

# Credit Card Ouch

## Overview

The true cost of using a credit card is rarely visible to the user. So, here is a spreadsheet to show all the grizzly details for simply paying off a balance without adding any new purchases; such as

- o the time it takes to pay off the balance,
- o the total interest paid,
- o the total interest / the initial balance
- o the month-by-month details as you work towards that zero balance.

## The Model

The model is a simple one that does not use complicated financial formulas. Instead uses a simple month-by-month calculations that allow you to see the month-by-month progress. It uses the algorithm (formula) for getting the New Balance is

$$\text{New Balance} = \text{Old Balance} - \text{Payment} + \text{Interest on Old Balance.}$$

All calculations and adjustments are made at the end of each month.

## The Method

1. You enter the initial (starting) balance and the annual interest listed on your bill.
2. The spreadsheet calculates
  - a. The monthly interest rate.
  - b. The Minimum Monthly Payment. Payments larger than this value causes the balance to decrease with time. Payments smaller than this cause the balance to grow.
3. You enter your monthly payments.

Then away it goes.

4. Scroll down to find words "PAID, PAID, PAID".

# STEP 1

Enter

1. The Initial (Starting) Balance.
2. The Annual Interest from your Credit Card Bill.
3. Your Monthly Payment

**YOU CAN ONLY CHANGE NUMBERS IN YELLOW CELLS.**  
For your own copy, [Copy and Paste](#) this page to another Excel file.

		Initial (Starting) Balance	Monthly Interest	Annual Interest	Monthly Payment	Minimum Monthly Payment
		\$1,000.00	1.53%	20.00%	\$20.00	\$15.31
Col 1	Col 2	Col 3	Col 4	Col 5	Col 6	Col 7
Years	Months	Balance	Interest Paid	Paid on Balance	Total Interest Paid	Interest Paid / Original Balance
0	0.00	\$1,000.00	\$15.31	\$4.79	\$15.31	1.53%
0	0.08	\$995.31	\$15.24	\$4.77	\$30.55	3.05%
0	0.17	\$990.55	\$15.16	\$4.84	\$45.71	4.57%
0	0.25	\$985.71	\$15.09	\$4.91	\$60.80	6.08%
0	0.33	\$980.80	\$15.02	\$4.98	\$75.91	7.59%

**Enter the initial or starting balance that you want to pay off.**

**Enter annual interest listed on your credit card bill.**

**Enter the amount you plan to pay each month.**

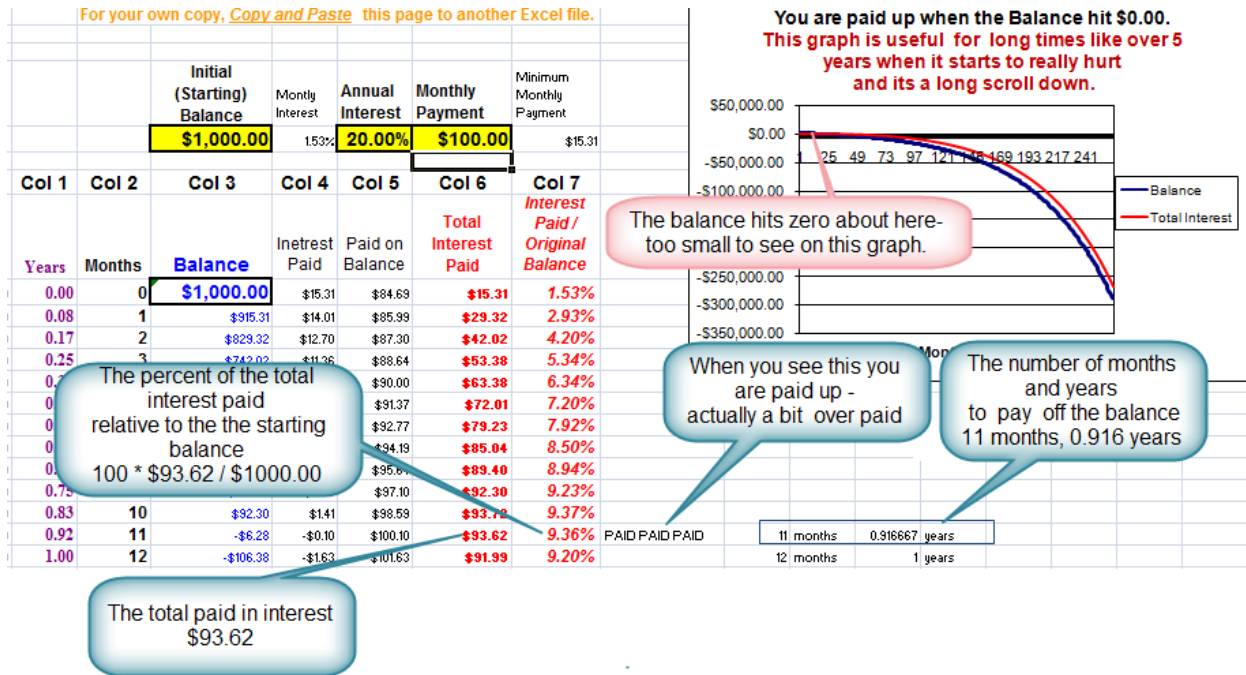
**The spreadsheet calculates the monthly interest**

**The spreadsheet calculates the monthly payment that will only cover interest - so balance WILL NOT decrease!**

## STEP 2a – short times

Scroll down until **“PAID,PAID,PAID”** , as shown below

1. For short time like this example you may not need to scroll down.
2. The graph is not very readable.



## STEP 2a – long times

1. For long times like this example you **will** need to scroll down.
2. The graph is readable, and becomes more accurate and readable as time increases.

