

Lesson 21a: Understanding Credit Cards

Objective: Students will explore positive and negative aspects of credit cards and how to best use credit cards.

Materials: N/A

Procedure:

- As a group, read and discuss the wins and woes of credit cards.
- Explain that credit cards, which are a way of life in this country, can simplify life as long as they are used in a responsible manner.
- Explain that many hotels would prefer to receive payment by credit card than to receive cash. Two reasons for this preference are the following points:
 - Credit cards provide a measure of security for the hotels because they have access to information about their guests.
 - Hotels have the means to collect all money due even if a guest leaves unexpectedly.
- Have students complete the activity at the bottom of the page. Solution:

$\$1,000 \times 10\% = \100

$\$100 \div 12 = \8.33 per month due in interest

$\$75 - \$8.33 = \$66.67$ of the payment is principal

Following this payment, the total balance due is $\$1,000 - \$66.67 = \$933.33$

$\$933.33 \times 10\% = \93.33

$\$93.33 \div 12 = \7.78

$\$75 - \$7.78 = \$67.22$ of the next payment will be principal

Single-day adaptation: No adaptations needed.

Extension: Discuss that some people have a lot of difficulty managing credit card debt and that for these people, the best plan is often to quit using credit cards. Brainstorm ways students can know whether they are managing their credit cards in a good way.

Lesson 21a

Name _____
Date _____

Understanding Credit Cards

Credit card companies are in business to make money. They make money from interest that people pay and from company fees. Most credit card companies make enough money to pay thousands of employees and to make a profit. Remember these details when you receive credit card offers. Apply for one or two credit cards and ignore the rest.

Use your credit cards as conveniences, not as loans. Each month, charge no more than you are able to pay at the end of the month. If you charge more than you can pay each month, you are spending more than you can afford. You are helping the credit card companies with their profit while you create a personal loss.

Read through the following credit card wins and woes:

| | | | |
|---|---|--|--|
| Win #1 You can get by without carrying a lot of cash. | Win #2 You can make quick purchases by phone or Internet. | Win #3 You can make purchases you did not plan to make. | Win #4 You can make purchases anywhere in the world. |
| Woe #1 You can make purchases you cannot afford. | Woe #2 You can have your credit card number stolen and used by a thief. | Woe #3 You can easily generate a credit card balance beyond that which you can pay within the month. | Woe #4 You can find yourself paying large amounts of interest. |

Activity: Imagine you charge \$1,000. Your interest rate is 10% per year. Assume you do not have the money to pay the \$1,000 at the end of the month. You make the minimum payment. Your payment is \$75. How much of your payment is principal? Assume you do not charge any more to the card and the payment remains \$75. How much principal will you pay off when you make your payment next month?

Lesson 21b: Run Errands, Work Around the House, Apply for Credit

Objective: Students will run errands and do household chores, as well as apply for a credit card.

Materials: *Household Chores List* (in their binders), *Credit Card Application Form*

Procedure:

- Point out that errands are an ongoing part of life. Discuss methods of fitting errands into busy work and family schedules.
- Have students complete the “Run Errands” box and pay as needed.
- Have students get out their *Household Chores List*. Tell them to choose at least six around-the-house tasks and complete the “Work Around the House” box. Make sure they check off the tasks they have chosen so that their *Household Chores Lists* are up to date. Remind roommates to share one list and to coordinate their household chores.
- Throughout their time in Willow, students spend quite a bit of time working around the house. If students suggest that they spend too much of their time on this task, explain that maintaining a household is a never-ending, time-consuming task. Point out that it is an ongoing part of life, but not a negative thing.
- Give students a credit card application. Point out that in real life, a 4- to 6-week wait is common for approval on a credit card application, but in Willow, time works differently. Explain that credit card approval will be very quick in Willow and that all students will be issued credit cards within a day (or whatever timeline works). Tell students that purchases made with credit cards will have to be made in person with the teacher, who will record them on the *Credit Card Use Record/Statement*. Clarify that students cannot use their credit cards today, but after today they will be able to use them.
- Remind students to complete the “Money In or Out” box as needed.

Single-day adaptation: Have students complete the “Run Errands” box, aside from paying. Also, have them choose six activities from the *Household Chores List* and complete the “Work Around the House” box, as well as fill out the *Credit Card Application Form*.

Extension: Discuss expenses in Willow for which students will and will not be able to use their credit cards. For example, they can use them at the Willow Shopping Center, but they cannot use them for anything that is set up for autopay.

Lesson 21b

Name _____
Date _____

Today's Required Tasks

Run the errands listed below. For each, figure out how much time is needed. Also, decide what time of day you will run each errand. Pay as needed.

Study your *Household Chores List*. Check off completed chores. Pay as needed.

Fill out a *Credit Card Application Form*. As soon as you receive word that your application has been approved, you may use the card.

