 2 Answer Key.

*Teacher note: If desired, ask students to graph or chart their responses to Handout 2 to exercise charting/graphing skills.*

#### Closure:

- 14.** Review key concepts within the lesson. Ask students the following questions:
- What is principal? (*The original amount deposited*)
  - What is compound interest? (*Interest that is computed based on the sum of the principal and interest that has accrued*)
  - How do you calculate the Rule of 72? (*Divide 72 by the interest you earn to determine how long it will take to double your savings*)
  - Explain the difference between saving and investing tools. (*Saving tools are guaranteed to earn a given amount of interest over time and investing tools have risk and may yield a return depending on the profitability of the investment vehicle or its value over time*)
  - How does compound interest help your savings grow? (*Compound interest enables your savings to grow faster because you earn interest on the principal and any interest that accrues*)
  - Why is saving important to the economy? (*When consumers save, then banks or depository institutions have money available for other consumers and businesses to borrow. In order for businesses to grow and for more businesses to start, money has to be available to borrow. Saving or investing with a financial institution helps keep the economy going*)

#### Assessment:

- 15.** Distribute Handout 3 and ask students to solve the compound interest calculation and to create a graph to show the variation of interest from year to year. Use Handout 3 Answer Key to gauge accuracy.

#### Extension Activity:

- 16.** Ask each student to choose a commercial banking institution to research online. The teacher should ensure that no more than four students select the same banking institution and can “assign” banking institutions if desired.
- Each student will be responsible for writing an argument that identifies the savings and investment options at his/her institution and preparing a marketing “billboard-type” advertisement of the bank’s savings and investment vehicles. Students may use materials as indicated by the teacher (PowerPoint slides, poster board, etc.).
  - Student ads should be graded based on comprehensive knowledge of saving and investment vehicles, understanding how these vehicles are used, and overall presentation.

*Teacher note: Students should use financial institution websites for this research. For additional information, literature on these topics can typically be found in the lobby of financial institutions.*

#### Alignment to Standards:

##### **National Economic Content Standards:**

- Standard 10, Institutions: Institutions evolve and are created to help individuals and groups accomplish their goals. Banks, labor unions, markets, corporations, legal systems, and not-for-profit organizations are examples of important institutions. A different kind of institution, clearly defined and enforced property rights, is essential to a market economy.
- Standard 11, Money and Inflation: Money makes it easier to trade, borrow, save, invest and compare the value of goods and services. The amount of money in the economy affects the overall price level. Inflation is an increase in the overall price level that reduces the value of money.
- Standard 12, Interest Rates: Interest rates, adjusted for inflation, rise and fall to balance the amount saved with the amount borrowed, which affects the allocation of scarce resources between present and future uses.

##### **National Standards for Financial Literacy:**

- Standard 3, Saving: People choose between immediate spending and saving for future consumption. Some people have a tendency to be impatient, choosing immediate spending over saving for the future.
- Standard 3, Saving: Real interest rates typically are positive because people expect to be compensated for deferring the use of savings from the present into the future. Higher interest rates increase the rewards for saving.
- Standard 5, Financial Investing: The real return on a financial investment is the nominal return minus the rate of inflation.

##### **Jump\$tart National Personal Finance Standards:**

- Standard 1, Saving and Investing: Discuss how saving contributes to financial well-being.
- Standard 2, Saving and Investing: Explain how investing builds wealth and helps meet financial goals.
- Standard 3, Saving and Investing: Evaluate investment alternatives.

##### **Common Core Standards:**

###### **Writing:**

- Text Types and Purposes:
  - CCSS.ELA-Literacy.W.9-10.1 Write arguments to support claims in an analysis of substantive topics or texts, using valid reasoning and relevant and sufficient evidence. (Extension Activity only)
  - CCSS.ELA-Literacy.W.11-12.1 Write arguments to support claims in an analysis of substantive topics or texts, using valid reasoning and relevant and sufficient evidence. (Extension Activity only)

###### **Math:**

- High School: Number and Quantity:
  - CCSS.MATH.CONTENT.HSN.Q.A.1 Use units as a way to understand problems and to guide the solution of multi-step problems: choose and interpret units consistently in formulas; choose and interpret the scale and the origin in graphs and data displays.

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**SAVING AND INVESTING TOOLS**

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TOOLS FOR SAVING	PRO	CON
Savings Account	•	•
Money Market Savings Account	•	•
Certificate of Deposit (CD)	•	•

TOOLS FOR INVESTING	PRO	CON
Savings Bond	•	•
Stocks	•	•
Mutual Funds	•	•
Individual Retirement Account	•	•
401 (k) Plan	•	•
Home Equity	•	•
Own Business	•	•



## COMPOUND INTEREST AND RULE OF 72 (PAGE 1 OF 2)

**COMPOUND INTEREST:** Interest that is computed based on the sum of the original deposit (or principal) and the annual interest that has accrued.

