

Cooperative Education Financial Literacy Lesson Plan 3

Credit

Connections to Financial Literacy

The financial literacy knowledge and skills which will be addressed in this lesson as they relate to the curriculum expectations are:

- consumer awareness;
- personal financial planning such as budgeting, saving and investing;
- social, ethical and environmental implications of financial decisions;
- active citizenship;
- understanding the economy;
- planning for the future; and
- understanding credit.

Curriculum Document/Grade/Course Code (secondary) or Strand (elementary)

Curriculum Expectations	Learning Goals
<p>Career Studies Preparation for Transitions and Change Overall Expectation: Use appropriate decision-making and planning processes to set goals and develop a career plan Specific: Demonstrate an understanding of the decision-making process as it relates to career planning Identify potential barriers (e.g., learning difficulties, financial constraints, distance from opportunities) that could interfere with the achievement of their goals, and use problem-solving strategies to identify appropriate actions. Personal Management Overall Expectation: Evaluate and apply the personal-management skills and characteristics needed for school success, document them in a personal portfolio, and demonstrate their use in a variety of settings Specific: Describe and explain the importance of personal-management skills, habits, and characteristics for success in career development</p>	<p>At the end of this lesson, students will know and understand:</p> <ul style="list-style-type: none">○ the importance of using credit wisely○ the interest charged on credit cards○ the terminology associated with credit○ the importance of maintaining a good credit rating○ the credit card application form○ the credit card statement○ how to write a cheque

Instructional Components and Context

<p>Readiness <i>Prior to this lesson:</i> Students will be asked of their general knowledge of credit.</p> <p>Terminology ATM Bank card Billing cycle Cash back Cheque Credit Credit history Credit limit Default rate Fees Grace period Identity theft Interest rate Line of credit Loan NSF Penalty PIN Reward cards Security code Service charge .</p>	<p>Materials The following exercises are provided: Exercise #1 (a) Matching Question (b) Crossword Puzzle Exercise #2 Canadian Express Credit Card Application Exercise #3 Canadian Express Credit Card Statement of Account Exercise #4 Cheques Exercise #5 The Cost of Borrowing</p> <p>The following resource sheet is provided for teacher use: Advantages and Disadvantages of Using Credit – A Summary</p> <p>The following website is required for Exercise #5 The Cost of Borrowing, Case Study #2: www.creditcanada.com</p>
---	--

