



FINANCE AND ADMINISTRATION CABINET
KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY

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Money Tip for Students, December 2018

How to get in trouble with credit card debt

Students can get into trouble with credit card debt if they don't take time to think about what they're doing, according to the Kentucky Higher Education Assistance Authority (KHEAA).

One quick way to get into trouble is to carry a high balance and pay only the minimum payment each month.

If you have a \$1,500 balance, your minimum payment might be \$30 a month, since many credit card companies set the minimum payment at 2 percent of the balance. Let's say your card carries a 22 percent interest rate. If you only pay \$30 a month and don't charge anything else until you pay off the entire balance, it will take you more than 11 years to pay your balance down to zero — and you'll pay \$2,600 in interest.

It's worse, of course, if you pay the \$30 and turn around and charge another \$30.

That circle is especially bad for students. Many college officials say more students drop out because they have to go to work to pay off their credit cards than because they flunk out.

Before using your credit card, ask yourself if you really need what you're buying and if you can afford it. And if you can't pay off the entire balance, pay as much as you can, not just the minimum.

KHEAA is the state agency that administers Kentucky's grant and scholarship programs, including the Kentucky Educational Excellence Scholarship (KEES). The agency also provides financial literacy videos at <http://itsmoney.kheaa.com> and free copies of "It's Money, Baby," a guide to financial literacy, to Kentucky schools and residents upon request at publications@kheaa.com.

KHEAA also disburses Advantage Education Loans, the state's only non-profit private education loan. For more information, visit www.advantageeducationloan.com.

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