Credit Card Debt Simulation

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Reflection Paper: Credit Card Debt Simulation

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In my simulation, I put $8,855.00 on my card in a 10 year period. In that 10 years, I accumulated $3,896.84 in interest. Making minimum payments, I paid $9,554.58 towards that $12751.84 debt ($8855+3,896.84).   I still have a $3,238.19 balance left to pay. If I didn't make another single charge, and continued to make the minimum required payments, it would take 14 years 4 months, with another $2150.96 in interest. (Interestingly enough, if I would just continue to pay $98.88 until paid off, it would only take 3 yrs 7 months, a savings of 10.75 years and $1206.80 in interest!) So if I paid the declining minimum balance, That $8,855 would take 24 years 4 months to pay for, for a total of $14,902.80. (12,751.84+2,150.96) Wow!

The tips I learned through my own experience is that you have to establish rules before you use credit cards for even the first time. Each person has to decide for themselves, but here's some rules for consideration: (1) Establish a 30 day rule for credit card purchases. Nothing is purchased without sitting on it for 30 days, just to make sure you really want it. (2) Don't buy anything without having the cash to pay it off when the bill comes in. It's an excellent way to build credit without acquiring debt. (3) Require of yourself to save up at least half of an item's price before charging the other half on the credit card. (4) Any time you use a card to purchase something that you cannot fully pay off when the bill comes, make it a rule that you won't buy another thing until you've paid that item off in full.

What have I learned in this activity? Even though I bought $8,855 worth of things, I'll be darned if I could tell you what I'd bought. I probably couldn't count up

$1,000 worth of things I'd put on my credit card. They seemed important at the time, but now they hardly seem worth it. Especially when it took 24 years and $15 thousand dollars.