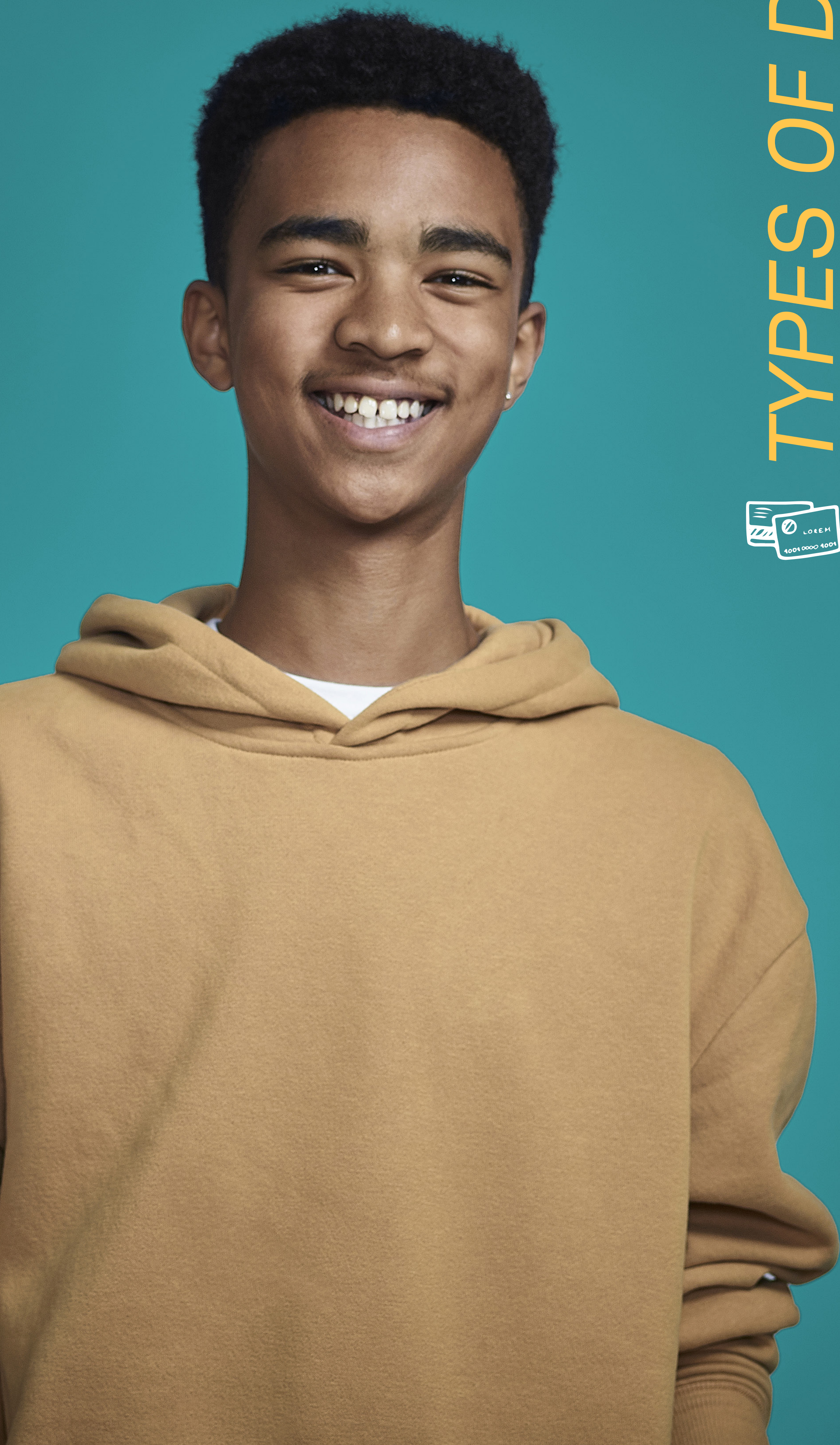
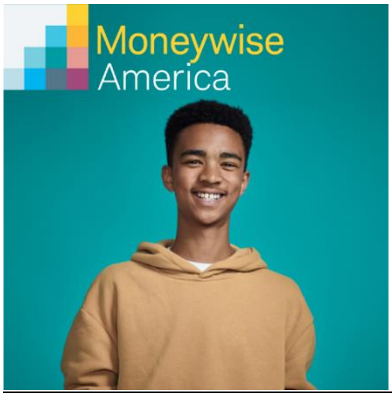
Moneywise America™

TYPES OF DEBT



Your guide to teaching about different types of debt.

Facilitator guide



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Facilitator Guide:
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I: MONEYWISE AMERICA PROGRAM OVERVIEW

ABOUT MONEYWISE AMERICA

Moneywise America (MWA) is an innovative new financial literacy program designed to help level the economic playing field through high-quality financial education for teens across the country, with a focus on reaching youth in under-resourced communities and schools. It encompasses four core components:

- **Training: Internal training for Schwabbies to build their skills and confidence to teach financial literacy to teens.** All MWA volunteers will complete at least 35 minutes of training; for those who are interested, there will be opportunities to complete up to three levels of certification, all at your own pace.
- **Content: Original, proprietary, standards-based financial literacy curriculum designed specifically for use with teens.** MWA content can be used on its own or as a supplement to a community organization's existing financial literacy content.
- **Volunteerism: Trained Schwabbies can utilize MWA content to teach financial literacy in the community or use their training to deliver an organization's existing financial literacy content.** While some Schwabbies may already know where they want to volunteer, we will provide resources and support to help ensure anyone who wants to can get out there and volunteer in their community.
- **Partnerships: Nonprofits and community organizations help us reach teens where they are.** National partners include Boys & Girls Clubs of America, Junior Achievement, and SIFMA Foundation. Locally, Schwabbies will also partner with schools and other teen-serving organizations in their communities.