### Example 1

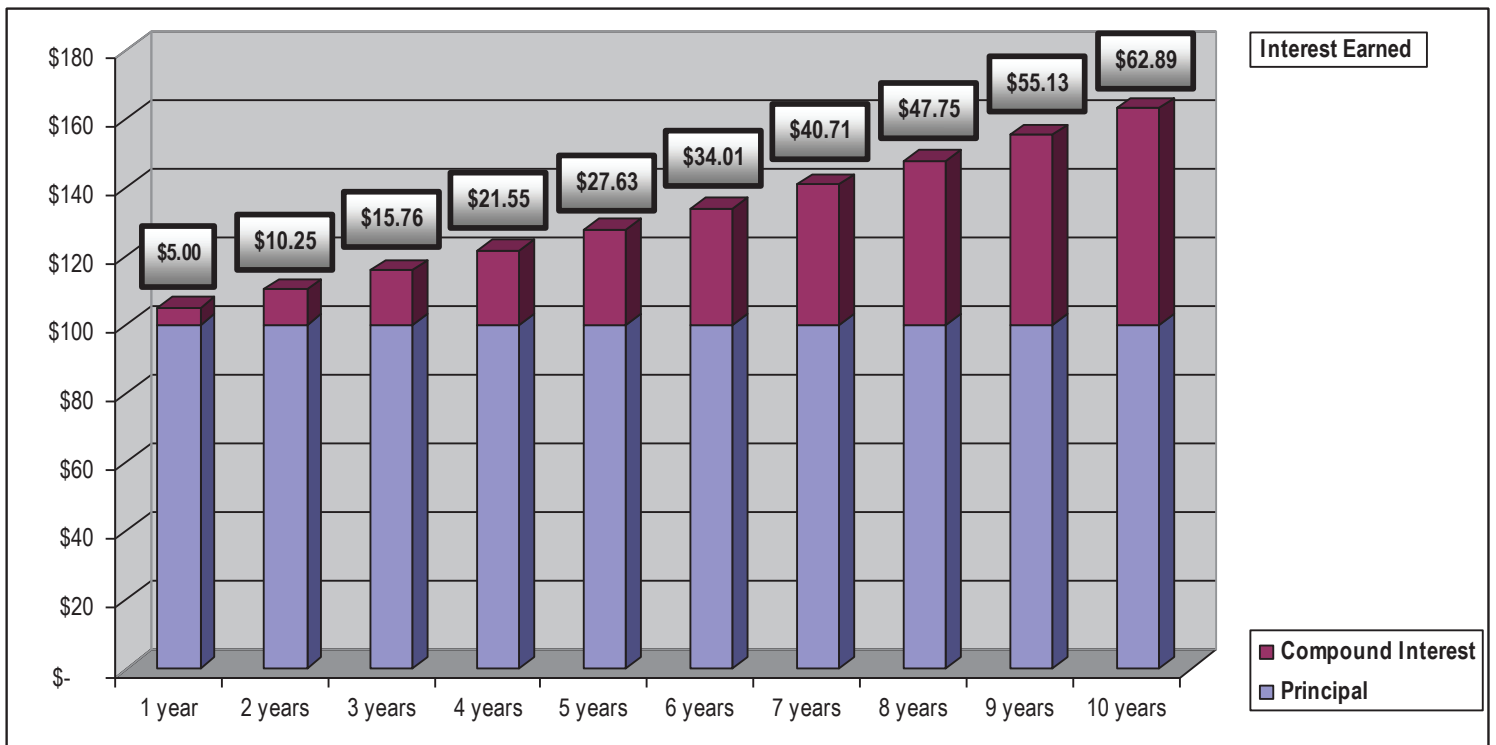
If Alex deposits \$100 in a bank at 5 percent interest, at the end of 10 years he won't have just \$150 (the original \$100 plus 10 simple interest payments of \$5 each); he will have more than \$160 because he earned interest on existing interest.

Step 1: ( $\$100$  deposit  $\times$  5 percent interest) +  $\$100 = \$105$

Step 2: ( $\$105 \times$  5 percent) +  $\$105 = \$110.25$

Step 3: Repeat step 2 eight more times to reach 10 years

### EXAMPLE 1 CHART

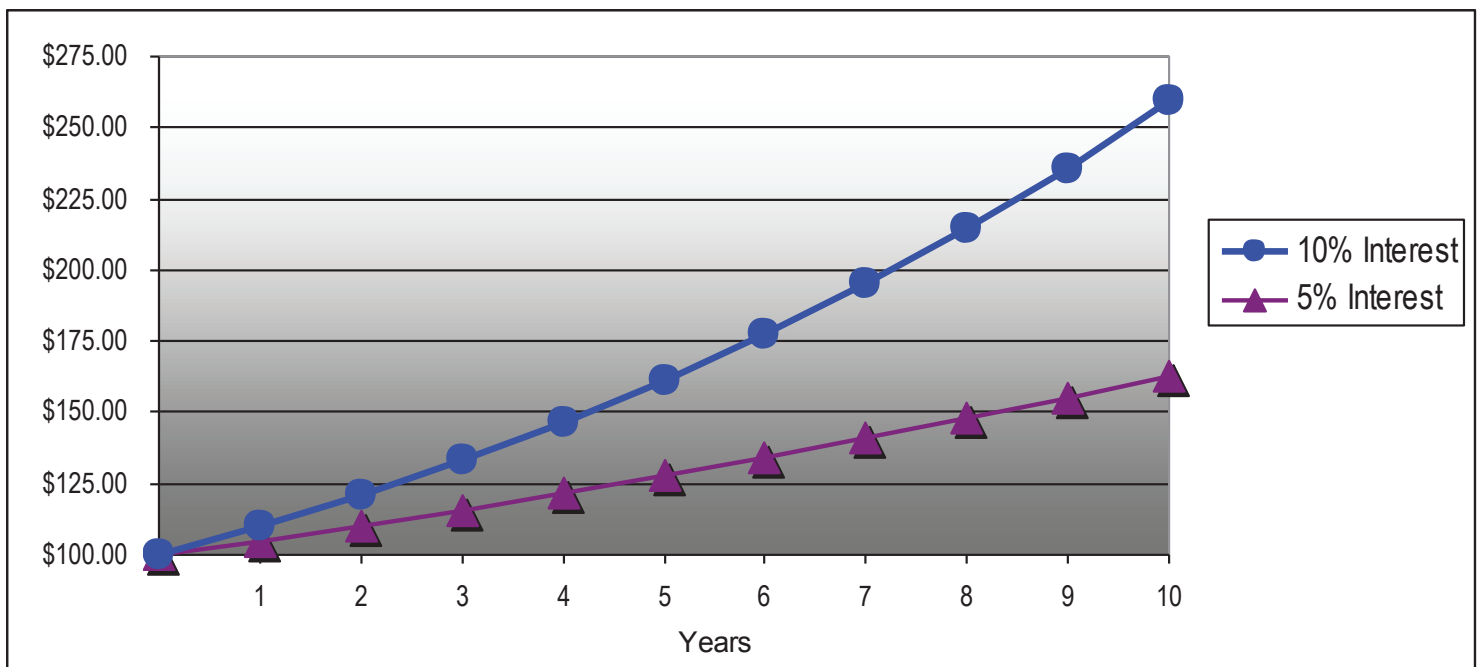


## COMPOUND INTEREST AND RULE OF 72 (PAGE 2 OF 2)

### Example 2

When interest rates are higher, compound interest has a greater effect on making your money grow. If Brenda deposits \$100 into an account at 10 percent interest, she will have almost \$260 in 10 years as compared to Alex's \$162.89 accrued at a 5 percent interest rate.

