

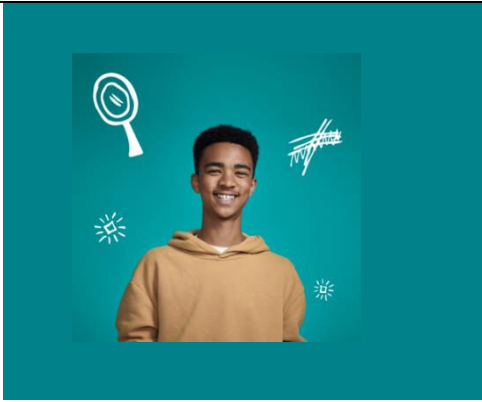


# TYPES OF DEBT



*Understanding  
different types of  
debt.*

*Teen  
guide*



# Pre/Post Self-Reflection

First Name: \_\_\_\_\_

Age: \_\_\_\_\_



## Pre-Session

Before beginning the session “Types of Debt,” please respond to the following question:

How can knowing the difference between “good” and “bad” debt affect your ability to reach your goals?



## Post-Session

After finishing the session “Types of Debt,” please respond to the following question:

How can knowing the difference between “good” and “bad” debt affect your ability to reach your goals?



## Cameron Gets a Loan

**Directions:** As a group, go through the process of how to think about loans. If Eddie *was* going to charge Cameron interest for the loan, should he still borrow the money? Use the information that is provided and think of all the possibilities you can to fill in the missing information to help Cameron decide.

### Cameron's Goals



### Short-Term

Save \$300 to pay for college applications



### Medium-Term

Save \$6,000 for a car down payment after college



### Long-Term

Save \$20,000 for a down payment on a family home



## Cameron's Loan Terms and Agreement

**Loan Amount** \$100

**Parties** Borrower: Cameron

Lender: Eddie

**Payment** According to this agreement, the borrower (Cameron) agrees to pay the Lender (Eddie) the *\*principal* and accrued *\*\*interest* (10% compounded weekly) according to the following 2-month schedule:

<u>Week 1</u> →	Principal \$8.74 Interest \$10.00	<u>Week 2</u> →	Principal \$9.62 Interest \$9.13	<u>Week 3</u> →	Principal \$10.58 Interest \$8.16	<u>Week 4</u> →	Principal \$11.64 Interest \$7.11
<u>Week 5</u> →	Principal \$12.80 Interest \$5.94	<u>Week 6</u> →	Principal \$14.08 Interest \$4.66	<u>Week 7</u> →	Principal \$15.49 Interest \$3.25	<u>Week 8</u> →	Principal \$17.04 Interest \$1.70

Total Principal Paid: \$100.00  
Total Interest Paid: \$49.96

**Total Loan Amount to be Repaid: \$149.96**

***\*Principal:** the amount of money you actually borrow*

***\*\*Interest:** an additional percentage of money that has to be paid back when borrowing money*

## Assessing Cameron's Loan



### Question #1

Is this loan a form of “good” or “bad” debt?  
Why?



### Question #2

How will this loan affect Cameron's ability to reach his short-term goal?



### Question #3

If Cameron continued to borrow like this, how would it affect his medium- and long-term goals?



### Question #4

Should Cameron take the loan from Eddie (with interest)?



# My Loans

**Directions:** Start by thinking about and recording your short-, medium-, and long-term goals. Then, read through each loan situation and consider the payment terms and scenarios. Decide on the type of debt presented and how it would impact any or all of your goals.

## My Goals:

Short-Term

Medium-Term

Long-Term



## Loan Situation #1



You just moved into your first apartment and would like to buy a TV. Using your credit card, which has a 15% interest rate, you make the \$1,000 purchase knowing you will not be able to pay off the full balance when the bill comes. Assuming you do not make any other charges on your credit card, consider the following payment scenarios:

If you pay this amount monthly:	It will take you this long to pay off your balance:	You will pay this much in interest:	You will pay this much in total:
\$50	24 months	\$158	\$1,158
\$60	19 months	\$128	\$1,128
\$70	16 months	\$109	\$1,109



Is this loan a form of “good” debt or “bad” debt?

How will this loan affect your ability to reach your goals?

