PowerOverDebt:

Break the Debt Cycle















Objectives

Be familiar with different kinds of debt
Know advantages, disadvantages of credit
Identify warning signs you have too much debt
Improve your credit report and score
Take steps to tackle your debt
Avoid pitfalls

Rebuild good credit
Stay out of debt



Handout 1: Where Are You Now?

Do you know the difference?

Which 3 are examples of secured debt?

- a) Auto loan
- b) Mortgage
- c) Credit card debt
- d) Boat loan

Do you know the difference?

Which 3 are examples of installment debt:

- a) Auto loan
- b) Student loans
- c) Credit card debt
- d) Boat loan

Credit—back to the basics

Definition

Loan that lets you buy now, pay back later.

Types

- * Installment vs. revolving
- * Secured vs. unsecured

- Benefits
 - * Convenient (buy now, pay later)
 - * Cash-less
 - * Widely accepted
 - * Rewards programs
 - * ID and personal data not required
 - * Monthly statement, record of purchases
 - * Interest-free loan (if paid in full monthly)

Credit: Back to the Basics

Warning signs you have too much debt

Pay bills late

Only make minimum payments

At or near limit on credit cards

Don't know how much you owe

Use cash advances to pay other bills

Denied credit or credit purchase

Get calls from collection agencies

Lie to spouse, family about debt

More of total income going towards debts





Credit: Back to the Basics

The cost of bad credit

Auto loan example: \$14,000 for 48 months

	Interest <u>rate</u>	Monthly payment	Total paid
Good credit:	5%*	\$323	\$15,504
Poor credit:	14%*	\$383	\$18,384

The person with poor credit paid almost \$3,000 more for the same car!

^{*} These rates will vary by lender.