



CURRENCY CAPTAINS



Let's talk about : Credit Cards



It was time to shop for school supplies, and Kate knew exactly what she wanted. "Can I get this pencil case?" she asked. "And this backpack?"

"Kate," Mom said. "We can't buy the most expensive option of everything that's on your supply list!"

"Why not?" she asked. "If it's too much money, just put it on your credit card!"

"A credit card isn't free money," Mom said.

"I know," she said. "You need to pay the bill at the end of the month."

"That's right," Mom said. "But did you know that credit cards don't lend you that money for free? They charge you interest on every purchase you make."

"What's interest?" Kate wondered.



"That means extra money, a percentage of the purchase, that you need to pay to the credit card company unless you pay the full balance on time."

"So it really costs more than the amount you spend!" she said.

"Exactly," Mom smiled.

"So, why use credit cards at all?" she asked. "Why not just use cash?"



"That's a great question," Mom said. "People like to use credit cards because lots of them offer rewards, like travel points or money back for many purchases you make on the card."

"Cool!" she said.

"Right," said mom. "But sometimes, people spend more than they planned just because they're getting some points out of the deal."

"Why else do people have credit cards?"

"A credit card can help you buy a house," Mom answered. "A lender will look at the way you use your credit cards, which contributes to developing your credit score, which shows how responsible you are."

"Wow," she said. "What do you say we open a credit card for me? I want to start building my credit score right now!"



CREDIT SCORE

Credit Cards

Talking Points:

- Is paying by credit card the same as paying with cash or a debit card?
- When is it a good idea to use a credit card? When is it not?
- If you don't have money for something you want now, what options do you have?

A common objection to letting kids learn about credit cards is that they won't grasp its relation to actual money.

That objection is nearly moot in today's world of online payment systems and virtual wallet services, where you pay for your purchase through your cell phone.

Our society now carries plastic cards the same way we used to carry cash, and virtual wallets have removed us even further from our green. "Cold, hard cash" may become an obsolete expression, so raising children to understand its relationship to their financial health is becoming more and more difficult.

Will you be capable of conceptualizing the ebb and flow of your bank balance? Well, you have to start sometime! It's never too early to talk about money or credit cards!

Expensive Purchases

Adam and Ashley are going shopping for new backpacks for school. Adam wants to buy a \$60 designer backpack, which is very strong and durable. Ashley thinks it's a better idea to buy a no-name backpack for \$18. Can you help them decide which purchases to make?

1. Adam claims the \$60 backpack will last him for three years, and in that time, Ashley will have to buy 3 cheaper backpacks for \$18 each. If this turns out to be true, who will end up paying more for backpacks?

- a) Adam
- b) Ashley

2. Adam's parents are willing to pay \$35 toward a new backpack. If Adam decides to purchase the more expensive backpack, how much of his own money will he have to pay toward the final price?

- a) \$30
- b) \$35
- c) \$20
- d) \$25



3. Ashley's parents have given her \$50 to pay for a new backpack and a few supplies she still needs for school. If Ashley buys a backpack for \$18, how much money will she have left for school supplies?

- a) \$28
- b) \$22
- c) \$32
- d) \$30



4. What is the difference in price between the \$60 backpack and the \$18 backpack?

- a) \$42
- b) \$32
- c) \$40
- d) \$35



Joke of the day:

What's a credit card's favorite hobby?



Answer: "Card" games!

Bring this finished worksheet into the credit union for 1 Kid's Cash! When you collect 5 Kid's Cash you can pick a prize from our treasure chest. (ages 0 to 12)



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Published by WCCU
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