

Learning English with CBC Radio – Living in Alberta



Understanding Credit Cards

by

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Daylight Consulting Inc.



CBC

Alberta  Government

Integration Enhancement

Topic:	Budgeting Basics
Lesson:	Credit Cards
CLB Level:	6
CLB Skills:	Reading, Writing
Essential Skill(s):	Reading, Writing, Document Use, Numeracy

CLB Outcomes	
Reading:	<p>Learners will demonstrate the ability to use online reference sources.</p> <p>Learners will demonstrate the ability to guess the meaning of unknown terms, phrases or idioms from the context without a dictionary.</p> <p>Learners will demonstrate the ability to identify specific factual details and some implied meanings.</p> <p>Learners will demonstrate the ability to interpret information contained in formatted texts.</p>
Writing:	Learners will demonstrate the ability to reduce a page of information to a summary.
Language Skills	
Grammar Focus:	Learners will demonstrate the ability to use correct word forms in context
Vocabulary:	<i>financial, debt, borrow, balance, establish, impact, purchase, afford, convenience, credit card, risk, combine, transactions</i>
Culture	
Credit cards are very common and popular in Canada. It is important for one to know and understand how credit cards work.	

Websites:

<http://alis.alberta.ca/pdf/cshop/StretchYourDollars.pdf>

www.learnersdictionary.com www.thesaurus.com

Introduction

Before you read, complete the first two columns of the KWL chart below:

K	W	L
What I know about credit cards.	What I want to know about credit cards.	What I learned about credit cards.

Pre-reading

Misha's wife and two children arrived in Canada 6 months ago. Misha was very happy that his permanent resident application had been successful and he was able to sponsor his family. Misha had lived alone in Canada for 4 years. Before his family arrived, Misha had to buy a number of items. He needed new beds for the children, clothes, toys, a new TV, plates, pots, and pans. He also had to buy three airplane tickets for his family. Misha could not afford all of these things at once so he got a credit card. The credit card was a great help. The maximum amount of money he could spend on it was \$5000. He used the credit card to buy things worth \$5000 but he did not have to pay for them immediately. All he had to do was pay \$50 every month to the credit card company. Six months after buying all the things he needed, Misha wondered why the amount he owed the credit company was not decreasing. He had not bought any more things. He had kept all of his receipts for the items he bought using the credit card. He checked his receipts and the credit card statements to make sure that there were no mistakes. He did not find any mistakes. He paid the minimum of \$50 every month but now his credit card statement showed that he owed more than \$5000! Misha wondered how this could be possible.

Pre-reading questions

1. What are the benefits of having a credit card?
2. What do you think are the disadvantages of credit cards?
3. Can you think of a reason why Misha owed more than \$5000 six months after buying all the things he needed?
4. Do you own a credit card?
5. What would your life be like without a credit card?

Main Reading

Title:

Glossary¹

1. Interest rate means an amount of money that is paid by someone for taking and using money (that belongs to someone else) for a period of time before returning it.
2. Compounded means interest paid both on the original amount of money and on the interest it has already earned
3. Mortgage means a legal agreement in which a person borrows money to buy property (such as a house) and pays back the money over a period of years
4. Credit card limit means the highest amount of money that you can use to buy things on a small plastic card and you agree to pay for later.
5. Credit rating means a score or grade that a company or organization gives to a possible borrower and that indicates how likely the borrower is to repay a loan ◊Credit ratings are based on how much money, property, and debt a borrower has and on how well the borrower has paid past debts.

As you read the selection, use *context clues* to help you figure out the meaning of the following words that you will come across: *risk, combine, transactions*

Reading Strategy Tip: As you read, pay attention to the table in the text. Notice how the table is shaded in two colours. This is to help you compare and contrast the information provided in the table. Shading in a text helps draw attention to information in the text.

¹ Definitions taken from www.learnersdictionary.com

This selection is part of a longer document taken from <http://alis.alberta.ca/pdf/cshop/StretchYourDollars.pdf>

Credit Cards

Credit cards allow you to buy today and pay tomorrow—a nice convenience but also a risk. It’s very possible that you may not be able to afford it later, but by then you’ll be paying for not only the item you bought but also the high credit card interest. If you find yourself with a lot of credit card debt, consider combining these amounts and paying them off by taking out a bank loan that gives much lower interest rates. Always make sure you know what the interest rates are on the credit cards and loans, as some loans may have higher interest rates.

