

# Getting started

## HOW MY CLASSROOM ECONOMY WORKS

The classroom economy program is an effective and enjoyable way to teach your students fundamental financial literacy concepts without altering your curriculum. Implementing the program is an easy three-step process:

- Before the school year starts, you spend a few hours gathering materials and planning how to customize the program for your school and your own classroom.
- During the first month of school, you spend some classroom time introducing the program and training the students to complete their tasks.
- Throughout the year, you monitor the students' progress and provide support and guidance when necessary.

As they perform their tasks, the students will be helping you manage the classroom and, in the process, learning valuable skills—such as responsibility, the value of saving, and delayed gratification—that they will carry with them throughout life.

The beauty of the program is that you don't need to teach these lessons; rather, your students will experience them and learn for themselves.

## Core objectives for students in Grades 11–12

Through My Classroom Economy, students learn valuable life skills in an experiential way.

Specifically, they are able to:

- Take part in a simulation of real-world economic activity.
- Learn the value of earning a paycheck, as they bank the salaries from their jobs.
- Learn how to budget their spending, manage a loan, balance a checking account, and make scheduled payments.
- Understand the importance of sound recordkeeping.
- Discover the importance of saving money for future goals.
- Describe the purpose of paying taxes.
- Explain the benefits of holding insurance.
- Find out that every decision has an opportunity cost.

At these grade levels, students learn more advanced financial concepts. In addition to earning a salary and paying bills, students are also encouraged to keep a more detailed budget to help manage the costs of purchasing insurance and investing in a simulated retirement account.

## CONNECTIONS TO FINANCIAL LITERACY STANDARDS

My Classroom Economy is designed to help students learn financial literacy from an early age. This page will help you to connect common financial literacy standards with the experience of the classroom economy.

Our program addresses many of the standards included in the Jump\$tart Coalition for Personal Financial Literacy's National Standards in K-12 Personal Finance Education.

### STANDARD

### MY CLASSROOM ECONOMY

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**Financial responsibility and decision-making**

Take responsibility for personal financial decisions.

Students are part of a microeconomy in which all of their decisions, such as whether or not to buy insurance, invest their money, or even pay their bills, affect their life in the economy.

Make financial decisions by systematically considering alternatives and consequences.

Students use their bank logs and budget logs to analyze their income and expenses and to set financial goals. They experience a loss of purchasing power on Inflation Day and must decide how their budgets are affected. They also owe taxes on their income throughout the year and must file a tax return on Tax Day.

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**Income and careers**

Explore career options.

Students have the opportunity to start a business within the classroom economy. Before doing so, they must submit an application and business plan for approval.

Identify sources of personal income.

Students can earn income from their jobs, from bonuses, from investments, and from a business enterprise if they start one.

Describe factors affecting take-home pay.

Students can have taxes withheld from their pay throughout the year. They experience a loss of purchasing power on Inflation Day.

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**Planning and money management**

Develop a plan for spending and saving.

Students use bank logs and budget logs to track their income and expenses and to meet their financial goals.

Through probing questions, the teacher illustrates how financial decisions can contribute to wealth-building throughout the year. Two examples: Students discover the benefits of purchasing instead of renting their desks and of contributing to a long-term investment portfolio.

Develop a system for keeping and using financial records.

Students must keep track of their bank logs and other important documents throughout the year.

The importance of maintaining good records is underscored by regular auditing.

Apply consumer skills to purchase decisions.

Students learn that if they save up to buy their desks, they will escape rent and have more money in the long term. Class auctions offer the possibility of overpaying for items or not having enough money to purchase items that are needed or desired. Students experience a loss of purchasing power on Inflation Day.

Consider charitable giving.

Students are encouraged to demonstrate charitable giving (both in time and classroom money) in order to receive tax credits.

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**Credit and debit**

Identify the costs and benefits of various types of credit.

Students can learn about this important topic in the credit card assignment. They specifically research the cost of borrowing and other potential pitfalls.

Explain the purpose of a credit record and identify borrowers' credit report rights.

Students can learn about the importance of a good credit record in the credit card assignment. They research credit scores and the importance of having a good record in order to obtain a card.

Describe ways to avoid or correct credit problems.

Students can research the nature of credit records in the credit card assignment.

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**Risk management and insurance**  
Identify common types of risks and basic risk management methods.

Students experience property risk and the benefit of purchasing insurance through the insurance simulator.

Explain the purpose and importance of property and liability insurance protection.

Students experience property damage and the potential financial consequences through the insurance simulator.

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**Saving and investing**  
Discuss how saving contributes to financial well-being.

Students learn that if they save, they will be able to buy their desks and have more money. They also can use their savings to acquire more wealth through the investment simulator.

Explain how investing builds wealth and helps meet financial goals.

Students can amass wealth through the investment simulator and can see how their earnings are affected by the factors listed. They are encouraged to build on their experience with the simulator by using teacher-provided websites to answer probing questions.

Evaluate Investment alternatives.

Students gain a basic understanding of risk and return by choosing an asset allocation and comparing results. They answer probing questions about diversification as they experience the results of their investment portfolio decisions.

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# Planning

## PROGRAM OUTLINE

### Planning and preparation

Begin planning your classroom economy before the school year starts.

- Choose the jobs and advanced topics you will make available to your students, and customize the syllabus to your classroom.
- Prepare the materials you will need for the classroom economy activities. You can download and print the materials or order a free kit.
- Start gathering rewards for students to purchase at auctions.

*Allow 2 to 3 hours to choose jobs, bonuses, and fines, and an additional 2 to 3 hours to prepare all of the materials.*

### Introductory activities

On or near the first day of school, briefly introduce your students to the classroom economy program and provide them with your customized syllabus. Instruct the students to read the syllabus as homework, and follow up with a question-and-answer session within the next few days.

Collect job applications from students interested in holding a classroom job (in addition to their job of being an exemplary student). Approximately 1 week later, assign jobs to students and provide short training sessions.

A few weeks later, review the advanced topics section of the syllabus and remind the students to be prepared to buy insurance and/or open an investment account on the next Bill Day, if they choose to do so.

*Allot a portion of 3 or 4 class periods to complete these activities. Keep in mind, this time does not all need to be taken from your curriculum schedule, because it can replace some of the time you would otherwise spend explaining your class rules and establishing procedures.*

### Ongoing activities

Every month students earn paychecks and bonus money. They also pay fines, rent for their desks, and electricity bills; purchase prizes at auctions; and have the opportunity to invest expendable income, purchase insurance policies, and make tax withholding payments—all with classroom economy currency. Although students may need more time and guidance at the beginning of the school year, they typically will become more efficient at banking as the year progresses. To avoid interfering with the curriculum, we encourage you to have students perform classroom economy tasks during transition periods, such as at the beginning and end of the class period. You might also allow students to work on classroom economy activities if they finish curriculum materials early.

## Tax Day

Once a year, around April 15—the tax filing deadline for their parents—the students file an income tax return based on their earnings and any taxes they’ve paid throughout the year. Students may need to pay additional taxes at this time, or they may receive a refund check. Encourage students to earn tax credits throughout the year through charitable giving.

## Year-end wrap-up

Bring the classroom economy program to an end by encouraging a group discussion and giving students a chance to reflect. Distribute certificates to highlight student successes, and provide opportunities for classroom celebrations.

The year-end wrap-up is also a good time to reflect on the results of the investment simulator. By analyzing and comparing their results, the students can learn valuable lessons about investing.

*Allow approximately 1 class period for the year-end wrap-up.*

## ESTABLISHING YOUR ECONOMIC SYSTEM

To start the classroom economy program, you’ll need to select:

- A set of student jobs.
- A level of monthly rent.
- A list of bonus activities.
- A list of fines for violating class rules.
- The advanced topics you wish to include, such as investing, insurance, and budgeting.

