

Monetary Transaction Tools

LESSON DESCRIPTION (Background for the Instructor)

In this lesson, students will learn about different types of monetary transaction tools for various situations. A monetary transaction can be loosely defined as one where someone makes or receives a payment and includes deposits, withdrawals, and exchanges. Specific examples of monetary transactions include electronic fund transfers, checks, money orders, gift cards, and bartering.

The lesson includes five activities that instructors can select from. In these activities, students will:

- ◆ View and debrief two YouTube videos about checking accounts: *Check Writing* (describes the check writing process) and *How to Balance Your Checkbook* (describes how to do a balance reconciliation)
- ◆ Perform an activity to write checks and enter checkbook register activities using paper or online forms
- ◆ Conduct a *Web Quest* to learn about gift cards and government regulations associated with gift cards
- ◆ Complete a *Monetary Transactions Crossword Puzzle* with questions about transaction tools
- ◆ Complete a *Bartering Assessment Activity* to identify personal assets (possessions and skills) that are available to barter with others

The lesson also contains 10 assessment questions (5 multiple choice and 5 True-False), learning extensions (i.e., suggested learning activities beyond the scope of the lesson plan), and references and resources.

INTRODUCTION (Background for the Instructor)

Routine household spending activities such as buying groceries, paying rent, and putting gas in a car require different types of monetary transactions. A monetary transaction can be loosely defined as one where someone makes or receives a payment for goods or services. This payment process can include cash deposits and withdrawals, electronic transfers, and exchanges of property. Following is a brief description of 10 different types of monetary transactions and where they are appropriate:

- ◆ **Bartering-** Instead of exchanging cash to purchase property or services, people who barter exchange actual goods and services. Typically, the items that are bartered are of similar value. For example, someone might swap a computer for a television set or computer repair services for a dental exam. Bartering is an ancient concept and was practiced before the invention of currency. It can be done through face-to-face discussions or via online sale and bartering sites, including Craigslist.

A key advantage of bartering is that neither party to the barter arrangement has to spend any money. In addition, people don't have to sell their possessions to make money from them. A disadvantage is the possibility for conflicts if exchange relationships do not work out (e.g., defective products and shoddy services). Another disadvantage is the impact of income taxes. Even though cash is not exchanged in a barter arrangement, the IRS technically requires taxpayers to include in their gross income the fair market value of goods or services received from bartering (e.g., \$295 for a visit with a lawyer).

- ◆ **Cashier's Check-** A cashier's check is a check issued by a financial institution such as bank or credit union. People who use cashier's checks buy them by paying the amount of the check plus a fee, if any (e.g., \$1,000 check plus a \$15 fee). Cashier's checks are often used for large purchases with strangers. An example is when people buy used cars from someone selling their own car. Receiving a cashier's check assures the seller that the check received from the buyer will not "bounce" for insufficient funds.
- ◆ **Certified Check-** A certified check is a personal check certified by a bank or credit union to have sufficient funds on deposit to guarantee payment. The check writer's account balance is verified by the financial institution and the amount of the check is subtracted from the balance. It is not considered as secure as a cashier's check because it is drawn against a personal account (rather than an institution itself) with more opportunity for forgery or disputes among the parties to a transaction.
- ◆ **Checking Accounts-** A checking account (a.k.a., a "demand account," because consumers can demand cash upon request) is typically a consumer's most active monetary transaction tool. Available at banks and credit unions, checking accounts provide a venue to make periodic deposits (e.g., direct deposit of a worker's bi-weekly paycheck) and withdrawals. Withdrawals can be made by writing checks or using a debit card, automated teller machine (ATM) withdrawals, and electronic debits. Many checking accounts require a certain minimum balance to avoid service charges. Some charge a fee for each transaction (i.e., check or deposit). Interest may or may not be paid on a depositor's account balance.
- ◆ **Credit Card-** A credit card allows a person to use borrowed funds to make a purchase. Credit cards can be issued by banks and credit unions (Visa, MasterCard, and American Express bankcards), gasoline companies (e.g., BP), department stores (e.g., Macy's), and specialty clothing stores (e.g., Ann Taylor). A type of open-end credit, credit cards allow borrowers to draw against a maximum limit approved by the card issuer. Payment in full must be made within 30 days to avoid interest charges and at least the minimum payment (often 3% of outstanding balance) must be paid by the due date to avoid late fees.
- ◆ **Debit Cards-** A debit card electronically subtracts money from a person's checking or savings account to pay for products or services. It is the equivalent of writing a check or making a savings account withdrawal to pay for something. Withdrawals happen immediately without any "float" time (i.e., the time between when a transaction is made and when funds are debited from a person's bank account).
- ◆ **Electronic Funds Transfer-** Electronic Funds Transfer or EFT refers to a computerized transfer of money from one bank account to another without an exchange of paper money. Examples include use of a credit or debit card, direct deposit of a worker's paycheck, payroll cards, direct debit payment to pay bills (e.g., a monthly car loan payment), wire transfers, electronic bill-paying, and online banking.
- ◆ **Gift Card-** A type of stored value card (i.e., a card with a certain amount of stored monetary value) that is preloaded with a certain amount of money (e.g., \$50) that can be used to pay for goods and services. Some gift cards are limited to certain retailers (e.g., Macy's and Applebee's restaurants) while others can be used like a credit card in a variety of locations (e.g., American Express gift cards). Some gift cards allow consumers to reload the balance (i.e., add additional funds) while others do not and cards are worthless when spent down. Some have activation fees (e.g., \$5) payable at the time of purchase.

