Credit Card Lingo....

credit limit...

minimum payment...

annual fee...

**Not all credit cards have an annual fee.

- **credit cards** - issued by banks, department stores and gas stations.
  - if balance is not paid by due date, interest is charged on the remaining balance AND any new purchases made before the next statement date.
  - how the interest is calculated varies (read the fine print!)
  - must be 18 years of age in order to apply.

Oct 25-12:24 PM

credit

An agreement in which a borrower receives something of value, and agrees to pay for it later.

GO BACK

Oct 25-12:09 PM

cash

advance

GO BACK

A withdrawal of cash from an ATM or bank teller charged to a credit card.

Interest is usually calculated from the day of the withdrawal.

Oct 25-12:10 PM

Payment down

A partial payment sometimes required at the time of a purchase.

GO BACK

Oct 25-12:11 PM

finance charge

GO BACK

The total amount of
interest paid
to borrow a
sum of money.

Oct 25-12:17 PM

Credit Card Lingo....

credit limit   The maximum amount of credit
that a financial institution
or other lender will extend.

minimum payment   The amount of money the user must pay
in order to retain usability of the credit card

annual fee   A yearly fee, usually ranging from $15 to $300,
that's charged by the credit card company
for the convenience of the credit card.

**Not all credit cards have an annual fee.

Oct 25-12:24 PM

Interest is NOT charged on your credit card if you pay the balance every month!!

Apr 10-6:40 PM

PURCHASE!!

Interest is calculated ONLY if the balance of the credit card has not been paid by the due date.

If you don't pay the full balance, interest is calculated from the date of each purchase.

Apr 10-6:40 PM

CASH ADVANCE!!

Interest is calculate starting the day of the withdrawal

There is no grace period!!

Apr 10-6:40 PM

Calculate the minimum payment, and the interest on the following credit card.
(5.00% or $10.00, whichever is greater).

Unpaid balance:	$642.00
Interest rate per annum:	19.95% per annum
Time:	25 days

Minimum Payment: Balance x 5%
                     642 x 0.05 = $32.10 or $10.00

Interest: = Prt
            = $642.00 x 0.1995 x 25/365
            = $642.00 x 0.1995 x 0.06849315
            = $8.77

Nov 13-9:48 PM

Calculate the minimum payment, and the interest on the following credit card.
(5.00% or $10.00, whichever is greater).

Unpaid balance: $98.00
 Interest rate per: 18.75% per annum
 Time: 20 days

Minimum Payment: 98 x 0.05 = $4.90 or $10.00

Interest: = Prt
**   = $98.00 x 0.1875 x 20/365**

**   = $1.01**

Calculate the minimum payment and the interest on the following credit card.
 (5.00% or $10.00, whichever is greater).

Unpaid balance: $823.50
 Interest rate per annum: 21.50% per annum
 Time: 12 days

Minimum Payment:

Interest: =
**   =**
**   =**
**   =**

On January 12, John charges a **cash advance** of $500.00 to his credit card. This withdrawal appears on his monthly statement issued January 27. John does not pay off this amount by the due date shown on his statement. The next monthly statement is issued on February 27. John's bank charges 18.00% annual interest for cash advances starting on the day of the withdrawal.

Calculate the interest that John is charged for the January 12 cash advance.

January

Su	Mo	Tu	We	Th	Fr	Sa
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

February

Su	Mo	Tu	We	Th	Fr	Sa
			1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28					

$$I = Prt$$
$$I =$$

$$I =$$

Oct 25-2:00 PM

September

Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

October

Su	Mo	Tu	We	Th	Fr	Sa
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

Jane is charged 19.50% per annum on her credit card balances. She uses her credit card, which has no previous balance, to purchase a new wood stove that costs $2100.36. Her next credit card statement is dated September 30 and she pays only the minimum payment (5% of her balance).

On October 5, Jane makes another purchase of $450.00 with her credit card.

How much money will Jane owe on October 7? She makes no other purchases with her credit card. (Oct. 1 - 7)

Calculate minimum payment. (5%)

x 0.05

$

Subtract minimum payment from balance.

