

Spending Smarts

Can you stretch a dollar? It's not magic. Stretching a dollar means spending money wisely. It means comparing products and prices to get the most value. So do you know how to stretch a dollar?

When deciding how to spend money it's important to consider the **benefits** and **costs** of a purchase. Think of it this way: You're shopping with your family for back-to-school clothes. You have a \$30 budget. There's a pair of jeans for \$28 that you like but don't really need. There are T-shirts

on sale, four for \$28. You choose the T-shirts. Why? You get four items for the same price as the jeans. The cost, or what you had to give up, was a pair of jeans. You need T-shirts more than jeans right now. This purchase makes the most sense for you.

When items are purchased, there's often another choice to make: cash or **credit**. When you pay with cash, you use money to complete the purchase. That's it—there's nothing more. When you pay

with a **credit card**, you borrow money. You also promise to pay it back. It's a loan. If you pay it back within 30 days, there's usually no charge. However, if you don't pay it back, you will be charged **interest**. This is an extra cost on top of what you already paid. Thus, \$28 for four T-shirts will cost more if you paid with a credit card.



Tax Fact

In most states, people are required by the government to pay **sales tax** on all services and products, except for food. This tax is a percentage of every dollar that you spend. In Florida, the sales tax is 6%. Thus, if something costs \$1, with sales tax added it actually costs \$1.06. Governments use taxes to pay for goods and services that everyone uses. These include schools, roads, and police.

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What's the Cost?

1. Lisa and Tom are with their mom at the farmers market to buy food for the week.
 - A. Honey is priced at \$5.99 for 16 ounces and \$4.99 for 12 ounces. Which is the better bargain? _____
 - B. One stand is selling sweet corn at 4 ears for \$1 and another is selling it at \$3.50 a dozen. Which has the better deal? _____
 - C. Oranges are priced at 40 cents each and \$8.99 for a case of 24. Your family buys 12 oranges every week, and the oranges stay good for more than two weeks. What should you do?

 - D. About how much is each orange in the case? _____
2. On a trip to the aquarium, Gabriel buys a souvenir button (\$2) and book (\$5). The sales tax is 6%.
 - A. What is the cost of Gabriel's purchases before taxes? _____
 - B. How much money does Gabriel pay in sales tax? _____
 - C. What is the total amount of money Gabriel spent at the aquarium? _____
 - D. Gabriel pays with two \$5 bills. How much change does he receive? Show this amount below using the fewest possible bills and coins.
____ \$1 bills ____ quarters ____ dimes ____ nickels ____ pennies
3. A man has a budget of \$50 for sneakers. He finds a pair of sneakers for \$50, and the sales tax is 6%. He uses a credit card, and decides to pay off the sneakers in 5 months. For this, he will be charged an additional \$6.25 in interest. How much do the sneakers end up costing? _____ Did the man stay within his budget? _____