- ◆ **Money Order-** A money order is a check-like financial transaction tool that is used to make payment for goods and services. Money orders can be purchased, for a fee, at banks or credit unions, post offices, check-cashing outlets, Western Union, and retailers such as Walmart and some grocery stores and drug stores (e.g., CVS). Fees vary according to the type of provider (e.g., check-cashing stores generally charge more for money orders than the U.S. Postal Service) and the face amount of the money order (fees generally increase with the dollar amount at certain defined breakpoints such as \$0.01 to \$500 and \$500.01 to \$1,000). Money orders are considered a more secure form of payment than a personal check because they are prepaid at the time of purchase and can be replaced if lost or stolen. Thus, they are widely accepted as a form of payment. They are often used by “unbanked” individuals who lack bank or credit union checking accounts. These individuals often pay check-cashing fees as well as fees to convert the money from their cashed checks into money orders with which to pay bills.

- ◆ **Prepaid Debit Cards-** A prepaid debit card is a debit card that is loaded with a certain amount of money (e.g., \$500) that is available for spending. It is different than a traditional debit card that is linked to the balance available in a checking or savings account. In most cases, consumers are unable to spend more than the preloaded amount. Consumers should pay attention to fees that are charged for activation, loading, reloading, and purchase transactions as many prepaid debit cards have high fees. An advantage of prepaid cards is that there is a fixed spending limit and users cannot get into debt.

OBJECTIVES

Students will be able to:

- ◆ Write a check and complete an online checking account balancing activity
- ◆ Define and distinguish between ten different types of monetary transactions.
- ◆ Learn about characteristics of gift cards and regulations associated with their use.
- ◆ Perform an assessment of personal resources (i.e., possessions and skills) available for bartering.
- ◆ Learn new vocabulary related to monetary transactions (e.g., float, stored value card, reloading fee).

NEW JERSEY PERSONAL FINANCIAL LITERACY STANDARD

- ◆ Standard 9.1.12.E1: Evaluate the appropriateness of different types of monetary transactions for various situations.
See <http://www.state.nj.us/education/aps/cccs/career/FLFAQ.htm#gradcredit> and <http://www.state.nj.us/education/cccs/2014/career/91.pdf> for information about Standard 9.1

TIME REQUIRED

45 to 180 minutes (depending upon student progress and content depth and number of activities used)