<p>Minds On</p> <ul style="list-style-type: none"> Establishing a positive learning environment Connecting to prior learning and/or experiences Setting the context for learning 	<p>Connections</p>
<p>Brainstorming within a Group</p> <p>In groups of 3 or 4, have students brainstorm for advantages and disadvantages of using credit.</p> <p>With discussion, consolidate the lists of advantages and disadvantages that students see on the board.</p> <p>Matching Question or Crossword Puzzle – Exercise #1</p> <p>Distribute Exercise #1(a), "Matching Question" or Exercise #1(b), "Crossword Puzzle" for students to complete individually.</p> <p>Discuss with the class the assigned exercise and terminology.</p>	<p>Guiding Questions:</p> <ul style="list-style-type: none"> How many people pay cash for everything (e.g., groceries, house, and car)? Could everyone in today's society buy everything with cash? What problems can individuals get into by misusing credit? What is good credit? How can you become more aware of interest charges? How can one use credit to one's advantage? <p>Assessment for Learning:</p> <p>Based on class discussion of the advantages and disadvantages of credit, the teacher will be able to gauge whether the Crossword or Matching Question will be most appropriate.</p> <p>Differentiated Instruction:</p> <p>Selection by students and/or teacher as to which Exercise #1 will be used for the "Minds On" activity will allow for differentiation.</p>
<p>Action!</p> <ul style="list-style-type: none"> Introducing new learning or extending/reinforcing prior learning Providing opportunities for practice and application of learning (guided > independent) <p>Credit Cards – Exercise #2</p> <p>Distribute and discuss Exercise #2, "Canadian Express Credit Card Application" and discuss each point on the application form. Advise students of the importance of accuracy, completeness, honesty, and the reading of the fine print before signing an application for a credit card.</p> <p>Canadian Express Credit Card Statement of Account - Exercise #3</p> <p>Distribute and discuss Exercise #3, "Canadian Express Credit Card Statement of Account." Following the discussion of each area of the statement, assign the completion of page 3 by individuals or pairs of students. The teacher can collect the exercise in order to assess, or the students can self-assess the exercise as it is discussed.</p> <p>Cheques – Exercise #4</p> <p>Discuss what students know about cheques and their usage. Use guiding questions to discuss. Project on an overhead or display a large copy of the cheque from Exercise #4. Explain to the students what each part of a cheque is and how it should be completed. Distribute Exercise #4, "Cheques" and assign the writing of a cheque, Exercise #4, page 4.</p>	<p>Connections</p> <p>Guiding Questions:</p> <ul style="list-style-type: none"> Why is it important to read the fine print on credit card applications? How do people get into debt? What happens when people cannot meet their financial obligations? Why would someone be refused a credit card? Where do banks/others obtain all of your credit/financial information? How are credit limits determined? Why do credit card interest rates vary? Why might a credit card be denied by a merchant? What are some of the current interest rates charged? How many students have ever received a cheque? What were the cheques for and from whom? Do you know someone who writes a lot of cheques? When might you be asked for a cheque? <p>Assessment for Learning:</p> <p>Assessment of Exercise #3, page 2 will inform the teacher as to whether or not further instruction is required for the interpretation of a credit card statement.</p> <p>Assessment of Learning</p> <p>Exercise #4, page 4 could be submitted for assessment.</p> <p>Differentiated Instruction:</p> <p>Students could be asked to complete Exercise #2, "Canadian Express Credit Card Application" for additional experience completing applications if practice is required in this area. Otherwise, discussion of the form would be sufficient.</p> <p>A student could be asked to demonstrate to the class proper cheque completion.</p>

