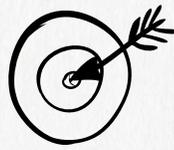


Take-Home Lesson

PUTTING IT ALL TOGETHER



You have just purchased a new gaming system and some new games using your credit card. You paid \$325 for the system and the games. Your credit card has an annual percentage rate of 22%, and the minimum payment is 3.5% of the outstanding balance or \$10, whichever is greater.

Assuming that all months have 30 days, analyze how long it will take you to pay off the balance, making monthly payments of various amounts, and the total cost of the purchase, including all finance charges. You can use the appropriate calculators at www.creditcards.com/calculators or download a spreadsheet at www.ymiclassroom.com/byf/byf_book1_credit_card_calculations.xlsx. Note that in order for all months to have 30 days, assume that the year has 360 days.

1. For the first month, what will be the finance charge: \$ _____; the minimum payment: \$ _____
2. How long will it take you to pay off the credit card balance if you make only minimum monthly payments?

3. If you make only minimum monthly payments, what will the total cost of the purchase be once you have paid it off? \$ _____
4. How much of this amount will you have paid in interest?
\$ _____

Update your spreadsheet or use the [online calculators](#) to see what would happen to the overall cost of the items if you made a payment of \$50 per month.

5. If you make a payment of \$50 per month, what happens to the overall cost of the item? _____
6. How long will it take you to pay it off? _____
7. How much will you pay in interest using this scenario? \$ _____
8. Based on what you have learned, is it wise to purchase the gaming system and games using a credit card? Explain your answer. _____

9. If you had the opportunity to purchase something you really wanted using a credit card vs. waiting until you saved the money needed to make the purchase, which option would you choose? Explain your answer.

