

Getting started

HOW MY CLASSROOM ECONOMY WORKS

The classroom economy program is an effective and enjoyable way to teach your students fundamental financial literacy components without altering your curriculum.

Implementing the program is an easy three-step process:

1. 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.
2. During the first month of school, you spend some classroom time introducing the program and training the students to complete their tasks.
3. 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 9–10

Through My Classroom Economy, students 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 begin to learn more advanced financial concepts. Students now have the options of purchasing certificates of deposit (CDs) and insurance policies. With increased sophistication, more emphasis is put on financial planning and budgeting.

CONNECTIONS TO FINANCIAL LITERACY STANDARDS

The classroom economy is designed to help students learn about financial literacy from an early age. This page is intended to support you in connecting 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

Financial responsibility and decision-making

Take responsibility for personal financial decisions.

Students earn a salary to pay rent and electricity bills, and they can save their extra money or use it for purchases; alternatively, they may have to pay fines. In this way they learn about the benefits of financial responsibility and the costs of irresponsibility.

Make financial decisions by systematically considering alternatives and consequences.

Students learn to prioritize personal financial goals by determining how to spend or save their earnings surplus.

Students can set measurable short- and medium-term financial goals based on the way they spend their salaries. They can choose to earn bonuses and can incur fines for misbehavior, both of which involve assessing alternatives and experiencing consequences.

Develop communication strategies for discussing financial issues.

Students and their families are encouraged through a parent letter to discuss the classroom economy and gain a better understanding of finances.

Income and careers

Explore career options.

Students have the opportunity to select various classroom jobs that correlate to real-life jobs. They must have specific skill sets or get recommendations for some of these jobs. Those who want to can start their own businesses.

Identify sources of personal income.

Students earn salaries as their basic source of income. They can receive bonuses by performing well academically and participating in extracurricular activities. Those who want to can start businesses to earn income, and those who don't will see how it works as a source of income.

Describe factors affecting take-home pay.	In addition to paying rent and electricity bills, students can choose to have taxes withheld from their paychecks.
Planning and money management Develop a plan for spending and saving.	Students need to calculate what they will owe for rent, electricity, and income tax, and set aside money to cover these bills. If they want to spend during the classroom auction, they must save for that too. Opportunities also exist for setting long-term goals.
Develop a system for keeping and using financial records.	The classroom economy requires students to keep their own financial records and verify them with a classroom Banker. Students must record income as well as money spent in their bank logs.
Apply consumer skills to purchase decisions.	Students can determine the relationship between spending practices and achieving financial goals by choosing whether and how much to bid in the classroom auction, which offers a range of alternatives.
Consider charitable giving.	Students are encouraged to give charitable gifts and are rewarded with tax deductions when they do so.
Saving and investing Discuss how saving contributes to financial well-being.	The classroom economy offers strong incentives to savers. To start, they can buy better things at the classroom auction. If they save enough, they can even purchase their desks—escaping rent payments forever and having still more money to spend. The system provides many opportunities for students to see how saving improves their financial well-being.

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 for insurance and investments.

Allot a portion of 3 to 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, and they purchase prizes at auctions—all with classroom economy currency. They also have the opportunity to invest expendable income and purchase insurance policies.

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 the 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.

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 opportunities for bonus money.
- A list of fines for violating class rules.
- The advanced topics you wish to include, such as investing and insurance.

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.

You’ll also want to familiarize yourself with how taxes are handled in the classroom economy.

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.

