Time Required: 20 minutes

Credit Crossroads

LESSON 15: STUDENT ACTIVITY SHEET 1

Review the credit scenarios below and determine the positive and negative impacts each decision may have on the person's financial future.

Scenario 1

Mark and Ryan just moved into their first apartment together and they want to buy a flat screen TV for the living room. They both work but between college tuition, books and rent their funds are running low. Mark decides to take advantage of a financing offer from a local electronics store and buys the TV on a line of credit.

Is this a good or bad debt move? Why?

Scenario 2

Blake just graduated college and accepted a new job as a graphic designer for a marketing firm. He wants to buy a $100,000 condo near his new job and he has saved enough money for a 20% down payment. He is planning on taking out a loan, or a mortgage, for $80,000 to purchase the property.

Is this a good or bad debt move? Why?

Scenario 3

Nora has heard that opening a lot of credit card accounts is a good way to build credit. She currently has five credit cards, but is sometimes forgetful in paying her bills on time and usually has a balance on each card. Her favorite store is offering a $50 coupon on her next purchase, with the promise of more coupons in the future, if she opens a credit card. She decides to open the store credit card to get the discounts.

Is this a good or bad debt move? Why?

Time Required: 15 minutes

Debt Snowball

LESSON 15: STUDENT ACTIVITY SHEET 2

Beware of the debt snowball. Once bad debt starts rolling, it's hard to stop the momentum of money owed from piling up. Check out the scenarios below to see how the debt snowball can pick up interest and lead to years of continued payments.

What's It Really Cost?

Brent buys a new video game console at $200 and pays for it with a credit card carrying a 25% Annual Percentage Rate (APR). He only has to pay a minimum payment of $10 each month, which seems like a bargain because he can use the video game console right away and make the payments over time. Help Brent figure out the true cost of his video game console and how long it will take him to pay it of. Use the calculator at practicalmoneyskills.com/costofcredit to fill in the information below.

Original Purchase Cost	Months to Pay off Debt	Amount Paid in Interest	Final Price
$200			

Now, imagine that Brent charges $2,000 in car repairs and plans on paying a minimum monthly fee of $50. The card carries a 25% Annual Percentage Rate (APR). How much are those car repairs really costing Brent and when will he pay off the amount owed? Use the same online calculator to fill in the information below.

Original Purchase Cost	Months to Pay off Debt	Amount Paid in Interest	Final Price
$2,000