PFL Academy

Teacher Guide: Chapter 3.2 — Choosing and Evaluating Financial Service Providers

OVERVIEW

TIME	MATERIALS	PREREQUISITES
45-50 Minutes	Student Activity Packet, Calculator	Chapter 3.1 (Financial Services Overview)

LESSON FLOW

5 min **THE CHALLENGE**

- Read Sophia's scenario aloud or have students read silently.
- Discussion: "What would YOU prioritize if you were Sophia? Why?"
- Acknowledge there's no single "right" answer—it depends on individual needs.

8 min **CORE CONCEPTS**

- Review the 5 key terms. Ensure students understand APY vs. interest rate.
- Read the Background paragraph together.
- Quick check: "What fees have you or your family encountered at a bank?"

25-30 min **APPLY IT**

- **Part A (10 min):** Individual or pairs. Emphasize that "best" choice varies by situation.
- **Part B (12 min):** Loan comparison calculations. Walk through the multiplication: $279 × 60 months.
- **Part C (8 min):** Personal reflection. Encourage honest self-assessment of priorities.

10 min **CHECK YOUR UNDERSTANDING**

- Complete in class or assign as homework.
- Focus discussion on Q3 (fee calculation) and Q5 (personal goal alignment).

DIFFERENTIATION

Support

- Provide a calculator for all students.
- Walk through first loan calculation as a class.
- Create a checklist of factors to consider for each scenario.
- Pair struggling students with stronger math students for Part B.

Extension

- Research actual rates from 3 local providers and create a comparison.
- Calculate 10-year impact of different savings APY rates.
- Create a decision matrix tool for choosing providers.

Part A: Provider Evaluation

1. Sophia: Most important: Fees (limited income). Recommended: Online Bank. Because: No fees and highest APY allow her to save more with limited income; she already does transactions online.

2. Ethan: Most important: Interest Rate. Recommended: Credit Union (3.2%). Because: Lowest rate saves the most money over the loan term; worth joining if eligible through employer.

3. Mia: Most important: Balance of fees and guidance. Recommended: Robo-Advisor. Because: Much lower fees (0.25% vs 1.2%) while still providing guidance; at $1,000, fees matter more.

Part B: Fee and Interest Rate Impact

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Total Paid Over 5 Years (Monthly × 60):
• Traditional Bank: $279 × 60 = $16,740
• Credit Union: $271 × 60 = $16,260
• Online Bank: $275 × 60 = $16,500

Total Interest Paid (Total - Principal):
• Traditional Bank: $16,740 - $15,000 = $1,740
• Credit Union: $16,260 - $15,000 = $1,260
• Online Bank: $16,500 - $15,000 = $1,500
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4. Savings: $1,740 - $1,260 = **$480 saved** by choosing credit union.

5. Next best: Online Bank. Savings: $1,740 - $1,500 = **$240 saved** compared to traditional bank.

Part C: Personal Financial Profile

> *Responses will vary. Look for: thoughtful prioritization with reasoning, realistic assessment of current situation, and awareness that priorities change over time (e.g., loans and mortgages become important, investment services needed).*

Check Your Understanding

1. C (Easy access with no withdrawal penalties)

2. Online banks have lower overhead costs—no physical branches, fewer employees. They pass these savings to customers through higher interest rates.

3. Robo: $10,000 × 0.0025 × 5 = $125. Traditional: $10,000 × 0.012 × 5 = $600. Difference: **$475 more** for traditional advisor.

4. Challenge: Can't deposit cash at a branch. Solutions: Use ATM that accepts deposits, deposit at a different bank then transfer, get a money order and mobile deposit.

5. *Look for specific goal identification, appropriate provider match, and relevant features cited.*

COMMON MISCONCEPTIONS

Misconception	Clarification
"The highest APY is always the best choice."	APY matters, but accessibility, fees, and services also affect overall value. A 0.5% higher APY doesn't help if you pay $12/month in fees.
"Robo-advisors aren't as good as human advisors."	For basic investing needs, robo-advisors use proven strategies and often outperform due to lower fees. Human advisors add value for complex situations.

| "Shopping around for rates isn't worth the time." | A 1.3% difference on a $15,000 car loan saves $480 over 5 years—that's real money for a few hours of research. |