

Credit Cards: Borrowing Money

Credit Cards

Credit cards seem like a great idea in principle: A company gives you “free” money to use as you like and you have about a month to pay it back. All you have to do is fill out an application form and they will let you know if you qualify.

Your first credit card will likely come after high school because you need to be **18** to be a primary cardholder in Canada. The type of card you get depends on your:

- **INCOME**
- **CREDIT HISTORY**
- **OTHER FACTORS**

Credit card companies and banks have come up with rewards cards to get you interested in using their specific cards. Rewards cards could be:

- **TRAVEL POINTS**
- **CASH-BACK**
- **LOW-INTEREST RATE**
- **MERCHANDISE**

The important thing to remember is that if you don't pay it back on time, it is much worse than living without that fancy stuff you bought on credit. A regular credit card charges **19.99%** interest per year, compounded **MONTHLY!** Even worse, a bad credit score can make your life, very, very difficult. Banks won't lend you money to buy a house, a car, or anything else bigger that you need a loan for.

Credit scores go from **300 – 900**. A score of **650** is considered the magic point. A score higher than 650 means you are likely to get a loan you apply for. Anything lower and it becomes difficult for you to get loans and such.

For now, we will look at an example application together, so you can understand what it takes to get one.

Practice

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