

Reasons for a Loan

Suggested teaching time : 40 minutes

Learning objectives

1. Explain why borrowing money may be needed
2. Identify different types of loans and their related costs

Teaching suggestions

Key teaching points	Concepts / Knowledge / Values / Attitudes
<ul style="list-style-type: none"> • Differentiate between good debt and bad debt • Understand different types of borrowing 	<p>Concepts / Knowledge</p> <ul style="list-style-type: none"> • Good debt and bad debt • Credit cards, personal loans, mortgage loans, cash advances <p>Values / Attitudes</p> <ul style="list-style-type: none"> • Understand the cost of borrowing • Understand that not all situations require a loan

Teaching activities	Teaching resources	Duration
<p>Arouse motivation</p> <p>Let students think about the following questions:</p> <ul style="list-style-type: none"> • Have you ever tried to borrow money from a friend? • What are the consequences of borrowing beyond your ability to repay? 	Teaching Powerpoint P.3	5 mins
<p>Activity 1: Good debt?</p> <p>Divide students into groups of 3 to 4. Ask them to play the roles on the worksheet to discuss whether they should borrow in the following situations:</p> <ul style="list-style-type: none"> • University studies • Stock investment • Business startup • Mobile phone purchase 	Teaching Powerpoint P.4-11 Worksheets P.1-2	10 mins

<p>Activity 2: Pairing different sources of borrowing</p> <p>Divide students into groups of 3 to 4. Discuss the four situations and select suitable type(s) of borrowing for each situation, or if no loan is needed:</p> <ul style="list-style-type: none"> • Buying a flat • A family member has been injured in a car accident and urgently need a large sum of money for surgery • Family trip to Thailand • Lost all cash while traveling <p>Teachers can remind students that borrowing may not be required for all situations.</p>	<p>Teaching Powerpoint P.12-25</p> <p>Worksheets P.2-4</p>	<p>20 mins</p>
<p>Summary</p> <ul style="list-style-type: none"> • Avoid borrowing for non-necessary daily expenses. • Understand borrowing comes with costs, such as additional interest. • Only borrow what you need and when you can repay. • Understand the different types of borrowing (including credit cards, personal loans and mortgage loans). The borrowers should adopt the most appropriate way of borrowing when there is a need. 	<p>Teaching Powerpoint P.26</p> <p>Worksheet P.4</p>	<p>5 mins</p>
<p>Extension activity</p> <p>Compare the Annualised Percentage Rate(%) of different types of borrowing.</p>	<p>Teaching Powerpoint P.27</p> <p>Worksheet P.4</p>	

Reference websites

Non-means-tested Loan Scheme for Full-time Tertiary Students (NLSFT)

<http://www.wfsfaa.gov.hk/sfo/tc/postsecondary/nlsft/overview.htm>

The Chin Family-- Debt and borrowing

<http://www.thechinfamily.hk/web/tc/managing-your-money/debts-and-borrowing/before-you-borrow.html>