Section 10: Debt Management Tool - Implementation Guide

The CedisPay Debt Management Tool is designed to assist users in effectively managing and reducing their debt using two well-known strategies: the Debt Snowball Method and the Debt Avalanche Method. This guide provides a detailed overview of how to interact with the tool and utilize each method to achieve debt reduction goals.

10.1 Initial User Interaction

1. **Action Button:**

   o **Label:** Create Your Debt Management Approach

   o **Function:** Clicking this button opens a window where users can enter and view all their current debts. This step initiates the debt management process by providing a platform to input and organize debt information.

2. **Debt List Window:**

   o **Content:**

      ▪ Users are prompted to list all their debts, including the following details:

         ▪ **Balance:** The current outstanding amount of each debt.

         ▪ **Interest Rate:** The interest rate applied to each debt.

         ▪ **Minimum Payment:** The minimum amount required to be paid each month.

   o **Next Step:**

      ▪ After entering all debt details, users will be directed to choose their preferred debt management strategy from the available options.

10.2 Debt Management Strategies

10.2.1 Debt Snowball Method

Description: The Debt Snowball Method focuses on paying off debts starting from the smallest balance to the largest. This approach helps build momentum and motivation as smaller debts are paid off more quickly.

Initial Setup:

- **Action:** Users select "Debt Snowball Method" from the options provided.

- **View:** Debts are displayed in ascending order based on their outstanding balance. The smallest balance is prioritized first.

Activities:

1. **Prioritization:**

   o **Smallest Debt First:** Concentrate extra payments on the smallest debt while making minimum payments on larger debts.

   o **Custom Payment Allocation:** Users can enter the amount they plan to pay towards the smallest debt, adjusting their payment strategy as needed.

2. **Progress Tracking:**

   o **Debt Reduction Graph:** A visual representation of debt reduction progress is displayed, showing the decreasing balance of the smallest debt first.

   o **Milestone Alerts:** Notifications are sent when a debt is fully paid off, featuring motivational messages and possible rewards to celebrate progress.

3. **Payment Schedule:**

   o **Custom Payments:** Users can set and adjust payment amounts and frequencies for each debt.

   o **Payment History:** Track and log all payments made towards each debt to maintain a clear record of financial activity.

4. **Adjustment Options:**

   o **Edit Debt Information:** Allows users to update debt details if there are any changes in balance, interest rate, or minimum payment.

   o **Recalculate Strategy:** Users can adjust their debt repayment strategy if new debts are added or existing ones are removed.

10.2.2 Debt Avalanche Method

Description: The Debt Avalanche Method targets debts with the highest interest rates first to minimize the total amount of interest paid over time.

Initial Setup:

● **Action:** Users select "Debt Avalanche Method" from the options provided.

● **View:** Debts are displayed in descending order based on their interest rates, with the highest interest rate debt being prioritized.

Activities:

1. **Prioritization:**

   o **Highest Interest First:** Extra payments are directed towards the debt with the highest interest rate while maintaining minimum payments on other debts.

   o **Custom Payment Allocation:** Users can enter the amount to be paid towards the highest interest debt, allowing for personalized repayment plans.

2. **Interest Savings:**

   o **Interest Reduction Graph:** A visual graph shows the savings achieved by focusing on high-interest debts first.

   o **Recalculated Payments:** The tool automatically adjusts payment amounts based on remaining debt balances and interest rates, ensuring optimal repayment efficiency.

3. **Payment Schedule:**

   o **Custom Payments:** Users can set and modify payment amounts and frequencies for each debt.

   o **Payment History:** Keep track of all payments made towards each debt, providing a detailed history of repayment activity.

4. **Adjustment Options:**

   o **Edit Debt Information:** Update details such as balance, interest rates, and minimum payments if there are changes.

   o **Recalculate Strategy:** Modify the debt repayment approach if new debts are introduced or existing debts are removed.

Conclusion: By following this guide, users can effectively manage and reduce their debt using either the Debt Snowball Method or the Debt Avalanche Method. The CedisPay Debt Management Tool provides a structured and user-friendly approach to debt repayment, helping users make informed decisions and achieve financial freedom.