



# PowerPay User's Guide

Version 3.0

Calculates Savings from Power Payments

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## Introduction

Getting out of debt is the best investment many consumers can make. It is a truly risk free investment that can produce double digit returns by reducing the amount of interest paid.

Getting out of debt also creates flexibility. It allows *you to decide* how to use your money rather than being tied to fixed payments to creditors. Flexibility also gives your family more maneuvering room in case of financial cut backs or opportunities.

Reducing your consumer debt may also help you *qualify for a mortgage*. Even if your income is high, many lenders will disqualify your loan application if you are carrying too much debt.

Learning how to make power payments puts you on the pathway to being debt-free. Power Payments are part of a technique often suggested by financial experts to help individuals and families gain control of their consumer debts. The plan is this:

- First, make a commitment to stop borrowing or charging until current debts are paid.
- Second, make power payments on current obligations. Making power payments means that as soon as one debt is totally repaid, the monthly payment from that loan is applied to the next debt. Money from paid loans continues to be combined toward other debts until all are paid.
- The total amount of money spent each month towards these debts remains constant until all are paid. It is not necessary to come up with extra money to be successful. When one creditor is paid, commit that money to a different debt rather than spending it on something else.

This practice has the power to save hundreds of dollars in interest and get the consumer out of debt months or years sooner.

The PowerPay computer program is an easy-to-use educational tool that allows consumers and financial advisors to quickly show the impact of power payments in individualized consumer debt situations. For instance:

—PowerPay first calculates what repayment time and interest costs will be if the consumer continues making payments at the current level. It is shocking for most consumers to see the interest costs and length of time it takes to repay the debts, especially if they are making only the minimum required payments.

—Next, PowerPay calculates the possible savings by using power payments in three scenarios: 1) paying off creditors with the highest interest rate first, 2) paying off creditors with the lowest balance first, or 3) paying off creditors with the shortest term first.

PowerPay can also accommodate customized repayment plans such as paying off a relative first or adding an optional monthly payment should extra funds become available. All this information is available on printouts and can involve as many as 30 creditors.

## System Requirements and Specifications

An IBM or IBM compatible computer DOS 3.0 or higher.

PowerPay requires no more than 250K of available memory and each data file created from the program requires no more than 1200 bytes of storage.

Consumers working to reduce or eliminate their debt should plan how they will handle unexpected expenses. To avoid having to use credit, consumers should set aside a little money each paycheck to have on hand to pay for emergencies and for those expenses that don't occur each month, such as insurance premiums, school fees, or trips.

## Starting the Program

*Before proceeding, make a backup copy of your original diskette. Use the copy as your program disk and save the original as a backup.*

The PowerPay program may be used on either an internal hard disk or a floppy disk system.

### Starting the Program from Floppy Disk

For a floppy disk system insert disk into drive A and type:

**A: <enter>**

At the A:> prompt type either

**P <enter> or POWERPAY <enter>**

You may use other disk drives, substituting those drive names for A:

## **Installing and Starting PowerPay on Hard Disk System**

Insert PowerPay diskette into drive A, type:

**A:INSTALL <enter>**

Or, if the PowerPay diskette is in drive B, type:

**B:INSTALL <enter>**

The install procedure creates a directory called "CASH" on the hard drive. To start the program, change to the cash directory by typing:

**CD CASH <enter>**

At the C:\CASH> prompt type either

**P <enter> or POWERPAY <enter>**

**When PowerPay is retrieved a title screen appears. Press any key to continue.**

## PowerPay Tutorial

This example will take you through the steps you will use most often with PowerPay. Follow the instructions in the previous section to start the program.

While this tutorial will walk you through the main points of using PowerPay, you may refer to later sections in this User's Guide for more information on procedures or menu options.

At this point the screen should show an empty table for the current creditor/debt information and an entry menu (**Figure A**). Use the up and down arrow keys to move through the menu options and note the brief description of the highlighted option that appears at the bottom of the screen. Once you are familiar with the menu you may prefer to choose an option by pressing the key matching the single highlighted and capitalized letter for each menu line.

### Enter Credit Information

To retrieve the first six creditors of this practice exercise, press the down arrow key until the cursor highlights **Load account** and press the <enter> key. In the upper right corner of the screen a box will appear listing of all the PowerPay data files that previously were saved on the same directory as the PowerPay program. Since there is only one for this example— TUTOR.PAY—and it is highlighted as the one wanted, press the <enter> key. (The section following this tutorial will give more information on the menu options and will describe how to load PowerPay data files from other directories.) **NOTE: When you enter a command but nothing seems to be happening, check the message line at the bottom of the screen; it will say "Please wait...Calculating...(X% complete)."**

To become familiar with the simple techniques of data entry, key in the information for a seventh creditor. Select **Edit account data** from main menu (shown in Figure B). Take a minute to practice moving around the current creditor field. Right and left arrows move one character at a time; the enter key ↵ moves to the next column. Up and down arrows move from row to row.

Move to the first column (creditor name) of line 7. Key in the following information. Do NOT to use commas or dollar signs:

Creditor:                    costlycard <enter>

Current Balance:        1012 <enter>

Monthly Payment:    33.5 <enter>

% Interest per Year:  19.8 <enter>

The screen should look like Figure C. Don't add an optional

Figure A. Entry menu

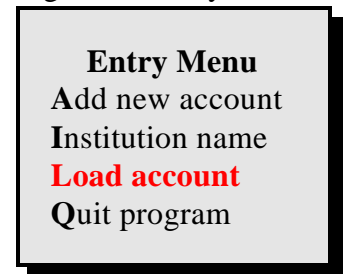
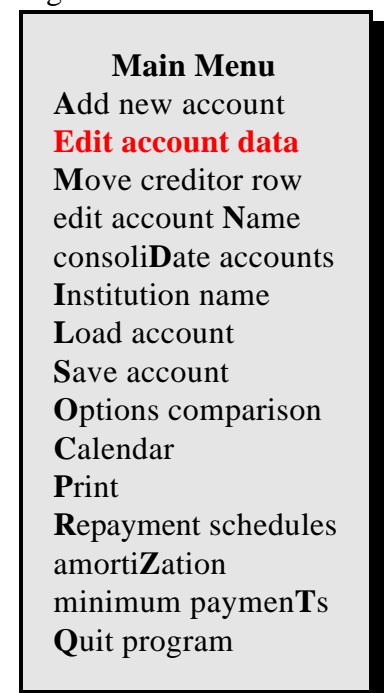


Figure B. Main menu



extra monthly amount now; you'll add one later in the tutorial and compare those figures to this analysis. The right column shows how long it will take to pay each debt without power payments. **NOTE: The pop-up menu may be toggled on and off by pressing the space bar.**

The screen where you enter current creditor/debt information shows ten creditors at one time, but you may enter up to 30 creditors. Use down arrow or <Page Down> key to move through the creditors.

