



# Personal Finance: Another Perspective

# Understanding, Avoiding, and Eliminating Debt

Updated 2017-01-20



# Objectives

- A. Understand the principles of using debt wisely
- B. Understand the Debt Cycle and why people go into debt
- C. Know how to develop and use personal debt reduction strategies
- D. Understand where to go for help if you get too far in debt
- E. Understand examples of debt reduction strategies for your PFP



# Your Personal Financial Plan

## IX. Student/Consumer Loans and Debt Reduction? (Template TT01-08 Loans template)

- Consumer/Student Loans outstanding?
  - What are your interest rates, costs, and other fees?
- Current debt situation?
  - What rates are you paying? Costs and fees?
- Action Plan:
  - If in debt, what is your debt reduction strategy?
  - What are your views on future debt?



# Why all the Quotes?

- Why include all the gospel quotes in a personal finance class (this is not “Teachings of the Living Prophets”)?
  - Boyd K. Packer stated:
    - True doctrine, understood, changes attitudes and behavior. The study of the doctrines of the gospel will improve behavior quicker than a study of behavior will improve behavior. (Boyd K. Packer, “Little Children,” *Ensign*, Nov. 1986, 16.)



# A. Understand the Principles of Using Debt Wisely

- It is a rule of our financial and economic life in all the world that interest is to be paid on borrowed money. . . Interest never sleeps nor sickens nor dies; it never goes to the hospital; . . it never visits nor travels; it is never laid off work; it never works on reduced hours; it never pays taxes; it buys no food, it wears no clothes. . . Once in debt, interest is your constant companion every minute of the day and night; you cannot shun it or slip away from it; you cannot dismiss it;. . .and whenever you get in its way or cross its course or fail to meet its demands it crushes you. So much for the interest we pay. Whoever borrows should understand what interest is, it is with them every minute of the day and night. (J. Reuben Clark, conference address, April 6, 1938)



## Using Debt Wisely (continued)

Gordon B. Hinckley commented:

The time has come to get our houses in order. So many of our people are living on the very edge of their income. In fact, some are living on borrowings. The economy is a fragile thing... There is a portent of stormy weather ahead to which we had better give heed. . . I am troubled by the huge consumer installment debt which hangs over the people of the nation, including our own people. I recognize that it may be necessary to borrow a home, of course. But let us buy a home that we can afford. . . We are carrying a message of self-reliance throughout the Church. Self-reliance cannot be obtained when there is serious debt hanging over a household. One has neither independence nor freedom from bondage when he is obligated to others. . . I urge you to look to the condition of your finances. I urge you to be modest in your expenditures; discipline yourselves in your purchases to avoid debt to the extent possible. Pay off debt as quickly as you can, and free yourselves from bondage. This is a part of the temporal gospel in which we believe. If you have paid your debts, if you have a reserve, even though it be small, then should storms howl about our head, you will have shelter and peace in your hearts. That's all I have to say about it, but I wish to say it with all the emphasis of which I am capable ("To the Boys and to the Men," *Ensign*, Nov. 1998, 52-54).



## Using Debt Wisely (continued)

- Some have said that finances have nothing to do with spirituality
  - Ezra Taft Benson corrected them and said:
    - The Lord desires his Saints to be free and independent in the critical days ahead. But no man is truly free who is in financial bondage (“Prepare Ye,” *Ensign*, Jan. 1974, p. 69).
    - Pride is a sin that can readily be seen in others but is rarely admitted in ourselves. . . It is manifest in so many ways, such as . . . *living beyond our means*. (italics added, Ezra Taft Benson, “The Faces of Pride,” *New Era*, October 2003, p. 40)



## Using Debt Wisely (continued)

- Gordon B. Hinckley said:
  - Reasonable debt for the purchase of an affordable home and perhaps for a few other necessary things is acceptable. But from where I sit, I see in a very vivid way the terrible tragedies of many who have unwisely borrowed for things they really do not need (Gordon B. Hinckley, “I Believe,” *Ensign*, August 1992, 2).
- James E. Faust stated:
  - Over the years the wise counsel of our leaders has been to avoid debt except for the purchase of a home or to pay for an education. I have not heard any of the prophets change this counsel (“Doing the Best Things in the Worst Times,” *Ensign*, August 1984, 41).