### EXAMPLE 2 CHART



**RULE OF 72** - To help determine how fast your savings can grow with compound interest, there is a calculation that indicates how many approximate years it will take for savings to double in value with compounded interest.

### Example 1

If you are receiving a 5 percent interest rate, your savings will double in about 14 years.

$$72 \text{ divided by } 5 = 14.4 \text{ years}$$

### Example 2

At a 10 percent interest rate, your savings will double in about seven years.

$$72 \text{ divided by } 10 = 7.2 \text{ years}$$

## **MONEY MAGIC CALCULATION**

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- 1.** Calculate what \$25 would be at 5 percent interest over two years.
  
  
  
  
  
  
  
  
  
  
- 2.** Calculate the total amount of compound interest accrued over five years for \$500 at 4.25 percent interest.
  
  
  
  
  
  
  
  
  
  
- 3.** Calculate how many years it will take to double \$50 at a rate of 5 percent interest and the total amount of interest and principal accrued after that length of time (rounded to the nearest year).
  
  
  
  
  
  
  
  
  
  
- 4.** Calculate how many years it will take to double \$250 at a rate of 9 percent interest and the total amount of interest and principal accrued after that length of time (rounded to the nearest year).

**MONEY MAGIC CALCULATION ANSWER KEY**

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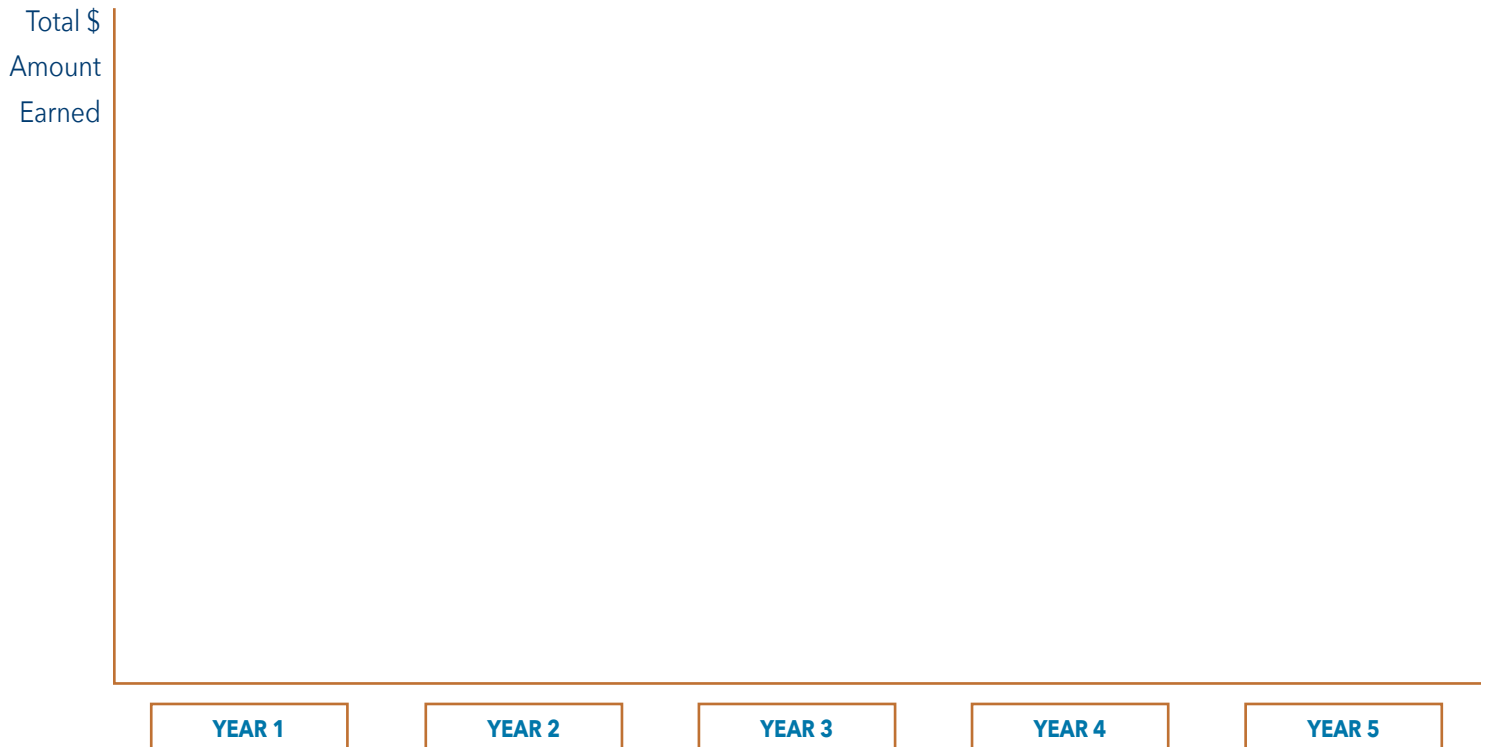
1. Calculate what \$25 would be at 5 percent interest over two years.  
*Year 1:  $\$25 \times .05 = \$1.25$ ;  $\$1.25 + \$25 = \$26.25$ ; repeat one more time.*  
*\$27.56*
  
2. Calculate the total amount of compound interest accrued over five years for \$500 at 4.25 percent interest.  
*Year 1:  $\$500 \times .0425 = \$21.25$ ;  $[(\$500 + \$21.25) \times .0425] + \$21.25$ ; repeat three more times.*  
*\$115.67*
  
3. Calculate how many years it will take to double \$50 at a rate of 5 percent interest and the total amount of interest and principal accrued after that length of time (rounded to the nearest year).  
 *$72/5 = 14.40$*   
*Year 1:  $\$50 \times .05 = \$2.50$ ;  $\$2.50 + \$50 = \$52.50$ ; repeat thirteen more times for a total of 14 years.*  
*14.40 years; \$99.00*
  
4. Calculate how many years it will take to double \$250 at a rate of 9 percent interest and the total amount of interest and principal accrued after that length of time (rounded to the nearest year).  
*8.00 years; \$498.14*

**ASSESSMENT**

---

Calculate the amount earned annually of \$100, compounded at 12.0 percent interest over five years.

