Name: ___________________________________ Period: ___________Date_________________

# The Story of the Three Little Pigs – Jigsaw Activity (Key)

(Revised from the original children's book)

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Once upon a time, there were three pigs who wanted to become independent and move away from home. When they told their parents of their desire, the parents offered their blessing with a little advice as all good parents would do.

**Papa** said to the piglets, "There are wolves out there that might deceive you, and you must be careful. One of those wolves may come in the form of 1 credit. Credit is a good thing that can become a bad thing if it is used unwisely. Credit is 2 money made available to you (the 3 borrower) by a lender. When you use credit, you must understand that it obligates your future 4 income. There are two types of credit:

1) 5 installment credit, which means you pay a set payment for a set period of time, and 2) 6 revolving credit, which is open-ended credit which can become a cycle where you charge an item, pay on your debt and repeat, and never fully pay the debt. Typically you pay higher 7 interest, (which is the cost of using someone else's money) on revolving credit."

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**Mama** said, "8 Credit is good to use on 9 investments like a house which may increase in value. It is also good to use on tools such as a car that help you earn a living. Having a credit card with a modest 10 credit limit, (the maximum amount the loaner agrees to lend) is a good idea for emergencies. Just make sure you use it only for emergencies or perhaps when you need a credit card to purchase something off the Internet. Then you should pay the debt off during the 11 grace period if at all possible."

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**Mama** continued, "Since you have never had credit before and do not have a 12 credit history, it will be harder for you to get a credit card and you will have to pay a 13 higher rate of interest. It is important that you make your 14 payment on time. There will be a 15 grace period on revolving credit which is usually about 25-30 days in which you pay no interest if you pay your credit card off. Paying your bills on time allows you to maintain a high 16 credit score, which represents your ability to repay a loan. You want to maintain a good 17 credit report, a report detailing your payment history, because you will need a good report if you want to borrow money in the future."

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**Piglet One** went out on his own and got a 18 credit card with an interest rate of 21%, but he neglected to read the fine print on the contract. He did not really know he was paying 21% interest. **Piglet One** likes the good life, and **Mama** saw him at a restaurant paying for his meal with a 19 credit card. She scolded him, "**Piglet One**, you will be paying on this meal long after your food is 20 digested. Didn't I tell you that it is not a good idea to use a credit card on 21 consumable items?" "I was hungry," whined **Piglet One**. "You need to eat at home where it is cheaper if you do not have cash to pay for your meal," **Mama said**, "or you can visit me and I will feed you." Needless to say, **Piglet One** did not heed mama's advice, and within a few months he had to come back home to live because he had reached the 22 credit limit, or maximum amount, on his credit card.

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He had obligated so much of his future income that it was difficult to even pay the 23 minimum payment , the least amount required to pay on revolving credit. By moving back home, he would not have to pay rent and could pay more than the 24 minimum payment and the 25 principal , or the original amount of money owed without interest. When he was making only the 26 minimum payment, he was paying mostly interest, which means it would have taken years to pay off the 27 principal.

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**Piglet Two** used 28 installment credit to purchase a new car. He loves sports cars, so he bought his dream car. His car payment was $650.00 a month, and he purchased the car at a 3% 29 interest rate. He was pleased with the interest rate and thought he had made a great deal. Then he went to his insurance agent to get his new purchase insured. He learned that because he now owned a sports car and because of his age, his insurance increased drastically. He was having trouble paying for gas and food after paying his rent, car payment and insurance, so he also had to move back in with **Mama** and **Papa.**

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**Piglet Three** had observed the mistakes his siblings had made and decided to be very careful with his spending. He got a roommate to share his rent and utilities. He 30 saved at least 10% of his income each month. He purchased a modest car and made sure he made his payments on time so he could establish a good 31 credit history. He resisted the temptation to use his 32 credit card for his wants, which is 33 revolving credit at a higher rate of 34 interest. Within two years, he was able to take part of his 35 savings and make a 36 down payment on a home, which is a 37 financial investment. He was pleased with the choices he made and lived happily ever after.

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**Piglet One** and **Two** learned from their mistakes. They did have to move back home in order to get back on track. Both of them got 38 financial counseling to learn when to use credit wisely and when credit looks more like the Big Bad Wolf. They recognized that they could learn from their mistakes and that even though it took them longer to recover from their bad choices, it is possible to build a good 39 credit history after making mistakes.

Name: ______________________________________ Period: ____________Date__________________

# The Story of the Three Little Pigs – Jigsaw Activity Vocabulary List

The number next to each vocabulary word represents how many times the word will be used in the story.

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|---|---|
| borrower - 1 | higher - 1 |
| consumable - 1 | income - 1 |
| credit - 3 | installment - 1 |
| credit card - 2 | installment credit - 1 |
| credit history - 3 | interest - 3 |
| credit limit - 2 | investment - 1 |
| credit report - 1 | minimum payment - 3 |
| credit score - 1 | money - 1 |
| digested - 1 | payment - 1 |
| down payment - 1 | principal - 2 |
| financial counseling - 1 | revolving - 2 |
| financial investment - 1 | saved - 1 |
| grace - 1 | savings - 1 |
| grace period - 1 | |