If you have followed along step-by-step, you may now move out of the data entry screen and back to the main menu by pressing the <enter> key three times.

For more details on entering creditor information, refer to the section on PowerPay Procedures. For more information on the menus, refer to the section on Menu Options.

Figure C. Current information for seven creditors

CURRENT CREDITOR/DEBT INFORMATION				
NAME: Tutor				01Feb94
Creditor Name	Current Balance	Monthly Payment	%Interest per Year	Approximate # months WithOut Power Payments
# 1 overdraft	80.50	11.00	14.40%	8
# 2 credit u	2044.30	146.00	14.00%	16
# 3 bank	2098.40	52.90	19.80%	65
# 4 dept store	470.11	40.00	20.00%	14
# 5 Uncle Rich	700.00	40.00	10.00%	19
# 6 gas card	275.00	14.85	14.45%	22
# 7 costlycard	1012.00	33.50	19.80%	43
# 8			%	
# 9			%	
#10			%	
Optional Extra Monthly Amount:			0.00	
Optional One Time Payment Amount:			0.00	
Month for One Time Payment:				
Enter creditor name				

Figure D. Print Menu

<b>Print Menu</b>
<b>Analysis summary</b>
Calendar
Options comparison
repayment Schedule
amortiZation
minimum paymentTs
<b>Return to prev menu</b>

## Basic Calculations

Once you move out of the data entry screen and back to the main menu, PowerPay immediately begins calculations for **all** sequences of debt repayment—highest interest rate debts paid first, lowest balance debts paid first, and shortest term debts paid first. (The message line indicates calculations in process by saying x% complete).

All this information is available in several formats. Each printout on screen can be accessed with just a few keystrokes.

First, let's go through the two formats you will probably use most often.

### **See the Savings: Analysis Summary**

To print the information, choose **Print** from the main menu. From the print menu Figure D select **Analysis summary** and then, for this example, choose **Greatest savings**, and **Printer**. The top of the analysis summary (Figure E) shows the credit information as entered. The bottom of the chart shows the time and interest costs of paying the debt without power payments (on the left) compared to time and interest costs with power payments (on the right).

**Note: If there are no more than 13 creditors the Analysis Summary will print on one page. If there are more than 13 creditors the current creditor information will appear on one page and the impact of making power payments will print on a second page.**

In this example the debt is paid 41 months sooner resulting in a savings of \$837.92 in interest costs.

The headings specify what repayment sequence was used. (This is helpful when you are printing several options.)

Figure E. Analysis Summary baseline data

ANALYSIS SUMMARY						
NAME: Tutor				03Feb94		
Creditor Name	Current Balance	Monthly Payment	%Interest per Year	Approximate # months WithOut Power Payments		
# 1 overdraft	80.50	11.00	14.40%	8		
# 2 credit u	2044.30	146.00	14.00%	16		
# 3 bank	2098.40	52.90	19.80%	65		
# 4 dept store	470.11	40.00	20.00%	14		
# 5 Uncle Rich	700.00	40.00	10.00%	19		
# 6 gas card	275.00	14.85	14.45%	22		
# 7 costlycard	1012.00	33.50	19.80%	43		
# 8			%			
# 9			%			
#10			%			
Optional Extra Monthly Amount:			0.00			
Optional One Time Payment Amount:			0.00			
Month for One Time Payment:						
=====						
WITHOUT POWER PAYMENTS				POWER PAYMENTS-HIGH INT FIRST		
No Extra Monthly Amt				Extra Monthly Amt: 0.00		
No One Time Payment				1 Time Pmnt: 0.00		
Creditor Name	#Pmts	Tot Paid	Int Paid	#Pmts	Tot Paid	Int Paid
# 1 dept store	14	527.61	57.50	12	525.38	55.27
# 2 costlycard	43	1412.54	400.54	18	1247.64	235.64
# 3 bank	65	3435.44	1337.04	24	2764.65	666.25
# 4 gas card	22	313.02	38.02	22	313.02	38.02
# 5 overdraft	8	84.78	4.28	8	84.78	4.28
# 6 credit u	16	2245.23	200.93	16	2245.23	200.93
# 7 Uncle Rich	19	759.77	59.77	19	759.77	59.77
# 8						
# 9						
#10						
Tot Mnthly Pmnt			varies	Tot Mnthly Pmnt		338.25
Months to Repay			65	Months to Repay		24
Loan Amt Repaid			6680.31	Loan Amt Repaid		6680.31
Interest Paid			2098.08	Interest Paid		1260.16
Total Amt Paid			8778.39	Total Amt Paid		7940.47
=====						
SUMMARY OF BENEFITS FROM MAKING POWER PAYMENTS						
Time required to pay off all debt reduced by				41 Months		
Amount of Money Saved				\$ 837.92		
=====						
PowerPay analysis provided by: Utah State Univ. Cooperative Extension						

Figure F. Repayment schedule

REPAYMENT SCHEDULE WITHOUT POWER PAYMENTS No Extra Monthly Amt No One Time Payment				REPAYMENT SCHEDULE POWER PAYMENTS-HIGH INT FIRST Extra Monthly Amt: 0.00 1 Time Pmnt: 0.00			
Creditor Name	#Pmts	Tot Paid	Int Paid	#Pmts	Tot Paid	Int Paid	
# 1 dept store	14	527.61	57.50	12	525.38	55.27	
# 2 costlycard	43	1412.54	400.54	18	1247.64	235.64	
# 3 bank	65	3435.44	1337.04	24	2764.65	666.25	
# 4 gas card	22	313.02	38.02	22	313.02	38.02	
# 5 overdraft	8	84.78	4.28	8	84.78	4.28	
# 6 credit u	16	2245.23	200.93	16	2245.23	200.93	
# 7 Uncle Rich	19	759.77	59.77	19	759.77	59.77	
# 8							
	Tot Mnthly Pmnt		varies	Tot Mnthly Pmnt		338.25	
	Months to Repay		65	Months to Repay		24	
	Loan Amt Repaid		6680.31	Loan Amt Repaid		6680.31	
	Interest Paid		2098.08	Interest Paid		1260.16	
	Total Amt Paid		8778.39	Total Amt Paid		7940.47	
----- SUMMARY OF BENEFITS FROM MAKING POWER PAYMENTS -----							
Time required to pay off all debt reduced by						41 Months	
Amount of Money Saved						\$ 837.92	
PowerPay analysis provided by: Utah State Univ. Cooperative Extension							

To view this information on screen return to main menu and select **R**epayment schedules, **G**reatest savings. Toggle off the menu by pressing space bar. The screen should look like Figure F which is the same on the bottom portion of the printed analysis summary.

