PowerPay Your Way Out of Debt

"My husband had to take a job in another town, just to keep the family and our business afloat," my friend told me. I could see the strain in her face as she mentioned how little he had been home and that luckily they had some savings that had sustained them to this point. Another person shared her concern about juggling care of three children now that her spouse had taken on a new job, because they just could not make it on her salary alone anymore. Later the same day, another friend confided that she was holding her breath about whether or not she was going to lose her job.

All of these conversations have me thinking about money. Making more money or getting another job is not always an option for people. Sometimes spending less has to become the option, which requires self-restraint and changing habits.

Currently, people are making changes in their approaches to finances and spending, whether by choice or circumstance. If you want to make some changes to free up a little extra change in your personal economy, one great move would be to PowerPay your way out of debt.

Whether your debts are routine, like a vehicle loan, or more problematic, like a growing balance on high-interest credit cards, paying extra toward those debts can save you money and get you out of debt quicker. With uncertainty about jobs and the economy, many individuals and families are looking for ways to get their finances in more solid standing. National studies indicate average credit card debt per household carrying credit card debt is $16,007. Other studies indicate the average consumer credit debt for all card holders to be between $8500-10,000. Debt that is continually carried on credit cards is called, "perma-debt."

It can feel overwhelming to have that kind of consumer debt looming on credit cards, especially now with so much economic uncertainty. The stress of debt can permeate your life.

By filling out the PowerPay computer debt analysis form at https://powerpay.org you can learn the difference of making power payments to your debt. Power payments are when you take a bit of extra cash to apply to one debt to get out of debt faster. Once the first debt is paid, then take the money that ordinarily paid on the first debt and apply it to the next debt. The PowerPay analysis program was developed by Extension faculty at Utah State University and is free and confidential.

The program gives a great visual to show that if you decide to make a little extra payment each month toward debt, how much you would save in *time* on the loan and in *money* on interest. For example, an individual who had loans totaling $23,370 found that the payoff time without making power payments would be almost 10 years costing $12,580 in interest. However, by using power payments, the debt would be paid off in almost 4 years and the interest cut in half.

One of the great features of the PowerPay program is after you enter all your debts, the annual percentage rate on those debts and number of payments left; you can analyze whether to pay off the credit with the highest interest first or the credit with the fewest payments left. Financially speaking, it is best to pay high interest loans first; however, psychologically, it can be more rewarding to pay off the quickest loan first. It can be a relief to have one less bill to pay. By using the program, you can decide which method will work for you and how you can PowerPay your way out of debt.

The money saved being debt-free can be used for other financial goals, or to build up a savings reserve so that you can weather economic storms as they come your way. For other financial resources, see our website at www.msuextension.org – under the tab Home, Health and Family.