Credit Choice Check

Read closely to weigh why people use credit and what it costs.

SS6E13.d "Understand the uses and costs of credit."

NAME ______________________ DATE ______________

1 READ AND MARK

Read it twice

YOUR JOB Underline each reason a person might use credit, and circle each cost or risk of using credit. This will help you compare a credit choice before borrowing.

Pay Later, Think First

1 Credit lets a person receive money, goods, or services now and pay later. In Australia, people may use a credit card, a personal loan, or a buy now, pay later plan. Credit can help with a planned purchase, such as a refrigerator, or an unexpected cost, such as an urgent car repair. Before using it, a borrower should decide whether future payments fit the household budget. Credit is not extra income. The amount borrowed must be repaid.

2 The cost of credit is more than the original price. Interest is the charge for borrowing money, and it can grow when a balance remains unpaid. Some credit products also have account fees, late-payment fees, or other charges. A buy now, pay later plan may have no interest, but missed payments can lead to late fees. A person should read the contract to find the repayment dates, fees, and interest rate. Paying on time and borrowing less can reduce the total cost.

3 Smart credit choices compare the total amount repaid, not only the size of each payment. For example, a low monthly payment may last longer and add more interest. Jordan needs a laptop for school and compares two loans. One loan has lower monthly payments but takes more months to repay. The other is paid sooner and costs less overall. Jordan should also consider whether the payment leaves enough money for food, transport, and other needs. Choosing affordable payments helps avoid missed payments.

2 ANSWER WITH EVIDENCE

Use the passage

1. What are two reasons a person might use credit, according to the passage?

2. Name two possible costs or charges of using credit.

3. Which of Jordan's loans costs less overall? Explain how you know.

4. Why can a low monthly payment still make credit cost more?

3 YOUR TURN

Your own words

Choose a purchase that costs $300 or less. Write four sentences explaining whether using credit for it would be a wise choice. Include one benefit of credit, two possible costs or risks, and one way to reduce the cost.

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PART 1 · READ AND MARK

Underline each reason a person might use credit, and circle each cost or risk of using credit. This will help you compare a credit choice before borrowing. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	What are two reasons a person might use credit, according to the passage?	**To make a planned purchase or to pay for an unexpected cost, such as an urgent car repair.**
2	Name two possible costs or charges of using credit.	**Interest and fees, such as account fees or late-payment fees.**
3	Which of Jordan's loans costs less overall? Explain how you know.	**The loan that is paid sooner costs less overall. The passage states that it costs less overall.**
4	Why can a low monthly payment still make credit cost more?	**It may take longer to repay, which can add more interest.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

I would not use credit to buy $300 headphones because I can save for them first. Credit would let me get the headphones now. However, interest could raise the total cost, and a late payment could lead to a fee. I could reduce the cost by saving money and buying them when I have enough.

Accept equivalent examples of credit uses and costs stated in the passage. For the open response, accept either decision if the student includes a benefit, two valid costs or risks, and a realistic way to reduce cost.