



## Good Debt vs. Bad Debt

### **Video Synopsis—“Good Debt vs. Bad Debt”**

In this quick explainer, CAPTRUST educator Debra Gates helps employees separate debt that builds long-term wealth from balances that quietly chip away at both credit scores and future goals.

### **Key takeaways**

#### **Good debt finances appreciating assets or career growth.**

A fixed-rate mortgage, a student loan, or a modest auto loan can all boost your credit history—provided payments are on time and the balance fits comfortably in your budget.

Because these loans are secured by collateral (a house, a degree, a vehicle), interest rates are typically lower and credit bureaus reward the consistent repayment history.

#### **Bad debt lingers on high-rate credit lines.**

Payday advances and credit-card balances you can't clear quickly are prime examples.

Gates illustrates the hidden cost: leave \$1,000 on a card for a year and minimum payments alone can tack on roughly \$180 in interest.

Maxing out a card also hurts your credit-utilization ratio—one of the biggest factors in your FICO

score.

## Know your borrowing threshold.

Lenders prefer that all monthly debt payments (housing, car, student loans, credit cards) consume no more than 36 % of gross income; Gates suggests aiming for under 20 % for true breathing room.

## Questions to ask yourself:

What share of each paycheck goes to debt?

Is most of it tied to long-term assets—or short-term spending?

Am I using credit cards only for necessities and clearing the balance each month?

Can I pay more than the minimum to speed up payoff and cut interest costs?

## Action plan

Shift discretionary credit-card spending to cash or debit.

Automate extra payments toward the highest-rate balance.

Revisit insurance, subscriptions, and other monthly outflows to free cash for faster debt reduction.

Gates closes with a reminder: understanding—then managing—the difference between “good” and “bad” borrowing is a cornerstone of any healthy financial plan. And if you need a co-pilot, CAPTRUST advisors are just a phone call away.

To download a copy of the transcript, [click here](#).

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