



### LESSON 1.4 PAYMENT METHODS

This lesson teaches students about payment methods and the pros and cons of each. In addition, students review vocabulary used during the lesson as part of FIT Work.

#### MATERIALS & PREPARATION

- Examples of different payment methods, if possible
- Notebook paper for each student
- FIT Work 1.4 sheet (page 1.75) one for each student



Slide Presentation 1.4

#### LEARNING GOALS

- Students identify the different payment methods.
- Students conclude the most financially wise payment methods.
- Students defend their choices for the most financially wise payment methods.

#### JUMP\$TART PERSONAL FINANCIAL EDUCATION NATIONAL STANDARDS ALIGNMENT

- Financial Responsibility and Decision-Making
- Planning and Money Management
- Credit and Debt

#### DO THIS

1. Group students in teams of 3-4.
2. Ask students how they pay for things (i.e., cash, check, gift cards). Ask how adults pay for things. List them on the presentation display. Guide the students to ensure the following are on the list:
  - Cash – money in the form of bills or coins; currency.
  - Checking account – an account which allows the holder to write checks against money deposited in the account.
  - Debit card – a card issued by a bank that directly accesses available funds from a bank account, typically in a savings or checking account.
  - Credit card – a card that can be used repeatedly to borrow money or buy goods.
  - Stored value card (gift card) – a card that represents money on deposit with the issuer of the card.

### NOTES:

- On-line payment systems – a way to transfer money from a bank account electronically to the account of the payee.
- Third-party check – writing “Pay to the order of \_\_\_” on the back of the check that has been written out to you in order to give it to a third party.
- Food stamps – government issued coupons given to low or no income people; recipients redeem the coupons at stores for food.
- Cashier's check – a check issued and certified by a bank on its own account. A purchaser acquires a cashier's check by paying the bank the value of the cashier's check plus any fees.
- Traveler's check – a check issued by a financial institution which functions as cash but is protected against loss or theft.
- Money order – a financial instrument issued by a bank or other institution, allowing the individual named on the order to receive a specified amount of cash on demand.
- Certified check – a check where the issuing bank guarantees the recipient of the check that there is enough cash available in the holder's account to be transferred when the check is used and also that the account holder's signature on the check is genuine.

3. If possible, provide examples of each payment method and see if students can correctly identify them.

4. Have student teams create a T-chart for the first payment method on the list and identify the pros (+) and cons (-). Some students may have a hard time with this activity, give prompts as needed. When teams are finished, create a T-chart on the presentation display, identify pros and cons, and discuss as a class.

5. Continue creating T-charts for the rest of the payment methods identified. Be cautious and do not pass judgment concerning some payment methods. Some students' parents may use these methods. Examples of payment methods are outlined in the following pages.

NOTES:

CASH	
(+)	(-)
Easy to use Can be given to "non-businesses" for payment No fees to have it No transaction fees No payment delays	Can't be replaced if lost or stolen. Loses value over time

CHECKING ACCOUNT	
(+)	(-)
Easy to pay bills with Can use on-line banking Can be given to individuals for payment	May have to buy checks Check forgers Can bounce checks May have fees for balance below minimum Checks not accepted everywhere

DEBIT CARD	
(+)	(-)
Easy to use No fees to have one	Must monitor balance to avoid zero balance Not accepted everywhere May have fees for use

CREDIT CARD	
(+)	(-)
Easy to use Most have no fees Can earn free money Expense tracking Buyer protection/insurance	Fees for late payments Quickly accumulate debt Can be misused if lost or stolen Interest rate can be high

STORED VALUE CARD (GIFT CARD)	
(+)	(-)
Easy to use No fees to have one Good for gift	Can lose May lose value over time

NOTES:

ON-LINE PAYMENT SYSTEMS	
(+)	(-)
Convenient No fees for use Reduces paper Payments are immediate	Identity theft May have fees to use Requires computer internet access

THIRD-PARTY CHECK	
(+)	(-)
Can transfer money	Not accepted by most banks Fees for check-cashing services

FOOD STAMPS	
(+)	(-)
Help people in need Can use in most grocery stores	Not all people qualify to receive

CASHIER'S CHECK	
(+)	(-)
Guaranteed by bank Reduces the chances of fraud	Fees for cashiers check services

