Credit Card Debt

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Never get caught in the minimum payment trap!

Hang On Help is on the Way

Learn how to get out of CREDIT CARD DEBT using Amortization

OMG
What a SHOCK!

In this Game you decide to fly to see the family for the Holidays and bring some gifts. NICE!!!

After purchasing airline tickets and buying those lovely presents for the family its time to go home. Wow that was fun! A couple days of getting settled in and its time to get back to work and school. OMG you open the mail (email) and there is your credit card bill for $1,000.00

The Good News... You ***ONLY*** have to make the minimum payment of **$25.00.** Isn't that nice?? They understand the holiday tight Cash Flow. They sent the statement with spending offers & festive graphics. LOVELY.

The balance of all the spending is organized in the detailed statement and the current (**PV**) is ____________

BE AWARE....The credit balances may change day to day depending on your spending habits, lender compounding periods, and unfathomable bank terms including transaction fees. (think ATM) Cash Advances may JOLT the **PV** to the MOON so be on alert for high fees.

The credit card terms are in the statement with fees for interest @ **24%** annual (**APR**)_____________

How much is the periodic monthly *monthly interest rate (divide APR by 12)* (**IR**) _______________

How much ***interest*** will you owe the bank at the end of the first month **INT**=_____________

If you just pay the minimum payment of $25.00 (**PMT**)____________

How much will be applied to the principal reduction? _________________

What is the new declining balance? (subtract princiapl reduction from PV) ______________

That new balance is called the **FV** (Future Value) and will be transfered to the **PV** of the next month if not paid in full and to be continued and repeated again. **FV**________________

Paying the minimum **PMT** of $25.00 is a weak plan with a very slow rate of amortization.
How much would you owe at the end of the 6th month? EOM6 **FV**= ______________

What % of the loan was chunked down at the nd of 6 months? % of loan __________

CREDIT CARD BALANCE 6 month declining balance

Statement Balance

MIN PMT =

APR = **ANNUAL INTEREST (written as Annual Percentage Rate)**

IR = **INTEREST RATE per cycle (example monthly payments is the APR divided by 12)**

FV= **FUTURE VALUE OR Amount OWING @ end of 6 months**

PMT Amount = **affects the speed of the declining balance**

Time	PV CREDIT CARD $$$ owed	APR annual % rate	IR interest per cycle	PMT Payment cash flow out CF0	Interest $$$ owed to LENDER	Principal Reduction Amount	FV new balance owing lender = future value
START begin month BOM 1				<0>	0	0	
End Of Month EOM 1							*
	note the prior month FV becomes the new PV & begins the next month						
EOM 2	*						
EOM 3							
EOM 4							
EOM 5							
EOM 6							

Notes & Extra Credit With a ***STRONG PLAN principal quickly reduces.***

What is the **FV after 6 months @ PMT $100.00 per month** ______________

How much principal being was chunked down? amount and percentage ___________ %_____________

What can we learn from the above??

That the minimum **PMT** of **$25.00** is a front row seat resulting in your entry to the abyss of growing debt. Plus you may continue to spend Dinners, Grocery, Travel, Etc.(***NO BUENO***)! Do not get lulled into this min PMT trap that may reduce your credit score, make future loans expensive, and worse, ***create insolvency.***

Being cognizant of the cost of MONEY & and systemic reduction of debt is important to you the *CFO* (Chief Financial Officer) of your life. As CFO you must BALANCE the amount you spend/borrow with your ability to repay your obligations ontime.

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The balance of all the spending is organized in the detailed statement and the current (**PV**) is __$1,000.00__

BE AWARE....The credit balances may change day to day depending on your spending habits, lender compounding periods, and unfathomable bank terms including transaction fees. (think ATM) Cash Advances may JOLT the **PV** to the MOON so be on alert for high fees.

The credit card terms are in the statement with fees for interest @ **24%** annual (**APR**) __24%/yr__

How much is the periodic monthly *monthly interest rate (divide APR by 12)* (**IR**) __2%/mo__

How much ***interest*** will you owe the bank at the end of the first month

take the balance and multiply by 2% **INT$**= __$20.00__

If you just pay the minimum payment of $25.00 (**PMT**) __$25.00__

How much will be applied to the principal reduction? (subtract INT$ from PMT) __$5.00__

What is the new declining balance? (subtract principal reduction from PV) __$995.00__

That new balance is called the **FV** (Future Value) and will be transfered to the **PV** of the next month if no additional PMT's to be continued and repeated again. **FV** __$995.00__

Paying the minimum **PMT** of $25.00 is a weak plan with a very slow rate of amortization.
How much would you owe at the end of the 6th month? EOM6 **FV**= __$968.46__

What % of the loan was chunked down at the end of 6 months? **% of loan** __3.2% reduction__

CREDIT CARD BALANCE 6 month declining balance

N = TIME for PMT cycle time (example Monthly below)

Statement Balance $1,000.00

APR = ANNUAL INTEREST (written as **A**nnual **P**ercentage **R**ate) 24%/year

IR = INTEREST RATE per cycle (example monthly payments is the APR divided by 12) 2%/month

PMT Amount = affects the speed of the declining balance $25.00

FV= FUTURE VALUE OR Amount OWING @ end of 6 months @ PMTs of $25.00/month $968.45

FV= FUTURE VALUE OR Amount OWING @ end of 6 months @ PMTs of $100.00/month $504.65

Time	PV CREDIT CARD $$$	APR annual % rate	IR interest per cycle	PMT Payment cash flow out CF0	Interest $$$ owed to LENDER	Principal Reduction Amount	FV new balance owing lender = future value
START begin month BOM 1	$1,000.00	24%	2%	<0>	0	0	
End Of Month EOM 1	$1,000.00	24%	2%	$25.00	$20.00	$5.00	* $995.00
	note the prior month FV becomes the new PV & begins the next month						
EOM 2	* $995.00	24%	2%	$25.00	$19.90	$5.10	$989.90
EOM 3	$989.90	24%	2%	$25.00	$19.79	$5.20	$984.70
EOM 4	$984.70	24%	2%	$25.00	$19.69	$5.31	$979.39
EOM 5	$979.39	24%	2%	$25.00	$19.59	$5.41	$973.98
EOM 6	$973.98	24%	2%	$25.00	$19.48	$5.52	$968.45

Notes & Extra Credit With a ***STRONG PLAN principal quickly reduces.***

What is the **FV after 6 months @ PMT $100.00 per month** $495.35

How much principal being was chunked down? amount and percentage $504.65 % $50.4%

What can we learn from the above??

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