

Before You Sign: Contracts

The **BIG** Idea

- What are some important things to consider before signing a contract?

AGENDA

Approx. 45 minutes

- I. Warm Up: Your Own Cell Phone (10 minutes)
- II. Comparing Plans (15 minutes)
- III. Reading the Fine Print: Reviewing Contracts (10 minutes)
- IV. Wrap Up (10 minutes)

MATERIALS

PORTFOLIO PAGES:

- Portfolio pages 28–30, Grade 10 Skills Checklist

STUDENT HANDBOOK PAGES:

- Student Handbook page 145, Choose Your Plan
- Student Handbook pages 146–147, Student Questions
- Student Handbook page 148, Cell Phone Service Contract
- Student Handbook page 149, Wrap Up: Your First Phone Bill

FACILITATOR PAGES:

- Facilitator Resource 1, Cell Phone Ad
- Facilitator Resource 2, Student Questions Answer Key
- Facilitator Resource 3, Your First Phone Bill Answer Key

Overhead projector

Calculators

Highlighters (one per student)

OBJECTIVES

During this lesson, the student(s) will:

- Understand the importance of carefully reviewing a contract.
- Compare three different cell phone plans and answer questions based on the information.
- Review a service contract to identify rules, limitations, and any hidden costs of a cell phone plan.

OVERVIEW

In this lesson, students will learn about the importance of carefully reviewing contracts, as they select a cell phone plan for their first year in college. They'll begin by considering an enticing advertisement for a fictional cell phone plan. Next, they'll compare three plans offered by the cell phone company and use the information to answer specific questions about the plans. Then they'll read the company's service contract to identify some of the hidden costs and limitations of the plan. Finally, they'll be given a simple scenario of cell phone use and determine the amount of the first monthly bill.

PREPARATION

- List the **BIG IDEA** and the day's activities on the board.
- Write the day's vocabulary word and definition on the board.
- The following handouts need to be made into overhead transparencies or copied onto chart paper:
 - **Student Handbook pages 146–147, Student Questions**
 - **Student Handbook page 149, Wrap Up: Your First Phone Bill**
 - **Facilitator Resource 1, Cell Phone Ad**

VOCABULARY

Contract: A signed agreement (or document) between two or more parties, such as an individual and a company.

IMPLEMENTATION OPTIONS

For classes not proficient in math, you may wish to work through the calculations together, using the blackboard or overhead projector.

ACTIVITY STEPS

I. Warm Up: Your Own Cell Phone (10 minutes)

1. **SAY SOMETHING LIKE:** Welcome back, everybody. Last week you learned about credit cards—and why the way you use them now can have a big impact on your future. This week, we're going to talk about something else that can have a big impact on your future: contracts.
2. **SAY SOMETHING LIKE:** You will sign many contracts in your lifetime, whether you're signing up for a credit card, a service for your home like electricity or water, or even medical treatment. Who knows what a contract is? [Take answers and jot down relevant words or phrases on the board.]

A **contract** is a signed agreement between you and a company or another individual. A contract clearly states the terms of an agreement, such as what will be provided and for how long. A contract is a legal document, so you are making a legal commitment when you sign a contract. That means there could be financial or legal penalties if you change your mind. And that's why it's so important to review any contract very carefully before you sign it.

3. **SAY SOMETHING LIKE:** Let's look at an example of a time in the near future when you might be signing a contract: when it's time to choose and pay for your own cell phone plan.

Imagine this scenario: You're about to leave for college, where you'll need a new cell phone to keep in touch with friends and family. Your parents have cell phone service with a company called Ring Ring. Ring Ring offers free calls to anyone else that uses their network, so you have decided to choose a plan with Ring Ring. Your parents have offered to pay \$50 per month to cover your cell phone charges. You just need to figure out which plan works for you.

As you're flipping through the newspaper one afternoon, you see this ad. [Put the **Facilitator Resource 1, Cell Phone Ad** on the overhead projector.]