## Using Debt Wisely (continued)

- Principles of Using Debt Wisely
  - 1. *Know yourself, your vision and your goals.* Have the vision of your bigger “yes” in the future
  - 2. *Know where you are.* Know your assets, liabilities, spending and income, and do not hide anything
  - 3. *Resolve to not go into debt except for a modest home and education as guided.* Be wise in your expenditures
  - 4. *Pay as you go.* Live within your means and save
- If in debt add:
  - 5. *Prioritize your debts* (if you cannot repay them all.) Give priority to secured debts and immediate needs
  - 6. *Develop a repayment plan.* Automate it
  - 7. *Avoid any new debt.* Be wise
  - 8. *Once out of debt, continue paying yourself.* Catch up



## B. Understand the Debt Cycle and Why People go into Debt

- 
- We start by going into a little debt
  - We take on more debt to keep up our lifestyle
  - We continue taking on debt, until our balances are so high we cannot get any additional debt
  - We suffer the consequences of that debt



# Stopping the Debt Cycle (continued)

- Why do people go into debt?
  - Ignorance
    - We don't understand interest and its costs.
  - Carelessness
    - We understand its costs, but we become lazy.
  - Compulsiveness
    - We lack the self-control to discipline our purchases.
  - Pride
    - How we look to others is more important than how we look to God. (John 12:43)
  - Necessity
    - We truly cannot feed our families.



# Stopping the Debt Cycle (continued)

- Ignorance gives way to wisdom
  - We begin to understand interest and its costs.
    - We realize that we will have to change our habits.
  - The Lord said:
    - Let him that is ignorant learn wisdom by humbling himself and calling upon the Lord his God, that his eyes may be opened that he may see. . (D&C 136:32)
  - Alma explained true wisdom when he said:
    - O, remember, my son, and learn wisdom in thy youth; yea, learn in thy youth to keep the commandments of God. (Alma 37:35)



# Stopping the Debt Cycle (continued)

- Carelessness gives way to exactness
  - As we understand the dangers of the debt cycle
    - We realize the danger we put ourselves in
  - We become like the armies of Helaman:
    - Yea, and they did obey and observe to perform every word of command with exactness, yea, and even according to their faith it was done unto them. (Alma 57:21)
    - Yea, they had been taught by their mothers, that if they did not doubt, God would deliver them. (Alma 56:21,47)



# Stopping the Debt Cycle (continued)

- Compulsiveness gives way to diligence
  - We develop the self-control to be diligent in our financial matters
    - We get on a budget and spend only on our goals
      - We realize the spiritual importance of living within our means
  - We remember what the Lord said to the prophet Joseph Smith when He said:
    - “And inasmuch as you are diligent and humble, and exercise the prayer of faith, behold, I will soften the hearts of those to whom you are in debt, until I shall send means unto you for your deliverance.” (D&C 104: 80)



# Stopping the Debt Cycle (continued)

- Pride gives way to humility
  - We remember that how we look to God is more important than how we look to others.
    - We put Heavenly Father first in our lives and realize everything is His
  - We remember the loving counsel to the prophet where he states:
    - And again, verily I say unto you, concerning your debts—behold, it is my will that you shall pay all your debts. And it is my will that you shall humble yourselves before me, and obtain this blessing by your diligence and humility and the prayer of faith” (D&C 104: 78-79).



## Stopping the Debt Cycle (continued)

- Necessity gives way to self-reliance
  - We gain the skills to become self-reliant, and then we use those skills to help others
    - We humbly receive help from others
  - The Lord Promised:
    - And if men come unto me I will show unto them their weakness. I give unto men weakness that they may be humble; and my grace is sufficient for all men that humble themselves before me; for if they humble themselves before me, and have faith in me, then will I make weak things become strong unto them (Ether 12:27).



## Stopping the Debt Cycle (continued)

- The Lord will take us from where we are to where we need to be. Ezra Taft Benson said:

The Lord works from the inside out. The world works from the outside in. The world would take people out of the slums. Christ takes the slums out of the people, and then they take themselves out of the slums. ... The world would mold men by changing their environment. Christ changes men, who then change their environment. The world would shape human behavior, but Christ can change human nature (“Born of God,” *Ensign*, Nov. 1985, 6).



# Questions

Any questions on what our leaders have said regarding debt?



