

**Credit Cards 101:
Essential Skills
for High School
Seniors**

**Educational Talent
Search**



1. Understanding Credit Cards:



Definition:

A payment card issued by a bank or financial institution that allows the holder to borrow funds to make purchases, which must be repaid with interest if not paid in full by the due date. Unlike debit cards, it does not directly deduct funds from a checking account.



Purpose:

Used for convenient purchasing, building credit history, and managing unexpected expenses.

Types of Credit cards

- Rewards Cards: Earn rewards like cash back or points.
- Secured Cards: Require a cash deposit as collateral.
- Student Cards: Designed for students with limited credit history.
- Business Cards: For business expenses, often with business-specific benefits.
- Balance Transfer Cards: Transfer balances from other cards, often with a low or no-interest introductory period.



2. How Credit Cards Work:

- **Credit Limit:** The maximum amount of money you can borrow on your credit card. It's set by the credit card issuer based on your creditworthiness and financial history. Exceeding this limit may result in fees or penalties.
- **Interest Rates -APR (Annual Percentage Rate):** The cost of borrowing money on your credit card annually, expressed as a percentage. It includes interest and fees charged by the issuer. A higher APR means higher costs if you carry a balance on your card.
- **Fees:** Charges added to your credit card account for specific services or events. Examples include annual fees for having the card, late payment fees for missing a payment deadline, and over-limit fees for exceeding your credit limit.



Responsible Credit Card Use:

Budgeting:

- Tip: Track your spending to stay within your credit limit.
- Importance: Helps manage expenses and avoid debt.

Payment:

- Tip: Always pay your bill on time and in full.
- Importance: Builds a positive credit history and avoids fees.

Credit Score:

- Explanation: Your credit score reflects how responsibly you use credit cards.
- Importance: Affects your ability to get loans and interest rates in the future.



4. Avoiding Credit Card Pitfalls

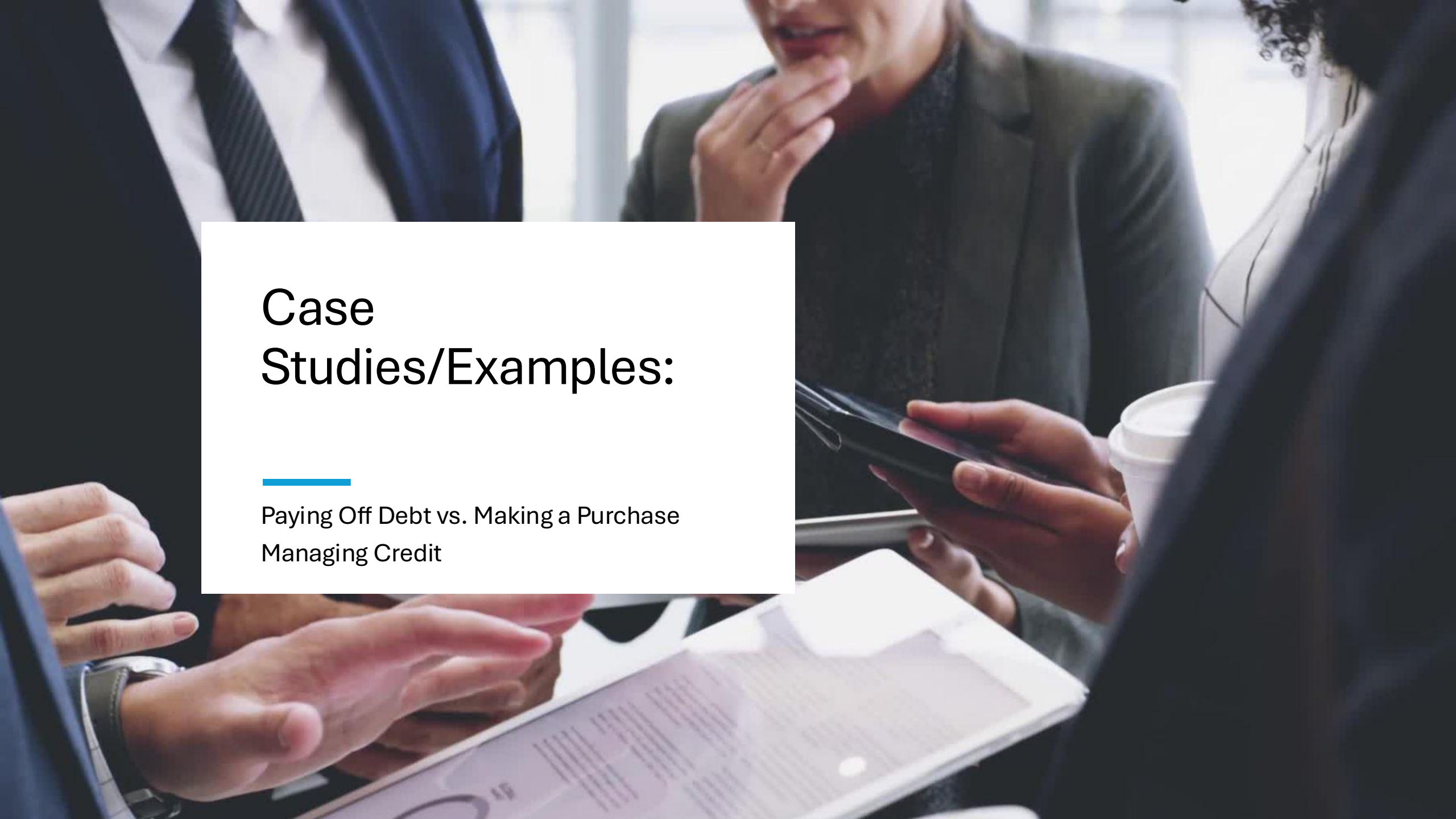
- **Debt Accumulation:** Seniors should avoid high-interest debt by paying balances in full each month.
- **Minimum Payments:** Pay more than the minimum to reduce long-term debt.
- **Fraud Protection:** Review statements, set up alerts, and be vigilant against unauthorized charges.





Comparing Credit Card Offers:

- **Feature:** Features: Assess annual fees, interest rates, rewards, and credit limits.
- **Fine Print:** Be aware of penalty fees, balance transfer fees, foreign transaction fees, and grace periods.

A background image showing a group of business professionals in an office setting. A woman in a grey blazer is looking at a smartphone, while others are looking at a tablet. A coffee cup is visible on the right.

Case Studies/Examples:

Paying Off Debt vs. Making a Purchase
Managing Credit

Scenario: Jane has \$2,000 in credit card debt with a 20% APR. She also wants to buy a new TV for \$1,000.

- **Option A:** Jane pays off her debt first, saving on interest and improving her credit score.
- **Option B:** Jane buys the TV, but her debt accumulates interest, costing her more in the long run.



Scenario: Jack has two credit card offers with different interest rates and annual fees.

- Offer 1: 15% APR, \$0 annual fee
- Offer 2: 10% APR, \$100 annual fee

Option A: Jack chooses Offer 1, avoiding the annual fee but paying more in interest over time.

Option B: Jack chooses Offer 2, paying the annual fee but saving on interest expenses in the long run.





Scenario: Sarah has a credit card with a \$5,000 credit limit and a current balance of \$3,000. She wants to make a \$2,000 purchase.

- **Option A:** Sarah makes the purchase, increasing her credit utilization to 80%, which may negatively impact her credit score.
- **Option A:** Sarah makes the purchase, increasing her credit utilization to 80%, which may negatively impact her credit score.



Resource of Assistance:

- Helplines:
- Websites: