

Name:	Date:
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INTRO

WOULD YOU RATHER...?

Pay \$40 cash up front for a gift?

OR

Purchase the gift on a credit card and pay for it later.

1. Write an explanation of your selection in the box below. Then, discuss your choice and reasoning with a partner.



LEARN IT

INFOGRAPHIC: [What is Credit?](#) [[←CLICK FOR LARGE VERSION](#)]

In Lesson 4.1, you learned about borrowing money from family and friends. Now, we're going to review credit - another way of borrowing money. Read through this infographic and answer the questions that follow.

WHAT IS CREDIT?

WHAT IS INTEREST?

Interest is what you pay for using someone else's money. You repay money to whoever gave you the credit card or loan.

Credit cards and loans have different interest rates. A lower interest rate means you pay less money. A higher interest rate means you pay more money.

HOW DO I USE CREDIT?

When you use credit, it usually means using a credit card. It also might mean that you get a loan. A loan is another way to use credit.

Using credit means you borrow money to buy something.

- You borrow money (with your credit card or loan).
- You buy the thing you want.
- You pay back that loan later – with interest.

WHERE CAN I GET A CREDIT CARD?

Banks and credit unions offer credit cards. They usually offer credit cards to people with a good credit history.

Some stores offer credit cards. You can use a store credit card only in that store.

WHEN CAN I USE CREDIT?

Many people use a credit card to buy everyday things. You might use a credit card to pay for:

- Gas
- Groceries
- Services – like a haircut

Loans usually are for more expensive things. You might get a loan for:

- Furniture
- Education
- A car or home

WHERE CAN I GET A LOAN?

Banks and credit unions offer loans. They usually offer loans to people with a good credit history.

Some stores offer loans to buy their product. These loans often cost more money. Why? Because interest often is higher on a store loan than on a bank loan.

1. Your older sister, Anna is trying to figure out how she's going to pay for college in the Fall. Anna is going over her options with you one night and she narrows it down to either putting her college education on your parents' credit card or taking out a student loan. Which one would you suggest and why?

2. Anna then tells you a story about her friend, Chad. Chad has a Target credit card that he opened a few months ago. The other day he tried to use his credit card to buy popcorn at the movies, but it was denied. Explain to your sister why this happened.

EDPUZZLE: Credit vs. Debit Cards

It is very likely that you will have a credit card and a debit card in your lifetime, so it's important you understand the differences between the two. You'll learn more about credit cards in depth soon!

1. What happens when you use your debit card?
 - a. You pull money directly from your savings account
 - b. You pull money directly from your checking account
 - c. You are borrowing money from your bank to make a purchase
 - d. You are borrowing an item/service now with the promise to pay later
2. A key difference between a debit and credit card is....(choose two correct answers)
 - a. You can pay interest when using a credit card, not with a debit card
 - b. You can pay interest when using a debit card, not a credit card
 - c. You can build a credit score when using a credit card responsibly, not with a debit card
 - d. You can build a credit score when using a debit card responsibly, not with a credit card.
3. Debit and credit cards work exactly the same way.
 - a. True
 - b. False



DO IT

COMPARE: Credit or Debit?

Now that you know how credit cards are different from debit cards, let's practice your knowledge by determining if the following facts apply to credit cards, debit cards, or both! Put a check mark in the appropriate columns.

Fact	Debit Card	Credit Card	Both
Money is borrowed and repaid at a later date			
Money is automatically taken out of a checking account			
Great for emergency situations			
You may pay interest			
You may pay late fees			
May result in debt			
Acts as cash			
Convenient			

1. One of the facts states that money is borrowed and repaid at a later date. Do you think this is an advantage or disadvantage of a credit card?

2. Explain why you have to pay late fees with a credit card, but not with a debit card?

3. Your mom gets paid on the 15th of every month, but she's running low on cash. Your

brother's birthday is coming up on the 10th and she needs to buy him a few more gifts. Should your mom use her debit card or credit card in this situation? Explain.



EXIT TICKET

1. Credit cards are a form of _____.
 - a. Loan
 - b. Gift
 - c. Insurance

2. If you do not pay your credit card in full you may be charged _____.
 - a. A one time fee
 - b. Interest
 - c. An overdraft fee

3. A lower interest rate means you pay _____ money. A higher interest rate means you pay _____ money.
 - a. less, more
 - b. more, less