Money In or Out

DC, DR, PWD, MW, AD, or C

| Option & Amount | Balance (or Cash Left) |
|-----------------|------------------------|
| | |
| | |
| | |
| | |

Key: MW: Auto Withdrawal; C: Cash; DC: Debit Card; AD: Auto Deposit

Run Errands

You work 8 hours each day and have 1 hour off for lunch. Estimate the amount of time you need for each of the errands below. Also, decide when you would work each errand into your schedule. Start at your house and go to the businesses your family uses. Pay each bill.

| Errand | Time Needed | When? | Cost | Errand | Time Needed | When? | Cost |
|---|-------------|-------|---------|-------------------------------------|-------------|-------|---------|
| Go to bank | | | N/A | Return video | | | N/A |
| Pick up dry cleaning (Lucky Leon's Laundry) | | | \$8.00 | Groceries—10 items (Mason's Market) | | | \$26.50 |
| Pick up prescription (Grant's Drugstore) | | | \$10.00 | Pick up photos (Grant's Drugstore) | | | \$14.50 |

Work Around the House

| Activity | Time Needed | Teacher Agrees with Time (Signature) | Cost |
|----------|-------------|--------------------------------------|------|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Lesson 21a

Name _____

Date _____

Understanding Credit Cards



Credit card companies are in business to make money. They make money from interest that people pay and from company fees. Most credit card companies make enough money to pay thousands of employees and to make a profit.

Remember these details when you receive credit card offers. Apply for one or two credit cards and ignore the rest.

Use your credit cards as conveniences, not as loans. Each month, charge no more than you are able to pay at the end of the month. If you charge more than you can pay each month, you are spending more than you can afford. You are helping the credit card companies with their profit while you create a personal loss.

Read through the following credit card wins and woes:

Win #1

You can get by without carrying a lot of cash.

Win #2

You can make quick purchases by phone or Internet.

Win #3

You can make purchases you did not plan to make.

Win #4

You can make purchases anywhere in the world.

Woe #1

You can make purchases you cannot afford.

Woe #2

You can have your credit card number stolen and used by a thief.

Woe #3

You can easily generate a credit card balance beyond that which you can pay within the month.

Woe #4

You can find yourself paying large amounts of interest.

Activity: Imagine you charge \$1,000. Your interest rate is 10% per year. Assume you do not have the money to pay the \$1,000 at the end of the month. You make the minimum payment. Your payment is \$75. How much of your payment is principal? Assume you do not charge any more to the card and the payment remains \$75. How much principal will you pay off when you make your payment next month?

Lesson 21b

Name _____

Date _____

Today's Required Tasks

- Run the errands listed below. For each, figure out how much time is needed. Also, decide what time of day you will run each errand. Pay as needed.
- Study your *Household Chores List*. Check off completed chores. Pay as needed.
- Fill out a *Credit Card Application Form*. As soon as you receive word that your application has been approved, you may use the card.

| Money In or Out DC (& Pin), AW, AD, or C | |
|---|------------------------|
| Option & Amount | Balance (or Cash Left) |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |

Key: AW: Auto Withdrawal; C: Cash DC: Debit Card; AD: Auto Deposit

Run Errands

You work 8 hours each day and have 1 hour off for lunch. Estimate the amount of time you need for each of the errands below. Also, decide when you would work each errand into your schedule. Start at your house and go to the businesses your family uses. Pay each bill.

| Errand | Time Needed | When? | Cost | Errand | Time Needed | When? | Cost |
|--|-------------|-------|-----------------|--|-------------|-------|---------|
| Go to bank | | | N/A | Return video | | | N/A |
| Pick up dry cleaning (Lucky Leon's Laundry) | | | \$8.00 | Groceries—10 items (Mason's Market) | | | \$26.50 |
| Pick up prescription (Grant's Drugstore) | | | \$10.00 copy | Pick up photos (Grant's Drugstore) | | | \$14.50 |



Work Around the House

| Activity | Time Needed | Teacher Agrees with Time (Signature) | Cost |
|----------|-------------|--------------------------------------|------|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Lesson 21b

Name _____

Date _____

Credit Card Application Form

Name _____

City _____ State _____ Zip _____

Social Security Number _____ Date of Birth _____

Home Phone _____ Primary Annual Income _____

Other Annual Household Income _____

Check here if: Retired Self-Employed

Current Employer _____ Current Business Phone _____

Employer City _____ Employer State _____ Length of Employment _____

Mother's Maiden Name _____

E-mail Address _____

Co-Applicant (Optional):

Name _____ Social Security Number _____

Current Employer _____ Current Business Phone _____

Please Note: This is an individual account, not a business account. You are authorized to check my (our) credit and employment history. Co-Applicant will receive the same card design as the Primary Applicant.

Primary Applicant Signature _____

Co-Applicant Signature _____