JOBS	JOB DESCRIPTION	MONTHLY SALARY
Exemplary Student <i>Everyone in the class</i>	Arrive in class on time with all needed materials. Complete all classroom and homework assignments as instructed and deliver the work when it is due. (Note: Students who don't meet these requirements are still paid their salaries but are subject to classroom economy fines.)	\$750
Attendance Monitor <i>1 per class</i>	Take daily attendance and record absences. Report absences to the teacher. Provide students with makeup materials when they return to class. A student must have a strong attendance record to be considered for this job.	\$700
Auctioneer <i>3–5 per class</i>	Poll the class to determine appropriate auction items. Identify ways to obtain the items. Plan and facilitate fund-raising events to sponsor the auction. Manage the auction.	\$750
Auditor <i>1 for every 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. Requires a recommendation.	\$800
Loan Officer <i>1–2 per class</i>	Allow students to acquire loans for a set amount. 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

Bonus/Fine Administrator <i>1–2 per class</i>	Record student bonuses and fines on the bonus/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. Requires a recommendation.	\$750
Clerk <i>2–3 per class</i>	Hand out papers and other materials to students. Collect homework and other items from students when asked. Organize the class supply shelves and keep them neat.	\$700
Economist <i>1 per class</i>	Monitor spending patterns during the class auction. Report to the teacher and other students about the buying trends observed and how they compared to previous auctions.	\$650
Electrician <i>1–2 per class</i>	Monitor electricity usage in the classroom. Determine the daily charge and report the monthly total. Creatively present ideas on how to conserve energy and reduce the monthly bill.	\$750
Insurance Agent <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
Investment Banker <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
Messenger <i>1–2 per class</i>	Deliver written or spoken messages to people throughout the building. Answer the class phone.	\$650
Recyclist <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
Tutor <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

Visual Display Artist <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.	\$650
Webmaster <i>1 per class</i>	Maintain and update the class’s 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 email, 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, they 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 (before energy savings discounts)	\$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, turning off computers when not in use). The Electrician keeps a classroom energy log of daily energy savings—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 get to be bidders 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 purchase certificates of deposit (CDs) to generate additional wealth.

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, to save up for the auction, and to purchase certificates of deposit (CDs) or 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 bonus activities you may have offered your students. The dollar amounts listed are simply suggestions.

ACTIVITY	BONUS AMOUNT
Earn 100% on a small test or quiz	\$50
Earn 100% on a major test	\$200
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 paycheck for the job of “Exemplary Student.” Students who don’t meet requirements are still paid their salaries but are subject to the classroom economy fines. 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 during 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 kids 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. You can choose whether or not to include this option in your classroom. But it does deliver an important concept: the time value of money.

At this level, students can purchase certificates of deposit (CDs) that provide flat rates of interest depending on the term, meaning how long the student must leave the money invested.

How it Works

Students can invest in CDs with various terms. To keep the process simple, each CD pays a flat sum at maturity, instead of a percentage rate of the original investment (accumulated interest). The longer the term, the greater the reward to the investor.

CDs come in terms of 1, 3, 6, or 8 months (with 8 months being a “full-term” CD, ending just before the final auction of the school year). To simplify recordkeeping, students can invest only in \$100 increments, and only on Bill Day each month.

Example: \$100 invested in a 1-month CD on Bill Day will yield the student \$15 at the maturity date, the next Bill Day. This table illustrates the money students can earn by investing \$100 for 1, 3, 6, and 8 months:

\$100 INVESTED	1 MONTH	3 MONTHS	6 MONTHS	8 MONTHS*
Earnings at the end of each term	\$15	\$50	\$120	\$200
Balance at maturity	\$115	\$150	\$220	\$300

*Or until just before the final auction for the year.

Note: In the real economy, these earnings would be high for a typical CD. We set them at this level to help the students perceive the trade-off involved: the allure of extra income versus the opportunity cost of tying up their money for the term of the CD—a period in which they won’t have it to spend at the auction, for example. As is the case with all time deposits, the longer the student’s commitment in term, the larger the reward at maturity.

From the first Bill Day through the second-to-last Bill Day of the year, the students can choose to invest any amount (in \$100 increments) in CDs. Initially, terms of 1, 3, or 6 months, or full-term (8 months) are available. However, as time passes, the longer-term CDs naturally become unavailable because they would extend past the end of the school year. For example, you should alert students that the full-term, 8-month CD that pays \$200 at maturity is only available for purchase on the first Bill Day. Also, the 6-month CD, which pays \$120, won’t be available after the third Bill Day.