MATERIALS

- ◆ YouTube Video (2:39): *Check Writing*: <https://www.youtube.com/watch?v=mZ5pURzSXS4> An alternative YouTube Video (1:08) without any narration is *How to Write a Check*: <https://www.youtube.com/watch?v=I9xcF3dPy5c>
- ◆ YouTube Video (1:51): *How to Balance Your Checkbook*: <https://www.youtube.com/watch?v=4KLuuSY2UIQ>
- ◆ Interactive Online Activity: *Writing Check*: <http://www.themint.org/teens/writing-a-check.html> (accompanying PDF document: http://www.themint.org/pdf/activity_Writing_A_Check.pdf)
- ◆ Interactive Online Activity: *Balance Your Checking Account*: <http://www.themint.org/teens/balance-your-checking-account.html> (accompanying PDF document: http://www.themint.org/pdf/activity_Balancing_Your_Checking_Account.pdf)
- ◆ *Gift Card Web Quest* activity handout
- ◆ *Monetary Transactions Crossword Puzzle* activity handout created by the *Puzzle-Maker* web site: <http://www.puzzle-maker.com/>
- ◆ *Bartering Assessment Activity* handout
- ◆ *Monetary Transactions Quiz (ASSESSMENT)*

Teachers are encouraged to use as many of the student learning activities as time permits to provide a fuller understanding of inflation. The activities can also be used for extra credit assignments, homework, or after-school activities.

PROCEDURE

1. As an introductory activity, ask students to describe all the possible ways that they can think of that people can make or receive payments for goods and services. Encourage them to think beyond cash payments and include other types of payment that they have used personally or observed others use.

Answers will vary but should provide a smooth introduction to the lesson content. Probe students to find out what they actually know about various monetary transaction tools. For example, if a student says “debit card,” ask if he/she knows what a debit card actually is.

Then ask students to explain why monetary tools such as the ones that they described are necessary.

Again, answers will vary. Reasons that students may mention include convenience (e.g., it is easy to swipe a prepaid debit card), safety (e.g., you don’t need to carry around a lot of cash if you use a credit card), flexibility (e.g., you can use a gift card to buy different products or services), and trust (e.g., a cashier’s check guarantees that a check won’t “bounce” for insufficient funds).

2. **Activity 1:** Show the video *Check Writing* and ask students to explain key take-aways: <https://www.youtube.com/watch?v=mZ5pURzSXS4>

Answers will vary and may include the sections (features) of a check, the steps involved in writing out a check, the need to write checks clearly and add lines to blank spaces to preclude someone from altering the check amount, to make sure that the amount written in numbers and words match, what a bank routing number is, and the need to use a uniform signature on all checks that are written.

Then show the video *How to Balance Your Checkbook* and ask students to explain key take-aways:
<https://www.youtube.com/watch?v=4KLuuSY2UIQ>

Students will probably recap some of the key points such as the fact that 40% of Americans do not balance their checkbook and 20% don't track their finances at all. They might also mention some of the steps in the check-balancing process that were described. Prompt them to list these steps in order:

- 1: Keep track of deposits, checks, withdrawals, and other account debits (e.g., ATM fee) in a check register*
- 2: Gather together your latest bank statement and checkbook register*
- 3: Review the bank statement to determine which checks have cleared; mark them in checkbook register*
- 4: Verify that all deposits that were made have been recorded*
- 5: Compare your record of withdrawals to debits shown on the statement*
- 6: Note additional amounts on bank statement (e.g., interest, fees) and adjust checkbook accordingly*
- 7: Make two lists: one for outstanding deposits and one for outstanding checks that have not cleared*
- 8: Checkbook balance should equal statement balance + outstanding deposits – outstanding checks*

3. **Activity 2:** Ask students to complete two online check writing and check balancing activities:

Interactive Online Activity: *Writing Check*: <http://www.themint.org/teens/writing-a-check.html>

(accompanying PDF document: http://www.themint.org/pdf/activity_Writing_A_Check.pdf)

Interactive Online Activity: *Balance Your Checking Account*:

<http://www.themint.org/teens/balance-your-checking-account.html> (accompanying PDF document:

http://www.themint.org/pdf/activity_Balancing_Your_Checking_Account.pdf)

Students will “write” a check online with a “pen” for their signature. Teachers can also do these activities in a “paper and pencil” format using the downloadable PDF forms shown above. The correct answer for the checkbook register balance at the end of the second activity (Balance Your Checking Account) is \$336.71. Students will record check register deposits and withdrawals in the textboxes in the online form.

