

Oklahoma's Personal Financial Literacy Passport

Standard 8: The student will describe and explain interest, credit cards, and online commerce.

Standard 8. Credit cards and online shopping

Lesson 8.1 Credit Cards: More than plastic


Handout 8.1.1-Comparing Credit Cards

Lesson 8.2 Shopping Online

Handout 8.2.1 Online or Local?



Teacher Presentation Series 8

- 
- 📌 Compare costs and benefits of using credit cards and making online purchases (e.g., interest rates, fees, repayment schedules, and personal information protection).
 - 📌 Evaluate options for payments on credit cards (e.g., minimum payment, delayed payments, or payment in full).



Standard 8. I

Credit Cards and Online Shopping

Credit Cards: More Than Plastic

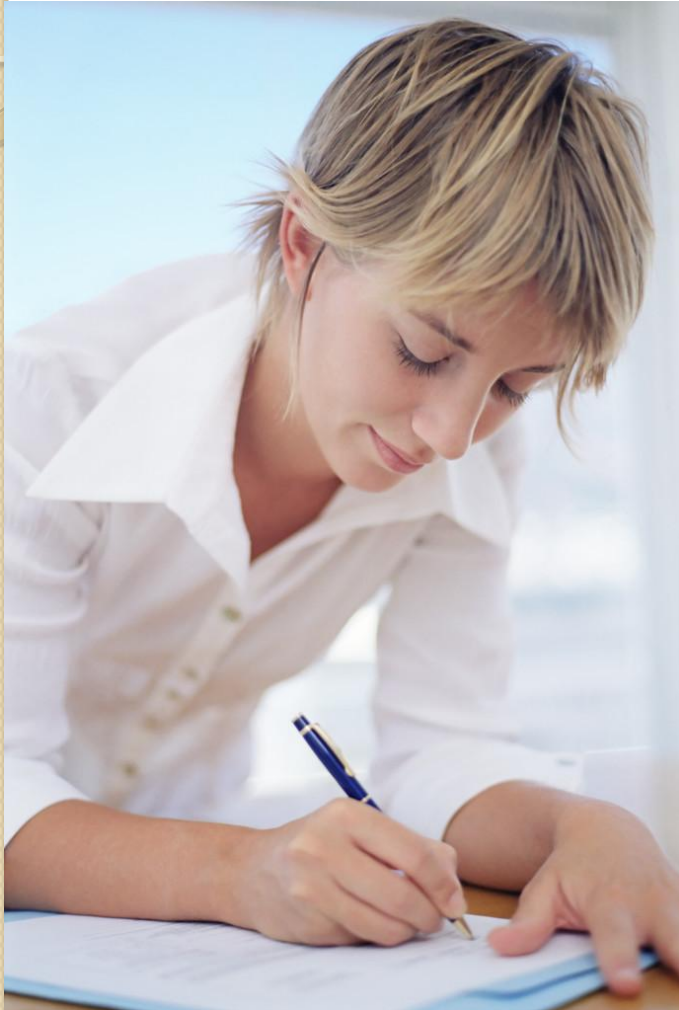
≡ *Payoff* ≡



- 🍷 Describe how credit cards are used to purchase today's wants with tomorrow's money.
- 🍷 Compute the total cost of purchasing goods using credit cards at different interest rates when making minimum payments.



Down Payment



- 🍷 Austin receives two credit card applications, both stating he is pre-approved for a credit card at 1.5% interest.
- 🍷 There are several things he would like to buy so he signs both applications and mails them back to the company.

== **Cache** ==



💰 Credit card

💰 Revolving credit



Building Interest



- 🏆 What are some reasons for using a credit card to complete your purchase?
- 🏆 When should you avoid using a credit card?
- 🏆 How many credit cards should you have?

Interest on Credit Cards



- No interest charged if you pay your entire balance in full each month.
- Interest is charged on the entire amount from the date of your purchase.
- Interest rates vary from zero to about 30 percent.




Interest on Credit Cards

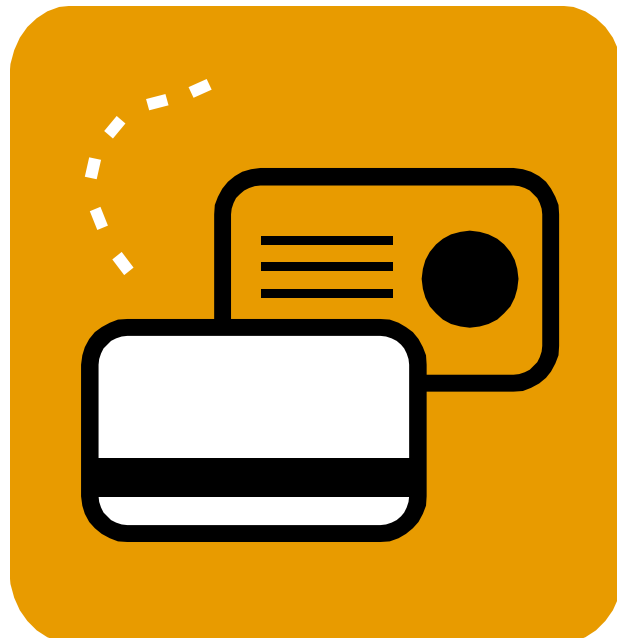


- 💰 Low interest rates and special offers are frequently incentives to encourage you to use the credit card.
- 💰 Cash advances from credit card companies are loans, usually made at a very high rate of interest.

