



Lesson 8: The Almighty Dollar?

CREDIT VERSUS DEBIT

Name: _____

Although they look similar, credit and ATM/debit cards allow you to use money differently. Review the chart to see the differences.

	ATM/Debit Cards	Credit Cards
Payments	<ul style="list-style-type: none"> Buy now, pay now. 	<ul style="list-style-type: none"> Buy now, pay later.
Interest Charges	<ul style="list-style-type: none"> No charges apply as funds are automatically debited from your checking account. 	<ul style="list-style-type: none"> Charges will apply if you carry a balance or if your card offers no grace period and you incur interest charges.
Fees	<ul style="list-style-type: none"> Fees on certain transactions (for example: an ATM fee charged for withdrawing funds from an ATM not operated by the bank that issued your debit card). Potentially costly fees if you try to spend more money than is available in your account. 	<ul style="list-style-type: none"> Fees and penalties can be imposed if payments are not timely. Some cards have annual fees. Not all cards offer grace periods (time to repay without incurring interest charges).
Other Potential Benefits	<ul style="list-style-type: none"> Easier and faster than writing a check. No risk of losing cash that you cannot replace. Some cards may offer freebies or rebates. As long as you do not overdraw your account, debit cards are a good way to pay for purchases without borrowing money and paying interest. 	<ul style="list-style-type: none"> Freebies sometimes offered (for example: cash rebates, bonus points, or travel deals). You can withhold payment on charges in dispute. If you manage your credit card carefully, your credit score may go up and you may qualify for lower interest rates on loans.
Other Potential Concerns	<ul style="list-style-type: none"> Usually there are no protections against faulty goods and services. You need another way to pay for unexpected emergencies (for example: vehicle repairs) if you do not have enough money in your bank accounts. 	<ul style="list-style-type: none"> Overspending can occur, since the credit limit may be higher than you can afford. If you do not pay your card balance in full each month, or your card does not have an interest-free grace period, you will pay interest. This can be costly, especially if you only pay at or near the minimum amount due each month.

CREDIT CARD RESPONSIBILITY TIPS

- Keep track of what you are charging. It can be easy to spend more than you realize.
- Read your monthly statements carefully and make sure all of the charges are accurate.
- Pay off your full balance every month.
- Always pay your balance on time to avoid late fees and build a positive credit history.



Lesson 8: The Almighty Dollar? CREDIT RESPONSIBILITY

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Sometimes people who use credit cards do not follow the tips and guidelines for responsible credit card use. Read each scenario and determine whether the credit card user is **responsible** or **irresponsible** with his or her credit card use. Briefly explain your answer.

SITUATION 1

Jason receives a credit card bill. He gets a cash advance on another credit card to pay part of the bill. What do you think about Jason's use of a credit card?

SITUATION 2

The balance on Collin's credit card is \$3,000, which is his credit limit. He makes only the minimum monthly payment of \$50 and is always close to the limit on his credit card. What do you think about Collin's use of a credit card?

SITUATION 3

Lynda uses her credit card for convenience and only for larger purchases of more than \$100. She pays cash for most small purchases under \$100. She pays her credit card bill in full each month. What do you think about Lynda's use of a credit card?

SITUATION 4

Becca was excited to get a credit card offer in the mail. She applied for the credit card without reading the terms. When the card came, she bought several items. When the bill came, she was surprised to find additional fees charged to her account and that the APR was 21%. What do you think about Becca's use of a credit card?



Lesson 8: The Almighty Dollar? COMPARING CARDS

Name: _____

Using an Internet search engine, research three different credit card offers and complete the chart with your findings.

	Credit Card 1	Credit Card 2	Credit Card 3
Name of credit card issuer/card			
What is the APR? <ul style="list-style-type: none">▪ Introductory APR?▪ Rate for purchases?▪ Rate for cash advances?▪ Penalty APR?			
What are the fees? <ul style="list-style-type: none">▪ Annual fee?▪ Late fee?▪ Over-the-limit fee?▪ Cash advance fee?▪ Other fees?			
Are there any benefits? (For example: reward points earned, rebates)			
Other? (For example: customer service hours, online access, access to a real person)			

If you were going to get a credit card, which of the three cards from your research would you select, and why?



Lesson 8: The Almighty Dollar? CREDIT TRAP

Name: _____

Taking on a credit card can be full of challenges, from managing your balance to understanding APRs. Use what you have learned in this lesson to write five tips for how to avoid credit traps and irresponsible credit card use.

Tip 1



Tip 2

Tip 3

Tip 4

Tip 5