Moneywise America builds upon Schwab's position and legacy as a national financial literacy leader. For more than three decades, Charles Schwab Foundation has worked to advance financial literacy for people of all ages. Through MWA, Schwab is doubling down on our efforts to reach as many youth as possible with high-quality financial education.

PARTICIPANT BENEFITS

Moneywise America is critical to Schwab's vision of preparing the next generation to achieve financial freedom. Financial literacy is an essential life skill, one that is especially important for teens, yet there is a stark lack of focus on financial literacy within our mainstream educational systems. Less than half of U.S. states require that students take a course in personal finance in order to graduate from high school, and only five states require that it be a standalone course.

This gap—between the need for quality financial education and access to it—is even more pronounced for teens from under-resourced communities and schools. According to the 2020-2021 State of Financial Education Report, only 7.4% of Black and brown students, and 7.8% of low-income students, have access to a stand-alone personal finance course required for high school graduation.

Moneywise America is part of our effort to help fill that gap. It is designed to help teens develop both **comprehension** of key personal finance concepts and the **skills** to take informed action based on their personal goals and dreams. Participants will benefit from:

- Expertly created content designed to teach teens essential personal finance concepts including goal setting, budgeting and saving, managing money and unexpected costs, responsible credit and debt management, planning for college, and investing.

- A highly engaging and flexible program model designed to meet teens where they are.
- Interaction with impassioned and skilled Schwab volunteers, trained in delivering financial literacy content to a diverse teen audience.
- An enhanced understanding of key financial concepts and actionable takeaways, including how to apply them directly to their lives now in order to help them achieve their goals for the future.

PRIMARY AUDIENCE

- **Age Range:** MWA content is designed to appeal to teens ages 13-18.
- **Group Size:** 15-30 attendees is ideal to allow full participation in the allotted time.
- **Community Partners:** MWA is designed to be delivered in partnership with teen-facing nonprofit organizations (e.g., Boys & Girls Clubs, Junior Achievement, etc.) and/or local schools.

PROPRIETARY CONTENT

Moneywise America content includes 22 standards-based individual personal finance sessions, each designed to be used in a modular way.

- Each session* can act as a stand-alone lesson if you have only one visit with a group of teens.
- Each session can be bundled with other sessions for a more extensive learning experience if you are meeting with the same group of teens multiple times. For information on session bundle recommendations, visit the Content page at *Jumpword:* Moneywise America.

*Only one session, *Personal Goals & Decision Making*, is never used on its own.

This session, ***Types of Debt: Understanding Different Types of Debt***, is the second session within Module 3 of the MWA framework.

Moneywise America Content at a Glance				
Foundational Sessions	Get Started: Intro to Money Basics			
	Personal Goals & Decision Making			
Module 1: The Basics	*Module 2: Money Management*	*Module 3: Credit & Debt*	*Module 4: College & Career Planning*	*Module 5: Investing*
1.0: Set Money Goals	2.0: Manage Your Money	3.0: Master Credit & Debt	4.0: Plan for the Future	5.0: Get Invested
1.1: Budgeting	2.1: Paycheck	**3.1: Types of Debt**	4.1: Career Path	5.1: Saving & Investing
1.2: Spending	2.2: Financial Products	3.2: Responsible Credit	4.2: Education Costs	5.2: Power of Investing
1.3: Saving	2.3: The Unexpected	3.3: Credit History		5.3: Investing Options
		3.4: Identity Protection		

II: SESSION STRUCTURE—HOW IT WORKS

Moneywise America content and sessions are developed by expert educators. They are intentionally designed to create a positive learning environment and facilitate an easy flow. There is a consistency to the session structure which builds familiarity and comfort for teens when multiple sessions are used.

The ***Types of Debt: Understanding Different Types of Debt*** 60-minute session includes the below components, and Section V of this Facilitator Guide offers a detailed script and clear prompts for each.

- **Welcome**: This is where you welcome participants, introduce yourself and establish rapport, including a welcome exercise, reviewing expectations for working collaboratively, and participant reflection related to the learning objectives.
- **Engage**: You will share a video to introduce the main content of the session. Typically, the video will be followed by a guided discussion or an exercise. In addition to the presentation slides, there may be worksheets in the Teen Guide to support the exercises.
- **Explore:** In many cases, you will introduce a second video to further expand upon and deepen the lesson. Following the video, you will reinforce the learning through a combination of guided discussion, individual, and/or group exercises that will enable participants to apply concepts to their own lives. In addition to the presentation slides, there may be worksheets in the Teen Guide to support the exercises.
- **Wrap-Up:** You will close the session with group and individual reflection on key takeaways. Participants will revisit the same prompt from the beginning of the session and record their updated response. Finally, you will ask participants to complete a brief session evaluation and thank them for participating.

III: PREPARATION—WHAT YOU NEED TO KNOW IN ADVANCE OF YOUR SESSION

Prior to your session, work together with your Schwabbie co-volunteer(s) to confirm the **WHO**, **WHAT**, **WHERE**, **WHEN** and **WHY**. Doing so will ensure you're fully prepped and ready for a seamless program delivery.

We recommend **a total of two or three volunteers** and the roles can be shared in the following way:

- **Project lead**: delivers content as facilitator and plans the volunteer project with the community organization
- **Engagement lead**: guides the teen engagement process, works the room or monitors chat, may relay questions on behalf of teens if needed, watching for reactions or places where it looks like they are stuck or excited
- **Operations lead**: runs the technology, troubleshoots, and is there to support the overall event to make sure it runs smoothly

If you are delivering a session with two volunteers, we recommend that you combine the project and engagement lead into one role.