### Payment Specifics: Debt Reduction Calendar

The second form you will probably use most often is the calendar. It projects how much is paid to each creditor, each month, until all creditors are paid.

To print the calendar, select **P**rint from the main menu. At the print menu select **C**alendar by pressing **C** or by moving cursor to calendar and pressing <enter>. For this example select **G**reatest savings.

The calendar will print six creditors per page, so this example will print two pages. See Figure G.

The calendar shows how payments are combined each time the total debt to a creditor is paid. This makes it easy for consumers to see how to apply power payments to their debts. Take a minute to look at Figure G to see how PowerPay automatically combines payments. The last projected payment for the overdraft does not require the entire \$11, so the available amount of \$3.22 is added to the dept store payment. The payment to costlycard increases to \$84.50 by adding the \$11 from the paid overdraft account and the \$40 from the paid dept store account to the original \$33.50. The \$230.50 payment to costlycard comes from the \$11 paid overdraft account and the \$40 paid dept store account and the \$146 paid credit union account added to the original \$33.50.

These are a few of the combination power payments; look for others if you have time.

The *total* dollar amount spent each month on debt repayment stays constant until the last month, and is printed near the top of the calendar. The calendar of payments begins the month following the date of the PowerPay calculation. These are projections only; the precise amounts may vary due to rounding and timing.

To see the calendar on the screen (without a hard copy), return to main menu and select Calendar by pressing **C** or by moving the cursor to Calendar and pressing <enter>, then Greatest savings. See Figure H.

Figure G. Calendar

```

          POWERPAY DEBT REDUCTION CALENDAR
    Debt with Highest Interest Rate Paid First
=====
Name: Tutor                                     03Feb94
          Monthly Total of All Payments:      338.25
    Includes Extra Monthly Amount of:         0.00
          Includes one time payment of:       0.00
-----
PowerPay analysis provided by: Utah State Univ. Cooperative Extension
Projections only. Precise amounts may vary due to rounding and timing.
=====
      dept store  ostlycard   bank   gas card  overdraft  credit u  Uncle
-----
Mar-94      40.00      33.50      52.90      14.85      11.00      146.00      40.00
Apr-94      40.00      33.50      52.90      14.85      11.00      146.00      40.00
May-94      40.00      33.50      52.90      14.85      11.00      146.00      40.00
Jun-94      40.00      33.50      52.90      14.85      11.00      146.00      40.00
Jul-94      40.00      33.50      52.90      14.85      11.00      146.00      40.00
Aug-94      40.00      33.50      52.90      14.85      11.00      146.00      40.00
Sep-94      40.00      33.50      52.90      14.85      11.00      146.00      40.00
Oct-94      43.22      33.50      52.90      14.85      7.78      146.00      40.00
Nov-94      51.00      33.50      52.90      14.85      146.00      40.00
Dec-94      51.00      33.50      52.90      14.85      146.00      40.00
Jan-95      51.00      33.50      52.90      14.85      146.00      40.00
Feb-95      49.16      35.34      52.90      14.85      146.00      40.00
Mar-95              84.50      52.90      14.85      146.00      40.00
Apr-95              84.50      52.90      14.85      146.00      40.00
May-95              84.50      52.90      14.85      146.00      40.00
Jun-95      175.27      52.90      14.85      55.23      40.00
Jul-95      230.50      52.90      14.85      40.00
Aug-95      184.53      98.87      14.85      40.00
Sep-95              283.63      14.85      39.77
Oct-95              323.40      14.85
Nov-95              323.40      14.85
Dec-95              337.08      1.17
Jan-96              338.25
Feb-96              160.72
    
```

The message line at the bottom of the screen indicates the keys to use to move around in the calendar window. The END key moves the cursor to the far right of the calendar while the HOME key moves the cursor to the far left. The RIGHT and LEFT arrow keys move creditor by creditor. The UP and DOWN arrow keys move line by line through the calendar while PAGE UP and PAGE DOWN keys move to next screen.

The top of the calendar shows the total dollar amount spent on debt repayment, whether calculation includes extra monthly amount, or a one-time payment (which we will discuss next). Press the ESC key to return to the Calendar menu. Move the cursor to *Return to previous menu* and press <enter> or press **R** to return to the main menu.

Figure H. Debt reduction calendar

POWERPAY DEBT REDUCTION CALENDAR						
Debt with Highest Interest Rate Paid First						
Tutor						02Feb94
Monthly payments	338.25	Includes extra:	0.00	1 time:		0.00
-----						
	dept store	costlycard	bank	gas card	overdraft	credit u
-----						
Mar-94	40.00	33.50	52.90	14.85	11.00	146.00
Apr-94	40.00	33.50	52.90	14.85	11.00	146.00
May-94	40.00	33.50	52.90	14.85	11.00	146.00
Jun-94	40.00	33.50	52.90	14.85	11.00	146.00
Jul-94	40.00	33.50	52.90	14.85	11.00	146.00
Aug-94	40.00	33.50	52.90	14.85	11.00	146.00
Sep-94	40.00	33.50	52.90	14.85	11.00	146.00
Oct-94	43.22	33.50	52.90	14.85	7.78	146.00
Nov-94	51.00	33.50	52.90	14.85		146.00
Dec-94	51.00	33.50	52.90	14.85		146.00
Jan-95	51.00	33.50	52.90	14.85		146.00
Feb-95	49.16	35.34	52.90	14.85		146.00
Mar-95		84.50	52.90	14.85		146.00
Apr-95		84.50	52.90	14.85		146.00
-----						
PowerPay analysis provided by: Utah State Univ. Cooperative Extension						
Projections only. Precise amounts may vary due to rounding and timing.						
ESC to Return to Menu or ArrowDown PageDown End.						