Complete the graph below to show the total amount earned each year including compound interest. Round amounts earned data points to the nearest dollar.



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**ASSESSMENT ANSWER KEY**

---

Calculate the amount earned annually of \$100, compounded at 12.0 percent interest over five years.

*Year 1:*  $\$100 \times .12 = \$12$  ;  $\$100 + \$12 = \$112$

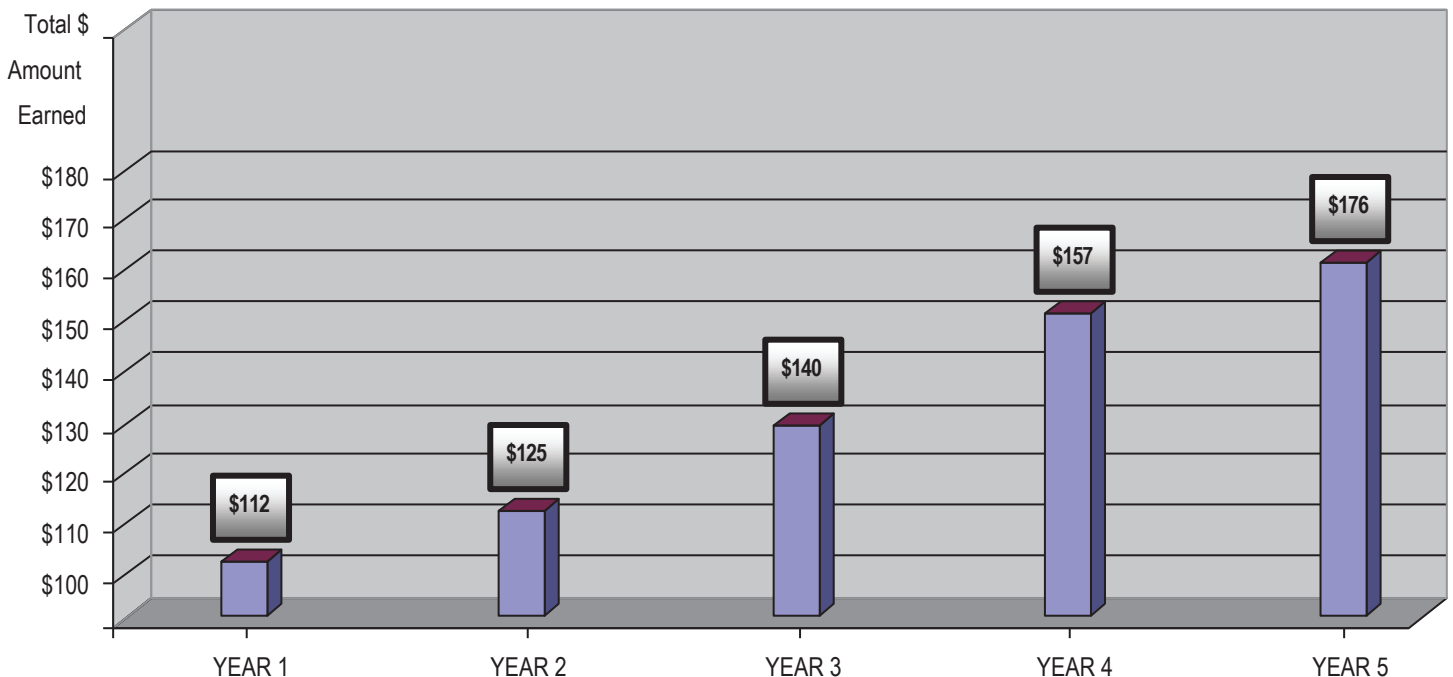
*Year 2:*  $\$112 \times .12 = \$13.44$  ;  $\$112 + \$13.44 = \$125.44$

*Year 3:*  $\$125.44 \times .12 = \$15.05$  ;  $\$125.44 + \$15.05 = \$140.49$

*Year 4:*  $\$140.49 \times .12 = \$16.86$  ;  $\$140.49 + \$16.86 = \$157.35$

*Year 5:*  $\$157.35 \times .12 = \$18.88$  ;  $\$157.35 + \$18.88 = \$176.23$

Complete the graph below to show the total amount earned each year including compound interest. Round amounts earned data points to the nearest dollar.





# THE MONEY CIRCLE

## THEME FOUR: ANALYZE THE ROLE AND TOOLS OF THE FEDERAL RESERVE IN MONETARY POLICY AND PROMOTING A HEALTHY ECONOMY

### LESSON TITLE:

Theme 4, Lesson 1: Monetary Policy Basics

### Lesson Description:

This lesson helps students understand monetary policy, the Federal Reserve and the mechanisms used by the Federal Reserve to foster a stable economy. This lesson provides an introduction to the U.S. central bank and its role in conducting monetary policy. Students will learn the tools of monetary policy and how they work, as well as explain how the Federal Reserve Bank serves the public by regulating the flow of money.

Grade Level: 9-12

Key Concepts: Federal Reserve, monetary policy, Federal Open Market Committee (FOMC), open market operations, discount rate, reserve requirements

### Objectives: Students will be able to:

1. Describe the structure of the Federal Reserve
2. Explain the goals of monetary policy
3. Discuss the tools used by the Federal Reserve to regulate money flow and stable prices

Time Required: Two 50-to 60-minute sessions

### Materials:

- The Federal Reserve and You video on the Federal Reserve Education website, [www.federalreserveeducation.org/](http://www.federalreserveeducation.org/), or order a copy of the video in advance from <http://www.philadelphiafed.org/education/federal-reserve-and-you/index.cfm>
- Visual 1
- Handout 1; one per student
- Handout 2; one per student (optional)
- Handout 2 Answer Key

### Procedures:

#### DAY 1

1. Ask students to name functions of a bank and list them on a smartboard, flipchart, white board, etc. (Answers will vary, but could include services such as a savings accounts, checking accounts, loans, etc.)
2. Ask students if the items listed on the board are functions of a bank for consumers, what would a bank for bankers, or central bank do? Record student responses on the board as well.

**Teacher note: Only write accurate responses. Correct answers for the role of a central bank are below.**

**Central bank:** The principal monetary authority of a nation which performs several key functions, including issuing currency and regulating the supply of credit in the economy. The Federal Reserve is the central bank of the United States.

