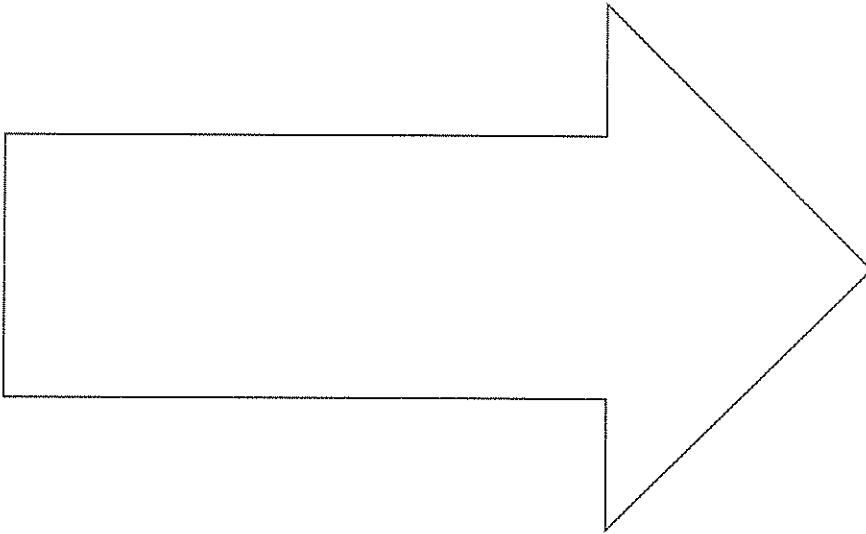


Credit Cards: Life in Plastics....It's Fantastic?

If I had a million dollars:



Realistically, what are the main things you think you will spend money on when you are on your own?

What do you spend your money on now?

What would you buy, if you have \$500 right now to spend?

MATCHBOX TWENTY

annual fee

minimum payment

credit score

credit limit

balance

interest rate

member rewards

A. perks cardholders receive when they sign up for a credit card, like points, frequent flyer miles, and cash back

B. also known as annual percentage rate or APR. It's the percentage of your balance you pay as interest

C. three-digit number that predicts how likely you are to pay back the credit you borrow. In other words, your credit score allows your credit card company to measure the risk it takes by lending you credit

D. the lowest amount of money you are required to pay on your credit card each month

E. a yearly charge some credit card companies charge a holder simply for owning a card.

F. the amount of money you need to pay to reimburse the charges you put on your card. It's what you owe

G. the maximum amount of credit you are allowed to borrow

CREDIT CARDS: LIFE IN PLASTIC...IT'S FANTASTIC?

WHATCHA GONNA DO WHEN THEY COME FOR YOU?

THE STORY

JJ just received his first credit card.

Annual interest rate: 18%; Finance charge: 1.5%;

Minimum payment: 5%

January: JJ charges two shirts, a pair of pants, and a pair of shoes for \$235. When his first credit-card bill arrived in February, Justin owed _____. Since his account provides for a 30-day grace period, JJ did not owe any finance charges immediately. JJ knows he should pay his entire bill each month, but he was short on cash, so he only made the minimum payment of _____. His unpaid balance was _____.

February: JJ took his GF to a concert then bought the band's albums on iTunes for a total of \$157. When his bill for March arrived, Justin owed _____ for the new charges, his previous balance, and the finance charge on the previous balance. He was now even shorter of cash at the time, so he made only the minimum payment of _____.

March: After he made his March payment, JJ resolved to stop charging things until he could pay his entire balance. But the next day, his car broke down and the repairs came to \$760. He needed his car to get to school and work, so he charged the repairs. His total credit-card balance in April was _____.

Taken aback by his growing balance, JJ swore not charge another dime until he paid the balance off entirely. He decided to pay \$55 a month for as long as it would take to pay it off.

CREDIT CARD BALANCE WORKSHEET

JANUARY

Purchases: _____
- Minus min payment: _____
Unpaid balance: \$ _____

FEBRUARY

Purchases: _____
+ Previous balance: _____
= Total before interest: _____
+ Finance charge at 1.5% (total x 1.015): _____
= Total owed: _____
- Min payment: _____
Unpaid balance: \$ _____

MARCH

Purchases: _____
+ Previous balance: _____
= Total before interest: _____
+ Finance charge at 1.5% (total x 1.015): _____
= Total owed: _____
- Min payment: _____
Unpaid balance: \$ _____

Total purchases: \$ _____
Total spent: \$ _____

Bonus: if he didn't charge anything more and paid \$55 a month, how long would it take JJ to pay off his bill?

 months

From the story, if you don't pay off your entire statement, you start to have high monthly payments. As you've seen in JJ's case, those really add up. Then, you can't afford to buy things now and can't save for the future because you're always paying past balances."

"Second, leaving a balance could result in late payments and could have a detrimental effect on your credit score. If your credit score drops low enough, it will be more difficult or even impossible for you to get a loan on a house or a car in the future."

"Third, if you're unable to pay off your credit, you could go bankrupt. If you've seen *Wheel of Fortune*, going bankrupt is not fun. Nobody wants to see Pat Sajack and Vanna White frown." Start building credit by paying for something you know you can pay off each month.

Questions to ponder:

What most excites you about having a credit card?

What most worries you?

After this lesson, what are some things you can do to make sure you use your credit card responsibly?

What did you learn in the lesson that surprised you most?

What do you still not fully understand?