



Your First Big Purchase

EPISODE #403

LESSON LEVEL

Grades 6-8

KEY TOPICS

- Budgets
- Negotiation
- Consumer research

LEARNING OBJECTIVES

1. Understand how to budget for a big purchase.
2. Identify sources of consumer research information.
3. Learn how to negotiate a good price.
4. Learn financial terms.

EPISODE SYNOPSIS

Understand the steps that are important to take before you make your first big purchase. Whether you are buying a computer, smartphone, or car you need to budget, research, and negotiate. Watch the episode, practice the skills, and avoid “buyer’s remorse!”

NATIONAL STANDARDS CORRELATIONS

Aligned to *National Financial Literacy Standards* from the **JumpStart Coalition for Personal Financial Literacy**.

Financial Responsibility and Decision Making

- Standard 1:* Take responsibility for personal financial decisions.
- Standard 2:* Find and evaluate financial information from a variety of sources.
- Standard 4:* Make financial decisions by systematically considering alternatives and consequences.

Planning and Money Management

- Standard 1:* Develop a plan for spending and saving.
- Standard 4:* Apply consumer skills to purchase decisions.
- Standard 6:* Develop a personal financial plan.

Credit and Debt

- Standard 1:* Identify the costs and benefits of various types of credit.

Aligned to *Voluntary National Content Standards in Economics* from the **Council for Economic Education**.

- Standard 2:* Decision Making
- Standard 14:* Entrepreneurship

Aligned to **Common Core State Standards Initiative’s** standards for *Literacy in History/Social Studies, Science and Technical Subjects*.

Standard 1: Read closely to determine what the text says explicitly and to make logical inferences from it; cite specific textual evidence when writing or speaking to support conclusions drawn from the text.

Standard 4: Interpret words and phrases as they are used in a text, including determining technical, connotative, and figurative meanings, and analyze how specific word choices shape meaning or tone.

Standard 7: Integrate and evaluate content presented in diverse formats and media, including visually and quantitatively, as well as in words.

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LESSON PREP & SCREENING

Getting Started

Familiarize yourself with the episode ahead of time. It will serve as a springboard for student learning, discussions, vocabulary exploration, and hands-on activities. Determine what equipment is required to show the episode in your classroom and request it if needed. Choose an activity (each one takes between 45-60 minutes), and gather supplies. Students will need a pen or pencil and copies of the activity worksheets. Have fun!

Screening

Introduce the series and the episode. Explain that Biz Kid\$ is a public television series that teaches kids about money and business. Mention that the bizkids.com website has lots of video clips, games, a blog, and other resources to help kids start businesses and learn about money. Prior to playing the episode, lead your students in a discussion with the preview questions on this page.

About the Episode

Understand the steps that are important to take before you make your first big purchase. Whether you are buying a computer, smartphone, or car you need to budget, research, and negotiate. Watch the episode, practice the skills, and avoid “buyer’s remorse!”

Episode Preview Questions

Before you show this Biz Kid\$ episode, lead your students in a brief discussion of the following questions:

- Have you thought about buying your first car? What kind of car would you want to buy?
- How are you going to pay for the car?
- Once you get a car, how will you pay for ongoing expenses such as gas, tires, maintenance, insurance, and registration?

Next Steps

Show this episode. After the episode, read the Summary and Conclusion to the class.

Summary and Conclusion

A valuable acronym to remember is “BROWN”: Budget, Research, Ownership, Walk Away, and Negotiate. Understanding these steps to take before you make a big purchase is important so you can avoid buyer’s remorse.

Family Connection

Distribute a copy of the Family Activity Sheet to each student to share what they’ve learned with their families.



FAMILY ACTIVITY SHEET

Episode Synopsis

Understand the steps that are important to take before you make your first big purchase. Whether you are buying a computer, smartphone, or car you need to budget, research, and negotiate. Watch the episode, practice the skills, and avoid “buyer’s remorse!”

Activity Suggestions

Ask your child to share with the family the steps to use prior to making a big purchase. The acronym “BROWN” will remind you of these steps.

Discuss any up-coming family purchases your student can help research before making the final choice. Using the internet or your local library, read consumer review magazines to find out more about your next big purchase item. Then use newspapers or other advertising sites to compare prices so you can get the most for your money.

Help your student make a budget and a plan for the big ticket items they see in their own future. Will they want a smartphone? A computer? A car? What about college or technical school? Buying a home? Help them figure out how many years they have to plan, budget, and save toward each of the goals that they select for themselves.



Activity #1:

BIZ TERM\$

WORKSHEET FOR STUDENTS

Biz Term\$

- Affordable
- Brand name
- Consumer
- Discount
- Down payment
- Insurance
- Negotiate
- Service plan
- Trade publication
- Warranty

Directions

With students, read aloud the Biz Term\$ and each question. Call on volunteers for answers, and have them explain why they chose the term they believe to be correct.

Biz Term\$ Episode Review

1. A _____ is a portion of the price that you pay up front.
2. A policy to protect you in case of loss or accident is called _____.
3. Something sold at a reduced price is sold at a _____.
4. A _____ is purchased for a fee to extend a _____.
5. To deal or bargain with others is to _____.
6. Microsoft is an example of a _____.
7. A purchase made within your financial means is _____.



