Borrowing Wisely: Credit, loans and the real cost of borrowing

GLC2O, Unit 5: Planning and Money, Lesson 6. 75 minutes. Teacher lesson plan.

Lesson at a glance

Borrowing can help you reach a goal, but it always costs something. Comparing the forms of borrowing, understanding your credit score and paying more than the minimum help you borrow only what you need, for what you need, at the lowest cost.

What students do: Students consider three ways to pay for an expensive phone, learn how a credit score works and what affects it, compare six forms of borrowing (credit cards, loans, lines of credit, student aid, buy now pay later and payday loans), follow a worked example of paying off a credit card balance at two payment levels, choose the best option for five invented scenarios, and record the benefits and risks of each form in the Money section.

Curriculum expectations

Code	Students will…
C2.2	compare different forms of borrowing and identify some of the risks and benefits associated with each

From The Ontario Curriculum: Career Studies, Grade 10, Open (GLC2O), 2024. A = Developing the Skills, Strategies, and Habits Needed to Succeed; B = Exploring and Preparing for the World of Work; C = Planning and Financial Management to Help Meet Postsecondary Goals.

Learning goals and success criteria

Learning goals	Success criteria
• We are learning to compare different forms of borrowing. • We are learning how credit scores work. • We are learning to identify the risks and benefits of borrowing.	• I can describe how six forms of borrowing work. • I can name the factors that affect a credit score. • I can explain how the payment amount changes the cost of a credit card balance. • I can choose and justify the best option for a borrowing situation.

Materials and preparation

- **Slides:** Borrowing Wisely deck.
- **Handouts:** Borrowing Choices (page 1), Benefits and Risks (page 2).
- **Calculators:** Optional.

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Lesson sequence

Time (min)	Part	Teacher	Students	Look for
0–8	**Hook**	Three ways to pay for a phone.	Discuss.	Total cost, not only payment.
8–28	**Borrowing**	Credit scores; six forms of borrowing; student aid.	Take notes.	
28–36	**Model**	Paying off a credit card balance.	Follow.	Bigger payments, less interest.
36–50	**Borrowing Choices**	Five scenarios.	Choose and justify (page 1).	Uses cost and risk.
50–68	**Benefits and risks**	Conference.	Complete page 2.	Specific risks.
68–75	**Check and exit**	Quick check; exit ticket.	Answer.	

Differentiation

- **Support:** Provide a word bank (interest, minimum payment, credit limit, instalment, credit score) and allow students to work on three scenarios instead of five.
- **ELL:** Pre-teach borrow, lend, owe, debt and credit; these words are easily confused.
- **Challenge:** Explain why the interest on a credit card balance falls each month when payments are higher than the interest.

Assessment

Type	Tool	Purpose
Assessment for learning	Borrowing Choices; Benefits and Risks	Compares forms of borrowing and identifies risks and benefits (C2.2)

Borrowing answers

- **1. Kai:** Save from his job or ask about a used copy or library reserve; avoid a payday loan. A small family loan could work.
- **2. Zoe:** A want. Save first; BNPL risks missed-payment fees and overspending.
- **3. Arjun:** Apply for student aid (OSAP grants and loans), plus bursaries and scholarships.
- **4. Lina:** Use an emergency fund or ask the shop about a payment plan; avoid a payday loan's very high cost.
- **5. Omar:** A low-limit credit card, paid in full every month, builds credit history safely.
- **Model:** Paying $100 a month instead of $50 saves about $124 in interest and clears the balance 13 months sooner.

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Teacher notes

- All rates and dollar amounts are invented. Do not quote current interest rates, payday loan cost limits or student aid amounts; they change. Point students to the Financial Consumer Agency of Canada for borrowing information and to ontario.ca for OSAP.
- Credit scores in Canada range from 300 to 900 and are calculated by the two main credit bureaus, Equifax and TransUnion. Factors include payment history (paying on time), how much of your available credit you use, the length of your credit history, the types of credit you have and how many new applications you make. You can check your own credit report for free from both bureaus.
- Student aid: the Ontario Student Assistance Program (OSAP) combines federal and provincial grants (which don't have to be repaid) and loans (which do, after you finish school). Eligibility depends on family income, program costs and other factors. Students apply for each year of study. Many colleges and universities also offer bursaries and scholarships.
- Credit card worked example (invented): a $1,000 balance at 20% a year (about 1.67% a month), no new purchases. Paying $50 a month takes 25 months and costs about $227 in interest. Paying $100 a month takes 12 months and costs about $103. Calculated month by month with interest rounded to the cent. On most cards, paying the full statement balance by the due date means no interest on new purchases (cash advances are charged interest right away).
- Buy now, pay later plans split a purchase into instalments, often with no interest if every payment is on time, but with fees for missed payments, and some plans do charge interest. Payday loans are among the most expensive ways to borrow; Ontario regulates them, but the cost is still very high.
- Be sensitive: some students' families may use payday loans or carry debt. Keep the focus on choices and options, never on judging people.

Coming up

Lesson 7, Building a Budget.

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