

Teaching Financial Literacy Through a Classroom Economy

# BANK ACCOUNT



GRADES  
4-8

Aligns to  
Common  
Core

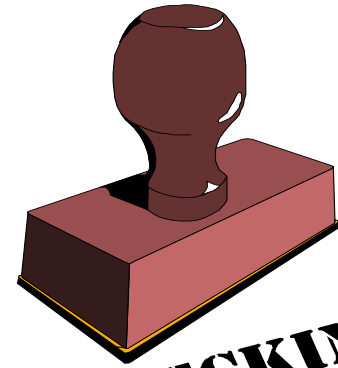
By Scholastic Playwright and National Board Certified Teacher Mack Lewis

# CHECKBOOK PROJECT

# The Checkbook Project

## How to Start an Authentic Classroom Economy with your Elementary or Middle School Students

By Mack Lewis



**CHECKING  
ACCOUNT**

*Kids today can't balance a checkbook! Who knew? Of course we all did, so when the Obama Administration implemented its financial literacy "challenge," no one was surprised when American kids did poorly. Given the tumultuous world economy, **financial literacy** quickly became a hot topic in education circles. In fact, talking heads such as then-US Secretary of the Treasury, Timothy Geithner, started calling for schools to put the teaching of **personal finance** right alongside the three R's. Here we are years later and financial literacy seems more important than ever! You can give your elementary and middle school kids a head-start by using our plan to create an enriching classroom economy.*



**The Checkbook Project** pumps life into a classroom the way the **Paycheck Protection Program** pumped cash into Corporate America. It improves test scores, inspires the entrepreneurial spirit, and even turns your most-challenging students into pussycats. In my case, it has motivated kids to clamor to be in my class, to beg parents to start the same system at home, and to open real savings accounts downtown. And nearly all my kids count their checkbook as a defining memory of 5<sup>th</sup> grade. Simply put, it's a more complex form of "class money" without the bother of handing out Monopoly bucks (which often get lost and stolen). But it's also much more. It's a "real world" simulation—an economic infrastructure—that promotes work ethic, practical math skills, and you guessed it, *financial literacy*.

**Materials:** Most local banks are happy to donate check registers and sometimes even checkbook covers. I've also developed a series

of related forms such as tax reports, desk rental agreements, job applications, and more, all which can be **downloaded for free** at *MackLewis.com*. No strings attached. No fine print. You don't even need to leave your email. It's merely a way to introduce you to my work.

### Here's How the Program Works:

#### **Passing Work Earns Checkbook Cash:**

Students get paid for their work. What and how much depends on what you wish to emphasize. I pay \$1 per point on standardized tests, \$5 per night of verified homework reading, \$1 per percentage point on chapter exams, and usually \$1 per question on lesser tasks. I value projects and compositions based on the amount of work required to achieve results, but I don't pay anything for "practice" work or rough drafts. Nor do I pay for failure. If a student "doesn't meet" a basic standard, he or she does not get paid. **I pay immediately**—simply by writing the

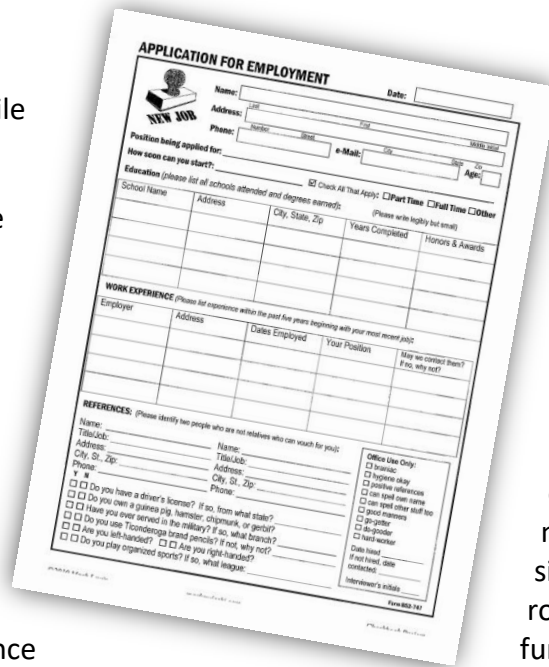
dollar amount at the top of the assignment or instructing a student to make an entry in his or her checkbook register.

