



Lessons in Oklahoma Personal Finance Standards

Making Bankruptcy Personal ***Grade Level: 7-12***

An Introduction to Oklahoma Passport Standard 13

The Oklahoma Council on Economic Education

Authors

Carrie Hixon

OCEE Master Teacher of Personal Finance
Mustang High School

Brent Rempe

OCEE Master Teacher of Personal Finance
Dir. of Education, WEOKIE Credit Union



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Making Bankruptcy Personal:

An Introduction to Oklahoma Passport Standard 13

Grade Level 7th – 12th

Purpose/Overview

The purpose of this lesson is to introduce students to Oklahoma Passport Standard 13: Bankruptcy. Not only is this one of the more difficult financial literacy standards to teach, it is also a difficult standard in which to engage students. This lesson supplements the materials and lessons from the Oklahoma Department of Education known as Making \$en\$: Financial Success for Oklahoma Students. The lesson centers around a questionnaire called “What Color Am I?,” which examines behaviors and attitudes that could lead to a person declaring bankruptcy and assigns students a color based on low, average, moderate, or high risk. The questionnaire is not a scientific instrument nor does it intend to predict whether a student will declare bankruptcy; rather, the survey is intended as a discussion starter to help students to realize that, unless something changes, some existing behaviors and attitudes could contribute to bankruptcy in the future. Extension activities further introduce bankruptcy through researching the bankruptcies of famous individuals.

National Economics /Personal Financial Literacy Standards

Council for Economic Education National Standards for Financial Literacy

Standard 4: Using Credit

Credit allows people to purchase goods and services that they can use today and pay for those goods and services in the future with interest. People choose among different credit options that have different costs. Lenders approve or deny applications for loans based on an evaluation of the borrower’s past credit history and expected ability to pay in the future. Higher-risk borrowers are charged higher interest rates; lower-risk borrowers are charged lower interest rates.

Grade 12, Benchmark 10:

In extreme cases, bankruptcy may be an option for consumers who are unable to repay debt. Although bankruptcy provides some benefits, filing for bankruptcy also entails considerable costs, including having notice of the bankruptcy appear on a consumer’s credit report for up to 10 years.

Jump\$tart Coalition National Standards in K-12 Personal Finance Education

Credit and Debit - Standard 3

Describe ways to avoid or correct debt problems.

Additional expectations – 12th grade

Describe the purpose of bankruptcy and its possible effects on assets, employability, and credit cost and availability.

Oklahoma Curriculum Standards

Oklahoma Passport to Financial Literacy

Standard 13: The student will evaluate the consequences of bankruptcy.

1. Assess the costs and benefits of bankruptcy to individuals, families, and society.
2. Examine ways to prevent bankruptcy and identify alternatives to bankruptcy (e.g., budget management, debt management, refinancing, and financial counseling).
3. Explain the importance of re-establishing a positive credit history and steps to improve a credit score after bankruptcy.

Oklahoma Academic Standards / Common Core (You can find these at http://www.corestandards.org/assets/CCSSI_ELA%20Standards.pdf)

Reading Standards for Informational Text (1, 4, 8)

Writing Standards (2, 4, 7)

Speaking and Listening Standards (1, 3, 4, 6)

Learning Objectives

The student will:

- Understand that many money habits are set at a young age
- Learn which behaviors and attitudes are common contributors to bankruptcy
- Acknowledge their own positive and negative behaviors and attitudes
- Examine the bankruptcies of famous individuals

Key Concepts

Bankruptcy

Money Attitudes

Money Behavior

Materials

- MSN Money Article – “Many money habits are set by age 7” (one per student – available online at <http://money.msn.com/family-money/many-money-habits-are-set-by-age-7-1>)
- What Color Am I? Quiz (one per student)

Technology Needed Student Internet access for extension activity



Time Frame

One 45 minute class period for “What Color Am I?” assessment and follow-up discussion. Extension activity can take place in a second 45 minute class period in a classroom with Internet access for each student or can be assigned as homework.

