2 The Credit Card Trap

L4.2.2 · REVOLVING DEBT

I CAN

model a revolving balance and show why minimum payments are designed to persist

THE BALANCE THAT WILL NOT MOVE

$4,100 at 24.9% APR. Minimum payment 2% of balance.

First month interest	
First month minimum payment	
Amount that reduced the balance	
Months to clear at minimums	

PAYMENT STRATEGY	MONTHS TO CLEAR	TOTAL INTEREST	TOTAL PAID
Minimum only			
$150/month fixed			
$300/month fixed			
Balance transfer at 0% for 18mo			

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Answers and talking points

What a good answer looks like, and one question to ask when the pencils go down.

K–2 Need or Want?

Needs: food on the table, a warm coat, a place to sleep, clean water. **Wants:** a new game, ice cream.

Ask: "Is a coat always a need? What about a fifth coat?" The same thing can be both, and that's the lesson.

3–5 50 / 30 / 20

$10 → $5 / $3 / $2 · $20 → $10 / $6 / $4 · $50 → $25 / $15 / $10.

Ask: "Which slice would you change, and what would you give up to do it?" Any answer with a reason is a good one.

6–8 Where Did $177 Go?

Gross pay $1,200. Social Security $74.40. Medicare $17.40. The remaining $85.20 is federal and state income tax withheld. Net pay $1,023.

Ask: "Who gets each deduction, and what does it buy Miller?" A student who can name where the money goes stops reading a pay stub as theft.

9–12 The Credit Card Trap

First month's interest is about $85. The minimum payment is about $82, so the balance grows and never clears. At $150 a month it takes about 41 months and roughly $2,000 in interest. At $300 a month, about 17 months and roughly $770. A 0% balance transfer clears it in 18 months at about $228 a month, plus the transfer fee.

Ask: "Why would a card company set the minimum below the interest?"

Want the rest of the unit?

Each of these comes from a full Financial Foundations™ unit of 10 to 12 lessons, with teacher scripts, family letters and a unit checkpoint. For a free five-day money game your students can play in a browser, try **The $100 Week™**. Everything is at **wealthwisekids.org**.

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