Your selections for bonuses and fines can be drawn from the lists we’ve provided or based on your own classroom rules. As an option, you may choose to involve your students in creating the bonus and fine lists.

Once the lists are ready, use them to create a customized syllabus to distribute during the first few days of the program.

## JOBS

Everyone in the class has the job of being an Exemplary Student. But to earn enough classroom economy money to meet all expenses and participate in the auction, students will need to earn bonuses or hold additional classroom jobs.

Certain jobs are crucial to the program, because otherwise too much work would fall on your shoulders. Other jobs are completely optional and are up to you and the students.

The four core jobs we recommend you include are: Auditor, Bonus/Fine Administrator, Auctioneer, and Electrician.

If you are including insurance, investments, and loans in your classroom economy, we recommend that you also hire at least one Investment Banker, Insurance Agent, and Loan Officer.

Each job needs an appropriate salary. The highest pay should go to the position with the most responsibility. In general, the more jobs you offer and the more students who have jobs, the better it is for the classroom economy.

This list shows suggested duties and monthly pay for some of the more common jobs.

| <b>JOBS</b>  | <b>JOB DESCRIPTION</b>   | <b>MONTHLY SALARY</b> |
|--|--|-----------------------|
| <b>Exemplary Student</b><br><i>Everyone in the class</i>     | Arrive in class on time with all needed materials.<br>Complete all classroom and homework assignments as instructed and deliver the work when it is due.<br>( <b>Note:</b> Students who don't meet these requirements are still paid their salaries but are subject to classroom economy fines.) | \$750                 |
| <b>Attendance Monitor</b><br><i>1 per class</i>              | Lead the line as students walk through the hallway.  |                       |
| <b>Line Caboose</b><br><i>1 per class</i>                    | Take daily attendance and record absences.<br>Report absences to the teacher. Provide students with makeup materials when they return to class.<br>A student must have a strong attendance record to be considered for this job.   | \$700                 |
| <b>Auctioneer</b><br><i>3–5 per class</i>                    | Poll the class to determine appropriate auction items.<br>Identify ways to obtain the items. Plan and facilitate fund-raising events to sponsor the auction. Manage the auction.   | \$750                 |
| <b>Auditor</b><br><i>1 for every<br/>5 students</i>          | Analyze the bank logs of 4 to 6 students to ensure accuracy and compare with classroom investment and insurance logs. Verify transactions by witnessing them and initialing students' bank logs.<br>Requires a recommendation.   | \$800                 |
| <b>Loan Officer</b><br><i>1–2 per class</i>                  | Allow students to acquire loans for a set amount.<br>Hand out loan slips and calculate interest. Keep a record of all loans. Work with the Banker to deposit money from the students' accounts.  | \$750                 |
| <b>Bonus/<br/>Fine Administrator</b><br><i>1–2 per class</i> | Record student bonuses and fines on the bonus/<br>fine log and keep bonus/fine slips in order for ease of auditing. Mark slips as "processed" and store them in the class folder after they are recorded.<br>Requires a recommendation.  | \$750                 |
| <b>Clerk</b><br><i>2–3 per class</i>                         | Hand out papers and other materials to students.<br>Collect homework and other items from students when asked. Organize the class supply shelves and keep them neat.   | \$700                 |
| <b>Economist</b><br><i>1 per class</i>                       | Monitor spending patterns during the class auction.<br>Report to the teacher and other students about the buying trends observed and how they compare with previous auctions.  | \$650                 |
| <b>Electrician</b><br><i>1–2 per class</i>                   | Monitor electricity usage in the classroom.<br>Determine the daily charge and report the monthly total. Present creative ideas on how to conserve energy and reduce the monthly bill.  | \$750                 |

|  |   |       |
|--|---|-------|
| <b>Insurance Agent</b><br><i>1–2 per class</i>       | Sell insurance policies to students at their request. Keep a detailed log of who purchased insurance each month, and record the damages that uninsured students must pay. Be able to provide an up-to-date log to the Auditors when required. | \$750 |
| <b>Investment Banker</b><br><i>1–2 per class</i>     | Collect investments from students. Keep a detailed log of all investments, and inform students when their investments mature. Be able to provide the log to the Auditors when required.   | \$750 |
| <b>Messenger</b><br><i>1–2 per class</i>             | Deliver written or spoken messages to people throughout the building. Answer the class phone.   | \$650 |
| <b>Recyclist</b><br><i>2–3 per class</i>             | Monitor the recycling bins and trash cans for appropriate deposits. Increase the school’s awareness of the importance of recycling by creating signs and flyers.  | \$750 |
| <b>Tutor</b><br><i>As needed</i>                     | Provide one-on-one or small-group tutoring in subjects identified by the teacher. Applicants must be high performers in the subject for which they want to tutor.   | \$700 |
| <b>Visual Display Artist</b><br><i>2–3 per class</i> | Determine what type of information is presented on the class bulletin boards. Ensure that the bulletin boards are updated with relevant information. Decorate the boards for class events, holidays, and other special occasions.             | \$750 |
| <b>Webmaster</b><br><i>1 per class</i>               | Maintain and update the class’ or teacher’s webpage. Respond to relevant inquiries. Post new information as directed by the teacher.  | \$700 |



**TIPS:**

- Consider creating jobs to match other tasks you normally assign to students.
- Changing jobs quarterly or in the middle of the year is an option, but it could require a lot of retraining. If you decide to have the students change jobs, consider asking them to train each other.
- If some of your jobs require a recommendation, consider giving advance notice to your students’ previous teachers. Let them know that they can recommend a student by contacting you in person or by e-mail, phone, or letter. The primary purpose of the recommendation is to help you learn which students are capable of performing jobs with increased responsibilities. We believe that a teacher from a prior year is the best person to provide that assessment.



## BILLS

The obligation to pay bills is central to the classroom economy. Here are the key concepts:

- Students' base salaries should not quite cover these monthly bills (rent and electricity). To make up the difference, the students need to earn bonus money or hold an additional job.
- Students who do not make their payments should face some loss of privilege within the system.
- Those who make their payments and manage to save additional money should reap benefits.

| RECOMMENDED  | AMOUNT  |
|--|---------|
| Monthly rent   | \$800   |
| One-time desk purchase price                                 | \$2,400 |
| Monthly electricity bill<br>(before energy savings discount) | \$150   |

### Electricity bills

The \$150 monthly electricity bill can be reduced through environmentally friendly actions.

To keep track of electricity usage, we encourage you to hire an Electrician as one of your classroom jobs so that he or she can motivate the students to conserve energy and reduce the bill. Allow the Electrician to present ideas about how to reduce usage and thus reduce the cost by \$1 for each initiative (for example, turning out unneeded lights, reducing the number of bulbs in some fixtures, and turning off computers when not in use). The Electrician keeps a classroom energy log of the daily electricity usage—from \$0 to a maximum of \$5.

By monitoring electricity usage in the classroom, you establish a framework for fruitful discussions about conservation and the environment.

### Failure to pay bills

We recommend that students who miss a rent payment or an electricity bill be excluded from that month's auction. You may choose to have them forfeit other privileges, but please remember that the program is designed to help students learn financial responsibility—it is not to punish them.

When students miss payments, it's important to get them back on track as soon as possible. You can take a missed payment as an opportunity for a discussion about making responsible choices, and then encourage the student to earn bonuses so that he or she can catch up on bills and get in on the Auction Day fun.

### Successful saving

Students who make their payments and manage to save additional money can reap rewards:

- They can bid on Auction Day.
- They can be recognized in front of their peers during the year-end wrap-up.
- They have the chance to buy their desks outright and be forever free of rent.
- They can invest their money to generate wealth over the course of the year.

