

Power Pay*

Available online at powerpay.org

By using the Power Pay* method of debt repayment, you will maximize the effect of your monthly payments on your debt. This method is easily incorporated into your budget and can help eliminate debt more quickly than other methods. Follow these steps:

1. Make a commitment to stop borrowing or charging until all debts are paid.
2. Get to know your debts. The first step in tackling your debt is getting to know it. If you don't know the amount, interest rate and minimum monthly payment on *each one* of your accounts, find out!
3. Prioritize debts in this order:
 - First priority is the debt you can pay off the fastest – there's an emotional boost that will help you keep going, and you can free up some extra cash quickly to apply to other debts.
 - Next, to maximize savings, the rest of your accounts should be put in order of interest rate (highest to lowest).
 - Finally, collection accounts should be addressed after all current debt is paid – they are likely to have stopped accruing interest.
 - *PLEASE NOTE: If your only goal is to get out of debt as quickly as possible, collection accounts should be low priority. However, collection accounts have an extremely negative effect on credit scores. If you want to improve your credit scores, your plan should include paying collection accounts as a top priority.*
4. Dedicate a set amount of money to monthly debt repayment. This amount can be just the sum of all minimum payments. It is not necessary to pay more than your current minimum payments to be successful. If you can dedicate more toward debt repayment, the extra amount can help accelerate the debt repayment process.
5. Pay the same amount to each bill every month, even if the minimum payment drops.
6. When debt #1 is paid, the money that was being paid to that debt is now added to the money being paid to debt #2.

<u>Debt</u>	<u>Amount Owed</u>	<u>Interest Rate</u>	<u>Minimum Payment</u>	Priority

* Power Pay is a program developed by the Utah State University Extension.



For more help with personal finances, call the Financial Coaching program at 512-610-4026.