**Federal Reserve Bank:** One of the 12 operating arms of the Federal Reserve System, located throughout the nation. Together with their 24 branches, the banks carry out various System functions, including operating a nationwide payments system, distributing the nation's currency and coin, supervising and regulating member banks and bank holding companies, and serving as banker for the U.S. Treasury.

3. Explain that our nation's central bank is called the Federal Reserve System and that students will be introduced to the role of the Federal Reserve and its relationship to monetary policy through a video. Go to the Federal Reserve Education website to play the following segments of The Federal Reserve and You video:

- Chapter 1: Introduction (3:50)
  - Chapter 1: Structure of the Federal Reserve (4:10)
  - Chapter 1: Monetary Policy (4:18)
4. Divide students into three small groups and tell them each group will work as a team to compete in a monetary policy quiz game. Read the game rules from Visual 1 to teams. Use the 15 questions on the visual, rotating questions among the three teams, to play the game. Score points and announce the winning team at the end.
  5. State that U.S. monetary policy affects many economic and financial decisions people make daily. Our purchasing and saving decisions relate to how the economy is functioning or how we anticipate it will function. Tell students how price increases and decreases can influence what we buy. (Example: advancement and accessibility of technology has led to lower cost for technological equipment such as cell phones, computers, etc.). Remind students that monetary policy exists to help promote stable prices and a healthy and growing economy.
  6. Ask students to identify the three traditional tools of monetary policy learned from the video segments (*Reserve requirements, discount rate and open market operations*).
  7. Tell students that the three quiz groups will each become experts on one of three monetary policy tools. Explain that you will show a video that highlights each of the three tools and during the video, each group should take notes on important facts about their group's tool in preparation for the next activity. Read aloud the three monetary policy tools listed below. Invite the winning team from the quiz activity to select which of the three tools they'd like to represent. Then assign the other two tools to the remaining teams.
    - Open market operations
    - Discount rate
    - Reserve requirements.

**Teacher note:** *Replay the video segment if needed. If technology is available, each small group can view their video segment separately.*

9. Tell students they will develop and perform a newscast to share their group's information about their monetary policy tool. Ask each group to write a newscast script that includes the following segments:

- An explanation of what their tool is
  - An overview of how their tool is used by the Federal Reserve
  - The impact their tool has on the economy
10. Each of the three segments of the newscast should be approximately two minutes in length and be accompanied by at least one visual image that enhances the segment. Other materials used can be determined by teacher.
  11. To help students complete this activity in a timely manner, group member roles should be assigned as follows:
    - Note takers: Take notes of important concepts in their segment
    - Writers: Write and edit the newscast based on the group's input
    - Artists: Create at least three visual images to accompany the newscast
    - Presenters: Share the newscast with the rest of the class. This team could include several "anchormen/women" to deliver parts of the presentation.

**Teacher note:** *There will be multiple members per role depending on the size of the group. The entire group should be involved with brainstorming newscast ideas, developing newscast content and responding to questions received from other students in the class after their presentation.*

12. Ask students to finalize their group's newscast and be prepared to present it to the other groups during the next class period.

## DAY 2

13. Give student teams time to polish and practice their newscast presentations.
14. Invite each group to share their newscast with the rest of the class and answer any questions the other groups may have.



### Closure:

- 15.** Review key concepts within the lesson. Ask students the following questions:
- What is a central bank? (*The principal monetary authority of a nation which performs several key functions, including issuing currency and regulating the supply of credit in the economy*)
  - How is the Federal Reserve structured? (*A network of 12 Federal Reserve Banks and 24 branches make up the Federal Reserve System under the general oversight of the Board of Governors*)
  - What are the goals of monetary policy? (*To help promote stable prices and a healthy and growing economy*)
  - What monetary policy tools does the Fed use traditionally? (*Reserve requirements, discount rate and open market operations*)

### Assessment:

- 16.** Distribute Handout 1 and ask students to write an essay about the Federal Reserve and the impact of monetary policy on consumers based on the question on their handout.

### Extension Activity 1:

- 17.** Distribute Handout 2 to each student and ask them to respond to the questions independently.
- Use Handout 2 Answer Key to evaluate accuracy

### Alignment to Standards:

#### National Economic Content Standards:

- Standard 11, Money and Inflation: Money makes it easier to trade, borrow, save, invest, and compare the value of goods and services. The amount of money in the economy affects the overall price level. Inflation is an increase in the overall price level that reduces the value of money.
- Standard 20, Fiscal and Monetary Policy: Federal government budgetary policy and the Federal Reserve System's monetary policy influence the overall levels of employment, output, and prices.

#### Common Core Standards:

##### Writing

- Text Types and Purposes:
  - CCSS.ELA-Literacy.W.9-10.2 Write informative/explanatory texts to examine and convey complex ideas, concepts, and information clearly and accurately through the effective selection, organization, and analysis of content.
  - CCSS.ELA-Literacy.W.9-10.3 Write narratives to

develop real or imagined experiences or events using effective technique, well-chosen details, and well-structured event sequences.

- CCSS.ELA-Literacy.W.11-12.2 Write informative/explanatory texts to examine and convey complex ideas, concepts, and information clearly and accurately through the effective selection, organization, and analysis of content.
- CCSS.ELA-Literacy.W.11-12.3 Write narratives to develop real or imagined experiences or events using effective technique, well-chosen details, and well-structured event sequences.
- Production and Distribution of Writing:
  - CCSS.ELA-Literacy.W.9-10.4 Produce clear and coherent writing in which the development, organization, and style are appropriate to task, purpose, and audience. (Grade-specific expectations for writing types are defined in standards 1-3 above.)
  - CCSS.ELA-Literacy.W.11-12.4 Produce clear and coherent writing in which the development, organization, and style are appropriate to task, purpose, and audience. (Grade-specific expectations for writing types are defined in standards 1-3 above.)

## **THE FEDERAL RESERVE AND MONETARY POLICY QUIZ GAME**

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### **TO OPEN THE QUIZ GAME:**

- 1.** Go to <http://moneycircle.kcfed.org>
- 2.** Select the quiz game link.
- 3.** Choose the presentation mode once PowerPoint opens.
- 4.** Click on Enable Content in order for all functionality to work.

