

Building Your  
Financial  
Foundation



Workplace Education Series

# Tackle Debt and Understand Your Credit Score



# Which type of debt are you most concerned about?



**Student loans**



**Credit cards**



**Auto loans**



**Mortgages**



**Medical debts**



**Payday loans**

\*Debt.org, "Key Figures Behind America's Consumer Debt," May 13, 2021,  
<https://www.debt.org/faqs/americans-in-debt/>

# What are the benefits of taking control of your debt?

Improve your peace  
of mind

Decrease your  
day-to-day stress

Improve your  
credit rating

Stay focused on  
long-term goals



# Take action: Know where you stand

## Activity



Download this activity sheet to help you manage your debt

**Fidelity**

### Managing Your Debt Activity Sheet

The first step to ditching debt? Knowing what you owe. List out the details of all your debts and payments. Then, we'll see how much extra monthly income you have to pay them off.

**DEBTS** **Tip:** Be sure to include all Debt Types, including credit cards, mortgages, student loans, auto loans, and others.

Debt Type	Balance	Interest Rate/ APR	Months Remaining	Minimum Monthly Payments
	\$	%		\$
	\$	%		\$
	\$	%		\$
	\$	%		\$
	\$	%		\$
	\$	%		\$
<b>DEBT TOTALS</b>	<b>\$ 0.00</b>			<b>\$ 0.00</b>

**MONTHLY PAYOFF POTENTIAL** (extra monthly income you could apply toward your debts)

\$  - \$  = \$ 0.00

**TOTAL MONTHLY INCOME (TAKE-HOME-PAY)**      **TOTAL MONTHLY EXPENSES**      **TOTAL MONTHLY SURPLUS INCOME**



Navigate to  
**Fidelity.com/ManageYourDebt**  
and fill out the activity sheet

For illustrative purposes only.



# Things to keep in mind while paying down your debt



**Keep up with  
regular payments**



**Follow the 6%  
interest rate rule**



**Make saving part  
of your plan**



**Prioritize debt  
payments**



# Two strategies for paying down debt

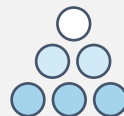


## Avalanche Method

Pay off the loan with the **highest interest rate first.**

Then apply payments to the loan with the next highest interest rate.

**BENEFIT:**  
May save the most **interest.**

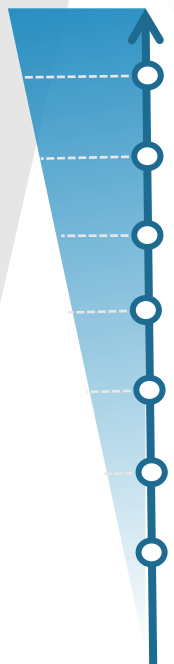


## Snowball Method

Pay off the **smallest loan first.**

Then apply payments to the next smallest loan.

**BENEFIT:**  
Helps build **momentum.**



# Avalanche Method: Start with the highest interest rate

**Paula, 31** (she/her)

Uses the **avalanche method** by paying down the debt with the **highest interest rate first**.



Hypothetical example is for illustrative purposes only.



## Managing Your Debt Activity Sheet

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DEBTS **Tip:** Be sure to include all Debt Types, including credit cards, mortgages, student loans, auto loans, and others.

Debt Type	Balance	Interest Rate/ APR	Months Remaining	Minimum Monthly Payments
Credit card	\$20,000.00	20.00 %	—	\$450.00
Student loan	\$100,000.00	6.00 %	106	\$1,000.00
Car loan	\$10,000.00	3.00 %	103	\$100.00

Increases monthly payment on **credit card debt** from \$450 to \$550, shaving two years off the payoff time, and saving more than \$5,750 in interest

After paying off credit card, adds the \$550 payment to the \$1,000 minimum payment on **student loans**

After paying off student loans, devotes all loan-payment money—\$1,550 per month—to **her car payment**



Total interest paid would be \$45,340—nearly \$12,000 less than by paying minimums, **paying off debt in 9 years instead of 12**

# Snowball Method: Start with the smallest loan



**Wilson, 27** (he/him)

Uses the **snowball method** by paying down the **smallest loan first**.




Hypothetical example is for illustrative purposes only.




## Managing Your Debt Activity Sheet

The first step to ditching debt? Knowing what you owe. List out the details of all your debts and payments. Then, we'll see how much extra monthly income you have to pay them off.

**DEBTS**  **Tip:** Be sure to include all Debt Types, including credit cards, mortgages, student loans, auto loans, and others.

