

# Understanding **CREDIT** and **CREDIT CARDS**

Sometimes, people fool themselves into thinking that owning a credit card is like having free money. Nothing could be further from the truth! Unless you pay your credit card bill in full every month, you will pay interest and sometimes transaction fees for the privilege of using credit. That's because buying on credit is a form of borrowing money. Only your closest friends and relatives are likely to lend you money for free. In all other instances, there are charges involved. When it comes to credit cards, it's important to be aware of what those charges are – and how they can add up.

Fernando wants to buy a stereo for \$650 and pay for it using a credit card that has an Annual Percentage Rate of 19.85% and a periodic interest rate of 1.65%.

**If Fernando pays the minimum monthly payment of \$21.45:**

1. How long will it take him to pay for the stereo? \_\_\_\_\_
2. What is the total amount he will pay for the stereo? \_\_\_\_\_
3. What is Fernando's total cost of using credit? \_\_\_\_\_

**If Fernando makes monthly payments of \$60.00:**

4. How long will it take him to pay off the stereo? \_\_\_\_\_
5. What is the total amount he will pay for the stereo? \_\_\_\_\_
6. What is Fernando's total cost of using credit? \_\_\_\_\_

Jennifer took a cash advance of \$1,500. Her new credit card, as a special promotion, charges an Annual Percentage Rate of 5.9% and a periodic interest rate of .4917% for the first six months. After the first six months, an Annual Percentage Rate of 21% and a periodic interest rate of 1.75% apply. The transaction fee for cash advances is 3% of the cash advance with a minimum fee of \$5.00 and a maximum fee of \$35.00.

**If Jennifer makes monthly payments of \$60.50:**

7. How long will it take her to pay for the cash advance? \_\_\_\_\_
8. What is the total amount she will end up paying? \_\_\_\_\_
9. How much in interest and fees will Jennifer pay? \_\_\_\_\_

**If Jennifer pays the cash advance back at a rate of \$120 per month:**

10. How long will it take her to pay for the cash advance? \_\_\_\_\_
11. What is the total amount she will end up paying? \_\_\_\_\_
12. How much interest and fees will Jennifer pay? \_\_\_\_\_

Stephanie just used her new credit card to buy a bike for \$400. Her budget allows her no more than \$25 each month on her credit card. Stephanie has decided not to use the credit card again until the bike is paid off. The credit card she used has an Annual Percentage Rate of 21% and a periodic interest of 1.75%.

**If Stephanie pays \$25 each month on her credit card:**

13. How long will it take her to pay for the bike? \_\_\_\_\_
14. What is the total amount she will end up paying? \_\_\_\_\_
15. How much interest will she pay? \_\_\_\_\_

**If Stephanie pays the minimum payment of \$14 each month:**

16. How long will it take her to pay for the bike? \_\_\_\_\_
17. What is the total amount she will end up paying? \_\_\_\_\_
18. How much interest will she pay? \_\_\_\_\_

Justin has just used his credit card to buy a new watch. He got the watch on sale for \$235. The regular price was \$290. He used a credit card that has an Annual Percentage Rate of 20% and a periodic interest rate of 1.67%.

**If Justin makes the minimum monthly payment each month of \$10:**

19. How much will Justin end up paying for the watch? \_\_\_\_\_
20. How long will it take him to pay for his new watch? \_\_\_\_\_
21. What is the total amount of interest he will pay? \_\_\_\_\_

**If Justin pays \$25 each month, instead of the minimum monthly payment of \$10 each month:**

22. How much will he end up paying for the watch? \_\_\_\_\_
23. How long will it take him to pay for his new watch? \_\_\_\_\_
24. What is the total amount of interest he will pay? \_\_\_\_\_

# Understanding **CREDIT** and **CREDIT CARDS** Worksheet Answers

## Fernando:

1. How long will it take him to pay for the stereo? 42 Months
2. What is the total amount he will pay for the stereo? \$887.44
3. What is Fernando's total cost of using credit? \$237.44
4. How long will it take him to pay off the stereo? 12 Months
5. What is the total amount he will pay for the stereo? \$709.14
6. What is Fernando's total cost of using credit? \$59.14

## Jennifer

7. How long will it take her to pay for the cash advance? 33 Months
8. What is the total amount she will end up paying? \$1944.06
9. How much in interest and fees will Jennifer pay? \$444.06
10. How long will it take her to pay for the cash advance? 14 Months
11. What is the total amount she will end up paying? \$1674.34
12. How much interest and fees will Jennifer pay? \$174.34

## Stephanie

13. How long will it take her to pay for the bike? 19 Months
14. What is the total amount she will end up paying? \$463.83
15. How much interest will she pay? \$63.83
16. How long will it take her to pay for the bike? 39 Months
17. What is the total amount she will end up paying? \$545.60
18. How much interest will she pay? \$145.60

## Justin

19. How much will Justin end up paying for the watch? \$294.35
20. How long will it take him to pay for his new watch? 30 Months
21. What is the total amount of interest he will pay? \$59.35
22. How much will he end up paying for the watch? \$253.14
23. How long will it take him to pay for his new watch? 11 Months
24. What is the total amount of interest he will pay? \$18.14