**Kids Get Paid for Attendance:** Every Friday kids get their paycheck at a rate of \$20 per day. They also get paid for things such as laps during our Jog-a-thon, for special awards, for Accelerated Reader points, and for anything else I want to emphasize. **How much you pay and for what is up to you!** Since you have an unlimited supply of this imaginary money, there are no limits on what you can reward. You merely have to make sure you maintain a **reasonable balance between income and expenses** so that students don't stockpile too much cash.

**Class Jobs:** All those class jobs teacher's usually assign—teacher's assistant, classroom custodian, and so on?—they all get posted as “employment opportunities.” I'm careful not to post too many, and once someone lands a job, the rule is “authorized personnel only,” meaning those who didn't get hired don't get to work. When applying, students, submit a “letter of application” and a job application. Yes, I know today's job apps are all Web-based, but my printed version is a lot more fun (think inane questions and frustratingly limited spacing). It also gives the teacher a physical object to use when interviewing candidates. In the classroom, I pay from \$50 to \$150 a week, and I require employees to “represent The Company in a positive manner.” Students who get into

trouble or perform poorly face “real world” consequence such as probation or dismissal.

**Desk Rents and Fines:** Once a week, students pay rent for their desks, cubbies, and/or lockers. We start desk rent at \$100 per week. We periodically raise rents by 10 to 20%. (Kids who make the commitment to take out a *mortgage* quickly discover the pleasures of a consistent weekly payment.) Kids are also charged fines based on our behavior system: five or ten bucks for a first offense, up to \$100 for referrals to the principal's office. Tardiness, messy desks, blurting out, and other misdeeds merit checkbook deductions. You can even fine the entire class for violating your noise ordinance or for community litter. What you require students to rent, buy, and pay for is **up to you!** The more complete your classroom economy, the more powerful it becomes.



**Grandma's Basement:** Students who cannot pay rent either must rely on charity or move into Grandma's Basement, a single desk near the front of the room shared by all those without funds. These students also keep all their belongings in their backpack.

This might seem a bit harsh, but we tell them (and their parents) that we'd rather have them learn about the connection between work ethic and financial security here in 5<sup>th</sup> grade than learn it on the street as young adults. After all, in order to make rent, a student needs only to show up to class (work) consistently and stay out of trouble. Of course, my *basement kids* are the ones who most need to learn this lesson (and they often do). Students move back into a desk as soon as they have enough money. You can also make special arrangements for



students who need a little extra help, just as a gracious landlord might work with a good tenant down on his luck.

One year, a student started a non-profit organization to assist getting the “unhoused” back into desks. He collected charitable gifts from students, keeping a separate checkbook for the charity, then dispersed the funds to students suffering from unusual circumstances. He did this of his own volition—how’s that for validation! Another awesome element of the Checkbook Project is that it takes on a life of its own based upon the attitudes and ideas of your students.

**Desk Mortgages:** Students can also “purchase” their desks. We start at \$500, charging 50% down and four equal payments using the “Mortgage Calculator” schedule, which is available as a download. The price of a desk goes up and down periodically—okay, mostly just up. While the initial cost of a mortgage is steep compared to renting, those who get in the market early tend to do really well. At our school, students can also purchase or rent cubbies and/or lockers.

**Spending Money:** After paying the mortgage, rent, fines, and taxes, students use their checkbook cash to purchase treats, gifts, snacks, and school supplies (kids quickly learn the value of a pencil or a glue stick). We also auction items of interest, often getting hundreds of dollars for mere trinkets. Students, too, bring in items of their own for us to

auction. In those cases, we “charge” a 10 to 20% commission.

**Businesses:** It never ceases to amaze me how naturally kids start transacting business. I have students who undercut my prices on school supplies and checkbook covers. Kids sell bookmarks, works of art, homemade jewelry, and more. Before going into business, we require students submit a simple business plan and

purchase a \$10 “business license,” which we post at a specific place in the room. Kids who advertise their business via signage learn that “billboards” cost

money. The classroom economy takes on a life of its own as kids originate new twists. All the teacher has to do is say ‘yes’ to a student’s inspiration—and then create that real world bureaucracy to control it.

