



ACReS
Academic Career and Readiness Skills

**Financial
Literacy**

Unit

4



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Credit, Debit, and ATM Cards

Words to know:

- ✓ credit card
- ✓ debit card
- ✓ PIN
- ✓ ATM card
- ✓ check register

What is a **Credit Card**? Credit cards are issued by a store, a bank, or a company. A credit card is a thin plastic card. It is used to buy things *on credit*. That means, you buy now and pay later. The store, bank, or company trusts you to pay in the future. A credit card might be used to buy food or restaurant meals. It might be used to buy clothes or furniture. Buying things with a credit card is called *charging*. When you sign a credit card receipt, you are promising to pay in the future. Every credit card has a *credit limit*. A credit limit is the maximum amount you are allowed to charge.

Credit card bills are sent each month. The amount of money you owe is called the *balance*. You can pay the entire balance you owe or you can pay the *minimum amount*. The *minimum amount* is the least amount of payment the bank will accept that month.

If you pay the entire amount you owe, you are finished with that bill. If you pay only the *minimum amount*, you will need to pay more money every month until the balance is completely paid. The bank will charge you *interest* on the amount of money you still owe. Interest is a charge for owing money. Interest charges are added each month you owe money. If you pay late, you will pay even more. You could be charged a late fee. If your card charges high interest, you will end up paying much more than the original price of the item.

Credit cards can be dangerous for some people. It is easy to buy more than you can afford if you can *charge* it. Some people charge too many items with their credit cards. They end up owing thousands of dollars that they cannot afford to pay back. Paying only the minimum amount each month can mean years and years of *debt*. It will take a long time to pay back the money you owe.

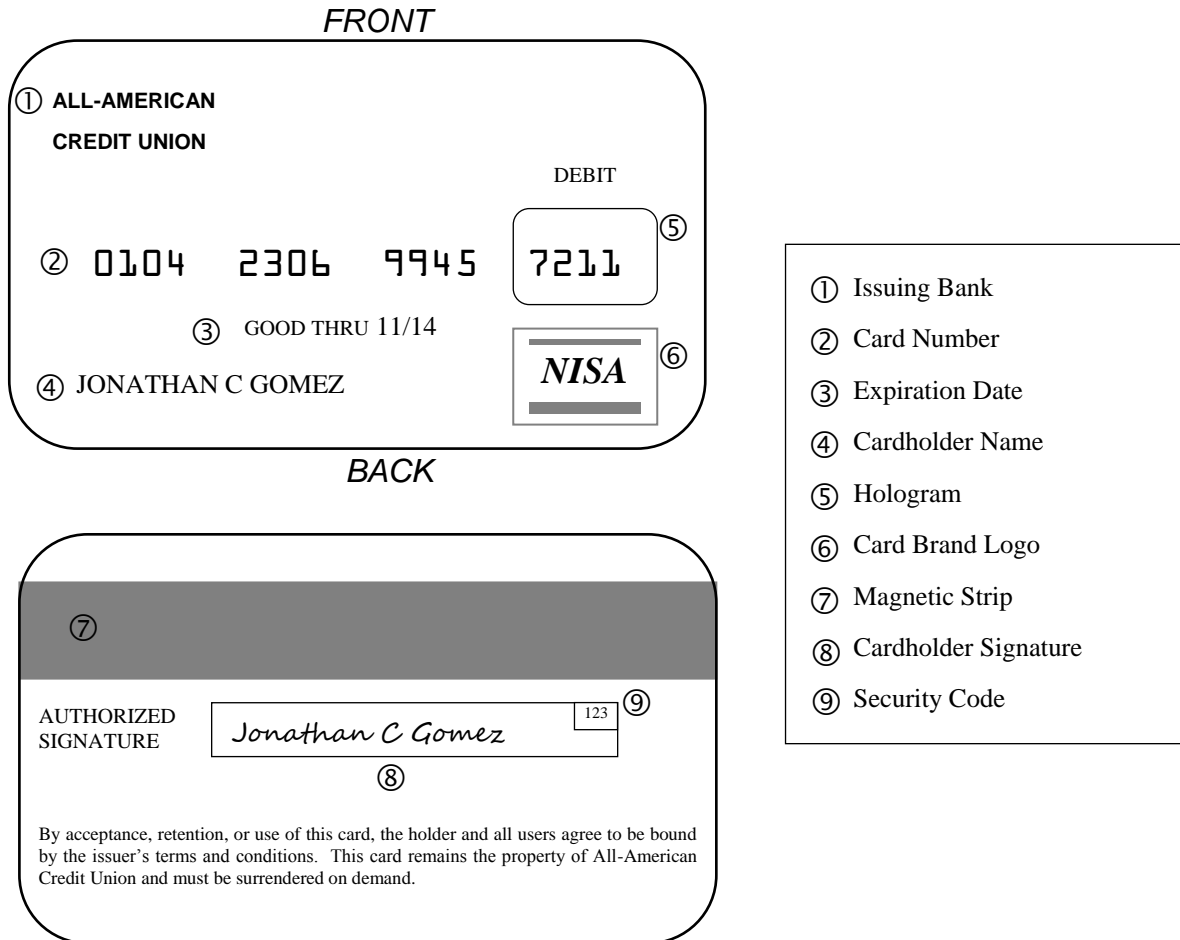
What is a Debit Card?

