

Budget Exercises for Students, Exercise 10, Credit Card Management (Chapter 8)

As with many students you will have student debt to pay down as well a credit card. Your goal is to pay these down aggressively within a three-year time frame:

Student Loan: \$15,000 balance at 3.2% for 20 years – current payment \$113

Credit Card: \$16,000 balance at 12% APR – minimum payment \$324.53

First calculate from the **Credit Card Interest Tracker and Formula** grid how long it will take to pay the card off. Next determine the amount interest will accrue for the student loan using an amortization calculator from the web.

Note that the best financial path to paying down cards is to pay off the highest interest accruing interest credit and/or loan first (highest meaning what is accruing the most interest from month-to-month) and pay the minimum payments on the others. Once the first credit/loan is paid down then you apply the freed up money in addition to that current payment on the next interest accruing credit card/loan card. Repeat the cycle until the debt is paid off. Once your debts are paid off you will open up more disposable income in the budget. Remember you may also have a car payment. Refer back to Chapter 8 to see the examples of how to achieve this goal.

Another path to seek is bill consolidation – assume that you are taking an offer from Bank of America for a credit card for 12 months at zero interest with a balance transfer of 3%.

[REFER TO THE STUDENT BUDGET VIDEOS FOR DETAILED INSTRUCTION](#)