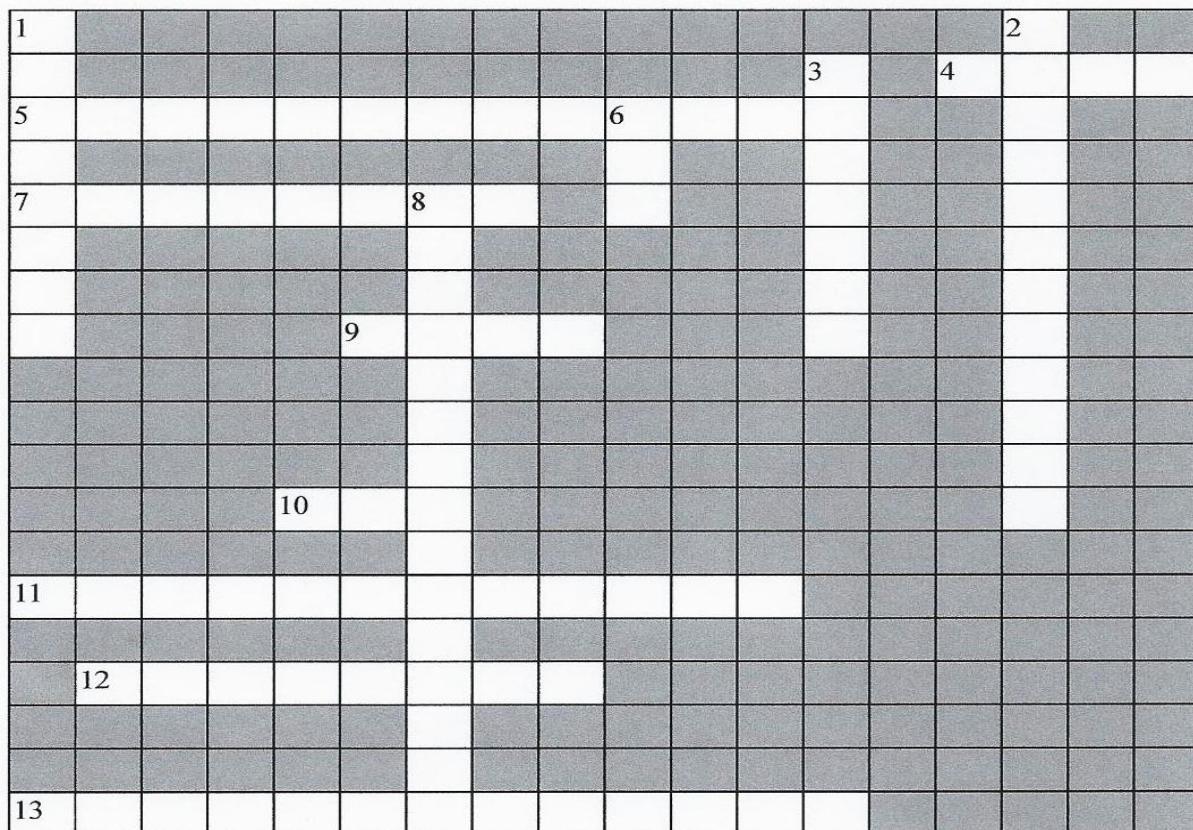
Consolidation	Connections
<p>• Providing opportunities for consolidation and reflection • Helping students demonstrate what they have learned</p> <p>The Cost of Borrowing Case Study – Exercise #5 Distribute Exercise #5, “The Cost of Borrowing” and either assign students in pairs or individually to read the case studies and answer the accompanying questions. Case Study #1 does not require internet access while Case Study #2 does. Following completion of the exercise, either discuss the answers or collect for assessment.</p> <p>Teacher Selected Activity – one of the following:</p> <ol style="list-style-type: none"> 1. Teacher Lead Discussion – “Advantages and Disadvantages of Using Credit” The teacher could lead a consolidation discussion regarding the benefits of credit and how to handle money wisely. A “T chart” graphic organizer could be constructed on the board and completed with the assistance of the students as the discussion progresses. The “Advantages and Disadvantages of Using Credit – A Summary” has been provided for teacher use. or 2. Teacher Organizes a Debate Assign students to work in teams to plan, prepare for, and then debate the following two propositions: <ul style="list-style-type: none"> • “Be it resolved that: Ontario citizens, at the age of 18 years, be issued government sponsored credit cards with a \$500.00 credit limit.” • “Be it resolved that stiffer penalties be developed for credit card companies who advertise to youth, who encourage individuals to obtain credit cards, and who raise credit limits without the request of customers.” Teams of students speak for the resolution and teams of students speak against the resolution. Students not involved in the debates act as judges to determine the outcome of each debate and provide feedback to the debaters. or 3. Student Skits Purposefully group students and assign the preparation of a skit to present to the class on the students’ choice of one of the following topics: <ul style="list-style-type: none"> • Using Credit Wisely • The Dangerous Use of Credit • Applying for a First Credit Card • Group’s “own” Topic 	<p>Guiding Questions: What relationship is there between the amount of interest charged and the length of time taken to pay off a loan or credit card? Why does the amount of interest and principal vary with each payment even though the payment total remains constant? What suggestions would you give to a friend who wants to obtain a credit card?</p> <p>Assessment as Learning: Students not involved in the debates act as judges to determine the outcome of each debate and provide feedback to the debaters. or Students not involved in the skits provide feedback as to the completeness of the credit information presented to the class. Feedback could be in written or oral form depending on students’ comfort levels.</p> <p>Differentiated Instruction: Two case studies have been provided in Exercise #5. Depending on the students, case studies could be both assigned to individuals, to pairs, or one case study could be assigned to particular students while the other is assigned to another set of students. The means of assessing the case studies could vary as well. Some students could be given Case Study #1 to complete while others given Case Study #2 based on time constraints, individual needs, and interests of the students. Purposeful grouping of students and selection of the activity (discussion, debate, or skit) will allow students to learn from each other, as well as review and reinforce information regarding credit usage.</p>

Exercise #1(a) Matching Question

Match Column A with Column B. Place the appropriate number from Column A in Column B.