To support your students in successful financial planning, encourage them to keep a monthly budget. For more information, view Budget Day.

## BONUSES

In addition to the salaries students earn from their jobs, they can earn bonus money by performing well academically and participating in extracurricular activities. Students need to earn bonuses to pay bills, save for the auction, and invest or purchase insurance, as detailed in the syllabus. In addition, bonuses can be useful incentives for your own class goals.

The following bonuses should be included if possible, but you are encouraged to add any other activities you may have offered your students. The bonus amounts listed are simply suggestions.

| ACTIVITY   | BONUS AMOUNT |
|--|--------------|
| Earn 100% on a short test or quiz                  | \$50         |
| Earn 100% on a major test                          | \$200        |
| Complete a monthly budget                          | \$150        |
| Earn 90% to 99% on any assignment                  | \$100        |
| Complete an optional financial literacy assignment | \$100        |
| Get a compliment from another teacher              | \$200        |
| Join in an extracurricular activity                | \$100        |

Bonuses are administered by using our bonus/fine slips.



### TIPS:

- You can offer bonuses for specific behavior you want to encourage, as well as for activities important to your school. For example, you might offer bonuses for coming to school early to get academic help, completing all homework assignments for the week, participating in a math competition or science fair, playing a sport, or joining the school orchestra. You can also offer bonuses to teams of students working together.
- With bonus money, it's far better to give away too much rather than too little. The more bonus opportunities you provide, the more often students will see their extra efforts rewarded. That means they'll be able to participate more fully in the classroom economy, and they'll enjoy it more.

## FINES

Fines are a way of ensuring that every student is earning his or her Exemplary Student paycheck. It is important to position fines as a way of helping students understand costs and consequences—**not as a means of punishment**.

The list of fines should be short and direct, matching your classroom priorities. Our list is an example.

| RULE   | TICKET AMOUNT |
|--|---------------|
| Dishonesty                                       | \$500         |
| Rudeness   | \$100         |
| Not bringing materials to class                  | \$100         |
| Missing work                                     | \$50          |
| Off-task behavior, such as talking after lecture | \$50          |
| Tardiness  | \$50          |

Fines are delivered at the time of the infraction to help students understand their wrongdoing. Use our bonus/fine slips to make the process easy.



### TIPS:

- The list of behaviors that elicit fines should reflect your own standards. As an example, our list allots the steepest fine to dishonesty, reflecting a belief that truthfulness is an essential value for students to absorb.
- Make sure the fines you choose fit the culture of your school. For example, promptness may be difficult to enforce in your classroom if it is not a priority in your school.

## LOANS

Loans are available to students through the Loan Officer. Interest for these loans will be front-end loaded. Therefore, there will be no accruing interest. If a student receives a loan for \$100 with 20% interest, he or she will have to pay back \$120 over a term. Here are the key concepts:

- Students have the option to take a loan from the Loan Officer.
- Students can take out a loan to receive money for things like rent or auction items.
- Students need to pay interest on the loan, as determined by the Loan Officer. We recommend 10% or 20%.
- Students pay installments to the Loan Officer over 1 to 3 months. The term is agreed to by the Loan Officer and the student.
- Students who do not meet loan minimum payments should face some loss of privilege within the system.

### Loan Terms

- Principal — The amount borrowed on the loan.
- Interest — The amount that a lender (loan officer) charges for lending you money.
- Term — The length of time that the borrower has to pay back the loan.
- Fixed interest rate — The interest rate does not change for the term of the loan.
- Front load — The total interest to be paid is applied at the beginning of the loan.
- Minimum payment — Payment amount needed to keep the loan in good standing.



### TIPS:

- Front load the loans so that students know what they need to pay when they apply for a loan.
- Keep the term to no longer than 3 months.
- Minimum payments should be equal monthly payments to satisfy paying the loan in full.
- We recommend that failure to make a loan payment on time will result in a student not being able to participate in the next auction. Although you may instead choose other privileges to be forfeited, remember that the program is designed to help students learn financial responsibility—it is not to punish them.
- When students miss loan payments, it's important to get them back on track as soon as possible. You can take missed payments as opportunities for discussion about choices, and then encourage students to earn bonuses to help catch up on loan payments and get in on the Auction Day fun.

## TAXES

Students are required to pay annual income taxes, which are equal to one month's salary for each job that they hold. Every student automatically holds the job of Exemplary Student, which pays a salary of \$750 a month. Therefore, the minimum each student must pay in income taxes annually is \$750. Students who hold an additional job will have to pay income tax on that salary as well—teaching them a rudimentary version of tax brackets.

Students have the option of withholding (paying) taxes from their monthly paychecks or paying the entire lump sum on Tax Day (on or around April 15). Because students can also earn tax deductions for charitable giving or donating items to the auction, some of them may even receive a tax refund on Tax Day.

Students are encouraged to keep track of their tax deductions and charitable giving on the Classroom Tax Record and Form, which will also serve as their filing paper on Tax Day.

## YOUR ECONOMIC SYSTEM: INVESTING

Giving students the opportunity to invest their money is an advanced topic in the classroom economy. We highly recommend that you include this option in your classroom if possible. It can serve as a springboard for many important discussions including the time value of money, connections to historic events, and risks versus rewards.

Students can open a simulated investment account through the Investment Banker. The Banker then manages the students' accounts through our investment simulator—a program designed to apply historical returns from randomly selected years.

### Using the Investment Simulator

To integrate the simulator into your classroom, you must first create an account to manage your students' investment portfolios. Launch the Investment Simulator to get started. You'll need to create a user name and password and enter your class list. Later, either you or the Investment Banker will enter the asset mix each student chooses for himself or herself, and the simulator will generate data and charts showing returns.

On or before the first Bill Day, discuss some key concepts of investing with your students. You'll find a primer in the Investment Simulator Teacher's Guide. The Investment Simulator Student Journal is a tool to help your students reflect upon what they're learning about investing throughout the year. The Teacher's Guide also provides suggestions for classroom discussions you can base upon the journal entries.

### How the investing process works

Beginning on the first Bill Day, each student can open an account by selecting an asset mix of stocks and bonds and investing an initial amount in that mix. Information about the historical ranges of returns for each of these mixes is included in the syllabus.

The portfolio options included in the simulator are:

- 100% bonds, 0% stocks.
- 70% bonds, 30% stocks.
- 50% bonds, 50% stocks.
- 30% bonds, 70% stocks.
- 0% bonds, 100% stocks.

To keep the investing process simple, we suggest that you set these parameters:

- Students can only open an account or make additional contributions on Bill Days.
- Investments must be in \$100 increments.

You might consider offering a special incentive to open an account on the first Bill Day. For example, any student opening an account with at least \$200 could receive \$200 bonus money to add to the investment. To make it even more enticing, you could offer a one-time “employer match” bonus of up to \$1,000.

Starting with the second Bill Day, the Investment Banker will “advance” the timeline of the simulation, and the students’ investments will begin to grow or decline. The simulator randomly selects four years between 1926 and 2011 and applies the historical returns of the broad stock and bond markets in those years to the students’ accounts. The results are displayed by the simulator at the student level and at the classroom level. The students review what happened to their accounts and answer questions in their journals or have a class discussion. They then have the opportunity to contribute more money to their accounts for the next month.

On each succeeding Bill Day, the same process takes place with four more randomly selected years of historical returns and another opportunity to contribute to the account.

In many school districts, the calendar comfortably allows for the students to experience eight Bill Days during a school year. Thus the simulation will yield 32 years of returns. This timespan will enable you to engage your students in robust discussions of such concepts as compounding and planning for long-term financial goals.