- **WHO:** Even though you'll be delivering the program virtually, it's still important for you to understand who will be attending—and how. Will the teens be in person together, all virtual, or a mix of both? Confirm with your host the demographics of the participants, as well as their ages/grades so you can be intentional in how you're gearing the discussion to a younger or older audience. Are there any key challenges or unique aspects of the student group that you should be aware of? Since your host will be familiar with the group, you'll want to make sure they'll be available throughout the session—even if just through the chat feature—to help keep the students engaged and paying attention.

- **WHAT:** You'll want to make sure you're comfortable with the materials you're presenting prior to your session. Take time to review this entire Facilitator Guide, prepare a few personal or current event stories to use as examples where appropriate, and determine what supplies you'll need for the session, as noted in Section IV of this Guide, and how the teens will receive them.

- **WHERE:** Virtual program delivery brings with it additional considerations on how to best present the materials. First, confirm with your host if they have a preferred technology platform, like Teams, Zoom or WebEx. Then, depending on if the students will be virtual or in person, discuss with your host how to best manage the breakout groups. If they'll be in person, will the host be able to help coordinate? If participants will be virtual, does your technology platform have a breakout group feature?

    - **A/V:** Showing videos on virtual platforms can be tricky—you may experience buffering delays, sound issues, or pixilation. Test the video(s) leading up to the session, and create a backup plan should you experience any issues. Will the host be able to play the video(s) locally, or the teens be able to play on individual devices, even if you must run the rest of the deck remotely? You'll also want to confirm if the students will have A/V capabilities, or if you'll need to rely exclusively on chat. Set expectations up front for how to leverage the chat feature (like using the hand raise function or emojis). We also recommend having a designated Schwabbie volunteer to manage the chat box.

- **WHEN:** Plan to give yourself at least 10-15 minutes to log in to the selected technology platform and troubleshoot any issues prior to your session start time. In the days leading up to the session, work with your host and Schwabbie volunteer partner to do a brief "tech check," where you can practice running through the slides and playing the video(s) to confirm they can see and hear you.

- **WHY:** It's important for you to understand why the teens are participating. Did they self-select to take this course, or is this a group with mixed interests? Is this part of a larger curricula, or are you being viewed as more of a one-time guest speaker or someone who is introducing the topic that will be explored further over time? Knowing the "why" behind the teens' attendance will help you estimate their potential engagement level, and prep accordingly.

IV: HOW TO USE THIS FACILITATOR GUIDE

This Facilitator Guide is your step-by-step outline for how to facilitate the ***Types of Debt: Understanding Different Types of Debt*** session, and includes a script, directions for delivery, and helpful tips and reminders. This Guide is for your own use when preparing for and presenting the session; it is not to be shared with program participants. Before diving into the Facilitator Script (Section V), read the key information below.

WHAT YOU WILL NEED FOR THE *TYPES OF DEBT: UNDERSTANDING DIFFERENT TYPES OF DEBT* SESSION:

- **Facilitator Guide:** Read through this full Guide prior to volunteering so you are prepared and confident before your session. Have a printed copy of this Guide accessible in case of technical difficulties.
- **Presentation Slides:** You will walk program participants through these slides during the session. They work hand in hand with the session outlined in the Facilitator Guide and are key to engaging program participants. In case of technical difficulties, download the presentation slides to your computer and send them to the host beforehand.
- **Video:** Each session has at least one video that corresponds with the lesson. The video(s) are embedded in the presentation and can also be found by visiting the Content page at *Jumpword*: Moneywise America. As with the presentation slides, download the video(s) to your computer and send them to the host as separate file(s) beforehand. Details on when to play the video(s) are included in the Facilitator Script (Section V).
- **Teen Guide:** Session worksheets and handouts should be distributed to program participants prior to the start of the session, either by you or your host. Teens will complete the worksheets during the lesson and keep them as a helpful takeaway. You can find the Teen Guide for this session (including the handouts below) by visiting the Content page at *Jumpword*: Moneywise America.
  - Pre/Post Session Self-Reflection Form
  - Cameron Gets a Loan Worksheet
  - My Loan Worksheet
  - Session Evaluation Survey (Note: Teens may complete the survey online using the link at the top of the form and in the presentation. For those who complete hard copies, please collect the surveys at the completion of the session and email responses to SchwabCommunityServices@Schwab.com)

PRE-SESSION CHECKLIST

Details of each session (the **WHO, WHAT, WHERE, WHEN**, and **WHY**) will vary for each facilitator. For a seamless delivery, work together with your host and Schwabbie volunteer partner(s) to make sure you've confirmed the following details. If you have any questions prior to your event, please email SchwabCommunityServices@Schwab.com.

☐ Confirm Attendees (Ages/Grades of Teens)	☐ Confirm Participant Audio, Microphone and Chat Capability with Host (if Teens Will Be in a Computer Lab or Similar Space, Confirm Availability of Headphones)
☐ Confirm Interest/Experience Level of Teens	☐ Confirm Availability of Breakout Rooms
☐ Confirm Role of Host; Exchange Contact Information with Host	☐ Confirm Internet Access

☐ Confirm if Teens Are Attending in Person, Virtually, or Both and if They Are in a Common Room or Dispersed	☐ Brainstorm Personal Examples or Relevant Current Events to Share with Teens
☐ Confirm Preferred Presenting Platform (Zoom, Teams, etc.); Ensure Invitation is Created and Sent	☐ Conduct “Tech Check” With Your Host and Schwab Volunteer Partner Prior to Session
☐ Confirm Who Will Manage the Presenting Platform, Presentation Slides and Video(s) (You or Host)	☐ Review Facilitator Guide and Video Script(s)
☐ Confirm with Host How Teens Will Receive Materials (Printed Copies or by Email)	☐ Log in to Platform 10-15 Minutes Before Session
☐ Confirm Role of Each Volunteer, Including Who Will Manage the Chat	☐ Remember to Have Your Cell Phone Handy to Help Track Time

VOLUNTEER GUIDANCE—ENGAGING YOUR TEEN AUDIENCE

This Guide includes a script for your session and ideas for introductions. For more comprehensive information on working with students of different backgrounds and abilities, and group facilitation techniques, refer back to your Employee Training Modules.

