

## What Is Debt? | Lesson Plan



What is debt and how do we use it responsibly?

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Students learn about financial debt, from loan terms and interest rates to credit limits, and how to properly use it to their advantage.

### Learning Objectives:

- Describe the concept of financial debt, why it is important, and how to use it responsibly.
- Identify types of debt.
- Differentiate between good debt and bad debt.
- Analyze the benefits and risks associated with using debt.
- Explore the concepts of appreciation and depreciation.

### Key Vocabulary:

- **Appreciate:** Increasing in value over time.
- **Credit Limit:** Maximum amount of money a person is allowed to borrow.
- **Depreciate:** Losing value over time.
- **Financial Debt:** Borrowed money that is owed to a person or institution.
- **Investment:** Money put into something with the hope of future benefit.

**Educational Standards:** CCRA.R.7, CCRA.R.10, CCRA.W.2, CCRA.W.4, CCRA.W.7, CCRA.SL.1, CCRA.SL.2, CCRA.L.6

**Academic Subject Areas:** Financial Literacy, Personal Finance, Life Skills

### What You'll Need

- Video: *Ca\$h Cour\$e: What Is Debt?* (Watch [Here](#))
- Worksheet: *Ca\$h Cour\$e: What Is Debt?* (Click [Here](#))

### Lesson Plan (45 mins.)

Warm-Up: (10 mins.)

1. Provide students with a set of scenarios involving financial decisions and ask them to brainstorm possible outcomes and consequences. For example, you could present scenarios like, "You want to buy a new smartphone but don't have enough money saved up. What are your options?" or "You're offered a student loan to pay for college tuition. What factors should you consider before accepting?" Encourage students to think critically about the risks and benefits of different choices.
2. Define debt as money borrowed by an individual or entity with the promise of repayment, usually with added interest.



3. Discuss common forms of debt such as student loans, credit cards, mortgages, and personal loans. Have students share what they already know about these different types of debt.
4. Explain that debt has benefits and risks. Conduct a quick brainstorming session and write down students' ideas on the board about how debt can be both positive and negative.
  - Positive examples: buying a home or investing in education
  - Negative examples: high interest rates, potential damage to credit scores, and the risk of default.

Watch and Apply: (15 mins.)

1. Distribute the "Ca\$h Cour\$e: What is Debt?" worksheet. Preview the questions with the students so they know what to listen for in the video.
2. Play the video. Have students complete the worksheet.

Wrap-Up: (20 mins.)

1. If needed, allocate more time for students to complete the worksheet. (These can be collected as a formative assessment or discussed as a class.)
2. Invite volunteers to share their responses from the application section.
3. Highlight that while debt can be risky and have negative consequences, responsible debt use can be beneficial. Discuss how the most effective use of debt is in investments that appreciate over time, like education or property.
4. To conclude the lesson, ask students to reflect on what they have learned about debt and responsible financial management. Ask questions such as:
  - What are some benefits and risks of using debt?
  - How can responsible debt management help you achieve your financial goals?
  - What strategies can you use to manage debt responsibly in the future?
5. Finally, emphasize the importance of making informed decisions about borrowing money and encourage students to apply the concepts learned in the lesson to their own lives.

**Don't have time for the full lesson? Quick Activity (5-10 mins.)**

Distribute the worksheet and allow students to complete it while they follow along with the video. Or, have students watch the video at home and use the worksheet as a quick quiz the next day in class.