## Looking at the Options

The analysis summary (and calendar) of the creditor information as entered serve as "baseline data." Once these are in place, go back and explore the saving potential of additional repayment scenarios.

With PowerPay it will take only a few minutes to check out your options, and knowing your options can help you feel more confident that you are in control.

### Adding an Optional Extra Monthly Payment

At main menu select *Edit account data* to make changes in the creditor information previously entered. In this case, press the down arrow key until the cursor is to the right of "optional extra monthly amount." In this example the consumer wants to know what impact there would be from adding an additional \$30 a month to debt repayment.

Key in:

**30 <enter>**

To see impact, choose **Repayment** schedules at main menu.

Comparing this analysis of power payments with an extra monthly payment of \$30 to Figure F (power payments with no extra monthly payment) shows that the extra \$30 per month trimmed an additional two months and \$138.89 in interest costs. Most of the 43 months and \$976.81 interest savings come from the power payments, which is typical. This means that consumers who cannot squeeze any additional money from the budget to divert to debt repayment can still make substantial savings.

### Adding an Optional One Time Payment

It is quick and easy to edit the debt information screen to explore several repayment options.

If you anticipate a refund, bonus, or overtime check, you might calculate the savings from a one-time lump sum payment made sometime in the future.

At main menu select **Edit account data**, move cursor to optional extra monthly amount and delete the \$30.

Move down one more line to optional one time payment amount and key in \$150 <enter>. For this example the month for the one time payment should be the month after calculations begin. (If it is now February, PowerPay calculations will begin in March, so enter April for this practice exercise.) The message line gives format guide.

Figure I. Specify amount and date of future one-time payment

CURRENT CREDITOR/DEBT INFORMATION					
NAME: Tutor			02Feb94		
Creditor Name	Current Balance	Monthly Payment	%Interest per Year	Approximate	# months WithOut Power Payments
# 1 overdraft	80.50	11.00	14.40%		8
# 2 credit u	2044.30	146.00	14.00%		16
# 3 bank	2098.40	52.90	19.80%		65
# 4 dept store	470.11	40.00	20.00%		14
# 5 Uncle Rich	700.00	40.00	10.00%		19
# 6 gas card	275.00	14.85	14.45%		22
# 7 costlycard	1012.00	33.50	19.80%		43
# 8			%		
# 9			%		
#10			%		
Optional Extra Monthly Amount:			30.00		
Optional One Time Payment Amount:			150.00		
Month for One Time Payment:			Apr94		
Enter month in which one time payment amount will be paid (example: Nov93)					

To see impact choose **R**epayment schedules from main menu or **A**nalysis summary from print menu.

To put the two together, **E**dit account data from main menu, move cursor to optional extra monthly payment and key in 30 <enter>.

The combined impact of an extra \$30 per month plus \$150 one time payment in two months can be seen on **R**epayment schedules or **A**nalysis summary.

See **F**igure J for a summary of savings from the practice exercises.

Figure J. Impact of a few repayment options (all with greatest savings sequence).

	Savings \$	Months to Repay Debts
\$30 optional extra monthly amount	\$ 976.81	22
\$150 one-time payment on Apr94	\$ 902.34	23
Both extra monthly amt and one-time payment	\$1032.80	21
Power Payments without extras (Figure F)	\$ 837.92	24

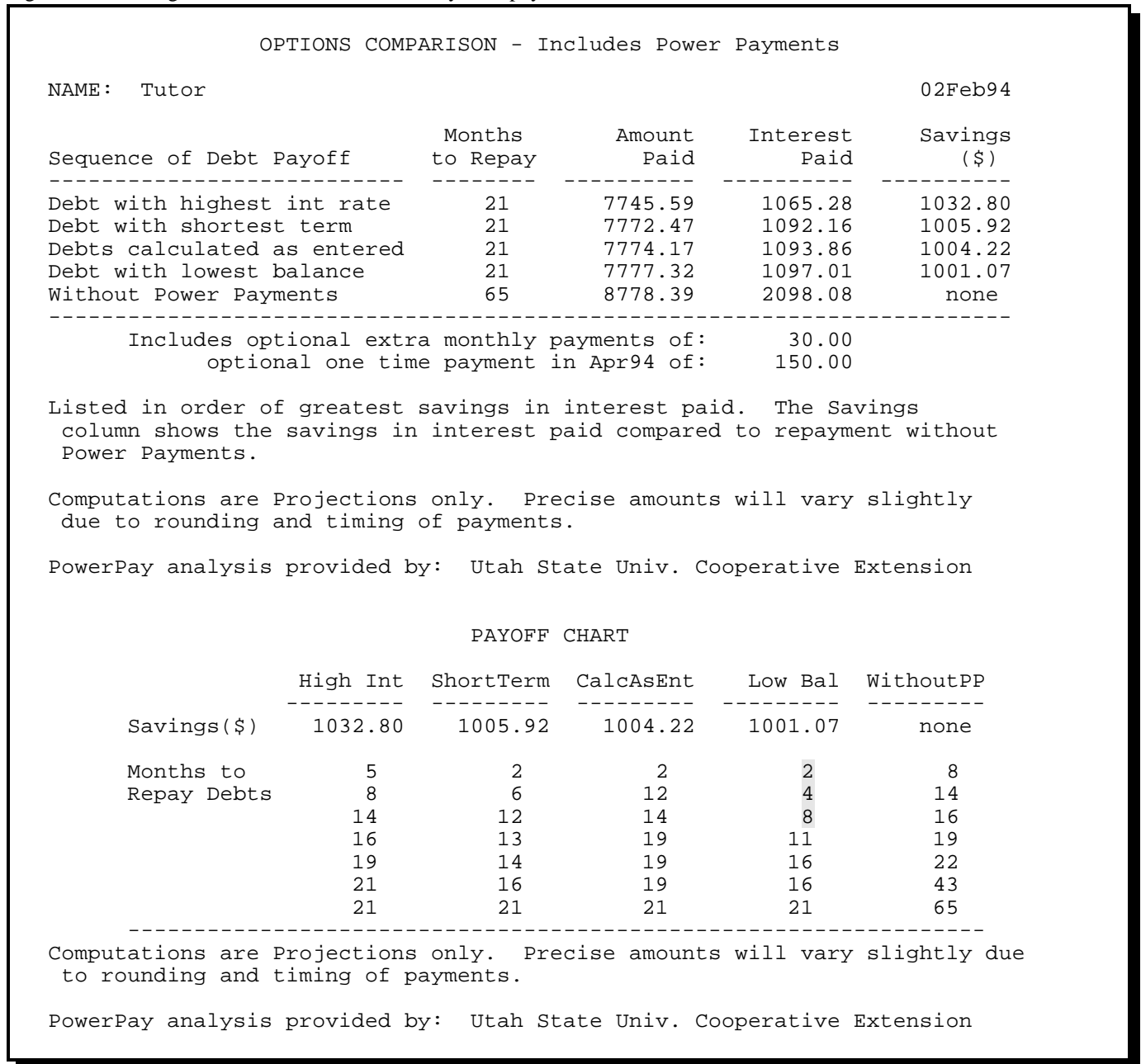
## Early Debt Payment for Emotional Boost

