

PAYMENT PARLIAMENT

FEDERAL RESERVE BANK of KANSAS CITY

TEACHER INTRODUCTION

Looking at ways that consumers pay for purchases and discussing the advantages and disadvantages of each type of payment can be an important financial lesson. By comparing payment methods, students can see the value of using different payment options in a variety of situations. As they act out the roles of cash, check, debit, credit and electronic payment characters, students will become more aware of the choices available and how to make decisions on which payment options to use.

LESSON DESCRIPTION

This lesson introduces students to different methods of payment for goods and services. The costs and benefits of each payment method are explored in a role play of a round table discussion titled "Payment Parliament." Students compare use of each payment option and learn how the Federal Reserve System processes all forms of payments for consumers.

GRADE LEVEL: 5-8

CONCEPTS: consumer, currency, check, debit, credit, debt, electronic payment, ATM, automatic bill pay, direct deposit, Federal Reserve System

CONTENT STANDARDS

National Voluntary Economic Content Standard #10 - Students will understand that institutions evolve in market economics to help individuals or groups accomplish goals. Banks, labor unions, corporations, legal systems and not-for-profit organizations are examples of important institutions.

Jump\$tart Personal Finance Standard: Planning and Money Management
Standard 3: Describe how to use different payment methods.

TIME REQUIRED: 45-60 minutes

OBJECTIVES:

Students will be able to:

1. Identify the types of payments used for goods and services.
 2. List the advantages and disadvantages of using each method of payment.
 3. Explain the Federal Reserve's role in the processing of payments.
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MATERIALS

- Activity 1 (Role play script)
 - Visual 1 (Role play name tags)
 - Visual 2 (Decision grid assessment)
 - Overhead projector/marker
 - Straight pins
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PREPARATION

1. Make copies of Activity 1 for all students.
 2. Make copy of Visual 1 and cut out name tags for students to wear during the role play.
 3. Make a transparency of Visual 2.
 4. Make copies of Visual 2 for all students.
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PROCEDURE

1. Introduce a discussion on methods used to pay for purchases by asking the following questions:
 - What is your favorite place to shop? (*Answers will vary and may include department, grocery, discount and specialty stores.*)
 - How do you usually pay for purchases at stores? (*Answers will vary, but most students will say cash if they are paying for the items themselves. Some may say their parents pay for their purchases using other forms of payment.*)
 - Can you help me make a list of the different ways consumers can pay for goods and services? (*List items on chalkboard or white board. Answers should include cash, check, debit card, credit card and electronic payments. If students do not name all of these, teacher should add these ideas to the list.*)
2. Tell students that they will learn more about these methods of payment by participating in a role play titled “Payment Parliament.” Hand out Activity 1, “Payment Parliament” script. Introduce the list of characters at the top of the script, and the form of payment each represents. Discuss the roles of Fred Fed as a processing agent and Bob Banker as the narrator. Explain that the purpose of the role play is to decide which character represents the best method of payment for goods and services. Ask students to read through the scenario silently, thinking about which character they might like to play for the group reading.
3. After students have completed their silent reading, choose seven volunteers to role play the characters. (Teacher Note: You may want to give the larger roles to the students with good dramatic reading ability. The first names of the characters can be changed to accommodate males playing female roles, or vice versa.)
4. For the setting, place a large table with seven chairs in the front of the room. Ask Bob Banker to sit at the head of the table, and Fred Fed to sit at the opposite end. All other characters can choose their seats randomly, making sure their backs are not to the audience. Hand out name tags to each character. Remind them to use loud and expressive voices as they read through the role play.
5. Ask students in the audience to follow along with the role play reading, thinking about which payment method they would prefer. Read through the script orally.



