

Personal Finance Activity 4

Comparing Credit Card Offers



ACTIVITY GOAL

This Personal Finance Activity will help you compare different credit card offers. Understanding the details of each credit card plan will help you make intelligent decisions about what type of card to use and how best to manage your financial debts.

DIRECTIONS: *To properly compare the advantages and disadvantages of each credit card offer, you need to make a careful comparison of the features each card offers. Use the chart below to find the information that answers the following series of questions about each card. When you are done with each step, you will have the information needed to make an informed decision about which credit card is right for your needs and financial situation.*

Comparing Two Credit Card Offers	
Credit Card A	Credit Card B
3.99% APR for the life of transferred balances; 13.25 % APR for all other purchases	0.00% APR for 6 months; 19.8% APR for remaining lifetime of card
\$50 annual fee; \$25 fee for late payments	No annual fee; \$25 fee for late payments
Minimum monthly payment of \$15 or 10% of balance	Monthly balance must be paid in full each month
Set your own payment date	Must pay card by the 15 th day of the month
Rewards program: \$10 shopping card with each \$1,000 in spending	Rewards program: Earn 1% cash back on all purchases

Step 1: What is the Annual Percentage Rate (APR) of credit card A and credit card B?

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Step 2: a) What are other fees associated with each credit card?
b) How do these fees impact your total monthly bill?

Step 3: What are the requirements for paying your credit card each month?

Step 4: What would the minimum monthly payment be for each credit card for balances of \$15, \$130, \$180, and \$300?

Step 5: a) What benefits or rewards does each card offer to make it more attractive for the consumer?
b) How do these characteristics affect your evaluation of each card?

Step 6: If you have a fixed amount of income each month and your expenses are very close in dollar amount to your income, which of these two credit card offers would be a safer choice? Explain your answer.
