

Credit Cards Avoid the Minimum Payments Trap! *3% examples*



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Credit Cards



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"But Roger, everyone spends more than he earns. That's what America is for."

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Question



- What percent of undergraduate students have at least one credit card in 2013?

5

Percent of students with one credit card



30%

6

Question



- What's the average credit card balance among college students in 2013?

7

Credit Card Balance for Undergraduates



\$499

8

True/False



- The Credit Card Act credit card approvals for anyone under 21 years old unless they have an adult co-signer or prove they have sufficient income to pay the bills.

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True/False



TRUE

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Question



- What is the average credit card debt for college graduating seniors (nationally) in 2013?

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Average credit card debt graduating seniors

\$610



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Credit Cards: Avoid The Minimum Payments Trap



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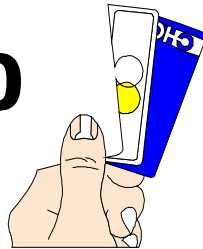
Credit Card Smarts Calculator



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Credit Card Debt

● **\$1,000**



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Orange Side--Side 1

- **Paying Just 3% on Your Credit Card Debt**
 - Check the REAL cost

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Orange Side--Side 1

- **Pay Back: \$1,684**
- **Interest Charges: \$684**
- **Years to pay off: 8**

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Blue Side: Side 2

- **Pay MORE than 3% and Save a LOT**

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Blue Side: Side 2

- \$1,000 debt
- First payment: \$30
- Years in debt: 8
- Interest paid: \$684

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Boost to 4%



- First payment: \$40
- Years in debt: 6
- Interest paid: \$465
- Interest saved: \$219

20

Double Minimum

- First payment: \$60
- Years in debt: 4
- Interest paid: \$285
- Interest saved: \$399

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Credit Cards: Avoid The Minimum Payments Trap

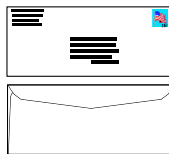


How it can happen?

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How Happens???

- Bill arrives in June



23

Balance = \$1,000

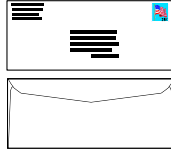
- 3% Payment \$30
 - Interest \$15
 - Principal \$15
- New Balance \$985



24

How Happens???

- **Bill arrives in July**



25

Balance = \$980

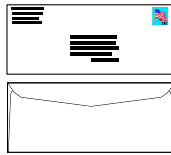
- **3% Payment** \$29.55
 - Interest \$14.78
 - Principal \$14.77
- **New Balance** \$970.23



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How Happens???

- **Bill arrives in August**



27

Balance = \$970.23

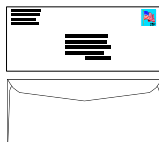
- **3% Payment** \$29.11
 - Interest \$14.55
 - Principal \$14.56
- **New Balance** \$955.67



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How Happens???

- **Bill arrives in September**



29

Balance = \$955.67

- **3% Payment** \$28.67
 - Interest \$14.34
 - Principal \$14.33
- **New Balance** \$941.34



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Payment Schedule

3% Payment	Interest	Principal	Balance
\$30.00	\$15.00	\$15.00	\$1000.00
\$29.55	\$14.78	\$14.77	\$985.00
\$29.11	\$14.55	\$14.56	\$970.23
\$28.67	\$14.34	\$14.33	\$955.67

96 monthly payments

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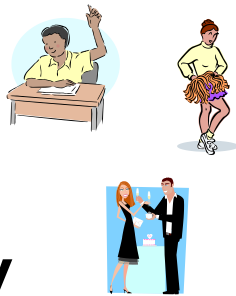
Decision



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Three Situations

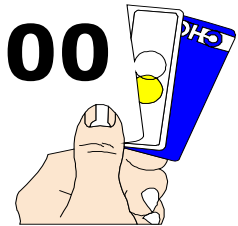
- Matt
- Mary
- Chris & Bethany



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Mary-Answers

- **\$1,000**



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Orange Side--Side 1

- \$1,684 pay back
- \$684 interest charges
- 8 years to pay off

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Credit card annual interest rate assumed by Credit Smarts Calculator

