

Get out of Debt

Leslie tried to buy an organic diet soda at Trader Joe's, but her credit card was declined. In a panic, she called her financial institution and learned that she had reached her credit limit. This isn't Leslie's only debt, and she wants to be debt free. She makes \$4,000 each month after taxes. Help Leslie manage her debt.

Login to **Banzai**, click **High School Personal Finance**, scroll down to the library section, and read the **Managing Debt** article. Click the **Get Out of Debt Coach** and go through it as if you were Leslie.

	Balance	Interest Rate	Current Minimum Payment
Credit Cards			
American Success	\$3,000	14.14%	\$150
Bullseye	\$1,335	24.04%	\$40
Jetgreen – Frequent Flyer	\$3,452	10.09%	\$140
Student Loan			
Hometown Financial	\$14,000	4%	\$150
Auto Loan			
ZNW Dealership	\$6,750	7%	\$200
Total	\$28,537	—	\$680

- If Leslie only pays minimum payments, how long will it take her to pay off her credit card with the highest balance? 7 years
- How long will it take Leslie to pay off that same credit card if she makes fixed payments? 2 years 5 months
- As you continue through the session, jot down how long it will take Leslie to be debt free for each of the following conditions:
 - If she uses a debt snowball: 4 years
 - If she uses a debt avalanche: 4 years

4. Feel free to add more to Leslie's monthly payment and play with the numbers. When you're finished, write down which debt payment method you prefer, debt avalanche or debt snowball, and why.

Answers vary. Example answer: I prefer the debt snowball, because I like the idea of paying off one card really quickly. I think that will motivate me to continue paying down debt and it will feel good to eliminate one of my entire debts as soon as possible.