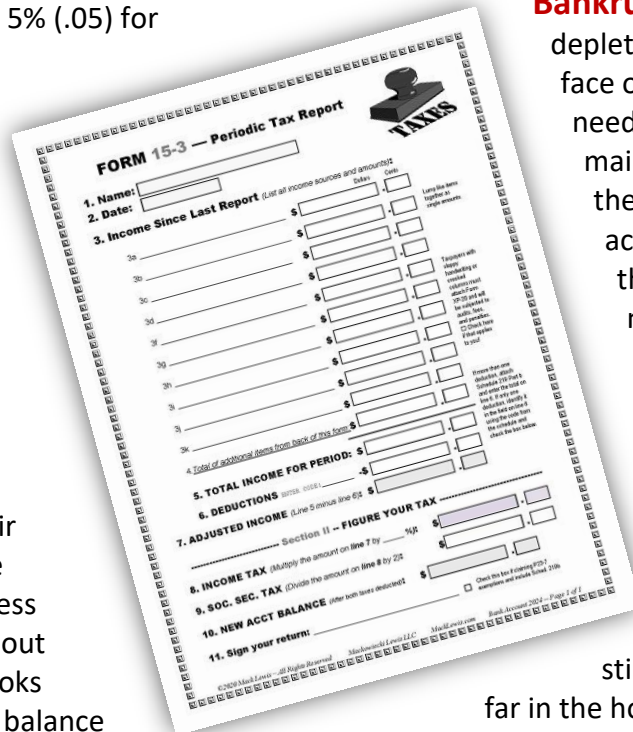
**Real Estate Moguls:** The teacher need not be the only landlord. Students like to use their earnings to buy unsold desks (usually those previously rented by kids who have moved to the Basement). They then rent the desk space to their friends at a competitive rate, or sometimes just maintain a vacation getaway. This sometimes creates minor behavioral issues, as kids end up sitting in table groups that don’t always work for them, but because the teacher is ultimately the real estate agent making the deal, as well as the government regulator assessing fines and fees, such problems are easily controlled. One way is to remind the new owner that he or she is liable for the behavior of his or her tenants. Perhaps an eviction will soon follow.



**Taxes:** On a given day each week students are required to file taxes. On the tax report they list all sources of income and their total for the week (they “check off” each item from their checkbook as they enter it on the tax form). They multiply their income by the current tax rate. We begin the project at 10% (.10) for Income Tax and 5% (.05) for Social Security, but we raise it as we see fit. We also randomly (and not so randomly) **audit** students. Errors in their favor result in corrections and whopping fines. By reminding students that they’re subject to audits and fees, they work harder to make sure their reports and registers are accurate, which means less work for the teacher. About that, we collect checkbooks once a week, record the balance in each, and give the impression that we’re going through it with a fine-toothed comb. **Don’t over-complicate things.** It’ll be fairly obvious when students aren’t playing fair or have lost their mathematical way. Remember, the classroom economy isn’t a unit study or a theme—it’s an underlying infrastructure. You merely set aside an hour or so each week to pay attendance, to have students to pay rent, and to complete tax reports. Otherwise, it all just happens as it does in real life—*routinely and organically.*

Teaching kids about the American taxation system is one of the more rewarding elements of the program. While most all of us complain about being taxed, the bulk of our taxes go for things we all value—police departments, schools, paved streets, and sewer lines. Kids

need to learn this. In class, we figure our imaginary taxes pay for the drinking water, the pencil sharpener, and those afore mentioned sewer lines, among other things. Try playing with concepts such as raising taxes a point versus charging a \$5 weekly “sewer fee.”