## B. Know How to Develop and Use Personal Debt Reduction Strategies

- What happens if you (or a friend) are already in debt? What should you do?
  - 1. Remember perspective, the “why’s” and “what’s.” Accept that you have a debt problem
  - 2. Write down your goals so you know where you want to be. Stop incurring new debt
  - 3. See where you are by making a list of *all* your bills and debts. Admit the need to change your habits and lifestyle if being debt free is important
  - 4. Look for one-shot ways of reducing debt
  - 5. Organize a debt repayment Plan, and
  - 6. Follow through on the Plan until total debt elimination



# Debt Reduction Strategies (continued)

- What are Debt Reduction (or debt elimination) Strategies?
  - Methods of reducing or paying off debt
  - Why should you understand these strategies even if you do not have any debt?
    - You will be working with others who do
  - Are there different types of strategies?
    - 1. Personal Strategies
  - Strategies where you get help
    - 2. Counseling Strategies: Consolidation and Negotiation
    - 3. Legal Strategies: Bankruptcy



# Personal Strategies:

- a. Debt Elimination: Expensive Debt First
- Logic: Pay off your most expensive debts first
  - List all debts and order by highest interest rate
  - Setup a spreadsheet with rows = months and columns = creditors
  - Start with debt with highest interest rate
    - This way you are paying off the most expensive debt first (and you will be saving the most)
  - Once the most expensive debt is paid off, keep paying *the same amount* until all debts are paid off
    - This is the method recommend in Marvin J. Ashton's "One for the Money" article (see TT20)



# Debt Elimination: Highest Debt First

	19%	13%	9%	7%	6.50%
	Credit	Dept.			
	Card	Store	Dentist	Piano	Auto
<b>March</b>	110	70	50	75	235
<b>April</b>	110	70	50	75	235
<b>May</b>	110	70	50	75	235
<b>June</b>	110	70	50	75	235
<b>July</b>		180	50	75	235
<b>August</b>		180	50	75	235
<b>September</b>		180	50	75	235
<b>October</b>			230	75	235
<b>November</b>			230	75	235
<b>December</b>				305	235
<b>January</b>				305	235
<b>February</b>					540
<b>Amt Owed</b>	<b>\$ 423</b>	<b>779</b>	<b>771</b>	<b>1,230</b>	<b>3,009</b>



# Personal Strategies:

## b. Debt Elimination: Smallest Debt First

- Logic: Pay of the smallest debts first. Then take the money saved to pay off all your other debts
  - List all debts, and order from smallest to largest
    - The goal is to pay off the largest number of debts as soon as you can
  - If you have additional money, use a payoff accelerator amount
    - This is an amount over and above your minimum monthly payments, and apply it to your first debt payment
  - Target in on one debt at a time until it is paid off. Then continue paying the same amount on your remaining debts until they are all paid off (TT31)



# Debt Elimination: Smallest Debt First

	Amount	Monthly	Interest	Interest	# of
	Owed	Payments	Rate	Payment	Months
<b>Credit Card</b>	423	110	19.0%	6.70	4.10
<b>Dentist</b>	771	50	9.0%	5.79	17.45
<b>Dept. Store</b>	779	70	13.0%	8.44	12.65
<b>Piano</b>	1,230	75	7.0%	7.17	18.13
<b>Auto</b>	3,009	235	6.5%	16.30	13.76
<b>Totals</b>	6,212	540	8.6%	44.39	12.53



# Personal Strategies:

## c. Home Equity Loans

- You will hear on the radio and TV ads that you can consolidate your debts with a simple home equity loan which will reduce your monthly payments and the interest is tax deductible. What do you think?



# Personal Strategies:

## Home Equity Loans (continued)

- What is a home equity loan?
  - It is a loan against the equity in your home (the difference between what the home is worth and how much you owe on it)
- Should you take out a home equity loan to consolidate and/or pay off your debts?
  - That depends:
    - Have you addressed the original problem which got you into debt in the first place?
    - Is your job stable enough so that you could take on additional long-term debt?