The content provided in the quiz game slides follows for reference.

**THE FEDERAL RESERVE AND MONETARY POLICY QUIZ GAME KEY (PAGE 1 OF 4)**

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**HOW TO PLAY**

- Identify a score keeper and timer (could be one person or the teacher).
- Divide into teams and choose a representative to respond to questions on your team's behalf.
- Teams will take turns to choose and answer a question.
- Each question is worth 25 points. The score keeper should keep a running tally based on correct responses.
- On your team's turn, your representative has ten seconds to respond to the question.
- If your team answers incorrectly or time elapses, the next team has five seconds to answer the question and steal the points with an accurate response.
- The team with the most points wins!

*Question 1: How many districts make up the Federal Reserve System?*

- A.** Ten
- B.** Twelve
- C.** Fifteen
- D.** Twenty

**B. Twelve**

*Question 2: What does BOG stand for in the Federal Reserve System?*

- A.** Branch of Government
- B.** Bank of Governors
- C.** Board of Governors
- D.** Board of Government

**C. Board of Governors**

*Question 3: Which governing body created the Federal Reserve System?*

- A.** Congress
- B.** Senate
- C.** U.S. Treasury
- D.** House of Representatives

**A. Congress**

## THE FEDERAL RESERVE AND MONETARY POLICY QUIZ GAME KEY (PAGE 2 OF 4)

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*Question 4: The Federal Reserve System is considered quasi-government, which means \_\_\_\_\_?*

- A. It is a special group within the government
- B. It is not accountable to the government
- C. It is subject to oversight by the U.S. President, but no other government entity
- D. It is accountable to the government, but managed independently by region

**D. It is accountable to the government, but managed independently by region**

*Question 5: To help prevent political pressures and the U.S. president from "stacking" the Board with his preferences, Board of Governors members serve \_\_\_\_\_ year terms?*

- A. 3
- B. 7
- C. 10
- D. 14

**D. 14**

*Question 6: Primary operating expenses for each Federal Reserve district are funded by what source?*

- A. Private and public donations
- B. Interest earnings on securities
- C. Federal government taxes
- D. Fees charged for bank implementation

**B. Interest earnings on securities**

*Question 7: The Federal Reserve's monetary policy-making body, the Federal Open Market Committee, is made up of how many members?*

- A. Five
- B. Seven
- C. Ten
- D. Twelve

**D. Twelve**

## THE FEDERAL RESERVE AND MONETARY POLICY QUIZ GAME KEY (PAGE 3 OF 4)

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*Question 8: Due to open market operations, which Federal Reserve president always has voting rights at the Federal Open Market Committee meetings?*

- A. Kansas City
- B. Philadelphia
- C. New York
- D. St. Louis

**C. New York**

*Question 9: Which is not a primary goal of monetary policy?*

- A. To promote maximum sustainable employment
- B. To promote stable prices
- C. To promote saving and investing
- D. To promote economic growth

**C. To promote saving and investing**

*Question 10: When demand for goods and services is weak and the economy is in recession, the Fed can infuse money into the economy by \_\_\_\_\_?*

- A. Buying securities from banks, resulting in more money for banks to lend
- B. Selling securities to banks, resulting in more collateral for banks
- C. Paying federal government debt, resulting in more funds available for government use
- D. Printing more money through the Bureau of Engraving and Printing

**A. Buying securities from banks, resulting in more money for banks to lend**

*Question 11: Which of these is a primary function of the Fed?*

- A. Advising the U.S. government
- B. Promoting legal rights of consumers
- C. Providing payments services
- D. Authorizing sales transactions

**C. Providing payments services**

**THE FEDERAL RESERVE AND MONETARY POLICY QUIZ GAME KEY (PAGE 4 OF 4)**

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*Question 12: Which of these is included in the definition of monetary policy?*

- A. Monetizing raw materials
- B. Buying financial institution debt
- C. Selling mechanisms to ensure safe payment transactions
- D. Influencing the availability of money and credit

**D. Influencing the availability of money and credit**

*Question 13: What is the Fed Funds Rate?*

- A. The rate at which banks set all of their loans
- B. The rate at which banks borrow reserves from each other
- C. The rate at which consumers are able to pay off loans
- D. The rate at which consumers can borrow from the Fed's portfolio

**B. The rate at which banks borrow reserves from each other**

*Question 14: Which of these is not a function of a central bank?*

- A. Reducing national debt
- B. Issuing currency
- C. Overseeing banks and credit unions
- D. Regulating the supply of money in a country

**A. Reducing national debt**

*Question 15: Which is not a primary concern when conducting monetary policy objectives?*

- A. Growth in markets
- B. Employment rates
- C. Trends in consumer consumption
- D. Economic conditions specific to one region

**D. Economic conditions specific to one region**

## **MONETARY POLICY BASICS ASSESSMENT**

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*Write an essay in response to the question below.*

How does the Federal Reserve impact my life as a consumer, specifically my ability to find employment, the prices I pay for goods and services, interest rates on my loans and/or savings, and my legal right to access credit?

**EXTENSION ACTIVITY**

---

1. *When was the Federal Reserve System established?*
  - A. 1910
  - B. 1913
  - C. 1915
  - D. 1921
  
2. *Which is a function of the Federal Reserve?*
  - A. establishing tax rates
  - B. managing government spending
  - C. raising and lowering short-term interest rates
  - D. overseeing government investments
  
3. *Which governing body is primarily responsible for conducting monetary policy?*
  - A. Federal Deposit Insurance Corporation
  - B. Senate
  - C. Federal Open Market Committee
  - D. Congress
  
4. *What is the purpose of monetary policy?*
  - A. To keep unemployment at 0%
  - B. To keep prices the same
  - C. To maintain a 0% inflation rate
  - D. To influence the economy
  
5. *Monetary policy can impact long-term employment rates.*
  - A. True
  - B. False
  
6. *Which is not a result of inflation?*
  - A. Unstable prices
  - B. Economic growth
  - C. Reduced value of currency
  - D. Redistribution of wealth to borrowers
  
7. *Which is not a focus of monetary policy?*
  - A. regional economic indicators
  - B. maximum sustainable output
  - C. stable prices
  - D. maximum sustainable employment
  