18.0%



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Credit card monthly interest rate assumed by Credit Smarts Calculator

1.5%



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Blue Side: Side 2

- \$1,000 debt
- \$30 first payment
- 8 years in debt
- \$684 interest paid

38

Boost to 4%

- \$40 first payment
- 6 years in debt
- \$465 interest paid
- \$219 interest saved



39

Double Minimum

- \$60 first payment
- 4 years in debt
- \$285 interest paid
- \$399 interest saved

40

Recommendation

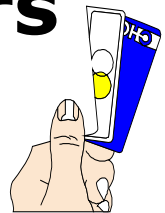
- What suggestions do you have for Mary?



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Chris & Bethany

- Answers
- \$5,000



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Orange Side--Side 1

- \$9,567 pay back
- \$4,567 interest charges
- 16 years to pay off

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Blue Side: Side 2

- \$5,000 debt
- \$150 first payment
- 16 years in debt
- \$4,567 interest paid

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Boost to 4%

- \$200 first payment
- 11 years in debt
- \$2,808 interest paid
- \$1,759 interest saved

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Double Minimum

- \$300 first payment
- 7 years in debt
- \$1,592 interest paid
- \$2,975 interest saved

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Recommendation

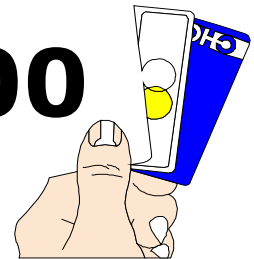
- What suggestions do you have for Chris & Bethany?



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Matt--Answers

\$9,000



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Orange Side--Side 1

- \$17,451 pay back
- \$8,451 interest charges
- 19 years to pay off

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Blue Side: Side 2

- \$9,000 debt
- \$270 first payment
- 19 years in debt
- \$8,451 interest paid



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Boost to 4%

- \$360 first payment
- 13 years in debt
- \$5,152 interest paid
- \$3,299 interest saved

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Double Minimum

- \$540 first payment
- 8 years in debt
- \$2,899 interest paid
- \$5,552 interest saved



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Recommendation

- What suggestions do you have for Matt?



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Question

- What if Mary makes payments of \$30 every month, how long will it take to pay her \$1,000 debt?



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Mary

Minimum Payments

- Jan. \$30 \$30.00
- Feb. \$30 \$29.55
- Mar. \$30 \$29.11
- April \$30 \$28.67

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Mary pays \$30 every month: \$1,000 Debt—
Years to Pay Off



3.88 yrs

8 yrs – if making minimum payments

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Mary paying \$30 every month:
\$1,000 Debt-Interest



\$397

\$684 if making minimum payments

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Question



- What if Chris & Bethany make payments of \$150 every month, how long will it take to pay their \$5,000 debt?

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Chris & Bethany

Minimum Payments

- Jan. \$150 \$150.00
- Feb. \$150 \$147.75
- Mar. \$150 \$145.53
- April \$150 \$143.35

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Chris & Bethany pay \$150 each month—
Years????



3.88 yrs

16 yrs if making minimum payment

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**Chris & Bethany
pay \$150 each
month: *Interest??***



\$1,984

\$4,567 if making
minimum payments

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Question



- What if Matt makes payments of \$270 every month, how long will it take to pay his \$9,000 debt?

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**Matt pays \$270
every month**



3.88 yrs

19 years if making
minimum payments

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**Matt paying \$270
every month:
Interest Comparison**



\$3,570

\$8,451 if making
minimum payments

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Marsha's Discovery

- If you make continued payments of the initial 3%, any debt can be paid off in 3.88 years!!!!!!



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Steady Payments

DEBT	PAYMENT	YRS
• \$10,000	\$300	3.88
• \$25,000	\$750	3.88
• \$30,000	\$900	3.88

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Parting Wisdom

- Pay **MORE** than 3% minimum & save a **LOT**



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Credit Cards Avoid the Minimum Payments Trap!



3% examples

Questions?

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