**Credit Card Payoff**

\*\*Before beginning: Save to your Google Drive and add your teacher as a collaborator\*\*

**Scenario:** You have a credit card with a spending limit of $5,000.

Research a major purchase (greater than $1,000). Include the website as a proof of purchase.

|  |  |  |
| --- | --- | --- |
| **Line 1** | Major Purchase |  |
| **Line 2** | Price |  |
| **Line 3** | Website  (of Major Purchase) |  |
| Link to calculating months to payoff and total interest paid  [Credit Card Payoff Calculator](https://www.bankrate.com/calculators/credit-cards/credit-card-payoff-calculator.aspx) | | |
| **Line 4** | Credit Card Balance  ***(Write the amount from Line 2)*** |  |
| **Line 5** | APR | 24.99% |
| **Line 6** | Payment Per Month  ***(Multiply your balance by 5%)*** |  |
| **Line 7** | Months to Payoff  ***(From Credit Card Calculator)*** |  |
| **Line 8** | Total Interest Paid  ***(From Credit Card Calculator)*** |  |
| **Line 9** | Total Cost of Purchase  ***Balance (Line 4) + Interest (Line 8)*** |  |

If the credit card company required an 11% minimum monthly payment, what would your monthly payment be? (Put adjustment to Line 6 below)

What happen to the total cost of the purchase? (Increase or Decrease? By how much?)

If you wanted to pay it off in 1 year, what would your minimum payment need to be?

**For the following scenarios, use the credit card payoff calculator to answer the following questions pertaining to amount of interest paid over the time or how many months it would take you to payoff certain credit card purchases with the specific credit card APR rates.**

Scenario 1: Dave purchased a $500 TV with his credit card. The bank charges 18% APR on the unpaid balance on his credit card.

1. How long will it take Dave to pay for the TV if he makes payments of $80 per month?

Answer:

1. Including interest, what is the final cost of the TV?

Answer:

1. How long will it take Dave to pay for the TV if he makes payments of $20 per month?

Answer:

1. Including interest, what is the final cost of the TV?

Answer:

Scenario 2: You decide to buy a new laptop for college. The purchase price: $800; APR: 25.9%

1. How long would it take to pay it back making payments of $30 per month?

Answer:

1. How much **interest total** would you pay over the course of paying off your laptop at $30 per month?

Answer:

1. How much per month would you need to pay to have your balance paid off in 1 year (12 months)?

Answer:

1. How much per month would you need to pay to have your balance paid off in 3 years (36 months)?

Answer:

1. How long would it take to pay it back making payment of $20 per month?

Answer:

1. How much interest total would you pay over the course of paying off your laptop at $20 per month?

Answer:

Scenario 3: You decide to buy a new laptop for college, but this time you put it on a card with a lower APR rate. The purchase price: $800; APR: 18.9%

1. How long would it take to pay it back making payments of $30 per month?

Answer:

1. How much **interest total** would you pay over the course of paying off your laptop at $30 per month?

Answer:

1. How much per month would you need to pay to have your balance paid off in 1 year (12 months)?

Answer:

1. How much per month would you need to pay to have your balance paid off in 3 years (36 months)?

Answer:

1. How long would it take to pay it back making payment of $20 per month?

Answer:

1. How much interest total would you pay over the course of paying off your laptop at $20 per month?

Answer:

What three things have you learned about credit cards and paying off your credit balance?

1.

2.

3.