Column A	Column B
1. Payment card, e.g., debit card	<input type="text"/> PENALTY
2. Rewards program that returns cardholder a percentage of the total amount spent on their credit card, over a certain period of time.	<input type="text"/> FEES
3. Charged on different services that the bank provides.	<input type="text"/> INTEREST
4. Obtaining money from a lender, the money needs to be repaid.	<input type="text"/> SECURITY CODE
5. Fees for services provided by a credit card company.	<input type="text"/> PIN
6. Use of a person's information to commit fraud.	<input type="text"/> SERVICE CHARGE
7. "Kind of password"- digits used to verify cardholder.	<input type="text"/> IDENTITY THEFT
8. Withdraw cash, check balances or make deposits from this machine.	<input type="text"/> CASH BACK
9. What a customer is charged for using the bank's money.	<input type="text"/> ATM
10. The borrower must pay this if he/she misses paying at least the minimum payment by the deadline.	<input type="text"/> BANK CARD
11. A three or four digit number on a credit card that verifies its legitimacy	<input type="text"/> LOAN

Exercise #1(b) Crossword Puzzle



ACROSS

4. Charged for different services that the bank provides.
5. Fees for services provided by a credit card company. (2 words)
7. Payment card, e.g., debit card
9. Obtaining money from a lender, the money needs to be repaid.
10. "Kind of password" - digits used to verify cardholder. (abbr.)
11. User can make purchases up to a credit limit. The money needs to be repaid. (3 words)
12. What a customer is charged for using the bank's money.
13. Use of a person's information to commit fraud. (2 words)

DOWN

1. Rewards program that returns cardholder a percentage of the total amount spent on their credit card, over a certain period. (2 words)
2. A three or four digit number on a credit card that verifies its legitimacy.
3. The borrower must pay this if he/she misses paying at least the minimum payment by the deadline.
6. Withdraw cash, check balances or make deposits from this machine. (abbr.)
8. A loan, in which borrower may access money up to a certain limit, pay it back and borrow it again. (2 words)

Exercise #1(b) Crossword Puzzle Answer Key

ACROSS	DOWN
4. (Fees) Charged for different services that the bank provides.	1. (Cash back) Rewards program that returns cardholder a percentage of the total amount spent on their credit card, over a certain period. (2 words)
5. (Service charge) Fees for services provided by a credit card company. (2 words)	2. (Security code) A three or four digit number on a credit card that verifies its legitimacy.
7. (Bank card) Payment card, e.g., debit card	3. (Penalty) The borrower must pay this if he/she misses paying at least the minimum payment by the deadline.
9. (Loan) Obtaining money from a lender, the money needs to be repaid.	6. (ATM) Withdraw cash, check balances or make deposits from this machine. (abbr.)
10. (PIN) "Kind of password" - digits used to verify cardholder. (abbr.)	8. (Revolving credit) A loan, in which borrower may access money up to a certain limit, pay it back and borrow it again. (2 words)
11. (Line of credit) User can make purchases up to a credit limit. The money needs to be repaid. (3 words)	
12. (Interest) What a customer is charged for using the bank's money.	
13. (Identity theft) Use of a person's information to commit fraud. (2 words)	

Exercise #2 Canadian Express Credit Card Application

Page 1

CANADIAN EXPRESS CREDIT

CARD CREDIT CARD APPLICATION

To complete this application, you must be:

- * a permanent Canadian resident
- * at least 18 years old

The following information is required to complete this application:

*SIN (optional but helpful) *Employment information *Income
*Monthly rent/mortgage/car payment/student loans *School information (if a student)

APPLICANT INFORMATION

Full Legal Name: _____

Date of Birth: ____/____/_____
MM DD YYYY

Social Insurance Number (optional): _____

Having your SIN will help us process your application more quickly and accurately.