# Personal Strategies: Home Equity Loans (continued)

- Benefits
  - Reduce your monthly payment on debt, as interest rates on secured debt (I.e., homes) is much less than interest rates on unsecured debt (I.e. credit cards)
  - Interest may be tax deductible
- Concerns
  - You may pay more in interest as rates are lower but you spread them over more years
  - Experience has shown that 80% of those that take out a home equity loan are back to where they were in debt within three years. The habit hasn't changed, the spending will continue again, and now they lose **both their credit rating and their house.**



## C. Where Do You Go if You Need More Help

- Counseling Strategies: Credit Counseling Agencies (CCAs)
  - If you are too far in debt, you have a few choices:
    - Get help to reduce your debt
      - Use non-profit credit counseling agencies (consolidation)
      - Use for-profit agencies (debt consolidation and negotiation). Be very careful here!
    - Get legal help--Declare bankruptcy
  - Regardless of your choice, check the company out with the Better Business Bureau before you commit to anything



# Counseling: Non-profit CCAs

- What are non-profit credit counseling agencies?

Agencies set up specifically to help people reduce the credit-card debt load in their lives.

- What do they cost?

Generally, it is about \$15-20 for the setup and \$12 per month after that

- How do they work?

The non-profit companies have arrangements with many of the credit companies. Working with them, they can reduce or even eliminate your interest payments with specific creditors.



# Counseling: Non-profit CCAs (continued)

- Where can I find them?

Call the National Foundation for Credit  
Counseling (800-388-2227)

- How do they make money?
  - They are reimbursed 10% of the money you pay to the credit card companies
- Will this impact my credit report?
  - Yes, it is noted on your credit reports. With the successful completion of the Utah program, this is noted on the credit report. Generally companies would rather have some of their money back than nothing at all



# Counseling: Non-profit CCAs (continued)

- Questions to ask non-profit agencies?
  - What is your tax ID? Are you licensed?
  - Are they members of the National Foundation of Consumer Credit (NFCC)?
  - Are they accredited through the Council on Accreditation?
  - Are their counselors certified by the NFCC?
  - What is the monthly management fee? Is it tax deductible?
  - How long will I be in your program? (it should never be longer than 5 years)
  - How much will I be paying each month? (generally, it is taken from a checking or savings account)



# Counseling: For-profit CCAs

- What are for-profit credit counseling companies?
  - Companies whose goal is to make money through helping people get out of debt
- How do they work?
  - Consolidate debt into a single loan with a lower rate. Get homeowners into a interest-only home loan and use the excess cash to pay down debt.
  - Work with creditors to reduce the interest rate of certain types of loans, especially credit cards. They may get rebates, make money on loan origination and fees, or charge retainer upfront
    - Do you understand how they make money?



# Counseling: For-profit CCAs (continued)

- Questions to ask:
  - What type of loans will they help you work with?
  - How much will it cost me?
  - How do they make their money?
  - When do they get paid?
  - What is the monthly management fee? Is it tax deductible?
  - How long will I be in your program? (it should never be longer than 5 years)
  - How much will I be paying each month? (generally, it is taken from a checking or savings account)
  - Will I talk only with one person or many people?



# Counseling: Warning Signs

- Watch for these warning signs and hang up if you sense these:
  - High up-front fees
  - Promises things they cannot deliver (i.e., we promise creditors will cut the principle owed by 50%)
  - Pressure you to sign up for debt-repayment services the moment you call



# Legal Strategies: Bankruptcy

- Major types of bankruptcy
  - Chapter 7:
    - Liquidates assets and uses them to pay creditors according to precedence in the Bankruptcy Code.
      - It is the quickest, simplest and the most frequently selected (75%) kind of bankruptcy filing. Certain debts cannot be waived by Chapter 7 bankruptcy such as child support, student loans, drunk driving fines, etc.



# Bankruptcy (continued)

## ✓ Chapter 13:

- A repayment plan in which the court binds both the debtor and the creditors to terms of repayment.
  - The debtor retains property and makes regular payments to a trustee out of future income to pay creditors over the life of the bankruptcy plan.



# Bankruptcy (continued)

- Interesting facts on bankruptcy
  - 87% of all bankruptcies are due to 3 events:
    - Divorce, death, or separation
    - Unpaid medical expenses
    - Loss of primary source of employment
  - Eliminate the likelihood of these events and you reduce substantially your chance of filing bankruptcy



# Bankruptcy (continued)

- Questions when thinking about bankruptcy
  - Is it honest?
    - Is it just a way to get out of debt legally?
      - Things that are legal may not be honest.
      - Remember your integrity is worth more than money
  - Is it really necessary?
    - It will remain on your credit report for up to 10 years after you make your last payment
    - It will hurt your chances to get the credit necessary for the purchase of a home or business



