

Financial Management – Gas Payments

Seventeen year-old Bruce just got his first job. He will be working at the grocery store 15 hours per week after school and on weekends, approximately four days per week. The grocery store is 12 miles away so Bruce will have a bit of driving to do.

Bruce just purchased a used car and is responsible for the payments and insurance. Plus, he now has to pay for the gas.

In working on a budget, Bruce decides that he needs to carefully plan out his gas money. He gets paid every other week so he needs to make sure that his car payment and insurance are covered as well as have some money leftover for gas and other expenses.

Bruce knows that there are options available for his gas money. He knows that he wants to have funds readily available for paying for the gas, to keep up with the costs, to avoid any excess costs such as interest payments, and that the method be something reasonable for a 17 year-old.

Bruce finds the following four options:

1. Amoco Gas Credit Card
2. Visa Credit Card
3. Cenex Charge Account
4. Cash

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#1 Amoco Gas Credit Card

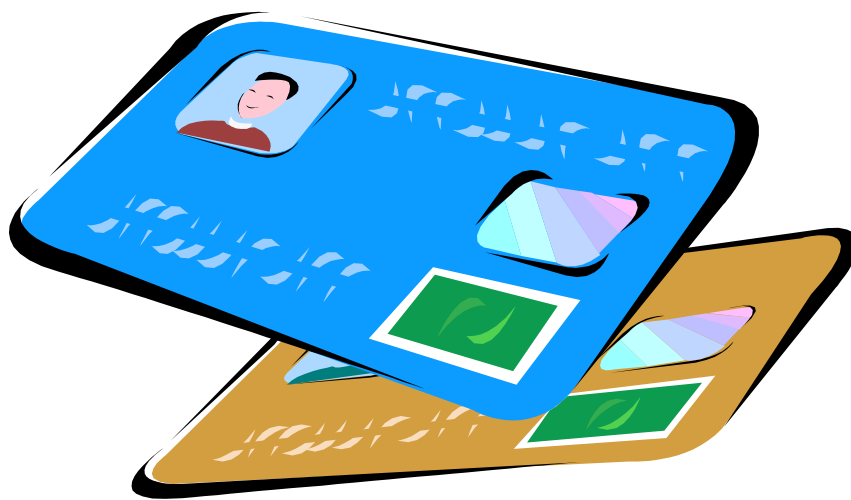
- **No annual fee**
- **Annual Percentage Rate - 6% Credit limit: \$300**
- **Good at Amoco gas stations only (there is one located in Bruce's town)**
- **Plastic credit card with Amoco logo**
- **Monthly statements, annual percentage rate applies if statement is not paid in full monthly**



#2

Visa Credit Card

- **No annual fee**
- **Annual Percentage Rate (APR) – 9.9%**
- **Credit Limit \$300**
- **Good at all stores & gas stations**
- **Plastic credit card with Visa logo**
- **Monthly Statements, annual percentage rate applies if statement is not paid in full monthly**



#3

Cenex Charge Account

- **A charge account at local gas station**
- **No annual fee**
- **Monthly finance rate of 1.5%**
- **Can only use at Cenex gas station in town**
- **Only need name and signature to access account through store computer system**
- **Monthly statements, annual percentage rate applies if statement is not paid in full monthly**



#4 Cash

- **No annual fee**
- **No annual percentage rate**
- **Can be used anywhere**



Financial Management – Gas Payments

Placing: 4-3-1-2

Cuts: 3-2-2

I place this Senior Financial Management Class of Gas Payments 4-3-1-2.

For my top item, I found #4 to be an easy first choice. By using cash, Bruce will be able to meet all of his criteria including: funds readily available which he will be able to do by creating a budget as he gets paid every other week, to keep up with the costs as he won't be able to overspend cash he doesn't have, there are no interest payments with cash, and it is a reasonable form of payment for a 17 year old. If Bruce does well with his budget he may want to consider getting a checking and/or savings account.

In my top pair, I placed #4 over #3 as #4 met all of the criteria. I like the fact that with #3 Bruce is limited to the one gas station to use this account; it's not an open-ended card that could be used for other purchases at other stores.

In my middle pair I placed #3 over #1. #3 has the lowest finance rate of the choices with rates and no annual fee. The funds would be readily available, although by only being able to use this account at one store, Bruce will need to make sure he coordinates his schedule with the operating hours. Bruce should be able to avoid the monthly finance rate by keeping his budget on track and paying off the statement monthly. This charge account would be an excellent way for Bruce to start establishing a credit record and responsible purchasing. Also, by having a charge account, Bruce would not need to carry a card or anything to access his account.

In my bottom pair I placed #1 over #2. When comparing these two credit cards, I like the fact that #1 can only be used at Amoco gas stations and is not an open-ended card that Bruce could use anywhere. I find the \$300 limit to be a bit high for a 17 year-old and with an annual percentage rate of 6%, if Bruce lets the balance run high he could spend quite a bit on payments. Also, this card limits him to one store so he will need to make sure his schedule coordinates with operating hours in order to utilize the services. I criticize both #1 and #2 as they would require Bruce to carry an additional card with him in order to utilize them and this does not always make them readily available for when he pays for gas.

I criticize #2 and leave it at the bottom of this class. A \$300 limit national credit card is a lot for a 17 year old to start out with. It has the highest annual percentage rate of his choices and could add up interest payments quickly.

For these reasons, I place this class of Gas Payments 4-3-1-2.

1234 - 29
1243 - 32
1324 - 33
1342 - 40
1423 - 39
<u>1432 - 43</u>
2134 - 27
2143 - 30
2314 - 29
2341 - 34
2413 - 35
<u>2431 - 37</u>
3124 - 35
3142 - 42
3214 - 33
3241 - 38
3412 - 47
<u>3421 - 45</u>
4123 - 44
4132 - 48
4213 - 42
4231 - 44
4312 - 50
4321 - 48