

# Take Charge of Credit Cards

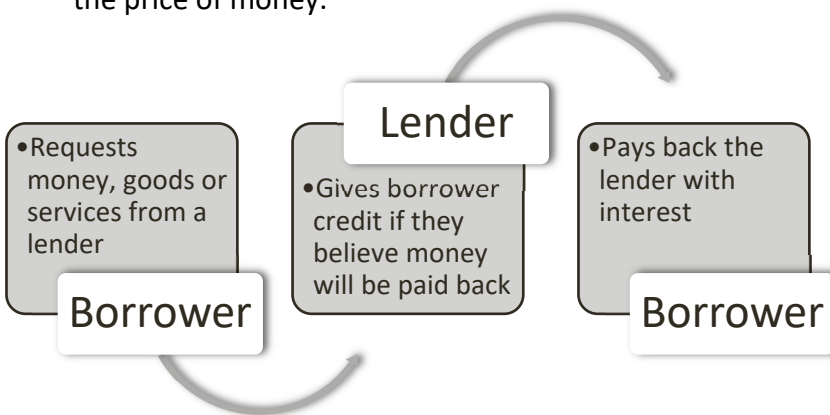
## Don't become a statistic



## Credit

What is it?

**Credit** is when goods, services, or money is received in exchange for a promise to pay a definite sum of money at a future date. The person who is lending the money is saying, in effect, they believe the borrower is willing and able to keep their promise to pay the money back, plus interest. **Interest** is the price of money.



**Interest is**  
**The price of money**  
that is borrowed

**Why would a person use credit?**

## Credit Card

Plastic card that holds pre-approved credit

A **credit card** is a plastic card that holds pre-approved credit, which can be used for the purchase of items now and payment of them later. In the case of credit cards, individuals can borrow as much money as needed as long as they do not go over the **credit limit**, which is the maximum amount of money that can be charged on the credit card. Every credit card has a different credit limit amount, which may be large or small. The amount of money charged on a credit card may be paid back in one single payment or a series of equal or unequal monthly payments. However, **interest** is charged to a credit card each month the amount of money owed is not paid in full. **The longer the cardholder takes to pay off the amount of money charged, the larger the total interest charges will be.**

## Buy Now Pay Later with interest

### Buy now- pay later, what's the catch?

Credit card companies require cardholders to make a **minimum payment**, which is the minimum amount of a credit card bill that must be paid monthly. However, the minimum payment is usually only a small portion of the total amount that the cardholder owes on the credit card. Therefore, *a cardholder who only makes the minimum payment every month will pay lots of interest and make slow progress toward paying off what is owed* on the credit card.

Melissa and Skylar each purchased a plane ticket for \$500 using their credit cards that charge 15% APR

Melissa

Paid full  
amount owed  
\$500

Took 1 month  
to pay off

Paid \$0 in  
interest

Total Paid  
\$500

Skylar

Paid minimum  
due \$20

Took 31  
months to pay  
off

Paid \$103.25  
in interest

Total Paid  
\$603.25

What would you do with an extra \$103?

## Must be 21

In order to receive a credit card, a person should first examine various **credit card offers**. A credit card offer displays the costs of a credit card, including interest rates and fees charged.

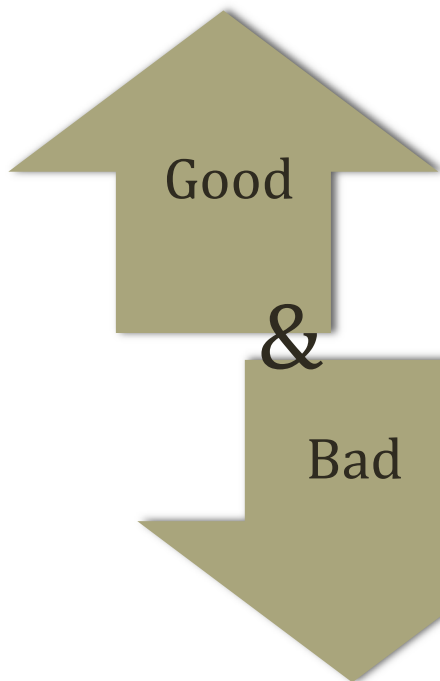
To receive a credit card, consumers must be 21 years of age or older. Starting at age 18, consumers can apply to get a credit card, but they need show documentation of sufficient income to make payments. Someone who is under 21 can build credit by being an authorized user on a credit card of a person over 21. Some credit card companies allow a consumer under 21 to have a co-signer, who will be equally responsible for the loan.

**Unless  
Proof of Income**  
Or a Co-signer

It is important to understand the difference between a credit card and a debit card. A **debit card** is a plastic card that looks like a credit card, but is electronically connected to a depository institution account that holds the cardholder's money. When a debit card is used to make a purchase, the money is immediately taken out of the account. In contrast, a credit card transaction is not linked to an account and money is not withdrawn immediately.



**Provide an example of a purchase that is best paid for with a debit card.**



Convenient

Useful for emergencies

Reservations

Possible benefits

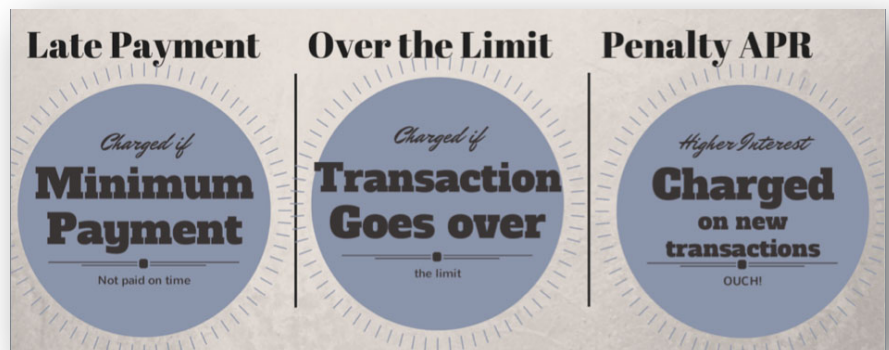
Paying interest

Additional fees

Temptation to overspend

Responsible for lost or stolen card

In order to take advantage of the benefits of a credit card, a cardholder should use a credit card responsibly. When a credit card is used irresponsibly, penalty fees and penalty interest are often charged to the cardholder. A **late payment fee** is charged when a cardholder does not make the minimum payment by the due date. An **over-the-limit fee** is charged if the amount of money charged goes over the card's credit limit. In addition to paying these fees, cardholders often have to pay **penalty interest** if late payments are made or credit limits are exceeded. **Penalty APR** is a higher interest rate that is charged on new transactions.



# Statements

**Credit card statements** summarize important information about a credit card account. They are sent to the cardholder every month and include information regarding credit card use from

the previous month. The information on a credit card statement includes transactions the cardholder has made during the previous month, the current amount owed on the credit card, the amount of the minimum payment due, and the payment due date, which is the date the minimum payment must be paid. To use credit cards in a responsible manner, cardholders should examine their credit card statements to check for false charges and make sure payments are made on time.

## Minimum Payment

**Must be paid**

*— every month —*

**What are three important things to check on a credit card statement?**

# Safety Tips

If someone acquires a credit card or credit card information fraudulently, they can make charges with that card.

Report lost or  
stolen cards

Sign the back or  
write "See I.D."

When closing a  
card notify the  
company

Never give out  
your card number  
unless for a  
purchase

Keep a list of  
accounts in case  
card is stolen

**What are two things you will do when you get your first credit card?**