On the bright side, if you use a credit card and make your payments on time and in full, you have the convenience of the card and you can establish a good credit rating. This will help if you want to take out a bank loan or a mortgage. Here’s how to make your credit cards work for you rather than against you:

- Limit the number of credit cards you have. One is all anyone really needs.
- Pay your credit card balance on time and in full each month.
- Keep a record of all your credit card transactions.
- Keep your credit card limit low.
- Avoid using the cards for cash advances. The interest starts the minute you get the cash.

When you borrow wisely, going into debt can be a good thing. Student loans, house mortgages, and loans to start a business are all positive. However, borrowing money for something less essential is rarely a good idea. Here are some questions to ask yourself if you’re thinking about borrowing money:

- Is it worth the cost I will actually pay by the end of the loan?
- Could my financial situation change before I’ve paid the loan off?
- What impact will my decision to borrow have on my family and on me?
- Can I afford credit?

The following table shows the cost to you of buying a \$1,000 item on a credit card (19%) or taking out a bank loan (6%) instead of paying cash. Remember that when you use a credit card to buy something and you don’t pay it off after the first bill, then the interest starts from the moment you purchased the item and is compounded every month that you are paying for it. This means that you are paying interest on interest!

\$1,000 purchase							
After 6 months		After 9 months		After 12 months		After 2 years	
CREDIT CARD	BANK LOAN	CREDIT CARD	BANK LOAN	CREDIT CARD	BANK LOAN	CREDIT CARD	BANK LOAN
\$1,098.62	\$1,031.21	\$1,151.53	\$1,047.95	\$1,206.98	\$1,065.50	\$1,456.79	\$1,144.55

Reading Comprehension

Answers can be found in the answer key.

1. What are the advantages of having a credit card?
2. Why can it be risky to own a credit card?
3. The chart below lists suggestions that can help you establish a good credit rating. Give an explanation of how each suggestion helps you.

Suggestion to establish good credit rating	How this helps you
Limit the number of credit cards you have.	
Pay your credit card balance on time and in full each month.	
Keep a record of all your credit card transactions.	
Keep your credit limit low.	
Avoid using the cards for cash advances.	

4. Why is it important to have a good credit rating?
5. Look at the table showing the cost of a \$1000 purchase. What would be the credit card balance on a \$1000 purchase be if it is not paid off after 12 months?

Vocabulary Development

Answers can be found in the answer key.

A. Context Clues

Use context clues from the reading to guess the meaning of the following words:

Risk means

Combine means

Transaction means

B. Definition Matching

The words in italics on the next page are taken from the reading. These words are also found on the *list of the first 2000 most commonly used words of English* and on the *Academic Word List*. Match the words to the correct definition and find the part of speech. The first one has been done for you as an example.

financial, debt, borrow, balance, establish, impact, purchase, afford, convenience, credit card

	Word	Part of speech	Definition
1.	Debt	Noun	an amount of money that you owe to a person, bank, company, etc.
			the amount of money that still needs to be paid
			a powerful or major influence or effect
			a small plastic card that is used to buy things that you agree to pay for later
			relating to money
			to buy property, goods, etc. : to get something by paying money for it
			to take and use something that belongs to someone else for a period of time before returning it
			something (such as a device) that makes you more comfortable or allows you to do things more easily
			to be able to pay for (something)
			to begin or create (something that is meant to last for a long time)

C. Collocations

Words that are used in a certain way together are called collocations. A collocation is a particular combination of words. Take the word “fire”. Collocations of the word “fire” are *truck* and *fighter* – “fire truck” and “fire fighter” for example. Use online reference sites such as www.thesaurus.com or www.dictionary.com or www.learnersdictionary.com to find the collocations of “credit” and “card”. Complete the table below. The first one has been done for you as an example.

Credit	Card
Credit rating	Debit card

Reading Strategy

Read the \$1,000 purchase table in the reading selection and complete the following activities.

Reading numbers

Match the numbers to the numbers written in words. The first one has been done for you as an example. *Answers can be found in the answer key.*

Number	Number written in words
\$1,098.62	One thousand two hundred six dollars ninety eight cents
\$ 1,456.79	One thousand thirty one dollars twenty one cents
\$ 1, 151.53	One thousand one hundred fifty one dollars fifty three cents
\$1,031.21	One thousand ninety eight dollars sixty two cents.
\$1, 206.98	One thousand four hundred fifty six dollars seventy nine cents

Table questions

1. Maria bought a dining room table from a furniture store using her credit card that had an interest rate of 19%. The dining room table price was \$1000. Maria was not able to pay the credit card balance when the statement came. She was only able to pay for it after she received her bonus from work 9 months later. How much money did she end up paying for the table? _____
2. Zakia also bought a similar dining room table from the same furniture store as Maria. Zakia borrowed \$1000 from the bank at an interest rate of 6% in order to pay for the table. Like Maria, Zakia was not able to pay back the bank loan immediately. She paid for it nine months later. How much money did Zakia end up spending on the table?

