



FIFTH THIRD BANK



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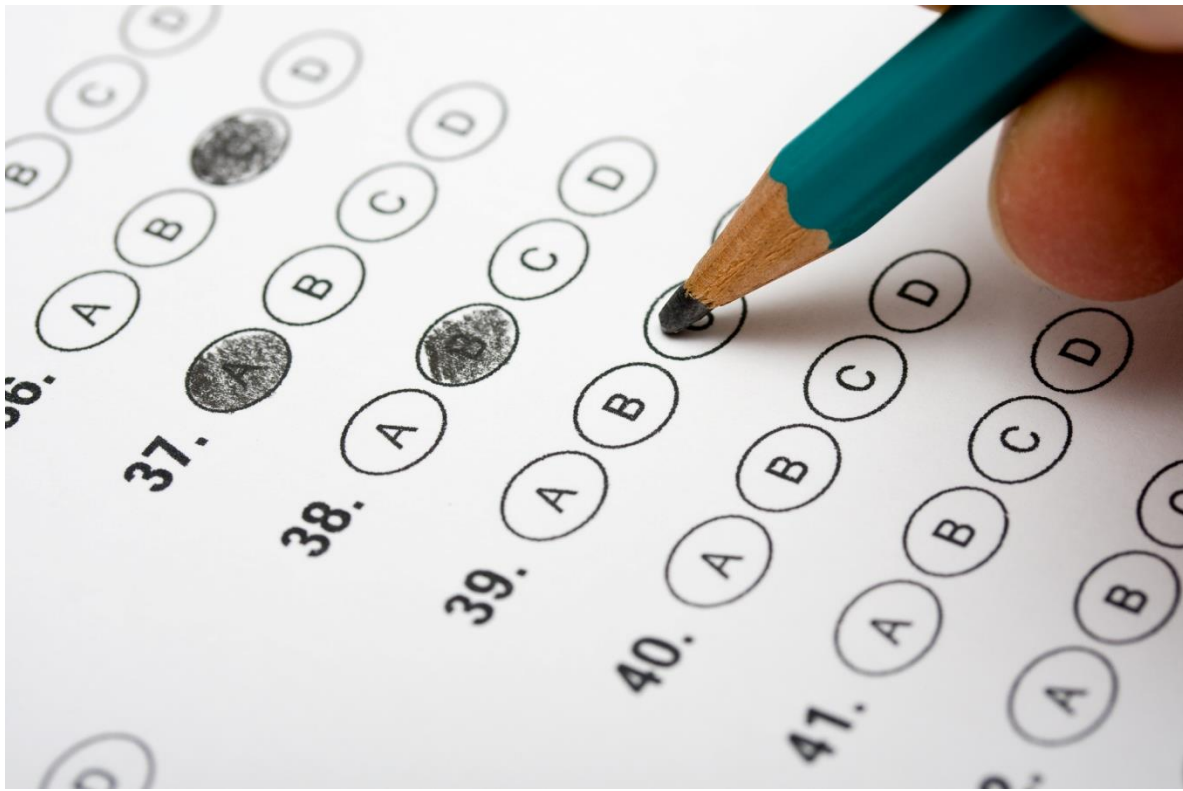
STRATEGIES TO SLASH YOUR DEBT

Fifth Third Bank
PRESENTED BY: Aashna Cross
AVP, Financial Center Manager III



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Fifth Third Bank, National Association.
Member FDIC. Equal Housing Lender.



DEBT QUIZ



FACT OR FICTION



You should always pay off your highest interest rate debts first.



The average U.S. household has over \$7,000 in credit card debt*



Building your savings should always be your first priority.



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*"Credit," debt.org, <https://www.debt.org/credit/> (accessed February 27, 2020).



SLASH YOUR DEBT



LOW TO HIGH APPROACH

- Pay off debts in order of smallest to largest
- Once first debt is paid off you can add that payment to your monthly payment on the second debt
- Benefits
 - Psychological benefit of accomplishing debt repayment
 - Reduce risk by reducing number of creditors in case of medical emergency or job loss



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LOW TO HIGH APPROACH

	Card A	Card B	Card C	Card D
Interest rate	21%	10%	6%	17%
Balance	\$100	\$200	\$300	\$400
Payoff order	1	2	3	4
Minimum payment	\$10	\$15	\$20	\$25
Monthly payment	\$60	\$15	\$20	\$25

Approach

- Pay off debt from lowest balance to highest
- In this example, you have \$50 per month to put toward debt repayment
- Start with the lowest balance and apply the extra to that card while making minimum payments on all other debt



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LOW TO HIGH APPROACH

	Card A	Card B	Card C	Card D
Interest rate	21%	10%	6%	17%
Balance	\$0	\$200	\$300	\$400
Payoff order	1	2	3	4
Minimum payment	\$0	\$15	\$20	\$25
Monthly payment	\$0	\$75	\$20	\$25