You fall in love with the orange phone—you've never seen another one like it! Plus, it's FREE if you sign up for the Student Plan, which looks like it's in your budget.

4. **SAY SOMETHING LIKE:** What do you think? Should you sign up right away? [Take answers.]

No, you probably shouldn't just choose a plan based on the phone, right? What are some things you'll need to consider before choosing a cell phone plan? [Take answers from the class; make a list on the board. (Examples: number of free minutes; cost for calls when you exceed your minutes; peak and off-peak hours; cost for out-of-area or international calls; cost for text messaging or Internet access; taking/sending pictures; downloads; etc.)]

II. Comparing Plans (15 minutes)

1. **SAY SOMETHING LIKE:** OK, let's say you make a wise choice—to compare different plans offered by Ring Ring instead of just choosing the plan that gets you the cool orange phone. Turn to your **Student Handbook page 145, Choose Your Plan** and look at the three basic plans offered by Ring Ring.
2. **SAY SOMETHING LIKE:** How are these plans different? [Take answers, such as number of free minutes, cost for additional minutes, and overall cost.]
3. **SAY SOMETHING LIKE:** Next, turn to **Student Handbook pages 146–147, Student Questions**. Use the chart in **Student Handbook page 145, Choose Your Plan** to answer the first set of questions. [Give students 10 minutes to complete the questions, and then review the answers as a class.]

III. Reading the Fine Print: Reviewing Contracts (10 minutes)

1. **SAY SOMETHING LIKE:** Say you've decided to go with Plan B, the Student Plan, and you're ready to sign up. But before you do, it's important to carefully review the contract for the plan. Even though contracts can be cumbersome to read sometimes, they include important information—and extra costs—you may not have considered. After all, flashy advertisements are designed to highlight just the desirable features of a product or service. You have to read the fine print to find the real truth behind the advertisement. Usually, nothing's as “free” or “easy” as it sounds!
2. [Have the class turn to **Student Handbook page 148, Cell Phone Service Contract**. Give each student a highlighter. Instruct students to use the information in this contract to answer the second set of questions on the **Student Handbook pages 146–147,**

Student Questions. Students should highlight this information on their contract. Give the students seven minutes to complete these questions. If time permits, review the answers as a class.]

IV. Wrap Up (10 minutes)

1. **SAY SOMETHING LIKE:** Before we end for the day, I'd like you to turn to your **Student Handbook page 149, Wrap Up: Your First Phone Bill.** In this scenario, you have decided to go with Plan B, the Student Plan—you just couldn't resist that orange phone. But when the first bill arrives at the end of September, you're a bit surprised. Read the details on your student handbook page, and figure out the total of your first bill.
2. [If time permits, bring students together to share their answers. Discuss whether Plan B was the best decision, or how you could change your cell phone use to lower your future cell phone bills.]

SKILLS CHECKLIST

Direct students' attention to **Portfolio pages 28–30, Grade 10 Skills Checklist.** Have students complete the skills checklist questions for Money Matters skills.

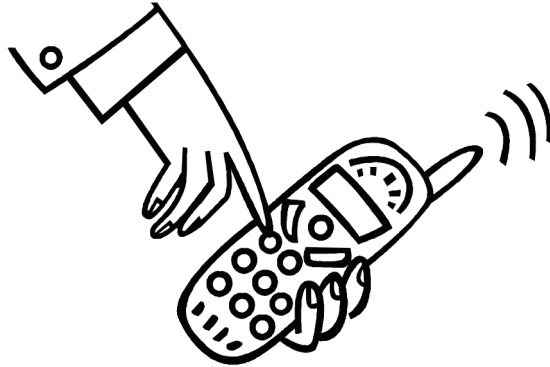
Money Matters

I can...

