ACTIVITY 12.1
JUSTIN JABOWSKI AND HIS MAGICAL MONEY MACHINE

Directions: The following paragraphs in Part 1 explain how Justin Jabowski used his credit card over a four-month period. Read the information and fill in the blanks (this will call for doing some simple math). When you have finished your work on Part 1, transfer the numbers you have entered to the **Do the Math for Justin** worksheet in Part 2.

Part 1: Justin and his Credit Card

Justin Jabowski is a high school junior with a part-time job. In January he acquired his first credit card. His credit-card account charges an annual interest rate of 18 percent. This means that every month Justin pays a finance charge of 1.5 percent (that's 18 percent divided by 12 months) on his unpaid balance. And every month Justin must make a minimum payment of 5 percent of the unpaid balance.

In January Justin used his credit card to buy two shirts and a pair of pants, at a total price of $160. He also charged a new pair of shoes on his card, at a price of $75. When his first credit-card bill arrived in February, Justin owed __________. Since his account provides for a 30-day grace period, Justin did not owe any finance charges immediately. Justin has heard that it is a good idea to pay the entire bill each month and thus avoid finance charges; but he was a little short of cash in February, so he mailed in only the minimum payment of __________. His unpaid balance on the card was __________.

In February Justin treated himself and his girlfriend to an evening out at a rock concert. He charged two concert tickets for $50 each, plus a handling fee of $3 per ticket. He enjoyed the performing group's music so much that he bought three of the group's CDs at $17 each, using his credit card. When his bill for March arrived, Justin owed __________ for the new charges, his previous balance, and the finance charge on the previous balance. He was a little short of cash at the time, so he made only the minimum payment of __________.

In March, Justin had a great opportunity to go skiing with his friend Travis. Travis's parents had rented a ski condo. They planned to make the trip by driving; by joining them, Justin was able to get free lodging, transportation, and breakfasts. But lunches and dinners for the three-day outing cost him $150 (he treated Travis and his parents to lunch one day), and ski-lift tickets for three days came to $120. Justin's total credit-card bill at the beginning of April was __________for the new charges, the previous balance, and the finance charge on the previous balance. By then Justin had become alarmed at the size of his credit-card bill; but he was still a little short on cash, so he made only the minimum payment of __________.

After he mailed off his April payment, Justin resolved firmly to stop charging things on his card until he could get his entire balance paid off. Unfortunately, his car broke down the next day, and the repair bill came to $490. He needed the car to get to work and school, so he charged the repairs. His total credit-card balance in May was __________.

Taken aback by his growing balance, Justin swore not charge another dime until he paid the balance off entirely. He decided to pay $55 a month for as long as it would take to pay it off.

Part 2: Do the Math for Justin

January	Purchases	____________
	Minus minimum payment	____________
	Unpaid balance	____________
February	Purchases	____________
	Previous balance	____________
	Plus finance charge	____________
	Total owed	____________
	Minus minimum payment	____________
	Unpaid balance	____________
March	Purchases	____________
	Previous balance	____________
	Plus finance charge	____________
	Total owed	____________
	Minus minimum payment	____________
	Unpaid balance	____________
April	Purchases	____________
	Previous balance	____________
	Plus finance charge	____________
	Total owed	____________
	Minus minimum payment	____________
	Unpaid balance	____________

Bonus Question

If Justin held to his resolution and made payments of $55 each month, how long do you think it would take him to pay what he owes?

ACTIVITY 12.2
SHOULD YOU BORROW?

Ana Rodriguez graduated from high school last year with a good grade-point average. She works as a receptionist at a physical-therapy clinic, making $8.50 an hour. She would like to become a physical therapist. The work appeals to her, and salaries for physical therapists are excellent. Within a few years of finishing her training, she could earn more than $50,000 a year. But Ana's parents cannot afford to pay for the training Ana will need. Ana has investigated student loans, but she knows she would have to pay back anything she might borrow over a 10-year period. Should Ana take out a student loan?

Dave Larson is an avid stamp collector. For a long time he has wanted to own a Bolivian Double Eagle stamp. This stamp is very hard to find, and Dave believes it will gain value in the future. Dave learns that his favorite stamp store has a Bolivian Double Eagle for sale, priced at $200. Dave doesn't have that much money in savings, but he is afraid that if he doesn't buy the stamp now, someone else will. Should he use his credit card to buy the stamp?

Caroline Potter is a single mother with two small children. She commutes 15 miles to work five days a week, driving an old car that has developed several problems. Caroline has been late to work twice in the last month because of car problems, and each of the problems has saddled her with a large repair bill. Should Caroline buy a better used car, even though she will have to borrow money and take on monthly car payments?

Jake Purdy just got a great job working as a salesman. His salary isn't high, but he can earn excellent commissions if he makes a lot of sales. Jake has a reliable car, but he has his eye on an expensive new model that would make a better impression on his customers (and also on his dates), he thinks. Car payments for the new model would be high, but Jake feels that he can make enough in sales commissions to cover the cost. Should he take out a loan and buy the new car?

Felicia Washington is the homecoming queen at her high school. She is going to the homecoming dance with the best-looking guy in the senior class. She goes shopping for a new dress to wear to the dance. She finds a nice dress for $119—an amount she could pay in cash. However, she also finds a spectacular dress priced at $229. She could buy this dress with her credit card. Sure, it's a lot of money, Felicia thinks, but she owes it to her public and her date to look dazzling for the big event. Should Felicia put the spectacular dress on her credit card?

Mike Chiang is a community-college student. He has three credit cards, all charged close to the limit. Mike manages to make the minimum payments each month, thanks to his part-time job at Pizzas-R-Us. Mike really, really wants to go with his friends on a spring-break trip to Padre Island, Texas, but he doesn't see how he can afford to do it. Then he receives a friendly letter from one of his credit-card companies. "Dear Mr. Chiang," it begins, "Since you are one of our most-valued customers and always make your payments on time, we are raising your credit limit by $2,000." Mike is thrilled! Now he can go to Padre Island with his friends. Should he do it, charging his expenses to his card?

John and Jackie are a young, newly married couple who soon will have their first child. They are just getting started in their jobs and they have not begun to save money. They live from paycheck to paycheck. Currently they are living in small, two-bedroom, one-bath apartment. They are interested in buying a home, and they have found a modest, three-bedroom, two-bath home that they like. They have spoken to a mortgage broker, and she explained that John and Jackie would qualify for a 30-year home mortgage. While this mortgage comes with a relatively high interest rate and upfront fees, the interest rate for the first twelve months has been reduced. And the loan does not require a down payment—which would cost several thousand dollars John and Jackie do not have. This mortgage would allow John and Jackie to move into the "starter" home they are interested in much sooner than they had imagined. Should they take out the mortgage?