

Lesson 2: Understanding Labels

Topics to be Covered

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“Anyone who stops learning is old, whether at twenty or eighty. Anyone who keeps learning is young. The greatest thing in life is to keep your mind young.” – Henry Ford

Health Strategies

⇒ What Does “Organic” Mean

Wealth Strategies

⇒ Credit Card Labels

⇒ The Minimum Payment Trap

Objectives

Learning Objectives

- Participants will understand the basic meaning and process behind the USDA organic label.
- Participants will understand basic terminology associated with credit cards.

Behavioral Objectives

- Participants will be able to make healthy choices regarding organic food products.
- Participants will be able to make informed decisions regarding credit card debt.

Materials Needed

- ◆ PowerPoint Presentation “Understanding Labels” (Included)
- ◆ Computer and Projector (for optional PowerPoint Presentation)

Background Information

We may know what is healthy on an abstract level, e.g. fruits and vegetables are good for us, but sometimes it can be difficult to make a distinction among all of the different choices we have available to us. These days, food companies use many labels to catch our attention and make us believe that a certain brand or type of food is better for us. Hearing words like “no sugar added”, “organic”, or “all natural” can confuse anyone. Don’t be tricked or fooled into thinking that the label says it all; you can be a knowledgeable consumer and know what is really behind that label. Also make sure to consult your physician or health care provider about your individual dietary needs.

While there is not a way to “certify” financial products like food products, it is still very important to understand the labels of the financial products you use. Perhaps one of the biggest struggles Americans have financially is debt. The use of credit to make major (and minor) purchases has changed the American economic system. This lesson will guide you through some of the terminology and traps to avoid in order to make healthy financial decisions.



Health Strategies

WHAT DOES “ORGANIC” MEAN

These days, it seems that everyone is concerned with “natural” or “organic” foods. This strategy is not intended to give you an introductory course into the genetic engineering of foods. There have been many studies that have shown both beneficial and harmful effects of certain hormones in our genetically modified food. However, how companies market their products influences consumer perception. Therefore, it is important to know the meaning of the label to ensure that you are meeting your dietary needs and perhaps even saving a few dollars in the process. The aim of this strategy is to provide you with information regarding food labels, you can use this information to take small steps in making your own informed decisions.

According to the USDA, if a product is labeled “organic” (USDA certified label) the product has been produced according to federal regulations that “foster cycling of resources, promote ecological balance, and conserve biodiversity” (USDA, 2012). Synthetic fertilizers and genetic engineering may not be used to produce these products (USDA, 2012).

The National Organic Program regulates the certification of these products to ensure that the products are produced according to regulations (USDA, 2012). Keep in mind that some products may be “organic” without having the certification label if the producer did not undergo the certification process. For example, local farmers may not have the resources to pursue the USDA certi-

fication process but follow organic guidelines. In this case, you can discuss directly with the local farmers how their products were grown.



For produce to be USDA certified organic, the produce must have been grown in soil that did not contain synthetic fertilizers and pesticides within the last three years.

For meat to be USDA certified organic, the animals must be fed 100% organic feed, not given antibiotics or hormones, and live in an accommodating environment.

For processed multi-ingredient foods to be USDA certified organic, the products are mostly required to be composed of organic ingredients and cannot contain artificial preservatives, colors, or flavors (USDA Blog, 2012).

Instructor’s Note: See the USDA website for more information on what practices constitute “approved” farming practices and substances.

USDA National Organic Program Website:
www.ams.usda.gov/NOP

Wealth Strategies

CREDIT CARD LABELS

The U.S. Census Bureau (2011) estimated that in 2012 there were 160 million credit card holders in the United States with a total of 1,167 million credit cards. This amounts to spending \$2,378 billion annually and an outstanding debt of \$870 billion. Needless to say, many people use credit cards to make purchases that they may not be able to afford. Credit cards are loans and must be repaid. One small step to avoid costly interest is to only charge what you can pay off when the bill arrives.

Make sure you understand the terms listed in your credit card disclosure. There are some important concepts that you need to be aware of when utilizing a credit card, which may help you better understand the costs of credit.

TOTAL PURCHASE AMOUNT The balance due on your credit card	\$1,000	\$1,000	\$1,000
CREDIT CARD APR The annual interest rate on your credit card	10%	15%	25%
MONTHLY PAYMENT The minimum monthly payment	\$40	\$40	\$40
NUMBER OF MONTHS TO PAY OFF PURCHASE AMOUNT* Time it will take to pay off the balance	29	31	36
TOTAL FINANCE CHARGE The total amount of money you will pay in interest alone	\$126.02	\$206.50	\$427.22
TOTAL COST The final amount you will pay for your purchase	\$1,126.02	\$1,206.50	\$1,427.22

* In general, this assumes that your account has no new charges and that your Annual Percentage Rate does not change.

Credit Card Label	What it Means
Annual Fee	A flat annual amount that serves the purpose of a membership fee
Annual Percentage Rate (APR)	A measure of the cost of credit or interest rate for the entire year
Grace Period	Time you have to pay your balance in full in order to avoid interest

See the following chart to determine how a difference in APR can affect the amount of interest charged and the length of time to pay off the debt. Keep in mind that this chart assumes that no new charges are being made and that the APR rate remains steady (VISA, 2009).

MINIMUM PAYMENT TRAP

Included in your credit card statement every month is the “minimum payment”. Do not fall into the trap of paying only minimum payments on your credit card. Making only the minimum payments on your credit card is perhaps the longest and most expensive way to pay off your debt. Keep in mind that interest keeps accruing so long as you have an outstanding balance, so the longer it takes you to pay off your balance in full, the more money you are being charged. The following chart shows average purchases and how long it would take to pay off if only making the minimum purchases (Elmore, Gutter, & Mountain, 2012).

Wealth Strategies (continued)

Making Minimum Payment (4% of amount borrowed).

ITEM	RETAIL PRICE	APR	INTEREST PAID	REALLY PAID FOR ITEM	YEARS TO PAY OFF
TV	\$500	18%	\$216	\$716	4 years, 11 months
Computer	\$1,000	18%	\$516	\$1,516	7 years, 3 months
Furniture	\$2,500	18%	\$1,416	\$3,916	10 years, 3 months

Although we may not always be able to pay our monthly balance in full, any small amount that is added to the minimum payment will help. When you have the funds available, try to pay as much as you can in addition to the minimum payment. Paying as much as you can in addition to the minimum payment shortens the time it will take to pay off the debt and will save you money (Elmore, Gutter, & Mountain, 2012).

Making More than the Minimum Payment—It Pays Off.

ORIGINAL BALANCE	APR	MONTHLY PAYMENTS	TOTAL # OF MONTHLY PAYMENTS	TOTAL YEARS TO PAY OFF	TOTAL OF PAYMENTS
\$2,500	18%	Minimum	123	10 years	\$3,916
\$2,500	18%	Minimum + \$25	50	4	\$3,258
\$2,500	18%	Minimum + \$50	33	3	\$2,839

Keep in mind that the charts assume no new charges are made using the credit card and that all payments have been paid on time. If payments are late, you may be charged additional late fees and your interest rate may increase. When paying on time, a small step to decreasing your interest rate is to call the company and ask for a lower APR. They may say no, but you will not know unless you ask.

Optional Activities

INSTRUCTIONS

1. Have participants complete the “Test Your Organic Food Knowledge” quiz.
2. Review “Reading Your Credit Card Bill” with participants.
3. Ask participants to create a credit card “rule” for their own life to minimize or limit their interest costs.

Possible answers include:

- ✓ Pay off as much as you can each month.
- ✓ Only buy what you can afford to pay off each month.
- ✓ Pay on time to avoid additional interest charges.

Take Home Message

Taking small steps to understand labels can help you make informed health and wealth decisions.

References

- Elmore, J.P., Gutter, M.,S., & Mountain, T.P. (2012). *YOU and YOUR Credit: Credit Dos and Don'ts* (FCS7229). Gainesville: University of Florida Institute of Food and Agricultural Sciences. Retrieved from: <http://edis.ifas.ufl.edu/pdffiles/FY/FY107100.pdf>
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ENAFS Healthy Living Program

Module 10: Small Steps to Health and Wealth™ for Older Adults

Lesson 1: Living Well on a Shoestring

Lesson 2: Understanding Labels

Lesson 3: Your Frames of Reference

Lesson 4: Stretching Your Body and Your Mind

Lesson 5: Avoiding Fraud and Scams

Lesson 6: Taking the Driver's Seat

Lesson 7: Staying Awake: Be Active! Be Engaged! Be Aware!

We're on the Web!

<http://fyics.ifas.ufl.edu/enafs>

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Test Your Organic Food Knowledge

1. Which of the foods below typically contains the smallest amount of pesticide when grown with traditional methods?
 - a. Celery
 - b. Carrot
 - c. Onion
2. To be labeled "U.S. Department of Agriculture Organic" what percent of a product must be organic?
 - a. 75%
 - b. 85%
 - c. 95%
3. You're on a budget and can only afford to pick one produce item to buy organic. Which of the items below is the most likely to contain pesticides when it's not organically grown?
 - a. Oranges
 - b. Peaches
 - c. Kiwi

Source: Adapted from the Ultimate Organic Food Quiz <http://dsc.discovery.com/tv-shows/curiosity/topics/organic-food-quiz.htm>

Test Your Organic Food Knowledge

1. Which of the foods below typically contains the smallest amount of pesticide when grown with traditional methods?
 - a. Celery
 - b. Carrot
 - c. Onion

Onions are on the Environmental Working Group's Clean 15 list. Celery and carrots, on the other hand, contain some of the highest pesticide levels. If you're concerned about pesticides in your foods, organic celery and carrots should be at the top of your shopping list.

