

Personal Finance Education Curriculum for 18-35 year olds

Curriculum written by Kate Nixon Anania

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For use in conjunction with *Twenties in Your Pocket: A twenty-something's guide to money management*, by Kate Nixon Anania

Available on [Amazon](#).

Class 5: Debt

Chapters 7 and 8 of *Twenties in Your Pocket: A twenty-something's guide to money management* by Kate Nixon Anania

Good vs bad debt

Good debt has three things:

1. You think you can afford to pay it off within a reasonable amount of time
2. The debt allows you to move forward in your life
3. The debt comes with a long term plan

All other debt isn't considered "good debt."

Student loan debt

- Beware of private loans, variable rates
- Be careful who cosigns your loans— they can hurt you and vice versa
- Figure out your loan payments before you commit to an expensive program
 - \$50k education will cost \$600/mo for 10 years with \$20k interest, \$30k education will cost \$300/month with \$6k interest
- Look at the Department of Labor [Occupational Outlook Handbook](#) (online) for information about what kinds of jobs you can get with your degree— will you be able to afford to pay off the student loans?
- Lots of ways to learn skills through alternative routes other than college, technical skills are great too

Debt interest

Interest rates are the opposite of investing but work the same way

- Don't EVER take out a car title loan or a payday loan— you can pay up to 2000% APR (for context, a credit card should be about 19% APR)

How do you pay off debt?

1. Automate your payments
2. Make phone calls to advocate for yourself
 - Ask to lower your payments and interest rates

Note: You can't go to jail for debt, you can have your wages garnished (you don't get paid)

How to make a plan to pay down debt:

- Make a list of everything you owe, the interest rates and the minimum payments
- Two methods:

- Start with the highest interest rate- you will pay less overall
- Start with the smallest amount- you will feel like you are making progress
- Pay the same amount (minimum payments on everything plus extra towards one debt, either of the above options is fine) every month. As your debt goes down, don't lower how much you are paying.

Activity: Debt game

Resources: you need dried beans and printed out budget games for this lesson. Activity can be done in teams or individually.

Note: Instructor has a separate key to run the game.

Directions:

1. Have students fill out the front page of worksheet.
2. Everyone should start with 20 beans, some students are going to end up with more or less.
3. Once the class has chosen their debts (front side), read the section in bold for each option.
4. Have students flip over worksheet and fill out the table/spend their beans based on their choices

Follow up discussion:

- Were you able to pay off your debts with the numbers of beans you had, or will you still owe money?
- What would you have done differently if you knew how much things would cost or what the long term financial benefits would be?
- Did you have any strategies for paying off debt?
- What did you learn about interest?
- Which categories seem like "smart debt"? Which seem like "not-so-smart-debt"?