

Practise

Use the following information to answer questions 5 to 9.

Many of the bank-issued cards are available in different types. Examples of three types are outlined below.

Type A

Lowest rate of interest available on any Canadian bank credit card, guaranteed!

- Annual fee: none
- Minimum household income required: \$15 000
- Minimum student income required: \$1200
- Credit limit: \$500

Type B

A card that rewards you with points for dollars spent or cash back at the end of the year

- Annual fee: \$29
- Minimum household income required: \$25 000
- Minimum student income required: \$2300
- Credit limit: \$1500

Type C

A prestigious card that rewards you with even more points for dollars spent or cash back at the end of the year and offers other benefits, such as insurance on purchases and travel insurance

- Annual fee: \$99
- Minimum household income required: \$35 000
- Minimum student income required: \$5000
- Credit limit: \$5000

5. An **annual fee** is the amount paid once a year that keeps the credit card account open.

- a) What is the annual fee for each type of card?
- b) Why do you think the annual fees vary?

6. a) Why do you think there is a minimum income required?
 b) Why do you think the minimum income required is lower for students?
 c) Larry, a student, earned \$9.75 per hour and worked 15 hours a week for 45 weeks last year. For which card(s) is he eligible?
7. **Credit limit** is the maximum amount that you are allowed to have owing on the card at any given time. You can request an increase in your credit limit. If you do, the card issuer checks to see if you owe money on other credit cards and loans before granting an increase. Why would people want higher credit limits?
8. Suppose you plan to pay your credit card bill in full each month when it is due. No interest will be charged. Which card would you choose? Justify your choice.
9. Suppose you plan to occasionally make purchases that you will be unable to pay for completely each month. Interest will be charged. Which card would you choose? Justify your choice.
10. a) Some credit card applications require your mother's maiden name. Why do you think the card issuer wants this information?
 b) Some applications ask if you would like additional cards for the same credit card account. Describe a situation when someone may request an additional card.
- WS 11. Use brochures or the Internet to determine the annual fees, income requirements, credit limit, annual rate of interest charged, and other distinguishing features of a bank-issued credit card. Compare your findings with those of classmates who researched different cards.



Access to Web sites about credit cards can be gained through the *Mathematics for Everyday Life* 11 page of irwinpublishing.com/students.

Skills Check Operations with Decimals

Calculate and round each answer to two decimal places.

a) $1500 \times \left(1 + \frac{0.165}{2}\right)^{(2 \times 3)}$

b) $8000 \times \left(1 + \frac{0.186}{12}\right)^{(12 \times 2)}$

c) $2000 \times \left(1 + \frac{0.12}{4}\right)^{(4 \times 5)}$

d) $250 \times \left(1 + \frac{0.205}{365}\right)^{(365 \times \frac{1}{12})}$