Procedures

1. Explain to students that today’s topic is about money attitudes and behaviors and that we are going to explore their own attitudes toward money.
2. Provide each student a copy of the MSN Money Article “Many money habits are set by age 7.” (link above)



3. Ask students to actively read the articles independently and mark a sentence or concept with the following symbols:
 - ✓ = I agree
 - ✗ = I disagree
 - ! = WOW!
4. Discuss the article.
 - a. Ask students what they agreed with in the article.
 - b. Ask students what they disagreed with in the article.
 - c. Ask students what surprised them in the article.
5. Explain to students that they will take an assessment called “What Color Am I?” that explores attitudes and behaviors that affect the way we relate to money.
6. Ask students to take the **“What Color Am I? Student Questionnaire” (Appendix A)** and answer the questionnaire honestly as they will only share with the class what they choose. Students should circle the answer that applies to them the most without over analyzing the question. On self-assessments usually the first thing that comes to mind is most accurate and honest.

What Color Am I? – Student Questionnaire

Please complete the following statements with the choice that best describes you (wait for teacher instruction to learn the score you received for your response)

- When it comes to money, _____ Score for response: _____
 - I don't know anything about money.
 - I consider myself a saver.
 - I am both a saver and a spender.
 - I consider myself a spender.
- When I use my bank account, _____ Score for response: _____
 - I rarely overdraw my account.
 - ...what's a bank account?
 - I never overdraw my account.
 - I always overdraw my account.
- My attitude towards borrowing money is: _____ Score for response: _____
 - I will borrow money for "emergencies."
 - I will borrow money for expensive items, like a house or car, from a bank only.
 - I borrow from my parents or friends every time.
 - I do not borrow money, if I don't have the money, I can't afford it.
- In terms of my health, _____ Score for response: _____
 - I am healthy as a horse.
 - I occasionally get sick.
 - I have ongoing medical issues.
 - If it's going around, I get it no matter what.
- I hope to fund most of my college education with: _____ Score for response: _____
 - parents/family contributions.
 - student loans.
 - my savings, by having a job, or scholarships.
 - ...I want to go to college, but I don't have a plan to pay for it.
- When I get unexpected (extra) money, I: _____ Score for response: _____
 - save it in my savings account.
 - spend it!
 - spend some and save some.
 - stash it in a hiding place.
- When I go shopping, I _____ Score for response: _____
 - buy whatever is on the sales rack.
 - buy the first thing that catches my eye.
 - go in with a spending plan and only buy what I need.
 - shop around for the best deal.

Sum of scores for responses on page 1: _____

7. Referring to the **“What Color Am I? Teacher Version” (Appendix B)**, go through the 15 questions and let students know the points associated with each answer (i.e. for question 1, “When it comes to my money,” answer “a. I don’t know anything about money” is worth 4 points, answer “b. I consider myself a saver” is worth 3 points, answer “c. I am both a spender and a saver” is worth 2 points, and answer “d. I consider myself a saver” is worth 1 point).

What Color Am I? (Bankruptcy Behavior Questionnaire) – Teacher Guide

[point value for each question is in (parenthesis)]

Please complete the following statements with the choice that best describes you:

- Other than to money, _____
 - I don't know anything about money. (4)
 - I consider myself a saver. (3)
 - I am both a saver and a spender. (2)
 - I consider myself a spender. (1)

People who are used to be in a better financial situation when an emergency occurs and have the funds to pay for it, then not getting themselves in debt
- When I use my bank account, _____
 - I rarely overdraw my account. (2)
 - ...what's a bank account? (4)
 - I never overdraw my account. (1)
 - I always overdraw my account. (4)