Additionally, because the years are selected at random, some of the simulation results may be extreme, on either the positive or the negative side. To put such results in context, the students’ portfolio graphs also show the average returns for their asset mix over the span of 1926 to 2011. That helps them understand that, although the returns on stocks and bonds can fluctuate dramatically from year to year, over longer spans returns historically have remained close to these averages.

## YOUR ECONOMIC SYSTEM: INSURANCE

Two types of insurance are available: property insurance and auto insurance. You have the option of selecting which type of insurance you want to offer, or you can offer both.

Each type of insurance is structured in the same way.

Students who buy insurance are protected from the “damage” that could befall the class each week; uninsured students will need to pay for repairs.

### How it works

Students can buy insurance on Bill Day. They can pay for it in one of two ways:

- With a one-time yearly purchase fee of \$1,200 for one type of insurance (property or auto) or \$2,400 for both.
- With a monthly fee of \$200 for one type of insurance or \$400 for both.

Accidents are created (or avoided) by our Insurance Simulator, which uses random-number generation to determine the outcome. To best illustrate a reasonable trade-off between insurance costs and benefits, we recommend using the simulator 30 times during the school year (approximately once a week after the first month of school).

### How property damage is assessed

The insurance simulator randomly selects a number between 1 and 10. The number determines whether there is damage to the desks and, if so, the degree of severity and cost of repair. Students who own insurance are covered for all expenses, but students without insurance will be billed for repairs and the following amounts will be deducted from their accounts:

- No damage: pay \$0.
- Minor damage: pay \$100 for repairs.
- Moderate damage: pay \$150 for repairs.
- Major damage: pay \$200 for repairs.

### How to manage insurance sales

- On Bill Day, the Insurance Agent will ask who wants to purchase insurance. Each purchaser will log the payment in his or her bank log, and the Agent will initial the purchase. The Agent will then record the purchaser’s name in the insurance log (see details below).
- Throughout the month, the Insurance Agent will run the insurance simulator, keep track of the damages, and record them in the insurance log. At the end of the month, the Agent will determine each student’s monthly required payment and record it in the log.

### The insurance log

The insurance log helps the Insurance Agent keep a detailed record of the insurance sales and payments for the class. In the “Insurance purchases” section, the Agent lists every student’s name, and then each month records whether he or she has purchased insurance. In the “Simulation records” section, the Agent records the results of each simulation. The Agent records both the type of damage that was displayed by the insurance simulator and the amount of money that must be paid for damages. The Auditors will receive a copy of these logs from which they will easily be able to determine which students owed repair payments each month.

## Additional information

- Students who don't see the value of insurance protection will probably soon find themselves owing money for damage repair. These students must deduct the repair payments from their bank logs. They will do so each week on the honor system, but the payments will later be verified when the Auditor cross-references their bank logs with the insurance log.
- An uninsured student who changes his or her mind will need to wait until the beginning of the next four-week period to buy insurance. Restricting purchases to four-week intervals (or on the first of each month) not only makes recordkeeping easier but allows the student to experience the potentially costly consequences of skipping insurance coverage.
- Students who decide to pay for insurance monthly can opt to let their coverage lapse by not paying for it when the next Bill Day comes. The Insurance Agent updates the insurance log and prepares to verify payments are deducted for weekly damages, if any.
- For those interested in the mathematics of this insurance scheme, here are the details: Each simulation has an expected result of \$70 in damages; the calculation is  $[(0.5)(\$0) + (0.2)(\$100) + (0.2)(\$150) + (0.1)(\$200) = \$70]$ . Assuming that 30 simulations are executed during the school year, students without insurance can expect to pay, on average, \$2,100 for damages. Thus, on average, uninsured students will pay \$900 more for damages than they would have paid for insurance—a good illustration of how what seems to save money in the short term can actually cost much more in the long run.

## Questions

### How do insurance companies make money?

Insurance company profits can be reduced to a simple equation: **profit = premium payments minus incurred losses**. Note that this is extremely simplified, in that it does not include the cost of underwriting expenses and investment income.

In the classroom economy, we do not record any payments to the insured students for property damage (these would be the "incurred losses" to an insurance company). We simply assume that these students don't have to pay out of pocket for the repairs.

Another big difference is that the classroom insurance scheme would not be profitable in reality. In a class of 20 students, the Insurance Agent can collect a maximum of \$32,000 over the school year (if everyone paid the monthly fee of \$200 x 8 months). On the other hand, the simulator assumes average damage of \$2,100 per student, so the assumed payout totals \$42,000—a loss of \$10,000 for the insurer, if there were one.

In case a student asks about this math, you can explain that if a real insurance company experienced average claims this high, it would charge much higher fees. Price-setting in the insurance business is often called an "actuarial science." Simply put, the price of insurance coverage (called a premium) is determined by skilled underwriters who identify the risks and decide how much to charge for accepting those risks. In My Classroom Economy, we are keeping the fees low and the probability of damages higher, to better illustrate the cost and consequences of risk-taking.



## PREPARING MATERIALS

The first step in preparing your materials is to customize the syllabus to outline your own version of the program.

The next step is to gather supplies and compile materials for students. You can download the materials or order printed copies for free. Gathering and preparing materials will take approximately 2 to 3 hours.

In addition to the materials we provide, you may wish to purchase or gather the following items.

## SUPPLIES

|  |                        |
|--|------------------------|
| A <b>shoe box</b> to hold classroom bonus/fine slips after students record them in their logs.   | <i>1 per class</i>     |
| <b>Portfolio folders</b> with clasps where students can store their bank logs and other materials.   | <i>1 per student</i>   |
| <b>Cash box or envelope</b> to store excess cash<br>It is important to have an ample supply of cash on hand so you can distribute bonus money frequently | <i>1 per student</i>   |
| Items for students to purchase at auctions, such as toys, baked goods, or gift certificates.   | <i>3–7 per auction</i> |

## Student folders

Put the following items into each student folder:

| ITEM                         | QUANTITY |
|------------------------------|----------|
| Syllabus                     | 1        |
| Job application              | 1        |
| Rental agreement             | 1        |
| Bill payment log             | 1        |
| Bank log                     | 1        |
| Loan slips                   | 2        |
| Unpaid bill notice           | 1        |
| Business license application | 1        |
| Tax form                     | 1        |
| Budget log                   | 1        |

## Loan Procedures

- Student determines if he or she would like to borrow money from the bank.
- Student would go to the Loan Officer to fill out a loan slip and agree on the interest rate and term.
- Student updates his or her bank log to include the transaction.
- Student goes to the Banker to retrieve the money.
- Once the student is ready to pay off some of the loan or the entire loan they will go to the loan office to obtain a signature, and go to the banker to withdraw money out of their account.

## Cash box

Designate a cash box where students can deposit their bonus/fine slips after updating their bank logs. We suggest using a shoe box with a slot cut in the top; this would be easy to use and would store the slips safely.

## Visual displays

In addition to the syllabus you give to each student, you may want to create additional visual displays for easy reference throughout the year. (If you have Visual Display Artist as one of your classroom jobs, the student or students holding this job can create these displays.)

Some suggestions include:

### ITEM

---

Bulletin board

---

Posters (e.g., bonuses, fines)

---

Presentation

---

## Other materials

For the activities throughout the year, you will need the following materials:

### ITEM

### NEEDED FOR

---

Job offer letters

---

Job assignment

---

Business license application

---

Throughout the year

---

Bank logs

---

Throughout the year

---

Unpaid bill notice

---

Bill Day

---

Deed to desk

---

Bill Day

---

Tax form

---

Tax Day

---

Auction record form

---

Auction

---

Certificate

---

Year-end wrap-up

---

Classroom jobs list

---

Job assignment and Payday

---

## REWARDS

### Auction prizes

Think ahead about items your students might like to purchase at the classroom auctions and involve the class Auctioneers early in the year. Encourage them to gather both tangible and intangible rewards.

