



## DEBT OF A SALESMAN

### Debt can be a racket.

Elena's brother is opening a new high-tech electronics store and needs advice. He only has enough money to sell TVs and DVD players. He could carry computers and cell phones if he borrows money. But there's a hitch: When you borrow money, you have to pay it back plus interest. If sales are slow, her brother could go into debt. Thanks to the Secret Millionaires Club, he learns not to borrow too much money and grows his business into a big success.

### Teach kids why it's important to stay debt free.

**Ask kids:** Can you think of something that you had to borrow money from your parents to buy? What were the advantages and disadvantages of borrowing the money? How can borrowing too much money lead to trouble for people or businesses?

### Discuss the pros and cons of borrowing money.

If a person or business loans you money, they give it to you on credit. That means that you have to pay the money back—often with interest (a percent of the money borrowed). Until you pay that money back, you have a debt. Have kids think of examples when borrowing money might be a good decision and when it's not. For instance, we often take out loans for big purchases such as cars, homes, and education, for which we develop plans to pay the debts off over time. But borrowing money for small items can quickly add up and lead to money trouble. Ask kids why it's often better to wait to buy something until you save money for it rather than borrow money to get it sooner.

### Activities:

1. Share this money poem, and then have kids write their own:
 

*Will you borrow money today?  
You must pay it back all the way.  
Add on interest to money you owe.  
Getting a loan costs a lot, you know.*
2. Divide the club into two groups and have a debate over this question: is it worth going into debt to get a cool new device, such as an iPad? Why or why not? You may wish to have kids jot down their ideas before they take a turn to respond. Ask: how would they earn money to pay off the iPad debt? How long would it take to pay it off? Would they have any extra money to spend on other things during that time?

**Tip:** Warren shares this advice with the Secret Millionaires Club: "The best way to pay off a debt is to never have one." Gather art supplies so your club can design posters with their own smart money tips that teach others to stay out of debt and be careful when borrowing money.

