

The following instructional plan is part of a GaDOE collection of Unit Frameworks, Performance Tasks, examples of Student Work, and Teacher Commentary for the Economics course.

Economics Unit 6 – “Let’s Make It Personal”

Elaborated Unit Focus

In this unit, students will demonstrate their knowledge of personal finance concepts through participation in a financial planning simulation. As a member of both a household and a financial planning consultant team, students will apply their knowledge of personal economics to two distinct tasks. In the first role, students develop a detailed financial portfolio for their household. In the second role, students analyze the financial portfolio of a household and make financial recommendations to the members. In both roles, students will incorporate the theme of ***Incentives***, analyzing how the household can gain and lose through various forms of personal savings/investment, insurance, credit, and skill development. Both as households and as financial consultants, students will apply the theme of ***Interdependency***, evaluating how the potential gains and losses they predict could be affected by changing economic factors.

Standards/Elements

SSEPF2 The student will explain that banks and other financial institutions are businesses that channel funds from savers to investors.

- a. Compare services offered by different financial institutions.
- b. Explain reasons for the spread between interest charged and interest earned.
- c. Give examples of the direct relationship between risk and return.
- d. Evaluate a variety of savings and investment options; include stocks, bonds, and mutual funds.

SSEPF4 The student will evaluate the costs and benefits of using credit.

- a. List factors that affect credit worthiness.
- b. Compare interest rates on loans and credit cards from different institutions.
- c. Explain the difference between simple and compound interest rates.

SSEPF5 The student will describe how insurance and other risk-management strategies protect against financial loss.

- a. List various types of insurance such as automobile, health, life, disability, and property.
- b. Explain the costs and benefits associated with different types of insurance.

SSEPF6 The student will describe how the earnings of workers are determined in the marketplace.

- a. Identify skills that are required to be successful in the workplace.
- Explain the significance of investment in education, training, and skill development.

Enduring Understandings/Essential Questions

EU Interdependency: The student will understand that, because of interdependency, a decision made by one party has intended and unintended consequences on other parties.

EQ

- *How do interest rates impact people's saving and spending choices?*
- *How does investment in human capital affect an individual's earning potential?*
- *How do insurers and the insured work together to manage risk?*

Incentives: The student will understand that parties respond predictably to positive and negative incentives.

- *What incentives encourage individuals to manage risk through the purchase of insurance?*
- *When does the purchase of insurance represent involuntary exchange?*
- *How do interest rates provide an incentive to save?*

*NOTE: The balanced assessment plan included in this unit is presented as a series of suggested activities. It is not expected that the teacher complete all assessments for a successful unit.

Balanced Assessment Plan

Description of Assessment	Standard/ Element	Type of Assessment
In this lesson students will use the internet, library or telephone to research the services offered by banks, credit unions and personal finance companies. Students will create short lists that describe the various services offered by each.	PF2a	*constructed response
In this lesson students can explore help in developing a plan for building personal wealth. Students can also get an overview of personal finance strategies. Using the Dallas Federal Reserve's interactive website (www.dallasfed.org/ca/wealth/index.cfm), students can calculate various interest rates and their associated costs.	PF2b	*informal observation
This lesson provides an overall review and an opportunity for students to apply many of the concepts stressed in earlier lessons. The students examine different sorts of risk that come with investments. They are introduced to a five-step decision-making model. After practicing with it, they apply the model in a simulation activity in which they act as financial advisors, offering financial advice in four cases. Risk is inherent in all investments. The possibilities include risk of principal, market risk, interest-rate risk and inflation risk. Investments also offer rewards. Some investments — such as CDs — involve low risk and low potential for reward. Other investments — such as growth stocks — involve higher risk and higher potential for reward. Investors need to make choices regarding the risk-reward ratio with which they are comfortable.	PF2cd	*constructed response *informal observation

