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• Department of Agricultural Economics & Economics

Credit Financial Concept
Paying only the minimum amount on credit cards costs a lot

What’s the average credit card balance owed by American households?

Credit Card Balance...
$15,956

What’s the average APR on a credit card with a balance?
Average credit card interest rate

12.8%

What percentage of credit card holders say they hardly pay the balance in full?

58%

How many credit cards does average American household hold?

3.5

Credit Cards the average household “holds”

PowerPay
PowerPay Debt Types

- Credit Cards
- Appliance Loan
- Remodeling Loans
- Car Loans

Debt Payments

- First debt: $150
- Second debt: $50
- Third debt: $75
- **Total Monthly Payment:** $275

How PowerPay Works?

- As soon as one debt is paid off, that monthly payment is applied to the next debt.

First Debt

- When debt 1 ($150) is paid off, add that payment to next debt.

First Debt Paid Off

- First debt paid off: 0
- Second debt ($50): $150 + $50 = $200
- Third debt: $75
- Monthly Payment: $275

Second Debt

- When debt 2 ($50 + $150) is paid off, add that payment to next debt.
Second Debt Paid Off

- 1st & 2nd debt paid off: 0
- Third debt ($75): $275 ($150 + $50 + $75)
- Monthly Payment $275

PowerPay

- Continue combined payments until ALL debts are paid off.

Benefits of PowerPay

- Reduces time to pay on debts
- Save interest

PowerPay Debt “Rules”

- No new debt be incurred
- Total dollar amount towards debt reduction remains the same

PowerPay Web site (Utah State University-Extension)

Welcome
User Login

Welcome to PowerPay 5.0!

Below are a few examples of PowerPay 5.0. Login to the right and start gaining control of your payments. Enjoying by financial experts.

Calculate your PowerSave options.
Calculate your PowerPay plans. Calculate your PowerPay plan.

Enter New User Information, Click Submit

Folder Tabs

- PowerPay
- Spending Plan
- PowerSave
- Calculators
- Education Center
- About PowerPay

PowerPay Options

1. Payment Calendar
2. Consolidate
3. Emergency Fund
4. Loan Qualifier
5. Snapshot Projection
### Create Creditor(s) List

- Creditor Name
- Balance
- Payment
- % Rate

### Creditor Information:

<table>
<thead>
<tr>
<th>Creditor Name</th>
<th>Balance</th>
<th>Payment</th>
<th>% Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chase Auto</td>
<td>7200</td>
<td>264.95</td>
<td>8</td>
</tr>
<tr>
<td>Mastercard</td>
<td>11567</td>
<td>195.00</td>
<td>16</td>
</tr>
<tr>
<td>Security Bank</td>
<td>3350</td>
<td>75.00</td>
<td>3.8</td>
</tr>
<tr>
<td>Lowes</td>
<td>1250</td>
<td>100.00</td>
<td>9</td>
</tr>
</tbody>
</table>

**Save Creditor Information** Press after each entry

### Example: Payoff Time

<table>
<thead>
<tr>
<th>Creditor Name</th>
<th>Payoff Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chase Auto</td>
<td>2 years 7 months January 2012</td>
</tr>
<tr>
<td>Mastercard</td>
<td>9 years 11 months May 2019</td>
</tr>
<tr>
<td>Security Bank</td>
<td>4 years 1 month July 2013</td>
</tr>
<tr>
<td>Lowes</td>
<td>1 year 2 months August 2010</td>
</tr>
</tbody>
</table>
Repayment Method Drop Down Menu

- Without Power Payments
- Highest Interest First
- Lowest Balance First
- Shortest Term First
- Calculated as Entered

Which loan “should” be paid off first?

