



MONEY SMART 2.0 LESSON GUIDE

for Grades 6-8



The National Theatre for Children

NTC Financial Literacy
K-12 Curriculum

LESSON 11 *Risky Business*

LESSON OVERVIEW

This lesson will explore the basic principles of financial risk, engaging students in initial risk-management debates about insurance and emergency savings.

TOPIC: Financial Risk

CLASS TIME: 60 minutes (excluding Expanded Information to Share activities)

LEARNING OBJECTIVES:

Students will be able to:

- Identify methods to protect themselves from unwanted financial risk
- Create a risk management plan for a purchase

SUPPLIES:

- Access to the internet (optional)

PROCEDURE:

- Make copies of student handout and group handouts
- Set up individual or group computers with access to the internet (optional)

STUDENT HANDOUT:

- Insure Yourself

GROUP HANDOUTS:

- Purchasing a Car (1 per group)
- Insurance Scenarios (1 per group)

CRITICAL THINKING QUESTIONS:

- *What is risk management?*
- *How does risk management change based on different situations?*

ASSESSMENT ACTIVITIES:

PRE-ASSESSMENT:

- There's a Little Risk in Everything activity

POST-ASSESSMENT:

- Insure Yourself student handout
- Financial Risk Exit Options

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INSTRUCTION STEPS

WARM UP

THERE'S A LITTLE RISK IN EVERYTHING [10 MINUTES]

Explain to students that, although they may seem fairly routine, activities such as riding a bike, skateboarding or driving a car could be classified as risky behaviors. In fact, some might say that there's a risk in almost everything we do, from walking to school to sitting down at the dinner table to eat. Consider some everyday activities. Ask: *What are the risks involved with those activities?* (Possible answers: you can fall off of your bike or skateboard, you can choke while you're eating, you can accidentally cut yourself with scissors)

Next, ask students: *What are some actions that people could take to make those activities less risky?* (Possible answers: wearing a helmet, cutting up food or chewing slowly, holding the scissors in a safe way) Ask students to consider: *Could some of these events happen even if you took action to try to avoid them?* (Yes)

Ask students: *What are the costs of some of these bad things happening?* (Possible answers: having to go to the doctor or the hospital) Explain that this is one reason why we purchase insurance. If those risks end up becoming a reality, the cost of taking care of yourself is not too high.

GUIDED EXPLORATION

INTRODUCING RISK MANAGEMENT AND INSURANCE [10 MINUTES]

Link to the Warm Up by introducing the vocabulary **risk management** and **insurance**. Explain to students that what they just did was a type of risk management. True risk management is "the process of calculating risk and devising methods to minimize or manage loss." For example: When you buy a car, you are purchasing something valuable.

What are some of the financial risks of owning a car? (Possible answers: getting into an accident, car repairs, theft) In order to minimize the financial risk of owning a car, car owners purchase insurance. Insurance is "a risk management tool that protects individuals from specific financial losses under specific terms and premium payments, as described in a written policy document." For example, covering property damage during a car accident or protecting dependents if someone passes away and those dependents lose their income.

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INSTRUCTION STEPS

INTRODUCING RISK MANAGEMENT AND INSURANCE [Continued]

Check for understanding by discussing with students:

- *What are some purchases that have financial risk?* (Possible answers: house, car, big vacation, a business)
- *What are those risks?* (Possible answers: accident or weather-related damage, loss or theft)
- *Why is it a good idea to buy insurance for your purchases?* (Possible answer: It makes potential damage or loss less severe because the insurance company helps you recover. For example, if you get into a car accident, having vehicle insurance means that you won't have to pay for all of the repairs yourself.)



MONEY SMART TIP

What are the health insurance laws in your state? How does having health insurance reduce financial risk? Find resources at www.healthcare.gov/families/.

GROUP EXPLORATION

MAKING INSURANCE DECISIONS [30 MINUTES]

Split students into groups of three or four. Distribute the **Insure Yourself** student handout and the **Purchasing a Car and Insurance Scenarios** group handouts.

Grade Level Modifications:

Advanced: Allow students to search for additional insurance options online to see if they can find more coverage, more appropriate insurance or a better deal.

Guide students to read through the teacher presentation slide about their purchase, the cost of the purchase and the options for insuring their purchase. Students should use the **Insure Yourself** worksheet to record information and make their decision.

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INSTRUCTION STEPS

MAKING INSURANCE DECISIONS [Continued]

As groups move through the scenario activity, see whether their choice of insurance matches the **Insurance Scenarios** group handout. Have students copy or paraphrase the scenario onto their **Insure Yourself** student handouts, then determine how much they pay, with and without the insurance, based on the scenario. (Note: Decide in advance which student groups get Scenario 1, which groups get Scenario 2 and so on.) See the **Answer Key** for a sample answer of the **Insure Yourself** student handout.

When all groups have finished, allow each group a few minutes to present their purchase and explain why they chose one insurance plan over the other.

Check for understanding and review questions:

- *What types of insurance exist? Do you know of any others?*
- *Why is insurance a good investment?*
- *Do you need to insure everything you own? Why or why not?*

WRAP UP

FINANCIAL RISK EXIT OPTIONS [10 MINUTES]

Present students with three options for their closing activity:

- Create a fictional financial risk superhero cartoon. Based on what you have learned today, create a superhero that can make possible damages or losses less severe for the public.
- Quick-write: Consider your own family situation. *What risks does your family have? What actions can be taken to protect your family from risk? Why?*
- Write a letter to your future self, explaining why it's important to protect yourself against unwanted financial situations and how you can protect yourself.

