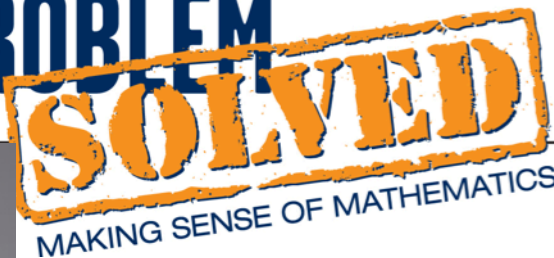
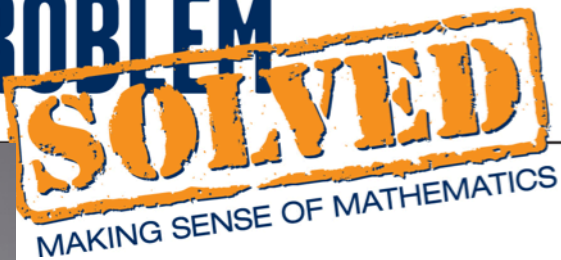




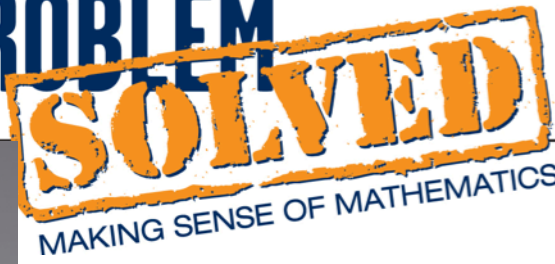
Scene	Full Transcript
1	<p>Chris: Oh, nice man! Perfect, thank you!</p>
2	<p>Bernie: Oh hey guys! Back again, huh? You're becoming regulars here at Bernie's. You remember my buddy Chris!</p> <p>Chris: What's up everybody?</p> <p>Bernie: He's digging himself out of credit card debt. While we go on break, lets take another look at his statements and get his credit card problem solved.</p>
3	<p>Voice-Over Bernie: Small purchases really add up over time. Look at that balance!</p> <p>Bernie: I've already explained to Chris, that in order to pay off his balance, he should stop making purchases on the card. Right, Chris?</p> <p>Chris: I'm cutting them up right now!</p>
4	<p>Bernie: Nice! But remember, the debt doesn't go away. What he needs is a good strategy for paying off his credit card balance.</p> <p>On every statement, you will find the minimum payment due. This is the smallest amount you can pay each month. Credit card companies determine the minimum payment by taking a small percentage of the current balance.</p>
5	<p>Voice-Over Bernie: From his statement, we can see that Chris's minimum payment is one hundred twenty-one dollars and seventy-eight cents.</p> <p>Bernie: Lets create a table to illustrate what happens each month if he pays the minimum payment!</p> <p>Voice-over Bernie: Here's the current balance. When Chris makes his payment, it leaves him with a balance of, two thousand nine hundred twenty-two dollars and sixty-one cents. You might expect this to be the new balance on the next statement. But remember, the company will add interest for that month. Here's the new balance.</p> <p>Since the balance from month two will decrease, his minimum payment will also decrease. As long as he hasn't made any additional purchases, the current balance and minimum due will continue to decrease each month.</p>



6	<p>Chris: That's almost twelve years!</p> <p>Bernie: But here's the most painful part, remember he started out owing, three thousand forty-four dollars and thirty-nine cents. With this payment plan, he will end up paying a total of five thousand eight hundred seventy-five dollars and five cents, which includes over twenty-eight hundred dollars in interest!</p> <p>Chris: I'll be working at Bernie's forever!</p> <p>Bernie: Don't worry man! Credit card companies also state a payment necessary to pay off the current balance in three years.</p> <p>Voice-Over Bernie: In this case, the amount is one hundred twenty-two dollars.</p>	<p>So, how long will it take to pay off his balance? If Chris only makes the minimum payment each month, it would take eleven years and seven months.</p>
7	<p>Voice-Over Chris:</p>	<p>That's only twenty-two cents more than the initial payment!</p>
8	<p>Bernie:</p> <p>Voice-Over Bernie:</p> <p>Chris:</p> <p>Bernie:</p>	<p>But remember, you need to make this same payment, every month for three years, no matter what future statements show.</p> <p>Here's a new table with the current balance and his payment. He will make the same payment every month, instead of the minimum payment that continue to decrease. Add the interest and his new balance will be two thousand nine hundred eighty-three and forty-three cents.</p> <p>If he continues his plan of making one hundred twenty-two dollar payments, Chris will pay off his debt off about eight and a half years sooner and save about sixteen hundred dollars in interest!</p> <p>I can't afford not to pay the one hundred twenty-two dollars!</p> <p>It's a no brainer! But pay close attention to what will be on the next monthly statement.</p>
9	<p>Voice-Over Bernie:</p>	<p>The minimum payment has been reduced as expected, however the three year payoff amount is no longer one hundred twenty-two dollars.</p>
10	<p>Bernie:</p>	<p>That's because statements are always calculated to pay off the current balance in three years from the day of the statement.</p> <p>If Chris's plan is to pay off the three thousand forty-four dollars and thirty-nine</p>



		cent balance in three years, he is going to have to ignore the three year pay-off amount on future statements and stick to making one hundred twenty-two dollar payments.
10	Chris:	Twenty-one, twenty-two, twenty-three.
	Bernie:	Not bad! Today Chris made twenty-three dollars in tips, which is pretty typical. Lets say he's disciplined and puts twenty-three dollars more towards his payment every month, then his payment would be one hundred forty-five dollars!
11	Voice-Over	Lets create a graph to show consistent monthly payments, in the time it takes to pay off the current balance.
	Bernie:	Here is one hundred twenty-two dollar payments and here is one hundred forty-five dollar payments, a twenty three dollar difference. By paying the additional twenty-three dollars each month, he will pay off his balance seven months sooner! If we plot all possible monthly payments, the graph will look like this. It's important to remember that as the payment increases, the time necessary to pay it off, decreases. The more he pays, the sooner he'll pay off his balance. For example, if he would make three hundred dollar payments, he will pay the balance off in about one year.
12	Bernie:	Make sense? But be careful when interpreting the graph.
13	Voice-Over	Adding twenty-three dollars to any monthly payment may not result in paying off the balance seven months earlier.
	Bernie:	Lets compare three hundred dollar payments to three hundred twenty-three dollar payments. Adding the extra twenty-three dollars to his three hundred dollar payment only reduces the time by one month. When he changed his payment from one hundred twenty-two dollars to one hundred forty-five dollars, he shortened his repayment by seven months! But when he changed his payment from three hundred to three hundred twenty-three dollars, still a twenty-three dollar difference, he only gained one month. So why does the impact of an additional twenty-three dollars diminish as the monthly payments increase? This is because of the relationship between the payment and the pay off time is an inverse relationship. As the payment increase, the amount of time decreases at a decreasing rate. Understanding these concepts, will help you in creating a budget to pay off your credit balance!



14 **Bernie:** You're on your way to being debt free!

Chris: Finally!

Bernie: Problem Solved!

Chris: Hey, ready to get back to work?

Bernie: How about another fry?