

Student Activity

Name _____

Date _____ Class _____

Paying Off Debt

Sammy has a \$3,000 balance on a credit card with an 18% APR. His grandmother, who thought he was the cutest thing, left him \$3,000 in her will. Should Sammy pay off his debt or invest in the booming stock market?

Examine the following chart, and then answer the questions that follow.

	Stocks at 12% per year	Credit Card at 18% per year
Beginning	\$3,000	\$3,000
Year 1	\$3,360	\$3,540
Year 2	\$5,287	\$6,863
Year 10	\$9,317	\$15,701

1. After five years, how much greater would that original \$3,000 debt be?
2. How much would your \$3,000 have earned in the stock market after ten years?
3. Which would you advise Sammy to do – invest the money or pay off his credit card? Explain your advice to Sammy and why you are making that recommendation.



Student Activity

Name _____

Date _____ Class _____

Loan Officer

You are the loan officer at a local bank. In each of the following cases, individuals are seeking to borrow money from the bank. Based on the information provided, evaluate each applicant and decide whether each will receive the loan. Explain the reasons you granted or denied the applicant the loan.

Case # 1

Donna is a single mother of two children. Her only source of income consists of public assistance payments of \$650 a month and \$120 per month from the pension from her late husband. She wants to purchase new kitchen appliances totaling \$989. She lives in subsidized housing. Her share of the rent and other expenses total \$575 a month.

Case # 2

Bruce is a bricklayer who is always looking for work. Due to weather and other factors, he is seasonally unemployed. He currently brings home \$950 a month. He owes \$200 a month for his car, \$175 a month for the High Definition big screen TV, and \$300 a month for rent and has no money saved in the bank. He wants to borrow \$4,000 to purchase a motorcycle.

Case # 3

Susan, 22, is in her second year of college. She has excellent grades in school and plans to attend medical school after graduation. Until recently her parents paid her bills, but are now unable to and she is on her own. She is seeking \$10,000 dollars to finish college and pay her living expenses. She has never borrowed any money before but plans to repay her loan when she graduates from medical school.