The Minimum Payment

Money

What paying only the minimum actually costs, in years and in money.

The minimum payment is calculated to cover interest and barely dent the balance.

minimum ≈ interest + 1% of the balance

£3,000 at 20% APR, minimum only — **over 20 years, ~£4,000 interest**

More interest than the original debt.

The same, £100 a month fixed — **about 3 years, ~£950 interest**

A fixed payment is the single biggest lever.

The same, £150 a month — **about 2 years, ~£600 interest**

THE COMMON MISTAKE

× **Paying the minimum on several cards at once**

✓ **Minimums everywhere, then everything spare at the highest rate**

Interest compounds fastest on the highest rate, so that balance costs the most every month it survives.

Illustrative figures. Check your own statement — it must show what minimum-only will cost.