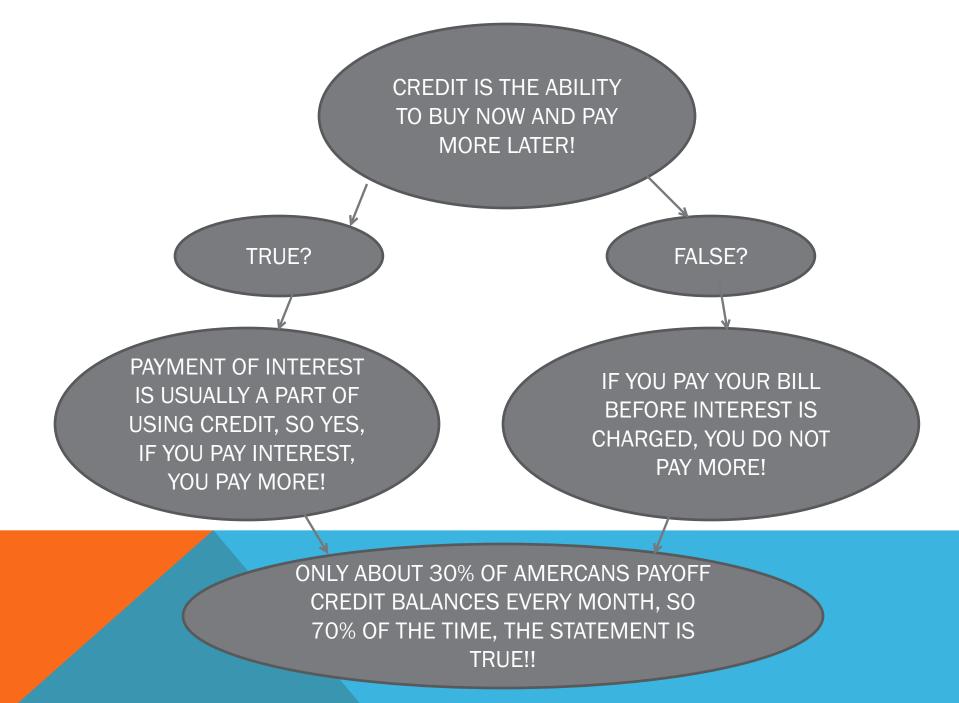
CREDIT....HMMMM!

By Julie Chapman for





DOES IT MAKE SENSE TO PAY MORE? YOU HAVE TO BE SMART! Advantages of Credit

- Able to buy needed items now.
- Don't have to carry cash.
- Have a record of purchases.
- Expensive emergencies
- Convenient
- Purchase Protection

DOES IT MAKE SENSE TO PAY MORE? YOU HAVE TO BE SMART!

DISADVANTAGES

- PURCHASE WILL LIKELY COST MORE!!!
- •MISTAKES WITH CREDIT TEND TO HAVE LONG TERM CONSEQUENCES
- IMPULSE BUYING IS EASIER IN OUR IMMEDIATE GRATIFICATION CULTURE

You must pay companies to loan you money. This payment is INTEREST.

Two Types of Interest:

- Simple Formula-the simple formula
- \blacksquare I = P x R x T
- Interest= Principle X Rate X Time

Compound Interest-- The not-so-simple formula

$$I = P X 1 + (r/n)^{nt}$$

- I = final amount
- P = principal amount (initial investment)
- •r = annual nominal interest rate (as a decimal, not in percentage)
- n = number of times the interest is compounded per year
 - t = number of years

Let's look at an online credit card payment calculator that is based on the compound interest calculation formula:

http://www.bankrate.com/calculators/credit-cards/credit-card-minimum-payment.aspx

Assume that you owe \$5000 on your credit card and are paying 12% interest. You are making only the minimum monthly payment. How long will it take to payoff your balance?

What if you decide to pay \$400 every month and have a 12% interest rate?

•NOTICE THE DIFFERENCE IN THE TOTAL INTEREST PAID!

WHEN YOU USE CREDIT, YOU ALMOST CERTAINLY:

BUY NOW!

PAY MORE, LATER!

Sometimes MUCH, MUCH

MORE!!