Address: _____

Email Address: _____

Home phone #: _____ Cell phone #: _____

Your email address may only be used to contact you during the application process.

EMPLOYMENT INFORMATION

Employment status

Full Time Part Time Self-employed Unemployed Student

Company name or Employer: _____

Number of years with company: _____ Occupation: _____

Nature of business (job type): _____

Describe your position: _____

Exercise #2 Canadian Express Credit Card Application

Page 2

Work phone number: _____

Previous Employer or Company: _____

Number of years with previous employer: _____

Personal Annual Gross Income: _____

Other income (e.g., Inheritance, rental income, second job): _____

SCHOOL INFORMATION (if a student)

School name: _____

Student status: _____ Student ID number: _____

Major: _____ Year you plan to graduate: _____

Is the address you provided different from your permanent home address?

- Yes, my permanent home address is the same as address provided.
- No, my permanent home address is not the same as the address provided.

PLEASE READ AND SIGN BELOW

1. Annual interest rate

This/These rate(s) may increase earlier to your Standard Rate(s) if you: (1) Do not pay your total minimum payment due by the total minimum payment due date; or (2) Exceed your credit limit.

Standard Rates:

Retail: 17.99%

Balance transfers: 19.99%

Access cheques and deposits: 19.99%

Cash advances: 19.99%

Default Rates: Your Standard Rate(s) will increase by 5% if your total minimum payment due is late more than once within 12 consecutive billing cycles. If you then pay each total minimum payment due on time for 12 consecutive billing cycles following the rate increase, your then Standard Rate(s) will decrease by 5%.

Exercise #2 Canadian Express Credit Card Application

Page 3

2. Interest Free Grace Period

You will not be charged interest on each new purchase for a minimum grace period of **21 days** if you pay the new balance total in full by the total minimum payment due date for the account statement on which such new purchase first appears. You will always be charged interest on balance transfers and cash advances from the date such transactions.

3. Foreign Currency Conversion

All transactions (including returns) and payments made in a foreign currency will be converted to Canadian dollars. Transactions will be converted at a rate equivalent to Canadian Express' benchmark rate in effect on the date that we process the transactions, plus an amount equal to **2.5%** of the transaction amount after it has been converted. Payments will be converted into Canadian dollars at a rate equivalent to the Bank of Canada rate reported at the close of business on the day immediately preceding the date that we process the payment, plus an amount equal to **2.5%** of the foreign currency payment amount.

4. Other Fees

Account Fees

- Over the credit limit: **\$25.00** per billing cycle
- Returned payment: **\$20.00** per occurrence
- Extra copy of account statement or sales draft: **\$2.50**
- Inactive credit balance: If your account is inactive and has a credit balance, we will charge you annually on the date that your account was last active the lesser of: (1) the credit balance; or (2) **\$25**

By signing and submitting this application form, you:

1. Agree to the terms and conditions listed above.
2. Consent to the collection, disclosure, use and processing of information about you by Canadian Express Financial and any of their respective agents and service providers and to the sharing or exchange of reports and information with credit reporting agencies.
3. As the primary card holder, agree to be liable for all use of, and any interest, fees, and or other charges to the account.
4. Acknowledge that the account, if approved, will not be used by any third party other than a third party specifically designated by you as an Authorized User, and then only in accordance with the Canadian Express Financial policies and procedures then in effect.

Signature

Date

Exercise #3 Canadian Express Credit Card Statement of Account

Page 1

Statement of Account

Prepared for	Account Number	Closing Date	
LINDA DAVIS	123 456 7890	March 07, 20__	
Previous Balance	\$246.16	Credit Limit	\$500.00
Payments & Credits	\$100.00	Available Credit Limit	\$163.66
New Charges	\$187.75	New Balance	\$336.34
Minimum Payment	\$ 25.00		

If, each month you pay the Minimum amount due only, we estimate that it will take 3 Years, 4 Months, to pay your outstanding balance. Annual interest rate on this card is 19.9%.