Examples:

#### TANGIBLE

- Fruit.
- Trophies.
- CDs/DVDs.
- Electronic video games.
- iTunes gift certificates.
- Coupons or gift certificates to local businesses.
- Movie tickets.
- Autographs.
- Passes to school plays or sports events (such as football or soccer games).
- Gift certificates from local merchants.
- Student-donated items (must be approved by the Auctioneer). Can be used as a tax deduction for the donor.

#### INTANGIBLE

- Skip a class homework assignment (advance teacher approval required).
- Take a test open book or with notes (advance teacher approval required).
- Raise one quiz grade (advance teacher approval required).
- One month's free rent in classroom economy.
- One hour of tutoring. (A student providing tutoring for the auction can get a percentage of the sale and donate the remainder as a charitable deduction on his or her taxes.)
- Lunch with the teacher.



#### TIPS:

- Get the community involved by asking local businesses or vendors to donate products. Use our sample donation request letter.
- Request autographs from local celebrities, such as the principal, a coach, the mayor, or business leaders. You can have your students write letters to ask for them.
- Have Auctioneers actively involve other students in finding or contributing auction items.
- Hold a fundraising event to raise real-world money to buy items for auction.

### End-of-year rewards

In the year-end wrap-up, you could allow your students to pool their classroom economy money and purchase a class reward, such as:

- Holding a class party.
- Watching a movie in class.
- Holding a class outdoors.

## ADVANCED MODULES

Teachers may want to include some additional modules and conduct more detailed discussions about some classroom economy topics.

### **Real estate investments**

Taking property ownership a step further, allow students to purchase the deeds to other students' desks. In this situation, a student whose desk is purchased pays the rent to a landlord instead of the bank. We recommend you insist the rent remain at the bank's original price so that landlords can't force students out of their desks by driving the rent too high!

### **Disaster relief**

Require students to pay a fixed amount (e.g., \$100) for disaster relief. This can be especially effective if you are studying disasters in science or social studies. For example, if you are studying hurricanes in science class, you can pretend there is a hurricane in your classroom and everyone must pay to fix the damage.

### **Emergency funds**

Help students prepare for their future by establishing an emergency fund. Assist the students in determining their monthly expenses, and then encourage them to build a nest egg that is greater than or equal to that amount. The overall purpose of this module is to teach students the importance of saving in a liquid investment such as a bank savings account, so they are prepared for unexpected situations that can occur in life. By building an emergency fund, students will be prepared to pay their bills, even if they do not receive bonus money or if they lose their job. Keep in mind, anytime students use their emergency fund, they will have to devise a plan to replenish it.

# Activities

## FIRST DAY

On the first day of the program, you briefly explain the rules and expectations of the classroom economy as you would with any classroom management system. You then give the students a syllabus they can take home and read as homework.

### **Preparation** *60–90 minutes*

- Familiarize yourself with the syllabus and customize as needed for your classroom.
- Create student folders to be handed out at the start of class. (Items to include are listed in Preparing Materials.)
- Create any customized visual displays of your jobs, bonuses, and fine lists that you desire (posters, bulletin boards, etc.). Or plan how students can create these.

### **In class** *10 minutes*

Welcome the students and inform them that they'll be earning and spending money throughout the year. Let them know that they will each be paid, in classroom dollars, for holding the job of Exemplary Student and that they can apply for additional jobs to make even more money.

Hand out the folders you created and ask the students to take out the My Classroom Economy Syllabus. Assign them a due date (potentially within the next few days) for reading Part One of the syllabus.



### **TIPS:**

- If you like to include your students in creating class rules and policies, feel free to let them suggest additional bonus opportunities, fines, and auction items.
- If you have enough time, you can combine the first and second days into one.

## SECOND DAY

On the first day of the program, you explained the rules and expectations of the classroom economy and asked the students to read the classroom economy syllabus as a homework assignment. On day two, you go into a little more detail and answer any questions the students might have.

### **Preparation** 10 minutes

Review the syllabus and be ready to answer student questions.

### **In class** 20 minutes

Ask students to take the syllabus from their folders. Answer student questions and ensure they understand the following key concepts:

- Money is earned in up to four ways:
  - As a salary for holding the job of “Exemplary Student” (applies to all students).
  - In bonus rewards for good achievements.
  - As a salary for holding an additional classroom job (optional).
  - By creating your own business (optional).
  - **Note:** Money can also be obtained through loans but they must be paid back with interest (optional).
- At this point, money can be spent in four ways (two others, insurance and certificates of deposit, will be discussed later):
  - Paying the monthly rent for the student’s desk. The rent is \$800 per month, but desks can be purchased for a one-time payment of \$2,400.
  - Paying an electricity bill of \$150 a month, which can be reduced through the energy-saving efforts of the class.
  - Buying items or privileges at auctions, which are held approximately monthly.
  - Paying fines for not following classroom rules.
- The rental agreement they’ll find in their student folders symbolizes their entry into the program. Collect the signed forms, sign them yourself when you have time, and return them to the students to hold in their folders as a binding contract.
- Students interested in applying for a job in addition to the exemplary student role may do so.
- Students interested in starting their own businesses may apply for a business license.



### **TIPS:**

- If you like to include your students in creating class rules and policies, feel free to let them suggest additional bonus opportunities, fines, and auction items.
- The second day can be combined with the first day if you have time.

## EVERY DAY

A critical component of the classroom economy is the combination of bonuses students can earn and fines they can incur for their actions. To maximize the effect of the system, it is best to reward or fine a student at the time of the action. To do so, simply hand a student a bonus/fine slip.

Depending on the nature of the action, you may want to fill out the bonus/fine slip yourself and hand it to the student discreetly. On the other hand, when a student does a good job, you may want to publicly praise him or her. For example, you might say something like, "Great job, Tina. I love how you helped Dave with that problem. Thanks for your help! Please fill out this slip for a \$100 bonus for quietly helping another student."

The complete process of handing a student a bonus/fine slip is outlined below:

### **Bonus/fine procedures**

1. Teacher hands the student a bonus/fine slip.
2. Student fills out the slip at the teacher's direction, if necessary.
3. During an appropriate time in the class period, the student updates his or her bank log to include the amount of the bonus or fine.
4. At the end of the period, the student places the slip in the bank box.
5. Approximately once a week, the Bonus/Fine Administrator empties the bank box, records each slip on the bonus/fine log, and stores the slips in a folder.

**Note:** If you have entrepreneurs in your class who have obtained their own business licenses, you will need a way to manage student-to-student purchases. Here is our recommendation:

1. The buyer and seller meet, along with an Auditor, to appropriately debit or credit their bank logs.
2. The Auditor witnesses the transaction and initials both logs as verification.

## JOB ASSIGNMENT AND TRAINING DAY

### **Preparation** *30 minutes*

Once you collect all the students' job applications, business license requests, and any needed recommendations, take a few days to plan the job assignments. It's best to make the assignments in class about a week after the students apply.

Because the Auditors hold so much responsibility, it is important to choose carefully among the applicants for those positions. Use the recommendations to help guide your decisions.

Once the Auditors are chosen, you can move down the list of your other jobs, perhaps starting with those you consider most important in your classroom management.

Prepare a simple job offer letter for each student. (Our template has blanks for the job title and the student's name.)

Finally, plan an assignment that students can work on quietly at their seats. While the class works, you can train small groups of students on their job responsibilities.

### **In class** *30 minutes*

Inform the students that those who have applied for specific classroom jobs will be receiving offer letters.

Deliver the job offer letters. Each student who receives one should sign the letter and place it in his or her folder.

