

Shopper Comparisons

Read through the scenarios below and help the shopper decide what to do.



Scenario 1: Gillian wants to buy a new tablet. She has a baby-sitting job but things have been slow lately. It's been several weeks since anyone has hired her to watch their kids. She was hoping to save \$40-50 per month to put towards the tablet. At this point, it feels like it will take forever to save up enough money for the tablet. She has a credit card and has been tempted to use it. Can you help her figure out her options?

- Option A: Save the money, then purchase the tablet. So far, she only has \$108 in her savings account. The bank is paying 1.85% interest. The tablet she wants costs \$349 without tax (the local sales tax rate is 8%). How long will it take her to save enough money to purchase the tablet?
- Option B: Buy the tablet now and put it on her credit card. Gillian figures she can take the money she was going to put in her savings account each month and, instead, use it to pay the credit card balance off. She should at least be able to pay \$40 per month. Her credit card interest is 18.75%. How long will it take for her to pay off the credit card? In the end, what would be the final purchase price of the tablet, including interest?

Scenario 2: Jerome had been wanting to buy a new video game console. He looked at various promotions and decided Best Buy had the best deal. The console cost \$299 and the local sales tax rate is 8%. However, in order to get the sales price, he had to put the purchase on his credit card. Not only was he able to get the sales price, but his purchase also qualified for 0% financing! The next month, his car broke down. He had to get it towed and pay for it to get fixed. That made him late on his payment to Best Buy. He found out that missing a payment means the 0% interest rate is no longer valid and he must now pay a 28% interest rate on the video game console!

- If Jerome pays \$50 every month, how many months will it take him to pay off the credit card?
- What is the final purchase price of the console, including interest (don't forget to add in the sales tax)?