CURRICULUM CONNECTIONS

Language Arts

- Have students construct sentences, write a paragraph, or create a story, skit, or dialog using Biz Term\$.
- Have students create a class Dictionary of Financial Terms using Biz Term\$.
- Have students start their own Journal of Personal Financial Education and continue to add to it.

History/Social Studies

- When television was first introduced in the U.S. in 1928, it was a big ticket item. Over time, more televisions were produced and manufacturing methods improved, which have all contributed to prices going down, and today in 2014 the television is more affordable for many American families. List three items from today's world that you consider to be 'big ticket' items. How long do you think it will take for these items to go from being 'big ticket' items to becoming 'affordable' items? Or will they always be 'big ticket' items? Why or why not?

Mathematics

- You are buying a car. You can get \$0 down payment with 8.5% interest or pay \$1,500 down payment with 8% interest. What is the better deal? Why? If your car loan is \$4,500 and your interest rate is 8% with a 5 year loan, what will your monthly payment be?

Economics

- Houses are a big ticket item. How much does the sale of homes contribute to the Gross Domestic Product (GDP) in the United States? How does house construction affect the employment rate in the United States?

Optional Vocabulary Extensions

Make Art!

Ask students to create personal illustrated glossaries using sketches or cartoons to visually represent the meaning of each Biz Term.

Make It Personal!

Provide students with dictionaries and ask students to re-write formal definitions for each Biz Term in their own words to demonstrate comprehension.



Activity #2:

BIG TICKET BUDGET

WORKSHEET FOR STUDENTS

Directions

In this episode, the Biz Kid\$ learned that it is important to have a budget for a big ticket purchase. See how good you are at budgeting with the questions below.

1. If Alex takes a car loan for \$4,500, what will his monthly payment be for a 5 year loan at 8% interest?

2. If car insurance is \$1,687 per year, how much will he need to budget each month?

3. But wait, there's more. If gas is \$4 per gallon, and his tank holds 12 gallons, and he will need to put in gas once each week, and there are 4 weeks in the month, then how much will he need to budget for gas each month?

4. Not done budgeting yet. If Alex knows that the average car needs \$2,000 per year in maintenance, then how much should he set aside each month for this?

5. Don't forget, once a year you need to pay car registration too! It will be easier if you set aside a little each month toward this expense. Let's say Alex's car will be \$183 for registration this year. How much should he set aside each month toward that expense?

6. Let's take a look at the big picture. Alex will need each of the following items in his monthly budget:

- | | |
|--------------------|----------|
| 1. Loan payment = | \$ _____ |
| 2. Car insurance = | \$ _____ |
| 3. Gasoline = | \$ _____ |
| 4. Maintenance = | \$ _____ |
| 5. Registration = | \$ _____ |
| TOTAL BUDGET | \$ _____ |

Have students discuss these ideas and share their answers with the class.



Activity #3:

RESEARCH & NEGOTIATE

WORKSHEET FOR STUDENTS

Directions

Learn more about car prices and features in your area, and you will be prepared to negotiate.

1. When you buy a car, it is important to know (before you talk to the seller) how much it is worth. One of the best research tools for buying a car is called the Kelley Blue Book. At kbb.com, a Ford F-150 Regular Cab XL 2 door 6.5 foot bed (used, 4 years old) in a Southern California zip code is worth about \$12,350 if it is in “very good” condition if you are buying it directly from another person and not a car dealership. If you wanted to buy this truck, and you know it’s worth \$12,350 but you want to negotiate the price, what would your first offer price be to the seller? Why?

2. If you want to buy a car, you should know about the condition that it is in. Get a copy of the carfax.com report and have your own mechanic take a look at it before you buy it to make sure there are no serious problems with things like the engine, the transmission, the brakes, and other major parts. Suppose you took it to your mechanic, and the transmission needs to be replaced. Would you negotiate a lower price, or would you walk away? Why?

3. If you did negotiate a lower price, how would you decide how much of a discount to ask for?

4. You’re doing your research and something sounds too good to be true. For example, that Ford F-150 which should be worth \$12,350 is listed for only \$6,000. You’re really interested in the truck, but how would you handle this situation?

Have students discuss these ideas and share their answers with the class.



BIZ TERMS DEFINITIONS

- *Affordable*: Within your financial ability.
- *Brand name*: A legally registered trademark.
- *Consumer*: A person who buys goods or services.
- *Discount*: Something that has a reduced price.
- *Down payment*: A portion of the price that you pay up front, usually to hold the item and as a guarantee that you will pay in full.
- *Insurance*: An agreement to protect a person or business from specific risks in exchange for regular payments.
- *Negotiate*: To deal or bargain with others.
- *Service plan*: A contract for repair or replacement that is purchased for a fee to extend a warranty.
- *Trade publication*: A professional magazine with a narrow focus for a specific target market.
- *Warranty*: A guarantee or promise to repair or replace a product if it is not in good condition.



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