

Credit: Your Best Friend Or Your Worst Enemy?

Justin Jabowski is a high school senior with a part-time job. In January he acquired his first credit card. His credit-card account charges an annual interest rate of 18 percent. This means that every month Justin pays a finance charge of 1.5 percent (that's 18 percent \div 12 months) on his unpaid balance. And every month Justin must make a minimum payment of 5 percent of the unpaid balance.

In January Justin used his credit card to buy two shirts and a pair of pants, at a total price of \$160. He also charged a new pair of shoes on his card, at a price of \$75. When his first credit-card bill arrived in February, Justin owed _____. Since his account provides for a 30-day grace period, Justin did not owe any finance charges immediately. Justin has heard that it is a good idea to pay the entire bill each month and thus avoid finance charges; but he was a little short of cash in February, so he mailed in only the minimum payment of _____. His unpaid balance on the card was _____.

In February Justin treated himself and his girlfriend to an evening out at a rock concert. He charged two concert tickets for \$50 each, plus a handling fee of \$3 per ticket. He enjoyed the performing group's music so much that he bought three of their CDs at \$17 each, using his credit card. When his bill for March arrived, Justin owed _____ for the new charges, his previous balance and the finance charge on the previous balance. He was a little short of cash at the time, so he made only the minimum payment of _____.

In March, Justin had a great opportunity to go skiing with his friend Travis. Travis's parents had rented a ski condo. They planned to make the trip by driving; by joining them, Justin was able to get free lodging, transportation and breakfasts. But lunches and dinners for the three-day outing cost him \$150 (he treated Travis and his parents to lunch one day), and ski-lift tickets for three days came to \$120. Justin's total credit-card bill at the beginning of April was _____ for the new charges, the previous balance and the finance charge on the previous balance. By then Justin had become alarmed at the size of his credit-card bill; but he was still a little short on cash, so he made only the minimum payment of _____.

After he mailed off his April payment, Justin resolved firmly to stop charging things on his card until he could get his entire balance paid off. Unfortunately, his car broke down the next day, and the repair bill came to \$490. He needed the car to get to work and to school, so he charged the repairs. His total credit-card balance in May was _____.

Taken aback by his growing balance, Justin swore not charge another dime until he paid it off entirely. He decided to pay \$55 a month for as long as it would take to pay it off.

If Justin held to his resolution and made payments of \$55 each month, how long do you think it would take him to pay what he owes? _____ months.

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WORKSHEET FOR JUSTIN JABOWSKI

January	Purchases	_____
	- Minimum payment	_____
	Unpaid balance	_____
February	Purchases	_____
	+ Previous balance	_____
	+ Finance charge	_____
	Total owed	_____
	- Minimum payment	_____
	Unpaid balance	_____
March	Purchases	_____
	+ Previous balance	_____
	+ Finance charge	_____
	Total owed	_____
	- Minimum payment	_____
	Unpaid balance	_____
April	Purchases	_____
	+ Previous balance	_____
	+ Finance charge	_____
	Total owed	_____
	- Minimum payment	_____
	Unpaid balance	_____