

Name \_\_\_\_\_

## Mastering the Magic of Credit Cards: Pros and Cons

### Open-Ended Response Answer Key

1. Using a credit card responsibly can be valuable when you have an unexpected medical expense. If you use your credit card to cover the cost and pay it off within the billing cycle, you can avoid high-interest charges while addressing the urgent medical need. This demonstrates responsible use and helps you maintain your financial stability.
2. Interest charges on credit card balances are fees that the credit card company charges when you carry over a balance from one month to the next. These charges can add up quickly because they are calculated based on the outstanding balance and can have high annual percentage rates (APRs). Paying off the balance in full is crucial to avoid these charges, as it prevents the accumulation of debt and saves you money in the long run.
3. Fees can impact credit card usage by increasing the cost of using the card. To minimize fees, choose a credit card with no annual fee. Additionally, make on-time payments to avoid late payment fees, and use ATMs within your card's network to avoid ATM fees. Being aware of the fees associated with your card and practicing responsible credit card use can help reduce overall costs.
4. I would advise them to start with a low credit limit and use the card for small, manageable purchases. They should create a budget to track their spending and ensure they can pay off the balance in full each month to avoid interest charges. It's important to be aware of the card's fees, such as annual fees and late payment fees, and to make on-time payments to maintain a positive credit history. Lastly, I would emphasize the importance of not using the credit card as a source of additional income and to resist the temptation to overspend.