Interest on Credit Cards



 Revolving credit - you can use up to the approved amount as long as you continue making payments.



Interest on Credit Cards




💰 Credit card companies can change the interest rate, fee structure, and terms of credit at any time as long as you are notified in advance of the change.

💰 Unexpected increases in interest rates and fees can impact your monthly payment and wreck your budget.



Interest on Credit Cards



 Be sure to read credit card terms carefully.

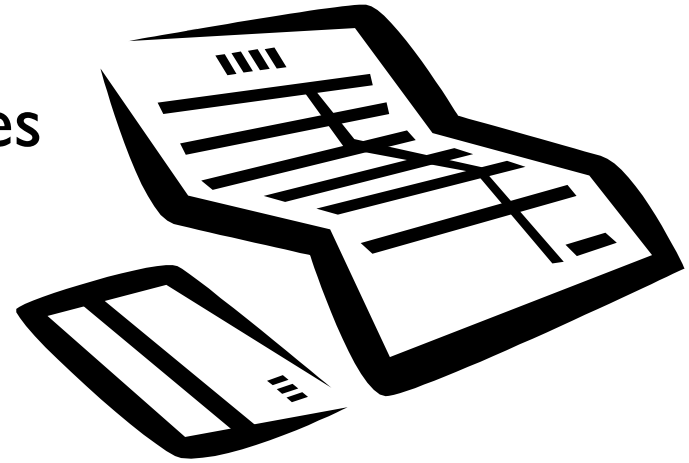


Your Credit Card Statement



Common credit card statement information includes:

- Purchases or new charges
- Payments and credits
- Due date or pay-by date
- Credit limit

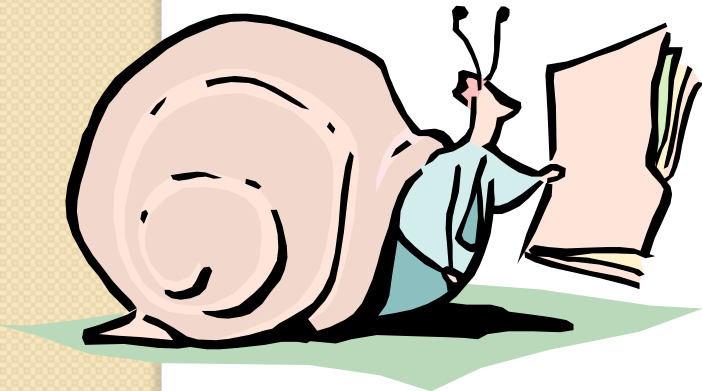


Read your statement each month to protect yourself from errors, incorrect charges and unnecessary fees.

Making Minimum Payments



- 🏆 Minimum payment - amount you must pay to keep your account current.
- 🏆 Paying less than the minimum results in late fees.
- 🏆 If you continually pay less than the minimum, the credit card company can demand the entire amount immediately.



Making Minimum Payments



- 💧 The minimum payment barely covers interest charges, and little, if any, goes toward your principle.
- 💧 Pay more than the minimum to decrease your balance more quickly and save interest expense.



== *Earnings* ==



- 💰 Using credit cards is a convenient payment option, but can be a very costly choice.
- 💰 Not paying off your balance in full every month, increases the cost of your purchases and reduces the amount of money you have for future goals.



== *Earnings* ==



- 📈 The cost and benefits of using credit cards depends on:
 - Interest rate
 - Dollar amount you are able to pay towards your monthly balance
- 📈 Review your monthly statement for correctness and to keep from paying unnecessary fees.

== *Balance Sheet* ==



- 🏆 What are the costs and benefits of using a credit card?
- 🏆 Identify and explain three items on your monthly credit card statement.
- 🏆 All credit cards charge interest. What can you do to reduce the costs of paying interest?
- 🏆 What factors should you consider when selecting a credit card?

== Paid in Full ==



💰 Did Wichita make the best choice?

💰 Austin will pay 22% on his credit purchases, unless he pays the entire balance each month.

💰 Unless he transfers a balance on the second card, he will not have 1.5% interest on it either.



== *Paid in Full* ==



- 👤 Norman is at risk to become a victim of identity theft.
- 👤 Wichita reads the terms for both cards, decided the cost/benefits of each, and shredded the applications before throwing them away.



Handout 8.8.1

Comparing Credit Cards

👛 What were some of the main differences you found between the various credit card offers you compared?

👛 Which differences played the biggest role in your decision about rather or not you should chose a card?