**Bankruptcy:** Students who deplete their bank accounts face overdraft fees. If they need help accurately maintaining their registers, they have to pay an accountant to correct it for them. Students can accept non-taxable gifts or loans from friends or the teacher, which don’t count as income (though any interest earned by the lender does). Despite the myriad ways students earn money, you’ll still have a few who get so

far in the hole they have but one option: bankruptcy. In such cases, the checkbook is “recalibrated” by the teacher, their balance returns to zero, and perhaps their social studies grade takes a hit. Once again, bankruptcy may seem harsh, but better to make their mistakes on a simulation than in the real world down the road.


**Lost Checkbooks:** Losing a checkbook is like having someone swipe your debit card, so I discourage students from take their registers home and I remind them to guard their checkbooks carefully. When I find one left out after the students depart, I’ll sometimes right in a mysterious charge or two, simulating where someone has made bogus charges against the student’s account. When some hot shot boy discovers he spent \$79.95 at Velda’s Wig Shop, it creates quite a stir—and a lifelong lesson.

Also, if a student can't find his checkbook, he can't receive payments or income (yet can still accrue fines).

**Ending Balance:** I've found it best to run this project for only a portion of the school year—usually the last half or the final trimester. At the end you can acknowledge the students with the highest balance. These will typically be your top performers anyway, but every once in a while you'll be surprised by some otherwise unruly kid who was highly-motivated by cash. Most kids are proud of their final balance, whether there's something to spend it on or not, but it doesn't hurt to have some things on which students can blow their savings. I've allowed students to purchase after-school ice cream or movie parties, off-campus lunch trips, and movie tickets. I've also found items at garage sales, thrift stores, and around the house on which kids were happy to spend \$500 of their checkbook cash. Again, finding a balance between credits and debits is significant. In the end, a kid's checkbook

balance says a lot about who he or she is as a student, and quite possibly what he or she is headed for as an adult. I often tell folks, "If you want to know how your child is doing in class, just take a look at her checkbook."

**Discussion:** Nearly everything associated with *The Checkbook Project* results in a discussion about real world experiences and consequences. These discussions are perhaps **the most significant part** of the learning process. What do our taxes pay for? Why do banks charge overdraft fees? What are the pros and cons to buying rather than renting? What is impulse spending? Why is it important to budget? As you work with *The Checkbook Project* in your room, you'll no doubt find lots of new ways to tweak and expand it to further simulate "real life." Have fun with it!

Some of the starter forms are included in this package, but for more info and reproducible forms to use with *The Checkbook Project*, visit my website at [MackLewis.com](http://MackLewis.com). 



## The Checkbook Project forms and free downloads

Visit *The Checkbook Project* page at [MackLewis.com](http://MackLewis.com)

*Letter to Parents (included below)*

*Sample Checkbook Register (included below)*

*Blank Checkbook Register (included below; JPEG available as download)*

*Tax Form*

*Tax Form Add-ons (Form 219B and Form XP21)*

*Sample List of Debits & Credits (included below)*

*Mortgage Interest Schedule*

*Citations*

*Reward Certificates*

*Job Application*

*Job Posting (in Word for easy editing)*

*Rental Agreements*

*Purchase Agreement*

*Business License*

*Property Management Records – Rentals*

*Property Management Records – Mortgages*

*Student Budget Form*



# The Checkbook Project

## Step by Step



**Step 1: Secure checkbook registers** from your local bank. Simply call them up and ask if they'd be willing to donate registers for use in your classroom's **financial literacy program**. You may even have a banker within your current parent group.

**Step 2: Send home the parent letter** a few days in advance of starting the program. At our school, students have to return it with the parent acknowledgement before they can start earning money. You may also have an occasional parent who doesn't want their child participating.

**Step 3: Gather the most important forms:** the tax form, desk rental form, and both the blank register and the example are all essential. Some appear below, and all of them can be downloaded on my website. There are also photos for your *Smartboard* or *Activision*—which really makes things easy. Use the blank register to model how to enter all debits and credits during the first weeks of the program and whenever introducing something new (such as mortgages, business licenses, or stock trading).

