

9.3 Manage Credit Cards

A Credit Card

- ✓ A credit card lets you borrow money from the bank to spend on your everyday purchases.
- ✓ At the end of each *monthly billing cycle*, you'll get a *credit card statement* (your *bill*) with the *amount you owe* (your *balance*).
- ✓ Each credit card has a *limit*—the maximum you can charge to the card.
- ✓ Your statement has your *minimum payment* amount and the *payment due date*.
- ✓ To maintain *good credit*, you need to *make the minimum payment* on your balance each month.
- ✓ If you *don't pay off* your full balance before the payment date, you'll be *charged interest* on the *unpaid balance*.

B Understanding your Card

Example 1. Identify all the following items on the card on the right.

- ✓ Security chip ①
- ✓ Credit card number ②
- ✓ Expiry date ③
- ✓ Cardholder name ④
- ✓ Security code (CVV/CVC) ⑤
- ✓ Cardholder signature ⑥



C Understanding your Statement (Bill)

Example 2. Identify all the following items on the card on the right.

Statement balance is \$3,663.23

- ✓ How much you owe at the end of your monthly billing cycle.
- ✓ If you don't pay it all by the due date, you'll be charged interest on the remaining amount.

Credit available is \$5,336.77

- ✓ How much is available to spend on your credit card.

Minimum payment is \$36.63

- ✓ Each month, you need to pay at least this amount towards your outstanding balance.
- ✓ If you can, pay more than the minimum to keep your interest charges under control—and keep your credit score healthy.

Credit limit is \$9,000

- ✓ The maximum amount you can charge to your credit card.

Payment Due Date is May 24, 2015

- ✓ The date you must pay at least minimum amount.

Annual Interest Rate (in percent per year, compounded daily) is 19.99%

YourBank		Your Credit Card Account Statement	
• PAYMENT INFORMATION		Statement Period: From April 01, 2015 To April 30, 2015	
New Balance:	\$ 3663.23	Account Number: 9999 99XX XXXX 1234	
Your Minimum Payment:	\$ 36.63	Primary Cardholder: Yourname Yoururname	
Your Minimum Payment Due Date:	May 24, 2015	Ways to Pay: Online Banking Telephone Banking ATM Pie-Authorized Payment By Mail To: YourBank P.O. Box 1234 Section Z BankCity, NY, 98456	
Estimated time to pay <small>The estimated time to pay your New Balance in full if you pay only the Minimum Payment each month is 2 year(s) and 4 month(s).</small>		Contact Information: www.websitename.com Customer Service/Lost or Stolen 1-888-123-4567 TTY/TDD 1-888-123-4567	
• SUMMARY OF YOUR ACCOUNT			
Previous Statement Balance:	\$ 2654.48		
Payments:	\$ -2654.48		
New Purchases:	\$ 1957.24		
Balance Transfers and Access Cheques:	\$ 1200.00		
Cash Advances:	\$ 500.00		
Interest:	\$ 0.00		
Fees:	\$ 5.99		
Subtotal:	\$ 3663.23		
Your New Balance:	\$ 3663.23		
Credit Limit:	\$ 9000.00		
Cash Advance Limit:	\$ 500.00		
Credit Available:	\$ 5336.77		
Cash Advance Limit:	\$ 0.00		
Statement Closing Date:	April 30, 2015		
Days in Statement Period:	30		
Annual Interest Rate for Purchases:	19.99%		
Annual Interest Rate for Balance Transf. and Access Cheques:	2.50%		
Annual Interest Rate for Cash Advances:	19.99%		

$$FV = A = ?$$

$$P = PV = \$1500$$

Example 3. Determine the future value of an overdue credit card balance of \$1500 if interest is charged for 55 days at 21% interest rate per year compounded daily.

$$r = 21\%$$

time

$$FV = \$1,548.21$$

$$I = \$48.21$$

∴ The future value is \$1,548.21
and the interest paid is \$48.21

Example 4. Tom got his last credit card statement two weeks ago. His balance is \$3541.67, the minimum payment is \$50.25. He is planning to pay the minimum payment on time and the remaining balance 20 days after the due date. How much money is Tom going to be charged if the interest rate per year is 24% and is compounded daily?

Balance +

$$\text{Balance} = \$3,541.67$$

$$\text{Minimum Payment} = \$50.25$$

$$\text{Remaining balance} = \$3,541.67 - \$50.25$$

$$\left[\begin{array}{l} PV = P = \$3491.42 \\ r = 24\% \quad \text{daily} \\ t = 20 \text{ days} \end{array} \right.$$

$$FV = ? = \$3,537.62$$

∴ Tom has to pay back \$3,537.62
(\$46.20 is only the interest)