Investigate Buying on Credit

Part 1: Research Credit Cards

1. You will need to find 3 different cards to research information. There are several credit cards to choose from on the market. Most banks offer credit cards with one of the main credit card companies in Canada. The 3 main credit companies in Canada are: Visa, MasterCard, and American Express. Each bank will offer promotions or deals with specific credit card companies to get you choose one that fits your lifestyle. For example, credit cards that can earn you air miles, cash back, or reward points with your purchases. Keep this sheet to use for reference on the next assignment.

Find three different credit cards and fill in the table below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Credit Card Name** | **Annual Interest Rate** | **Annual Fees** | **Promotions or Rewards** | **Other important information or fees** |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

Part 2: Research Store Credit Cards

Now that you have researched a few credit cards, there is another form of credit we will research. Often large department stores offer credit cards or promotional deals with their store to get people to purchase exclusively with them. Often it is another type of credit card that you can sign up for that can only be used at that specific store. The store might allow you extra time to pay for the item or not charge any interest if the item is paid within a specific time. If the balance is not paid in that time frame, then interest is calculated on the full purchase price from that point onwards.

**You are going to purchase a television that is over $1,500.** Many people don’t have this kind of money laying around so they would have to purchase it with a credit card and pay it off with scheduled payments or purchase it through the store on a different payment plan, assuming they didn’t save for it first, which is always the best option. Let’s see what it looks like to purchase it with a credit card.

**Task 1**: Choose a credit card, that you have researched in Part 1 of this assignment, for your purchase. Once you find one that you like you will need to find an online credit card calculator.

**Calculation 1:**

1. Take the price of your item and add the tax (11% in SK) onto it for a final purchase price and write it below:

Total price of item: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Enter the price of the item into the online calculator link on the webpage
2. Use the percentage of interest from one of your credit cards chosen in the previous assignment
3. You will only be concerned with **Option A** on this task as it calculates minimum payments only.
4. Record the information for Option A below:

|  |  |
| --- | --- |
|  | **Option A: Minimum Monthly Payments** |
| **Time to Pay Off** |  |
| **Original Balance** |  |
| **Interest Paid** |  |
| **Total Paid** |  |
| **Amount Saved** |  |
| **Time Saved** |  |

**Calculation 2:**

1. Take the price of your item and add the tax (11% in SK) onto it for a final purchase price and write it below:

Total price of item: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Enter the price of the item into the online calculator link on the webpage
2. Use the percentage of interest from one of your credit cards chosen in the previous assignment
3. You will only be concerned with **Option C** on this task as it calculates fixed monthly payments only
4. Include a fixed monthly payment of your choice between $50 - $100
5. Record the information for Option C below:

|  |  |
| --- | --- |
|  | **Option C: Fixed Monthly Payment** |
| **Time to Pay Off** |  |
| **Original Balance** |  |
| **Interest Paid** |  |
| **Total Paid** |  |
| **Amount Saved** |  |
| **Time Saved** |  |

**Task 2:** Use the links to different box stores that offer store credit cards. Search the website and see what deals they offer. These can change so the deals might not always be the same. Do you best to find a store that offers information on their credit card promotions. Now use the same online credit card calculator but include the rules included on the store purchase. For example, if the store allowed you 12 months of payments with no interest then you would change the payment period to 12 months and put the interest at 0.

**Calculation:**

Calculate the mandatory payments for each month assuming that you would pay off the balance in the specific time frame. This is a fixed payment.

1. Take the price of your item and add the tax (11% in SK) onto it for a final purchase price and write it below:

Total price of item: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Using a calculator, take the final purchase price and divide it by the maximum number of months you have to pay off the item.
2. Enter the price of the item into the online calculator link on the webpage
3. Set the percentage rate to 0%
4. Use the monthly payment you calculated in step b) to put into the fixed monthly payment section in Option C
5. You will only be concerned with **Option C** on this task as it calculates fixed monthly payments only
6. Record the information for Option C below:

|  |  |
| --- | --- |
|  | **Option C: Fixed Monthly Payment** |
| **Time to Pay Off** |  |
| **Original Balance** |  |
| **Interest Paid** |  |
| **Total Paid** |  |
| **Amount Saved** |  |
| **Time Saved** |  |

Briefly explain which credit card and payment method you would choose to purchase your item and why? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_