



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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