

Lose the Interest and Boost Your Income

By Lisa Leslie, Hillsborough County Extension Agent

Getting out of debt is one of the best investments you can make. Carrying high levels of debt usually means that a significant portion of your income is being consumed by interest payments. Eliminating debt can be a big boost to your income. Unfortunately, people often have hundreds of dollars (not including mortgage payment interest) going towards interest payments. Do you know how much you are spending on interest charges each month?

A rule of thumb is that no more than 20% of your take-home pay should be going towards unsecured debt payments. Carrying credit card debt month- to-month can be very expensive. When you carry a balance on a credit card, the grace period disappears and the interest meter starts ticking. The best way to use credit cards is as a convenience and to pay the balance in full every month. Remember, interest rates on credit cards, even “fixed rate” cards, can be raised with only 15 days notice

The first step to eliminating high debt is to try to limit spending to necessities. Before making a new purchase ask yourself, “Do I really need this item?” Try not to pay interest on items that depreciate in value- such as furniture, clothes, eating out etc. If you are going to “charge it”, consider the total cost of the item including interest. Will it still be of use when it is paid off?

The next step is to develop a plan to payoff existing debts. Include the balance you owe, the minimum monthly payment, and the interest rate. Take a look at your spending plan. Can you cut back on non-essential items and pay more towards your debts? It is usually best to concentrate on paying the debts with the highest interest rate first.

Would you like help developing a game plan for reducing your debt? The University of Florida Extension is offering a debt reduction analysis program called PowerPay . PowerPay can help you map out a month-by-month plan to payoff what you owe faster without paying any more than you are currently paying monthly toward debt repayment. The program can also help you calculate the effect of paying more than the minimum payments or making extra “lump sum” payments. The only cost for the service is \$2.50 to cover postage. Keep in mind that this is not a loan program, but a way to help you better analyze your situation and develop a strategy to eliminate debt.

A PowerPay worksheet can be downloaded from our website, <http://hillsboroughfcs.ifas.ufl.edu> For more information contact, Lisa Leslie at (813) 744-5519 x143 or lmleslie@ifas.ufl.edu.