



Personal Spending Vocabulary

CASH: Money in the form of bills or coins.

CHECK: A written order for a bank to pay money.

CREDIT CARD: A card authorizing the holder to buy goods and services that can be paid for later.

DEBIT CARD: A card that looks like a credit card but operates like cash; money is immediately subtracted from the cardholder's bank account when a purchase is made.



Debit Cards

Advantages of Debit Card

- **Buy now, pay now.**
- Operates like a check or cash.
- No interest charges.
- Withdraw cash at ATMs using the card's PIN (personal identification number).
- No annual fee (usually).
- Federal law limits liability to \$0 if the card is reported missing before someone uses it.

Disadvantages of Debit Card

- Monthly maintenance and overdraft fees may apply.
- ATM charges for out-of-network banks.
- Debit card use is not a way to build credit history; activity is not reported to credit bureaus.
- There's a \$500 liability if the card is reported missing more than two business days after a loss or theft, but less than 60 calendar days after a statement is sent.



Credit Cards

Advantages of Credit Card

- **Buy now, pay later.**
- Flexibility to make purchases anytime and anywhere.
- Grace period is usually 25 days.
- \$50 liability if card is stolen.

Disadvantages of Credit Card

- Must qualify.
- Terms and fees may change.
- High interest rates usually apply on unpaid balances.

Sample Credit Card Statement

My Bank USA

April 2014 Statement 03/08/2014 – 04/05/2014
Stacie Casey

New Balance **\$971.74**
Minimum Payment Due \$ 15.00
Payment Due Date 05/03/2014

Late Payment Warning:
If we do not receive your minimum payment by the date listed above, you may have to pay up to a \$35.00 Late Fee.

Activity Summary

Previous Balance \$665.15
Payments \$ 15.00 cr
Purchases \$278.46
Balance Transfers \$ 0.00
Advances \$ 0.00
Finance Charges \$ 43.13
New Balance \$971.74

Credit Limit \$3,000.00
Line of Credit Available: \$2,028.26
Days in Billing Period 29

Transactions

Payment and Other Credits

<u>Post Date</u>	<u>Trans Date</u>	<u>Ref #</u>	<u>Transaction Description</u>	<u>Amount</u>
03/26	03/26	0027	Payment. Thank you.	\$ 15.00
Total This Period				\$ 15.00 cr

Purchases and Other Debits

<u>Post Date</u>	<u>Trans Date</u>	<u>Ref #</u>	<u>Transaction Description</u>	<u>Amount</u>
03/12	03/11	2243	ABC Stores Unlimited	\$ 19.95
03/18	03/16	4567	Café Express	\$ 28.31
03/25	03/22	5468	Just 4 You Nails	\$ 55.00
03/26	03/25	4319	Sleep Easy Hotel	\$ 113.75
04/01	03/29	6639	PayPay Fitness USA	\$ 35.00
04/01	03/28	3400	Pharmacy	\$ 20.00
04/04	04/03	5489	Great Online Movies	\$ 6.45
Total This Period				\$278.46

Fees

<u>Post Date</u>	<u>Trans Date</u>	<u>Ref #</u>	<u>Transaction Description</u>	<u>Amount</u>
04/05			Annual Fee	\$ 0.00

Annual Percentage Rate (APR) Purchases 15% Variable



Cost of Using Credit

Making minimum payments, with no new purchases,
at an interest rate of 18%

Purchase Price of Goods	Minimum Monthly Payment	Time to Pay Off Debt	Interest Paid	True Cost
\$1,000	\$20	8 years	\$863	\$1,863
\$2,500	\$50	23 years	\$5,363	\$7,863
\$5,000	\$100	35 years	\$12,863	\$17,863



Prepaid Cards

- Also known as prepaid debit, stored value, or gift cards. May require activation. Spending is limited to the card amount.
- Do not need a bank account or a credit history.



- For some card types: Manage cash reloads and account information online.
- Prepaid payroll card: Employers deposit wages directly to the card.



Bankruptcy and Foreclosure

- If a loan holder cannot repay his or her debt, then **BANKRUPTCY** protection may be imposed by a court. According to the Federal Trade Commission (FTC), consumers must get credit counseling from a government-approved organization and complete a debtor education course before debts are cleared.
- Consumers who are having trouble paying their home mortgage on time may face **FORECLOSURE**. Foreclosure is a court process and involves a lawsuit in which a bank or mortgage company seeks to take an owner's property to satisfy a debt.