## Bankruptcy (continued)

L. Aldin Porter on the subject of bankruptcy stated:

Utah is the number-two state in the nation "for per-capita bankruptcy filings" . . . What an indictment of those of us who live in Utah! . . . Our bankruptcy law is on the books for the rare occasion when true disaster strikes a family, and none of us would take away that protection. But I'll also tell you it cannot function as it ought in a society with overextended and, frankly, somewhat dishonest people. The editorial goes on to suggest that the majority [in Utah] are not using chapter 13, [which] permits the applicant to repay his debts over a longer period of time. . . Instead, [60%] applied for chapter 7, which permits one to break his promises . . . and walk away from his debts, leaving his obligations forever unpaid. . . There is a question asked of those who seek a temple recommend that deals with honesty. I sincerely hope that those who have taken unfair advantage of this just and proper law don't carry a temple recommend and feel that they're absolved from responsibilities (Devotional address given February 4, 2001 at BYU).



## E. Examples of Debt Reduction Strategies and Views on Debt

- Ideas for debt reduction strategies:
  - Once school is out, put enough in the company 401k for the match, then save 20% minimum (hopefully more) to build the emergency fund, then after that use all 20-30% to pay of debt as quickly as possibly paying highest interest rate first. Once debt is paid off, continue to pay 20% into savings
  - Continue to live like a student, build emergency fund, then pay 30% each month using debt snowball until debt is all gone, then keep paying yourself the 20%



# Strategies and Views on Debt (continued)

- Ideas for views on debt:
  - I will keep an emergency fund of 3-6 months on hand at all times so I will not need to borrow. When I use those resources, I will repay them in 6 months
  - I will avoid debt except for a home and will pay cash for all purchases including vehicles and toys
  - I will need to borrow for my first car, but once that borrowing is done, I will pay it off within 2 years and pay cash for all future vehicles
  - I will save money for my children's education and missions by saving \$10 per child per month so I will not need to go into debt for these things



## Review of Objectives

- A. Do you understand what our leaders have said regarding debt?
- B. Do you understand the debt cycle and why people go into debt?
- C. Do you understand how to develop and use personal debt reduction strategies?
- D. Do you understand where to go to get help if you get too far in debt?
- E. Do you have an idea of strategies for your Personal Financial Plan



# Case Study #1

## Data

- A family friend has asked you to help one of their children who is having some financial problems. The son came over and gave you the following information. They have four children, ages 18 to 3 months. Their bills include: mortgage \$150,000 at 6%, 2nd mortgage \$20,000 at 7.5% (they took out the 2<sup>nd</sup> mortgage three years earlier to pay off credit card debt), various financial institutions \$10,000 at between 12% an 28% (she lost her job due to the pregnancy), lease on a new truck \$18,000, car loan on her car \$5,000, and miscellaneous Christmas bills \$3,000. After some work and using TT20, you determined that debt payments represented 83% of their income for living expenses.

## Application

- What suggestions do you have to help them get out of debt?



# Case Study #1 Answers

- The above was a real case that occurred in a few years ago
  - Following was my process to help
    - Please know there are other ways to help as well
  - Notice that the topics and order that I helped teach this couple are the topics and order that I teach *in this class*
    - Through thought, prayer, and the guidance of the Spirit, you will know what to do to help



## Case Study #1 Answers (continued)

- 1. Teach them the importance of perspective and the key principles of understanding and using wealth wisely
  - I shared with them the importance of perspective that personal finance is just part of the gospel of Jesus Christ
  - I shared with them the “why’s” and “what’s” of personal finance, why the Lord wants us to be financially secure
  - They recognized they had a debt problem. They were sick and tired of being sick and tired



## Case Study #1 Answers (continued)

- 2. Help them determine what was important to them. Help them determine their goals
  - We helped them think through the process of setting effective goals, and then they wrote down their goals so they would be working for the right things
    - We didn't spend a lot of time together on this area, but we did emphasize its importance and had them do it on their own
    - Be careful as they have to be working toward their goals—not yours
  - They stopped incurring new debt



## Case Study #1 Answers (continued)

- 3. Help them realize where they were financially and that their habits are not taking them toward their goals
  - We developed a balance sheet for the family
    - We determined what assets were available and owed on each asset – truck, motorcycle, etc.
  - We developed an income statement and ratios
    - We worked at finding out how much was available and where it was going
  - They knew they had to change to reach their goals
    - We put the family on a very strict budget
    - We did leave a little for a date on Friday though