Up to this point all calculations have looked at achieving the maximum savings in interest costs.

Because money is more than dollars and cents, a plan that has greater emotional pay-off for a consumer may sometimes be a wise choice, even though it means some reduction in interest savings. The "big bang" of completely paying off one or two creditors as soon as possible may motivate the consumer and help him or her stick with the debt reduction plan for the long haul.

It takes only a few minutes to compare the possibilities. At **P**rint menu select **O**ptions comparison. Or to see on screen, go to main menu, select **O**ptions comparison, and then Page Down to

Figure K. Looking for emotional boost from early debt payment.



payoff chart.

The lower portion of Figure K shows the Payoff Chart. In this example making power payments to creditors with lowest balance first will give an emotional boost of quickly paying off several debts. In this case the savings in interest costs are only slightly less than for "highest interest rate first" sequence (\$1032.80 - \$1001.07 = \$31.73 difference).

Options comparison and Payoff Chart show the savings in interest cost and the months to pay each debt for five sequences—including "Calculated as Entered." Usually this is the random sequence when creditor data is first entered into PowerPay. In the next section we will customize to debt payment sequence.

## Customizing the Repayment Sequence

You may sometimes want to specify the sequence of the creditors during the PowerPay analysis (rather than highest interest rate first, lowest balance first, or shortest term first). For this example, let's assume that the consumer wants to pay off Uncle Rich first (to minimize family tension).

Return to the main menu and select *Move creditor row* <enter> or press **M** key. The message line at the bottom left of the screen asks you to enter the number of the row you want to move. You can see on the screen that Uncle Rich is on line 5 so press 5 <enter>. The message line now prompts you to specify the number of the row to which you want to move Uncle Rich. Press 1 <enter>.

The message line asks if you want to move another row. If you want the remaining creditors arranged in the order of highest interest first (which previous calculations showed to give the greatest savings) you will need to move a few more lines, so press the **Y** key for yes.

Move dept store from line 5 to line 2. (**Y** for yes you want to move another row)

Move costlycard from line 7 to line 3. (**Y** for yes you want to move another row)

Move bank from line 6 to line 4. (**Y** for yes you want to move another row)

Move gas card from line 7 to line 5.

You don't need to move another row, so type **N** for no.

The screen should now look like Figure L.

Figure L. Customized sequence of payments (Uncle Rich first).

CURRENT CREDITOR/DEBT INFORMATION					
NAME: Tutor					09Apr93
Creditor Name	Current Balance	Monthly Payment	%Interest per Year	Approx # months Without Power Payment	
# 1 Uncle Rich	700.00	40.00	10.00%	19	
# 2 dept store	470.11	40.00	20.00%	14	
# 3 costlycard	1012.00	33.50	19.80%	43	
# 4 bank	2098.40	52.90	19.80%	65	
# 5 gas card	275.00	14.85	14.45%	22	
# 6 overdraft	80.50	11.00	14.40%	8	
# 7 credit u	2044.30	146.00	14.00%	16	
# 8			%		
# 9			%		
#10			%		
Optional Extra Monthly Amount:			30.00		
Enter new creditor data (erases current data)					

Figure M. Impact of paying Uncle Rich first.

OPTIONS COMPARISON - Includes Power Payments					
NAME: Tutor				03Feb94	
Sequence of Debt Payoff	Months to Repay	Amount Paid	Interest Paid	Savings (\$)	
Debt with highest int rate	21	7745.59	1065.28	1032.80	
Debt with shortest term	21	7772.47	1092.16	1005.92	
Debt with lowest balance	21	7777.32	1097.01	1001.07	
Debts calculated as entered	21	7788.46	1108.15	989.93	
Without Power Payments	65	8778.39	2098.08	none	
Includes optional extra monthly payments of:			30.00		
optional one time payment in Apr94 of:			150.00		
Listed in order of greatest savings in interest paid. The Savings column shows the savings in interest paid compared to repayment without Power Payments.					
PAYOFF CHART					
	High Int	ShortTerm	Low Bal	CalcAsEnt	WithoutPP
Savings(\$)	1032.80	1005.92	1001.07	989.93	none
Months to Repay Debts	5	2	2	8	8
	8	6	4	9	14
	14	12	8	10	16
	16	13	11	16	19
	19	14	16	16	22
	21	16	16	21	43
	21	21	21	21	65
Computations are Projections only. Precise amounts will vary slightly due to rounding and timing of payments.					
PowerPay analysis provided by: Utah State Univ. Cooperative Extension					

To see the impact of paying Uncle Rich first, view or print Options comparison (Figure M). Paying Uncle Rich first will reduce interest cost savings by \$42.87 (highest interest rate first compared to calculated as entered, but the consumer may choose this option for reasons other than economy).

## Evaluate Debt Consolidation

In version 3.0 of PowerPay it is now easy to create the debt consolidation loan calculation.

