Name:

EST. 1899
United for Literacy
Littératie Ensemble

Why 'Interest' Should Interest You?

Credit Cards

Student Reflection #1

1. If you do not repay your credit card bill, how does it grow through the years? You can describe with words or illustrate with a graph.

2. Estimate the point in time when the total interest payment equals the principal amount.

3. At some point in time, the total interest payment becomes larger than the principal amount. How does it make you feel that you could be paying more money in interest than the original purchase itself?

Student Reflection #2

1. On the Credit Card Payment Calculator, look at the sections of **"Calculation Results"** and **"Payment Diagrams"**. Then, answer questions a and b:
    a. For Option B, how much time and money will you save if you make the minimum payment plus an additional amount each month?

    b. For Option C, how much time and money will you save if you paid a fixed amount that is higher than the minimum payment each month?

2. Looking at the time and money you could save, will you endeavor to make more than the minimum payment on your credit card? Explain.

3. How does it make you feel to know that you can choose between different options to repay your credit card bill?

4. According to your personal circumstances, what is the best repayment plan for you? Choose from Options A, B, C, or paying your credit card bill in full. Explain briefly why you made this choice.

5. Look at the “Other Saving Strategies” section. What is one tip you can apply?

6. The Credit Card Payment Calculator assumes that you will not use your credit card while you are paying off the balance. If you used your credit card again while paying off the balance, will your calculations from this activity still be accurate? Why or why not?

Why “Interest” Should Interest You?

Credit Cards: Teacher Copy

This activity is purposefully open-ended for students to explore and make application to their own situation. The responses will depend on their inputs. Suggested answers are provided for the following two questions:

Student Reflection #1

1. If you do not repay your credit card bill, how does it grow through the years? You can describe with words or illustrate with a graph.

Student answers will vary. Credit card balance grows exponentially through the years. Students may also show their response in an illustration or graph.

Student Reflection #2

6. The Credit Card Payment Calculator assumes that you will not use your credit card while you are paying off the balance. If you used your credit card again while paying off the balance, will your calculations from this activity still be accurate? Why or why not?

The calculations from this activity will no longer be accurate. If a person uses their credit card again while paying off the balance, the principal amount increases, which will affect interest calculations and the time needed to pay off the new balance. It is important for students to understand the limitation of this tool. To address this limitation, students can use the new balance as the principal amount and re-enter this number in the tool to see new results.