Grab a calculator & finish

Use the TVM-Solver for each of the following...

p. 538: #1 - 4

NOTE: Have screenshots ready if not done!

Cash Rebate - \$ given back at the end of fixed amount of time...can be used towards paying off a purchase

- 3. Annie and Peter live in Uluhaktok, on Victoria Island, Northwest Territories. They order most of their groceries from a supply company, which ships the groceries by barge in the summer. Annie and Peter's grocery order total \$3678, and the shipping cost is \$785. They can afford to pay \$400 each month. Whose credit card should they use?
- 101AL 4463

• Annie's credit card charges 15.5%, compounded daily. It has an annual fee of \$75, which is added to the balance at the beginning of the year.

Peter's credit card charges 18.7%, compounded daily.

N=12.35360015
I%=15.5
PV=4538
PMT=-400
FV=0
P/Y=12
C/Y=365
PMT: BEGIN

12.35*400
Ans-4538

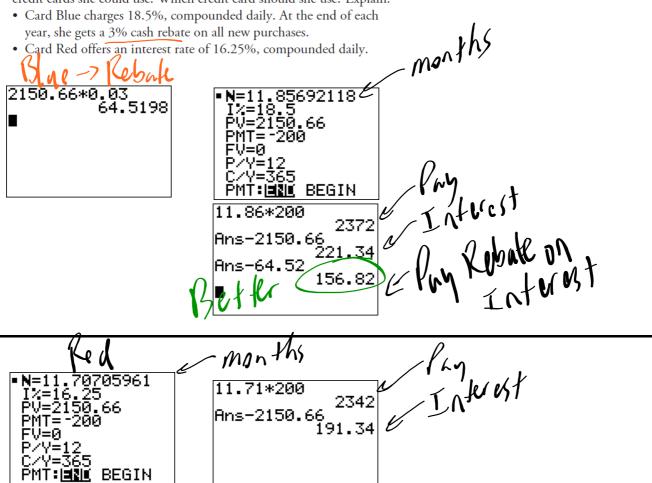
4940
Ans-4463

4944
Ans-4463

4944
Ans-4463

4944
Ans-4463

2. Hannah goes to Blue Quills First Nations College in St. Paul, Alberta. She needs to fly home to Whitehorse, Yukon, next week for a wedding. The ticket costs \$2150.66, and she intends to use credit to pay for it. She can afford payments of \$200 monthly, and she has two credit cards she could use. Which credit card should she use? Explain.



Untitled.notebook December 15, 2016

1. Mia is buying a used trailer for \$5000 on credit. She plans to travel through the Rockies over the summer. She can afford payments of 0.024*5000 \$200 each month and is considering these two options: • The dealership credit card at 15.8%, compounded daily, and an immediate rebate of 2.4% off her first purchase

A bank loan at 9.8%, compounded monthly a) How much would Mia end up paying, in total, with each option? b) How much interest would she pay for each option? c) How long will it take her to pay off the balance for each option? d) What should she use: the credit card or the bank loan? Why? 000 **N**=28.091/32673 PMT: PME **BEGIN** PMT: |=|Z|@ BEGIN 28.09*200 5618 29.67*200 Ans-5000 618 Ans-4880 1054

Untitled.notebook December 15, 2016

9.3

Solving Problems Involving Credit

line of credit

A pre-approved loan that offers immediate access to funds, up to a pre-defined limit, with a minimum monthly payment based on accumulated interest; a **secure line of credit** has a lower interest rate because it is guaranteed against the client's assets, usually property.

Bank of Canada prime rate

A value set by Canada's central bank, which other financial institutions use to set their interest rates.

5

APPLY the Math p. 543

Solving a credit problem that involves overall cost and number of payments

Meryl and Kyle are buying furniture worth \$1075 on credit. They can make monthly payments of \$75 and have two credit options. Which option should they choose? Explain.

Option A: The furniture store credit card, which is offering a \$100 rebate off the purchase price and an interest rate of 18.7%, compounded daily

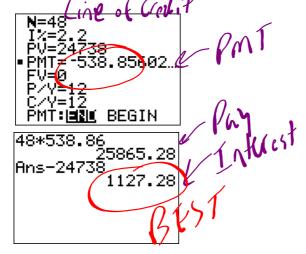
Solving a credit problem that involves payment amount p. 544 and overall cost

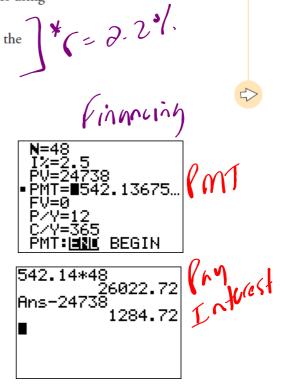
Ed wants to buy a car and needs to use credit to finance it. The cost, with taxes and shipping, is \$24 738. Ed wants to repay his loan in 4 years using monthly payments and has two credit options:

• His secured line of credit at 1.7%, compounded monthly, above the Bank of Canada rate, which is currently 0.5%

• The dealership's financing plan at 2.5%, compounded daily

a) Which option should he choose? Why?





In Summary

Key Ideas

- Forms of credit that can be used to make purchases or acquire cash include bank loans, lines of credit, credit cards, payday loans, and dealership or in-store financing.
- There are many factors that determine the best credit option, such as
 the interest charged, the total payment, the amount of each payment,
 and the length of time it takes to pay off the loan. All of these factors
 must be considered carefully before making a decision.

Need to Know

- Credit cards have a credit limit, which is the maximum amount you can borrow. The credit limit varies from person to person, based on credit history.
- Cash advances on credit cards have no period in which no interest is charged and sometimes have a greater interest rate than purchases.
- A line of credit has a lower interest rate than most loans and credit cards. Because of this, a line of credit can be useful for consolidating debt.
- As with a credit card, a line of credit allows for flexibility in how the loan is paid back, as long as the minimum payment is made. The minimum payment is often based on the accumulated interest each month.
- Credit that is offered in conjunction with a special offer or promotion must be considered very carefully. There may be conditions for how the loan is paid back, which may result in unexpected costs or penalties.
- Payday loans must also be considered carefully, since the fee for borrowing is often high.
- An amortization table is particularly useful when you need to know interim values and when payment amounts or interest rates vary throughout the term of a loan.

HOMEWORK...

p. 552

1, 2, 3, 4, 10