For an identical and more detailed description see Investing Involves Decision Making (V.3, Learning Earning and Investing: High School, Lesson 23)		
<p>In this Philadelphia Federal Reserve publication entitled “How to Establish, Use, and Protect Credit” students will read how to establish and maintain a good credit record. This reading also provides specific information on improving a poor credit rating, handling credit issues during divorce, and what to consider when paying off a loan.</p> <p>(Federal Reserve website: www.philadelphiafed.org/consumers/credit/establish-and-protect.cfm)</p>	PF4a	*discussion and dialogue
<p>This Atlanta Federal Reserve curriculum package includes a DVD and CD (or materials may be viewed directly on the web) with lesson plans designed to teach students (and parents) the importance of being financially prepared. Students will learn about some of the most important aspects of financial responsibility such as banking, savings, wise use of credit, and budgeting. These lessons are based in part, on real stories and events that unfolded in the aftermath of Hurricane Katrina.</p> <p>Katrina’s Classroom: Financial Lessons from a Hurricane www.frbatlanta.org/atlantafed/katrina.cfm)</p>	PF4bc	*constructed response *discussion and dialogue *informal observations
<p>As people begin to acquire assets and an income, they begin to think about how to protect what they have from loss. Toward this end, many people buy insurance. This lesson tells how insurance works and provides an overview of the different types of insurance. Students participate in a simulation that allows them to practice their understanding of the costs and benefits associated with purchasing insurance.</p> <p>For an identical and more detailed description see Managing Risk: The Good News About Insurance (V.3, Financial Fitness For Life: Bringing Home The Gold, Teacher’s Edition, Lesson 22)</p>	PF5ab	*constructed response *discussion and dialogue
<p>Using the Bureau of Labor Statistics’ <u>Occupational Outlook Handbook</u>, students will identify the skills, training and education, working conditions, job prospects and expected earnings of various careers. In a brief paper or presentation, students will be able to explain the significance of investment in their education, training and skill development.</p> <p>Occupational Outlook Handbook website: www.bls.gov/oco/</p>	PF6ab	*informal observation *discussion and dialogue

Performance Task for Unit #6 “Let’s Make It Personal”

Enduring understanding:

- **Interdependency:** The student will understand that, because of interdependency, a decision made by one party has intended and unintended consequences on other parties.
- **Incentives:** The student will understand that parties respond predictably to positive and negative incentives.

Performance Task

(For the teacher: This performance task requires students to play two distinct roles. First, each student is paired with one other student. These two individuals act first as a household. As a household, the partners develop a financial portfolio for their family. In the second role, the partners act as financial consultants. They receive a household’s portfolio and develop personal financial recommendations for the household to consider. The culminating activity is the presentation of structured role-plays between the households and their consultant teams. In the role-play, households will evaluate the recommendations of the consultant team, determine which strategies they will implement for their family, and explain why these strategies are appropriate for their financial situation. Also in the role-play, the financial consulting team will make recommendations, identify the characteristics of the household portfolio motivating their recommendations, and explain the potential gains and losses associated with each recommendation.)

Role One – The Household: You and another member of your class have become a household. As a household, you will develop a financial portfolio for your family. Your instructor will designate your household as low income, middle income, or upper income level. Based on your income level, you will develop a financial portfolio. Your portfolio must include the following information:

- **General Information:** Names, ages, marital status, education completed, number of children, ages of children, gross monthly income from employment, and current occupations.
- **Monthly Budget:** Using your gross monthly income, create a monthly budget. Your teacher will provide you with a form listing the major expense categories and the typical percentage of wages a family of your income level spends on these categories each month. (Teachers can use Focus: High School Economics, Lesson 9, Activities 3 & 5 as well as Visual 2 to facilitate this portion of the task.)
- **Current Assets:** List, describe, and approximate the value of the major assets you own. This should include the equity in your house, the value of your automobile, stocks, bonds, savings accounts, antiques, vacation properties, etc.
- **Current Liabilities:** List, describe, and approximate the value of what you owe. This should include any mortgage you owe on your home, your car note, credit card balances, student loan balances, etc. Tell whether you are paying simple or compound interest on these debts and how that affects what you owe.
- **Insurance Policies:** Describe any insurance policies you currently hold including life, health, auto, homeowners, disability, etc.
- **Credit Rating/Score:** Describe your current credit score and what it means, loans you have paid in full, and the factors such as late payments, bankruptcies, and student loan defaults that have affected your score.
- **Other Income:** List and describe any additional income you earn from savings, stocks, mutual funds, real estate, bonds, and/or other personal investments.
- **Financial Goals:** Based on your age, income, and family structure, describe your short and long term financial goals. Some examples would include buying a home, saving for child’s college tuition, saving for retirement, buying a second home, etc.