$ - $

$

Calculate interest on unpaid balance.

I = $

I = $

I = $

Because she didn't pay the bill in full she will have to pay daily interest on any new purchases

I = $

I = $

I = $

October 7th Total:

Unpaid balance + interest + purchase + interest

$ + $ + $ + $

$

Oct 25-2:05 PM

How many days??

August						
Su	Mo	Tu	We	Th	Fr	Sa
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

September						
Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

There is no overlap on the dates....

Statement Date

27 August 2011 - 26 September 2011

27 July 2011 - 26 August 2011

28 June 2011 - 26 July 2011

27 May 2011 - 27 June 2011

27 April 2011 - 26 May 2011

29 March 2011 - 26 April 2011

so... every day is counted.

From
August 27 to September 26
there are ____ days.

Oct 30-5:06 PM

HOMEWORK...

Page 124 Questions #1 - 5

3.3 Build Your Skills Detailed Solutions

Jan 10-9:58 PM

BUILD YOUR SKILLS

1. Calculate the interest due on the following credit card balances and minimum payments (5.00% or $10.00, whichever is greater).

    a) Unpaid balance: $345.67

      Interest rate per annum: 20.00%

      Time: 30 days

    b) Unpaid balance: $55.75

      Interest rate per annum: 18.00%

      Time: 31 days

2. Claudine is a teacher at New Brunswick's Eel Ground First Nation School. The school combines technology such as interactive whiteboards with traditional cultural teaching. Before working as a teacher, Claudine took a course on how to use technology in the classroom. She put the costs associated with the course on her credit card. She was charged $16.22 interest on a credit card balance of $1032.05 that she took 31 days to pay. What is the interest rate on her credit card per annum?

3. Sanaa had an unpaid balance on her credit card that has an interest rate of 21.50% per annum. It took her 19 days to pay, and she was charged $7.75 interest. What was the unpaid balance on her card?

4. Phil received a credit card statement dated August 1, on which he owed $505.50. He paid $100.00 before the payment due date.

    a) He is charged interest at a rate of 18.90% on his unpaid balance. How much interest will he pay if he takes until August 21 to pay the balance and he makes no other purchases using the credit card?

    b) If instead Phil makes one purchase of $160.40 on August 16 and makes no other purchases that month, how much will he owe as of August 21?

5. On August 10, Sharon takes a cash advance of $300.00 on her credit card. The withdrawal appears on her monthly statement issued August 28. Sharon does not pay off this amount by the due date shown on her statement. The next monthly statement is issued on September 28.

    a) For how many days is interest calculated?

    b) If Sharon's bank charges 25.50% annual interest for cash withdrawals, starting on the day of the withdrawal, what will she be charged for the August 10 withdrawal?

    c) What is the actual cost of the cash withdrawal, including interest, if she pays for the purchase by her September statement's due date?

Keep track of your credit card and bank statements. An unpaid balance can end up costing you a huge amount of interest.

Jan 19-3:56 PM

6. Brian wants to purchase a new refrigerator. A store offers a deferred payment plan of $1099.99 with a delivery charge of $40.00 and an administration charge of $60.00, both to be paid at the time of sale. He has two years to pay for his purchase without any interest accruing. If the cash price of the fridge is $729.99 plus the delivery charge, how much interest is he actually paying with the deferred payment plan?

7. Jack is buying a new hybrid bicycle for commuting to work and bike touring. He has three payment options.

    Option 1: Pay cash. The bicycle costs $895.99 plus 12% tax.

    Option 2: Use the store's payment plan of 6 monthly payments of $190.00 (including tax).

    Option 3: Pay using a cash advance on his credit card. He would be charged interest at an annual rate of 19.5%, and he expects that it would take him 15 days to pay his credit card balance.

    Calculate the cost of the bicycle using each of the payment options. Which option would you recommend Jack choose?

This man is on a bike tour through the Atlantic provinces. He is taking a break in St. John's, NL.

8. Guy buys new ice hockey equipment which costs him $1533.26, including taxes. He pays by credit card. His credit card company charges interest at 18% per annum. He can afford payments of $120.00 each month. Use an online interest calculator to help you answer these questions.

    a) How long will it take Guy to pay off his debt?

    b) How much interest will he pay?