An awareness of how much money you have or all times not keeping track of your spending leads to lead itself to slipping out of financial control. Conversely, not being aware of how much you are spending means you reach you have available to spend are led to financial difficulties and debt.
- My attitude towards borrowing money is: _____
 - I will borrow money for "emergencies." (3)
 - I will borrow money for expensive items, like a house or car, from a bank only. (3)
 - I borrow from my parents or friends every time. (4)
 - I do not borrow money, if I don't have the money, I can't afford it. (3)

Misreading too frequently the check that one "can't afford it" can lead to a sense of guilt which can lead to too much debt. It also shows an inability to handle your available funds well. Not borrowing or borrowing only for housing and transportation can limit your debt level.
- In terms of my health, _____
 - I am healthy as a horse. (3)
 - I occasionally get sick. (3)
 - I have ongoing medical issues. (4)
 - If it's going around, I get it no matter what. (5)

The thought behind this question is that health issues are expensive and can lead to extreme levels of debt – regardless of your ability to handle money. Referred students may not be aware of if they have medical issues, but they are something to plan and be prepared for with budgeting. Medical expenses are the number one cause of bankruptcy.
khan.com/articles/2009/03/18

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8. Ask students to total their scores.
9. Let students know that their scores tell them how many of their attitudes and behaviors are considered contributors to declaring bankruptcy. Again, this survey is not scientific and a high score does not necessarily mean that a student will declare bankruptcy at some point in the future. This questionnaire is meant to get students thinking about what attitudes and behaviors need adjusting for long-term financial success. As we saw with the MSN Money Article “Many money habits are set by age 7,” adult behaviors have roots in behaviors at an early age.
10. Share with students what their scores suggest:

Scoring:

15-20 points	<i>You are GREEN. You handle your money wisely and have a very low risk for declaring bankruptcy. You are “good to go”.</i>
21-30 points	<i>You are BLUE. You handle money well – but some of your choices could cause some financial problems. You are average risk for declaring bankruptcy.</i>
31-40 points	<i>You are YELLOW. You need to use caution with the way you handle money and your choices could lead to financial difficulties. You are at moderate risk for bankruptcy.</i>
41-60 points	<i>You are RED. You are making some poor choices in your life that could lead to financial hardship. You are high risk for bankruptcy.</i>

11. Ask students for their reaction to their score and what it means. Do they agree with what the “What Color Am I?” says about their finances?
12. Discuss each question with your students. Do they see how the attitude or behavior in the question could contribute to financial well-being or financial hardship? Do they agree? Refer to **“What Color Am I? Teacher Version” (Appendix B)**, for the rationale behind each question.
13. Additional items for discussion:
 - a. How do you view money?
 - b. Do your parents ever talk to you about money?
 - c. Do your parents handle money well?
 - d. How does the topic of bankruptcy make you feel?
 - e. What are money behaviors or attitudes you would like to change?
 - f. How can you change these behaviors and attitudes?
14. Ask students to write three paragraphs for a ticket-out-the-door.
 - a. Do you agree with what your “What Color Am I?” Questionnaire said about your money attitudes and behaviors? Why or why not?
 - b. What behaviors or attitudes within the “What Color Am I?” Questionnaire would you like to change? Would you like to maintain? What would happen if you made a change? What would happen if things remained the same?
 - c. Where will you go from here? How will you make the changes you want to make? How will you continue with the behaviors and attitudes you would like to maintain? How will you handle setbacks?

Assessment (see Procedure 14)

Ask students to write three paragraphs for a ticket-out-the-door. This can also be used to assess student reactions to and understanding of the survey.

Internet Resources

30 for 30: Broke by ESPN Films

<https://www.youtube.com/watch?v=TSOAmNSv8EM>

With virtually every student aspiring to be a professional athlete, it is important to point out that all too often professional athletes are unable to manage their windfall. From rags to riches and then back to rags again, *Broke* explores the roads to fortune in American sports and eventually, the many detours to bankruptcy. Bernie Kosar, Andre Rison and Cliff Floyd are among the athletes who talk openly about the challenges of managing their money.