8. *Monetary policy is based on stock market activity.*
  - A. True
  - B. False



## EXTENSION ACTIVITY ANSWER KEY

---

- When was the Federal Reserve System established?*
  - 1910
  - 1913**
  - 1915
  - 1921
- Which is a function of the Federal Reserve?*
  - establishing tax rates
  - managing government spending
  - raising and lowering short-term interest rates**
  - overseeing government investments
- Which governing body is primarily responsible for conducting monetary policy?*
  - Federal Deposit Insurance Corporation
  - Senate
  - Federal Open Market Committee**
  - Congress
- What is the purpose of monetary policy?*
  - To keep unemployment at 0%
  - To keep prices the same
  - To maintain a 0% inflation rate
  - To influence the economy**
- Monetary policy can impact long-term employment rates.*
  - True**
  - False
- Which is not a result of inflation?*
  - Unstable prices
  - Economic growth**
  - Reduced value of currency
  - Redistribution of wealth to borrowers
- Which is not a focus of monetary policy?*
  - regional economic indicators**
  - maximum sustainable output
  - stable prices
  - maximum sustainable employment
- Monetary policy is based on stock market activity.*
  - True
  - False**



# THE MONEY CIRCLE

## THEME FOUR: ANALYZE THE ROLE AND TOOLS OF THE FEDERAL RESERVE IN MONETARY POLICY AND PROMOTING A HEALTHY ECONOMY

### LESSON TITLE:

Theme 4, Lesson 2: The Economy and Me

### Lesson Description:

This lesson helps students understand how inflation affects economic conditions and how the Federal Reserve conducts monetary policy to curb inflation for consumers. Additionally, through review of current economic conditions, students will have an opportunity to learn more about economic sectors and decisions related to economic stability, similar to the role of the Federal Reserve.

Grade Level: 9-12

Key Concepts: Consumer price index (CPI), deflation, inflation, price level, price stability, Federal Open Market Committee (FOMC), Federal Reserve

**Objectives:** Students will be able to:

1. Define inflation and price level
2. Discuss how inflation can affect economic conditions
3. Explain how the Federal Reserve's monetary policy can help keep prices stable

Time Required: Two 50- to 60-minute sessions

### Materials:

- The Fed Explains Inflation video (4:14 minutes), available online at [http://www.frbatlanta.org/news/multimedia/12fedExplained\\_inflation.cfm](http://www.frbatlanta.org/news/multimedia/12fedExplained_inflation.cfm)
- Making Sense of the Ups and Downs of Prices (Page One Economics, August 2013), available online at [http://www.stlouisfed.org/education\\_resources/making-sense-of-the-ups-and-downs-of-prices-page-one-economics-classroom-edition/](http://www.stlouisfed.org/education_resources/making-sense-of-the-ups-and-downs-of-prices-page-one-economics-classroom-edition/)
- Handout 1; one per student
- Visual 1 (Handout 1 Answer Key)
- Beige Book report (most recent), available online at <http://www.federalreserve.gov/monetarypolicy/beigebook/default.htm>; one per student
- Handout 2; one per student

### Procedures:

#### DAY 1

1. Ask students to name an item that seems to fluctuate in price. (Answers will vary, but could include gasoline, milk, meat or certain fruits and vegetables, computers, notebooks, etc.)
2. Tell students that price stability, or prices that remain constant, are important to consumers so they can allocate dollars for their purchases.
3. Ask students to share their thoughts about how price stability affects their lives. (Answers will vary, but may include the rise and fall of gasoline, which can affect their disposable income, and the price of items like movie tickets or the latest versions of technology such as cell phones, computers, mobile devices, etc.)

**Teacher note:** The latest versions of technology are consistently priced high until the market is saturated with them and the price decreases, making them available to more consumers.

4. Ask students to explain what they think the impact to the economy might be if there was not enough money available to consumers to make purchases. (Answers will vary, but may include that consumers would pay higher prices or stop buying as much.)

**Teacher note:** To provide context, you can use examples like natural disasters (such as Hurricane Katrina) or major events such as 9-11.

5. Explain that the U.S. central bank, the Federal Reserve, is responsible for issuing currency and managing the supply of money and credit in the economy. The Federal Reserve, also known as the Fed, uses monetary policy to promote stable prices and a healthy and growing economy. Monetary policy also helps to maintain the value of our nation's currency.
6. Introduce inflation as the continuing rise in the average price level of goods and services as a whole. Tell students they will watch a short video (four minutes in length) that provides an overview of inflation and how it connects to the Fed's role within the economy.
7. Show the Fed Explains Inflation video and ask students the following questions:
  - What is price level? (*The average price of goods and services sold over a period of time*)
  - How are cost of living increases in price level different from inflation increases? (*Cost of living increases relate to shortages of goods and services; inflation increases relate to the amount of money in circulation*)
  - How does the Fed affect the price level of goods and services? (*Through changes in the supply of money and credit available*)
8. Divide students into pairs. Distribute copies of Making Sense of the Ups and Downs of Prices article and Handout 1 to the students and ask them to work with their partners to read the excerpt and answer the questions in the handout.
9. As a class, review the answers to Handout 1 using Visual 1.

## DAY 2

10. Ask students to share their thoughts about current economic conditions. Is the economy doing well or poorly?
11. Tell students there are indicators or categories within the economy that can help economists and others know how the economy is doing. Share examples of economic categories, such as consumer spending and tourism, real estate and construction, banking and finance, and agriculture and natural resources.
12. Distribute a copy of the most current Beige Book Report Summary to each student. Inform the students that the Beige Book is a summary of economic conditions published after each meeting of the Federal Open Market Committee. The report is comprised of information

gathered by each Federal Reserve Bank, including Federal Reserve Bank staff and Branch directors, key business contacts, economists, market experts and other sources.

13. Ask students to read the first few introductory paragraphs (before any of the bold economic category headings) of the summary section.
14. Divide students into small groups and explain that each group will represent an economic category (highlighted in bold) within the report. Each group will report on that category to the rest of the class.

