

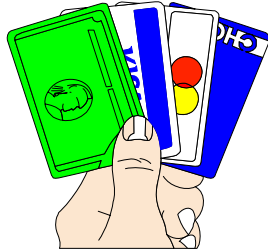
Money for Life

January 2007

Dear Readers,

A new year, a new beginning. The hopefulness of a new year can become reality when you take concrete action. Even small steps make a difference, and many small steps can lead to big change.

If reducing your debt, or getting out of debt faster, is one of your hopes for the new year, begin by doing a PowerPay® debt analysis.



This free tool is now available in an on-line, do-it-yourself version, or if you prefer, Iowa State University Extension staff can do the analysis for you.

A “PowerPay®” analysis shows you the smartest way to pay off your debts, whether you have dozens of debts or just one or two. The analysis will also illustrate how adding even a small amount to your monthly payments can reduce the total interest cost you will incur and get those debts paid off more quickly.

Example. Suppose you currently pay \$271/month on 3 debts:

1. a 4-year car loan for \$7,000 at 8% interest, with a \$171 monthly payment;
2. ABC Credit Card with a balance of \$2,900 at 16% interest, on which you usually pay \$50/month; and
3. XYZ Credit Card with a balance of \$1,100 at 12% interest, where you usually pay \$50/mo.

As it stands now, it will be 9 years and 5 months till the last of these debts (the ABC Card) is paid off, and you will pay a total of \$4,053 in interest.

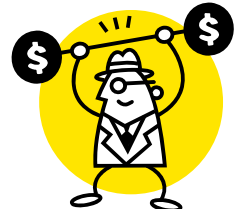
A PowerPay® analysis will show how you can have all three debts paid off in 4 years and 4 months, by continuing to pay \$271/month even after the first debt is paid off.

Here’s how it works. After 25 months, the XYZ card would be paid off. At that point, using the PowerPay® method, you would take the \$50 that you were paying on XYZ, and shift it to the ABC card (since it has the highest interest rate). Your total payments would continue to be \$271. After two more years, the car loan would be paid off, and you would add that \$171/month to your payment on the ABC card.

XYZ Card	ABC Card	Car Loan
<i>Beginning...</i>		
\$50/month	\$50/month	\$171/month
<i>Later...</i>		
<i>Paid!</i> ⇒	\$50 + \$50 = \$100/month	\$171/month
<i>Later...</i>		
	\$100 + \$171 = \$271/month	⇐ <i>Paid!</i>

Result? Your three debts are paid off more than 5 years early, saving you \$1,222 in interest.

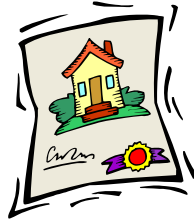
Adding Extra Power. The PowerPay® analysis also shows how much you save if you pay extra toward your debts each month. In the example above, if you devote an *extra \$100/month* to debt payment you can have all three debts paid off in just 2 years and 11 months, *saving \$2,416!*



PowerPay® Mortgage Example:

Even small amounts matter!

Suppose the current balance on your mortgage is \$55,000, interest rate of 7%, and current payment on principle and interest of \$450. You have 17 years and 11 months remaining to pay on the mortgage.



How much difference does it make if you add \$25/month to that payment?

On a mortgage, a small addition makes a BIG difference. The extra \$25/month will save \$4,669 in interest, and the mortgage will be paid off 21 months earlier.

What's New With PowerPay®?

The new on-line version of PowerPay includes several valuable new features. If you like to do research on-line, we recommend you check the site out at www.powerpay.org

- **Emergency Fund** – this feature lets you plan your debt repayment while also planning to build up an emergency fund to help you cover your bills during a difficult time.
- **PowerSave** - this tool helps you calculate how much you'll need to save in order to reach a particular goal.
- **Spending Plan Tool** – assists you in planning your monthly spending.
- *and more*, including... financial calculators and informational materials.

Four ways to access PowerPay®:

1. Do it yourself, on-line, at www.powerpay.org
Since PowerPay® is operated by Utah State University Extension, you'll find no advertising at this site, and you'll find much good information.
2. Submit your information on ISU Extension's secure website. Your results will be mailed.
www.extension.iastate.edu/finances/personal/creditdebt/
3. Request a PowerPay® brochure from your County Extension Office, complete the worksheet and mail it as directed.
4. Contact an ISU Extension Family Resource Management Field Specialist to do an analysis in person, or by phone or email.



PowerPay®
can be
your key
to
getting
ahead!

Additional Resource:

Take Control of Your Money

A free online course for getting a grip on your money

Sign up at www.extension.iastate.edu/financial/money

Provided and administered by ISU Extension family resource management specialists.

Newsletter contact information:

Phyllis Zalenski
605 E. Main
Anamosa, IA 52205
319-462-2791
319-462-4572 (FAX)
zalenski@iastate.edu

IOWA STATE UNIVERSITY
University Extension

... and justice for all

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Many materials can be made available in alternative formats for ADA clients. To file a complaint of discrimination, write USDA, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call 202-720-5964.