

The Moment It Becomes Real

Imagine you have \$8,000 in credit card debt at 27% APR. Your minimum payment is \$200/month. Here's where that \$200 goes:



Only \$20 (10%) reduced your actual debt. The other \$180 (90%) was the cost of carrying that balance for one month. At this rate it takes over 5 years to pay off \$8,000 — and you'd pay nearly \$4,300 in interest on top.

Month-by-Month: Minimum Payments on \$8,000 at 27% APR

Watch how slowly the balance moves when you only pay the minimum:

Month	Balance Owed	Interest Charged	To Principal	Remaining Balance
1 (min \$200)	\$8,000.00	\$180.00	\$20.00	\$7,980.00
2 (min \$200)	\$7,980.00	\$179.55	\$20.45	\$7,959.55
3 (min \$200)	\$7,959.55	\$179.09	\$20.91	\$7,938.64
6 (min \$200)	\$7,877.02	\$177.23	\$22.77	\$7,854.25
12 (min \$200)	\$7,729.75	\$173.92	\$26.08	\$7,703.67
After 12 months: \$2,400 paid		\$2,103 went to interest	\$297 reduced the balance	\$7,703 still owed

What Happens When You Pay More

Increasing your monthly payment — even modestly — dramatically reduces total cost and time to payoff:

Payment Strategy	Monthly	Months	Total Interest	Total Cost
Minimum only (~\$200)	~\$200	63	\$4,348	\$12,348
\$300/month	\$300	34	\$1,897	\$9,897
\$400/month	\$400	24	\$1,204	\$9,204
Interest-free loan (0% APR)	Any	Term	\$0	\$8,000

Try It With Your Own Numbers

Use your most recent credit card statement to fill in the fields below:

My Debt Information	Tip	My Number	Notes
My credit card balance (principal)		\$ _____	
My APR	<i>Check your statement</i>	\$ _____	
Monthly interest (balance × APR ÷ 12)	<i>The cost of staying in place</i>	\$ _____	
My minimum payment		\$ _____	
Amount reducing my debt (payment – interest)	<i>Your real monthly progress</i>	\$ _____	

✓ Key Takeaway

- Even adding \$50–\$100 above your minimum payment each month can cut years off your payoff timeline and save thousands in interest.
- Every extra dollar above the minimum goes directly to reducing your balance — not to the lender's profit.
- An interest-free loan used to consolidate credit card debt eliminates interest costs entirely — every dollar you repay counts.