

## Scenario Two

James is in eighth grade. He earns money during the summer by mowing lawns and caring for neighbors' homes when they go on vacation. James will be out of school for the summer in just four weeks. He is beginning to line up work for the summer. With the jobs he has secured around the neighborhood, James expects to earn about \$150 a month. That amount will likely increase as he gets more jobs.

James wants to buy a new bicycle, but he needs \$100 more than he has in his savings account. James wants to use the bike to call on customers and build his business. James thinks he could get around the neighborhood more easily by bike, rather than walking, which would help him acquire more customers.

James asked his parents for a loan so he can buy the bike now. His parents have agreed to help him. They told James they will buy the bike on their credit card, but James must pay back the loan plus interest owed. Including interest, James will pay his parents \$125.

1. What benefits will James receive from buying the bike on credit now, rather than waiting to earn the cash himself?

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2. What benefits will James receive by waiting to earn the cash, rather than buying the bike on credit now?

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