Jan 19-3:57 PM

May 26-9:18 PM

Attachments
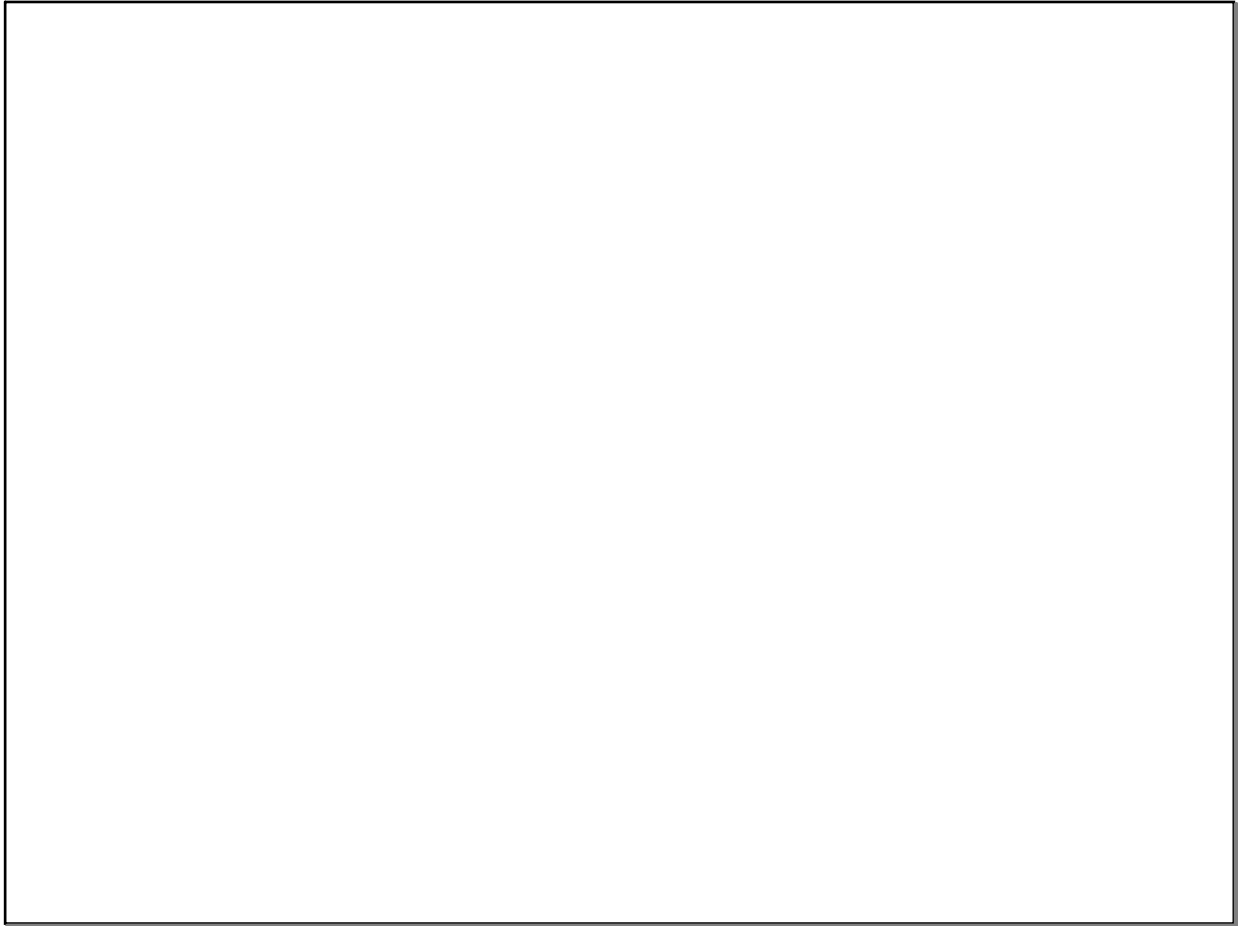
3.3 - Credit Cards and Store Promotions.pdf