TRANSACTIONS

Date	Details	Amount
Feb 27	Payment	\$100.00
Feb 9	Music Town	32.28
Feb 14	ABC Gas	28.54
Feb 16	M&H Clothes	69.41
Feb 20	World Shoes	57.52
Mar 7	Interest	2.43

CANADIAN EXPRESS	New Balance	\$336.34
Please allow 3 to 5 days for your payment to	Minimum Due	\$ 25.00
be processed by your financial institution	Payment Due Date	March 28, 20__
Linda Davis 409 Marta Drive Minolant, ON L2V 7D7	Amount Paid (\$)	_____

Canadian Express Credit Card
PO Box 1800, Stn A, Toronto, ON M9V 6G6

Exercise #3 Canadian Express Credit Card Statement of Account

Page 2

Using the Canadian Express Credit Card Statement of Account, answer the following questions:

1. What is the minimum payment due this month? _____
2. What is the total of new credit card purchases? _____
3. Last month, did Linda pay her full balance? _____
4. What advice could you give to Linda about paying her bill?

5. If Linda only pays the minimum amount each month, how long will it take to pay off the balance?

6. What is the maximum amount that Linda can charge? _____
7. Why do you think that she has this maximum amount?

8. What would happen if she charges more than her limit?

9. How much credit does Linda have left? _____
10. How much time does the credit card company need to process the payment?

11. Since the credit card company needs time to process the payment, what is the latest date that Linda should pay the bill?

12. Do you think that credit card holders should only pay the minimum amount each month? Why or Why not?

Exercise #4 Cheques**Page 1****Notes**

Have you ever heard the expression, “The cheque is in the mail,” in a movie or television show and wondered what a cheque is? Well, the following lesson will hopefully answer this question and teach you how to correctly write one.

What is a Cheque?

Cheques are used to pay bills or to buy goods or services. A cheque is a written order directing a bank to pay a specified amount of money to the person/company named on the cheque.

Many people today prefer to pay their bills electronically through the Internet. However, there are still many people who prefer to use paper cheques. Paper cheques are not going to disappear soon; therefore, it is important that you know about cheques and how to write them correctly. Writing a “bad” cheque will cost you money.

Parts of a Cheque

(1)	475	
Emily Tremblay 123 Main Street Our City, Ontario N2M 2M2	(2) Date _____	
PAY TO THE (3) ORDER OF _____	(4) \$ _____	
(5) _____ /100 DOLLARS		
MY BANK 478 Bank Street Our City, ON N2M 4M4 MEMO _____	(6) (7) _____	
475 (8)	123456789 (9)	50 333 (10)

Exercise #4 Cheques

Page 2

Parts of a Cheque - continued

1. Your name and address.
2. Date you want the cheque to be cashed.
3. This is where you write the name of the person, business or bank that is going to get the money. You can write your own name here if you want cash. Clearly write or print the recipient's full name.
4. Clearly write the amount of the cheque using numbers. Write the numbers very close to the printed dollar sign so forgers cannot alter the amount. You would not want your \$123.45 cheque to be cashed for \$1,123.45.
5. Clearly write or print the dollar amount of the cheque using words for the dollars and numbers for cents followed by a line to fill up any empty space between the amount and the printed word "DOLLARS" on the right. Start writing at the extreme left on the line so no one can alter the amount. Even if the cheque is for an amount with no cents, do not leave off the cents part. Write "One Hundred, Twenty-Three and XX/100" to make it harder for someone to alter the amount. Make sure you are using the same amount in the written amount as in the amount you previously wrote out in figures.

For example, \$123.45 One Hundred and Twenty-Three ----- 45/100 DOLLARS.

For example, \$158.00 One Hundred and Fifty-Eight ----- XX/100 DOLLARS.