4. **Activity 3:** Distribute the *Gift Card Web Quest* activity handout and ask students to search for information from reputable sources, such as the Federal Trade Commission, Consumers Union, and national media outlets. about gift cards and government regulations associated with gift cards.

Answers will vary. Students should find out that new federal rules for gift cards went into effect in 2010 to protect consumers by restricting fees and expiration dates. For example, money on a gift card cannot expire for at least five years from the date that a gift card was purchased and inactivity fees can be charged only after a card hasn't been used for at least one year. In addition, the expiration date of a card must be clearly disclosed on the card and fees on a gift card or its packaging. Students might also mention that there are two types of gift cards: bank gift cards that carry the logo of a bankcard company such as Visa or American Express, and can be used wherever the bankcard brand is accepted, and retail gift cards that can only be redeemed at the retailer or restaurant associated with a gift card (e.g., Sears and Applebees).

5. **Activity 4:** Ask students to complete the *Monetary Transactions Crossword Puzzle* that incorporates 10 key concepts and terms from this lesson. The puzzle was created using the web site Puzzle Maker (<http://www.puzzle-maker.com/>) and the questions and answers are shown below.

Bartering/ The exchange of goods and services instead of cash.

Deposit/ A type of monetary transaction.

Certified/ A personal check guaranteed to have sufficient funds for payment.

Checking/ Commonly used name for a demand account.

Credit/ Plastic card that allows a person to use borrowed funds to make a purchase.

Debit/ Plastic card that subtracts the amount of purchases from a person's checking or savings account balance.

EFT/ Computerized transfer of money from one bank to another.

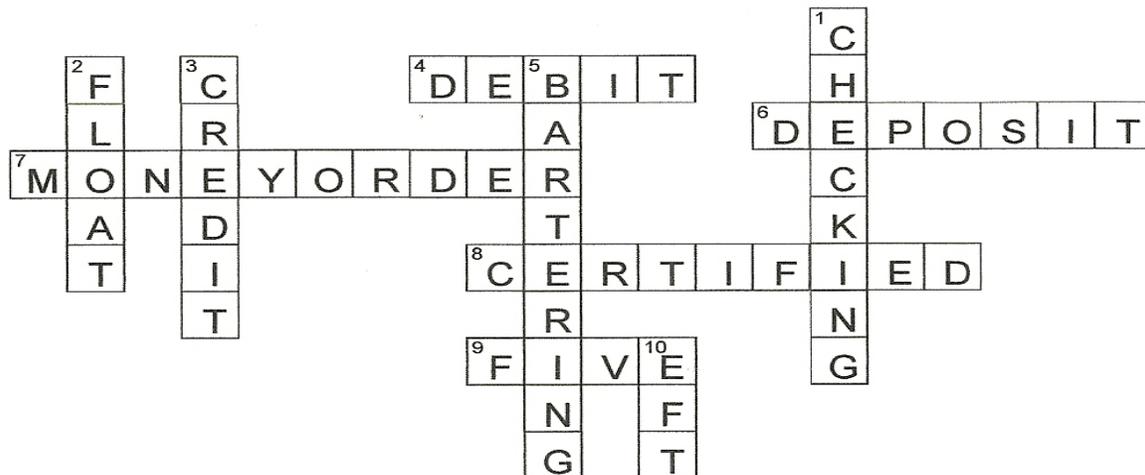
Five/ Minimum number of years before a gift card can expire.

Float/ The time between when a purchase is made and the amount is debited from a person's bank account.

Money Order/ A check-like tool that can be purchased for a fee to make payments.

