Name: _____ Date: _____ Class: _____

✏️ **BUILDING BLOCKS STUDENT WORKSHEET**

Managing credit card payments

Using a credit card might seem like an easy way to buy things. However, understanding the real costs of using a credit card can help you make informed financial decisions.

Instructions

1 Review the example and directions for calculating the total cost of something bought with a credit card.

2 Get a sample credit card and a "for sale" slip from your teacher.

3 Write the information from your sample credit card and "for sale" slip in the table on the next page.

4 Make the calculations and write your answers in the table.

5 Answer the reflection questions.

Step 1. Review the example and directions

Example: Let's say you used a credit card to buy something that cost $427. You want to pay it off in three months. Your card's interest rate is 18%.

Directions for calculating payments

To calculate the interest rate:
- The rate provided is an annual percentage. To calculate the correct daily rate, you'll need to divide the annual rate by 365 days.
  - In the example: 18% interest rate / 365 days = .0493% daily rate.
- The daily interest rate is a percentage. You'll have to divide it by 100 before you multiply.
  - In the example: .0493% daily interest rate / 100 = .000493.

To calculate the term:
- Multiply term in months x 30 days. In the example: 3 months x 30 days = 90 days.

To calculate the interest charged:
- Multiply principal x rate. In the example: $427.00 x .000493 x 90 days = $18.95.

To calculate the total amount paid:
- Add principal + interest. In the example: $427.00 + 18.95 = $445.95.

To calculate the MONTHLY payment:
- Divide total amount paid / # months. In the example: $445.95 / 3 months = $148.65.

Step 2. Make the calculations

Use the directions to calculate the interest charged, the total amount paid, and the monthly payment for your item. Enter your results in the table.

Item purchased	Principal	Interest rate	Term	Interest charged	Total amount paid	Monthly payment

Reflection questions

1. What's one benefit of paying off a credit card quickly?

2. How might paying extra money each month affect the time it takes to pay off your purchase? Explain or show your thinking.

3. For the "for sale" item you were given, how much money would you have saved if you paid your total credit card bill all at once instead of making minimum payments?