A **debit card** is also known as a check card. A debit card looks like a credit card but works like a check. You can use a debit card to pay at most stores and restaurants. When you use a debit card, the money is taken from your checking account right away. You must be sure that you have enough money in your bank account to cover the cost of what you are buying.

You will have a **PIN** or **Personal Identification Number**. A PIN is a secret number needed to use your account. Be sure to record the cost of the items you buy with your debit card in your *check register*. Then subtract the amount spent from your balance. A *check register* is the paper record of the money that goes into and out of your checking account.

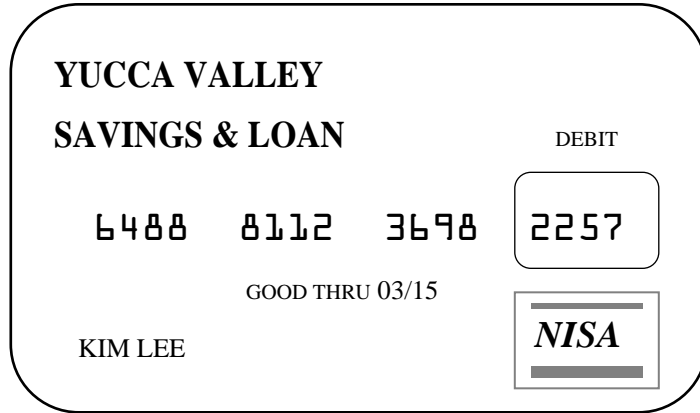
Academic & Career Readiness Skills

Look carefully at this sample debit card.



Always be sure to sign your credit or debit card. This can protect you if another person tries to use your card.

Answer the following questions using the sample card below.



1. What financial institution issued this debit card?

2. What is the debit card number?

3. Who is the card holder?

4. What date is the card good through? _____

5. Where does the cardholder need to sign the debit card?

What is an ATM Card?

An **Automatic Teller Machine card or **ATM card** looks like a credit card. But an ATM card is different. It is only used to get cash from your checking account. An ATM card has your name and your bank's name on it. It may have your account number on it. It can only be used at an ATM machine. An ATM card cannot be used to buy items in a store. The ATM card will have a PIN number that you will need to remember.**

To get cash, you put the card into an ATM machine. Then you enter your PIN. Next you enter the amount of money you would like to take out of the bank. ATMs only give money in \$20.00 bills. Many ATMs charge a fee to use them. Record how much money you take out of your account in your *check register*.

Example: Sandra had a balance of \$353.57 in her checking account. She withdrew \$80.00 from the bank ATM. Her bank charges an ATM fee of \$2.50. How much money is left in Sandra's checking account?

Solution

Add the ATM fee to the cash withdrawal.	\$80.00	— cash withdrawal
	<u>+ 2.50</u>	— ATM fee
	\$82.50	— total withdrawal

Now subtract the total withdrawal from Sandra's balance.

\$353.57	— balance
<u>– 82.50</u>	— total withdrawal
\$271.07	— balance

Sandra has \$271.07 left in her checking account.

Now you try! Use the information given below to answer the questions that follow.

***Kim had a balance of \$433.47 in her checking account on Monday.
Find her balance after each transaction. Carry over the balance
from one day to the next.***

6. On Tuesday, she withdrew \$60.00 from the bank ATM. The ATM fee was \$2.50.

7. On Wednesday, she withdrew \$80.00 from the mall ATM. The ATM fee was \$3.00.

8. On Thursday, she withdrew \$20.00 from the ATM at the grocery store. There was no fee.

9. On Friday, she withdrew \$60.00 from the gas station ATM. The ATM fee was \$2.50.

Using a Check Register

It is important to keep track of how much money you have in your bank account. You should record any money you take out using your debit or ATM card, or with checks you write. A **check register** is a small book where you record your account activity. The amount of money in your account is called the *balance*.

Example: Jamal started with a balance of \$559.32. He made the following payments and withdrawals from his bank account:

April 23 — debit card in the amount of \$92.45 to Green's Drugs for prescriptions

April 24 — ATM cash withdrawal in the total amount of \$41.50 for spending money

April 25 — check #427 in the amount of \$235.00 to Statewide Insurance Company for car insurance

April 30 — ATM cash withdrawal in the total amount of \$81.50 for farm auction

Solution

Subtract the first transaction (Apr 23) from the beginning balance.

$$\begin{array}{r}
 \$559.32 \quad \text{— beginning balance} \\
 - \quad \underline{92.45} \quad \text{— payment to Green's Drugs} \\
 \$466.87 \quad \text{— new balance}
 \end{array}$$

Subtract the next transaction (Apr 24) from the new balance.

$$\begin{array}{r}
 \$466.87 \quad \text{— new balance} \\
 - \quad \underline{41.50} \quad \text{— cash withdrawal} \\
 \$425.37 \quad \text{— new balance}
 \end{array}$$

Subtract the next transaction (Apr 25) from the new balance.

$$\begin{array}{r}
 \$425.37 \quad \text{— new balance} \\
 - \quad \underline{235.00} \quad \text{— cash withdrawal} \\
 \$190.37 \quad \text{— new balance}
 \end{array}$$

Subtract the next transaction (Apr 30) from the new balance.

$$\begin{array}{r}
 \$190.37 \quad \text{— new balance} \\
 - \quad \underline{81.50} \quad \text{— cash withdrawal} \\
 \$108.87 \quad \text{— new balance}
 \end{array}$$

Here is how Jamal recorded his spending.

CHECK NO.	DATE	DESCRIPTION	TRANSACTION AMOUNT (-)		DEPOSIT AMOUNT (+)		BALANCE	
							559	32
<i>Debit</i>	<i>4/23</i>	<i>Green's Drugs</i>	<i>92</i>	<i>45</i>			<i>- 92</i>	<i>45</i>
		<i>prescriptions</i>					<i>466</i>	<i>87</i>
<i>ATM</i>	<i>4/24</i>	<i>Cash withdrawal</i>	<i>41</i>	<i>50</i>			<i>- 41</i>	<i>50</i>
		<i>spending money</i>					<i>425</i>	<i>37</i>
<i>427</i>	<i>4/25</i>	<i>Statewide Insurance Company</i>	<i>235</i>	<i>00</i>			<i>-235</i>	<i>00</i>
		<i>car insurance</i>					<i>190</i>	<i>37</i>
<i>ATM</i>	<i>4/30</i>	<i>Cash withdrawal</i>	<i>81</i>	<i>50</i>			<i>-81</i>	<i>50</i>
		<i>Farm auction</i>					<i>108</i>	<i>87</i>

Now you try! Fill out the register.

10. Lucinda started with a balance of \$524.33. She made the following payments and withdrawals from her bank account:

August 1 — debit card in the amount of \$34.50 to Graham’s Cycles for a gift

August 5 — debit card in the amount of \$22.90 to McDonald’s for dinner

August 6 — ATM cash withdrawal in the amount of \$61.50 for spending money

August 7 — check #563 in the amount of \$114.82 to Galway Gas Company for monthly heating bill

August 9 — ATM cash withdrawal in the amount of \$81.50 to buy groceries

CHECK NO.	DATE	DESCRIPTION	TRANSACTION AMOUNT (-)		DEPOSIT AMOUNT (+)		BALANCE	
							524	33

Notes:

☞ End of Lesson 3 ☛