Monetary Transactions Crossword Puzzle

Activity 4



6. **Activity 5: Bartering Assessment Activity:** Distribute the handout and ask students to identify personal assets (possessions and skills) that they have available to barter with others. The worksheet also includes spaces for students to list possessions and skills that they want others to barter with them. Tell students that they are doing this activity because bartering works best if both parties to the arrangement have assets of value and clear expectations about what is being exchanged.

Students' discussion will vary, depending on their personal characteristics, needs, and wants.

CLOSURE

Ask students if they have any remaining questions about monetary transactions. Then ask them which monetary transactions they are *most likely* and *least likely* to use in the next year and why. Note that usage patterns have been changing over time. Debit cards now have a higher percentage of transactions than credit cards (see <http://thefinancialbrand.com/39408/consumer-cash-usage-banking-payment-research/>).

GLOSSARY

See the 10 items described in the *Introduction* for detailed definitions of types of monetary transactions.

LEARNING EXTENSIONS

If time permits, the following activities can be used to extend the depth of this lesson:

- ◆ Discuss the content of the article *6 Reasons Why Cash is Still the King of Payments*: <http://thefinancialbrand.com/39408/consumer-cash-usage-banking-payment-research/>.
- ◆ Show and debrief key take-aways from the YouTube video: *7 Facts to Stop Bouncing Checks*: <https://www.youtube.com/watch?v=9gRfhcBMVcM>.
- ◆ Show and debrief key take-aways from the YouTube video: *Unclaimed Property Law Has Gift Card Companies Leaving State*: <https://www.youtube.com/watch?v=gACkpID8s7o>
- ◆ Show and debrief key take-aways from the YouTube video: *New Gift Card Laws May Mean Dollars For You*: <https://www.youtube.com/watch?v=ev4X75Iud5U>
- ◆ Invite one or more representatives from a local financial institution (bank and/or credit union) as guest speakers to discuss various types of monetary transaction tools and their cost structure.
- ◆ Have students do an online search about various types of monetary transaction tools and present a 1-2 minute summary to the class
- ◆ Have students take the online *Ultimate Gift Card Quiz* from How Stuff Works to learn more about gift card transactions: <http://money.howstuffworks.com/personal-finance/budgeting/gift-card-quiz.htm>
- ◆ Have students take the online *Ultimate cash, Credit, or Debit Shopping Quiz* to learn more about different types of monetary transactions: <http://money.howstuffworks.com/personal-finance/debt-management/cash-credit-or-debit-shopping-quiz.htm>.
- ◆ Have students write an article about monetary transactions for the school newspaper or a class blog. They might include results from the *Gift Card Web Quest* and/or *Bartering Assessment Activity*.
- ◆ Have students do an online or in person search for information about the cost of various monetary transaction tools at local financial institutions.
- ◆ Have students write 140 character Twitter messages or longer Facebook messages describing what they learned about monetary transactions (**Note:** even if school regulations prohibit social media message delivery by students, the process of writing the messages is educational).

ASSESSMENT: *Monetary Transactions Quiz*

Instructors are encouraged to use the questions below for content review or as a pre-and/or post-test to determine gains in student knowledge about monetary transactions after teaching this lesson.

Correct answers to the multiple choice and True-False questions are shown in boldface type.

Multiple Choice Questions

1. A demand deposit is also known as a
 - a. Secured loan
 - b. Checking account**
 - c. Savings account
 - d. Certificate of deposit

2. ATM is an acronym for what type of electronic funds transfer tool?
 - a. Available teller machine
 - b. Automatic teller machine**
 - c. Automatic transaction machine
 - d. Available transaction machine

3. What type of monetary transaction tool is a gift card from a retailer or restaurant?
 - a. Stored value card**
 - b. Prepaid debit card
 - c. Smart credit card
 - d. Online payment card

4. What type of monetary transaction tool deducts purchases directly from a person's checking account?
 - a. Money order
 - b. Stored value card
 - c. Debit card**
 - d. Prepaid debit card

5. Which of the following monetary transaction tools can be used to provide a personal check with guaranteed payment when you buy a used car from a stranger?
 - a. Money order
 - b. Traveler's check
 - c. Cashier's check
 - d. Certified check**

