

WHAT'S THE REAL COST OF CREDIT?

NAME:

Compounding interest is great when you are earning it! But, be careful if you're carrying a debt. If you owe a balance on a credit card or other loan, interest is calculated on the balance you owe and increases your debt if you do not pay off the balance in full. You will be charged each month that you hold an unpaid balance.

Go to the online debt calculator www.themint.org/teens/debt-calculator.html and click on the four purchases below to see compounding interest in action.

PURCHASE	ORIGINAL PRICE	MINIMUM PAYMENT	TOTAL MONTHS	REAL COST OF CREDIT
CONCERT TICKETS				
SPRING BREAK				
USED CAR				
COLLEGE TEXTBOOK				
		MAXIMUM PAYMENT		
CONCERT TICKETS				
SPRING BREAK				
USED CAR				
COLLEGE TEXTBOOK				

How much would you save overall by making the maximum payment on all purchases?

List two possible opportunity costs of making the minimum monthly payments:

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