

THE GRASSHOPPER AND THE ANT



Read each scenario carefully and fill out the corresponding grid in order to determine how the grasshopper and the ant will use savings and credit to carry out their projects.

Each of them has access to the following financial products, which they can use as they please:

SAVINGS

- > \$2,000 in a current account at 0.02% interest
- > \$2,000 in a savings account at 3.5% interest
- > \$1,000 in an investment account earning 7% interest

CREDIT

- > A \$2,000 line of credit at 9% interest
- > A credit card with a \$500 limit at 18% interest



SCENARIO 1

THE GRASSHOPPER



At age 18, Alexander is planning on enjoying his summer to the utmost and having fun with his buddies. His rock band has landed a contract for a tour of the bars in Québec on weekends.

Since he is going to be on stage, Alexander has to wear the latest fashions, no matter what the price is! Also, he will need a car large enough to accommodate friends and his equipment to each of his shows. Finally, he has been dreaming for a long time about going on a trip to California next year with his friend Annie.

Financially, he is not sure how he is going to manage, but luckily he has credit to help him out!



COMPLETE THE FOLLOWING TABLE:

Goals	To carry out these goals...			
	My budget:	Means: What I am going to do	Resources: My savings	Resources: Credit
Total				

SCENARIO 2

THE ANT



At 18 years of age, Annie wants to enjoy the summer and she has plenty of projects in mind! She landed a job in an office downtown. Of course, she will go shopping to buy clothes for her job. This summer, she will take advantage of the nice weather to cycle to work and if this is not possible, she will use public transportation in order to save money. To do this, she has to replace her old bicycle, which is in bad shape.

Although she has \$5,000 available for her projects, she would like to make her savings grow by investing them.

This money will certainly come in handy to go on a super trip to California with her friend Alexander. She has great plans!



COMPLETE THE FOLLOWING TABLE:

Goals	To carry out these goals...			
	My budget:	Means: What I am going to do	Resources: My savings	Resources: Credit
Total				



THE GRASSHOPPER — SUGGESTED ANSWER:

Goals	To carry out these goals...			
	My budget:	Means: What I am going to do	Resources: My savings	Resources: Credit
Purchase clothes for his shows	\$1,000	I am buying designer clothes to have a great look.	With my debit card, I will pay for everything.	If I am short, I will use my credit card.
Buy a car	\$2,000	I am going to shop around car dealerships and look at ads on the Internet.	I will make a down payment with my savings.	I will take care of the rest with my line of credit.
Go on a trip to California in a year from now	\$2,000	I am already shopping around on the Web.	If I have any money in my account, I will make a down payment with my savings.	I will use my line of credit to travel and pay it back every month once I come back home.
Total	\$5,000		\$5,000	

THE ANT — SUGGESTED ANSWER:

Goals	To carry out these goals...			
	My budget:	Means: What I am going to do	Resources: My savings	Resources: Credit
Buy a new wardrobe for work	\$1,500	I buy conservative clothes on sale.	I leave my money in a savings account.	I pay with my credit card and pay back the whole balance at the end of the month.
Buy a bicycle	\$1,000	I buy a bicycle at a good price-quality ratio.	I leave my money in a savings account.	I pay with my line of credit that I pay back monthly.
Go on a trip to California in a year from now	\$2,500	I bring my lunch to work and I save up for my trip.	I leave my money in a savings account.	I invest my savings in an investment account to make them grow for a year.
Total	\$5,000		\$5,000	



QUESTIONS

FOR DISCUSSION IN SMALL GROUPS
OR FOR PRESENTATION TO THE ENTIRE CLASS.

1

Are you the grasshopper or the ant? Why?

2

What is the purpose of saving?

3

What is the purpose of credit?

4

Does credit present a danger for you?



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