*Teacher note: The Beige Book reports may differ slightly in reference to the economic categories that are delineated. The number of small groups should correspond to the number of economic categories in the report. Economic category assignments can be selected by groups on a first come, first serve basis or by the teacher. In the review and presentation, students can include information about their economic category from the report summary as well as from each of the 12 Federal Reserve District reports that follow the summary.*

15. After ensuring each small group knows their assigned category, distribute a copy of Handout 2 to the students and encourage them to use this as a guideline in their review and current outlook presentation to the class.
16. Invite each group to present a "current outlook" of their economic category to the rest of the class using Handout 2 as a guideline.
17. Allow time for small groups to work together to review information about their economic category and to prepare their current outlook presentation, where all members of the group should have a speaking part.

### Closure:

18. Review key concepts within the lesson. Ask students the following questions:
  - What is inflation? (*The continuing rise in the average price level of goods and services*)
  - What is price level? (*The average price of goods and services sold over a period of time*)
  - How can inflation affect economic conditions? (*Inflation can affect how businesses price their goods and services; it also devalues money and makes saving and investing less profitable for consumers*)

- How does the Fed's monetary policy help to keep prices stable? (*Using monetary policy to promote a low and stable inflation rate by influencing interest rates and the money supply over the long run*)

#### Assessment:

- 19.** Ask students to write a bulleted list of three to five economic conditions that might cause the Federal Reserve to make changes in monetary policy. Encourage students to refer to the Beige Book report for reference.

**Teacher note:** *Example responses could include an increase in the unemployment rate, the rising level of prices, a slowdown in real estate construction, fewer loans available to consumers, a decrease in wages, etc.*

#### Extension Activity 1:

- 20.** Encourage students to watch the news or read the newspaper in an effort to identify updates related to economic conditions in certain areas of the economy or how current economic conditions have affected consumers.
- Ask students to summarize the news in five or six sentences, including the related economic categories and consumer impact.

#### Extension Activity 2:

- 21.** Ask students to read and complete the "Calculate the CPI" activity found at the end of the Making Sense of the Ups and Downs of Prices article. (Page One Economics, August 2013)

#### Alignment to Standards:

##### **National Economic Content Standards:**

- Standard 7, Markets and Prices: A market exists when buyers and sellers interact. This interaction determines market prices and thereby allocates scarce goods and services.
- Standard 11, Money and Inflation: Money makes it easier to trade, borrow, save, invest and compare the value of goods and services. The amount of money in the economy affects the overall price level. Inflation is an increase in the overall price level that reduces the value of money.
- Standard 18, Economic Fluctuations: Fluctuations in a nation's overall levels of income, employment and prices are determined by the interaction of spending and production decisions made by all households, firms, government agencies and others in the economy. Recessions occur when overall levels of income and employment decline.
- Standard 20, Fiscal and Monetary Policy: Federal government budgetary policy and the Federal Reserve System's

monetary policy influence the overall levels of employment, output and prices.

##### **Common Core Standards:**

##### **Reading Informational Text:**

- Key Ideas and Details:
  - CCSS.ELA-Literacy.RI.9-10.2 Determine a central idea of a text and analyze its development over the course of the text, including how it emerges and is shaped and refined by specific details; provide an objective summary of the text.
  - CCSS.ELA-Literacy.RI.11-12.2 Determine two or more central ideas of a text and analyze their development over the course of the text, including how they interact and build on one another to provide a complex analysis; provide an objective summary of the text.

##### **Writing**

- Text Types and Purposes:
  - CCSS.ELA-Literacy.W.9-10.2 Write informative/explanatory texts to examine and convey complex ideas, concepts, and information clearly and accurately through the effective selection, organization, and analysis of content.
  - CCSS.ELA-Literacy.W.11-12.2 Write informative/explanatory texts to examine and convey complex ideas, concepts, and information clearly and accurately through the effective selection, organization, and analysis of content.
- Production and Distribution of Writing:
  - CCSS.ELA-Literacy.W.9-10.4 Produce clear and coherent writing in which the development, organization, and style are appropriate to task, purpose, and audience. (Grade-specific expectations for writing types are defined in standards 1-3 above.)
  - CCSS.ELA-Literacy.W.11-12.4 Produce clear and coherent writing in which the development, organization, and style are appropriate to task, purpose, and audience. (Grade-specific expectations for writing types are defined in standards 1-3 above.)
- Research to Build and Present Knowledge:
  - CCSS.ELA-Literacy.W.9-10.9 Draw evidence from literary or informational texts to support analysis, reflection, and research.

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MAKING SENSE OF THE UPS AND DOWNS OF PRICES  
DISCUSSION QUESTIONS

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*Q: What is inflation and how is it measured?*

*Q: What are the unexpected consequences and costs of inflation?*

*Q: How does price stability impact consumers and producers, and how does it relate to the Federal Reserve?*

**MAKING SENSE OF THE UPS AND DOWNS OF PRICES**  
**DISCUSSION QUESTIONS ANSWER KEY**

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**Q: *What is inflation and how is it measured?***

Inflation is the rise in the general price level, and the most commonly agreed upon tool for measurement is the Consumer Price Index.

**Q: *What are the unexpected consequences and costs of inflation?***

The unexpected costs and consequences of inflation can be summarized as:

- Inflation is costly for anyone who holds on to a large amount of cash (in a non-interest-bearing account) because cash will not buy as much tomorrow as it will today.
- When prices change, as occurs with inflation, businesses either have to change prices to keep pace with inflation or operate at prices that do not maximize profits.
- Inflation causes the prices of some goods to rise more than others, so when consumers make these price comparisons in times of inflation, they are using garbled price information and resources are not allocated to their best use.
- Inflation erodes money's ability to maintain a constant value.
- Because not all interest rates on investments or debt take inflation into account, inflation benefits those who borrow money by lowering the real cost of their debt. And, conversely, unexpected inflation hurts investors, savers and lenders by lowering the real return on their assets.

**Q: *How does price stability impact consumers and producers, and how does it relate to the Federal Reserve?***

When inflation is low and stable, both producers and consumers are better able to plan for the future, keeping economic growth and employment stable as well. The Fed uses monetary policy to promote a low and stable inflation rate (around 2 percent) by influencing interest rates and the money supply over the long run.

## **THE ECONOMY AND ME**

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Economic category:

Growth status:

Geographic regions influenced:

Status of specific goods/services within sector:

Impact of economic sector conditions to consumers and economy:

Future projections: