

Hand Poster/Overhead Masters

In this section you will find *14 hand poster/overhead masters* that may be duplicated for educational use. This series supports the concepts found in the *Understanding Credit* module of this resource. These masters make good *hand posters* or *handouts* for Stage Three readers. Some are suitable for Stage Two readers. They can also be made into *overheads* for presentations.

Review the *Learning About Money Video Scripts* for background information on this topic. See the segment, *Credit* for further information. It is an excellent *visual tool* for showing how learners can use credit wisely. As well, it shows what can happen if one overspends and needs to seek credit counselling to resolve a debt crisis. This section gives them information about:

- What credit is.
- The advantages and disadvantages of using credit.
- Comparing the cost of credit.
- Consideration in signing a credit contract, and
- Identifying when you have overspend and ways to get out of debt.

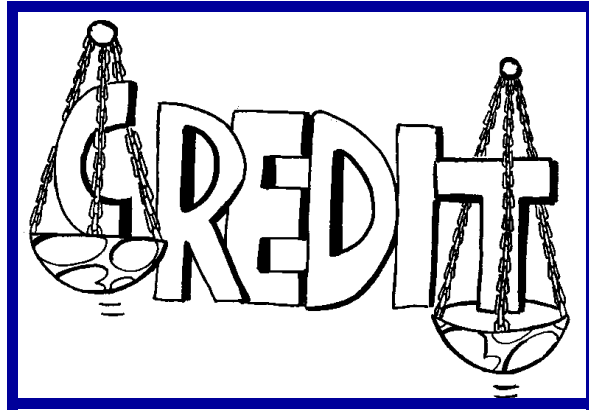
Here are the *hand poster/overhead masters* that follow in this file—each has a number, so you can identify the order—note that the page number is given following the dash. Or, you can follow the links below.

- UC100—2 Discussion Starters*
—See page 2 of the education module for discussion topics and ideas.
- UC110—3 What is Credit?*
- UC111—4 Advantages of Credit*
- UC112—5 Disadvantages of Credit*
- UC120—6 Know Your Credit Terms*
- UC121—7 Compare Credit, Cash and Savings*
- UC130—8 Establishing a Credit History*
- UC131—9 The Cost of Credit*
- UC132—10 Before You Sign a Credit Contract*
- UC133—11 Setting Limits*
- UC140—12 The Credit Crunch Questionnaire*
- UC141—13 What is Financial Counselling?*
- UC142—14 Ways to Get Out of Debt*
- UC143—15 The PowerPay Method*

What do you think about . . .

- ◆ **What do you think credit should be used for?**
- ◆ **Is overdraft protection a form of credit?**
- ◆ **Is a payday loan a form of credit?**
- ◆ **How do you find out what kind of credit rating you have?**
- ◆ **What is the difference between a car loan and a car lease?**
- ◆ **What is financial counselling and how can it help someone who is in debt?**





*Credit - is buying now and
paying later—for a fee.*

**The fee you pay includes
interest on the money
borrowed and any
service charges.**

Advantages of credit are that you can



- **purchase and enjoy goods as they are needed and wanted.**
- **purchase items that would otherwise take years to save for.**
- **handle temporary or unexpected financial emergencies.**
- **purchase things that increase your income.**
- **take advantage of sales and price reductions.**

Disadvantages of credit are that you will



- **tie up future income.**
- **increase the cost of items because of interest and other charges.**
- **encourages one to live beyond your means.**
- **increase impulse buying.**
- **may prevent comparing prices in other stores.**
- **lose your purchase, if the creditor repossesses because you miss a payment.**
- **limit your ability to save for the future.**

Know your credit terms

Acceleration clause - a provision in an agreement allowing the lender to ask for full payment at once. Sometimes used by a lender when the borrower defaults in payment of an installment.

Account number - a number given to you when you get credit. It is different than your bank account number.

Annual percentage rate (APR) - the cost of credit over one year. Annual means a year.

Assets, equity, net worth - is a measure, or \$ value, of how much one actually owns.

Authorized - given permission.

Bankruptcy - a legal term for someone who is unable to pay their debts and legally declared bankrupt. They are said to be **insolvent**.

Charge account - means credit available from a store or business that can be used from time to time.

Chattel mortgage - a written agreement that offers goods (that are paid for), such as furniture, boat and motor, or car, as security for payment of a debt.

Contract - a written agreement between two people or a written agreement between a person and a company.

Consolidate - to combine debts and make only one payment each month.

Credit note - when you return an item and the store keeps your money for the next time you buy something.

Creditor - a person or business that gives credit to others. When you buy on credit, you owe money to your creditors.

Credit record - report on how good a credit risk a person is.

Credit risk - the possibility of a loss to the lender resulting from non-payment of credit.

Debt - money you must pay back to someone. When you buy on credit you go into debt. A **debtor** is a person who owes money.

Debit card - A debit card is used to transfer money electronically from your account to that of a company. A debit card is not a credit card. This is because it is used instead of a cheque. This card is put through a machine by a purchaser and it withdraws money from your account to pay for your purchase. You use a PIN number for security when using this card.