Money Attitude Scale

http://donalditempler.com/assets/templer_9.pdf

To further understand how they relate with money, students can take the Money Attitude Scale. This is a scientific instrument that allows respondents to assess if they relate to money with an attitude of power/prestige, retention/time, distrust, or anxiety.

Money Talks, Should I Be Listening? : My Money Personality http://moneytalks4teens.ucdavis.edu/newsltr_money_personality.pdf

A guide for a teen to discover his/her own money personality. What does money mean? Independence? Power? Fame?

Internet Streaming Videos to reinforce debt and bankruptcy concepts.

Don't Forget 'Bout Ya Debt - <https://www.youtube.com/watch?v=1bCtjy9QOxM>

A debt rap video by high school teens that took 1st place in the ABA (American Bankers Association) Education Foundation "Lights, Camera, Save!" 2012 contest.

Tim Clue on Debt - <https://www.youtube.com/watch?v=I5bbvMR8Ee4>

Tim Clue, stand-up comedian, on debt and collections.

Don't Buy Stuff You Can't Afford – SNL - <https://www.youtube.com/watch?v=QzE76nUSjL8>

A comedy skit from SNL about not buying stuff you can't afford.

Extension and Enrichment

Research the bankruptcy of a famous person and answer the following questions:

1. Why did they declare bankruptcy?
2. What type of bankruptcy did they declare?
3. What has been the result? Where are they now?

Adaptations

To adapt this lesson to English Language Learners or special needs students, teachers can read the questionnaire to students. Another potential adaptation is to ask students to work in groups or with partners on the questionnaire.

ATTACHEMENT A & B on following pages

What Color Am I? – Student Questionnaire

Please complete the following statements with the choice that best describes you (wait for teacher instruction to learn the score you received for your response):

1. When it comes to money, Score for response_____
 - a. I don't know anything about money.
 - b. I consider myself a saver.
 - c. I am both a saver and a spender.
 - d. I consider myself a spender.

2. When I use my bank account, Score for response_____
 - a. I rarely overdraw my account.
 - b. ...what's a bank account?
 - c. I never overdraw my account.
 - d. I always overdraw my account.

3. My attitude towards borrowing money is: Score for response_____
 - a. I will borrow money for "emergencies."
 - b. I will borrow money for expensive items, like a house or car, from a bank only.
 - c. I borrow from my parents or friends every time.
 - d. I do not borrow money, if I don't have the money, I can't afford it.

4. In terms of my health, Score for response_____
 - a. I am healthy as a horse.
 - b. I occasionally get sick.
 - c. I have ongoing medical issues.
 - d. If it's going around, I get it no matter what.

5. I hope to fund most of my college education with: Score for response_____
 - a. parents/family contributions.
 - b. student loans.
 - c. my savings, by having a job, or scholarships.
 - d. ...I want to go to college, but I don't have a plan to pay for it.

6. When I get unexpected (extra) money, I: Score for response_____
 - a. save it in my savings account.
 - b. spend it!
 - c. spend some and save some.
 - d. stash it in a hiding place.

7. When I go shopping, I Score for response_____
 - a. buy whatever is on the sales rack.
 - b. buy the first thing that catches my eye.
 - c. go in with a spending plan and only buy what I need.
 - d. shop around for the best deal.

