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Managing Tough Times: PowerPay Your Way

There are many predators, scamming those who are late paying their bills. They offer to reduce or eliminate debt. “The only lasting way to eliminate debt is to earn more and spend less,” says Brenda Schmitt, ISU Extension Family Resource Management Field Specialist. “There really are no quick fixes.”

Consumers should be wary of promotions and unsolicited offers by companies that advertise credit counseling services or that promise to settle your debts with your creditors for less than you owe. While there are many reputable organizations that offer credit counseling or that help consumers manage their debts, other companies charge high fees for questionable services or for services that are never delivered. Be sure to check with your state Attorney General and the Better Business Bureau before working with any company or organization that says it will settle or negotiate your debts.

So, what are your options? Pay it off. This is the responsible thing to do, and probably what most people would choose if given the choice. If the debt is of your own making, fueled by excessive trips to the mall, clubs, casino, or eBay, it's definitely the right thing to do, but it may require a bit of reorganization and reprioritization. This means you will need to implement a complete lifestyle change. Developing and implementing a strict budget, will involve evaluating your choices and paring back.

To eliminate your debt by repaying it, you'll need a plan. The PowerPay method is especially effective if you have a large amount of credit card debt. First, stop using all your credit cards. Pay only the minimum payment on all your debts except the one with the highest interest rate. Bring all your financial resources to bear on that debt. Pay as much as you can squeeze out of your budget toward this debt. When it is paid off, switch all the money you were using to pay off this debt toward repaying the one with the next highest interest rate. With each successive debt you repay, you will put more toward repaying the next one, because you not only have the money in your budget for debt repayment, but the minimum payment you were using for all the previous debt you've repaid.

For more information about the PowerPay program, contact your local ISU Extension office.