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# Teaching Credit and Debt

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# Concepts / Topics

- Economic reasoning and rational decision making
- Emotions, Habits, Attitudes
- Credit and Debt
- Types of credit
- Wise use of credit
- Principal & Interest
- Interest Rate, APR
- Responsibilities when using credit
- Credit cards
- Understanding the credit card offer
- Reading a credit card statement
- Debt collection
- Your credit/debt rights
- Debt reduction strategy



# Meet the Characters

- Rebecca Bloomwood – the shopaholic
- Luke Brandon – magazine editor / love interest
- Suze – Rebecca's best friend
- Derek Smeath – the debt collector
- Jane & Graham Bloomwood – Rebecca's parents



# What is a shopaholic?



**shop·a·hol·ic**

[shop-uh-haw-lik, -hol-ik] *noun Informal.*

a frequent shopper, especially one who is unable to control his or her spending.



# Economic Reasoning

- People Choose
- They respond to incentives in predictable ways
- There's no such thing as a "free lunch"
- There are at least two sides to every interaction
- Any action can bring with it significant unintended consequences
- Everything affects everything else (complex interrelationships, means no one is really in control)



# Confessions of a Shopaholic



When I shop the world gets better.  
The world is better.  
And then it's not anymore.  
And I need to do it again.

*~Rebecca Bloomwood*



# Rational Decision Making

- A decision-making process that is based on making choices that result in the most optimal level of benefit or utility for the individual.
  - PACED decision making model
    1. Define the PROBLEM
    2. List the ALTERNATIVES
    3. Select CRITERIA
    4. EVALUATE the alternatives
    5. Make a DECISION



# Are People Rational?

- Do people make purely rational decisions based on careful analysis of cost and expected utility?  
(Rationally predictable)
- Research shows that our decisions are driven more by our emotions than logical and conscious thinking.  
(Irrationally predictable)





# Confessions of a Shopaholic



"I felt sorry for the shop assistant.  
She had a lazy eye.  
I didn't know which way she was looking.  
It was so sad.

*~Rebecca Bloomwood*



## Or Predictably Irrational?

- Do you or have you ever:
  - spend windfalls differently than earned money?
  - get swept up in cultural forces or fashion?
  - stood in line to buy something? How long?
  - think you're luckier than realistically possible?
  - been overconfident in what you can do?
  - think some of your possessions are worth more than they are?
  - replicate your family patterns?



# Confessions of a Shopaholic



They didn't even need any money,  
they had magic cards.  
I wanted one.  
Little did I know... I would end up with 12.

*~Rebecca Bloomwood*