

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



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1

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2

Credit Cards



3



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

4

Question



- What percent of undergraduate students have at least one credit card in 2015?

5

Percent of students with one credit card



56%

6

Question



- What's the average credit card balance among college students in 2015?

7

Credit Card Balance for Undergraduates



\$906

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.

9

True/False



TRUE

10

Question



- What is the average credit card debt for college seniors (nationally) in 2015?

11

Average credit card debt for seniors

\$1,109



12

Credit Cards: Avoid The Minimum Payments Trap



13

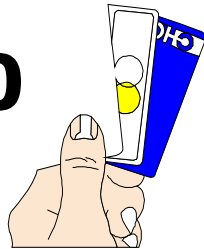
Credit Card Smarts Calculator



14

Credit Card Debt

● **\$1,000**



15

Orange Side--Side 1

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

16

Orange Side--Side 1

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

17

Blue Side: Side 2

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

18

Blue Side: Side 2

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

19

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

21

Credit Cards: Avoid The Minimum Payments Trap

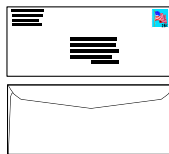


How it can happen?

22

How Happens???

- Bill arrives in June



23

Balance = \$1,000

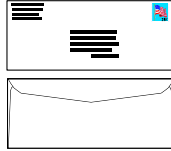
- 3% Payment \$30
 - Interest \$15
 - Principal \$15
- New Balance \$985



24

How Happens???

- **Bill arrives in July**



25

Balance = \$980

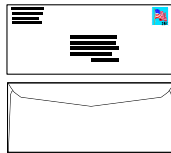
- **3% Payment** **\$29.55**
 - Interest **\$14.78**
 - Principal **\$14.77**
- **New Balance** **\$970.23**



26

How Happens???

- **Bill arrives in August**



27

Balance = \$970.23

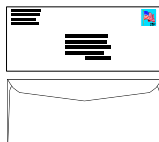
- **3% Payment** **\$29.11**
 - Interest **\$14.55**
 - Principal **\$14.56**
- **New Balance** **\$955.67**



28

How Happens???

- **Bill arrives in September**



29

Balance = \$955.67

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



30

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

31

Decision



32

Three Situations

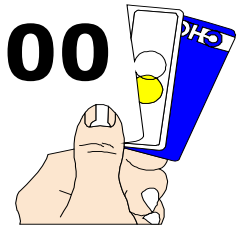
- Matt
- Mary
- Chris & Bethany



33

Mary-Answers

- \$1,000



34

Orange Side--Side 1

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

35

Credit card annual interest rate assumed by Credit Smarts Calculator

18.0%



36

Credit card monthly interest rate assumed by Credit Smarts Calculator

1.5%



37

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

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

40

Recommendation

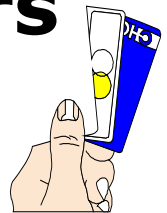
- What suggestions do you have for Mary?



41

Chris & Bethany

- Answers
- \$5,000



42

Orange Side--Side 1

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

43

Blue Side: Side 2

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

44

Boost to 4%

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

45

Double Minimum

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

46

Recommendation

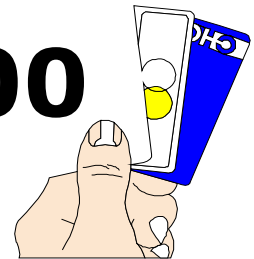
- What suggestions do you have for Chris & Bethany?



47

Matt--Answers

\$9,000



48

Orange Side--Side 1

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

49

Blue Side: Side 2

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



50

Boost to 4%

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

51

Double Minimum

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



52

Recommendation

- What suggestions do you have for Matt?



53

Question

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



54

Mary

Minimum Payments

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

55

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



3.88 yrs

8 yrs – if making minimum payments

56

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



\$397

\$684 if making minimum payments

57

Question



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

58

Chris & Bethany

Minimum Payments

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

59

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



3.88 yrs

16 yrs if making minimum payment

60

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



\$1,984

\$4,567 if making minimum payments

61

Question



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

62

**Matt pays \$270
every month**



3.88 yrs

19 years if making minimum payments

63

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



\$3,570

\$8,451 if making minimum payments

64

Marsha's Discovery

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



65

Steady Payments

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

66

Parting Wisdom

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



67

Credit Cards Avoid the Minimum Payments Trap!



3% examples

Questions?

68