



# Extension News Column

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You have heard the statistics. The average household owes \$9300 in consumer debt. It is a simple matter to figure this number—all the nation's consumer debt divided by the number of households. The real problem is that 30% of households carry no debt from month to month. So if you divide the total by the number of households that actually have debt, it is closer to \$14,000, a much higher number.

Household debt is getting worse--particularly if you consider that one-third of all households are behind in their payments or over their credit limits. As you miss payments or go over the credit limit, you become a risk as a borrower. The banks raise the interest rate to protect them from this risk. In either case, you may find yourself paying as much as 30% on the balance on the card.

It is easy to see how that interest rate can defeat us. Let's say you owe \$10,000, just over the average rate of debt. If your credit card charges 5%, with no additional charges added to the card, you can pay \$200 for 57 months and the debt is paid off. You would pay a total of \$1400 in interest charges. At the rate of 15%, it would take 79 months or 6.6 years and you'd pay back almost \$6000 in interest charges. At 28%, the \$200 payment wouldn't even cover the interest on the payment. You could never pay the debt! Raise the payment to \$250 and you would take almost 10 years to pay it off. And all these estimates are assuming that you never make any additional charges.

The best way to get ahead and stay ahead is to pay off your credit card debt and make a habit of paying the balance in full each month. So how do you do that? Instead of paying the minimum payment on your card, pay more. Even if it is only an additional \$25, it adds up over time.

In addition, get in the habit of paying for things instead of charging them. Many of us are quick to pick up the credit card, but instead, pay with cash, a check or a debit card.

Paying cash has a psychological impact on our spending. Those who pay cash for an item, spend 20% less than those who write a check or use a credit card. Somehow we can't let go of that long green. So try spending cash for a while. It may help your bottom line!