Discretionary income - Income left over after all your bills are paid.

Finance charge - charges made by creditors for the use of their money. This is also called **interest**.

Garnishment - legal term referring to wages or money being sent to the court. When wages are garnished the employer sends money to the court as required by a court order. Then this money is sent to the creditor by the court to repay a debt.

Leasing - is an agreement in which you agree to rent a car, or other consumer item, under certain conditions, or penalties, if not carried out as agreed in the contract. It usually costs a fair amount of money to change a lease agreement.

Mortgage - the money you borrow to buy a house and pay for in monthly payments.

Net income - money paid to you after taxes, unemployment insurance, union dues, pension, etc. are taken off your wages.

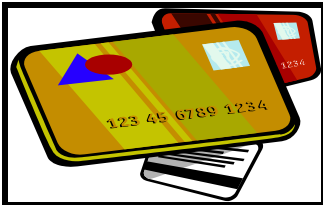
Renting to own - is a signed agreement to rent household furniture or appliances. At the end of the contract a sum of money may be paid to purchase the item. The item does not belong to you during the contract period.

Repossess - when a creditor takes back an article on which money is owed.

Resolution - to solve a problem, to resolve the situation.

Credit: Content has been adapted and used with permission from: *Project Real World*, Federal/Provincial Consumer Education and Plain Language Task Force, 1991 and from *Consumer Alert*, Manitoba Consumers' and Corporate Affairs.

Compare credit, cash and savings



Advantage is . . .

Credit

Disadvantage is . . .



Advantage is . . .

Cash

Disadvantage is . . .



Advantage is . . .

Savings

Disadvantage is . . .

Consider the advantages and the disadvantages of each of these.

Establishing a credit history

Credit is a privilege - not a right.

It is the consumer's responsibility to earn that right. A credit grantor expects a consumer to meet the **four C's of credit**:

Character - your character is good if you have a history of paying your bills on time.

Capacity - your capacity to pay off bills grows in direct relationship with income. All debts and financial commitments are considered.

Capital - capital is measured by how much you actually own, i.e. net worth.

Collateral - this is anything of value that you can offer as security against a loan.

The cost of credit

Here is how to figure out the cost of credit . . .

	\$ _____	monthly payment
X	_____	number of months to pay
=	\$ _____	total amount to be paid
-	\$ _____	purchase price of the item
=	\$ _____	cost of credit



Example: Suppose you borrow \$1,000 at 14% interest. You have 24 months to repay the loan.

Your monthly payments are \$48.02.

What is the cost of credit?

What is the total cost of the loan?

Before you sign a contract

Before signing a credit contract ask yourself these questions . . .



- What is the total dollar amount of the loan?**
- How much is the monthly payment?**
- What is the annual rate of interest?**
- Are there any insurance charges or other fees?**
- What is the total dollar cost of credit?**
- What will happen if I cannot pay?**
- Can I afford this debt?**

Setting limits



Smart shoppers set limits by following these guidelines . . .

- Make a spending plan and stick to it!
- Have no more than two credit cards—one for your needs and another for your job, if required.
- Never charge more than you can pay off in one month.
- Do not carry your credit cards with you unless you have planned a purchase.
- Keep track of every purchase and a total of your debt.
- Consider lowering the credit limits on your cards if you are overextended.

Make payments by the due date for a good credit history.

The Credit Crunch Questionnaire

Ask yourself these questions to find out if you are overspending and need help to solve a financial problem . . .

- | | | | |
|----|---|-----|----|
| 1. | Do you often make partial payments instead of paying a bill in full when it is due? | yes | no |
| 2. | Do you use a credit card instead of cash for small purchases? | yes | no |
| 3. | Is your chequing account ever overdrawn? | yes | no |
| 4. | Are you often broke on paydays? | yes | no |
| 5. | Are your credit cards near their credit limits? | yes | no |
| 6. | Would an unexpected expense cause you hardship? | yes | no |
| 7. | Do you sometimes buy things you really don't need or want? | yes | no |

What is financial counselling?

Financial counselling can help you find out where your money goes and explain how to pay off debts.

When seeking advice, look for a non-profit credit counselling service in your community. See the website below for agencies across Canada.
www.creditcounsellingcanada.ca

Counselling can help you . . .

- track income, expenses and debt
- decide the best way to get out of debt, and
- set financial goals for the future.

Ways to get out of debt

Follow the guidelines below . . .



1. Find out where your money is going. Track your spending for at least a month.
2. Examine the information you have gathered. Can you pay off your debt by budgeting yourself out of debt?
If so, do you need a plan to repay your debt? Can you use the *PowerPay* method?
3. If you can't make ends meet then you need help to solve your debt problem. There are **CHOICES** so seek help now!

The PowerPay method

The University of Utah in the USA has an extension service that has an easy to use, software program called PowerPay. It can show you how to pay off your debts quickly.

To use this program be prepared to give a user name and a password to protect your file. There is no fee.

Complete the form :

[SP40—Tracking loan and credit payments](#)

so you can fill in the information requested.

You can print out a repayment plan.

The website is powerpay.org