

LECTURE 7 – CALCULATE PAYING OFF YOUR DEBT

Now, let's say you have got some credit card debt and you want to do something about it.

You say, "Right, I want to take control of this. I'm sick of being hounded by the banks, sick of the debt." What can we do to get rid of it?

Well, let's set up a scenario here.

We're going to use the Government's 'Moneysmart' website. They've got some very good tools there. (Link: <https://www.moneysmart.gov.au/tools-and-resources/calculators-and-apps/credit-card-calculator>)

Now, a bit of a warning here. There may be some budgeting required but we'll cover that off in a separate section of the course.

This is an Australian Government tool that you can use.

As you can see here you can put in the amount that you've got owing. I put in \$10,000. Let's just reduce that to \$8,000. An interest rate of 18% - that is not over the top at all.

As you can see here we've got the advanced settings set where your bank may actually have a 2.5% minimum balance and a minimum amount of \$25. We'll leave it at the 2.5%. It will be based on the 2.5%, not the \$25 minimum repayment.

You can see here that based on this minimum repayment it will take almost 22 years to pay off your debt. The banks have got no want for you to pay this thing off whatsoever. They want you in debt for ages.

So, if you made a higher repayment amount of \$393 compared to the \$292. That's not far off doubling the repayment amount. What it does in terms of the timeframe to pay off your debt is bring 22 years down to just over 2 years.

And you're going to save yourself \$9,215.

UNDERSTANDING CREDIT CARDS

Now, if you're anything like me, we all work far too hard to give this type of money to the banks, and to be in debt for this long.

You can adjust the figures to suit yourself and the calculator will adjust the principal and interest repayments.

The longer you've got it in the deep pink there, that's the principle, and the interest cost is the light pink above.

The more you can pay off, that equation changes dramatically.

You're paying off the \$8,000, but the amount that you're paying in interest goes down so quickly.

So, you've really got to focus to pay this off and you can muck around with these figures, see what works for you.

We've got to get a balance in life to see what works in terms of what can we afford without living off bread and water. It's about getting a balance.

But credit card debt at these sorts of levels just can't be tolerated and here is the way you can set a path to pay it off as quickly as you can.

So we'll cover off other ways you can master debt and a bit of budgeting in the next lecture.