

# COMPARING PAYMENTS

**Cash**—Bills and coins created by the government.

Advantages may include: Easy to use; accepted nearly everywhere; fits nicely in a pocket; you can only spend what you have.

Disadvantages may include: Cannot be replaced if lost or stolen; spending not easily tracked.

**Checks**—A written order to a bank to pay money from a bank account to a person or business.

Advantages may include: easy to track spending; can safely be mailed.

Disadvantages include: slow to write; a lot to carry (a pen and register); money not always taken out of bank right away; not accepted everywhere.

**Credit card**—A card that allows the holder to buy goods and services by taking out a bank loan for the purchases.

Advantages may include: items can be purchased without having the money to pay for them; handy for emergency purchases; convenient.

Disadvantages may include: possible yearly fee; interest charged on unpaid balances; can lead to financial difficulties if misused.

**Debit card**—A plastic card that provides electronic access to a personal bank account. It and the similar ATM card can be used to complete bank transactions much like a check.

Advantages may include: quick and easy to use; funds are immediately deducted; money comes straight from your account; there is no bill in the future; you don't have to carry cash; relatively safe because only you know your PIN or Personal Identification Number.

Disadvantages include: harder to keep track of spending; easy to lose; possibility of identity theft; must remember the PIN number.



# COMPARING PAYMENTS

**Electronic payments**—Payments made using an app that allows the user to automatically debit a bank account or charge a credit card without using a card.

Advantages include: doesn't require cash, checks, or cards.

Disadvantages: hard to keep track of; danger of identity theft; not accepted everywhere.

**Gift card**—A card that is purchased in a specific monetary value and used like cash to purchase goods and services.

Advantages may include: like cash, you can only spend what you have.

Disadvantages may include: must be loaded with funds from bank (extra step); if lost or stolen, cannot be replaced; store-specific cards can only be used in one place.

**Prepaid card**—A card that allows you to spend only the amount you have pre-deposited into that account.

Advantages may include: like cash, you can only spend what you have; can be used to pay bills online or by phone; can be attached to a specific bank account and loaded automatically with direct deposit; can be canceled if lost or stolen.

Disadvantages may include: extra bank fees and charges; not accepted everywhere.



# COMPARISON CHART

Name \_\_\_\_\_

Think about the various types of payments you have discussed in class. Compare and contrast them by thinking about the criteria, or reason, for each payment method. Write "yes" or "no" or "usually" in each box, based on whether the payment type meets the criteria.

Alternatives	Advantages					Disadvantages		
Methods of payment:	Easy to use	Safe to use	Accepted everywhere	Convenient	Can be replaced if lost	Fees charged for use	Interest charges on purchases	Hard to track spending
Cash								
Checks								
Debit card								
Credit card								
Gift card								
Electronic payments								
Prepaid card								

List any additional advantages or disadvantages of each payment type that you can think of.

	Advantages	Disadvantages
Cash	_____	_____
Checks	_____	_____
Debit card	_____	_____
Credit card	_____	_____
Gift card	_____	_____
Electronic payments	_____	_____
Prepaid card	_____	_____



## DEBIT TRANSACTION EXERCISE

**Directions:** Complete the transaction register according to Linnea's story.

[illegible]

# LET'S GO TO THE BANK

Check No. 108

Name JA BizTown News Jan. 5 20 19

PAY TO THE ORDER OF \_\_\_\_\_ \$ 8.33

Eight and 33/100 Dollars

JA BizTown® Bank

Memo Payroll Scott Montgomery

Acct.# 234

ENDORSE HERE

DO NOT WRITE OR STAMP BELOW THIS LINE  
RESERVED FOR FINANCIAL INSTITUTION USE

DEPOSIT TICKET

Name \_\_\_\_\_

JA BizTown® Bank

Date Today's date 20 \_\_\_\_\_

Deposits may not be available for immediate withdrawal.

Signature required for cash received.

Acct.# 234

CASH	CURRENCY	
	COIN	
LIST CHECKS SEPARATELY		8 33
SUBTOTAL		
LESS CASH RECEIVED		
NET DEPOSIT \$		8 33

RECORD ALL CHARGES OR CREDITS THAT AFFECT YOUR ACCOUNT									
NUMBER	DATE	TRANSACTION DESCRIPTION	PAYMENT/DEBIT (-)	FEE (IF ANY)	DEPOSIT/CREDIT (+)	\$	BALANCE		
							8 33		

Name \_\_\_\_\_ 20 \_\_\_\_\_

PAY TO THE ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_

\_\_\_\_\_ Dollars

JA BizTown® Bank

Memo \_\_\_\_\_

Acct.# \_\_\_\_\_

Write a letter below as you visit each station to reveal your memory word!

\_\_\_\_\_



# THE DEBIT CARD TRANSACTION



Once the customer's bank is alerted, the money is subtracted from the cardholder's account.



Once the card is swiped at the store or logged in on the website, the transaction is sent to the cardholder's bank for verification.



The merchant is notified that the transaction has taken place and there are sufficient funds for the purchase.



The cardholder begins a transaction on the merchant's website or in a store.



The cardholder's payment is complete.



# INTEREST IN YOUR FAVOR

You want a new mountain bike that costs \$400.00. You need to decide if you want to buy the bike now using credit, or wait and save the money to buy the bike, meanwhile earning interest on your savings. You know that you can afford about \$16.00 a month from your allowance and lawn jobs.



## EARNING INTEREST

You decide to save \$16.00 a month to buy the bike. Every month you put \$16.00 into a savings account, you earn 0.9 percent interest, compounded monthly.

- How many months will it take to save \$400.00? \_\_\_\_\_
- What will the balance be at the end of the savings period? \_\_\_\_\_
- How much will you earn in interest? \_\_\_\_\_

COMPOUND INTEREST CALCULATOR	
Current Principal:	\$16.00
Annual Addition:	\$192.00
Years to Grow:	2
Interest Rate:	0.9%
RESULTS	
Balance:	\$403.62

## PAYING INTEREST

You decide to buy the bike now using a credit card. You will pay \$16.00 a month to the credit card company. The company will charge 18% interest to borrow the \$400.00

- How many months will it take to pay off the loan? \_\_\_\_\_
- How much will you pay in interest? \_\_\_\_\_

CREDIT CARD CALCULATOR	
Current Debt:	\$400.00
Interest Rate:	18%
Your Monthly Payments:	\$16
RESULTS	
Months to Pay:	32
Total Payments:	\$505.12

