

Borrowing & Credit:

What it means to borrowing money
and how to use credit wisely!

Piggy Bank Beauty Contest

6th Grade Curriculum

Created by: *Idaho Financial Literacy Coalition (IFLC)*



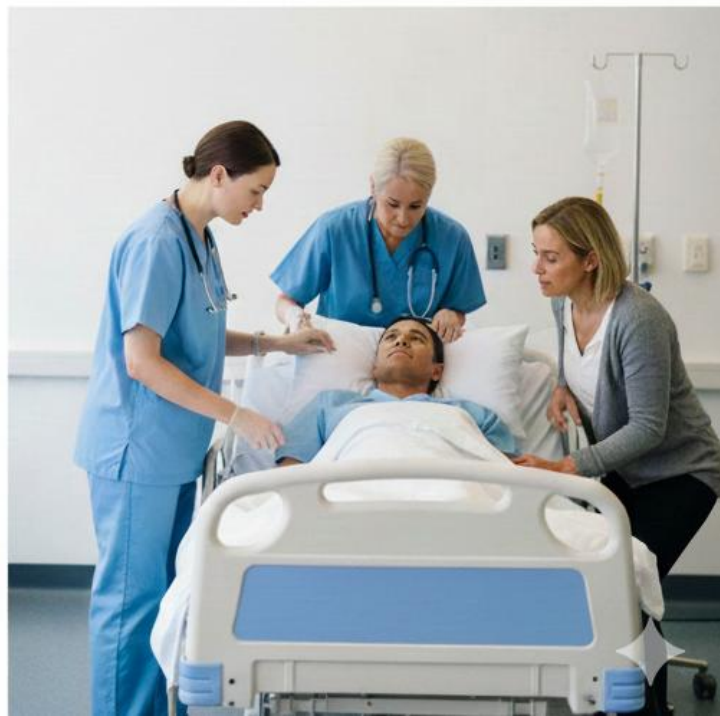
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What is Borrowing?

Borrowing = Using someone else's money with a promise to pay it back

Usually includes a **cost**, called **interest**





Why Do People Borrow Money?

- To buy big things (cars, homes, education)
- To pay for something now and pay it off over time
- To handle emergencies

What is Credit?

- Credit = The *trust* that you'll pay back money you borrow
- Credit cards are one common type
- Banks and credit unions give loans or credit based on trust





Credit Cards: How They Work

- You can buy now and pay later
- You must pay back what you spend
- If you don't pay on time, you get charged interest

Let's Play: Smart or Not?

- Borrowing money to buy a new video game
- Borrowing money for a house
- Borrowing money for a vacation





What is Interest?

Interest = The **extra money** you pay back for borrowing

Example: Borrow \$10

➤ Pay back \$11

The extra \$1 = interest

Good Credit vs. Bad Credit

Good Credit

- ✓ Pay on time
- ✓ Borrow only what you can repay
- ✓ Keep promises

Bad Credit

- ✗ Pay late
- ✗ Borrow too much
- ✗ Miss payments

Let's Practice

Are these examples of Good Credit behaviors or Bad Credit behaviors?

- You borrow \$5 from a friend and forget to pay it back.
- You borrow \$10 from your parents for lunch and pay it back on time.
- You borrow money and only pay part of it back.

GOOD

BAD



Loan Example: The New Bike!

Cost of bike: **\$100**

- You borrow \$100 from your parents
- Promise to pay \$20 per month + \$2 interest each time

How to Be a Smart Borrower

- Borrow only what you can repay
- Pay on time
- Know how much interest you'll owe
- Save before you borrow





Key Takeaways

- Borrowing = Using money that isn't yours
- Credit = Trust that you'll pay it back
- Interest = Extra cost for borrowing
- Use smart money habits and borrow responsibly!