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CLOSURE

Discuss the following questions as review:

1. What are the types of payments used for goods and services? (*Cash, checks, credit and debit cards, electronic payments.*)
 2. Name one advantage and one disadvantage of using each method of payment. (*Answers will vary. Examples include the following: cash advantages - accepted by all, disadvantage - not safe to carry large amount; check advantage - safer to use, disadvantage - takes time to write; debit card advantage - easy to use, disadvantage - harder to keep track of purchases; credit card advantage - can use for larger purchases, disadvantage - fees and interest on account; electronic payments (online banking) advantage - easy to use, disadvantage - possibility of hackers and online theft.*)
 3. How does the Federal Reserve help in the processing of payments? (*The Fed helps process cash through distributing currency and coin to banks and replacing worn and damaged bills; it is a clearinghouse for checks and helps move them safely throughout the country; its networks make it possible for debit and credit card payments to travel from bank to bank; it also helps to process online payments, direct deposits and government payments.*)
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ASSESSMENT

(Teacher Note) When presenting the assessment to students, you will need to give a brief introduction to the use of a decision-making grid. Show Visual 2 - "Decision Grid Assessment" as a transparency and explain the parts of the grid. Tell the students that the grid follows a PACED model format: P = problem to solve; A = alternatives or choices used to solve problem; C = criteria or reasons used to evaluate alternatives; E = evaluation process (+ or -) for each alternative; D = decision made through the evaluation process.

Hand out copies of Visual 2 to each student. Read the introduction to the assessment together and ask if students have any questions about completing the grid. Give time to do the assessment individually, then discuss students' payment choices and reasoning with the group.



ACTIVITY 1 - "PAYMENT PARLIAMENT"

CHARACTERS

Carrie Cash, Charlie Check, Debbie Debt, Chris Credit, Ellen Electronic Payment, Fred Fed, Bob Banker

SETTING: Large table with chairs around to seat each character for the "Payment Parliament" meeting.

BOB BANKER: I'd like to welcome you all to this "Payment Parliament" meeting. Our topic for discussion today is "Best Payments Methods: Be All That You Can Be!" I'd like to remind you of our discussion rules: one speaker at a time; be courteous to others; and use good reasoning to prove your point! Who would like to start the discussion?

CARRIE CASH: I should be the first speaker, because I was the first payment method to exist!

CHARLIE CHECK: Evidently you've forgotten about the barter system, dear!

CARRIE CASH: I'm talking about a payment method that everyone agreed on! Don't you remember how difficult it was to barter successfully? Where would you all be today if I hadn't come first? Cash backs up all other methods of payment! And everyone accepts cash. It's a no-brainer to just carry cash!

CHARLIE CHECK: If you want an example of a no-brainer, think about this: why would you want to carry large amounts of cash when you could just write a check for your payment and keep that cash safe in the bank? It just makes good sense to write checks!

DEBBIE DEBIT: It might be safe to bank your cash and write checks, but it makes better sense to use a debit card. The payment is automatically taken out of your account with the swipe of a card! Talk about convenience...

CHARLIE CHECK: Convenience? You're just lazy! Writing a check doesn't take that much time. And I always remember to record my payment in my checkbook so I know my account balance.

DEBBIE DEBIT: I get a receipt for my debit payment, you know! So I can figure out my balance whenever I want.

CHRIS CREDIT: You're forgetting about the importance of my payment method - credit! Consumers can't buy big-ticket items without the use of credit. I help people purchase computers, TVs, vacations, cars and even houses! And it's so easy to use a credit card!

DEBBIE DEBIT: Yeah, it's so easy for people to get into debt through buying too many goods and services that they can't afford!

CHRIS CREDIT: Consumers just need to remember to use credit wisely! They need to think about budgeting for monthly payments to pay down their debt successfully.



ACTIVITY 1 - "PAYMENT PARLIAMENT"

ELLEN ELECTRONIC PAYMENT: And consumers need to think about the interest and finance charges if they don't pay on time!

CHRIS CREDIT: Details, details! What makes you so special, Ellen?

ELLEN ELECTRONIC PAYMENT: Did you know that more electronic payments are made today than payments by check? And electronic payments cost so much less to process than a check!

CHARLIE CHECK: Hey, I resent that!

ELLEN ELECTRONIC PAYMENT: That's just the beginning! You can use electronic payments when you do online banking or shopping, and set up automatic bill pay for regular monthly purchases. Also, my payments are accepted worldwide!