TIPS:

- The Investment Banker should record which students have purchased a CD, the amount invested, the term of the CD (1, 3, 6, or 8 months), and the maturity date and payout (see classroom investment log).

Questions

What factors determine how much money I get back in return for my investment?

The main factors that determine CD returns for the classroom economy are the term of the deposit and the size of the deposit:

- **The term of the deposit.** Longer-term CDs have a higher interest rate than shorter-term CDs because banks must compensate lenders for keeping their money longer. Banks want the money because they can use it to earn more than they are paying to the investor. Their earnings come from lending the money out at higher interest rates or putting it in higher-paying investments.
- **The size of the deposit.** Larger deposits (for example, jumbo CDs, which have a minimum deposit of \$100,000) pay higher rates. However, to simplify recordkeeping in the classroom economy, we do not increase the payout rate for larger investments. If a student chooses to invest \$200 in a 1-month CD, for example, the student will earn \$30—as if it were two \$100 investments.

What about interest rates?

We have simplified this investment activity by using a flat dollar amount as the return on the investment, but some students may ask about the impact of interest rates.

Students should know that an interest rate is the cost of borrowing money, or the payment for lending money. From the students' perspective as lenders, the rate needs to be high enough to compensate them for the following:

- **Liquidity preference.** Simply put, people want to have access to their money just in case they need it for an immediate purchase or an emergency. For example, if the student is not insured and has incurred damages to his or her desk, he or she needs to be "liquid" to be able to pay for repairs.
- **Deferred consumption.** By investing in a CD for 3 to 6 months, the student is deferring his or her consumption of other goods, such as anything he or she could have bought at Auction Day.
- **Risk of the investment.** In the real economy, a lender incurs the risk of losing money if a borrower defaults on a loan or files for bankruptcy protection. However, traditional CDs are similar to bank savings accounts in that CD purchases of up to \$250,000 per depositor are insured by the Federal Deposit Insurance Corporation (FDIC) and thus are virtually risk-free to the buyer.

The concept of **compounding** can be described as one of the factors contributing to higher returns over time. However in our activity, we do not compound. If the students do the math, they'll notice that a 15% return compounded over 3 months will result in a \$152 payout.

What if I need the money? Can I still withdraw it prior to the maturity date?

Withdrawals before maturity are usually subject to a substantial penalty. These penalties reinforce that it is generally not in a CD holder's best interest to withdraw the money before maturity—unless the holder has the opportunity to make another investment with a significantly higher return (which would typically incur more risk and is not an option in the classroom economy) or has a serious need for the money.

Banks typically charge a penalty fee if money is withdrawn from a CD before it matures.

To keep things simple in our investment activity, we do not provide the students the option to withdraw from the CD prior to maturity. However, if you have a situation where a student needs the cash (for example, to pay for damages or rent), you may want to permit an early withdrawal—if the student is willing to pay a penalty. A penalty or fine can be lost interest and/or a small percentage of the principal.

YOUR ECONOMIC SYSTEM: INSURANCE

Students have the option of purchasing homeowners insurance to cover the desk they rent or own. Students who buy insurance are protected from the “property 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.
- With a monthly fee of \$200.

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 of the class. For the Insurance Purchases portion, 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 possible 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 shoe box to hold classroom bonus/fine slips after students record them in their logs.	<i>1 per class</i>
Portfolio folders with clasps where students can store their bank logs and other materials.	<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 in 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	4
Business license application	4
Tax form	4
Envelope	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.

Bank box

Create a bank box where students can deposit their bonus/fine slips after they update 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 applications

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

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.
- Trophies.
- 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 the auction.

End-of-year rewards

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

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

ADVANCED MODULES

Teachers may want to include additional modules and conduct more detailed discussions surrounding some classroom economy topics. These are not recommended for teachers implementing the program for the first time. Be certain your students understand the underlying curriculum components before adding these modules.

