

The Debt Ladder: Which Debt to Pay First and Why It Matters

The strategic approach to eliminating debt that most people never learn

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Not all debt is equal. Paying off the wrong debt first is one of the most common and most expensive mistakes South African households make. This guide teaches you to see your debt clearly — what it is costing you, what order to pay it in, and how to get out faster than you thought possible.

UNDERSTANDING THE DEBT LADDER

The debt ladder ranks your debts from the most destructive (bottom rung) to the most constructive (top rung). Your goal is to eliminate the bottom rungs first — because they are costing you the most and building you nothing.

Rung	Debt Type	Typical Interest	What to Do
■ 1 — WORST	Mashonisa / loan shark	60–300%+	Stop immediately. Seek help urgently. This is predatory lending.
■ 2	Payday loans (e.g. Wonga, Boodax)	20–60% per month	Eliminate first. Never renew. Break the cycle immediately.
■ 3	Short-term personal loans	25–40% per year	Pay off as fast as possible. Minimum payments are traps.
■ 4	Credit cards and store accounts	15–25% per year	Pay full balance monthly. Never pay only the minimum.
■ 5	Bank personal loans	12–20% per year	Include in debt consolidation plan. Accelerate payments.
■ 6	Vehicle finance	11–15% per year	Pay extra toward principal. Reduce term where possible.
■ 7 — BEST	Home loan / investment bond	10.5–12% per year	This is productive debt if property is an investment. Manage carefully.

THE AVALANCHE METHOD VS THE SNOWBALL METHOD

■ Avalanche Method (saves the most money)	■ Snowball Method (builds momentum)
Pay minimum on all debts. Put every extra rand toward the debt with the HIGHEST interest rate first. Once that is paid off, attack the	Pay minimum on all debts. Put every extra rand toward the debt with the SMALLEST balance first. Once that is paid off, attack the

My recommendation for most South Africans: Start with the Snowball Method to build confidence and momentum. Switch to the Avalanche Method once you have eliminated 2 to 3 small debts and feel in

control.

■ **The power of the extra rand:** If you owe R30,000 on a personal loan at 22% and pay only the minimum, you pay back over R53,000. Add R500 extra per month and you pay back only R38,000 and finish 18 months early. One extra rand makes a massive difference.

Ready to take the next step?

Book a free 60-minute financial coaching session with Chuma Afika Mlinjana.

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■ *Get the full guide: [The Debt Millionaire by Chuma Afika Mlinjana](#)*