- **Personalize the Session:** Personalize the session by including real-life examples and stories. Try to make examples relatable to the teens; for example, speaking about retirement or goals 20 years from now may not resonate as much as saving $100 a week from a summer job. It may be hard for teens to conceptualize past a few years in the future.
- **Don’t Move Too Quickly**: Leave teens enough time to properly think through questions by taking pauses and stopping the video where necessary. Take breaks and allow for questions to ensure teens are following along with the session. And remember, silence in the group doesn’t necessarily signal disengagement—participants may be processing the information/concepts they’re hearing about.
- **Gauge the Personality of the Group**: For example, if the group is energetic, calling on people may be appropriate and an efficient way to encourage participation, but if the group is shy this may seem intimidating. Consider having the teens briefly practice using chat reactions such as raising hands to encourage engagement during the session.
- **Engage the Host:** Allow the host to assist, as they may know methods for engaging their groups.
- **Meet Teens Where They Are**: Remember, teens aren’t used to talking about financial concepts the way you and your colleagues, or even other adults, might be. Use basic language and avoid complex financial, educational and/or Schwab-specific terminology that may confuse participants. Also be sure to present financial services and concepts objectively—do not “sell” Schwab to teens.
- **Use Proper Pronouns:** To personalize the experience and avoid accidentally offending someone by assuming gender identity, have the host ask each participant to add their preferred pronouns next to their name. Consider including your pronouns on your nametag as well to show inclusiveness.

Most importantly, remember to smile, use eye contact, and be friendly and conversational throughout the activity. Don’t forget to look into the camera!

SESSION ADAPTATIONS

We all know that technology isn't foolproof; things happen! If challenges arise while facilitating, try not to stress. Be flexible and adapt, as best you can, by continuing to deliver the session. Here are some ideas for addressing potential hiccups:

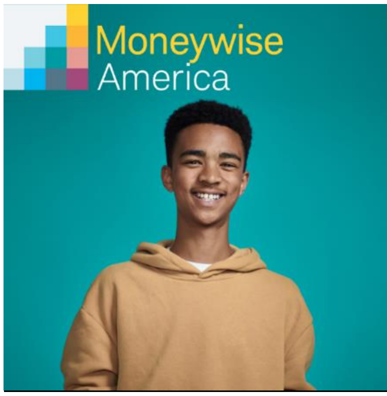
- **Video Issues:** As noted above, it is best to have the video(s) available in a few formats. While the video(s) will be embedded in the presentation, also download them to your computer before the event and send them to the host ahead of time. If the video(s) do not play on the device you're delivering the program on, have the host try to play the video(s). Prepare for the worst by coming with the session's video script(s) (Section VI of this Guide) so you can summarize the concepts if needed. Don't spend too much time fussing with the video(s); if they don't work, read the script(s) and move on to the next activity.
- **No Breakout Group Availability:** If breakout groups are not available on your virtual platform, do the activities together as one big group, encouraging participation from everyone. Or, get creative! Choose a way to "split" the group into teams without breakout rooms. For example, "if your birthday is between January-March, you're team A. What would everyone on team A choose for this question?"

SHARE YOUR EXPERIENCE

We are proud of our Schwab volunteers for empowering the next generation with financial literacy skills through Moneywise America. As we continuously enhance this program, we want to hear from you about your volunteer experience. Following your session, please consider doing the following:

- Share your volunteer feedback by visiting *Jumpword:* Moneywise America and navigating to the Quicklinks section
- Join the conversation on the Moneywise America Teams channel
- Post on social media (*Jumpword:* Schwab4Good)

V: FACILITATOR SCRIPT



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Types of Debt: Your guide to teaching about different types of debt.

Session Overview

The purpose of this session is to elaborate on the concept of debt and for participants to understand that not all debt is created equally. While some debt is inevitable, the main focus of this session is for participants to review the various types of debt and be able to classify both “good” and “bad” types of debt.

This session includes two videos, the first of which finds our teen character Cameron in a last-minute jam as he asks Eddie for a loan to buy prom tickets on the final purchase day. This situation introduces the concept of paying interest on loans, financial debt, and how various types of debt are classified as “good” or “bad,” based on how they impact your financial future.

The second video elaborates on the definition of “good” vs. “bad” debt by providing examples of each type of debt and its implications. It also covers the difference between borrowing with the ability to improve one's financial future versus borrowing for something that does not grow in value and is difficult to repay.

Take Away:

As a result of taking this session, participants should see how the use of credit fits into the big picture of debt and be able to think carefully about the way it is used. By knowing the types of borrowing that are associated with “good” and “bad” debt, they will be able to make informed choices to achieve long-term goals and financial freedom.