Next, train the students for their jobs. Help the entire class to begin the assignment you prepared, then pull individual students aside for training according to their roles. More detailed training is spelled out below for Auditors and Bonus/Fine Administrators.

**Note:** After you review the business license requests, we recommend meeting with the students individually to briefly discuss your expectations about how the businesses will be conducted in your classroom. You can do this at any convenient time over the next few weeks.

### **Auditor**

The Auditor's job is to carefully analyze a copy of a student's bank log and verify that every transaction was included and that all transactions are valid.

The list below shows the types of transactions that are listed on the bank log and how the Auditor can verify the amounts are accurate. To help the Auditors, please give each a copy of the auditor checklist.

- **Salary:** Every student receives \$750 each month for being an "Exemplary Student." Some students also have additional jobs and will, therefore, have two salaries. The Auditor can verify who holds additional jobs on the classroom job list.
- **Rent:** Every student must pay \$800 each month for rent. If a student has purchased his or her desk, the Auditor can verify it by asking the student for the deed to desk.



- **Electricity:** Every student must pay a monthly electricity bill. The amount withdrawn on each student's bank log must equal the total shown for that month on the classroom energy log.
- **Bonuses/Fines:** The Auditor must verify that the dates and amounts of all bonuses and fines match the bonus/fine log. If there is a discrepancy, the Auditor can ask the Bonus/Fine Administrator to retrieve the actual bonus/fine slip from his or her files.
- **Auctions:** The Auditor must verify that any purchased auction items, as indicated on the auction record form, are paid for on the bank log.
- **Investments:** The Auditor verifies investments from a copy of the classroom investment log. Investments may show up as an expense (at time of purchase) or as income (at time of redemption).
- **Insurance:** There are two different situations the Auditor must be aware of in terms of insurance: either the student purchased insurance or he or she did not. In the case of purchased insurance, the Auditor must verify the student's name on the insurance log. If the student did not purchase insurance, then the Auditor must verify that the student paid the full damages that were owed that month by comparing his or her bank log with the amounts shown in the simulation records on the insurance log.
- **Student-to-student purchases:** Students are allowed to hold their own business as long as they submit an application and you approved it. All student-to-student transactions are completed side by side, with one student withdrawing the funds and the other student crediting them—a practice that must be done in front of an Auditor so the Auditor can approve the transaction by initialing both students' bank logs. Therefore, auditing these transactions will be straightforward because they have already been approved.
- **Loans:** The Auditor must verify that any loan taken from the Loan Officer is paid for on the bank log.

If the Auditor finds an error on a student's bank log, he or she issues a bonus/fine slip to that student. The fine should be equal to the amount of the error minus an additional \$50 as a penalty. In other words, if the student's bank log shows that he or she has \$1,200, but the correct amount is \$1,100, then the Auditor has found a \$100 error. The Auditor issues a fine for \$150 (\$100 error + \$50 penalty). After filling out all the bonus/fine slips, the Auditor hands them to you. Use these as a progress indicator—if a student makes several errors on his or her bank log, you may need to provide some extra help.

### **Bonus/Fine Administrator**

We recommend this procedure: The Bonus/Fine Administrator goes to the cash box once per week and removes all of the bonus/fine slips. He or she then records the amount and date of each slip in the bonus/fine log. After all slips have been recorded in the log, the Administrator files the slips in a folder—sorted and marked by month. In case of a discrepancy on the bonus/fine log, the Administrator can retrieve the original document.

## SYLLABUS DAY

Between the first Payday and the first Bill Day, we suggest you revisit the syllabus to discuss the advanced topics with your students.

### **Preparation** *30 minutes*

- Assign Part Two of the syllabus as a reading assignment for students the night before.
- Prepare to discuss investing with your students.
- Show the insurance simulator to the students.

### **In class** *20 minutes*

Ask students to take out their copies of the syllabus.

Answer any questions and make sure that they understand the following key concepts about Bill Day.

- All students are required to pay two monthly bills:
  - Rent, at \$800 per desk.
  - Electricity, which is \$150 (unless adjusted by the Electrician to reflect energy conservation).
- Each student can open an investment account and contribute to it throughout the year:
  - The student will select an asset mix of stocks and bonds upon opening the account. It is the student's responsibility to learn the differences between these asset classes by using Part Two of the syllabus.
  - Investments must be made in \$100 increments.
  - Accounts can be opened and contributions made only on Bill Day.
  - If applicable, explain the one-time bonus you will offer on the first Bill Day.
- Insurance policies are available for purchase:
  - Students have three options: to buy homeowners or auto insurance for a month at a time, to buy a full-year policy, or to skip buying insurance altogether that month.
  - Policies are available only on Bill Day.
  - The insurance simulator will be operated about four times a month to determine whether the class has suffered property damage, and if so, how much. When damage occurs, students who do not have insurance must deduct payment for repairs from their savings accounts. Students with insurance will not have to pay for repairs.

Remind the students to work hard to earn bonus money before the first Bill Day so they can participate in the auction or take advantage of some of the other advanced offerings.

## PAYDAY AND THE AUCTION

Payday should take place around the 15th of each month. We recommend that, starting with the second Payday, you hold an auction after the students are paid so they can spend their hard-earned cash—and so they can instantly see the rewards of good budgeting. The auction serves as a powerful learning component. Students must be careful to budget adequately for the bills they will need to pay at the end of the month.

**Note:** On the first Payday, the students probably won't have worked long enough to earn their entire paychecks, but they should receive the full amount anyway because they will need to pay their bills soon.

### **Preparation** *5–10 minutes*

Make sure the Auctioneers have gathered the items for sale and are prepared to put them up for bidding.

### **In class** *30 minutes*

On the first Payday, you'll need to explain how the process works. The steps are below.

**Note:** On the final Payday of the year, be sure to let the students withdraw money from their investment accounts before the auction. This allows the students who saved and invested well throughout the year to reap the benefits by bidding vigorously for popular items.

### **Payday procedures**

1. Announce to the class that it is officially Payday. Instruct them to credit their accounts with \$750 for being Exemplary Students. Students with additional jobs should add those salaries as well.
2. Allow students to analyze their updated bank logs and determine their spending limit for the auction. Remind them of the upcoming bills they will have to pay.

### **Auction procedures**

1. One of the Auctioneers displays the first item, explains what it is, and opens the bidding at the assigned price. Example: "We have an Ultimate Frisbee disc. The starting price is \$500. Do I have any takers?"
2. Students who want the item raise their hands.
3. Once a hand is up, the Auctioneer acknowledges the bid and asks if anyone will go for a higher price. Example: "[Student name] for \$500. Do I hear \$600?"
4. The Auctioneer repeats this process until bidding stops. The last bidder wins the item. Example: "[Student Name] for \$1,500. Any more bidders? ...Going once, going twice, sold!"
5. One of the other Auctioneers enters the sale on the auction record form.
6. The Auctioneer then moves on to the next item.

### **Collecting payments**

After the auction ends, some students may decide they bid too much and no longer want the item they won. It is very important that you require them to purchase it anyway. The auction is a vital tool in teaching the lesson of buyer's remorse.

To make the payment, each student should:

1. Write the auction amount in his or her bank log.
2. Have an Auditor initial the log to attest that the sale price was correctly deducted.
3. Collect the item from the Auctioneer.

### **Optional follow-up discussion** *10–15 minutes*

After an auction, some students will feel overwhelmed because they got caught up in the action and spent most or all of their money. This can be a tremendous learning opportunity.

You could use some of the following questions to guide a discussion:

- What made you keep bidding even when the price was getting so high?
- How do you feel now about the item you bought? Was it worth it?
- What concerns do you have about the amount of money you spent?
- How will you go about rebuilding your savings?
- Will you be able to make rent the next time it is due?
- Will you change the way you bid at the next auction?