**Step 4: Give each student a checkbook register** and an **initial deposit**. You can pay them for the previous week's attendance (I pay \$20/day), provide a "winter bonus" of \$50, or pay them for their points or current standing on one of your classroom programs such as Accelerated Reader,

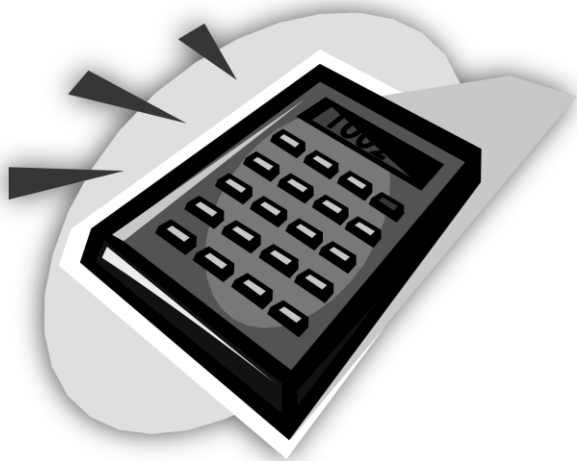


Lexia, or your math facts program. Whatever the case, you'll want them all to start with something so you can immediately begin debiting them for unsatisfactory behavior. Of all the varied behavior management systems I use over the course of a year, being able to tell a student to deduct \$5 for being disrespectful or \$3 for blurting out is by far the most effective.

**Step 5: Prepare students to pay rent.** Make sure they understand that they'll need money for rent the week after you start, and make sure they have the means to earn enough to cover through being paid for attendance, homework, or some other project during the first week. I immediately start paying kids in my class for important assignments. I post a dollar amount directly on the paper being returned. It might be \$5 for a simple task I want to honor, or up to a \$100 for a chapter exam in math. I don't pay for routine practice work or for substandard work.



**Step 6: Pay students for attendance** at the end of the first week, but wait until the end of the second week to complete the first tax report. You'll want extra hands on hand for that initial tax report. It'll seem complex at first, but three or four weeks in, it will become routine for the bulk of your kids.



**Step 7: Adapt, adjust, and add** to the program as you see fit. There's really no limit how far you can take things.

**For more tips, strategies, and materials** visit *The Checkbook Project* tab at [MackLewis.com](http://MackLewis.com)



# The Checkbook Project

## An Authentic Classroom Economy for Elementary or Middle School Students



Families—

Today we started **The Checkbook Project**. Here are some important things you need to know about it:

- “Checkbook” is kind of a misnomer. The program is about managing a bank account, not writing checks. It’s a “real world” financial literacy program that teaches organization and math while promoting self-management and positive behavior.
- Kids earn money by attending class, completing assignments, and demonstrating positive behavior. They spend their money on things like desk rent, taxes, fines, and purchasing treats and trinkets. As the program progresses they’ll get into mortgages, insurance, job applications, and even business start-ups. They track their money in a checkbook register.
- Students earn enough money to pay desk rent simply by attending class. Kids who complete their work, pass their tests, and behave well earn enough money to do more.
- Most students love the program and look forward to it all year, but because the program simulates real life, there are also real-world consequences such as being unable to pay bills. The kids who struggle with this program are those with attendance or tardiness problems, those who don’t complete classroom assignments, and those who tend to misbehave. When kids don’t earn enough money to pay their bills, it can be painful.
- We work hard to make sure kids are not humiliated, but our philosophy is that we’d rather have students learn these lessons in a safe environment like the classroom as opposed to having to experience it in the real world when they’re twenty. Many adult-aged former students have thanked us for these lessons!
- Kids stumble, but there are always opportunities for motivated students to earn additional funds and avoid those pesky overdraft fees and late charges.
- As we develop our classroom economy, you may have questions. Don’t be afraid to inquire. If your child is feeling overwhelming stress, be sure to discuss how these things play out in the real world and then encourage them to talk with me.

Thanks for your support.

**Please sign** as acknowledgement:

Your classroom teacher

\_\_\_\_\_

*parent*

Student’s name: \_\_\_\_\_







**BANK  
ACCOUNT**

# Sample Checkbook Register

Create a copy for the doc cam or overhead of this sheet to show students an example of a well-maintained checkbook register.

Note the transaction number for each entry, the running balance, and the correct use of the payment and debit columns.