6. The memo is used to indicate what the cheque was in payment for, e.g., "for rent."
7. Sign the cheque. Without your signature, the cheque is worthless. Your signature should correspond to your name printed on the top left of your cheque. Not signing a cheque is a very common cheque-writing error. Before you sign, it is a good idea to look over the other parts and make sure they are correctly filled in.
8. This is your cheque number.
9. This is the bank's nine-digit routing number. It is always nine digits and it always starts with a 0, 1, 2, or 3. The symbols help the sorting machines keep things in order.
10. This is your account number. The number of digits here can vary.

Exercise #4 Cheques

Page 3

Points to Remember about Writing Cheques:

Use a pen to write your cheque. Never use pencil.

You must make sure that you have enough money in your bank account to cover the cheques that you write on the account. If you write a cheque for more money than you have in your account, your cheque will be returned as an NSF cheque (Non-Sufficient Funds). This is also called a “bounced” cheque.

Your bank will charge you a fee for this NSF cheque and the organization to whom you wrote the cheque may also charge you a fee for this. An NSF cheque could cost you as much as \$50.00. Therefore, if you wrote a bad cheque for \$10.00, your poor accounting skills could end up costing you \$60.00.

Making sure you have enough money in your account before you write your cheque is a lot easier with online banking, but do not just look at the current balance. That balance may not reflect cheques you wrote earlier but which have not been presented to the bank for payment. Online payments usually post faster than handwritten cheques, but they may take a few days to post as well. Also, look at your available balance because it might be lower while the bank waits for deposited cheques to clear.

At the back of your cheque book, there is a place to record your transactions. If you use it properly, you will be able to see a record of the cheque number, the date, the name of the person you wrote the cheque to, the reason for the cheque, the amount and your balance.

If you are going to cash a cheque, identification is required to verify that you are the person named on the cheque.

If you are going to make a correction on a cheque that you have written, you must initial the correction to indicate that you are the person altering the cheque.

In order to prove that you have sufficient funds to cover a cheque, you may be asked to have your cheque certified at the bank. There is a bank charge for certification. The bank verifies that you have the funds and the funds are immediately set aside from your account until the cheque is cashed. Remember, cheques are not legal tender in Canada and therefore no one has to accept your cheque. Legal tender is a country's currency that must be accepted.

Can a Certified Cheque bounce?

When you are sending a cheque through the mail, it is good practice to put “Payable to _____ Only” on the back of the cheque. This will ensure that only the person named on the cheque can cash it.

Exercise #4 Cheques**Page 4****Student Activity:**

1. Examine the cheque below for \$25.00. Correct the errors directly on the cheque.

476

Emily Tremblay
123 Main Street
Our City, Ontario
N2M 2M2

Date _____

PAY TO THE
ORDER OF My Favourite Charity \$ 25.00

twenty-five 50 /100 DOLLARS

MY BANK
478 Bank Street
Our City, ON N2M 4M4

MEMO donation Emile Tremblay _____

476 123456789 50 333

2. Imagine that you have just received the Statement of Account for the Canadian Express Credit Card with the “New Balance” of \$336.34. Write the cheque below as if you are going to pay the credit card in full. Your payment is due on the 28th of the current month.

477

(address) Date _____

PAY TO THE
ORDER OF _____ \$ _____

_____ /100 DOLLARS

MY BANK
478 Bank Street
Our City, ON N2M 4M4

MEMO _____

477 123456789 50 333

3. Why is it important to keep a record of all the cheques that you have written?

Exercise #5 The Cost of Borrowing

Page 1

Case Study #1 - The Cost of Borrowing

Bonnie is planning to go to college in the fall. She is going to need a new computer for her studies and would like to get a notepad. The cost of this computer is \$199.00 plus HST. Unfortunately, Bonnie does not have enough cash at the moment to buy it. She would like to get a credit card and pay off the computer on a monthly basis. Bonnie has heard that with a credit card, she could make payments of just \$10.00 a month. She believes that she could easily handle that size of payment. Using the **Credit Card Payment Chart** attached, complete the calculations required and answer the questions below. The **Credit Card Payment Chart** shows the amount of interest and principal that would be paid if Bonnie were to pay \$10.00 per month to pay for the total cost of the computer. The interest rate for using the credit card is 19.99%.