Role Two – Financial Consultant: You and another member of your class run a financial consulting firm. As consultants, you will analyze the financial portfolio of a client and provide your recommendations in written form. Your client will represent a typical low income, middle income, or upper income family. Based on the client's portfolio and financial goals, you will develop a set of recommendations for your client. Your recommendations must include attention to the following areas:

- **Financial Goals:** Before reviewing the portfolio, read your clients' financial goals. As you look at each component in the portfolio, determine how well it supports the clients' stated financial goals.
- **Monthly Budget:** Review your clients' monthly budget. Identify the fixed and variable expenses outlined. Identify areas of flexibility in the budget that may assist clients in the pursuit of their goals. Explain the rationale for any reallocation of income.
- **Current Assets:** Determine the assets owned by your client. Evaluate their portfolio on the basis of various risk factors such as liquidity, diversity, inflation, fraud, etc. Make recommendations that will strengthen your clients' asset portfolio and align it more closely with the stated financial goals.
- **Current Liabilities:** Determine the liabilities owed by your client. Classify each debt as "good" debt or "bad" debt. Explain why some debts are more beneficial than others. Provide recommendations to you're your clients reduce their "bad" debt.
- **Insurance Policies:** Evaluate your clients' insurance needs and recommend additions or reductions to the current types and levels of coverage held.
- **Credit Rating/Score:** Explain how your clients' credit score/rating will affect their progress toward their financial goals. For clients with strong credit, explain how this status will benefit them and recommend ways to use this strength to reach goals. For those with weak credit, explain the costs associated with low ratings and recommend strategies to improve their credit score.
- **Other Income:** Assist your clients' in developing or expanding income from savings or personal investments such as interest on certificates of deposit, dividends from stock, rent from property owned, etc.
- **Education:** Given your client's current employment, income, education, expenses, and financial goals, tell whether you would recommend any additional investment in human capital and why. Decide whether your client will have to adjust their career/occupation to achieve their financial goals.
- **Overall Strengths:** Summarize the overall strengths of your clients' portfolio and explain how these strengths will help them reach their goals.
- **Weaknesses:** Summarize any weaknesses you see in the clients' financial portfolio. Suggest strategies for overcoming these weaknesses.
- **Evaluation of Client's Financial Goals:** Based on the portfolio of the client, determine how realistic the clients' financial goals are. Give specific reasons to support the clients' goals or suggest alternative goals if they will better suit the clients' profile.

The Role Play – Households & Consultants

After developing your household financial portfolio and analyzing the portfolio of another household, a consultant team will meet with a household. At this meeting, you will prepare a final document outlining the decisions made in the meeting. After you have played the role of the consultant team, you will switch and play the role of the household. The following areas should be addressed. All decisions to reject recommendations and/or implement changes should be accompanied by a written explanation.

- Planned changes in household assets (purchase/sale).
- Planned changes in repayment schedule for debts.
- Planned changes to types of insurance and/or amount of coverage.
- Strategies chosen for maintaining or improving credit rating.
- Strategies for increasing income from sources other than primary salary.
- Planned investment in human capital.
- New monthly budget reflecting any changes made during the financial planning session.
- Changes in household financial goals.

Using your financial planning meeting and final financial plan as a guide, you will now develop your structured role-plays. In preparation for the first performance task day, half the class will take the role of consultants and half the class will play the role of the clients. Working together, consultants and clients will develop a dynamic role-play. After the first performance task day, students will switch roles and develop a second role-play. All role-plays should:

- Communicate key content elements
- Address key strengths and weaknesses of the financial portfolio
- Illustrate how people of all income levels can set and achieve financial goals
- Outline recommendations for the household
- Exhibit strong character acting (should not be pedantic)
- Include humorous elements to make the role-play entertaining as well as informative
- Respect a five-minute time limit

***Note concerning rubrics:** Each performance task is accompanied by two rubrics. The first is designed to address content and understanding of the standards in terms of the enduring understandings. The second rubric focuses on the product of the performance task. This is where students are scored on items involving grammar, punctuation, spelling, creativity, presentation, etc. It is NOT intended that each rubric counts for 50% of the assessment. Teachers should weigh each section of the rubric according to the areas they wish to emphasize.