Session Outline: Virtual Delivery

Notes to the Facilitator:

- *Remember this is a guide, personalize your talking points so it doesn't feel like you're just reading to the participants.*
- *Be relatable! You're talking to teens so try not to use too much "industry" language.*
- *Remember not to push Schwab on the participants when talking about financial institutions or brokerage firms. Always say "through Schwab or similar companies, you can do XYZ."*
- *If you're meeting with the same group of teens multiple times, you can skip the "Collaborate" section after your first session.*

Welcome

• Welcome: Waterfall Exercise	5 minutes
• Collaborate	2 minutes
• Pre-Session Self-Reflection	4 minutes
• Objectives	2 minutes

Engage

• Types of Debt: Video 1	3 minutes
• Discuss	2 minutes

Explore

• Types of Debt: Video 2	9 minutes
• Discuss	2 minutes
• Practice and Review: Cameron Gets a Loan Worksheet	10 minutes
• Practice: My Loans Worksheet	13 minutes

Wrap-Up

• Discuss: Overall Session	3 minutes
• Post-Session Self-Reflection & Evaluation	4 minutes
• Close	1 minute

Total:
60 minutes

Materials Needed

Facilitator

- **Presentation slides** (PPT)
- **Facilitator Guide** (PDF); printed copy of this document, includes:
  - Video Scripts 1&2
- **Videos 1&2** (these are embedded in the presentation slides, but you may want to download as back-up)

For Participants

- **Teen Guide** (PDF), includes:
  - Pre/Post Session Self-Reflection Form
  - Cameron Gets a Loan Worksheet
  - My Loans Worksheet
  - Session Evaluation Survey

WELCOME

Notes to the Facilitator:

"Waterfall" is a cooperative learning strategy that invites participants to express their opinions in a quick and succinct way when presented with a question set.

To begin, read a question. Afterwards, give participants 30 seconds to think of their response. When the time is up, say "Waterfall" and quickly solicit short answers from each participant.

Facilitation: **Welcome**
5 minutes **(Slides 2-7)**

As participants join the session, greet them by introducing yourself. Take 5 minutes to guide participants through "Waterfall." Provide participants the following directions:

- *"Good morning/afternoon. My name is ______. I'm from Charles Schwab and I'm a Moneywise America volunteer. My job is__________ and I'm here today to start the conversation about what we consider good and bad debt.* **(ADVANCE TO SLIDE 3)** *To get us warmed up, I'm going to ask a question and will ask you to hold onto your answer until I say 'Waterfall'. When you hear me say 'Waterfall,' I'll quickly call on some of you and ask you to share your answers."* **(ADVANCE TO SLIDE 4)**

Ask the following questions one at a time. After 30 seconds, say "Waterfall" and have participants quickly share their answers.

- *What is a short-term goal you have for yourself within the next year?* **(SLIDE 4)**
- *What is a medium-term goal you have for yourself within the next 5 years?* **(SLIDE 5)**
- *What is a long-term goal you have for yourself in more than 5 years?* **(SLIDE 6)**
- *Have you ever borrowed money to help you reach a goal?* **(SLIDE 7)**

Thank participants and transition to Collaborate, SLIDE 8

Collaborate

Notes to the Facilitator:

Setting norms within a group is essential to establish the expected behaviors of group members. As participants will be working collaboratively and cooperatively with both you and each other, the "4 Ps" are designed to promote the development of mutual respect and a collaborative spirit.

Facilitation: **Collaborate**
2 minutes **(Slide 8)**

Present participants with the group norms of collaboration, elaborating if needed.

- *"We will be working together as a group, so here are some guidelines that we can follow to help us succeed in our work together. Can I get a volunteer to help me read through the '4 Ps'?*

  1. *Posing questions–If you're unsure, ask! It's the best way to learn.*
  2. *Putting ideas on the table–Sharing your ideas helps us all learn.*
  3. *Paying attention to self and others–Being attentive shows respect and encourages curiosity.*
  4. *Presuming positive intentions–Start with the assumption that people mean well–it will make us better listeners and communicators."*

Thank the participants who volunteered, by name, and transition to the Pre-Session Self-Reflection, SLIDE 9

Pre-Session Self-Reflection

Notes to the Facilitator:

Participants will use the Pre/Post Self-Reflection Form (found in their Teen Guide) twice during the session. Here, they will be asked to respond briefly to a prompt before the lesson begins. Towards the end of the session, they will be asked to respond to the same prompt. This will help reinforce key lessons and how they apply to their lives.

Facilitation: Pre-Session Self-Reflection
4 minutes (Slides 9-10)

Have participants access the **Pre/Post Self-Reflection Form** and give directions for completion:

- *"Before we get started, I have a question that I'd like you to respond to. Once you access the Pre/Post Self-Reflection Form, please write a sentence or two to respond to this question. Don't worry about writing a long paragraph, just focus on getting your general thoughts or ideas down in 1 to 2 sentences.*
- (ADVANCE TO SLIDE 10) ***How can knowing the difference between 'good' and 'bad' debt affect your ability to reach your goals?*** *Take a moment to think about this question and let me know if you have any questions. Hold on to this form, as we will revisit this same question at the end of today's learning experience."*

Transition to Objectives, SLIDE 11

Objectives

Notes to the Facilitator:

Learning objectives help provide a roadmap for the participants and give purpose to the learning.

Facilitation: Objectives
2 minutes (Slide 11)

Explain learning objectives to participants:

- *"Today during our session, you will be able to:*
  - *Know the difference between 'good' and 'bad' debt*
  - *Know the cost of credit (interest rates and fees)*
  - *Be able to classify common credit use as 'good' or 'bad' debt*
  - *Be able to identify goods and services people often purchase with the use of a loan."*

Transition to show Types of Debt: Video 1, SLIDE 12

ENGAGE:
Types of Debt: Video 1

Notes to the Facilitator:

Providing participants with a short introduction to the video will help set the stage for how they view the video.