1. Lowest Balance
2. Shortest Term
3. Highest interest rate

Advantages of Paying Shortest/Term Lowest Balance First

1. Reduce from 10 – 7
2. You feel “better”
3. Get rid of “Uncle George”
4. Other ideas?

Advantages of Paying Highest Interest First

1. Pay less interest
2. Pay off quicker
3. Other ideas?

Select Highest Interest First, Then Click Calculate

Without Power Payments (Highest Interest First)

<table>
<thead>
<tr>
<th>Creditor Name</th>
<th># of payments</th>
<th>Total Paid</th>
<th>Int. Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chase Auto</td>
<td>31</td>
<td>$7970.04</td>
<td>$770.04</td>
</tr>
<tr>
<td>Mastercard</td>
<td>119</td>
<td>$23039.93</td>
<td>$11472.92</td>
</tr>
<tr>
<td>Security Bank</td>
<td>49</td>
<td>$3617.69</td>
<td>$267.69</td>
</tr>
<tr>
<td>Lowes</td>
<td>14</td>
<td>$1317.51</td>
<td>$67.51</td>
</tr>
</tbody>
</table>

Payoff Time: 9 years 11 months May 2010

Total Paid: $35,945.17
Total Interest: $12,578.17
With Power Payments (Highest Interest First)

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<thead>
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<td>47</td>
<td>$16725.36</td>
<td>$5158.36</td>
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Payoff Time: 3 years 11 months
Total Paid: $29,630.25
Total Interest: $6,263.25

Bottom Line benefits (Highest Interest First)

- Time to Pay off Reduced by:
  - 6 years
- Amount Saved in Interest: $6,314.92

Detailed Calendar
- Provides a month by month look at your debt elimination plan.

Click Payment Calendar

What do I do next?
After entering creditor information, calculate a new schedule using Power Payments in the payment calendar.

Scroll down to see Detailed Calendar

Payment Calendar Example

PowerPay Benefits
Time Reduction: 6 years 2 months
Amount Saved: $6,314.92
Qualify for Loan: NA

Scroll Down
Want to know
• Remaining Balance
• Interest
• Principal

Total Creditor Payback

Show Balance, Interest, Amount towards Principal

For each creditor

Payment Calendar Questions?
Extra Payment Option

Extra Payment
• Any additional money paid toward debts above the minimum amounts

Click Extra Payments Tab

Extra Payment
• Amount
• Start month
• Start year
• Frequency

Extra Payment Frequency
• One-time only
• Annually
• Semi-annually
• Quarterly
• Monthly

Example: Extra Payment
<table>
<thead>
<tr>
<th>Amount</th>
<th>Start Month</th>
<th>Start Year</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>$50</td>
<td>August 2010</td>
<td></td>
<td>Monthly</td>
</tr>
<tr>
<td>$500</td>
<td>Feb. 2011</td>
<td></td>
<td>Annually</td>
</tr>
</tbody>
</table>

Save Payment Information
Press after each entry
**Drop Down Menus**

Select Highest Interest First

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<td>$1317.51</td>
<td>$67.51</td>
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Payoff Time: 3 years 6 months Dec 2012
Total Paid: $28990.05
Total Interest: $5623.05

**Click Payment Calendar**

Without Power Payments
Highest Interest First

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Payoff Time: 9 years 11 months May 2010
Total Paid: $35,945.17
Total Interest: $12,578.17

**With Power Payments**

Highest Interest First

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<td>Mastercard</td>
<td>42</td>
<td>$16090.40</td>
<td>$4523.14</td>
</tr>
<tr>
<td>Security Bank</td>
<td>42</td>
<td>$3612.36</td>
<td>$262.36</td>
</tr>
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Payoff Time: 6 years 5 months
Total Paid: $28990.05
Total Interest: $5623.05

**PowerPay Benefits**

- $50 per month $500 annually
- Time Reduction: 6 years 5 months
- Amount Saved: $6,955.12
Consolidation Option

Creditors to Consolidate

- Check creditors to consolidate
- Enter fees and penalties amount

Calculate Amount to Be Consolidated
PowerPay Web site
(Utah State University-Extension)

Best wishes as you explore Power Pay

Marsha