LECTURE 5 – 9 YEAR LOAN

Now, let’s have a quick look at a credit card debt - $4,232 – and how that can potentially turn into a 9 year loan.

This amount is the average credit card debt that each credit card holder has across Australia.

Say you pay the minimum amount, which is 2% or $85 per month.

And remember, we spoke about that the bank’s goal is for you to not pay this thing off. It’s about keeping you in debt for longer, which means the bank can charge interest at very high rates.

So, if you just stick to paying the minimum off, it’s going to take you 9 years to pay off the debt. And that will mean that you’re going to pay nearly $5,000 in interest and waste 9 years of income that could have gone into your home loan, car loan, savings or investments.

The impact that it has for 9 years, not only the interest you pay but also the opportunity cost of not doing other things that can help you move ahead financially.

If you were to pay just twice the amount off and jump to $170, you’re going to have it paid off in less than 3 years and you are going to save yourself nearly $3,600 worth of interest.

Making sure that you get rid of this as quickly as you can is a priority. But I know for many people there are going to be lots of other financial pressures.

There are more monthly commitments, bills and obligations from a financial point of view now than there has ever been before. These pressures weren’t here for our parents back in the 70s, 80s and at the start of the 90s, but they are here now.

We need to take control of how we utilise our money and our finances.

Doing the calculations around how to get this stuff paid off as quickly as possible is absolutely vital. And that’s what we’ll look to do in the next part of the course.