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 now 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 up the rent too high!

Inflation

After returning from a break in the school year (e.g., winter or spring break), raise the prices of students' desks based on inflation. You can also raise their salaries, but we suggest you raise the price of the desks more than any salary increase to stress the importance of saving and outpacing inflation. Depending on your students' math skills, you can make inflation a flat amount (e.g., \$50) or a percentage of the current economy (e.g., 3%).

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.

Advanced insurance

If you are already using the Grades 9–10 insurance program and would like to add a level of sophistication, try the Grades 11–12 program.

Investing

In place of (or in addition to) the certificates of deposit (CDs) available in the Grades 9–10 program, you may consider allowing your students to invest in a simulated portfolio of stocks and bonds. An interactive investment simulator used in the Grades 11–12 investing program gives students an opportunity to learn about asset classes, volatility, and the value of a long-term investment plan.

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 classroom economy syllabus and customize it 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, in the Planning section.)
- Create any customized visual displays of your jobs, bonuses, and fines lists if 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 or a business license to increase their earning potential.

Hand out the folders you created and ask the students to take out the 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 *None*

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, 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. Students 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 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 Training

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 ensure that they understand the following key concepts about Bill Day (the first of the month):

- Students are required to pay two monthly bills:
 - Rent for \$800.
 - Electricity for \$150 (unless adjusted by the Electrician for energy conservation).
- Certificates of deposit (CDs) are available for purchase.
 - CDs pay interest, meaning that students who invest in them will get back more money than they put in.
 - CDs can be purchased only on Bill Day.
 - They can be bought only in increments of \$100.
 - The longer the term of the CD, the higher the rate of return the student will receive.
 - The 8-month (full term) CD is only available on the first Bill Day.
- Insurance policies are available for purchase:
 - Students can choose between monthly payments and a yearly policy, or skip buying insurance altogether.
 - 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 take advantage of some of these 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.

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 and initials the "Paid" column to confirm payment.
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.

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.

Emphasize the importance of planning and watching their spending so they'll always have the rent money ready when it's due. Show them how they can keep track of bills and plan ahead using their bill payment logs.

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.

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

Also, remind the students that they will need to pay taxes in April and should consider contributing some money toward this. 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.

Bill procedures

1. The Electrician announces the usage bill.
2. Each student updates his or her bank log to show the withdrawal of rent and electricity money.
3. Students elect the amount of taxes they wish to withhold and update their bank log accordingly.
4. The Insurance Agent circulates the room offering insurance policies. A student purchases 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.
5. The Investment Banker circulates the room offering students the opportunity to purchase a certificate of deposit (CD). A student purchases a CD by deducting the amount from his or her bank log and getting the Investment Banker to initial it. The Investment Banker keeps track of the CD in his or her log and notifies the client when it reaches maturity.
6. If the student cannot pay the month's bills, he or she fills out an unpaid bill notice and puts it on the teacher's desk. The student still deducts the bill from his or her bank log and has a negative balance. Students cannot participate in the auction until they have cleared all debt.

On each subsequent Bill Day, 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 owns the deed to his or her desk should write "Paid in full" on his or her bank log each subsequent month.

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 get in on the Auction Day fun.

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 student enters that amount as a withdrawal or credit in his or her bank log.
4. The Auditor verifies the tax amount and makes sure the bank logs match—initialing when they're correct.

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

Students who managed to save a significant amount during the year should be rewarded. We recommend passing out certificates to those who met these thresholds:

- Saver: \$1,000
- Super Saver: \$5,000
- Ultimate Saver: \$10,000

Debriefing session

Hold a discussion with your students to 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 (e.g., how could you become an Ultimate Saver next time)?
- What was your favorite part of the classroom economy?

Class rewards

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

- Hold a class party.
- Watch a movie in class.
- Wear a hat in class.
- Hold a class outdoors.

Please email support@myclassroomeconomy.org if you have any questions, and an MCE team member will be pleased to respond.