

Video 3: Debt Management

Chapter 4: Glossary terms

Bad debt

Also known as consumption debt, is borrowing for things that lose value quickly, don't generate income or are for non-essential wants. For example, when credit cards are used for everyday purchases, especially if only minimum payments are made

Co-signer

Someone, often a parent or guardian, who agrees to take responsibility for the loan if the main borrower can't repay it

Good debt

Also known as investment debt, is borrowing for investments that build net worth (value of your assets minus all your debt), increase earning power or provide long-term value. For example, with a mortgage, you are buying a home that can increase in value, and with student loans, you are investing in education to increase future income