

Dare to Compare

Things you need to get started:

- Catalogues, newspaper ads, etc. so that you may go “shopping” for various “big” items.
- A “shopping envelope” for each group which contains:
 - ☐ A borrowing option with an interest rate (and a method of payment)
 - ☐ A shopping limit (this is the maximum amount you can purchase)
 - ☐ Your take home pay (remember the 10% rule)
- Computers/spreadsheets or graphing calculators, with the required templates to make calculations regarding your borrowing option.

The Activity:

Step 1:

- *Assemble in groups of three and collect a “shopping envelope” which will determine the maximum amount of money the group can spend.*
- *Determine the budget allotment for each group member, and/or work co-operatively to determine which purchases you will make as a group.*
- *Use catalogues, newspaper ads, etc. to purchase the items of your choice, ensuring that you remain under your shopping limit.*
- *Determine the total price of all purchases (including taxes) for the group. Each group member will use this same total for the next step of the activity.*

Step 2:

- *Randomly select your own “borrowing option” from inside the “shopping envelope”.*
- *Gather information related to this particular option and use spreadsheet templates or graphing calculator to make calculations.*
- *Determine payment amount, the time to pay off the principal, and most importantly, compare the total interest paid to the original principal.*
- *You can work with classmates who have selected the same borrowing option. Although specific principal values will vary, you can help each other to find information and make calculations.*
- *You then rejoin your original group and discuss with each other the results of your options.*

Step 3:

Record the following in your Borrower’s Guide:

- *items to be purchased (either as a list, or by including the ad if possible)*
- *the results of each option*
- *a summary of the results of your comparisons*
- *general conclusions regarding your results, for example:*
 - *The more frequently you pay interest, the _____ total interest you pay.*
 - *The longer the term of a loan, the _____ total interest you pay.*
 - *The _____ the interest rate, the _____ total interest you pay.*
 - *To minimize the interest you pay in a credit line, you might _____*
 - *A consolidation loan usually has _____ interest than a _____ but lower interest than a _____.*

Put the finishing touches on your Borrower’s Guide, which is to be handed in for final evaluation.