Sum of scores for responses on page 1_____

8. If you looked at my bedroom, Score for response _____
- a. it's a disaster zone and I can't find anything.
 - b. it's a little messy, but I know where the important things are located.
 - c. everything has its place and is in it.
 - d. it takes me a while to find what I need.
9. My Internet and social media passwords are Score for response _____
- a. only known by me.
 - b. public knowledge.
 - c. known by only me and my parents.
 - d. shared only with my best friend or boyfriend/girlfriend.
10. I consider deadlines Score for response _____
- a. things I try really hard to meet.
 - b. things that must be met.
 - c. as only suggestions.
 - d. ...what's a deadline?
11. When it comes to spending my money, Score for response _____
- a. I have no spending plan, I spend where I want to at the time.
 - b. I have a plan for it before I actually spend it.
 - c. I meet my needs, then spend the rest where I want.
 - d. I have a general idea where my money needs to go.
12. When someone offers me something important, Score for response _____
- a. I glance over it to pretend I know what I am doing.
 - b. I follow my gut feeling.
 - c. I accept it at face value.
 - d. I ask questions and understand the details.
13. With credit cards, I think it is okay to: Score for response _____
- a. ...I won't have a credit card, they are evil.
 - b. make all my purchases on it and carry a balance.
 - c. use to purchase big ticket items and pay off over time.
 - d. use sparingly and pay the balance each month.
14. One word that best describes my attitude toward money is: Score for response _____
- a. respect.
 - b. caution.
 - c. anxiety.
 - d. power.
15. I think bankruptcy is: Score for response _____
- a. an easy way out.
 - b. a tool for those with past mistakes.
 - c. a last resort.
 - d. good for some people.

Sum of scores for responses on page 2 _____

Total Score (add sum of scores from both pages) _____

What Color Am I? (Bankruptcy Behavior Questionnaire) – Teacher Guide

[point value for each question is in (parenthesis)]

Please complete the following statements with the choice that best describes you:

1. When it comes to money,
 - a. I don't know anything about money. (4)
 - b. I consider myself a saver. (1)
 - c. I am both a saver and a spender. (2)
 - d. I consider myself a spender. (3)

People who save tend to be in a better financial situation when an emergency occurs and have the funds to pay for it, thus not getting themselves in debt.

2. When I use my bank account,
 - a. I rarely overdraw my account. (2)
 - b. ...what's a bank account? (3)
 - c. I never overdraw my account. (1)
 - d. I always overdraw my account. (4)

An awareness of how much money you have at all times and keeping track of your spending tends to lend itself to staying out of financial difficulty. Conversely, not being aware of how much you are spending versus how much you have available to spend can lead to financial difficulties and debt.

3. My attitude towards borrowing money is:
 - a. I will borrow money for "emergencies." (3)
 - b. I will borrow money for expensive items, like a house or car, from a bank only. (2)
 - c. I borrow from my parents or friends every time. (4)
 - d. I do not borrow money, if I don't have the money, I can't afford it. (1)

Borrowing too frequently for items that are "non-essentials" can lead to overuse of credit which can lead to too much debt. It also shows an inability to handle your available funds well. Not borrowing or borrowing only for housing and transportation can limit your debt level.

4. In terms of my health,
 - a. I am healthy as a horse. (1)
 - b. I occasionally get sick. (2)
 - c. I have ongoing medical issues. (4)
 - d. If it's going around, I get it no matter what. (3)

The thought behind this question is that health issues are expensive and can lead to extreme levels of debt – regardless of your ability to handle money. Remind students not to be alarmed if they have medical issues, but they are something to plan and be prepared for with budgeting. Medical expenses are the number one cause of bankruptcy:

<http://www.cnbc.com/id/100840148>

5. I hope to fund most of my college education with:
- a. parents/family contributions. (2)
 - b. student loans. (3)
 - c. my savings, by having a job, or scholarships. (1)
 - d. ...I want to go to college, but I don't have a plan to pay for it. (4)

Planning for the cost of future events and taking ownership of paying for them shows responsibility toward money. Parent contributions are great, but can lead to a lack of awareness of the value and cost of the education. Student loans are debt that will have to be repaid and too much debt can be harmful.

6. When I get unexpected (extra) money, I:
- a. save it in my savings account. (1)
 - b. spend it! (4)
 - c. spend some and save some. (3)
 - d. stash it in a hiding place. (2)

An awareness of the value of saving money in a safe place where it will earn interest can lead to a future that is more financially secure.

