

ADVANTAGES AND DISADVANTAGES OF CREDIT SCENARIO

	Total Points Earned
10	Total Points Possible
	Percentage

Name _____

Date _____

Class _____

Directions: Because people feel differently about credit, they use it differently. Credit has its advantages, but it also has disadvantages. Read the following scenario. Then identify five advantages and disadvantages of using credit below.

Scenario:

Keegan and Janelle have recently taken out a mortgage to purchase their first home. Eager to furnish their new home, they used store credit from "Home Comforts" to buy furniture for the living and dining room. They knew this was stretching their budget, but they wanted to enjoy a furnished home for the holidays. They justified the expense with the idea they could cut down their living expenses to meet the monthly payments. A few weeks later, "Home Comforts" was having 0% down, 0% interest for 6 months sale on bedroom furniture. The additional furniture was easily added to their existing loan. When they found a defect in the nightstand, the store promptly exchanged it. When the holidays arrived, they had unexpected expenses. Their entertaining and gift expenses were higher than they had planned. They were forced to use credit to purchase some of their gifts. It has now become difficult for them to make ends meet. They have begun to quarrel because they are having a difficult time paying the bills. Today, they learned of an emergency \$500 dental bill for their son. However, they cannot afford the procedure because all of their money is tied up in credit.

List 5 of the advantages and disadvantages of using credit:

Advantages:

- 1.
- 2.
- 3.
- 4.
- 5.

Disadvantages:

- 1.
- 2.
- 3.
- 4.
- 5.

