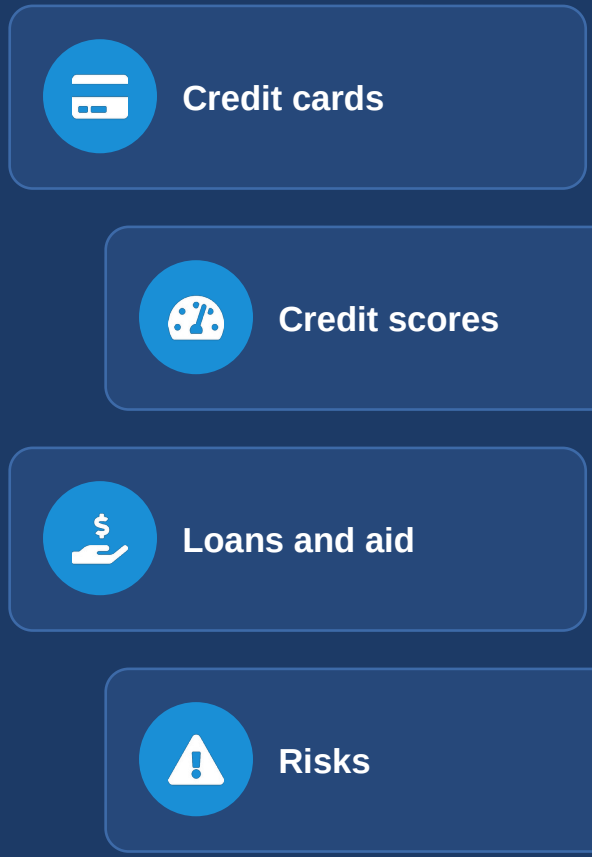
GLC2O Planning and Money, Lesson 6

Borrowing Wisely

Credit, loans and the real cost of borrowing



Today's goals

We are learning…

- To compare different forms of borrowing.
- How credit scores work.
- To identify the risks and benefits of borrowing.

I can…

- Describe how six forms of borrowing work.
- Name the factors that affect a credit score.
- Explain how the payment amount changes the cost of a credit card balance.
- Choose and justify the best option for a borrowing situation.

Today's plan

Time	What we're doing	You will…
0–8 min	**Hook**	Discuss
8–28 min	**Borrowing**	Take notes
28–36 min	**Model**	Follow
36–50 min	**Borrowing Choices**	Choose and justify (page 1)
50–68 min	**Benefits and risks**	Complete page 2
68–75 min	**Check and exit**	Answer

Warm-up: three ways to pay

You want a $1,200 phone (invented price). Which would you choose?



Save first

Buy it in a few months



Pay later

Four instalments of $300



Credit card

Pay it off over time

Which costs the most? Which carries the most risk?



Big idea

Borrowing can help you reach a goal, but it always costs something. Comparing the forms of borrowing, understanding your credit score and paying more than the minimum help you borrow only what you need, for what you need, at the lowest cost.

Your credit score

Payment history

Paying on time is the biggest factor.

Credit used

Using a small part of your limit helps.

History length

Older accounts help show you're reliable.

New applications

Many applications at once can lower it.

Canadian scores range from 300 to 900 (Equifax and TransUnion).

Six forms of borrowing

Form	How it works	Watch out for
Credit card	Borrow up to a limit; pay monthly	High interest on unpaid balances
Personal loan	A set amount, repaid in fixed payments	Interest and fees over the whole term
Line of credit	Borrow what you need up to a limit	Variable rate; easy to keep owing
Student aid	Government grants and loans for school	Loans must be repaid after school
Buy now, pay later	Split a purchase into instalments	Missed-payment fees; overspending
Payday loan	A small, short-term loan until payday	Very high cost; easy to get trapped

Compare the total cost: interest plus fees.

Benefits and risks of borrowing

Benefits

- Reach an important goal sooner, like school or tools for a trade.
- Handle an emergency.
- Build a credit history when used carefully.

Risks

- Interest and fees make things cost more.
- Missed payments hurt your credit score.
- Debt can grow and limit future choices.

Ask: Do I need it? Can I save instead? What is the total cost?

Model: paying off a credit card

Task: A $1,000 credit card balance at 20% a year (invented rate). No new purchases. Compare paying $50 and $100 a month.

Each month, the card charges about 1.67% (20% ÷ 12) on what you still owe. In month 1, that's about $16.67.

Pay $50 a month: about $33 goes to the balance in month 1. It takes 25 months and costs about $227 in interest.

Pay $100 a month: about $83 goes to the balance in month 1. It takes 12 months and costs about $103 in interest.

Doubling the payment saves about $124 and finishes 13 months sooner.

Why it works

- Shows the monthly rate.
- Splits interest and balance.
- Compares total interest.
- States the saving.

Guided practice: Borrowing Choices

On page 1, with a partner:

1. Read each invented scenario.
2. Choose: save first, don't borrow, or one form of borrowing.
3. Explain using cost and risk.
4. Complete the credit score check.

Your turn: Benefits and Risks

On page 2, on your own:

1. Write one benefit and one risk for each form.
2. Explain the credit card example in your own words.
3. Decide whether you'll need to borrow for your first year.
4. Plan how you'd keep the cost low.

Quick check

- Name two factors that affect a credit score.
- How is a line of credit different from a personal loan?
- Why are payday loans risky?
- Why does paying more than the minimum save money?

Check yourself

Be honest. This helps you choose what to work on next.

Success criteria	Not yet	Almost	Got it
I can describe how six forms of borrowing work.			
I can name the factors that affect a credit score.			
I can explain how the payment amount changes the cost of a credit card balance.			
I can choose and justify the best option for a borrowing situation.			

Exit ticket

1. The form of borrowing I'd avoid, and why.

2. One habit that builds a good credit score.

3. Will I need to borrow for my first year? How much, roughly?

Next class: Building a Budget.

Teacher reveal

Borrowing answers

1. Kai: Save from his job or ask about a used copy or library reserve; avoid a payday loan. A small family loan could work.

2. Zoe: A want. Save first; BNPL risks missed-payment fees and overspending.

3. Arjun: Apply for student aid (OSAP grants and loans), plus bursaries and scholarships.

4. Lina: Use an emergency fund or ask the shop about a payment plan; avoid a payday loan's very high cost.

5. Omar: A low-limit credit card, paid in full every month, builds credit history safely.

Model: Paying $100 a month instead of $50 saves about $124 in interest and clears the balance 13 months sooner.