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Teacher Resource

Interest Rate Rise

Focus Questions

Discuss the BTN story as a class and record the main points of the discussion. Students will then respond to the following:

1. What does the BTN story explain?
2. Which bank decides whether to increase or decrease interest rates?
3. Interest rates have gone up for the first time in how many years?
4. What impact does an increase in interest rates have on people who have borrowed money?
5. Name three facts you learnt watching the BTN story.

Activity: Class discussion

Before watching

Before watching the BTN Interest Rate Rise story students will discuss in small groups what they already know about interest rates and what they think this BTN story will be about.

What do you know about interest rates?

After watching

Students will respond to one or more of the following questions after watching the BTN story:

- What did you learn from the BTN story?
- What do you THINK about what you saw in the BTN story?
- Who are affected by interest rate rises?
- Think of three questions you have about the story.
- Write a summary of the BTN story.
- What is the key vocabulary from the BTN story? Make a list.

Activity: Glossary

Students will brainstorm a list of key words that relate to the BTN Interest Rate Rise story. Students may want to use pictures and diagrams to illustrate the meaning and create their own glossary. Here are some words to get students started.

INTEREST RATES	RBA	LOAN
INFLATION	ECONOMY	DEBT

Activity: Borrowing Money

Students will explore what it means to borrow money and will look at the reasons why people borrow money. Have a class discussion to explore and investigate these concepts further, using the following questions to get the discussion started.

- Have you ever borrowed money from someone? What did you borrow the money for? Explain.
- How did you pay the money back? What sort of agreement did you have to pay the money back? Were you able to pay the money back in time?
- Alternatively, have you ever lent money to someone else? How did they pay you back and did you have an agreement to make sure the loan was paid back in time?
- As a class discuss the concept of interest and how it relates to borrowing and lending money. What sort of maths would you need to use to calculate interest?

Calculating interest
Explain to students they will be calculating the amount of interest they will need to pay on a loan from the bank to buy a new home. Students will need to determine the following:
- How much money will you need to borrow from the bank to buy your new home?
- What is the interest rate for your loan? For example, the interest on your loan may be 4%. This means that every year 4% of the money you haven't repaid yet is added to your debt.
- How long will you need to repay the full amount of the loan? This is called the 'length of the loan' and normally is set at about 25 or 30 years.

Students can then use this Money Smart [mortgage calculator](#) to find out how much interest they will pay on a home loan. Students will then respond to the following focus questions:
- How much will your repayments be?
- How much interest will you pay in total?
- What happens if your interest rate increases or decreases?
- What happens if you change your repayment frequency?

Explain to students that if they encounter simple interest on short term loans, they can use the following formula to calculate the amount of interest.

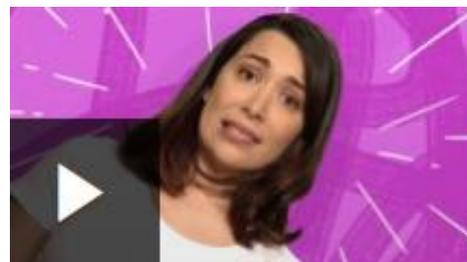*Loan amount* **X** *Interest rate (decimal)* **X** *Number of years* **=** *Total interest paid*

Example - Sally has borrowed $2,000 from her parents to buy a car. The interest on this loan is 5% and Sally must pay the loan back to her parents in 5 years. In total, Sally will need to pay $500 in interest.
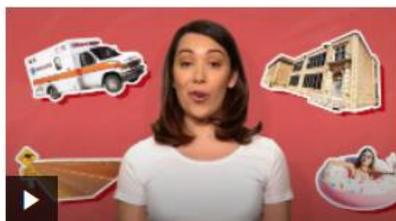
$2,000 x 0.05 x 5 = $500

Activity: My five cents explainer

Watch this ABC Education explainer to learn how interest rates and fees affect the money you borrow, and why they may be more expensive in the long run.

Watch more of the ABC Education's My Five Cent's series to learn about other important financial concepts.

ABC Education – My Five Cents: Why borrowing can cost you more

How does income tax work?
Gen Fricker makes income tax interesting!

What is compound interest?
Compound interest will be one of the most important things you ever learn.
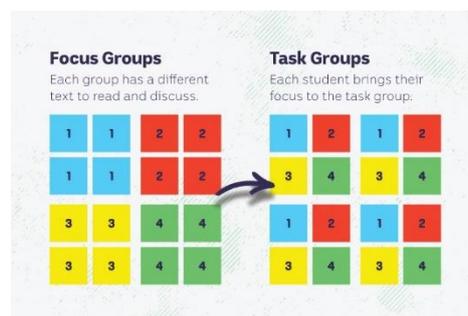

What is opportunity cost?
What is the true cost of buying something?

Activity: Jigsaw learning activity

In this activity students will work cooperatively to learn more about inflation, an increase in the cost of goods and services over time.

As a class, decide what time periods you will be researching as part of the jigsaw activity. For example:
- Current year compared to 50 years ago
- Current year compared to 100 years ago
- Current year compared to 20 years ago, 15 years ago, 10 years ago, and 5 years ago.

Form groups   Divide the class into 4 x Focus Groups. Each Focus Group will be assigned a different type of goods or service to investigate and become experts. Some areas of research could include: the average cost of a new home, food (choose one type of food like a loaf of bread or a sausage roll), average wage, and the average cost of a new car. Each group will need to decide how they will collect and communicate the information they find during their research.

Research

Each Focus Group will respond to the following questions to become experts:

- Find out the average cost of the goods or service in each time period you are investigating. Where and how will you find your information? Consider having a conversation with your parents or grandparents to find out more about the cost of living.
- Plot the information you have found on a bar graph. What do the axes represent? What is the graph trying to communicate? What has changed over time?
- What do you notice about your findings?
- What do you wonder about your findings?

Challenge: Use the [RBA's formula](#) to calculate the rate of inflation:

$$Inflation = \frac{Price_{Year\,2} - Price_{Year\,1}}{Price_{Year\,1}} \times 100$$

Share

Mix the Focus Groups to form Task Groups (Tasks Groups include one student from each of the Focus Groups) to share the information they have collected. Students will share the information they have collected and learn from one another. Compare and contrasts your findings.

Reflect

Students will reflect on the activity by responding to one or more of the following questions:

- What did you enjoy about this investigation?
- What did you find surprising?

Useful Websites

- [Interest Rate Cut](#) – BTN
- [Interest Rates](#) – BTN
- [Inflation](#) – BTN
- [Inflation: Why are things getting more expensive?](#) – BBC Newsround
- [What it used to cost](#) – State Library of Victoria