True-False Questions

1. Many people who use money orders do not have a checking account with a bank or credit union.
(TRUE: Many unbanked individuals pay fee to both cash checks and purchase money orders with which to pay bills. About 1 in 13 (7.7%) U.S. households are unbanked according to the FDIC)

2. Direct deposit is a form of electronic funds transfer. (**TRUE: ETF transactions include a variety of computerized transfers of money between financial institutions including automated payroll deposits and automated debits to pay bills such as a monthly car loan payment**)
3. Gift cards are prohibited by federal law from charging usage fees. (**FALSE: Gift cards are permitted to charge fees but they must clearly disclose them on the gift card itself and/or its packaging. Examples of fees that are charged by gift cards include activation fees, dormancy (non-use) fees, reloading fees, and card replacement fees**)
4. Making transactions using a debit card will immediately reduce your bank balance (**TRUE: There is no grace period on debit card purchases the way there is on credit card purchases. Rather, the amount of a purchase is immediately deducted from a person's checking account. There is no "float" time between when the time of purchase and the time of payment**)
5. Interest is generally charged on debit card purchases. (**FALSE: Interest is charged on credit cards if full payment of the outstanding balance is not made by the statement due date. Debit cards do not charge interest, but they often charge fees for monthly maintenance, purchase transactions, ATM use, overdrafts, and/or making withdrawals with insufficient funds. Debit card users need to "read the fine print" carefully to avoid triggering fees**)

REFERENCES AND RESOURCES

Advantages and Disadvantages of Bartering (The Nest): <http://budgeting.thenest.com/advantages-disadvantages-bartering-22696.html>

Bartering Income (Internal Revenue Service): <http://www.irs.gov/taxtopics/tc420.html>

Bartering Lesson Plan (Pieces of Science): <http://learn.fi.edu/pieces/knox/barterlesson.htm>

Certified Check or Cashier's Check- Which is Better for You? (Credit Today): <http://www.credittoday.net/public/1480.cfm>

Credit Cards vs. Debit Cards vs. Prepaid Cards (Young Money): http://finance.youngmoney.com/credit_debt/credit_basics/credit_debit_prepaid/

Do Gift Cards Have Fees? (Gift Card Girlfriend): <http://www.giftcards.com/gcgf/do-giftcards-have-fees>

Gift Cards (Federal Trade Commission): <http://www.consumer.ftc.gov/articles/0182-gift-cards>

Instant Online Puzzle-Maker (Puzzle-Maker.com): <http://www.puzzle-maker.com/>

Lessons for Bartering (Lesson Corner): http://www.lessoncorner.com/Social_Studies/Economics/Bartering

Money Order Basics (About Money): <http://banking.about.com/od/howtobank/a/Money-Orders.htm>

Ten Gift Cards to Buy- And Avoid (Forbes): http://www.forbes.com/2008/11/26/gift-cards-shopping-forbeslife-cx_jp_1128lifestyle.html

What Do I Need to Know About Using a Debit Card? (Consumer Action): http://www.consumer-action.org/helpdesk/articles/what_do_i_need_to_know_about_using_a_debit_card

What is a Debit Card? (NerdWallet): <http://www.nerdwallet.com/blog/nerdscholar/debit-card/>

Web Quest: Inflation Web Quest

The best way to truly understand something is to understand its history. With this activity, you will visit web sites to research historical U.S. inflation rates and how they have changed over time.

Instructions:

1. Go to an online search engine (e.g., Google, Bing) and search for “U.S. inflation rate history ”
2. Read three articles (not paid advertisements) that describe how inflation rates have changed over time.
3. When you are done reading, complete the table below by describing three key pieces of information that you found and the name of the online information source.
4. Be prepared to discuss the information that you found with the entire class.

Information Source	Information About U.S. Inflation Rate History

Inflation Calculator Activity

Inflation increases the cost of products and services over time. With this activity you will compare today's value of three items (2013 median U.S. income, the 2015 price of a Chevrolet Corvette, and 2015 median sale price of a home in the U.S.) with an approximation of their previous values, assuming a 3% rate of inflation.