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EXPANDED INFORMATION TO SHARE

NOTE: Use the following ideas to extend financial literacy concepts throughout the school year within core content areas through English Language Arts, Math, Social Studies and Economics, and Technology activities, projects and discussions. Duration of activities will vary.

ENGLISH/LANGUAGE ARTS

- **Writing Prompts**

- Describe a different scenario in which you would need to buy insurance (for example: purchasing a house or buying life insurance). Explain the financial risk involved and how insurance could lessen that financial risk.

- **Additional Readings/Resources**

- *Protect Your Belongings* by the U.S. government: Helpful tips on homeowner's and renter's insurance. www.usa.gov/property-insurance
- *The World Is a Risky Place* by BizKids: A short video clip on the risks involved in business and protections available. (Time of video: 1:20 minutes) hbizkids.com/lesson/lesson-207

MATH

- **Activity/Project Ideas**

- Explore the real-world cost of insurance. Research types of insurance, the cost of each type of insurance and the protections afforded by the insurance. Evaluate to determine the best types of insurance for different scenarios.

SOCIAL STUDIES AND ECONOMICS

- **Activity/Project Ideas**

- Most states have specific laws about the required types of car insurance. Research your state's laws and compare them to the activity from this lesson.

TECHNOLOGY

- **Online Games/Tools**

- A fun video to help students understand the concepts and terms associated with risk and insurance. (Time of video: 1:31 minutes) www.youtube.com/watch?v=z3NEM1HptqU

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ANSWER KEY FOR STUDENT HANDOUTS

INSURE YOURSELF

Answers will vary. Completed Sample:

My Group's Purchase: **Car**

Value of Purchase: **\$18,000**

Brainstorm the risks associated with this purchase. What could happen to this purchase?

Car accident, theft, weather-related damage, vandalism

Consider the two insurance options. Which option will your group buy? Why?

Collision Coverage – We chose collision coverage because the description says the most accidents fall under this kind of insurance policy.

PUT YOUR INSURANCE TO THE TEST:

Scenario Description: **Scenario #1 – Car is flooded**

Cost without insurance: **\$7,500**

Cost with insurance: **\$700**

Did your group make the right choice? Explain. **We did not make the right decision. Because collision coverage does not cover flood damage, we owe the full cost of repairs instead of the \$750 deductible.**

Insure Yourself

Name: _____

My group's purchase: _____ Value of purchase: _____

Brainstorm the risks associated with this purchase. What could happen to this purchase?

Consider the two insurance options. Which option will your group buy? Why?

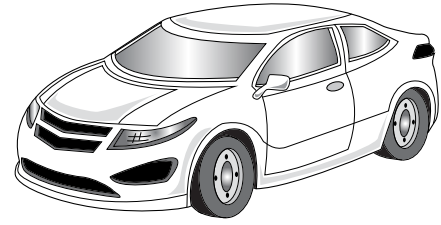
PUT YOUR INSURANCE TO THE TEST:

Scenario description:

Cost without insurance: _____ Cost with insurance: _____

Did your group make the right choice? Explain:

Purchasing a Car



Directions: Use with Making Insurance Decisions activity.

Make one copy per group of students.

Our purchase: You just bought a car for \$18,000. Congratulations! Even though you've been driving for several years without a single accident, your state requires that at the very least you buy liability insurance. That means that, if you get into an accident, your insurance will pay the costs of repair and injury for the other person if it was your fault. Now you have a choice: What else do you want to cover?

Vehicle Cost: \$18,000

Option 1: Collision Coverage

Buying collision coverage is protection for when your car is involved in a crash with another vehicle or a stationary object.

Most accidents fall under this kind of insurance policy. Damage includes your vehicle crashing into another vehicle, another vehicle colliding with yours, or ramming into a street light, pole or some other stationary object.

If you use collision coverage, you pay a \$750 deductible to repair your car, and the insurance company pays the rest.

Monthly cost: \$100

Option 2: Collision and Comprehensive Coverage

Collision coverage offers the same protections as Option 1. Comprehensive coverage includes most damage other than collisions. Generally speaking, comprehensive coverage includes any damages where you as the driver do not have control of your vehicle. This might include natural disasters, vandalism or theft, or falling objects.

If you use collision coverage, you pay a \$750 deductible to repair your car, and the insurance company pays the rest.

If you use comprehensive coverage, you pay a \$750 deductible to repair your car, and the insurance company pays the rest.

Monthly cost: \$120

Insurance Scenarios

Directions: Use with **Making Insurance Decisions** activity. Make one copy per group of students.

Scenario 1

Oh no! You've mostly enjoyed living next to the beautiful river, but this past weekend something awful happened! It rained and rained until the river flooded. You thought you were lucky because the floodwaters didn't reach the house, but in your relief, you forgot about your car. You always park it out back and it didn't take long before you realized that your car was flooded. The repairman quoted the cost of repairs at \$7,500.

Scenario 2

Oh no! You've been in an accident! Luckily, no one was hurt, but your car is pretty messed up. You were in the busy grocery store parking lot trying to pull out so that you could head home and make a delicious dinner. You were thinking so much about dinner that you didn't even notice that another car was pulling out at the same time. On impact, your bumper fell off the back of the car. The repairperson quoted the cost of repairs at \$800.

Scenario 3

Oh no! Your car window is smashed and there's glass everywhere! You'd heard about a recent spate of burglaries in the neighborhood, but you never thought it would happen to you. It probably didn't help that you left your laptop out on the car seat. After you called the police to report the burglary, you took the car to the repair shop. The repair person quoted the cost of repairs at \$350.

Scenario 4

Ho hum. No big news here. No flooding, no accidents, no burglaries, nothing. You don't owe anything on anything! But you are wondering whether it's worth all that money to keep paying for your car insurance. What do you think?