Before choosing *consoliDate accounts* from main menu you need to know the following information:

- if all creditors will not be consolidated, which creditors (by line number) you will consolidate (Figure N)
- monthly payment for new consolidated debt
- interest rate for the consolidated account
- total fees and penalties for creating the consolidated loan

Figure N. consoliDate accounts

CURRENT CREDITOR/DEBT INFORMATION				
NAME: Tutor			03Feb94	
Creditor Name	Current Balance	Monthly Payment	%Interest per Year	Approximate # months WithOut Power Payments
# 1 overdraft	80.50	11.00	14.40%	8
# 2 credit u	2044.30	146.00	14.00%	16
# 3 bank	2098.40	52.90	19.80%	65
# 4 dept store	470.11	40.00	20.00%	14
# 5 Uncle Rich	700.00	40.00	10.00%	19
# 6 gas card	275.00	14.85	14.45%	22
# 7 costlycard	1012.00	33.50	19.80%	43
# 8			%	
# 9			%	
#10			%	
Optional Extra Monthly Amount:			0.00	
Optional One Time Payment Amount:			0.00	
Month for One Time Payment:				
First Creditor Number to Consolidate:				
Creditor Number to Consolidate - Enter if done - 99 for ALL - ESC to Abort				

In this example the three debts with the highest interest rates are consolidated into a new DEBTLOAN.

- Debts that were consolidated were numbers 3, 4, and 7.
- The monthly payment for the new DEBTLOAN was \$100.
- Interest rate for DEBTLOAN was 11%.
- Fees and penalties totalled \$150.

The new analysis summary is shown in Figure O.

Figure O. Analysis including consolidated loan

ANALYSIS SUMMARY						
NAME: Tutor				03Feb94		
Creditor Name	Current Balance	Monthly Payment	%Interest per Year	Approximate # months WithOut Power Payments		
# 1 overdraft	80.50	11.00	14.40%	8		
# 2 credit u	2044.30	146.00	14.00%	16		
# 3 debtloan	3730.51	100.00	11.00%	46		
# 4 Uncle Rich	700.00	40.00	10.00%	19		
# 5 gas card	275.00	14.85	14.45%	22		
# 6			%			
# 7			%			
# 8			%			
# 9			%			
#10			%			
Optional Extra Monthly Amount:			0.00			
Optional One Time Payment Amount:			0.00			
Month for One Time Payment:						
=====						
Creditor Name	WITHOUT POWER PAYMENTS			POWER PAYMENTS-HIGH INT FIRST		
	#Pmts	Tot Paid	Int Paid	#Pmts	Tot Paid	Int Paid
	No Extra Monthly Amt			Extra Monthly Amt: 0.00		
	No One Time Payment			1 Time Pmnt: 0.00		
# 1 gas card	22	313.02	38.02	16	306.22	31.22
# 2 overdraft	8	84.78	4.28	8	84.78	4.28
# 3 credit u	16	2245.23	200.93	16	2245.23	200.93
# 4 debtloan	46	4586.32	855.81	25	4317.84	587.33
# 5 Uncle Rich	19	759.77	59.77	19	759.77	59.77
# 6						
# 7						
# 8						
# 9						
#10						
	Tot Mnthly Pmnt		varies	Tot Mnthly Pmnt		311.85
	Months to Repay		46	Months to Repay		25
	Loan Amt Repaid		6830.31	Loan Amt Repaid		6830.31
	Interest Paid		1158.81	Interest Paid		883.53
	Total Amt Paid		7989.12	Total Amt Paid		7713.84
SUMMARY OF BENEFITS FROM MAKING POWER PAYMENTS						
Time required to pay off all debt reduced by						21 Months
Amount of Money Saved				\$	275.28	
=====						
PowerPay analysis provided by: Utah State Univ. Cooperative Extension						

Now the consumer needs to compare his or her options. See Figure P. The consumer can compare many options in addition to these basic.

Figure P. Comparing repayment options.

Repayment option	Months to repay	Total paid
Debt consolidation plus power payments (right side of Figure O)	25	\$7713.84*
Debt consolidation without power payments (left side of Figure O)	46	\$7989.12*
Power payments (right side of Figure F)	24	\$7940.47
Without power payments (left side of Figure F)	65	\$8778.39
*includes penalties and fees added to balance		

## Minimum Payments Comparison

PowerPay includes a teaching tool that allows the consumer to determine the consequences of making minimum payments on a declining balance compared to making fixed payments. This is a teaching tool only and does not figure in the power payment calculations.

The *minimum payments* comparison can be accessed from the main menu and also from the print menu. The message line at the bottom of the screen will lead you through the necessary steps. You will be asked to specify:

- the number of the creditor for the minimum payments calculations
- the percentage of outstanding balance used to determine minimum payment (as a reference, a note on the screen will tell what percentage of outstanding balance the current monthly payment represents)
- the payment floor as a dollar amount (for example, a credit card may ask for a minimum payment of 3% of the declining balance to a minimum payment \$15)

The example shown in Figure Q was generated using:

- creditor #3 bank
- 2.5% of outstanding balance
- \$15 minimum payment floor

Figure Q. Printout of *minimum payments*

MINIMUM PAYMENTS AS A PERCENT OF BALANCE COMPARISON			
Creditor Name:	bank		03Feb94
Current Balance:	2098.40		
Annual Interest Rate:	19.80%		
		# of Months to Repay	Tot Interest to Pay
		-----	-----
Current Monthly Payment:	52.90	65	1337.04
(payment is 2.52% of current balance)			
Minimum Payment as a percent of the balance:	2.50%		
Minimum Payment Amount:	15.00	213	3297.34
Declining minimum payments as a percent of balance require 148 more months to repay and cost 1960.30 more in total interest payments.			
Computations are Projections only. Precise amounts will vary slightly due to rounding and timing of payments.			
PowerPay analysis provided by: Utah State Univ. Cooperative Extension			

PowerPay can quickly provide a number of debt repayment scenarios. Knowing the consequences of their debt repayment choices can help consumers make decisions based on their needs.

As you enter new credit data, refer to the sections in the User's Guide on procedures and menu options.

This is the end of the tutorial. If you want to quit PowerPay, return to main menu and select *Quit Program* or **Q**.

If you want to experiment with your own or other credit information, return to main menu and select *Add new account* or **A**.

## PowerPay Procedures

PowerPay has two features that make it easy for users of the program to enter their creditor information and to see the potential impacts of power payments on their debts. Every screen in PowerPay has a **message line** on the bottom row of the monitor. The **message line** provides the user with directions on how to proceed. Whenever users need to move to another screen, PowerPay provides a **pop-up menu** in the lower right-hand corner of the screen. Menus are made invisible or visible by pressing the space bar. When a menu is displayed the message line gives additional information about each menu option.

