February 24, 2017

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Become a Saver - Get Out of Debt First

The rise in the cost of living has outpaced income growth in recent years. Household income has grown by 28% in the past 13 years, but the cost of living has gone up 30% in that time period. Some of the largest expenses for consumers - like medical care, food and housing - have significantly outpaced income growth. Medical costs increased by 57% and food and beverage prices by 36% in that same span.

The America Saves campaign, managed by the nonprofit Consumer Federation of America, is working to help educate and motivate people to change these trends. Their goals are to get people to decrease personal debt and increase personal savings as a means to increased financial stability. Getting out of debt is the third most popular goal people select when they pledge to save at https://americasaves.org.

A recent survey showed that 45 percent of families with annual incomes under $50,000 rely on credit cards to pay for basic needs such as rent, utilities, insurance and food. Large consumer debts can also keep you from saving and building wealth. The good news is that there is hope. With planning, discipline, patience, and maybe some outside help, almost anyone can reduce their debts and start to accumulate wealth.

Are you carrying too much debt? You may have too much debt if: You worry about being able to make the minimum monthly payments on your debts; You are putting off paying some bills each month because you do not have enough money to pay all the bills that are due; You have to use your credit card to pay for necessities such as food and gas because there isn't enough left after paying the bills; You get a cash advance from one credit card to make a payment on another card; or You avoid answering the phone because you fear it is a bill collector.

These are a few of the warning signs that you have too much debt. Another way to decide if you have too much debt is to calculate your debt-to-income ratio. It is the financial benchmark many experts use to help you decide how much debt is too much.

It is recommended that your debt-to-income ratio be 15 percent or lower. Once debt-to-income ratios exceed 20 percent, problems with repayment increase dramatically. It means that one day's pay out of a five-day paycheck must be used to re-pay debts and cannot be used for ordinary living expenses. At this point, seeking help from a trained consumer credit counselor may be needed. For more information read "Calculate Your Debt-to-Income Ratio" fact sheet: http://extension.colostate.edu/docs/pubs/consumer/09163.pdf

PowerPay is a free, online program developed by Utah State University Extension that gives you the tools to develop a personalized, self-directed debt elimination plan. Discover how quickly you can become debt free and how much you can save in interest costs by following your debt reduction plan. Visit: https://powerpay.org/. Get started today working out a plan to get out of debt.

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