Debt Type	Balance	Interest Rate/ APR	Months Remaining	Minimum Monthly Payments
Car loan	\$ 10,000.00	3.00 %	103	\$ 100.00
Credit card	\$ 20,000.00	20.00 %	—	\$ 450.00
Student debt	\$ 100,000.00	6.00 %	106	\$ 1,000.00

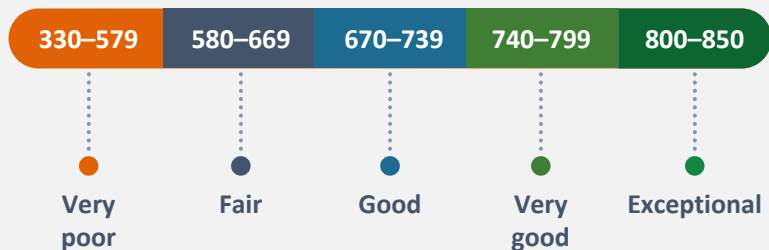
- Increases monthly payment on **his car payment** from \$100 to \$200
- Once his car is paid off, pays an extra \$200 per month to **credit card debt**, for a total of \$650 per month
- When his credit card is paid off, pays an extra \$650 per month on **student loan debt** on top of the minimum \$1,000
-  Total interest paid is \$51,000— \$6,240 less than by paying minimums—**paying off debt in 10 years instead of 12**



# Credit scores and their impact



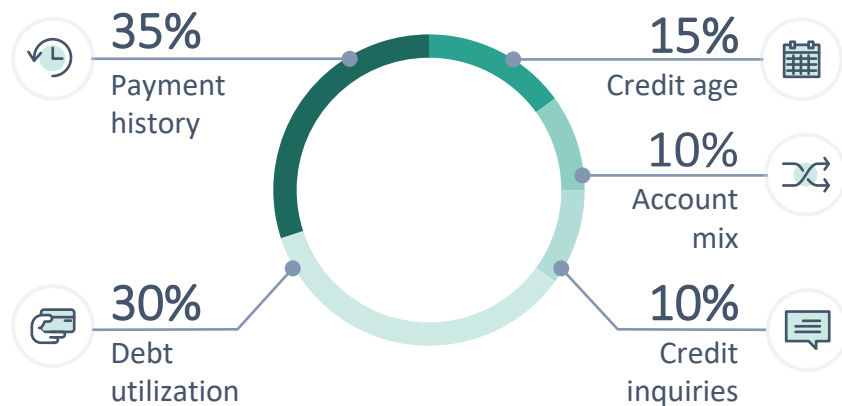
The higher your credit score, the easier it can be for you to get a loan—and probably one with lower interest rates



Sources: [Experian.com/blogs/ask-experian/credit-education/score-basics/what-is-a-good-credit-score/](https://experian.com/blogs/ask-experian/credit-education/score-basics/what-is-a-good-credit-score/); Sources: “What does FICO stand for? And what is a FICO Score?” Credit.com, October 20, 2021.



What goes into your credit score?



# Set up a plan for monitoring your credit

Schedule your three  
**free credit reports**



Equifax

TransUnion

Experian

February

June

October



Check your credit score for free at  
**AnnualCreditReport.com,**  
**CreditKarma.com,\*** or **Credit.com\***  
(or see if it's on your credit card statement)

\*Equifax, TransUnion, Experian, CreditKarma.com, and Credit.com are not affiliated with Fidelity Investments.



**Why did your  
credit score drop?**

# Ways to help improve your credit score



1. "What's in my FICO® Scores?" Fair Isaac Corporation, <https://www.myfico.com/credit-education/whats-in-your-credit-score>.
2. Alexton, Karen, "How Long Do Hard Inquiries Stay on Your Credit Report?" Experian, July 5, 2020, <https://www.experian.com/blogs/ask-experian/how-long-do-hard-inquiries-stay-on-your-credit-report>.
3. Steele, Jason, "How Applying for Credit Impacts Your Credit Score," Experian, July 14, 2019, <https://www.experian.com/blogs/ask-experian/how-applying-for-credit-impacts-your-credit-score/>.



# Put your plan into action

**Know what you owe  
and create a debt  
management plan**

1



**Monitor and build  
your credit**

2



Visit  
[www.cpg.org/myaccount](http://www.cpg.org/myaccount)  
or call **877-208-0092**

3



Get started on the path to better  
managing your money and working  
toward the future you want

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**[NetBenefits.Fidelity.com/livewebmeetings](https://NetBenefits.Fidelity.com/livewebmeetings)**

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