## **BILL DAY**

### **Preparation** *30 minutes*

- A rental agreement and a bill payment log should already be in each student's folder.
- Have unpaid bill notices on hand in case anyone cannot pay his or her bills.
- Have deeds available in case someone is ready to purchase a desk.
- For the first Bill Day, prepare to explain the process to the class.
- If you are using the investment simulator, be prepared to use it and to explain its use in the class (see *Your Economic System: Investing*). A few items to do ahead of Bill Day are:
  - Register your class in the simulator.
  - Enter class and student names (or your Investment Banker can do this for you).
  - Determine your expectations for how the class will use the Student Journal.

### **In class** *30 minutes*

On the first Bill Day, explain to the students that paying bills is one of their most important financial responsibilities. It's so important that, unless they pay their bills, they won't be allowed to participate in the next auction on Payday.

On each subsequent Bill Day, typically around the beginning of each month, ask the students to raise their hands if they completed their monthly budget. Allow Auditors to quickly circulate the room, verify their budgets, and initial the \$150 bonus on their bank logs. For more information about budgets, see Budget Day.

Whether the students completed a budget or not, emphasize the importance of planning and watching their spending so they'll always have the rent money ready when it's due.

Remind the students that they can escape rent payments altogether if they can save \$2,400 to buy the deed to their desk. Strongly encourage them to do this.

Ask if anyone can purchase his or her desk that month. If a student can do so, celebrate him or her and make a show of handing over the deed.

A student who acquires the deed to a desk should write “paid in full” in his or her bank log each month after making the purchase.

Allow the Electrician to report on electricity usage and provide suggestions about how to reduce next month’s bill.

Also, remind the students that they will need to pay taxes in April and should consider saving some money for this purpose. You can also encourage them to earn tax deductions by making charitable gifts. Suggest that they review the tax document you placed in their folders at the beginning of the year and keep track of their contributions throughout the year.

## **The Investment Simulator**

On the first Bill Day, show the class the investment simulator and explain how it will be used in the class. Answer any questions about Part Two of the syllabus. Once the class is comfortable with the concept, allow the Investment Banker to circulate the room and record deposits from the students interested in opening accounts. Make sure the Investment Banker enters this information on the class investment log and the students mark the withdrawals on their bank logs.

Consider offering a one-time bonus to students willing to open an account. For example, any student opening an account with at least \$200 could receive \$200 bonus money to add to the investment. To make it even more enticing, you could offer a one-time “employer match” bonus of up to \$1,000. We recommend offering some type of incentive to encourage the students to participate in the investment simulator.

Once the Investment Banker has collected all of the deposits—including any bonuses you are offering—have him or her enter the information into the simulator.

On subsequent Bill Days, have the Investment Banker run the investment simulator, then discuss the new results with the students. How much time you spend on the returns is up to you. If time permits, you may wish to discuss some of the questions from the Student Journal (the Teacher’s Guide offers tips). You could also consider offering bonus money or extra credit to students who are willing to research and explain the historical context of the returns. (Within the simulator, you can hover over a data point to see both the specific return and a bit of historical information about that particular year.)

## **Bill Day procedures**

1. The Auditors verify completed budgets and initial the bonus money credit for those clients.
2. The Electrician announces the usage bill.
3. Each student updates his or her bank log to show the withdrawal of rent and electricity money.
4. Students decide the amount they wish to withhold for future taxes and update their bank logs accordingly.
5. The Insurance Agent circulates the room offering insurance policies. A student may purchase a policy by deducting the cost from his or her bank log and getting the Insurance Agent to initial it. The Insurance Agent records this transaction in his or her log.
6. While you are discussing the students’ results from the investment simulator, the Investment Banker circulates the room offering them the opportunity to invest more money in their accounts. The Banker keeps a record of all investments in the classroom investment log. After entering new deposits in the log, he or she can return to the computer and input them into each student’s account.

7. If a student cannot pay the month's bills, he or she fills out an unpaid bill notice and gives it to you (thereby letting you know the student needs help). The student still deducts the bill from his or her bank log and therefore has a negative balance. Students cannot participate in the auction until they have cleared all debt.

## **Closing the books**

Investment accounts in the classroom economy reach maturity near the end of the school year. Shortly before the last Auction Day, students can withdraw the money from their portfolios. They can spend their cash at the final auction.

## **Follow-up discussion**

Paying bills is a strong indicator that students are succeeding in the classroom economy program. If a student can't pay bills, it is important to get him or her back on track as soon as possible. The unpaid bill notice is a mechanism to keep you informed about students who fall behind so you can reach out to them. You can encourage these students to participate in more activities so they'll earn enough bonus money to catch up on bills and bid in the class auctions.

## **TAX DAY**

Students are required to pay annual income taxes on or around April 15. On this day, students complete their tax returns and determine if they owe additional money, have paid their taxes in full, or have earned a refund.

Throughout the year, students had the option of withholding (paying) taxes from their monthly paychecks. They also had the opportunity to earn tax credits by donating items to the auction or performing community service. Each action garners a \$100 tax reduction.

## **In class** *30 minutes*

### **Introducing taxes**

Explain to students that federal income taxes are collected by the U.S. government to help pay for national programs such as the court system, the military, interstate highways, and all the hundreds of other services that Americans use. Similarly, in the classroom economy, taxes are collected to pay for students' salaries.

### **Tax Day procedures**

1. Throughout the year, each student keeps track of his or her tax withholding payments and tax credits.
2. By Tax Day, each student finishes the form to determine the amount of taxes he or she still owes or will receive as a credit.
3. The Auditor verifies the tax amount and makes sure the bank logs match—initialing when they're correct.
4. The student enters that amount as a withdrawal or credit in his or her bank log.
5. The Auditor verifies the tax amount and makes sure the bank logs match—initialing when they're correct.

## BUDGET DAY

### **Preparation** *30 minutes*

- A budget log should already be in each student's folder.
- For the first Budget Day, prepare to explain the process to the class.

### **In class** *30 minutes*

On the first Budget Day, tell the students about the importance of keeping a budget—it can ensure that you have enough money to pay all your bills and, if you work it right, have enough left over to buy your desk, get insured, invest, partake in other benefits of the classroom economy, and even have some fun.

Budgeting is optional for the students, but it does have a concrete benefit for them in the classroom economy: Those who complete a monthly budget earn a bonus of \$150.

### **How it works**

After a full month of receiving salaries and paying bills, the students are now ready to begin budgeting.

Shortly after Bill Day, the students take out the budget log and record their actual expenses for the previous month. Each student compares the actual expenses with the estimated expenses listed at the start of that month. He or she then creates a new expense estimate for the coming month, making any adjustments necessary based on the new results.

Students who complete a budget must have it verified by their Auditor in order to receive the \$150 bonus. The Auditor initials both the budget and the bonus entry in each student's bank log.

### **Budget Day procedures**

1. Student completes the "actual expenses" column in the budget log for the previous month.
2. Student completes the "estimated expenses" column for the coming month.
3. Student shows the budget log to his or her Auditor, and the Auditor initials both columns.
4. Student adds \$150 to his or her bank log as a "Budget Bonus," which is also initialed by the Auditor.

## CREDIT CARD DAY

Understanding credit cards is an important part of financial literacy. This optional—but recommended—module teaches students about the advantages, risks, and responsibilities that come with owning a credit card. The project is flexible and can be adapted to suit the specific class.