This video begins with Cameron asking Eddie for a loan, and being surprised when he learns about interest rates that often come along with loaned money.

The purpose of this video is to get participants thinking about the long-term impact of the costs of credit use and for them to be discerning when considering using cash vs. credit.

When presenting the discussion questions, consider the following:

- *Debt is more than credit cards. It includes loans for cars, homes, or education. Unlike Eddie (who loans Cameron money interest-free), lenders are in the business to make money, covering their costs and profits with interest and fees from borrowers.*
- *The cost of interest varies with the type of debt and the credit history of the borrower.*
- *Good debt can improve your financial situation by helping you gain a skill or income, while bad debt can keep you from reaching your financial goals.*

Facilitation: Engage: Video 1
5 minutes (Slides 12-14)

Before showing **Types of Debt: Video 1**, prompt participants with the following:

- *"Today we find Cameron in a jam needing to borrow money for prom tickets at the last minute. Although Eddie is saving for a laptop, he does agree to loan him the money, without interest. Let's listen along and see why interest matters, and why not all debt is the same."*
  (ADVANCE TO SLIDE 13, play Types of Debt: Video 1)

After the video plays, ADVANCE TO SLIDE 14. Ask the participants the following questions, calling on one or two participants for answers:

- *"What is debt?"*
- *"Why is there a cost to borrowing money?"*
- *"Do you know the difference between 'good' and 'bad' debt?"*

Transition to Types of Debt: Video 2, SLIDE 15

EXPLORE:
Types of Debt: Video 2

Facilitation: Explore: Video 2
11 minutes (Slides 15-17)

Introduce the informational video to participants:

- *"Now let's take a closer look at 'good' and 'bad' debt, and what the difference is between the two. We'll also look at some examples of each to help us with our next activity."*
  (ADVANCE TO SLIDE 16, play Types of Debt: Video 2)

After showing the video, solicit questions from participants and provide clarifying answers to check for understanding. (ADVANCE TO SLIDE 17)

- *"What questions do you have about how we define 'good' and 'bad' debt, and the types of debt that fall under each category?"*

Transition to Practice, SLIDE 18

Notes to the Facilitator:

This video is designed to elaborate on the differences between good and bad debt. Below are the key takeaways:

Good Debt:

- *Improves your financial situation (short- or long-term)*
- *Can have low interest rates and potential tax savings—such as with student loans or mortgages*
- *Has potential to support you in achieving your financial goals*
- *Can turn into bad debt if there is too much of it, or if circumstances change and it doesn't improve your financial situation*

Bad Debt:

- *Doesn't improve your financial future*
- *Is borrowing for wants vs. needs*
- *Limits the ability to save and reach financial goals*
- *Ex: credit cards, loan for a luxury item, student loan for a career that won't likely improve your financial future*

After the video, allow participants to ask questions about the concepts presented. Although it can be uncomfortable, give the appropriate amount of wait time so participants may think of their questions. Then, move on to the next part of the session.

Practice: Cameron Gets a Loan

Notes to the Facilitator:

This activity shows the difference between good and bad debt, and how even small loans/debt can impact your ability to reach your goals.

Participants will be presented with a loan agreement between Cameron and Eddie, where 10% interest is charged and compounded weekly over a 2-month term. Review the following concepts for participants:

Principal: *the amount of money you actually borrow*

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

Compounding: *the addition of interest to the amount you save or borrow. With borrowing, interest compounds when the interest charged is added to what you owe.*

The effect of compounding depends on how often interest is compounded (daily, monthly, annually) and the interest rate that is applied. It can help your money grow faster over time when saving or make it harder to pay off money you borrow.

Because interest is compounded weekly in this example, in just 8 weeks, Cameron would owe almost 1.5 times what he originally borrowed—the original $100 he borrowed plus interest!

Facilitation: Practice: Cameron Gets a Loan
10 minutes (Slide 18-20)

Have participants access the **Cameron Gets a Loan Worksheet** from the Teen Guide and introduce the activity. As a whole group, review Cameron's Goals, and then walk participants through Cameron's Loan Terms & Agreement.

- *"We saw in the first video that Eddie gave Cameron a loan without interest. What would borrowing the $100 for prom tickets look like for Cameron if Eddie was going to charge him interest? We're going to familiarize ourselves with Cameron's goals and the money needed to achieve them. Then, we'll assess if he should still take out the loan if Eddie is charging weekly compound interest, with the money due back in 2 months."* (ADVANCE TO SLIDE 19. **Read through the Goals and Loan Agreement. Review the concepts of interest, principal, and compounding.**)

Ask the questions from Assessing Cameron's Loan section of the worksheet:

- *"Over the course of 2 months, Cameron will end up paying almost $150 total for his $100 loan. Let's discuss.* (ADVANCE TO SLIDE 20)
  - *Is this loan a form of 'good' debt or 'bad' debt?*
  - *How will this loan affect Cameron's ability to reach his goals?*
  - *If Cameron continued to borrow like this, how would it affect his medium- and long-term goals?*
  - *Should he take the loan from Eddie (with interest)?"*

Transition to Create, SLIDE 21

Practice: My Loans

Notes to the Facilitator:

Participants will be working with real world examples of loans and credit use to determine the difference between good and bad debt, the cost of credit, and whether using credit is justified. Review the following points with participants:

- *Debt usually comes with a cost (in the form of interest)*
- *Good debt is something that will help you reach your goals*
- *Good debt can have low interest rates and potential tax savings—such as with student loans or mortgages*
- *Bad debt is something that takes away from reaching your goals*
- *Bad debt is borrowing for wants vs. needs*
- *Good debt can turn into bad debt if there is too much of it, or if circumstances change and it doesn't improve your financial situation*

In this case, "good" education debt led to a net increase in earnings of over $139,000 over 15 years.

