Kinds of Debt

Money

Two questions separate borrowing that builds from borrowing that drains.

Tends to build

- Buys something that appreciates or earns
- Low interest rate
- Fixed, predictable repayments
- Mortgage, student loan, business capital

Tends to drain

- Buys something consumed or depreciating
- High interest rate
- Revolving, with no end date
- Credit cards, payday loans, most car finance

THE DIFFERENCE THAT MATTERS

The label is not fixed: a mortgage you cannot afford is bad debt, and a small card balance cleared monthly costs nothing.

Two questions decide it — what did it buy, and what is the rate. General education, not advice.