Explain why a budget is important, and can name categories to include when creating one.	<input type="checkbox"/> not at all	<input type="checkbox"/> somewhat	<input type="checkbox"/> very well
Keep track of the money in a checking account.	<input type="checkbox"/> not at all	<input type="checkbox"/> somewhat	<input type="checkbox"/> very well
Describe the pros and cons of using a credit card.	<input type="checkbox"/> not at all	<input type="checkbox"/> somewhat	<input type="checkbox"/> very well
Explain what to think about when considering a contract for a cell phone.	<input type="checkbox"/> not at all	<input type="checkbox"/> somewhat	<input type="checkbox"/> very well

As you head off to college...

What will your cell phone say about you?



Choose a phone that fits your personal style.

Available in ruby red, Florida orange, lemon yellow, grass green, sky blue, and plum purple.

The New **Rainbow Phone** from *RING RING*.

Yours **FREE** with the *Student Plan*—only \$49.99/month.

- 500 minutes a month
- Unlimited nights & weekends
- Free calls to anyone in the *RING RING* network.

RING RING

Connecting you to your world.

Student Questions Answer Key

PART 1

1. Excluding calls to your family, you estimate about 30 minutes of talk time each day during daytime hours (that is, before your free nights/weekends take effect). Complete the calculations below using each of the three plans.

PLAN A	Cost
Monthly access fee	\$39.99
Over-limit charge	\$90.00
a. <u>30</u> minutes per day x 20 weekdays/month = <u>600</u> (minutes talked)	
b. <u>600</u> (minutes talked) – <u>400</u> minutes allowed = <u>200</u> (extra minutes)	
c. <u>200</u> (extra minutes) x \$.45/minute = <u>\$90</u> (over-limit charge)	
Total Cost	\$129.99

PLAN B	Cost
Monthly access fee	\$49.99
Over-limit charge	\$40.00
a. <u>30</u> minutes per day x 20 weekdays/month = <u>600</u> (minutes talked)	
b. <u>600</u> (minutes talked) – <u>500</u> minutes allowed = <u>100</u> (extra minutes)	
c. <u>100</u> (extra minutes) x \$.40/minute = <u>\$40</u> (over-limit charge)	
Total	\$89.99

PLAN C	Cost
Monthly access fee	\$59.99
Over-limit charge	\$0.00
a. <u>30</u> minutes per day x 20 weekdays/month = <u>600</u> (minutes talked)	
b. <u>600</u> (minutes talked) – <u>650</u> minutes allowed = <u>00</u> (extra minutes) <i>Since the minutes talked was less than the minutes allowed, no extra minutes were used.</i>	
c. <u>0</u> (extra minutes) x \$.35/minute = <u>\$0</u> (over-limit charge)	
Total Cost	\$59.99

2. Based on your answers to question 1, which plan are you better off choosing? Explain.

You're much better off with Plan C, which will allow you to talk your estimated 30 minutes per weekday. With Plan B, you're paying \$40.00 for extra minutes, bringing your total monthly bill to \$89.99. For Plan A, you're paying \$90.00 for extra minutes, which raises your total monthly bill to \$129.99.

Student Questions Answer Key

PART 2

1. How much will you have to pay to activate your line the first month? (See “activation fee.”)
\$35
2. Name at least two other fees you’ll pay each month.
Taxes, monthly universal service charge, monthly regulatory charge, monthly administrative charge
3. You like the Ring Ring plans because they offer unlimited night and weekend calls. What time do free calls begin in the evening?
Monday–Friday evening at 9:01 PM
4. Imagine you choose Plan B, which offers 500 free minutes. In September, you only use 475 minutes. What happens to your unused minutes?
“Unused allowance minutes lost”
5. When you get to school, you find that you don’t get very good reception from your dorm room. You decide to drop Ring Ring altogether. You signed up for a year-long contract. How much might you have to pay to cancel (terminate) your contract early?
Up to \$175
6. Since you’re new to town, you might need to call information (411) often to find local numbers. How much will each call cost you?
\$1.49 per call plus airtime
7. You carefully plan the calls you make (or OUTGOING calls) so you don’t go over your minutes. But what about calls that other people make TO you, or INCOMING calls)? Will those take up your minutes as well?
Yes, when the call connects to the Ring Ring network on incoming calls.

