

## Reading Passage ( 216 words): Advantages of Credit Cards

In many countries, credit cards are popular ways of buying the things consumers want in today's modern societies.

One advantage of credit cards is the purchase power and ease of purchase. Credit cards can make it easier to buy things. If you don't like to carry large amounts of cash with you or if a company doesn't accept cash purchases (for example most airlines, hotels, and car rental agencies), putting purchases on a credit card can make buying things easier.

Another advantage of having a credit card is they help consumers build a credit line. Having a good credit history is often important, not only when applying for credit cards, but also when applying for things such as loans, rental applications, or even some jobs. Having a credit card and using it wisely (making payments on time and in full each month) will help you build a good credit history.

Finally, credit cards offer you protection when you purchase new products. Credit cards may also offer additional protection if a purchased item is lost, damaged, or stolen. Both your credit card statement (and the credit card company) can vouch for the fact that you have made a purchase if the original receipt is lost or stolen. In addition, some credit card companies offer insurance on large purchases.

Writing Prompt: Summarize the main points in the lecture showing how they oppose the main points offered in the reading passage.

## Lecture (391 words): Disadvantages of Credit Cards

Of course, everything that has advantages sometimes has disadvantages, and, before getting a credit card, you should consider the negative aspects of having such a card.

While credit cards do make it easier to purchase things, it is much easier to blow your budget while using them. Credit cards encourage people to spend money that they don't have. Most credit cards do not require you to pay off your balance each month, so even if you only have \$100, you may be able to spend up to \$500 or \$1,000 on your credit card. While this may seem like 'free money' at the time, you will have to pay it off -- and the longer you wait, the more money you will owe since credit card companies charge you interest each month on the money you have borrowed.

As long as you pay the balance on your credit cards each month, they will help you to build your credit line. However, if rack up a lot of debt on your credit cards and begin to make late payments or if you miss payments on your credit cards, then your line of credit becomes damaged. Therefore, if you want to buy a house or a car and if you been financially irresponsible with your credit cards, the banks might deny you loans on houses or cars due to your damaged credit.

Finally, credit cards come in handy because they do offer you protections, but they do not protect you from an enormous amount of interest on each balance that you don't pay off at the end of each month. This is how they make their money, and this is how most people in the United States get into debt (and even bankruptcy.) Consider this: If you have a \$100 in savings, most banks will give you at the most 2.0 to 2.5% interest on your money over the course of the year. This means you earn \$2.00 - \$2.50 a year on your \$100 savings. Most credit cards charge you up to 10 times that amount of interest on balances. This means that, if you have \$100 balance that you don't pay off, you will be charged 20-25% interest on that \$100. This means that you owe almost \$30 interest (plus the original \$100) at the end of the year. Of course, the credit cards will not protect you from these high interest rates since they are the ones establishing the rates in the first place.