

DUMPING DEBT

Case Study Exercise

James and Kim have been married for nine years and own their home. Together, their take-home pay is \$5,000 per month. Their medical insurance comes out of their pay prior to their take-home pay. James and Kim are trying to get out of debt and are looking for ways to trim parts of their budget in order to find an extra \$500 per month to add to their debt payments. Calculate how long it would take to pay off their debts if they continue to make just the minimum monthly payments.

(Note: For this activity, don't factor in ongoing interest rate additions. Just keep in mind that added monthly interest could change the total payoff months dramatically.)

DEBT SNOWBALL

DEBTS	BALANCE	MINIMUM PAYMENT	MONTHS TO PAYOFF
Diagnostic Center	\$50	\$10	<u>5</u>
Hospital Bill	\$460	\$38	<u>13</u>
Home Depot	\$770	\$45	<u>18</u>
Chase Visa	\$3,300	\$150	<u>22</u>
Car Loan	\$6,400	\$320	<u>20</u>

Your Turn

This week, get started with your own debt snowball. Calculate how much faster you could pay your debts off if you could find an extra \$100 (or even \$500!) in your budget to apply toward your debt snowball. Once you've done that, go to fwworkshops.com/debt to watch the *Dumping Debt* video and download the Debt Snowball Form and the Money-Saving Tips. You can do this!

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Hospital Bill	\$460	\$38	_____
Home Depot	\$770	\$45	_____
Chase Visa	\$3,300	\$150	_____
Car Loan	\$6,400	\$320	_____

Now calculate how quickly they could pay off their debt by finding an extra \$500 in their budget to apply toward their payments in addition to their ongoing minimum monthly payments.

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