

# Getting a credit card and using it wisely

Students conduct research to learn about how credit cards work and some tips for using them.

## Learning goals

### Big idea

Consumers use credit cards to buy things, track spending, and pay bills.

### Essential questions

- Why might I want a credit card?
- Why is it important to keep track of how much I spend on my credit card each month?

### Objectives

- Understand the benefits and risks of having and using a credit card
- Identify the difference between a secured and unsecured credit card

### What students will do


- Conduct Internet research about credit cards and how they work.
- Learn important things to consider before applying for a credit card.

### NOTE

Please remember to consider your students' accommodations and special needs to ensure that all students are able to participate in a meaningful way.

#### KEY INFORMATION

Building block:

 Executive function

Grade level: Middle school (6–8)

Age range: 11–14

Topic: Borrow (Managing credit)

School subject: CTE (Career and technical education), English or language arts, Social studies or history

Teaching strategy: Cooperative learning, Direct instruction

Bloom's Taxonomy level: Understand, Apply

Activity duration: 45–60 minutes

#### National Standards for Personal Financial Education, 2021

Spending: 4-1, 4-5, 4-6, 8-1, 8-2, 8-3, 8-4, 12-1, 12-2, 12-9

Managing credit: 4-1, 4-2, 8-1, 8-3, 8-4, 8-6, 8-7, 12-1, 12-8

These standards are cumulative, and topics are not repeated in each grade level. This activity may include information students need to understand before exploring this topic in more detail.

## Preparing for this activity

- While it's not necessary, completing the "Understanding credit scores" activity first may make this one more meaningful.
- Print copies of all student materials for each student, or prepare for students to access them electronically.
- Become familiar with the "Using credit" webpage on the consumer.gov website.
- Obtain computers or tablets with Internet access so pairs of students can conduct research.

### What you'll need

#### THIS TEACHER GUIDE

- **Getting a credit card and using it wisely (guide)**  
[cfpb\\_building\\_block\\_activities\\_getting-credit-card-using-wisely\\_guide.pdf](#)

#### STUDENT MATERIALS

- **Getting a credit card and using it wisely (worksheet)**  
[cfpb\\_building\\_block\\_activities\\_getting-credit-card-using-wisely\\_worksheet.pdf](#)
- **"Using credit" webpage on the consumer.gov website at** <https://www.consumer.gov/articles/1010-using-credit>
- **Computers or tablets with Internet access**

## Exploring key financial concepts

A credit card gives a person access to financial credit – which means money that you borrow to buy something or pay for something and that you're responsible to repay in full (often with interest). Many Americans have a credit card. In fact, the average consumer may have several credit cards.

More and more people use their credit cards to buy things online and in person, pay bills, and even to track their spending. Some credit cards offer benefits like cash back on purchases or points you can collect for discounts. When choosing a credit card, it's helpful to shop around and find the card that works for you.

#### **TIP**

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Because products, terms, and laws related to credit cards change, students should be encouraged to always look for the most up-to-date information.

Because you can buy things and even get cash using a credit card, it's important to keep the card – and the credit card number – safe so that they can't be stolen. Learning to use credit cards safely can help you manage and protect your money.

## Teaching this activity

### Whole-class introduction

- Distribute the “Getting a credit card and using it wisely” worksheet to each student.
- Have students form pairs and assign each group a computer.
- Be sure students understand key vocabulary:
  - **APR (Annual Percentage Rate):** The cost of borrowing money on a yearly basis, expressed as a percentage rate.
  - **Credit:** Borrowing money, or having the right to borrow money, to buy something. Usually it means you're using a credit card, but it might also mean that you got a loan.
  - **Credit card:** An open-ended loan that allows you to borrow money up to a certain limit and carry over an unpaid balance from month to month. There is no fixed time to repay the loan as long as you make the minimum payment due each month. (You can pay the loan balance in full every month or carry it over.) You pay interest on any outstanding credit card loan balance.
  - **Credit limit:** This is a limit set by the credit card company on how much you can charge on the card it issued to you. You can use your credit card to make purchases up to your credit limit.
  - **Grace period:** The number of days you have to pay your bill in full before finance charges start. Without this period, you may have to pay interest from the date you use your card or when the purchase is posted to your account.

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#### TIP

Visit CFPB's financial education glossary at [consumerfinance.gov/financial-education-glossary/](https://consumerfinance.gov/financial-education-glossary/).

### Individual and group work

- In pairs, students will visit the “[Using credit](https://consumerfinance.gov/using-credit/)” webpage on the consumer.gov website.
- Have students complete the worksheet using the information from the webpage's “What it is” and “What to know” tabs.
- Students will work independently to answer the reflection questions.

## Wrap-up

- Bring the class together and discuss how credit cards can be a useful tool.
- Ask students to share their answers to the reflection questions.

## Suggested next steps

Consider searching for other [CFPB activities](#) that address the topics of borrowing, including managing credit. Suggested activities include [“Analyzing credit card statements”](#) and [“Managing credit card payments.”](#)

## Measuring student learning

Students’ answers on their worksheets and during discussion can give you a sense of their understanding.

This answer guide provides possible answers for the “Getting a credit card and using it wisely” worksheet.

**Keep in mind that students’ answers may vary.** The important thing is for students to have reasonable justification for their answers.

## Answer guide

### “Using credit: What it is” section

1. If you get a credit card, why is it important to look for one that has a low interest rate?

**Interest is what you pay for using someone else’s money. You repay money to whomever gave you the credit card or loan. Credit cards and loans have different interest rates. Look for the “APR.” APR means annual percentage rate. It’s how much interest you pay during a whole year.**

**It’s important to look for a credit card with a lower interest rate because a lower interest rate means you pay less money. A higher interest rate means you pay more money.**

2. Who offers people credit cards?

**Banks and credit unions offer credit cards. They usually offer credit cards to people with a good credit history. Some stores offer credit cards. In those cases, you can use the store credit card only in that store. Sometimes these**

cards are easier to get if you don't have a credit history, and they may be a good way to build your credit history. But sometimes store credit cards have higher interest rates, which means you'll pay more for borrowing money using that credit card.

"Using credit: What to know" section

3. In your own words, explain how a credit card works.

**When you use a credit card, someone lends you money to buy something. Here's how it works:**

- You want to buy groceries.
- You pay with a credit card from a bank.
- The bank pays the store for your groceries.
- The bank sends you the credit card bill, including charges for the groceries.
- You pay your credit card bill.

4. Why might someone want or need a secured credit card?

**Some people may want to get a secured credit card if they can't get an unsecured credit card. This gives you a credit card and helps to build up your credit record if you pay it on time, every time. A secured credit card is a card that you pay for in advance. You put money in an account. Then you can use the card to spend that much money. It works like a regular debit card. It's different from a prepaid card in two important ways:**

- A secured credit card usually has lower fees than a prepaid card.
- A secured credit card should give information to the three national credit reporting companies. Most prepaid cards don't.

5. Why is it a good idea to pay your entire credit card bill each month?

**If you can pay your entire bill every month, you won't have to pay interest. That makes credit less expensive for you. If you pay less than the full amount borrowed, you'll pay interest on the amount you didn't pay back. That amount is called the balance. If you can't pay your whole bill every month, the more of it that you do pay, the less you will have to carry as a balance. The smaller your balance, the less interest you will pay. And it's important that you at least pay the minimum payment to avoid incurring late fees and hurting your credit record. Credit is more expensive if you pay only the minimum amount due and are charged for interest on the balance.**