## Entering Creditor Information

Information about creditors, debt balances, monthly payments and interest rates are entered on the PowerPay data entry screen. The line following the "Name" designation should in some way identify the set of creditor information contained in the rows below. The name may contain up to 20 characters and can be an individual's proper name or any other word the user may choose. Type in the desired name and then press the <enter> key to record the name and move the cursor to the creditor information rows.

### Creditor Name

Information about each creditor is entered one row at a time. The first column asks for the creditor name. This space allows use of only 10 characters. After entering the creditor name, you may use either the right arrow key or the <enter> key to advance to the second column.

You may enter from one to 30 creditor names. Examples would be overdraft, credit cards, some installment loans. PowerPay can calculate repayment for debts where extra payments are **applied to the principle and there are no pre-payment penalties**.

To *delete a line*, move cursor to left column. Press delete key until creditor name is erased and then the <enter> key. The entire line will disappear.

### Debt Balance

The second column asks for the current balance owed to this creditor. Amounts will be displayed in dollar format (two decimal places). **Do not use commas or dollar signs when entering the amount.** Maximum display is eight figures (999999.99). Pressing the right arrow key or the <enter> key moves the cursor to the third column.

### Monthly Payments

Enter the monthly payment in the third column. **Do not use commas or dollar signs when entering the amount.** The maximum entry is eight digits. This payment amount should be what you plan to pay each month to that creditor. It may be the minimum amount required on a credit card statement, a greater amount, or it may even be less than what the creditor would prefer. The monthly payment, however, must be big enough to pay the interest owed each month. **If the amount does not cover the interest 9999 will appear in the right column of the entry screen.** No calculations can be completed until it is changed. The message line will read "invalid value(s) for creditor...(name of creditor is displayed)."

Whatever the payment is, the amount will not decrease until the loan is repaid. As power payments roll over to the specific creditor, the monthly payment will increase (see debt reduction calendar). Other conditions are the same as for the debt balance column. The <enter> key or the right arrow key will move the cursor to the fourth column.

If entering mortgage payment, DO NOT INCLUDE insurance or taxes.

## Interest Rate

The fourth column is the last data entry column. Enter the interest rates for each creditor in this column. The rate entered should be the **annual** percentage rate (**APR**). This information, by law, must be provided to the consumer by the creditor. The rate must be entered properly for calculations to be correct. An annual rate of 18.9% is entered: **18.9 <enter>**. Pressing the <enter> key moves the cursor directly to the next creditor line where you type in the name of the next creditor and continue.

## Months without Power Payments

The fifth column on the screen does not accept input. This column displays the number of monthly payments necessary to repay each debt according to the terms entered. In other words, it assumes the same amount is paid each month, as entered, and that no additional purchases are made on the account. The calculation is made automatically after the required information has been recorded on the creditor line.

## Optional Extra Monthly Amount

After data for the last creditor has been entered, use the down arrow key to move the cursor directly to the space next to the "Optional extra monthly amount" entry line. This space will accept an additional amount beyond the monthly payments to each creditor as already listed.

Consumers determined to get out of debt sometimes have additional funds they want to commit to debt reduction. This same amount will be paid each month. The PowerPay program directs this extra amount to creditors according to the same repayment sequence used for the roll-over payments. **An extra payment is not required.** In fact, the greater impact upon debt reduction comes from the power of the roll-over concept. Furthermore, even if an extra amount will be used, it is usually best to run the program without that extra amount the first time and then, for comparison purposes, add it during a second calculation.

## Optional One-time Payment Amount

After the line for optional extra monthly amount is an entry line for a possible one-time payment. This might be a tax refund or bonus, for example.

Consumer can specify month and year for optional one-time payment amount to be added to calculations.

## Menu Options

The PowerPay program provides a pop-up menu whenever you need to continue with a different task, including moving to another screen. The menu display sometimes obscures useful information that is on the screen. **Any of the menus can be hidden by pressing the space bar.** The space bar acts as a toggle, alternately removing and restoring the current menu display. The additional information pertaining to the menu remains on the message line when the display has been removed. Menu selections can be made and different message lines viewed even with the menus hidden from view.

Menu selections can be made in two ways. One way is to use the up or down arrow keys to move the cursor until it highlights the desired selection. When the correct selection is highlighted, press the <enter> key to select that option. Using the arrow keys to select the desired menu option lets you also view the added information on the message line for each alternative.

After users become more familiar with the menu options they may decide to use an alternative method of selection. Each menu line has one letter (usually the first letter but not always) that is capitalized and of a different color (or shade). Pressing that letter-key will select the menu option without using the arrow keys.

For example, the second option in the menu is *Edit account data*. The letter **E** is the only capitalized letter on that line and it is displayed on a color monitor in a different color. You can select this menu option by simply pressing the "E" key whenever the main menu is in use.

## Quick Menu Chart

This section briefly describes each menu option in the PowerPay program. Options are grouped according to the menu location.

### Entry Menu (Figure A)

When the PowerPay program is started, the creditor data screen appears with the entry menu. This menu lists all of the options available to the user when no creditor information has been entered.

*Add new account*—Moves cursor to creditor data lines to allow you to enter new information.

**NOTE:** This option **ERASES** all current data on the entire screen.

*Institution name*—Moves cursor to line where you may enter any name up to 40 characters.

This name appears on all printouts as the provider of the debt reduction analysis.

*Load account*—Retrieves previously saved PowerPay data file and displays information on creditor data lines. Loading a file erases any current creditor data. Box in upper right corner of screen displays a list of 15 previously saved files at a time. Use the up or down arrow key to reach the desired file. If many files are saved use the <page up> or <page down> key.

**FILES MAY BE DELETED** by moving the cursor to that file name and pressing the **F1** key. The message line at the bottom of the screen will remind you whenever you are in the list of files.

*Quit Program*—Leaves PowerPay program.

### Main Menu (Figure B)

When creditor data has been entered and calculations completed, the main menu options are available. The main menu has 14 selections. Eight of these involve some type of action (changes, savings, moving, etc.) with the creditor data. Six other options deal with the results of the PowerPay

calculations (viewing comparison screens, printing hard copies, etc.). An additional main menu option is to quit the program.

## Input Options

**Add new account**—Same as in entry menu. Moves cursor to the creditor data lines to allow you to enter new creditor information. This will **ERASE ALL DATA** already listed on creditor lines unless you follow the prompts to save the information to a file. To add new creditors to existing list, use main menu *Edit account data* option.