Detailed transaction descriptions are helpful, especially those involving another student. It's also a good idea to use the ✓ column when completing tax reports. Finally, note the dark line beneath transaction #177. This identifies the end of a tax period.

Actual 4<sup>th</sup> grade student example:

NUMBER OR CODE	DATE	TRANSACTION DESCRIPTION	PAYMENT AMOUNT	✓	FEE	DEPOSIT AMOUNT	
							\$ 3489.00
172	4/18	Vocab exam	\$			\$ 129.00	129.00
							3618.00
173	4/18	Attendance				60.00	60.00
							3749.66
174	4/18	Cubbie rent from sam				100.00	100.00
							3849.66
175	4/19	LOST BET	10.00				10.00
							3839.66
176	4/20	Income tax	261.90				261.90
							3577.76
177	4/20	so. sec. tax	130.95				130.95
							3446.81
178	4/24	Attendance				48.00	48.00
							3494.81
179	4/24	Homework manager				100.00	100.00
							3594.81
180	4/24	desk rent from sam				100.00	100.00
							3694.81
181	4/25	Math				12.00	12.00
							3706.81
182	4/26	Bookmark contest				50.00	50.00
							3756.81
183	4/26	catch a mistake				5.00	5.00
							3761.81
184	4/27	Income tax	26.25				26.25
							3734.96
185	4/27	so. sec. tax	13.12				13.12
							3708.84

# SAMPLE DEBITS & CREDITS



*What you pay and what you charge depends on **what you want to emphasize**. Need more students to take their homework seriously? Increase the payment. Want students to do a better job tucking in their chairs? Start handing out “parking tickets.” You’ll quickly discover **other items** worthy of a debit or credit. Use the chart as your guide or enlarge it and post it in the classroom. Note that many of the debits escalate as the program continues.*

## LIST OF STANDARD DEBITS (Fees, Fines, Taxes, and Other Payments)

Parking Tickets (chairs left untucked, backpacks or coats on floor, etc)	\$3-5
Noise Pollution (full class or individually)	\$5 to 10
Loitering (in the hallway without a pass)	\$5 and up
Disorderly Conduct (disrespect, etc.)	\$5 to 20
Vagrancy (not paying rent or owning a desk when otherwise able to do so)	\$100 per week
Desk Rent	\$100 and escalating
Desk Rental Deposit (refundable upon purchase)	\$25
Desk Rental Cleaning Deposit (refundable)	\$10
Desk Purchase	\$500 and escalating
Desk Down Payments	\$200
Cubbie Rent	\$20/week
Cubbie Purchase	\$125 and escalating
Business License	\$15
Disciplinary Demerits	\$20-1 <sup>st</sup> incident, \$50-2nd, \$100-3rd
School Supplies (replacement of pencils, gluesticks, etc.)	\$5 and up
For example pencils made in China \$5; Pre-sharpened \$7.50; Ticonderoga \$10 and up	
Non-sufficient Funds Fee (Balance drops below zero)	\$10-25
Accounting Fee (Teacher assistance with checkbook)	\$5 to \$25
Tax Penalties	10% of amount underpaid; min. \$5
Late Fees (of any kind)	10% of amount past due; min. \$5
Income Taxes (weekly)	10% and escalating
Social Security Taxes	5% and escalating (1/2 Income Tax)
Property Taxes (monthly)	5% of current value
Sign Tax (for businesses)	\$5 per sign

## LIST OF STANDARD CREDITS (Taxable Income):

Attendance	\$20 per day
Exams	\$.50 to \$1 per percentage point
Standardized Tests	\$1 per point
Quizzes	\$10 to \$25
Classroom Assignments	\$1 per point or flat fee of \$10 and up
Classroom Projects	Varies depending upon project
Homework	\$10 per night
School Fundraisers <sup>1</sup>	Matching \$1 per \$1
Donations to Classroom Charity <sup>1</sup>	5 to 10 times the amount
Classroom Jobs <sup>2</sup>	\$5 to \$100 per week
Respect Bonus	\$5 to 10
Quiet Bonus	\$5 to 10

<sup>1</sup> Checkbook income earned via real-money donations is non-taxable    <sup>2</sup> See Employment Opportunities