

Cashville Episode 20: Impact of Interest on Credit (Borrowing)

Source: <https://www.youtube.com/watch?v=TCfY2WuYiho>

Transcript

Penny: I don't know which one to get.

Sens: Which one do you think your friend will like?

Penny: Well, I don't know. He enjoys both of these comic characters about the same.

Sens: Why not buy both?

Penny: Sens, you know we are better than that. I am glad to buy one for a gift but two is not good use of my money.

Sens: If Suzy was here, she would use her credit card and buy both of them.

Penny: If Suzy was here, she will buy the whole store.

Sens: That's true.

Penny: I wish we wouldn't use credit card so much. It's a bad example of Barry and some other kids here in Cashville.

Sens: They don't understand that she already has the mind to buy all of these things.

Penny: Maybe we just sat down with Barry and Suzy and talk about credit.

Sens: Yes, he always wants to buy the things that he doesn't have the money for.

Penny: Well, I guess this is the one.

Sens: I am sure your friend will enjoy it.

Suzy: I don't see why my using credit card is such a problem. Everything get paid from my money in bank account.

Penny: It isn't that you are a problem. But Barry is so easily influenced by other people.

Sens: Look at how Fred is always getting Barry to try to buy a new skateboard. That's the last thing Barry need to spend money on.

Penny: So, what we need to do is to explain to Barry that why credit is such an issue.

Suzy: Okie, but I still spend using my credit card. I will try not to use it when Barry is around.

Sens: That's Barry now.

Penny: Hey, Barry, we are up here.

Barry: Hi Penny. Hi Sens.

Suzy: You forgot about me, Barry.

Barry: Sorry Suzy, I didn't see you there.

Penny: Thanks for joining us, Barry.

Sens: Would you like to hear what we have been saying?

Barry: So, am I in trouble in something?

Penny: Not at all. In fact, we want to help staying out of trouble.

Suzy: Unless you decide to do something well and foolish on your skateboard. That's something we can't do anything about.

Barry: I promise, Suzy. I'll try to make sure that you never need to worry about me and my skateboard.

Suzy: What ever ...

Barry: I know that you are always trying new tricks at skatepark.

Penny: Anyway, so, Barry we want to help you to understand something important

Sens: Something about credit.

Barry: Well, excuse me. You guys are always talking about money.

Suzy: We can help it, Barry.

Penny: Money is such an important part of everyone's life. So, understanding how to use it wisely is really important to us.

Sens: And you are our friend so we want you to be wise too.

Barry: Okie, well, tell me what's important?

Penny: How do we start, Sens? What is the most important thing about credit?



Sens: Well, first of all, using credit costs you more money than paying cash for something.

Barry: What do you mean?

Sens: Any time you use credit. You are borrowing money from someone else.

Barry: And then?

Suzy: Why should someone let you borrow money without getting something in return?

Barry: Because they are your friends.

Suzy: What if your friends won't lend you money, what get you go then?

Barry: Well, I guess I can go to the bank.

Penny: I don't think the bank will give you a loan now. You are too young. But let's just say that they do give you a loan.

Sens: Interesting. So, what's something that you would like to buy?

Barry: The latest video game, of course.

Sens: Before you even get the money, the bank is going to tell you how much interest you will have to pay them.

Barry: What is interest?

Penny: Interest is money you have to pay the bank to borrow their money.

Barry: You mean that I have to pay to use the money.

Sens: That's right. Every time you borrow the money, you have to pay the bank your money. So that's the skateboard you want to buy now cost you more than it would have cost you if you paid cash.

Barry: So, when Suzy uses her credit card, she pays more for what she buys.

Suzy: Well, actually, the card I use takes money out of my bank account I already have the money. The bank card just let me buy things without having to carry a lot of cash with me.

Barry: So, you are not really borrowing the money then.

Sens: That's right, Barry.

Penny: But if you borrow money to buy something, you know you are going to pay more in the end.

Barry: So what's the answer? How do you avoid using credit card if you want to buy something that you don't have enough money for it?

Suzy: The best way is to save your money until you have enough to pay for it.

Sens: And if you have a savings account at the bank. The bank will pay you money to keep it in the bank.

Barry: Why would they do that?

Sens: Because they are going to lend your money to someone who is taking out a loan.

Penny: And the person who borrow that money will pay interest on the loan, which is where the bank get the money to get to you.

Barry: So, borrowing money means I pay more for the things. But if I save my money, I can actually get more money.

Sens: And you will feel a lot better about yourself, too. You will know that you did these smart things by saving.

Suzy: Hey, Barry, I need to go to the bank this afternoon. Why don't you come with me? I'll help you to open a savings account.

Barry: That's sounds like a great idea. Uh, Suzy, could you please loan me some money to deposit into my account.

Suzy: No....

Sens: In this episode, the kids learn about the impacts of interest. Interest is paid by the borrower to the lender for the amount of money borrowed. A lender is the one who is giving the money. The borrower is the one who is receiving the money. When we talk about interest, we should also know what the term "principal" means. Principal refers to the amount of money borrowed. Over time, the interest that you pay will add up to be a lot. When you take a loan, there are two things that will affect your borrowing. The interest rate and the duration of the loan. The higher the interest rate, the more you have to pay back. The longer the duration of borrowing, the more you have to pay back. Avoid borrowing money unnecessary. If you do borrow, pay it up fast.