

## FINANCIAL LITERACY

# Credit Cards and Bad Debt Vs. Good Debt

## Case Study: Credit Cards

Reckless Rhonda has just finished her first day at college and has arrived home to a number of credit card offers. Of course, Rhonda is thrilled. Finally, she can shop 'til she drops!

Her parents do not want her to have any credit cards. Rhonda thinks this is unfair. She has always had a part-time job. They do not understand why she needs a credit card at this age and worry when they know her favourite activity is hanging out at the mall and shopping online. Until now, when Rhonda wanted to buy something online she needed her parents to review the purchase and the website she was purchasing from before they provided the essential credit card information to finalize the purchase.

Rhonda is your friend. Help her understand credit cards and decide if she is ready for one.

## Group Task

### Questions:

1. Is it alright if Rhonda only pays the minimum balance owing on her credit card?
2. Are there any kinds of expenses you think Rhonda's parents would not mind her using her card for?
3. If Rhonda needed cash should she take a cash advance on her credit card?
4. If Rhonda's best friend asked to borrow her credit card should she let him?
  - Is the answer different if it is her boyfriend of three years and it is to renew his online gaming subscription and he says "text me" the PIN number?
5. Rhonda can't think of a password for her card? Should she use her birthday?
6. Rhonda thought she would impress her parents because she had heard about a card with a low interest rate offer? Do you think that is a good idea?