

# Good Debt Bad Debt

## ***Objectives:***

By the end of this section, participants will learn how to calculate interest, understand principle and interest, and demonstrate a good understanding of good debt and bad debt

## ***Time:***

1 hour

## ***Materials:***

1. Debt and Interest game sheet
2. Good debt and bad debt game sheet
3. Pencils
4. Paper

## **Activity: Good Debt Bad Debt**

The idea of this activity is to ensure that participants understand the difference between good debt and bad debt

Prior to activity:

1. Make copies of the Debt and Interest Game Sheet
2. Make copies of the Good debt and bad debt game sheet
3. Sharpen pencils

## ***Roles of Facilitator(s) and Volunteers***

1. **Facilitator**- facilitates the activities for the group

## ***Start of Activity***

1. When participants arrive distribute:
  - Name Tags
  - Sharpened Pencils
  - Paper to each class member
2. Group participants into teams of 2 or 3

**Leader's Notes** - Once you have divided participants into teams, begin the activity by doing the following: **(use the flipcharts below)**

1. Ask participants if they know what a debt is?
2. Explain to students that debt happens when you borrow money and have to pay it back
3. **Debt-** is a promise to pay money
4. **Interest-** when people have debt they have to pay it back plus extra money called interest
5. **Interest** – is paid for simply having the debt
6. For example, Ken borrows \$5 from Jake. Jake charges Ken \$2 interest just for borrowing \$5. Then Ken owes Jake  $\$5 + \$2 = \$7$ . (draw a stickman cartoon or play on flipchart to help explain better)
7. Tell students that there is good debt and bad debt.
8. **Good debt** – is when you borrow money to buy an asset.
9. **Asset** – is something that puts money into your pocket
10. **Bad Debt** – is when you borrow money to buy a liability.
11. **Liability** – is something that takes money out of your pocket
12. Tell the students that they will learn how to calculate debt and interest
13. Tell students that they will learn the difference between good and bad debt
14. Do Activities Below

## **Debt and Interest Flipchart**

**Debt-** is a promise to pay money

**Interest-** when people have debt they have to pay it back plus extra money called interest

**Interest** – is paid for simply having the debt

For example, Ken borrows \$5 from Jake. Jake charges Ken \$2 interest just for borrowing \$5. Then Ken owes Jake  $\$5 + \$2 = \$7$ .

## **Good Debt Bad Debt Flipchart**

**Good debt** – is when you borrow money to buy an asset.

**Asset** – is something that puts money into your pocket

**Bad Debt** – is when you borrow money to buy a liability

**Liability** – is something that takes money out of your pocket

## **Explain the Debt and Interest Game**

1. In this game, students will calculate debt and interest.
2. Briefly review the definitions for debt and interest.
3. Break the students into teams of 2 or 3.
4. The facilitator will write the debt and interest amount from the Debt and Interest Sheet on a chalk or dry erase board.
5. Teams add the debt and interest amount by hand on a piece of paper in their seats.
6. After teams have made their calculations, then one member (called the runner) of the team must run to the board and write the answer.
7. Each team member must go to the board to write the answer. Tell teams to rotate their runner.
8. The team with the most points at the end of the game wins.
9. Play the next game which is called the Good Debt Bad Debt Game

## **Explain the Good Debt Bad Debt Game**

1. In this game, students will choose between Good debt and Bad debt.
2. Briefly review the definitions for Good debt, Bad debt, assets, and liabilities.
3. Break the students into teams of 2 or 3 or keep students in the same teams.
4. Flip a coin to see which teams will go first.
5. The facilitator will use the Good Debt/ Bad Debt sheet to play the game.

6. Students will have to answer the question correctly.
7. Teams get 1 point for choosing whether the item is a good debt or bad debt.
8. If team 1 gets their question wrong then team 2 can steal the point if they get it right.
9. The team with the most points at the end of the game wins.

### **Leader's Notes**

#### **Debrief the Debt and Interest Game Activity**

1. Ask students if they were able to see how interest can increase the price of a debt?
2. Ask students what are the advantages of debt?
3. Ask students what are the disadvantages of debt?

### **Leader's Notes**

#### **Debrief the Good Debt Bad Debt activity**

1. Ask students if they have a full understanding of Good Debt Bad debt?
2. Ask students what types of Good and Bad debts do they see in their communities?

## Debt and Interest Game

Students should answer how much the debt needs to pay

1. (Debt) \$24 + (Interest) \$9 = \$33
2. (Debt) \$50 + (Interest) \$25 = \$75
3. (Debt) \$103 + (Interest) \$24 = \$127
4. (Debt) \$111 + (Interest) \$30 = \$141
5. (Debt) \$150 + (Interest) \$80 = \$230
6. (Debt) \$200 + (Interest) \$53 = \$253
7. (Debt) \$533 + (Interest) \$64 = \$597
8. (Debt) \$1,055 + (Interest) \$432 = \$1,487
9. (Debt) \$2,032 + (Interest) \$842 = \$2,874
10. (Debt) \$3,056 + (Interest) \$1,477 = \$4,533
11. (Debt) \$4,017 + (Interest) \$1,568 = \$5,585
12. (Debt) \$4,056 + (Interest) \$1,694 = \$5,750
13. (Debt) \$5,008 + (Interest) \$1,834 = \$6,842
14. (Debt) \$5,172 + (Interest) \$2,138 = \$7,310
15. (Debt) \$5,295 + (Interest) \$2,257 = \$7,552
16. (Debt) \$6,175 + (Interest) \$3,401 = \$9,576
17. (Debt) \$6,234 + (Interest) \$2,301 = \$8,535
18. (Debt) \$6,395 + (Interest) \$3,918 = \$10,313
19. (Debt) \$7,091 + (Interest) \$4,427 = \$11,518
20. (Debt) \$7,317 + (Interest) \$5,201 = \$12,518

**\*Bonus: Calculate the Interest (Each bonus is 1 point)**

Monthly Interest	x	Number of months	=	_____
1. \$12	x	12	=	\$144
2. \$10	x	12	=	\$120
3. \$15	x	9	=	\$135
4. \$14	x	6	=	\$84

# Good Debt Bad Debt Game

## Pick out the Good Debt

(The correct answer is underlined)

1. Borrow money for a Car wash or Borrow money for a Car
2. Borrow money for Clothes or Borrow money for a Clothing Store
3. Borrow money for a DJ Business or Borrow money for CDs
4. Borrow money for a Restaurant or Borrow money for Candy
5. Borrow money for Shoes or Borrow money for starting a summer camp

## Pick out the Bad Debt

6. Borrow money to buy materials to sell paintings or borrow money to buy comic books to read
7. Borrow money for a video game or borrow money for a lawn mowing business
8. Borrow money to get hair done or borrow money to buy a hair salon
9. Borrow money to buy lemonade or borrow money to buy a Lemonade stand
10. Borrow money to buy shoes or borrow money to buy a Shoe store