



# Extension News Column

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*University of Alaska Fairbanks, Cooperative Extension Service, [www.uaf.edu/ces/](http://www.uaf.edu/ces/)  
[fycit@uaf.edu](mailto:fycit@uaf.edu), 907-474-5211, FAX 907-474-6885*

**Contact:** Debbie Carter, information officer, 907-474-5406, [dscarter@alaska.edu](mailto:dscarter@alaska.edu)

**Author:** Roxie Rodgers Dinstel, Tanana District Extension Faculty, HHFD

The best financial plans are a matter of not only keeping your hands on your money, but also being able to pick the best place for it to go. Let's follow up last week's "what if" game by thinking about how to spend small amounts of money to make the biggest difference in your financial fitness.

The tale of \$10. This seems like a paltry amount of money. \$10 might be spent for a trip to the coffee shop or for a quick lunch somewhere. However, that money can make a big difference. The average household owes about \$9000 in credit card debt. With that debt, you would be making a payment of about \$225 per month. At this rate, it would take 31 years to pay this debt. Add that \$10 to the payment each month (paying \$235) and you'll knock that debt out in about 6 1/2 years. This will save you about \$8,800 in interest charges.

The tale of \$100. What if you get a raise of \$100 a month? You've been balancing your budget at the lower amount, so continue to live at that level and save that money each month. Most of us don't have enough money in an emergency fund. Not having an adequate savings account means that many people have to resort to their credit cards when unexpected expenses such as a car repair or home repair comes up. That \$100 will add up to \$1200 over a year. The interest rate is so low right now that you won't get much interest from the money, but you will have it in case you need it. If it is hard for you to write that check to yourself each month, ask your bank if they will pull the money out automatically. If you never see it, you won't miss it.

People often ask me whether it is better to pay off debt or to save it. The answer is a little complex. The first thing is to establish a small emergency fund, then use the money to pay down on that credit card debt. That way you won't have to add to the debt if an emergency comes up.

The tale of \$1000. So what if you get an income tax return or maybe even save a part of the Permanent Fund Dividend? The temptation is to treat ourselves to something we've been wanting. But the smarter thing is to pay down the principal of your home loan.

Let's say you have a house note of \$200,000. By paying the equivalent of one extra payment each year, you can pay for your house in 25 years instead of 30 and save about \$50,000. And it doesn't matter if the payment is paid once a year or in the form of \$100 a month. Just make that extra payment each year.

The trick to financial fitness isn't always gaining large amounts of money, it is far more often a small change that makes the difference. It's easy to see where we might shave \$10 off our budget each month. One less lunch out each week or opt to rent a movie rather than going to the theater and you can easily find that \$10. Think of how you can shave a few dollars off your budget, then use it to improve your financial fitness.