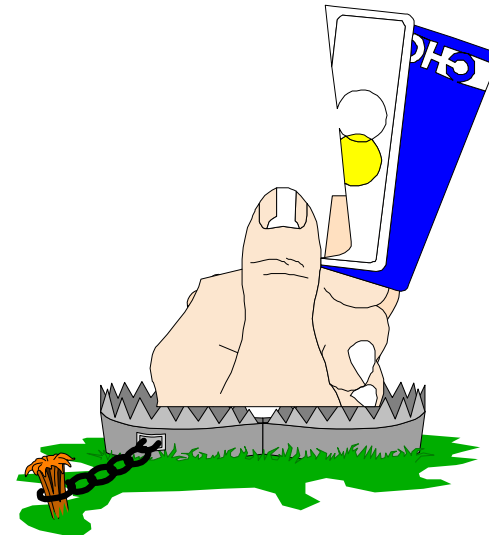


Example, cont.

- B. What is the *first monthly payment* if they boost their monthly payment from 2% to 3% on their combined credit card debt?

- C. How many *years* will it take for Michael and Ashley to pay off their credit card debt with the 3% monthly payments on the current balance? _____
- D. How much *interest* will they save by boosting their monthly payment on their credit card debt from the minimum 2% to 3% on the current balance? _____
- E. If they double their 2% minimum payments on the current balance of their credit card debt (starting with the first monthly payment) how many *years* will it take for them to pay off their combined credit card debt ? _____
- F. If they double their 2% minimum payments (starting with the first monthly payment), how much interest will they save compared to paying the 2% minimum on the current balance?

Credit Cards: The Minimum Payments TRAP!



Situation: Michael & Ashley



The programs of the MSU Extension Service are available to all people regardless of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. Issued in furtherance of cooperative extension work in agriculture and home economics, acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture, Dr. Douglas Steele, Vice Provost and Director, Extension Service, Montana State University, Bozeman, MT 59717.

Marsha A. Goetting, Ph.D., CFP®, CFCS
Extension Family Economics Specialist



Credit Card Trivia-Team Questions

About undergraduate students:

1. What percent of undergraduate students have at least one credit card? _____
2. What's the average credit card balance owed by undergraduate students? _____
3. What percentage of college students have a credit card balance between \$3,000 and \$7,000? _____
4. What is the average in combined education loan and credit card balances for graduating seniors? _____
5. What is the average student loan debt of graduating seniors? _____
6. What is the average credit card debt of graduating seniors? _____

Source: *Undergraduate Students and Credit Cards. Nellie Mae. April 2002*

About American households:

1. How many credit cards does the average American household use? _____
2. What is the average annual credit card balance owed? _____
3. How many billion dollars do Americans pay each year in credit card interest? _____
4. What's the average credit card interest rate? _____
5. What percent of credit card holders say they hardly ever pay the balance in full? _____

Sources: "Journal of Financial Planning," September 2002, p. 31.
"Federal Reserve Bulletin," September 2000

For answers go to:

<http://www.montana.edu/extensionecon/creditcardtrivia.pdf>

Example-Michael & Ashley



Michael and Ashley are very excited about their upcoming wedding in a month. Last night they had a long discussion about their debts. Both are bringing to the marriage *substantial* student loan debt and credit card debt. Michael has a credit card debt of \$3,000 and student loan debt of \$16,000. Ashley has a credit card debt of \$2,000 and student loan debt of \$14,000.

- What is their total debt for student loans and credit cards? _____
- What is their *combined credit card debt*? _____

Use information from **Side 1 (Blue)** of the **Credit Card Smarts Calculator** to answer the following questions and assume that Michael and Ashley pay only the 2% minimum monthly payment on the current balance every month.

- A. What is the *total amount* they will end up paying to the credit card company for their combined debt? _____
- B. What is the *total amount of interest* they will have to pay on their combined credit card debt? _____
- C. How many *years* will they have to make payments on their combined credit card debt? _____
- D. What is the *annual interest rate* assumed by the Credit Card Smarts Card? _____
- E. What is the *monthly interest rate* assumed by the Credit Card Smarts Card? _____

Use information from **Side 2 (Yellow)** of the **Credit Card Smarts Calculator** to answer the following questions

- A. What is the amount of the *first monthly payment* on their credit card debt if they make the 2% minimum payment on the current balance? _____