MONEY ORDER	
(+)	(-)
Trusted method of payment Offered by a variety of vendors	Not accepted by some brokerage firms, insurance companies, and banks

CERTIFIED CHECK	
(+)	(-)
The payee (recipient) is guaranteed the amount on the check when cashed.	Banks usually charge a fee for certifying checks The depositor usually cannot place a stop payment order on a certified check

NOTES:

TRAVELER'S CHECKS	
(+)	(-)
<p>They are secure and can be replaced if stolen and require a countersignature for use.</p> <p>Can be obtained in some foreign currencies, including the Euro, British pound, Japanese yen and Canadian dollar.</p>	<p>Typically assessed a service charge to buy and a shipping charge if ordered online.</p> <p>If traveling abroad, you still need to go to a bank to exchange them for foreign currency.</p> <p>Not all merchants or banks accept them, even those in their local currency, or there may be a fee to accept them.</p>

6. Once all payment methods have been completed, have teams create a "Top Three" list of the most cost-effective ways to pay for things. Have them include their rationale.
7. Have a class discussion about the advantages and disadvantages of payment methods.
8. Optional: Have a banker or other professional visit the classroom to present additional information on payment methods.

**FIT WORK**



Optional: **FIT Work 1.4** sheet (page 1.75). Students review vocabulary included in this lesson. Remind students they are responsible for keeping all FIT Work sheets in the PF Portfolio. Answer key is on page 1.76.

**ASSESSMENT**



- Observe how teams work together – look for collaboration, leadership, communication, and teamwork qualities and skills.
- Review FIT Work 1.4 sheet and completion and mastery of content.

**PFP**



- T-Chart of payment methods
- Top Three List
- FIT Work 1.4 sheet (page 1.75)

# FIT Work 1.4

Name \_\_\_\_\_

Date \_\_\_\_\_

Put the number of the definition on the line that matches the correct financial term.

- |                         |                               |
|-------------------------|-------------------------------|
| _____ Checking Account  | _____ Stored Value Card       |
| _____ Third-Party Check | _____ On-Line Payment Systems |
| _____ Cash              | _____ Cashier's Check         |
| _____ Debit Card        | _____ Food Stamps             |
| _____ Credit Card       | _____ Traveler's Checks       |
| _____ Money Order       | _____ Certified Check         |

1. A card issued by a bank that directly accesses available funds from a bank account typically a savings or checking account.
2. A card which represents money on deposit with the issuer of the card (i.e., transit system fare cards, gift cards, pre-paid calling cards).
3. Writing "Pay to the order of..." on the back of a check that has been given to you in order to give it to a third party.
4. Any card that may be used repeatedly to borrow money or buy goods.
5. A way to transfer money from a bank account electronically (usually through the Internet) to the account of the payee.
6. An account which allows the holder to write checks against money deposited in the account.
7. A check where the issuing bank guarantees the recipient of the check that there is enough cash available in the holder's account to be transferred when the check is used and also that the account holder's signature on the check is genuine.
8. Money in the form of bills or coins; currency.
9. A check issued and certified by a bank on its own account.
10. A check issued by a financial institution which functions as cash but is protected against loss or theft.
11. A financial instrument issued by a bank or other institution, allowing the individual named on the order to receive a specified amount of cash on demand.
12. Government issued coupons given to low or no income people; recipients redeem the coupons at stores for food.

**Compare and contrast two of the payment methods listed above. What are the pros and cons and which is the more cost-effective way to purchase goods and services?**

# FIT Work 1.4

Name \_\_\_\_\_

Date \_\_\_\_\_

Put the number of the definition on the line that matches the correct financial term.

- |                            |                                  |
|----------------------------|----------------------------------|
| <u>6</u> Checking Account  | <u>2</u> Stored Value Card       |
| <u>3</u> Third-Party Check | <u>5</u> On-Line Payment Systems |
| <u>8</u> Cash              | <u>7</u> Cashier's Check         |
| <u>1</u> Debit Card        | <u>12</u> Food Stamps            |
| <u>4</u> Credit Card       | <u>10</u> Traveler's Checks      |
| <u>11</u> Money Order      | <u>9</u> Certified Check         |

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