3. Who spent more money on their dining room table – Maria or Zakia? _____
4. Why is it that one person spent more money on the dining room table than the other person and yet the dining room table price was the same in the store?

Grammar Focus / Pragmatic Competence

Word families

Complete the table below using the words in italics. Each of the words in italics belongs to a family. The first one has been done for you as an example.

debt, debtor, debtless, financial, finance, financially, borrowed, borrower, borrow, affordable, afford, affordability, risky, risk, risk

Noun	Verb	Adjective	Adverb
Establisher	Establish	Established	_____
Risk	Risk	Risky	

Sentence completion

Circle the correct form of the underlined words in the sentences below. *Answers can be found in the answer key.*

1. It is a risky /risk to make a big purchase on a credit card when you have no way of paying back the money.
2. My parents support me financial/ financially/finance by paying my rent for me while I am at school.
3. Suzy borrowed/ borrower \$6,000 from the bank to pay for the car.
4. The grocery store sells goods at afford /affordable / affordability prices, so it is always busy.
5. Jason is \$10,000 in debtor / debt because of his student loans.

Link to Essential Skills

Essential skills are the skills needed for work, learning, and life (www.hrsdc.gc.ca). They are enabling skills that help you perform daily tasks as well as tasks required on the job. In this section of the lesson you will focus on **reading text and document use** to analyze a credit card statement.

Activity instructions

1. Read the credit card statement on the next page. Pay special attention to the layout of the page. The information on the statement is presented in columns. Some words are typed in capital letters and in bold letters. Different colors are also used on the statement. All this highlights different types of information that you should notice.
2. Read all the questions below and see how many you can answer without going back to the statement.
3. Re-read the statement and then answer all the questions.

Statement Questions

1. Whose credit card statement is this?
2. What is the credit limit on this card?
3. What is the interest rate on this card?
4. What is the name of the bank that issued this card?
5. If a purchase was made on July 21, 2012 will it show on this statement? Yes / No. Give a reason.
6. Was the previous statement balance paid in full? Yes/ No. Give a reason.
7. By what date should a payment be made?
8. What is the minimum payment for this statement?
9. How long would it take the card owner to pay the entire balance if only the minimum payments are made each month?
10. Would the card owner be able to make a \$350 purchase before making a payment on this card? Yes / No. Give a reason



Big Money Bank

VISA Credit Card

Joanna M Masako 587 265 445

STATEMENT FROM JUN 16 TO JUL 15, 2012

1 OF 1

PREVIOUS STATEMENT BALANCE		\$ 418.02	
Joanna M Masako			
587 265 445 - PRIMARY			
TRANSACTION DATE	POSTING DATE	ACTIVITY DESCRIPTION	AMOUNT
JUL 06	JUL 07	PAYMENT – THANK YOU	-\$ 410.00
JUL 08	JUL 11	SEARS CANADA	\$606.39
JUL 13	JUL 15	CANADIAN TIRE	\$1,459.59
JUL 15	JUL 15	PURCHASE INTEREST 19.99%	\$7.15
NEW BALANCE			\$2,081.15

Time to Pay

If you make only the Minimum Payment each month, we estimate it will take 18 years and 3 months to fully repay the outstanding balance. Our estimate is based on the New Balance shown on this statement and your current credit card account terms.

INTEREST RATE CHART

Rate (%)	Remaining Balance
19.99	\$2,074.00

IMPORTANT INFORMATION

CONTACT US

Customer Service 1-800-568-2874
 Collect Outside (780) 567-4568
 North America

PAYMENTS & INTEREST RATES

Minimum payment \$17.00
 Payment due date Aug 09, 2012
 Credit limit \$2,500.00
 Available credit \$418.85

Annual interest rates:

Purchases 19.99%
 Cash advances 19.99%

CALCULATING YOUR BALANCE

Previous Statement Balance	\$418.02
Payments & credits	-\$410.00
Purchases & debits	\$2,065.98
Cash advances	\$0.00
Interest	\$7.15
Fees	\$0.00
NEW BALANCE	\$2,081.15