## Case Study #1 Answers (continued)

- 4. Determine one-off ways of reducing debt
  - We tried to find one-ways to pay off debt
    - We had them fill out their income taxes quickly for an early income tax return
    - We borrowed money against their cash-value insurance policy to reduce assets
    - We had them sell assets that they could do without, i.e. truck, motorcycle, and old vehicles, etc.
    - We talked about yard sales, car sales, or anything else they could do to raise funds



## Case Study #1 Answers (continued)

- 5. We helped them organize a debt reduction plan, and committed them to that course of action
  - We used Teaching Tool 20 to prepare a debt reduction plan and then we worked on that plan together
  - We got other people involved to help them with talking to creditors and paying off their debts
  - We worked with family, friends, and enlisted their help to work with this couple



## Case Study #1 Answers (continued)

- 6. We helped them follow through with their plan (until total debt elimination\*)
  - We worked together on their debt reduction plan (not our plan) and held them accountable for it
  - We met with them weekly to see how they were doing and to encourage them to stick with the Plan
  - We continued to offer encouragement and support in a non-judgmental manner



## Case Study #1 Answers (continued)

- Now, five years later, they are still in debt, but it is much more manageable and they are working to get it all paid off
  - Was it easy? No.
  - Was it worthwhile? Yes.
  - Are they doing better with both their temporal and spiritual goals? Definitely.
    - The wife shared: “I just didn’t realize that it would be so hard for so long. You run into debt, but you crawl out of it!”
- \*My mistakes (what I would change)
  - I should have worked longer with them
  - I should have done better at following up each month



## Case Study #2

### Data

- Emilee has been thinking about how much she has to earn to pay back her loans once she leaves school. Assume she will be in the 25% Federal tax bracket after school, living in New York (10% state tax rate) and New York City (5% city tax rate), and she pays 12% gross of her income to charity.

### Calculations

- How much must she earn to pay back \$1.00 in student loans (this assumes 0% interest)?



## Case Study #2 Answer

### Calculations

- To pay back \$1.00 in student loans will require:
  - Taxes:
    - Federal tax rate: 25%
    - State tax rate: 10%
    - City tax rate: 5%
    - Charitable contributions: 12%
  - The formula is:
    - $x - .25x - .10x - .05x - .12x = 1$ . Solve for x?
    - $X = 2.08$  ( $1/ (.25+.10+.05+.12)$ )
  - Emilee must earn \$2.08 for every dollar she borrows (and that assumes a 0% interest rate). That's expensive (see Learning Tool TT35 Loan Amount to Pay Back)



## Case Study #3

### Data

- Use the tax and charity information from the previous case. Emilee is in her second to last year in school (24 months till graduation) and is considering a \$5,000 alternative loan at 12% and plans to pay it back in 60 months after she graduates.

### Calculations

- How much must she earn to pay back that alternative loan of \$5,000 (which is not subsidized and accrues interest while she is in school) at 12% interest over 60 months and including taxes and charitable contributions?



# Case Study #3 Answer

## Calculations

- To pay back \$5,000 in student loans requires:
  - At 12% interest and in her second to last year of school, she will add 24 months of interest or \$1,349
    - $PV=5,000$ , rate = 12%, periods = 2, Solve for FV?
    - Future value = \$6,349
  - To pay off \$6,349 for 60 months will require a payment of \$141.22 per month
    - $PV=5,000$ , rate = 12%/12, Periods = 60 months, Solve for her  $Pmt = ?$
    - Payment = \$141.22
  - Her total payments will be  $\$141.22 * 60$  months or
    - Total Pmts = \$8,474 or 69% more than borrowed



# Case Study #3 Answer

## Calculations

- To determine how much she needs to earn to pay back this \$8,474, we determine:

- Taxes:

- Federal tax rate: 25%
- State tax rate: 10%
- City tax rate: 5%
- Charitable contributions: 12%

The formula is  $x - .25x - .10x - .05x - .12x = 1$ .  $X = 2.08$

- To pay back this \$8,474, Emilee must earn 2.08 \* \$8,474 or \$17,653
  - Emilee must earn \$3.53 for every \$1.00 she borrows ( $\$17,653 / \$5,000 = 3.53$ ). Again, very expensive



If you never get your first ticket. . .