Wrap Up: Your First Phone Bill Answer Key

After comparing the different Ring Ring plans, you decided to go with Plan B, the Student Plan. You decided you just HAD to have that orange phone, and the plan (\$49.99) was within the monthly budget your parents offered to pay. However, you're in for a surprise when the bill arrives at the end of the first month. To begin, you went over your allowance of minutes, talking for 575 minutes. You also sent and received 17 text messages, and called information four times. And since this was the first month, there was an activation fee of \$35.00. To top it off, there were \$14.50 of monthly service charges.

1. What was the total cost?

Basic rate:	\$49.99
Extra minutes x Cost per minute: <u>75</u> minutes x <u>.40</u> /minute =	\$30.00
Text messages x Cost per message: <u>17</u> text messages x <u>\$.40</u> /message =	\$3.40
Information calls x Cost per call: <u>4</u> calls x <u>\$1.49</u> /call =	\$5.96
Activation fee	\$35.00
Service charges & fees:	\$14.50
Total cost:	\$138.85

2. Was Student Plan B the best plan for you considering your cell phone use this month? Why or why not?

No. Excess minutes cost \$30. All of those minutes would have been paid for with Plan C for only \$10 more.

Choose Your Plan

Below is an overview of Ring Ring’s three voice basic plans for individuals. Read the chart closely and answer the questions in part 1 of **Student Handbooks pages 146–147, Student Questions.**

Ring, Ring Basic Voice Plans	Monthly Anytime Minutes	Monthly Access	Per-Minute Rate After Allowance	Text Messages	Plan Includes
PLAN A (Starter Plan)	400 minutes	\$39.99	\$0.45	\$0.20 (for received and sent)	<ul style="list-style-type: none"> • Unlimited Night & Weekend Minutes • Voice Mail • Caller ID
PLAN B (Student Plan)	500 minutes	\$49.99	\$0.40	\$0.20 (for received and sent)	
PLAN C (Deluxe Plan)	650 minutes	\$59.99	\$0.35	\$0.20 (for received and sent)	

Student Questions

PART 1

1. Excluding calls to your family, you estimate about 30 minutes of talk time each day during daytime hours (that is, before your free nights/weekends take effect). Complete the calculations below using each of the three plans.

PLAN A	Cost
Monthly access fee	
Over-limit charge	
a. _____ minutes per day x 20 weekdays/month = _____ (minutes talked)	
b. _____ (minutes talked) – _____ minutes allowed = _____ (extra minutes)	
c. _____ (extra minutes) x \$.45/minute = _____ (over-limit charge)	
Total Cost	

PLAN B	Cost
Monthly access fee	
Over-limit charge	
a. _____ minutes per day x 20 weekdays/month = _____ (minutes talked)	
b. _____ (minutes talked) – _____ minutes allowed = _____ (extra minutes)	
c. _____ (extra minutes) x \$.40/minute = _____ (over-limit charge)	
Total	

PLAN C	Cost
Monthly access fee	
Over-limit charge	
a. _____ minutes per day x 20 weekdays/month = _____ (minutes talked)	
b. _____ (minutes talked) – _____ minutes allowed = _____ (extra minutes) <i>Since the minutes talked was less than the minutes allowed, no extra minutes were used.</i>	
c. _____ (extra minutes) x \$.35/minute = _____ (over-limit charge)	
Total Cost	

2. Based on your answers to question 1, which plan are you better off choosing? Explain.

Student Questions

PART 2

3. How much will you have to pay to activate your line the first month?
(See “activation fee.”)

4. Name at least two other fees you’ll pay each month.

5. You like the Ring Ring plans because they offer unlimited night and weekend calls.
What time do free calls begin in the evening?

