***Credit Card Math***

**Name: Div.: Date:**

Look through the RBC credit Card agreement (standard agreement for most credit cards) and answer the following questions:

**Minimum Payments**

1. What is the minimum you must pay on any outstanding balance?
2. What happens if you don’t pay your minimum balance on time?
3. What happens if you miss two, or more, minimum payments within a year?

**Determination of Interest**

1. When do you start paying the interest? What is the exception?
2. How might that exception make the grace period deceiving?
3. How do they determine the amount of interest you pay?

**Cash Advances**

1. When do you start paying interest on cash advance situations?
2. What are some examples of cash-like transactions?

**Standard Annual Fees and Interest Rates**

1. What is the annual interest rate for most of RBCs credit cards?

**Example Questions to think about how you use a credit card:**

1. If you spent $1000 a month for 6 months, and only paid the minimum balance (assume no fees, etc. are added on), how much would you owe?
2. Imagine you had an emergency and had to spend $20,000 on your credit card (E.G. Making repairs after an earthquake before insurance pays you back.). How much interest would you have to pay if you had a $20,000 balance for 6 months?
3. What does APR stand for?
4. Find the APR for a “personal line of credit” from RBC.

Most “Pay Day” Loans are meant to be paid back within two weeks so you would only pay $\frac{1}{26}$ of the interest. Still, many get caught in a cycle of borrowing.

1. Find the APR for a “Money Mart” payday loan?
2. Which would you rather use to get some necessary money: A) Line of Credit, B) Credit Card, or C) Pay Day Loan?
3. How does all of this information help explain why people can get into large amounts of bad debt?
4. When is a credit card good to use?