Facilitation: **Create: My Loans**
13 minutes **(Slide 21-23)**

Have participants access the **My Loans Worksheet** from the Teen Guide and introduce the application task.

- "*It's your turn to make the connection between the cost of debt and reaching your goals. After jotting down a short-, medium-, and long-term goal, you'll analyze two loan situations. Look carefully at the potential cost of each loan in different payment and salary scenarios and answer questions that follow."*
  ADVANCE TO SLIDE 22
    - *"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 #1)*
    - *Is the education justified? Why or why not?" (Loan Situation #2)*

  (Provide participants with 10 minutes of work time, answering questions as needed.) ADVANCE TO SLIDE 23 for further discussion

Discuss the following question:

- *"You probably looked at earnings each year but can also look at it from a total earnings perspective. Is the debt from the training program offset by earnings in the long-term?*

Transition by calling the group to attention for the Wrap-Up, SLIDE 24

WRAP-UP:
Discuss: Overall Session

Notes to the Facilitator:

These questions are designed to be reflective of the overall session and review the main concepts and skills presented. While there are responses that are generally stronger than others, it is important to validate the participants by using neutral language to avoid value judgements that may impact participants.

Facilitation: **Discuss: Overall Session**
3 minutes **(Slide 24-25)**

Advance from SLIDE 24 to SLIDE 25. After participants have completed their **My Loans Worksheet** come back together as a whole group to discuss and reflect. Ask participants the following questions:

- *"We've done some good work together today. Before we finish up, I have a couple of last questions for you related to the session overall:*
  - *Why do we need to take out loans sometimes?*
  - *Why are some loans considered 'good' debt while others are considered 'bad' debt?*
  - *How does interest and the payback period affect the total amount of money we pay for a loan?"*

Transition to the Post-Session Self-Reflection & Evaluation, SLIDE 26

Post-Session Self-Reflection & Evaluation

Notes to the Facilitator:

Participants will complete the rest of the Pre/Post Self-Reflection Form by answering the same question posed in the beginning of the session. If participants ask why they are answering the same question, prompt them by asking if there are any new understandings or perspectives they could add to their original response.

After completing the Self-Reflection, participants should follow the link on the slide to complete a brief session evaluation.

Facilitation: **Post Session Self-Reflection & Evaluation**
4 minutes **(Slide 26)**

Have participants access their **Pre/Post Self-Reflection Form**.

- *"Before we end our time together, I want you to go back to the very first question you asked yourself:* ***How can knowing the difference between 'good' and 'bad' debt affect your ability to reach your goals?*** *Take a moment to think about how you would respond to this question with the information and activities from this session. You can write a sentence or two to respond to this question.*
- *When you are finished, please go to the evaluation link provided to complete a very brief survey on your experience with this session."*

Transition to Close, SLIDE 27

Close

Notes to the Facilitator:

This part of the session provides closure to participants' learning experience. It gives a last opportunity to connect the participants to the content through a personal reason or anecdote from the facilitator related to the importance of understanding the types of debt and the costs associated with each. This example will help participants understand the practical application of the session.

Facilitation: **Close**
1 minute **(Slide 27)**

Thank participants for their time, attention, and engagement.

Single Session Closing:

- *"Before we end, I want to thank you for your time today. Being here to talk with you about understanding types of debt and their implications is important to me because... [offer a personal reason here, e.g., 'I wish I'd had this information when I was your age,' or 'learning about money has really helped me in my life to reach my goals,' or 'I hope you can avoid some of the pitfalls I've had.']*
- *I appreciated the way we worked together to figure out the costs of borrowing money in different situations. So once again, thank you."*

Alternate Closing, if coming back for additional sessions:

- *"Before we end, I want to thank you for your time today. Being here to talk with you about understanding types of debt and their implications is important to me because... [offer a personal reason here, e.g., 'I wish I'd had this information when I was your age,' or 'learning about money has really helped me in my life to reach my goals,' or 'I hope you can avoid some of the pitfalls I've had.']*
- *I appreciated the way we worked together to figure out the costs of borrowing money in different situations. I look forward to seeing you again to talk about opportunity cost and responsible use of credit. So once again, thank you."*

VI: VIDEO SCRIPTS (1&2)

Spending: Video 1 Talking Points

- The video starts with Cameron asking Eddie for help. Cameron realizes today is the last day for prom tickets and he can't afford them at the moment (they're $100). He asks Eddie if he can borrow the money, since he knows Eddie usually carries cash.
- Eddie replies that he does technically have $100 right now, but he is saving up for a laptop. Every day that passes where he doesn't have his own laptop is another day he has to take the bus to the library to do his homework.
- Knowing Cameron will not be able to go to prom without his help, Eddie ultimately lends Cameron the money, but reiterates to Cameron that he really does need the money back soon so that he can stay on track toward his goal of getting a laptop. Eddie also jokes that Cameron is lucky they're friends because he won't charge him interest like a loan provider would.
- Given Cameron's confusion, Eddie goes on to describe to Cameron that lenders, like banks and credit card companies, charge interest on the amount of money they loan you. The longer it takes you to pay them, the more money you'll end up paying in the long run.
    - For example, a 5% monthly interest rate on a $100 loan would result in Cameron owing Eddie $105 at the end of the month. If still not paid back by next month, Cameron would owe Eddie 5% on whatever he hasn't paid back, and so on. It would keep costing Cameron more until he paid off the loan in full.
- Cameron compares interest rates to his academics—for each day his English paper was late he lost 5% of his grade. Eddie agrees with the comparison, and notes that with loans you're in financial debt.
- While it never feels good to be in debt to someone, Eddie notes that almost everyone experiences some form of debt in their lifetime, whether it's a car loan, student loan, or something else. He notes that there can be good debt as well as bad debt.
- Eddie further explains that good debt has the potential to improve your life in the future or help you reach your goals, whereas bad debt usually involves borrowing money for something that doesn't help your financial future. In the case of Cameron getting money from Eddie for prom tickets, Cameron would need to think about whether borrowing money to go to prom helps him with his financial future or not.
- The video ends with Cameron proposing the question: How can knowing the difference between good and bad debt affect your ability to reach your goals?