Monday–Friday evening _____

6. Imagine you choose Plan B, which offers 500 free minutes. In September, you only use 475 minutes. What happens to your unused minutes?

7. When you get to school, you find that you don’t get very good reception from your dorm room. You decide to drop Ring Ring altogether. You signed up for a year-long contract. How much might you have to pay to cancel (terminate) your contract early?

8. Since you’re new to town, you might need to call information (411) often to find local numbers. How much will each call cost you?

9. You carefully plan the calls you make (or OUTGOING calls) so you don’t go over your minutes. But what about calls that other people make TO you, or INCOMING calls)? Will those take up your minutes as well?

Cell Phone Service Contract

Below is the contract for Ring Ring wireless phone service. Read it carefully and answer the questions in part 2 of **Student Handbook pages 146–147, Student Questions.**

Important Calling Plan Information

All minutes (free minutes, calls to other Ring Ring customers, free night & weekend minutes) are for use from within the Ring Ring Coverage Area.

- Unlimited Domestic Long Distance. (Airtime applies.)
- No domestic roaming charges. (Coverage not available in all areas.)
- Unlimited Night & Weekend Minutes:
Night Hrs: (M–F) 9:01 p.m.–5:59 a.m.
Wknd Hrs: 12:00 a.m. Sat.–11:59 p.m. Sun.

Calling Other Ring Ring Customers

You can talk with any of our customers anytime from within the United States and Puerto Rico coverage areas.

Information (411) Calls

\$1.49 per call plus airtime.

Minimum Term, Activation, and Early Termination Fees

- One- or two-year minimum term required per line.
- Activation Fee: \$35/line.
- Early Termination Fee: Up to \$175 per line.

Taxes, Surcharges, and Fees

- Tolls, taxes, surcharges, and other fees vary by market (and as of July 1, 2007, add between 4% and 34% to your monthly bill) and are in addition to your monthly access fees and airtime charges.
- Monthly Federal Universal Service Charge (varies quarterly based on FCC rate) is 11.3%.
- Monthly Regulatory Charge (subject to change) is 4¢ per line.
- Monthly Administrative Charge (subject to change) is 70¢ per line.
- The Federal Universal Service, Regulatory and Administrative Charges are Ring Ring charges, not taxes.

Other Important Information:

Rates do not apply to credit card or operator-assisted calls, which may be required in certain areas. Usage rounded up to next full minute. Unused allowance minutes lost. Charges start when you first press **SEND** or the call connects to a network on outgoing calls, and when the call connects to a network (which may be before it rings) on incoming calls. Time may end several seconds after you press **END** or the call otherwise disconnects. For calls made on our network, we only bill for calls that connect (which includes calls answered by machines). Calls to 'toll-free' numbers are toll-free; you will be billed airtime. Billing for airtime and related charges may sometimes be delayed. Delayed airtime will be applied against the included airtime for the month when you actually made or received the call, even though such charges may show up on a later bill. This may result in charges higher than you'd expect in the later month.

Wrap Up: Your First Phone Bill

After comparing the different Ring Ring plans, you decided to go with Plan B, the Student Plan. You decided you just HAD to have that orange phone, and the plan (\$49.99) was within the monthly budget your parents offered to pay. However, you're in for a surprise when the bill arrives at the end of the first month. To begin, you went over your allowance of minutes, talking for 575 minutes. You also sent and received 17 text messages, and called information four times. And since this was the first month, there was an activation fee of \$35.00. To top it off, there were \$14.50 of monthly service charges.

1. What was the total cost?

Basic rate:	
Extra minutes x Cost per minute: _____ minutes x _____/minute = _____	
Text messages x Cost per message: _____ text messages x _____/message = _____	
Information calls x Cost per call: _____ calls x _____/call = _____	
Activation fee	
Service charges & fees:	
Total cost:	

2. Was Student Plan B the best plan for you considering your cell phone use this month? Why or why not?