2. To be labeled "U.S. Department of Agriculture Organic" what percent of a product must be organic?
 - a. 75%
 - b. 85%
 - c. 95%

Products must be made from 95% organic ingredients to be certified "U.S. Department of Agriculture Organic." So, only 5% of a granola bar stamped "U.S. Department of Agriculture Organic" can be made from non-organic ingredients.

3. You're on a budget and can only afford to pick one produce item to buy organic. Which of the items below is the most likely to contain pesticides when it's not organically grown?
 - a. Oranges
 - b. Peaches
 - c. Kiwi

According to the Environmental Working Group's analysis of U.S. Department of Agriculture and FDA data, 96.6 percent of the peaches tested were found to have pesticides. Pesticides were found on 85.1 percent of oranges and 15.3 percent of kiwis.

Source: Adapted from the Ultimate Organic Food Quiz <http://dsc.discovery.com/tv-shows/curiosity/topics/organic-food-quiz.htm>

XXX Bank Credit Card Account Statement
Account Number XXXX XXXX XXXX XXXX
February 21, 2012 to March 22, 2012

Summary of Account Activity

Previous Balance	\$535.07
Payments	-\$450.00
Other Credits	\$0.00
Purchases	+\$517.12
Balance Transfers	+\$785.00
Cash Advances	+\$318.00
Past Due Amount	+\$0.00
Fees Charged	+\$69.00
Interest Charged	+\$11.36
New Balance	\$1,786.00
Credit limit	\$2,000.00
Available credit	\$214.00
Statement closing date	3/22/2012
Days in billing cycle	30

QUESTIONS?

Call Customer Service 1-XXX-XXX-XXXX
 Lost or Stolen Credit Card 1-XXX-XXX-XXXX

Payment Information

New Balance	\$1,786.00
Minimum Payment Due	\$53.00
Payment Due Date	4/20/12

Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a \$35 late fee and your APRs may be increased up to the Penalty APR of 28.99%.

Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and take you longer to pay off your balance. For example:

If you make no additional charges using this card and each month you pay...	You will pay off the balance shown on this statement in about...	And you will end up paying an estimated total of...
Only the minimum payment	8 years	\$2,785
\$62	3 years	\$2,232 (Savings=\$553)

If you would like information about credit counseling services, call 1-800-XXX-XXXX.

Please send billing inquiries and correspondence to:
 PO Box XXXX, Anytown, Anystate XXXXX

Notice of Changes to Your Interest Rate

You have triggered the Penalty APR of 28.99%. This change will impact your account as follows:

Transactions made on or after 4/9/12: As of 5/10/12, the Penalty APR will apply to these transactions. We may keep the APR at this level indefinitely.

Transactions made before 4/9/12: Current rates will continue to apply to these transactions. However, if you become more than 60 days late on your account, the Penalty APR will apply to those transactions as well.

Important Changes to Your Account Terms

The following is a summary of changes that are being made to your account terms. For more detailed information, please refer to the booklet enclosed with this statement.

These changes will impact your account as follows:

Transactions made on or after 4/9/12: As of 5/10/12, any changes to APRs described below will apply to these transactions.

Transactions made before 4/9/12: Current APRs will continue to apply to these transactions.

If you are already being charged a higher Penalty APR for purchases: In this case, any changes to APRs described below will not go into effect at this time. These changes will go into effect when the Penalty APR no longer applies to your account.

Revised Terms, as of 5/10/12

APR for Purchases	16.99%
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XXX Bank Credit Card Account Statement
 Account Number XXXX XXXX XXXX XXXX
 February 21, 2012 to March 22, 2012

Transactions

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Reference Number	Trans Date	Post Date	Description of Transaction or Credit	Amount
5884186PS0388W6YM	2/22	2/23	Store #1	\$133.74
854338203FS8000Z5	2/25	2/25	Pymt Thank You	\$450.00-
564891561545KOSHD	2/25	2/26	Store #2	\$247.36
1542202074TWWZV48	2/26	2/26	Cash Advance	\$318.00
4545754784KOHUIOS	2/27	3/1	Balance Transfer	\$785.00
2564561023184102315	2/28	3/1	Store #3	\$34.32
045148714518979874	3/4	3/5	Store #4	\$29.45
0547810544898718AF	3/15	3/17	Store #5	\$72.25

Fees

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9525156489SFD4545Q	2/23	2/23	Late Fee	\$35.00
84151564SADS8745H	2/27	2/27	Balance Transfer Fee	\$23.55
256489156189451516L	2/28	2/28	Cash Advance Fee	\$10.90
TOTAL FEES FOR THIS PERIOD				\$69.45

Interest Charged

Interest Charge on Purchases	\$6.57
Interest Charge on Cash Advances	\$4.79
TOTAL INTEREST FOR THIS PERIOD	\$11.36

2012 Totals Year-to-Date

Total fees charged in 2012	\$90.14
Total interest charged in 2012	\$18.74

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Interest Charge Calculation

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Your Annual Percentage Rate (APR) is the total interest rate on your account.