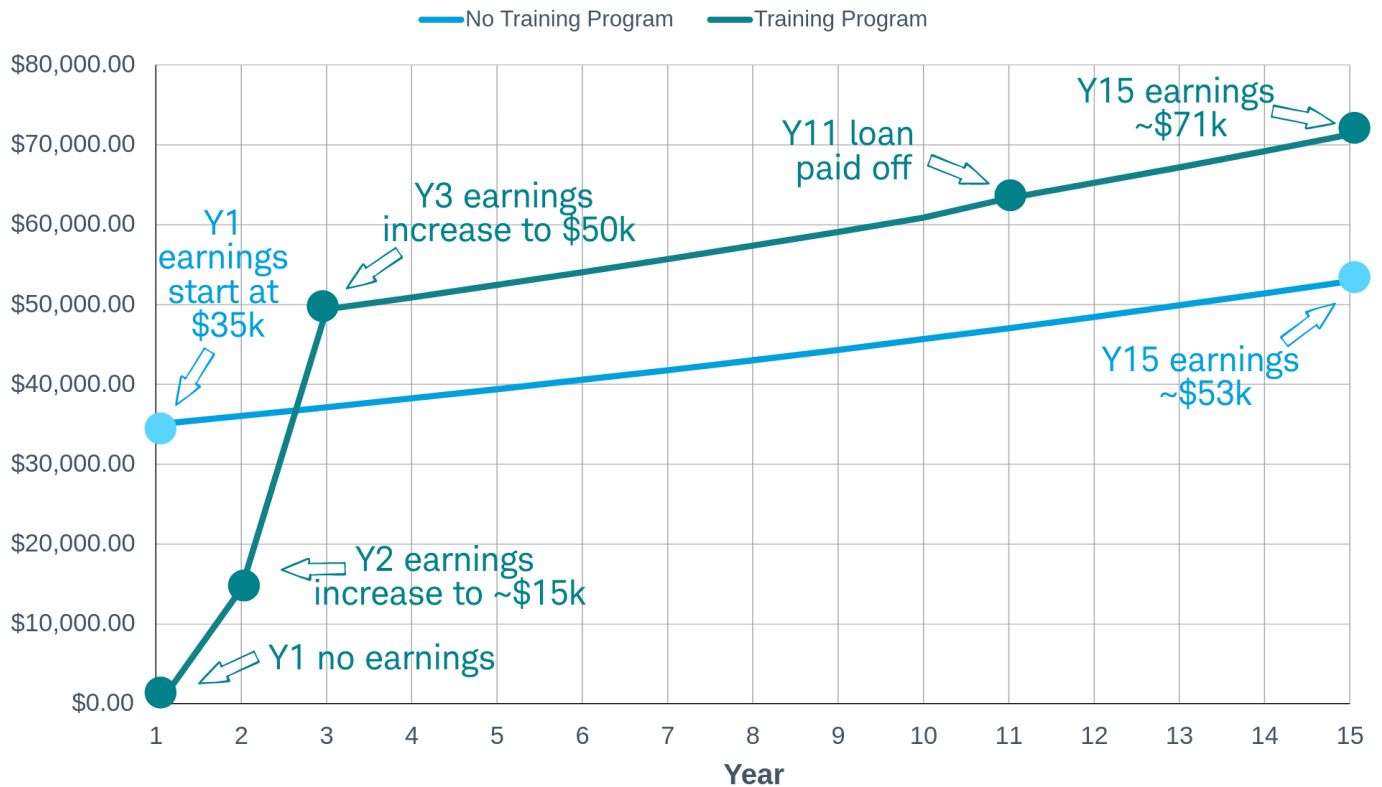
Were there any alternatives to purchasing the TV using debt?

## Loan Situation #2



At some point after high school, you are accepted into a 2-year training program that includes a paid internship during the second year. The training program will help you ultimately land a job in your chosen field with a competitive salary. The cost of the program is \$5,000 and qualifies for a federal student loan with an interest rate of 3.5% and a repayment term of 10 years. You're not sure if you want to take on this debt or decline the program offer and go to work right away.

### Salary Comparison



Is this loan a form of “good” debt or “bad” debt?

How will this loan affect your ability to reach your goals?

Is the education justified? Why or why not?



# Session Evaluation Survey

Thank you for your participation in today's session! We appreciate you taking a couple of minutes to provide your feedback. **Your response is important to us and is completely anonymous.** Your input will help us continue to improve our programs supporting teens on their journey to financial freedom.

## How to Complete this Survey

You can access and [complete the survey online here](#). If you prefer, you can complete a hard copy of the survey below, and hand it in to your Schwab facilitator at the end of your session. Either way, please make sure to submit your survey at the close of your session.

## Survey Questions

1. What Moneywise America session did you participate in? **(REQUIRED)**
  - a. Get Started: Intro to Money Basics
  - b. Personal Goals and Decision Making
  - c. Session 1.0: Set Money Goals
  - d. Session 2.0: Manage Your Money
  - e. Session 3.0: Master Credit & Debt
  - f. Session 4.0: Plan for the Future
  - g. Session 5.0: Get Invested
  
2. I feel more confident about my understanding of money and how to manage it. **(REQUIRED)**
  - a. Strongly Agree
  - b. Agree
  - c. No Change
  - d. Disagree
  - e. Strongly Disagree
  
3. How likely are you to use information from this session to make decisions to help you reach your future financial goals? **(REQUIRED)**
  - a. Highly Likely
  - b. Likely
  - c. Neutral
  - d. Unlikely
  - e. Highly Unlikely

4. I have a clear understanding of the key personal finance topics that were presented during the session. **(REQUIRED)**
- a. Strongly Agree
  - b. Agree
  - c. No Change
  - d. Disagree
  - e. Strongly Disagree

If you selected Disagree or Strongly Disagree for Question 4, please explain specifically what components of the lesson were unclear or confusing.

5. Why is it important for teens to learn about personal finance? **(OPTIONAL)**

6. Is there any other feedback that you'd like to share about the session or the content covered? **(OPTIONAL)**

#### **Thank You**

Thank you for taking the time to provide your feedback. We appreciate your input as we continue to support teens on their journey to financial freedom.