Approach:

- After two months Card A will be paid off
- Now move on to Card B
 - Pay Card B minimum payment + Card A minimum payment + extra \$50



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HIGH TO LOW APPROACH

- Pay off debts in order of highest to lowest balance
- Once first debt is paid off you can add that payment to your monthly payment on the second debt
- Benefits
 - Repays debt faster
 - Reduces your debt to credit ratio faster which could boost your credit score



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HIGH TO LOW APPROACH

	Card D	Card C	Card B	Card A
Interest rate	17%	6%	10%	21%
Balance	\$400	\$300	\$200	\$100
Payoff order	1	2	3	4
Minimum payment	\$25	\$20	\$15	\$10
Monthly payment	\$75	\$20	\$15	\$10

Approach

- Pay off debt from highest to lowest balance
- In this example you have \$50 per month to put toward debt repayment
- Start with the highest balance card and apply the extra to that card while making minimum payments on all other debt



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HIGH TO LOW APPROACH

	Card D	Card C	Card B	Card A
Interest rate	17%	6%	10%	21%
Balance	\$400	\$300	\$200	\$100
Payoff order	1	2	3	4
Minimum payment	\$0	\$20	\$15	\$10
Monthly payment	\$0	\$95	\$15	\$10

Approach:

- After six months Card D will be paid off
- Now move on to Card C
 - Pay Card D minimum payment + Card C minimum payment + extra \$50



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INTEREST RATE APPROACH

- Pay off debts in order of highest interest rate to lowest
- Once first debt is paid off you can add that payment to your monthly payment on the second debt
- Benefits
 - Reduces the interest you pay in the long run
 - Repays debt faster



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INTEREST RATE APPROACH

	Card A	Card D	Card B	Card C
Interest rate	21%	17%	10%	6%
Balance	\$100	\$400	\$200	\$300
Payoff order	1	2	3	4
Minimum payment	\$10	\$25	\$15	\$20
Monthly payment	\$60	\$25	\$15	\$20

Approach:

- Pay off debt from highest interest rate to lowest
- In this example you have \$50 per month to put toward debt repayment
- Start with the highest interest card and apply the extra to that card while making minimum payments on all other debt



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INTEREST RATE APPROACH

	Card A	Card D	Card B	Card C
Interest rate	21%	17%	10%	6%
Balance	\$100	\$400	\$200	\$300
Payoff order	1	2	3	4
Minimum payment	\$0	\$25	\$15	\$20
Monthly payment	\$0	\$85	\$15	\$20

Approach:

- After two months Card A will be paid off
- Now move on to Card D
 - Pay Card D minimum payment + Card A minimum payment + extra \$50



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WINDFALL APPROACH

- Pay off debts using a one-time payment to allow extra money to make higher monthly payments on other debt
- Benefits
 - Repays debt faster
 - Reduces your debt to credit ratio faster which could boost your credit score
 - Ideal for people with tight budgets because it makes extra money available to repay other debts



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WINDFALL APPROACH

	Card D	Card C	Card B	Card A
Interest rate	17%	6%	10%	21%
Balance	\$400	\$300	\$200	\$100
Payoff order	1	2	3	4
Minimum payment	\$25	\$20	\$15	\$10
Monthly payment	\$25	\$20	\$15	\$10

Approach

- Pay off debt using large sums of money as they become available to you
- Paying off some debt using a bonus, tax return or inheritance will free up money to make larger payments on other debt
- Not the complete answer but can be used effectively if the extra money is used for debt repayment





WINDFALL APPROACH

	Card D	Card C	Card B	Card A
Interest rate	17%	6%	10%	21%
Balance	\$400	\$300	\$200	\$100
Payoff order	1	2	3	4
Minimum payment	\$25	\$20	\$15	\$10
One-time payment	\$400	\$300	\$0	\$0
New monthly payment	\$0	\$0	\$60	\$10

Approach

- After one time payment Cards D and C will be paid off
- Now move on to Card B
 - Pay Card D minimum payment + Card C minimum payment + Card B payment



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**STOP SPINNING
YOUR WHEELS**



CUT EXPENSES

- Create a budget and stick to it
- Don't pay full price
- Hire yourself



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INCREASE AVAILABLE CASH

- Have a yard sale
- Save your change
- Turn cash gifts into debt payments
- Cash in on a talent
- Bank your bonuses



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STAY DEBT FREE



DEBT FREE TIPS

1. Remember the agony
2. Involve your friends and family
3. Build and rebuild your budget
4. Frame the ugliest bill you have
5. Refine your value system
6. Save your old debt payments
7. Keep the momentum



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Aashna Cross

AVP, Financial Center Manager III

616-771-5109

Aashna.cross@53.com NMLS 428292



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