Standard 8.2

Credit Cards and Online Shopping

Shopping Online

Down Payment



- 👛 Peter hates to shop.
- 👛 He prefers to buy everything online.
- 👛 He does not have a credit card.
- 👛 He relies on drafts from his checking account to pay for his purchases.



Down Payment



- 💰 Mary Jane loves to shop.
- 💰 She has two credit cards
- 💰 She uses credit card #1 for shopping.
- 💰 She uses credit card #2 for emergencies, unless credit card #1 gets maxed out!

Down Payment



- 👛 Harry shops only when necessary.
- 👛 He uses the Internet for research.
- 👛 He visits the local store to see which has the best deal, although this takes a little more time.



Which of the three is the “best” shopper: Peter, Mary Jane or Harry?



== *Payoff* ==



- 💡 What are some reasons for choosing to shop online?
- 💡 How does shopping online differ from shopping in a store?
- 💡 What options do you have for paying for your online purchases? Which option is best?

== Cache ==



👛 Credit Card

👛 Revolving Credit



== **Building Interest** ==



- 💰 What are some of the advantages and disadvantage in shopping online?
- 💰 Online shopping has increased in popularity over last several years.
- 💰 Pew Research study shows 2 out of 3 Americans who use the Internet have purchased an item online.

== *Building Interest* ==



- 👉 Pay special attention to the details:
- level of security for the web site,
 - return policies,
 - warranties,
 - shipping and handling charges, and
 - other conditions affecting your purchase.

Shopping Online Versus Local Purchases



Benefits of buying online

Stores never close

No parking problems

No aggressive salespeople

Easy to compare products and prices

Can find products not available locally

No local sales tax

Bargain prices

Costs of buying online

Must wait for delivery

Shipping and handling fees

Reliability of sellers is difficult to determine

Difficult to negotiate prices and payment terms

Cannot physically see or handle the actual product before purchasing

Delay in receiving products, especially if they are put on backorder and you are not notified immediately

Greater potential to receive inferior products or be deceived

Shopping Online Versus Local Purchases






🍷 Which is best?

- If you need a product immediately, it is probably easier and cheaper to buy locally.
- If you live in an area with limited shopping, you may be better off to buy online and pay the additional shipping fees to overnight the product to you.

Shopping Online Versus Local Purchases






ONLINE SHOPPING TIPS

-  **Know exactly with whom you are dealing.**
 - Confirm physical address and phone number
-  **Know exactly what you are buying.**
 - Read the product description and any fine print
-  **Know exactly the terms of the deal.**
 - Understand refund policies, warranties, delivery dates, etc.

Shopping Online Versus Local Purchases



ONLINE SHOPPING TIPS - continued

-  **Know exactly how much you will be charged, including shipping and handling.**
-  **Pay by credit card or charge card.**
 - Never send cash or a check; credit or charge cards provide more consumer protection.
-  **Print and save records of your online purchases.**
 - Keep until the transaction is completed and you are satisfied with your purchase.

Shopping Online Versus Local Purchases



ONLINE SHOPPING TIPS - continued



Check the site's security.

- Look for indicators that the site is secure.



Check the site's privacy policy.

- If you cannot find a privacy policy or do not understand it, go elsewhere to shop.

Paying for Online Purchases




👛 Online payment service versus online escrow service:

- Online payment services – buyers use a credit card or electronic bank transfer to pay sellers who are not be equipped for these kinds of transactions.
- Online escrow services - accept and hold a buyer's payment until the merchandise is received and approved; then, forward payment to the seller.

Paying for Online Purchases



-  Tips to determine whether an online payment or escrow service is legitimate.
 - Read the service's terms of agreement.
 - Examine the service's privacy policy and security measures.
 - Never disclose your financial or personal information unless you know:
 - Why it is being collected?
 - How it will be used?
 - How it will be safeguarded?

Paying for Online Purchases



- Check out the online payment or escrow service's Web site.
- Check out the customer service line.
- Beware of any online escrow service that:
 - does not process its own transactions, and
 - requires you to set up an account with an online payment service before using the escrow service.



== *Earnings* ==



- 🍷 Online shopping may offer many advantages, but it is not always the best choice.
- 🍷 To make a better decision, identify your options and weigh the costs and benefits before determining what to buy, where to buy it, and how to pay for it.

== *Paid in Full* ==



- 🍷 Harry is taking the time to think through his purchases and make an informed decision.
- 🍷 Peter is not supporting the local economy. He is also playing a high risk game by giving any online merchant, escrow service or payment service direct access to his checking account.

== ***Paid in Full*** ==



- 👤 Mary Jane is headed for credit card trouble!
- Recreational shopping is a budget buster and will hinder her ability to meet future personal and financial goals.
 - While using a credit card for online purchases tends to be the best form of online payment, Mary Jane needs to get control of her spending before it starts controlling her.

Handout 8.2.1

Online or Local?

- 🍷 How do you think shopping online is different from purchasing something you saw on a TV advertisement over the phone?
- 🍷 What general impact does making a purchase online have on the local economy?

