



# Money Management: Borrowing

ProjectFAME

Dr. Martin

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# Welcome Back!!!

- Let's start with daily activities
  - Logon
  - Open Worklog (Word)
    - Set up and write any opening thoughts
  - Open Spending spreadsheet (excel)
    - Enter spending
  - Summary of yesterday
    - Questions???

# Schedule for Today

- Arrival to 12:30
  - Analyze credit card fine print
  - Analyze credit card offer
- 12:30 to 1:00 Lunch
- 1:00 to 1:30 Maria Break
- 1:30 to 2:30 Credit Card Spread Sheet
- 2:30 to 3:00 Evaluation and Wrap-Up

# Putting it all together to read a statement

- To understand it you need to be able to compute all of the numbers
- Statement handouts (3)
  - New laws
  - Read the statement
  - Read the fine print on the back
    - What is interest charged on?

# Fine Print

- Balance Transfer
  - No grace period
- Cash Advance
  - No grace period
- Charges (purchases)
  - Let's figure out the grace period

# Grace Period

- Depends on
  - Last period
  - This period
- Paid in full by due date
- Paid in full during current cycle
- Not paid in full
  - Less
  - Minimum
  - Really not paid

Finance Charges  
on Purchases

Last Month  
Previous Cycle

This Month  
Current Cycle

Paid in full  
by due date

Paid in full  
current cycle

NOT Paid in full  
by due date  
at least min paid

Paid in Full  
by due date

NOT Paid in Full  
by due date  
at least min paid

# Grace Period

- IF
  - Pay current new balance in full
  - Paid previous balance in full during current cycle
- THEN
  - Grace period on current new balance



# Grace Period

- IF
  - Don't pay current balance in full
  - Did pay previous balance in full by its due date
- THEN
  - Grace period on part of balance you pay
    - Using their allocation method

# Grace Period


- Their Allocation method
  - You paid ones with least interest first
- Moral:
  - Much easier if you pay it off every month
  - Make sure that it comes with a grace period that allows this

# Stepping back for a minute

- When is an offer too good to be true?
  - Smell test
  - How to check it out
- Security (especially with the internet)
- Why are they doing it?
- How do they make money?
- Should we buy the protection plan?



# Identity Theft

- What is it?
  - How can you prevent it?
  - Be very careful about:
    - SSN
    - Date of Birth
    - Account Numbers
    - PINs and passwords
    - Drivers license number
    - Mother's maiden name
- 

# Maria Break

- Mentoring
  - How many?
    - No one can meet all of your needs
  - Find your own mentors
    - Don't be passive
    - Don't be a pain
  - When you know what your passion/career is
    - Find someone who is doing it successfully
    - Ask them how they did it
    - Better yet, find more people and ask them

# Newspaper Break

- Modesto Bee
  - Work and Money
- SF Chronicle
  - Business Report
- NPR Market Place at 6:30 pm 91.3 FM
- Car ads

# Examples and Practice

- Independent Practice Handout
  - Create a spread sheet with columns:
    - Month
    - Beginning Balance
    - Minimum Payment
    - Interest rate (decimal notation)
    - Interest Paid
    - Principal Paid
    - Ending Balance

# Month

- Start with 1 in first A2
- In A3 use formula
  - $=A2+1$
- Copy formula in cell A3
- Paste it into cells A4 - A50



# Beginning Balance

- In cell B2 enter 325
- In cell B3 enter the formula
  - = G2
    - Ending balance of previous month
- Copy formula in cell B3
- Paste it into cells B4 - B50

# Minimum Payment

- In cell C2 enter the formula
  - `=IF(PRODUCT(B2, 0.035)>10,PRODUCT(B2, 0.035),10)`
  - If 3.25% of the beginning balance is more than \$10 pay that amount, otherwise pay \$10
- Copy formula in cell C2
- Paste it into cells C3 - C50

# Interest Rate

- In cell D2 enter the formula
  - `=PRODUCT(0.22,1/12)`
  - Interest rate in decimal notation divided by 12 months
- Copy formula in cell D2
- Paste it into cells D3 - D50

# Interest Paid

- In cell E2 enter the formula
  - =PRODUCT(B2,D2)
  - Beginning balance times interest rate
- Copy formula in cell E2
- Paste it into cells E3 - E50

# Principal Paid

- In cell F2 enter the formula
  - =SUM(C2,-E2)
  - Payment minus interest portion
- Copy formula in cell F2
- Paste it into cells F3 - F50

# Ending Balance

- In cell G2 enter the formula
  - **=B2-F2**
  - Beginning balance - principal paid
- Copy formula in cell G2
- Paste it into cells G3 - G50

# Formatting

- For all of the columns except A and D
  - We want it formatted for American dollars
- Bring up the dialog box:
  - “command 1”
  - “Format” and “cells” in pull down menu
- Choose
  - Number
  - Currency
  - \$
  - Two decimal places

# Are we done yet?

- Now that we have the spread sheet
- Let's run some scenarios
  - **First make a copy**
  - What if we pay \$20 per month
  - What if we pay \$50 per month
  - Test some scenarios of your own!
- What can you conclude?



# Maria Break

- What don't you see
  - Years of practice
  - Thought that went into presentation
  - Music, Sports, Comedy, Acting, Entertainment, Math, School, Books
- When do you get to rest on your laurels?
  - That would be never
  - But of course you need breaks to regenerate and recenter

# Maria Break

- What is wisdom?
- How do you get it?
  - Pay attention
  - Think - how can I get better
  - MAKE MISTAKES
    - And learn from them
    - This means taking responsibility
- What are you good at?
- How do you get good at something?
  - Practice

# Two words about auto loans

- Research cars
  - Price
  - Reliability
  - Safety
- Loans
  - Dealers may not be best value
  - Watch out for
    - Prepayment penalties
    - Extra fees
    - Variable rates
  - Get it in writing
- Buy what you can afford



# Thanks for making this a great week!

- Let's do the evaluation form
  - Put the final touches on the entry for today in your worklog
  - Have a great weekend!
  - PS Don't forget your flash drive!
  - My email: [mmartin@csustan.edu](mailto:mmartin@csustan.edu)
    - Best to put FAME in subject line
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