Spending: Video 2 Talking Points

- Video 2 opens with the sentiment that we will all experience debt at some point in our lives, and that debt is not as scary as you think. Not all debt is the same—there is a difference between good and bad debt.
- The video then goes on to explain the difference between good and bad debt.
- Similar to how a good movie is entertaining and might give us a valuable perspective, or how a good meal provides nutrition and fuels our body, "good debt" is something that provides additional value or benefit to our lives. With good debt, although you owe something, you'll ultimately receive some monetary benefit or value from it. Some "rules of the road" for good debt:
    - It should be something you can pay off in a reasonable amount of time without taking away from other needs or goals.
    - Good debt can also have potential tax advantages, because you may be able to deduct the interest you pay on a particular type of loan from what you pay in taxes.
    - It should give you the opportunity to achieve your financial goals, build wealth overt time, and/or improve your finances over the long term.
- Some examples of good debt include:
    - **Federal student loans.** These can have lower interest rates that are tax deductible and include a variety of repayment options. Because they are used to further your education in a specific career field, the value they bring are career opportunities and long-term earning potential.
    - **Home loans, also known as mortgages.** Mortgages (which can last anywhere between 15-30 years) have lower interest rates compared to consumer debt, such as credit cards. The interest portion of the loan payments may also be tax deductible, and you have the potential to build wealth over time if the home goes up in value. Even if the house simply maintains its value, you'll be able to pay off your loan when you sell the house and will have had housing for the length of the loan.
- The video cautions that, just because mortgages and student loans are considered "good debt," there are still some considerations you need to think about before taking out a loan. As you create a monthly budget following the 50/30/20 rule, try to make sure these payments, along with your other necessities, would stay within 50% of your take home pay allocated toward your needs. Then you can put 30% toward savings and use the last 30% to pay for your wants.
- One important note: if your good debt is excessive, or becomes too difficult to keep up with, then it starts to move toward the category of bad debt. For instance, if you borrow too much for a home, a car, or student loans that you can't afford to pay back. Or, if you take out too many student loans for a degree that doesn't improve your career prospects, for example.
- In contrast, "bad debt" takes value away from our lives or puts us at a disadvantage. For example, a "bad" job might not pay us what we're worth, "bad" running shoes may hurt

our feet or cause injury, and a “bad” decision might leave us with regret. For bad debt, whatever you borrowed money for ultimately does not provide you with value or benefits in the long run. It can even get in the way of you achieving your financial goals, limit your ability to build wealth over time, or derail your efforts to improve your quality of life.

- An example of bad debt includes:
  - **Credit card debt.** Using credit cards can be a convenient way to pay for things when you don’t have cash on hand, but the accrued interest over time can cause problems. This is why many people will encourage you to pay off your balance in full whenever possible or pay much more than the minimum payment due each month. When you buy things with a credit card that you can’t afford and have to pay back over time.
  - The below chart is an example of what debt would look like over time with a $300 purchase at an interest rate of 18% APR. If you pay the $300 balance off in full before using the card again, or increase your monthly payment to avoid interest charges, there are some significant savings. On the other hand, missed payments or late fees would add significantly to the costs.

Monthly payment	Months to Pay off	Total interest paid
*$15 (minimum payment)	23	$59.35
$50	7	$16.80
$75	5	$11.77
$100	4	$9.32
$300	0	$0.00

* https://www.bankrate.com/calculators/managing-debt/minimum-payment-calculator.aspx (assumes 4% minimum payment on balance)

  - While it’s understandable to take out a loan to cover something like an emergency or education, using a credit card and going into debt for a splurge vacation would be bad debt. This type of decision leaves you worse off financially—you would be paying interest and payments on that trip every month long after you benefited from it, taking away from your future wants, needs, and goals.
- More examples of bad debt include:
  - **Taking out a student loan for a career that isn’t likely to improve your financial future.** If you take out loans, you want to be sure that the income you earn from that degree will be able to cover the debt repayment that will follow for years or decades after you’ve graduated. If it can’t, even things like education can be considered bad debt.
  - **Taking out personal loans for anything that isn’t necessary.** For example, you may need an auto loan so you have transportation to work, but you just need

something reliable. Taking out a loan for a basic car could be good debt, but going for the deluxe version could put you in bad debt territory.

- When you take out loans for wants, you will end up paying interest, adding significantly to the cost and taking you further away from your financial future. Every month that you put money towards debt and interest payments is a month where you may not be paying yourself first, meaning you are not putting money towards your savings, where it can help you down the road.
- The video concludes by saying that learning the difference between what is considered “good” debt and “bad” debt can help you make better financial decisions when they arise. And the reminder that before you take on any type of debt, it’s important to look at the overall cost (including the item itself and interest charges), how much debt you’ll need to repay each month and how that debt will improve your financial future. When the debt you take on has the potential to add monetary value to your life <u>and</u> helps you meet your goals, you are making greater steps towards financial freedom.