



## JUST THE FACTS: HELPING YOU TALK ABOUT MONEY

# Paying Off Debt

The longer you take to pay off a debt the more it will cost you in interest payments.

You will be required to pay a minimum each month – either a fixed dollar amount or a percentage of the money you have borrowed – while interest continues to be added on to the remaining balance.

Even small increments above your minimum payments can save significant time and money.

- Example: \$1,000 credit card debt at 21% interest
  - Minimum monthly payments would require 11 years and 6 months to pay off, with interest totaling \$1,104.63
  - Minimum payment plus \$5 each month would require 6 years and 8 months to pay off, with interest totaling \$665.96 (saving nearly 5 years and more than \$400).

There are different strategies for prioritizing which debt to pay off first:

### **Avalanche Strategy**

- Pay off your highest interest debt first, helping you save on interest payments.

### **Snowball Strategy:**

- Pay off the debt with the lowest balance, helping you eliminate this debt quickly.

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