7. When I go shopping, I
- a. buy whatever is on the sales rack. (3)
 - b. buy the first thing that catches my eye. (4)
 - c. go in with a spending plan and only buy what I need. (1)
 - d. shop around for the best deal. (2)

Compulsive shoppers tend to find themselves in debt and never having enough money. They will even purchase "big ticket" items on credit and then be unable to make the payments. Shoppers who have a plan and shop around tend to spend less and are more careful with their money.

8. If you looked at my bedroom,
- a. it's a disaster zone and I can't find anything. (4)
 - b. it's a little messy, but I know where the important things are located. (2)
 - c. everything has its place and is in it. (1)
 - d. it takes me a while to find what I need. (3)

The thought behind this question is that people who are messy will tend to misplace bills and therefore not pay on time, thus increasing their interest rates and late payment penalties and reducing their credit score.

9. My Internet and social media passwords are
- a. only known by me. (1)
 - b. public knowledge. (4)
 - c. known by only me and my parents. (2)
 - d. shared only with my best friend or boyfriend/girlfriend. (3)

People who protect their privacy will have less likelihood of getting hacked and having their identities stolen. These things will hurt your credit and are hard to get cleared up.

10. I consider deadlines

- a. things I try really hard to meet. (2)
- b. things that must be met. (1)
- c. as only suggestions. (3)
- d. ...what's a deadline? (4)

Once again, the rationale behind this question is that people who are good at deadlines will probably pay their bills on time. Those who have a hard time meeting deadlines will not get their bills paid on time – thus bringing about late fees and the potential of higher interest rates because of lower credit scores. This can lead to higher debt levels.

11. When it comes to spending my money,

- a. I have no spending plan, I spend where I want to at the time. (4)
- b. I have a plan for it before I actually spend it. (1)
- c. I meet my needs, then spend the rest where I want. (3)
- d. I have a general idea where my money needs to go. (2)

Again, shoppers who have a plan and shop around tend to spend less and are more careful with their money. People who have no plan end up spending more than they can afford.

12. When someone offers me something important,

- a. I glance over it to pretend I know what I am doing. (3)
- b. I follow my gut feeling. (2)
- c. I accept it at face value. (4)
- d. I ask questions and understand the details. (1)

The thought behind this question was how wise or gullible we are with our money. Those who ask questions will not tend to fall for scams. Those who ask no questions will more easily fall for the scam which can lead to financial hardship.

13. With credit cards, I think it is okay to:

- a. ...I won't have a credit card, they are evil. (1)
- b. make all my purchases on it and carry a balance. (4)
- c. use to purchase big ticket items and pay off over time. (3)
- d. use sparingly and pay the balance each month. (2)

Many people have no concept that a credit card is a high interest loan and carrying a balance can cost a lot of money over time. Once again, borrowing too frequently for items that are "non-essentials" can lead to overuse of credit which can lead to too much debt. It also shows an inability to handle your available funds well.

14. One word that best describes my attitude toward money is:

- a. respect. (1)
- b. caution. (2)
- c. anxiety. (3)
- d. power. (4)

People who handle money with respect or caution tend to save more and spend less – thus having cash reserves in case of emergency. An anxious attitude is usually the result of a lack of knowledge in how to handle money. An attitude of power tends to create people who buy things to look create the illusion that they can have whatever they want, whenever they want – thus leading them into debt.

15. I think bankruptcy is:

- a. an easy way out. (4)
- b. a tool for those with past mistakes. (2)
- c. a last resort. (1)
- d. good for some people. (3)

Our attitude toward bankruptcy can influence how we handle money in the present.

Scoring:

15-20 points – You are GREEN. You handle your money wisely and have a very low risk for declaring bankruptcy. You are “good to go”.

21-30 points – You are BLUE. You handle money well – but some of your choices could cause some financial problems. You are average risk for declaring bankruptcy.

31-40 points – You are YELLOW. You need to use caution with the way you handle money and your choices could lead to financial difficulties. You are at moderate risk for bankruptcy.

41-60 points – You are RED. You are making some poor choices in your life that could lead to financial hardship. You are high risk for bankruptcy.