

Rich Kid Smart Kid Games
Game Two: Reno's Dilemma
Topic: Good Debt/Bad Debt
Grade Level: 3-5

Interactive Internet Game Activity

Reno is a young man not so different from other young people in that he loves to buy things. However, he needs to come up with a plan to be able to buy all the things he wants. An animated dialogue between Reno, Toki, Jesse, and Ima will introduce students to the activities. Students will work through activities that will help them to understand the relationship between good debt and bad debt.

Learning Objectives

- Calculate interest
- Understand principle and interest
- Demonstrate understanding of good and bad debt

Assessments

Students will: (1) calculate monthly and total interest, (2) describe principle and interest as it relates to debt, (3) make choices that demonstrate the understanding of good debt and bad debt.

Classroom Activities

1. Reno's Dilemma - Read to the class the narrative in the overview. Have students take on the roles of Reno, Jesse, Toki, Ima and Ernesto and read the scripted dialogue. This script will present ideas relating to debt.
2. Interest: The Cost of Money – Read to the class the narrative in the overview. Have students take on the roles of Reno, Jesse, Toki, Ima and Ernesto and read the scripted dialogue. This script will present ideas relating to debt. Using the problems given, students will calculate the total interest that will be charged when purchasing lawn mowing equipment. Ask students to identify the purchasing of the equipment as good debt or bad debt.
3. Choices, Choices – Follow the directions on the activity. Students will make choices between good and bad debt.

Class Discussion Questions

1. Let's take a look at the choices made in the Choices, Choices activity.
Why did you make the choices you did?
Have you ever gone into debt? If you have, how did you earn the money to pay off your debt?
2. Do you think Reno will have any money to donate to charity?

Overview

Good Debt, Bad Debt

Ever hear someone say, “Money burns a hole in his pocket”? Well that is how we can describe our young friend Reno. Reno loves to buy stuff. When Reno gets some money, he can’t wait to go shopping. The problem is that it takes him forever, because he just can’t make up his mind. So many things to choose from, but not enough money to get them all.

But wait. Maybe there is a way to buy more. Sure you can. We have several names for it. We borrow, take a loan, charge it, sign a note, or even get a mortgage, but they all mean the same thing, we go into DEBT.

Reno found out about this thing we call debt. And once he knew that he could buy stuff now and pay for it later, he started thinking. He had had his eye on something for a long time. Something so cool he just had to have it. But, without enough money, he needed a plan. And then one day...

Reno	Hey guys! I’ve got a great idea of how to get one of those new Super Gizmo game players.
Jesse	The Super Gizmo! Those are awesome Reno.
Toki	Yes, and expensive. What’s your plan Reno?
Reno	Well, I was thinking that if you guys would each loan me some money now, then I’ll pay you back a little each month. What do you think?
Ima	I don’t know, Reno. Do you really want the Super Gizmo so much that you want to go into debt?
Ernesto	We don’t mind loaning you money, Reno, but there are other things we would rather loan you money for.
Reno	Like what?
Jesse	Like starting a business. If you start a business then you could earn enough money for the game and pay back the loan.
Ernesto	Or, Reno, you could just save your money up until you have enough for the game.
Reno	But I really, really want the Super Gizmo game player and I want it now.
Toki	OK, Reno, let’s look at your choices. How much did you say the game costs?
Reno	It’s \$200.
Jesse	\$200! You could get a good mower for \$200.
Toki	Then you could start mowing some lawns, earn enough money to pay us back, and still have enough for the Super Gizmo.
Ima	And have money to donate to our Charity Fund Drive.
Toki	So the four of us could loan you the \$200 Reno, but how would you use it?
Reno	Gee, there are so many choices. What should I do?

Can you help Reno? What should he do?

Should Reno:

- A. Borrow \$200, buy the Super Gizmo, and pay back with his allowance.
- B. Save his allowance and then buy the Super Gizmo.
- C. Borrow \$200, buy the mower and earn enough money to pay back the loan, buy the Super Gizmo, and give to the Charity Fund Drive.

Interest: The Cost of Money

When we borrow money, we pay it back plus some extra. The extra amount is called interest. Interest is usually paid once a month.

Monthly
Interest

Number of
Months

Total
Interest

Reno borrows \$200 for the lawn mower. He will pay \$12 per year in interest or \$1 each month. (\$12/12 months = \$1)



$$\times 6 = \underline{\$6.00}$$

Reno then borrows \$50 for a trimmer. He will pay \$3 per year in interest or \$.25 each month. (\$3/12 months = \$.25)



$$\times 7 = \underline{\hspace{2cm}}$$

Next he borrows \$44 for a blower. He will pay \$2.64 per year in interest or \$.22 each month. (\$2.64/12 mo = \$.22)



$$\times 9 = \underline{\hspace{2cm}}$$

Finally, he borrows \$6 for a rake. He will pay \$.36 per year in interest or \$.03 each month. (\$.36/12 mo = \$.03)



$$\times 11 = \underline{\hspace{2cm}}$$

Total Monthly
Interest for Reno

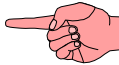
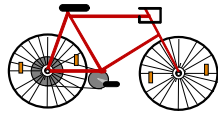


Reno uses his lawn mowing equipment to earn  each month.

Is this GOOD DEBT or BAD DEBT

Choices, Choices

Good Debt or Bad Debt? Look at the choices and circle the hand pointing to the object you believe would be the better choice to purchase by using debt.



Interest: The Cost of Money

Answer Key

Total Interest

\$6.00 \$1.75 \$1.98 \$.33

Total Monthly Interest

\$1.50

GOOD DEBT

Choices, Choices

Answer Key

