Escape the Debt Trap

Three cards, $5,690 of debt, and $400 a month. Design the fastest, cheapest way out.

Unit 4: Credit Cards & Debt | 3 class periods | Small groups (3)

Name(s) _____ Period ___ Due _____

Introduction

Credit card debt grows quietly. In this project your team acts as a nonprofit credit counselor for Marcus. You will read his statements, calculate interest, simulate repayment plans, evaluate a balance-transfer offer, and present a debt-freedom plan.

> Marcus, 25, owes money on three cards after a car repair and a period of reduced hours. He has stopped using the cards and can afford $400 per month toward debt.

Learning goals

- Calculate monthly interest and minimum payments.
- Simulate payoff under minimum, avalanche, and snowball strategies.
- Evaluate a balance-transfer offer.
- Interpret statements, utilization, and credit-score effects.
- Present and defend a repayment plan.

Supporting documents and data

Marcus's debts

Card	Balance	APR	Minimum payment	Credit limit
Northstar Visa	$3,200	24.99%	$96	$5,000
Trendy Threads store card	$640	28.99%	$30	$1,000
Bayline Mastercard	$1,850	19.99%	$55	$3,000

Balance-transfer offer (fictional)

Term	Detail
Promo APR	0% for 15 months on transferred balances
Transfer fee	4% of amount transferred
APR after promo	21.99%

Term	Detail
Credit limit if approved	$4,000
Approval	Not guaranteed; based on credit

Tasks

Task 1: Read the statements

1. Compute this month's interest on each card (balance × APR ÷ 12).
2. Compute total utilization and per-card utilization.
3. Identify which card is most expensive.

Deliverable: Interest and utilization table.

Task 2: The minimum-payment path

1. Estimate payoff time and total interest if Marcus pays only minimums (interest + 1%, at least $25) on each card.

Deliverable: Minimum-payment summary.

Task 3: Avalanche vs. snowball

1. Simulate $400/month using avalanche and snowball (minimums on all, extra to the target).
2. Record months to debt-free, total interest, and payoff order.

Deliverable: Strategy comparison (spreadsheet recommended).

Task 4: Balance transfer

1. If Marcus transfers the Visa balance, what is the new balance with the fee?
2. Will his plan pay it off within 15 months? What risks remain?

Deliverable: Transfer analysis.

Task 5: Debt-freedom plan

1. Recommend a strategy, a timeline, and three habits.
2. Create a 4–6 slide presentation for Marcus.

Deliverable: Presentation.

Reflection

1. Why do minimum payments last so long?

2. Which strategy would you personally stick with, and why?

3. How will Marcus's credit score likely change as he pays down balances?

Submission checklist

- ☐ Interest and utilization table
- ☐ Minimum-payment summary
- ☐ Avalanche vs. snowball comparison

- ☐ Balance-transfer analysis
- ☐ Presentation
- ☐ Reflection

Scoring rubric

Category (points)	Exemplary (100%)	Proficient (~80%)	Developing (~60%)	Beginning (~30%)
Financial understanding (20)	Uses vocabulary precisely and explains every financial concept involved, including assumptions.	Mostly accurate explanations with minor vocabulary gaps.	Partial understanding; some concepts misapplied.	Little evidence of understanding.
Mathematical accuracy (25)	Interest, minimum-payment, and strategy simulations are accurate.	1–2 minor errors that do not change conclusions.	Several errors or missing work.	Calculations largely missing or incorrect.
Analysis & comparison (20)	Compares every option on the same basis and tests at least one changed assumption.	Compares options with small gaps.	Comparison superficial or uneven.	Little analysis.
Justification (15)	Recommendation is supported by specific numbers and weighs non-financial factors and risks.	Mostly supported.	Mostly opinion.	No justification.
Communication & presentation (10)	Clear, organized, well-labeled tables, charts, and writing.	Minor clarity issues.	Hard to follow in places.	Disorganized.
Completion (10)	Every checklist item complete.	One item missing.	Two or three items missing.	Most items missing.

Total: 100 points. Alternative recommendations earn full credit when supported by accurate evidence.

ALL PEOPLE, BUSINESSES, PLACES, AND NUMBERS IN THIS PROJECT ARE FICTIONAL. RATES AND COSTS ARE ILLUSTRATIVE ASSUMPTIONS.