



Activity: Create Your Debt Payoff Plan

This activity guides you to develop your own individual plan to pay off your current debts.

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Make a list of all your current debts. Include the debtor name, type of debt (i.e. student loan, vehicle loan, mortgage, credit card), the amount you owe, the debt's interest rate, and the current minimum monthly payment.

Decide on the repayment strategy with which you feel most comfortable: Avalanche (paying down the debt with the highest interest rate first) or Snowball (paying down the debt with the smallest balance first). Keep in mind that Avalanche is the preferred and recommended method because it saves you the most money.

Select the debt you plan to pay off first (highest interest rate or smallest balance, depending on the strategy you chose). Calculate how much extra payment you could add. While you're fighting the first debt, it'll feel difficult, because you will need to shave some money off your budget elsewhere to make the additional payment. But once you pay off the first debt, things will start to move faster.

Calculate the number of payments left on the debt you have chosen to attack first. You can use an online loan repayment calculator to get an exact number, or you can roughly estimate the number by dividing the amount you owe by the total payment you intend to make (minimum PLUS additional). Your estimate will be off by a few months because it does not account for interest payments, but it is easy to estimate if you don't have online access at the moment.

Example:

Debtor Name	Type of Loan	Amount Owed	Amount Rate	Minimum Payment Amount	Additional Payment Amount	# of payments left at maximum payments	Notes
Dept of Education	Student	\$20,167	6.8%	\$177			
ABC Financial	Mortgage	\$267,000	4.9%	\$1,417			
Visa #1	Credit card	\$567	27%	\$20	\$120	4	
MasterCard	Credit card	\$2,245	24%	\$32			

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Once you finish your first debt, apply the full payment of your previous debt (minimum PLUS additional payment) to the next debt:

Debtor Name	Type of Loan	Amount Owed	Amount Rate	Minimum Payment Amount	Additional Payment Amount	# of payments left at maximum payments	Notes
Dept of Education	Student	\$20,167	6.8%	\$177			
ABC Financial	Mortgage	\$267,000	4.9%	\$1,417			
Visa #1	Credit card	\$0	27%	\$20	\$120	4	
MasterCard	Credit card	\$2,245	24%	\$32	\$140	13	

Complete your debt payoff plan:

Strategy

Avalanche: Pay off highest interest debt first.

Snowball: Pay off lowest balance debt first.

