

Credit Card Payment Options

Student Activity: Online Shopping and Credit Cards

When paying with a debit card, money comes directly out of your bank account, so you have no choice but to pay for the full amount of the item at once. When paying with a credit card, you have a choice to pay the full amount of the item when your statement comes or to make smaller monthly payments over time. However, just because you can spread out the payments, does not mean you necessarily *should*. The lesson below will help you compare several credit card payment options to see what is best for you.

Objective

Evaluate options for credit card payments.

Activity

You want to buy a new big-screen TV online. You find it on sale for \$1,000 and decide to use your credit card to complete the purchase. When the credit card bill arrives at the end of the month, you see that you have several options. You can pay the full balance of \$1,000, the minimum payment of \$30 or you can choose any amount higher than the minimum payment.

Fill in the chart below using the “How Long Will it Take to Pay Off a Debt” calculator at tinyurl.com/PAY1CC. In the calculator, enter \$1,000 in the *Card Balance* field, “0” in the *Monthly Charges* field and 19% in the *Interest Rate* field.



I want to:	Option #1 Pay in Full	Option #2 Pay Minimum (\$30)	Option #3 Pay More than Minimum (your choice)
Total interest	0		
Months to pay off	1		
Total cost	\$1,000		

Reflection:

1. Which option do you think is the best? Why?
2. What might seem appealing about the other two options? Why?