

CREDIT CARDS AND DEBT

Building a Debt Repayment Plan

Detailed practice, calculation, decision-making, and assessment

GRADES 9-12	TIME 2 x 42 min	GROUPING I / pairs / whole	PRODUCT Debt payoff strategy
YOUR CHALLENGE Compare two debt payoff strategies, keep every required minimum payment current, and create a plan that fits both the math and the borrower's motivation.			

Two Common Strategies

Strategy	How it works	Possible benefit	Possible drawback
Highest-rate method	Pay minimums on all debts and send extra money to the highest APR.	Usually attacks the most expensive debt first.	The first payoff may take longer.
Smallest-balance method	Pay minimums on all debts and send extra money to the smallest balance.	Can create a quick win and motivation.	May cost more if a high-rate debt waits.
NONNEGOTIABLE STEP Both strategies begin by paying at least the required minimum on every debt. The extra payment goes to one selected debt.			

Part 1 - Map the Debts

Debt	Balance	APR	Minimum payment	Rank by balance	Rank by APR
Store card	\$300	18%	\$25		
Credit card A	\$900	24%	\$40		
Personal loan	\$1,500	10%	\$75		

Find the total debt and total required minimum payments. Jordan has an extra \$100 per month.
Find the total monthly debt payment.

Part 2 - Build Both Month 1 Plans

For this activity, estimate one month of interest as $\text{balance} \times \text{APR} / 12$. Add interest, then subtract the planned payment.

Debt	Interest estimate	Highest-rate payment	Highest-rate ending balance	Smallest-balance payment	Smallest-balance ending balance
Store card					
Credit card A					
Personal loan					

Show all interest and ending-balance calculations. Under each strategy, confirm that payments total \$240: \$140 minimums plus \$100 extra.

Part 3 - Roll the Payment Forward

When a debt reaches \$0, its old payment is added to the next target debt. Do not reduce the total monthly payment unless the budget requires it.

Event	Payment freed	Next target under highest-rate method	Next target under smallest-balance method	New payment to target
First debt paid				
Second debt paid				
Final debt				

Explain how rolling payments forward can speed up the plan.

Part 4 - Stress-Test the Plan

In Month 3, Jordan can pay only \$190 instead of \$240. The required minimums still total \$140.

Question	Calculation or evidence	Answer
Amount still available for extra payment		
Minimum payments protected?		
Temporary target payment		
Action if even \$140 is not available		
Date to return to the \$240 plan		

Why is skipping a different debt’s minimum to keep the full target payment unsafe?

Part 5 - Choose and Document a Strategy

Plan choice	My evidence
Chosen strategy	
Reason it fits Jordan	
Total monthly payment	
First target	
Minimum-payment safeguard	
Progress check date	
Hard-month rule	
Payment rollover rule	
One fact to verify with each creditor	

Write a 150-200 word recommendation. Include total debt, total minimums, the \$100 extra payment, both first targets, one Month 1 calculation, the chosen strategy, and the Month 3 adjustment.