Type of Balance	Annual Percentage Rate (APR)	Balance Subject to Interest Rate	Interest Charge
Purchases	14.99% (v)	\$533.32	\$6.57
Cash Advances	21.99% (v)	\$265.00	\$4.79
Balance Transfers	0.00%	\$575.67	\$0.00

(v) = Variable Rate

1) Summary of account activity

A summary of the transactions on your account--your payments, credits, purchases, balance transfers, cash advances, fees, interest charges, and amounts past due. It will also show your new balance, available credit (your credit limit minus the amount you owe), and the last day of the billing period (payments or charges after this day will show up on your next bill).

2) Payment information

Your total new balance, the minimum payment amount (the least amount you should pay), and the date your payment is due. A payment generally is considered on time if received by 5 p.m. on the day it is due. If mailed payments are not accepted on a due date (for example, if the due date is on a weekend or holiday), the payment is considered on time if it arrives by 5 p.m. on the next business day.

Example: If your bill is due on July 4th and the credit card company does not receive mail that day, your payment will be on time if it arrives by mail by 5 p.m. on July 5th.

3) Late payment warning

This section states any additional fees and the higher interest rate that may be charged if your payment is late.

4) Minimum payment warning

An estimate of how long it can take to pay off your credit card balance if you make only the minimum payment each month, and an estimate of how much you likely will pay, including interest, in order to pay off your bill in three years (assuming you have no additional charges). For other estimates of payments and timeframes, see the [Credit Card Repayment Calculator](#).

5) Notice of changes to your interest rates

If you trigger the penalty rate (for example, by going over your credit limit or paying your bill late), your credit card company may notify you that your rates will be increasing. The credit card company must tell you at least 45 days before your rates change.

6) Other changes to your account terms

If your credit card company is going to raise interest rates or fees or make other significant changes to your account, it must notify you at least 45 days before the changes take effect.

7) Transactions

A list of all the transactions that have occurred since your last statement (purchases, payments, credits, cash advances, and balance transfers). Some credit card companies group them by type of transactions. Others list them by date of transaction or by user, if there are different users on the account. Review the list carefully to make sure that you recognize all of the transactions. This is the section of your statement where you can check for unauthorized transactions or other problems.

8) Fees and interest charges

Credit card companies must list the fees and interest charges separately on your monthly bill. Interest charges must be listed by type of transaction (for example, you may be charged a different interest rate for purchases than for cash advances).

9) Year-to-date totals

The total that you have paid in fees and interest charges for the current year. You can avoid some fees, such as over-the-limit fees, by managing how much you charge, and by paying on time to avoid late payment fees.

10) Interest charge calculation

A summary of the interest rates on the different types of transactions, account balances, the amount of each, and the interest charged for each type of transaction.

Lesson 2 – Understanding Labels
Leader’s Guide Class Outline – 30 minutes

Time	Activity/Topic	Materials
2 min. 00:00-00:02	Quote: Use the quote as an icebreaker. Read the quote. Introduction: Introduce the topic	Slides 1-2
5 min. 00:02-00:07	Health strategies What does organic mean and USDA organic	Slides 3-4
7 min. 00:07-00:14	Wealth strategies Credit card labels, credit card APR, minimum payment trap, and making more than the minimum payment	Slides 5-10
1 min. 00:14-00:15	Take home message	Slide 11
10 min. 00:15-00:25	Activities – pick 1 “Test Your Organic Food Knowledge” quiz “Reading Your Credit Card Bill” Creating a credit card “rule”	Slide 12
5 min 00:25-00:30	Questions: Answer any remaining questions	Slide 13



EVALUATION

Thank you for being a part of this lesson. We hope you enjoyed yourself!
Please help us do a better job of serving you by completing this evaluation.

1. How much did you learn from this lesson? Please check only one:

- Very little
- Some
- A lot

2. Do you plan on making changes as a result of participating in this lesson?

- Yes
- No

3. If you answered “yes,” please tell us what you plan to do. Check all that apply!

- I plan to use one of the strategies from this lesson to change a health-related behavior. I plan to _____

- I plan to use one of the strategies from this lesson to change a personal finance behavior. I plan to _____

- I plan to share information I learned today with a family member or friend.

4. Comments:

Thank you for completing this form! We look forward to seeing you at our other ENAFS programs!