**Edit account data**—Moves cursor to first creditor data line. Allows for changes or additions to creditor names, balance amounts, monthly payments, interest rates, or the optional extra amount may be added every month. You may use arrow keys or <enter> key to move to space where changes or additions are to be made. You may type over changes or delete and re-enter. Make sure information has been entered correctly.

**Move creditor row**—Prompts you to enter the line number of the creditor information that should be moved. Moving rows allows you to easily create a customized repayment sequence that may be preferable to built-in sequences.

**edit account Name**—Moves cursor to name line and allows for change of the name identifying this group of creditors and the related debt information.

**consoliDate accounts**—Allows consolidating all or specified debts into a new consolidated loan. User may specify a new monthly payment and a new interest rate. The fees and penalties for creating the consolidated loan are automatically added to the balance owed.

**Institution name**—Same as in entry menu. You may use this option to type the name of an institution or organization if PowerPay is being used as part of a counseling program or some other service. The institution name appears on all printouts as the provider of the debt reduction analysis. This new institution name will be saved and appear on all printouts until changed.

**Load account**—Same as in entry menu. This option retrieves data that has been saved previously by the *Save account* menu option previously described. The PowerPay program searches the drive (or directory or sub-directory, if any) that you were in when PowerPay was started. It identifies all PowerPay data files (PowerPay data files have a pay suffix). Data files identified are displayed in a pop-up box in the upper right corner of the monitor. Use the arrow keys or <page up> or <page down> keys to move the cursor to the desired file and press <enter> to load that data into the PowerPay program.

You may change the drive (or directory or sub-directory) where PowerPay searches by typing in the desired location. After entering the new location, press the <enter> key, and the data files in the new location will be displayed in the pop-up box. Selection is still made by use of the arrow keys and pressing the <enter> key to retrieve the data.

If you are sure of the location and file name, that information can be typed directly on to the prompt line. When the prompt line shows only the correct information, press the <enter> key to retrieve the data.

Necessary calculations are made right after the data is loaded into PowerPay. When these are completed, the main menu is then available for use.

**Files may be deleted** by moving the cursor to that file name and pressing the **F1** key. The message line at the bottom of the screen will remind you whenever you are in the list of files.

**Save account**—This option saves the creditor data and the name to a file. This file can be retrieved by PowerPay at a later date for additional analysis, to make changes, or to enter new information. Identify the location (the drive, any directories, or sub-directories) and the file name you wish to use. Pressing the <escape> key allows you to return to the main menu without saving the account.

When this option is chosen, the PowerPay program prompts you to identify the name of the file to save. The drive (and directory + sub-directories, if any) that you were in when PowerPay was started is given as the default (the course of action the program will take if you press the <enter> key). The first eight characters of the user name (entered in the creditor data field) are given as the default file name. You may type in any changes you wish but the maximum number of characters accepted is eight. Files saved have a pay suffix (filename.pay). Files may be easily deleted (see **Load account**). When the location and file name have been entered, press the <enter> key to save the file. After the file has been saved, the main menu options are again available.

## Result Options

**Options comparison**—This shows a summary of the repayment time, total repayment amount, and the interest costs for each of the four payback sequences (Highest rate first, Lowest balance first, Shortest term first, Calculated as entered). It includes a comparison of each sequence to current payback costs without power payments (**Figure K**).

The message line on the options comparison screen says, "Press PageDown to see Payoff Chart." The Payoff chart (**Figure K**) allows you to compare repayment sequences looking for possible emotional boost from the earlier payment of debts.

**Calendar**—This selection displays a calendar of projected monthly payments to each creditor for every month until all debts are paid off (**Figure H**).

Before the calendar is displayed a Calendar menu pops up. The calendar menu allows you to select the repayment sequence you want incorporated into the calendar. The seven choices on the calendar menu are:

**Greatest savings**

This selection chooses the sequence offering the greatest savings in interest costs and incorporates that sequence into the calendar.

**High int rate first**

**Low balance first**

Shortest term first

Calc as entered

This option uses the current order in which the data is entered. This is the original entry order unless a customized order has been made. The other selections are self-explanatory.

**Print**—Moves to print menu (**Figure D**) which allows for printing to default printer or to a disk file for any calendar, options comparison, repayment schedule, amortization table or minimum payment listed. Also prints analysis summary which is available only from the print menu.

The analysis summary provides the data entry screen, repayment schedule without power payments and repayment schedule for a selected PowerPay sequence on one sheet. The analysis is available for each sequence.

**Repayment Schedules**—This selection views a summary of the following: Repayment sequence; payback time, payback amount, and interest costs for each creditor; and a comparison of the total costs and repayment time to pay back without power payments (**Figure F**). Before the schedule showing these summaries and comparisons is displayed, a repayment schedules menu pops up. You can select a repayment sequence to be incorporated into the schedule from this menu. Options are the same as for the calendar menu.

**amortization**—This selection displays an amortization table showing payment amount, interest portion, principal portion and remaining balance for each month until the debt is repaid. This information is available for any creditor in every repayment sequence listed under the calendar menu. An amortization menu pops up to allow you to define the specific amortization table you desire to view.

**minimum payments**—This is a teaching tool that compares the months to repay of dollar cost of interest when making fixed payments versus making minimum payments as a percentage of a declining balance (**Figure Q**).

**Quit Program**—Leaves PowerPay program.

## Summary

The PowerPay computer program is a useful tool to help consumers better understand their opportunities for debt reduction by making power payments. PowerPay calculates projections of repayment time and interest costs.

PowerPay calculates the savings from making power payments in three pre-determined repayment orders—paying off creditors with the highest interest rate first, paying off creditors with the lowest balance first, and paying off creditors with the shortest term first. PowerPay can also calculate the savings from any customized repayment sequence. The consumer may also examine the savings of:

- adding an optional extra monthly payment to the debt payment
- making an optional one-time payment at specified future date
- consolidating loans
- making fixed payments as compared to minimum payments as a percentage of the declining balance

**Getting out of debt starts with not adding to existing debt.** The PowerPay projections assume the consumer does not take on new debts or charge any items on accounts that cannot be paid that month.

This information is designed to help consumers make debt reduction decisions and is not intended as a precise forecast. Many factors, including level of consumer compliance to repayment schedule, repayment timing, and creditor policies may influence actual results. User accepts full responsibility for use.

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