

3-5

# CREDIT CARDS

## OBJECTIVES

**Determine** advantages and disadvantages of credit cards.

**Compute** credit card finance fees.

You will need:

- **Student Notes**
- **Textbook**
- **Calculator**
- **Notebook Paper**
- **Pen or Pencil**

Items in red are needed for the lecture.

# What are the advantages of using credit cards?

- No need to carry a lot of cash
- If used correctly it improves your credit score
- You have a written record of your purchase
- Reward programs
  - Cash back
  - Frequent Flyer Miles

# What are the disadvantages of using credit cards?

- Impulse buying
- If used incorrectly it damages your credit score
- Getting into deep debt
- Finance charges

Frank lost his credit card in a local mall. He notified his creditor before the card was used. However, later in the day, someone found the card and charged \$700 worth of hockey equipment on it. How much is Frank responsible for paying?

- You are not responsible for any charges that occur **AFTER** you notify the company.
- You are responsible up to a maximum of **\$50** for any charges that occur **before** you notify the company for each card stolen.

**Frank pays \$0**

## Example 1 - You try it!

Carrie's credit card was stolen. She didn't realize it for days, at which point she notified her creditor. During that time, someone charged \$2,000. How much is Carrie responsible for paying?

## Example 1 - You try it!

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**\$50**

## Example 4

Rebecca pays a finance charge on her average daily balance of \$15,441.60. Her APR is 18%. What is her finance charge for this billing cycle?

$$\begin{aligned}\text{Finance Charge} &= (\text{annual rate}/12) \times \text{Average Balance} \\ &= (.18/12) \times 15,441.60 \\ &= \mathbf{\$231.62}\end{aligned}$$

# How do you use a credit card to improve or create a good credit score?

Ask yourself: Am I able to control my impulse buying?

If the answer is **yes**:

1. Get a credit card from a credit union like RBFCU.
2. Use it EVERY month for a few items. Subtract that amount from your checking account balance so that you don't overspend.
3. Pay your entire balance, on time, every month!



# How do you use a credit card to improve or create a good credit score?

Ask yourself: Am I able to control my impulse buying?

If the answer is **no**:

1. Get a gas company credit card like shell or Exxon.
2. Use it EVERY month for all your gas. Subtract that amount from your checking account balance so that you don't overspend.
3. Pay your entire balance, on time, every month!

## **Teacher instructions:**

- **Highlight entire link**
- **Right click**
- **Select “Open Hyperlink”**
- **Go to 4:00 minute mark**

**<https://www.youtube.com/watch?v=832aYrzTPMg>**

Please work on you assignment.  
It is due at the end of next class.

Grade goes here	Read Pg: 179 to 183 Do Pg 184: #2-4, 5b (ADB:\$1,480.78), 8,	Last First P__ A:3-5
	9c (ADB:\$5,712.04), 9e (ADB:\$878.71),	
	10, 11, 14a	