Follow the steps below to calculate the previous value of these three items.

Step 1: (CPI Inflation Calculator): <http://data.bls.gov/cgi-bin/cpicalc.pl>

Step 2: Enter the current value of each item (median incomes, Corvettes, homes) in the first open field

Step 3: Enter the year that each item was most recently valued (e.g., 2015) in the second open field

Step 4: Enter the previous date found in each table row, below, in the third open field and press calculate

Step 5: Write the down the rounded off previous values of the three items in the spaces below

Step 6: Write a one-paragraph summary describing what you learned from this activity:

U.S. Median Household Income

2013	\$52,250
1995	
1975	
1950	
1930	

Chevrolet Corvette Stingray

2015	\$55,000
1995	
1975	
1953	

Median Sale Price of a U.S. Home and a New Jersey Home

2015 (U.S.)	\$215,177	2015 (NJ)	\$273,590
1995		1995	
1975		1975	
1950		1950	
1930		1930	

If Benjamins Could Talk Activity



Pretend that you are a \$100 bill named “Benjamin.” Write a story about your past, present, and future value and what you can or could buy in various time periods. Use these online calculators to help you:

<http://data.bls.gov/cgi-bin/cpicalc.pl> (to determine past and future dollar values based upon the CPI)

<http://www.moneychimp.com/features/rule72.htm> (to determine inflation losses using the Rule of 72)

<http://www.investopedia.com/calculator/fvcal.aspx> (to determine the future value of \$100)

Inflation Winners and Losers Activity

Inflation, like many things in life, affects people in different ways. Some people benefit from inflation, or at least experience few negative financial impacts (winners), while others experience financial losses (losers).

Instructions:

1. Go to an online search engine (e.g., Google, Bing) and search for “inflation winners and losers ”
2. Read three articles (not paid advertisements) that describe how people are impacted by inflation.
3. When you are done reading, complete the table below by describing three examples of inflation winners and losers and how they are positively or negatively impacted by inflation.
4. Be prepared to discuss the information that you found with the entire class.

	Description	Rationale
Inflation Winner #1		
Inflation Winner #2		
Inflation Winner #3		

	Description	Rationale
Inflation Loser #1		
Inflation Loser #2		
Inflation Loser #3		

Inflation Quiz

Multiple Choice Questions:

Circle the correct answer from among the four answers provided.

1. To calculate the future cost of a product or service, people need to know everything except the
 - a. Inflation rate (e.g., 3%)
 - b. Current cost of product or service
 - c. Type of product or service
 - d. Future purchase date
2. An increase in the general level of prices for goods and services in the economy that causes changes in consumer buying power is referred to as _____ risk.
 - a. Interest-rate
 - b. Inflation
 - c. Market
 - d. Economic
3. Who is hurt *most* by inflation?
 - a. Homeowners with adjustable-rate mortgages
 - b. Homeowners with fixed-rate mortgages
 - c. People who own real estate
 - d. People who buy precious metals such as gold
4. To determine how long it takes for prices to double, divide an assumed inflation rate into 72. This is called the Rule of 72. If a 4% inflation rate is expected, how long will it take for prices to double?
 - a. 12 years
 - b. 16 years
 - c. 18 years
 - d. 24 years
5. Deflation is generally not considered desirable because
 - a. It has historically been associated with severe economic downturns
 - b. People rush to buy things and increase their spending levels
 - c. The general level of prices in the economy increases
 - d. The general level of prices in the economy decreases

True-False Questions:

Mark "T" for True or "F" for False in the space before each question.

- _____ 1. Everyone loses money when the U.S. inflation rate increases.
- _____ 2. The U.S. inflation rate is measured by the Consumer Price Index or CPI.
- _____ 3. U.S. inflation rates have been in the double digits (i.e., 10% or higher) in the past.
- _____ 4. The longest period of deflation (i.e., negative inflation) in the U.S. in the 20th century was during the Great Depression years of the 1930s.
- _____ 5. One of the causes of inflation is low demand for products and services.



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