

NAME: _____

DATE: _____

ACTIVITY

Alternative Financial Services

What + Why: Analyze real-world financial scenarios to compare short-term benefits with long-term costs and risks.

People use different financial services depending on their situation. This activity looks at several options people use outside of banks and credit unions and compares what those choices really cost over time.

Instructions:

1. Read each scenario with your group.
2. Answer the questions provided.

Scenario 1: Rent-to-Own

A gaming system costs **\$500** if bought upfront.

A rent-to-own store offers the same system with:

- Weekly payments of **\$25**
- Payments for **52 weeks**
- No credit check

Questions

Write your answer for each question.

1. What is the total cost if bought upfront?

2. What is the total amount paid through rent-to-own?

3. What is the benefit of the rent-to-own option?
4. What is the long-term cost or risk?

Scenario 2: Payday Loan

A person needs **\$300** to cover expenses until their next paycheck.

A payday lender offers:

- **\$300 today**
- Repayment of **\$360** in two weeks

Questions:

Write your answer for each question.

1. How much extra money must be repaid?
2. What problem does this loan solve in the short term?
3. What risk appears if the loan cannot be repaid on time?
4. What might happen if this situation repeats?

Scenario 3: Check-Cashing Service

A worker receives a paycheck for **\$900**.

Options:

- Deposit it into a bank account
- Use a check-cashing service that charges a **3% fee**

Questions:

Write your answer for each question.

1. How much money is lost to the fee?
2. Why might someone choose the check-cashing service option?
3. What happens if this fee is paid every paycheck