1. What is the total cost of the computer if she were to pay cash? (\$199.00 + HST) _____
2. What is the total interest that Bonnie would pay if she paid \$10.00 a month until the computer was paid off? _____
3. What would be the total cost of the notepad if paid for at \$10.00 a month? _____
4. If she only paid \$10.00 a month, how long will it take to pay for the computer? _____
5. What is the difference in cost between paying cash and buying the notepad at \$10.00 a month? _____

6. What financial advice would you give Bonnie about buying the notepad? _____

Exercise #5 The Cost of Borrowing

Page 2

Credit Payment Chart at 19.9 % Interest

Month:	Payment:	Interest Paid:	Principal Paid:	Balance:
1	\$10.00	\$3.75	\$6.25	\$218.62
2	\$10.00	\$3.64	\$6.36	\$212.26
3	\$10.00	\$3.54	\$6.46	\$205.79
4	\$10.00	\$3.43	\$6.57	\$199.22
5	\$10.00	\$3.32	\$6.68	\$192.54
6	\$10.00	\$3.21	\$6.79	\$185.75
7	\$10.00	\$3.09	\$6.91	\$178.84
8	\$10.00	\$2.98	\$7.02	\$171.82
9	\$10.00	\$2.86	\$7.14	\$164.68
10	\$10.00	\$2.74	\$7.26	\$157.43
11	\$10.00	\$2.62	\$7.38	\$150.05
12	\$10.00	\$2.50	\$7.50	\$142.55
13	\$10.00	\$2.37	\$7.63	\$134.92
14	\$10.00	\$2.25	\$7.75	\$127.17
15	\$10.00	\$2.12	\$7.88	\$119.29
16	\$10.00	\$1.99	\$8.01	\$111.28
17	\$10.00	\$1.85	\$8.15	\$103.13
18	\$10.00	\$1.72	\$8.28	\$94.85
19	\$10.00	\$1.58	\$8.42	\$86.43
20	\$10.00	\$1.44	\$8.56	\$77.87
21	\$10.00	\$1.30	\$8.70	\$69.17
22	\$10.00	\$1.15	\$8.85	\$60.32
23	\$10.00	\$1.00	\$9.00	\$51.32
24	\$10.00	\$0.85	\$9.15	\$42.18
25	\$10.00	\$0.70	\$9.30	\$32.88
26	\$10.00	\$0.55	\$9.45	\$23.43
27	\$10.00	\$0.39	\$9.61	\$13.82
28	\$10.00	\$0.23	\$9.77	\$4.05
29	\$4.12	\$0.07	\$4.05	\$0.00

Source: www.creditcanada.com Debt Calculator

Exercise #5 The Cost of Borrowing

Page 3

Case Study #2- The Cost of Borrowing

Jesse, an 18 year old high school student, was at the mall and was asked if he would like a credit card that would save him ten cents on every litre of gas. Jesse thought that this sounded reasonable because he borrowed the family car once in a while and filled it up with gas. Jesse applied for the card and was approved for a \$500.00 limit. The interest rate on the credit card was 22%.

After he received his new credit card, Jesse made several purchases totalling \$332.54.

Jesse's hours at his part time job were cut back the next month and he could only afford to make the minimum payment of \$10.00 a month. Using the website www.creditcanada.com , complete the chart below by determining the number of months it would take Jesse to pay off his credit card and the total interest paid at the various payment rates.

Payment Rate	# of Months	Interest Paid
Payment of \$10.00		
Payment of \$20.00		
Payment of \$30.00		

1. Financially, why would it be better for Jesse to pay \$30.00 per month vs \$ 10.00 per month?

2. How much interest would Jesse save by paying \$20.00 a month rather than \$10.00? _____

3. How much interest would Jesse save by paying \$30.00 a month rather than \$10.00? _____

4. What advice would you have for Jesse about the use of credit cards?
