

PFP Worksheet 5: iGrad - Credit Card Simulator Game (18 points)

Many of you in this class may have a credit card or two; however, there are some of you who have decided that at this point in your life you do not need a credit card. In order to have an applied credit card activity, we will use the iGrad Credit Card simulator game so that each of you is basically using the same information only your choices will be different. This is a credit card simulator game meaning you will not be using any of your own personal money to play this game. The game will take you through some options that you need to choose from and this assignment will require that you record your choices. You will need to fill out the forms below and **answer the 6 discussion questions for full credit** (18 points).

Before you start this activity, please read through the instructions. Use the chart below to record your information. (4 points for information in the table)

*Use a computer that has **Adobe Flash** to start the game.

*All worksheet answers **MUST be TYPED** or 2 points will be take off for each assignment turned in not typed (i.e., handwriting)

Instructions

1. Access the iGrad website: <http://www.igrad.com/games/credit-card-simulator.aspx>
2. Record the following information on credit card 1 and 2 of your choice:
 - a. APR % on introductory purchases
 - b. Fixed APR % after (x) amount of months
 - c. Credit card limit
 - d. Annual fee
3. Apply for card 1 by clicking on the small box in the right corner. Select “Yes” in the pop-up box and enter your name.
4. Start shopping. Slide the items that you would like to purchase into the shopping cart. Purchase up to five items and record their prices. Select “Check out” when you are done shopping.
5. Record the total amount spent on card and your minimum payment due.
6. Select “Minimum monthly payment” and record the following information:
 - a. Amount of months to pay off bill making only the minimum payment.
 - b. Cost of items purchased with interest
 - c. Interest charges
 - d. Total cost

7. Repeat steps 3-6 using credit card 2.

Discussion questions: (2 points for each question)

1. What is the difference between an introductory rate and a fixed rate?

An introductory rate is one that is typically offered at zero or low APRs within the first few months in order to entice customers. A fixed rate is an APR that is used after the introductory rate, and doesn't change during the usage of the card.

2. What is the difference between a minimum payment and paying the total balance? Which of these two types of payments do you end up paying more and why?

Making the minimum payment means that you are making the lowest payment that you are required to pay each month, while paying off the total balance means that you're clearing off all of the charges in full. You will end up paying more on the former since interest charges will continually add to the running total on the credit card based on what the APR of the card is.

3. Why might a credit card not be a good idea to use in order to buy something now and pay for it over several months?

If you are unable to pay for an item in full and have to pay for it over several months, then you might end up paying more than the item originally cost (assuming that you are only making the minimum payment each month). This cost can be extremely large especially if the item in question was expensive.

4. Why might you want to use a credit card to purchase something now and pay for it over several months?

If you know that you can make more than the minimum payment each month when purchasing an item, you can decrease the amount of total interest you would have otherwise had to pay by needing less time to pay it off. This can be useful when you have a

solid plan to pay off the charges for a product that you know you can't outright buy initially.

5. What are some ways you can use your credit card wisely?

One of the best ways you can use a credit card wisely is by paying the Last Statement Balance at the end of each month. This way, you will be able to escape the trap of paying the minimum balance which would inevitably insure that you would be paying off more than the initial charge. Creating a plan to determine when you would be able to fully pay off certain items is also a good way to approach the use of a credit card. This would ensure that you are constantly aware of how much you have paid off, and how much you still need to pay off.

6. In the simulation, what did you find most surprising?

From the simulation game, what I found most surprising was the amount of interest that can accrue from only paying of the minimum balance of a credit card each month. I've never paid the minimum amount, so being able to logistically see how much of a difference it makes by paying more off each month was quite a shock. If anything, it reinforced my approach to credit cards.

Credit Card 1	
Intro APR%	No introductory APR
Fixed APR%	12.9%
Credit Card Limit	2000
Annual Fee	No Annual Fee
Minimum Payment	45
Interest charges	365.43
# of months to pay bill w/ minimum payment	42

Item(s) Purchased

Item name	Cost	Cost with interest
Camera	599	620.81
Video Game System	499	434.19
MP3 Player	299	371.99
Cell Phone	350	435.44
	Total = 1447	Total = 1,862.43

Credit Card 2	
Intro APR%	No introductory APR
Fixed APR%	19.9%
Credit Card Limit	2000
Annual Fee	No Annual Fee
Minimum Payment	52
Interest charges	482.06
# of months to pay bill w/ minimum payment	43

Item(s) Purchased		
Item name	Cost	Cost with interest
Skateboard	150.00	191.87
TV Series on DVD	129.00	165.01
Video Game	49.00	62.68
Notebook Computer	1399.00	1789.5
	Total = 1727	Total = 2209.06

(4 points for filling out all tables)