

NAME: _____

DATE: _____

ACTIVITY

Payment Prioritization

What + Why: Decide how to use extra money to pay down debt so you can see how different repayment choices can affect how fast debt goes away.

Lila can afford all the minimum payments and has a little extra money each month. Where should the extra go? Keep in mind that different repayment strategies may prioritize reducing interest, paying off balances faster, or building motivation through quick wins.

Instructions:

1. Read Lila's scenario and look through her table of debts.
2. Decide which debt should get the extra \$75 each month.
3. Answer the questions using the information in the table.

Be ready to explain your choice.



Scenario

Lila finished school last year and is working full time. She can make all the minimum payments on her debts but only has **\$75 extra each month** to pay down one balance faster.

Lila's Debts

Debt	Balance	Interest Rate	Minimum Payment
Credit Card A	\$900	24%	\$35
Credit Card B	\$350	18%	\$25
Debt	Balance	Interest Rate	Minimum Payment
Auto loan	\$6,000	6%	\$180
Student loan	\$8,500	5.5%	\$75

Total minimum payments = \$315

Lila can pay = \$390

Extra available = \$75

Questions

1. Which debt should Lila use her \$75 on to reduce her overall debt and interest payments?
2. Explain your choice using evidence from the table.