Content Rubric for Unit #6 Task:

<i>Scale</i>	1 (Below Standard)	2 (Needs Improvement)	3 (Meets Standard)	4 (Exceeds Standard)
<i>Criteria</i>				
<i>Analyzes the positive and negative incentives that have influenced the development of a household's financial portfolio.</i>	Portfolio analysis and recommendations link the influence of incentives to at least one of the five main portfolio topics.	Portfolio analysis and recommendations link the influence of incentives to at least three of the five main portfolio topics.	Portfolio analysis and recommendations explain the influence incentives play in household choices about education, savings, risk management, asset acquisition, and debt accumulation.	In addition to everything in 3, the portfolio analysis references real world examples to illustrate key points.
<i>Explains the interdependent relationship between education, income level, and financial planning.</i>	The portfolio, the analysis, and/or the recommendations lack a connection between human capital investment and financial success.	Portfolio development, analysis, and recommendations connect human capital investment to only one area of personal finance.	Portfolio development illustrates, portfolio analysis explains, and consultant recommendations emphasize how investments in human capital are connected to future earning potential, achieving financial stability, and meeting short/long-term financial goals while illustrating the ability of individuals of all income levels to set and meet financial goals.	In addition to everything in 3, the portfolio analysis and recommendations include real world examples and statistics as evidence linking human capital investment to financial security.
<i>Applies the technique of cost-benefit analysis to the process of risk management and personal investing.</i>	Correctly describes the costs and benefits associated with one out of the five areas of financial planning listed in 3.	Correctly describes the costs and benefits associated with at least two out of the five areas of financial planning listed in 3.	Portfolio development illustrates, portfolio analysis explains, and consultant recommendations emphasize the benefits and costs associated with choosing personal investment options, acquiring insurance, purchasing assets, incurring debt, and purchasing education/training.	In addition to everything in 3, the portfolio analysis and recommendations include real world examples and statistics to illustrate costs and benefits associated with implementing a household financial plan.

Product RUBRIC

Scale Criteria	1 (Below Expectations)	2 (Needs Improvement)	3 (Meets Expectations)	4 (Exceeds Expectations)
<i>Written Portfolio and Analysis</i>	Household portfolio elements, consultant analysis, and recommendations are not typed AND lack clarity of thought, organization, OR proper grammar and spelling.	Household portfolio elements, consultant analysis, and recommendations are typed but lack clarity of thought, organization, OR proper grammar and spelling.	Household portfolio elements, consultant analysis, and recommendations are typed, well organized in the order described in the performance task, and reflect correct use of grammar and spelling.	In addition to everything in 3, the portfolio, the analysis and the recommendations are formatted to look like formal business documents.
<i>Presentation Skills</i>	Presenters lack two or more of the components outlined in level 3.	Presenters lack one of the components outlined in level 3.	Presenters are dressed in attire appropriate to their roles. All group members speak clearly using appropriate language. All group members participate equally in the presentation. The presentation is entertaining and meets the time requirement of five minutes or less.	Everything in 3 PLUS a formal electronic presentation of the proposal <i>outlining</i> each of the required elements from the content rubric.

Resources for Unit

Building Wealth: A Beginner's Guide to Securing Your Financial Future available from www.dallasfed.org/ca/wealth/index.cfm

"How to Establish , Use and Protect Credit" pamphlet available from www.philadelphiafed.org/consumers/credit/establish-and-protect.cfm

Katrina's Classroom: Financial Lessons from a Hurricane. Available as a DVD/CD package or streaming video and downloadable lessons from the website on www.frbatlanta.org/atlantafed/katrina.cfm
www.bls.gov/oco/

V.3 Virtual Economics

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