### **Preparation** *15 minutes*

- Customize and print a copy of the Credit Card Research Project handout for each student.
- Review the assignment details and be ready to answer questions.
- Decide on the following points about how you will offer this project to the class:
  - Will the students work on the project individually, in groups, or either way depending on their preferences?
  - Is the project optional or required?
  - What will be the due date?
  - What will you offer in bonus money for completing the project? Here is a suggestion for bonuses based on quality:
    - Most creative presentation (up to \$300).
    - Best additional information beyond the eight topics (up to \$300).
    - Completeness of information (up to \$200).
    - Accuracy of information (up to \$200).

### **In class** *15 minutes*

- Give each student the Credit Card Research Project handout.
- Explain the procedural details you decided upon in the preparation phase.
- Discuss the components of the project. (The class should cover all topics, but if there are multiple groups, you might ask each group to cover only two topics.) Most notably, the students are to create 10- to 15-minute presentations that will do the following:
  - Define credit cards.
  - Explain how they are used.
  - Identify the advantages of credit cards.
  - Describe how a person acquires a credit card.
  - Define interest rates and how they work with credit cards.
  - Describe credit card fees.
  - Review the risks associated with credit cards, including what happens when only the minimum amount is paid each month.
  - Introduce credit scores and how credit cards influence these scores.
  - Include any additional information that students think is important. For example, they might:
    - List best practices for using credit cards and common ways they are misused.
    - Explore the differences between a debit card and a credit card.



**In class (presentations)** *40 minutes (varies depending on number of participants)*

- Select which topics are to be presented and help get the first student or team get started. Evaluate the presentations as they are given and make comments when appropriate (see the suggestions below).
- If there is time afterward, have the students discuss such questions as:
  - What new information have they learned about the risks of owning a credit card?
  - How many students think they are ready to have a credit card?
  - Why do they think they are ready, and why not?
- Collect materials from all of the groups.
- Award bonus money based on your evaluation of the presentations and materials.

As you listen to the presentations, be sure to look for the following points:

**Define credit cards.**

- Plastic cards that allow you to buy goods or services on loan from a bank or store.

**Explain how they are used.**

- To purchase items in stores.
- For online purchases.
- To get points toward “rewards” such as discounted airline fares.
- For cash advances.
- For checks that can be written against the credit card account.

**Credit card facts.**

- The lender puts a ceiling on the amount you can borrow. The ceilings vary widely and can be raised if you are a good payer.
- Payments are due monthly against the total balance (unpaid balance from previous month + interest on unpaid balance + new purchases).

**Identify the advantages of credit cards.**

- Allow you to avoid carrying a lot of cash.
- Let you borrow money to pay for items that you currently cannot afford.

**Describe how a person acquires a credit card.**

- What do you have to prove to the lender?
- How does the lender check on your information?

**Review the risks associated with credit cards.**

- Each time the bill is not paid in full, an interest charge is added to the balance. Over time the bill can grow to become very large, especially if new purchases are added.
- When you buy an item on credit, you are actually paying more than the price tag unless you pay the full bill each month. Even then you are likely paying a yearly fee for the credit card.
- Interest rates on credit cards range dramatically. Also, many credit cards offer “teaser” rates, which are low rates that last only for 6 or 12 months. Sometimes people don’t notice when the teaser rates expire and their interest charges jump.
- Cards can be lost or stolen, leading in the worst case to identity theft.
- If you cannot pay your monthly bill, your credit rating may be damaged.

### **Define interest rates and how they work with credit cards.**

- Very generally, no interest is charged on a purchase until the next billing cycle begins. This “grace period” means that, if you pay your full balance each month, you will not be charged any interest. However, exceptions exist.
- If you don’t pay your full balance, the interest is added to what you owe. If you keep paying only a minimum amount each month, over time the interest charges will make your balance grow even if you don’t use the card at all.
- The Credit Card Act of 2009 requires that “teaser” rates stay in effect at least 6 months.

### **Describe credit card fees.**

- How do you learn what your card’s fee is?
- No-fee “teasers”—does a fee kick in later?

### **Introduce credit scores and how credit cards influence these scores.**

- What is a credit score?
- How do credit cards affect credit scores positively and negatively?

### **Topics for further discussion and possible bonus awards**

- Students may wish to create a simulation showing how interest rates and fees cause an unpaid balance to swell in comparison with the total cost for the same purchases if the bill is paid off monthly.
- List best practices for using a credit card, compared to common pitfalls.
- Explain the cost to a business that accepts credit cards.
  - Transaction fees.
  - Why would a business set a minimum purchase requirement for accepting credit cards?
  - Why do some businesses refuse to accept credit cards, and why do some accept only certain types of cards?
- Discuss whether it is necessary to have multiple credit cards.

## INFLATION DAY

Midway through the year, perhaps after the winter break, introduce the students to the concept of inflation by raising some of the costs in the classroom economy. Inflation Day is a one-time event that will affect the students' rent and bill payments for the remainder of the year. You should also raise their salaries, but by an amount slightly lower than the overall cost increase for rent and bills.

### **Preparation** *30 minutes*

- Depending on your students' math skills, you can make inflation a flat amount (e.g., \$50) or a percentage of all costs (e.g., 3%). Some suggestions:
  - Increase salary by \$75 per month.
  - Increase rent by \$100 per month.
  - Increase bills by \$25 per cycle.
- To prepare for your classroom discussion, consider the talking points listed below.

### **In class** *20 minutes*

Explain the concept of inflation using these talking points:

- Inflation is a general, continuous increase in the prices of goods and services.
- Inflation reduces the "purchasing power" of money because, with prices higher, you need more dollars to buy the same things. In other words, each dollar buys less than it used to.
- This means you can't afford as much as you did before, unless your income rises just as much as the inflation rate.

#### **Some specific causes of rising prices:**

- The costs of production increase, so suppliers have to raise the prices of the items they sell.
- The cost of raw materials increases because of higher demand, supply disruptions, or other causes.
- Labor costs rise: Maybe people will not work at a certain job unless they are paid more.
- Supply and demand: If a lot of people want something, such as gold or even a particular brand of sneaker, they may bid up the price.

Inform the students that inflation has hit the classroom economy, so their monthly rent has increased and their bills will be higher from now on.

Encourage them to use resources to learn more about inflation and how to follow and interpret the Consumer Price Index.

## YEAR-END WRAP-UP

Plan a time near the end of the year for students to reflect on what they have learned in the program and for you to tie everything together.

It is also a time to celebrate the students' successes and reward them for their hard work.

### **Certificates**

We recommend you give each student a certificate for participating in the program. The certificate will reinforce their achievement and could be a talking point for them in a future college application or job interview.

Feel free to use our certificate template.

### **Class rewards**

Allow students to pool their classroom money and purchase a class reward, such as:

- Holding a class party.
- Watching a movie in class.
- Holding a class outdoors.

### **Debriefing session**

In addition to rewarding the students, the year-end wrap-up is an excellent opportunity for students to discuss what they have learned from their experiences. Conducting a debriefing session is a great way to accomplish that goal—and also helps reinforce what they have learned.

Here are some questions you can ask to guide the discussion:

- What did you learn from the classroom economy this year?
- Why do you think those lessons were important?
- What would you do differently if you could?
- What was your favorite part of the classroom economy?

### **Investment accounts**

Before the final Auction Day, allow the students to make a withdrawal from their investment accounts. You can also take this opportunity to offer a class reward to celebrate any investment successes your students have had.

However, you should point out that because the investment simulator randomly selects years, it is possible that some students experienced extraordinary gains throughout the year while others experienced losses. To illustrate the effect extreme market conditions can have on an investment, consider the following options:

- Compare the students' actual results to historical averages.
- Rerun an entire simulation (or several) in front of the class, by advancing the timeline.

Please email [support@myclassroomeconomy.org](mailto:support@myclassroomeconomy.org) if you have any questions, and an MCE team member will be pleased to respond.