001 0078 587265445 00000000000000 004600 0000087665



BIG MONEY BANK
 CREDIT CARD PAYMENT
 CENTRE
 P.O.BOX 5614, TORONTO,
 ON, M5Y 2D6

NEW BALANCE
\$2,081.15

MINIMUM PAYMENT	PAYMENT DUE DATE	AMOUNT PAID
\$ 17.00	AUG 09, 2012	

Joanna M Masako
 864 Belleview Drive
 Edmonton AB T6T 9V3

VISA Credit 587265445

Payment options:
 -Telephone 1-800-568-2874
 banking
 -Online banking www.bigmoney.com
 -By mail

Detach and return with payment

Answer Keys

Reading Comprehension

1. A credit card allows you to buy items and pay later.
2. Owning a credit card can be risky because people sometimes use cards to buy items they cannot afford and cannot pay for. They end up in debt.
3. The chart below lists suggestions that can help you establish a good credit rating. Give an explanation of how each suggestion helps you.

Suggestion to establish good credit rating	This helps you ...
Limit the number of credit cards you have.	Limit the amount you can borrow
Pay your credit card balance on time and in full each month.	Establish a good credit history and rating
Keep a record of all your credit card transactions.	Check for any errors in the statement
Keep your credit limit low.	Avoid owing too much money
Avoid using the cards for cash advances.	Save money since you won't have to pay cash advance interest.

4. A good credit rating is important when you want to borrow money to buy a house or a car
5. **\$1,206.98**

Vocabulary Development

A. Context Clues

Word	Meaning
risk	the possibility that something bad or unpleasant will happen
combine	to come together and form a single thing or group
transactions	a business deal : an occurrence in which goods, services, or money are passed from one person, account, etc., to another

B. Definition Matching

	Word	Part of speech	Definition
1.	Debt	Noun	an amount of money that you owe to a person, bank, company, etc.
2.	Balance	Noun	the amount of money that still needs to be paid
3.	Impact	Noun	a powerful or major influence or effect
4.	Credit card	Noun	a small plastic card that is used to buy things that you agree to pay for later
5.	Financial	Adjective	relating to money
6.	Purchase	Verb	to buy property, goods, etc. : to get something by paying money for it
7.	Borrow	Verb	to take and use something that belongs to someone else for a period of time before returning it
8.	Convenience	Noun	something (such as a device) that makes you more comfortable or allows you to do things more easily
9.	Afford	Verb	to be able to pay for (something)

10.	Establish	Verb	to begin or create (something that is meant to last for a long time)
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C. Collocations * Answers will vary**

Credit	Card
Credit rating	Debit card
Credit score	Credit card
Credit history	Bank card
Credit rating	Card holder
Poor credit	Identity card

Reading Strategy

Number	Number written in words
\$1,098.62	One thousand ninety eight dollars sixty two cents.
\$ 1,456.79	One thousand four hundred fifty six dollars seventy nine cents
\$ 1, 151.53	One thousand one hundred fifty one dollars fifty three cents
\$1,031.21	One thousand thirty one dollars twenty one cents
\$1, 206.98	One thousand two hundred six dollars ninety eight cents

Table questions

1. \$1,151.53
2. \$1,047.95
3. Maria
4. Maria spent more because the interest rate on her credit card was higher than the bank interest rate Zakia was charged.

Grammar Focus / Pragmatic Competence

Noun	Verb	Adjective	Adverb
Establisher	Establish	Established	_____
Risk	Risk	Risky	_____
Debt / debtor	_____	Debtless	_____
Finance	Finance	Financial	Financially
Borrower	Borrow	Borrowed	_____
_____	Afford	Affordable	Affordability

Sentence completion

Circle the correct form of the underlined words in the sentences below.

1. Risk
2. Financially
3. Borrowed
4. Affordable
5. debt

Reading –Writing Link

*Summaries will vary**

Link to Essential Skills

Answer the questions below

1. Joanna Masako
2. \$2,500
3. 19.99%
4. Big Money Bank
5. No the purchase would not show because the statement only shows purchases made between June 16 and July 15, 2012.
6. No the balance was not paid in full. The balance was \$418.02 and \$410 was paid. As a result, \$7.15 interest was charged.
7. August, 9, 2012.
8. \$17.00
9. 18 years and 3 months.
10. Yes the card owner would be able to make a \$350 purchase before making a payment on this card because the available credit is \$418.85