CARRIE CASH: Show off!

DEBBIE DEBIT: Ellen, I'm a form of electronic payment too! You can use me at an ATM machine to get cash, as well as in a store to make a purchase. I vote for you, I mean the two of us, for best form of payment!

ELLEN ELECTRONIC PAYMENT: And our future looks exciting! Did you know that in years to come, we will use our cell phones to buy goods and services and make electronic payments through our phone bills? We might even use our fingerprints to make purchases and payments!

DEBBIE DEBIT: Wow, that is amazing!

CHARLIE CHECK: You're forgetting one very important point! Safety! When you bank or purchase online, you never know who else is looking at your account. Haven't you heard about the hackers who break into accounts and steal personal information?

ELLEN ELECTRONIC PAYMENT: Charlie, Charlie, Charlie - calm down! Don't you know that new security features are being added to websites all the time to keep the hackers out? There's little chance of that happening!

BOB BANKER: Fred, you haven't spoken yet. What's the Fed's role in all of this, and what form of payment do you prefer

FRED FED: Well, the Fed helps process all forms of payment. We distribute currency and coin to banks, and replace worn and damaged bills to help Carrie. We even work to detect and remove counterfeit bills.

CARRIE CASH: Thanks, Fred! You're awesome!

FRED FED: We are also a check clearinghouse. Our workers process checks received from many different banks. This helps payments move smoothly and safely throughout the country for Charlie.



ACTIVITY 1 - "PAYMENT PARLIAMENT"

CHARLIE CHECK: I know I could count on you, Fred!

FRED FED: The Fed also has a role in credit and debit card processing. Our networks make it possible for consumers to use these payment methods by emailing banks and credit unions across the country to exchange and settle credit and debit payments.

DEBBIE/CHRIS (together): Way to go, Fred!

FRED FED: As for other electronic payments, the Fed helps in a big way! our networks help banks process online payments for purchases and automatic bill pay items. We also provide direct deposit services for paychecks and government payments, like income tax refunds and Social Security checks. We are always studying trends and issues in the payment system, so we are better prepared for future changes.

ELLEN ELECTRONIC PAYMENT: That's my Fred!

BOB BANKER: So to summarize our discussion, we have many varied viewpoints on the best method of payment. Each of you has discussed the benefits or advantages of your type of payment. Others have brought up the costs or disadvantages of each type of payment. Fred has given us the Fed's role in all payment methods. I think there's only one conclusion we can all come to. All payment methods have merit, depending on the situation and their use by the consumer. Let's call a truce!

CARRIE CASH: Huh? What's a truce?

DEBBIE DEBIT: When we all agree to disagree, Carrie! It means that there's more than one good payment method for consumers to use.

CARRIE CASH: Oh, right!

BOB BANKER: This concludes our meeting of the Payment Parliament. Thank you for your cooperation in our discussion. And thanks to our special guest, Fred Fed, for informing us about the Fed's role in the payment system. Meeting dismissed!



VISUAL 1 - NAME TAGS FOR ROLE PLAY

BOB BANKER	
CARRIE CASH	
CHARLIE CHECK	
DEBBIE DEBIT	



VISUAL 1 - NAME TAGS FOR ROLE PLAY



VISUAL 2 - DECISION GRID ASSESSMENT

Your parent has finally given permission for a total redesigning of your bedroom. The change will include new paint, bedroom furniture, wall decorations, a TV and a computer. Use the decision-making grid below to choose the best method of payment for these purchases. To use the grid, think about the criteria (reasoning) categories for each payment methods. Put a "+" in each box where the type of payment meets the criteria, or a "-" where it does not. The payment with the most pluses is the best method for your needs.

CRITERIA

ALTERNATIVES	IS IT EASY TO USE?	IS IT SAFE?	IS IT ACCEPTED BY ALL?	DOES IT MAKE GOOD SENSE?
CASH				
CHECK				
DEBIT CARD				
CREDIT CARD				
ELECTRONIC PAYMENT				

