

START

IMPROVING

YOUR

FISCAL

HEALTH

AND

WELL-BEING

TODAY!

INSIDE THIS  
ISSUE:

Save \$1000's on 1  
Credit Cards

School Tax 1  
Credit

Save \$100's on 2  
Groceries

Which Bill to 2  
Pay First?

Overcoming 3  
Obstacles

Power Pay 3  
Strategy

Common Cents 4  
Schedule

## Save Thousands on Credit Cards

Have you ever wondered why it takes you **SO LONG** to pay off your credit cards?

Annual fees, late fees, over-the-limit fees and high interest rates all contribute to slow repayment on credit cards and loans. Creditors typically ask for only a 2% monthly payment (2% of what you owe) and fees and interest can quickly eat up that small payment!

Lets say you have a card with \$1000 balance and your interest rate is 18%. You just received your monthly bill and your minimum payment is \$20. You would think that after you pay, your new balance would be \$980 but you're wrong!

Your yearly 18% interest rate means that you pay 1.5% interest per month—or \$15 of your \$20 monthly payment. That means when you sent in your \$20 payment, \$15 went to interest and \$5 to your balance, leaving you with \$995. If you never miss a payment, it will take you 93 months (almost 8 years) to pay off your \$1000 balance. If you miss a payment, your interest rate could jump to a default rate that is much higher and you could accumulate late-fees on top of that!

There is good news however! If you can pay, even \$10 more per month, \$15 will go to your \$1000



principal and \$15 to interest. Your debt will be paid off in less than 4 years and you'll save a ton in interest!

### Another example:

Your credit card balance is \$1000. You are charged 2.5% as a minimum monthly payment or \$25. If you pay the minimum, it will take you 153 months to be rid of your debt. In that time you will pay \$1115 in interest alone, for a total of \$2115. If you devote just an extra \$5 each month you could pay off that same debt in 47 months and the total amount you'd pay with interest would be 1396—a **total savings of \$718!**

**START PAYING YOURSELF FIRST BY  
PAYING MORE THAN THE MINIMUM!**

## School Supply Shopping? Keep Your Receipts!

Its that time of year again—our kids pulling our legs for new shoes and clothes and of course there's the never ending, always increasing school supply list! Did you know, that you could qualify for a tax credit that saves you money on the ever day school supplies we all buy? Depending on your income, you may be eligible to claim the K-12 Education Subtraction and/or the Education Credit!

A few examples of qualifying educational expenses include: Pens, pencils, notebooks, folders and other necessary supplies, tutoring or instructor fees, music lessons and instruments, computer hardware and educational software.



**For more information, check out the MN Department of Revenue: [www.taxes.state.mn.us](http://www.taxes.state.mn.us)**



*Duluth Saves  
strives  
to meet the diverse  
needs of all  
Duluthians  
regardless of  
income.  
We truly  
believe that every  
one can build  
wealth with the  
right tools and  
the right  
encouragement.  
We are here to  
support whatever  
financial goals you  
have!*



## A Great Way to Save \$100's on Groceries!

The Duluth Community is proud to announce RUBY'S PANTRY at the Coppertop Church! RUBY'S PANTRY is brought to us by a coalition of churches and housed at First United Methodist Church, often referred to as "Coppertop".

Every third Thursday of the month, anyone is welcome to stop by with \$15 cash and receive over \$100 in groceries, including fresh produce, meats and dairy! Just bring your own laundry basket or tote to carry your food home in! No need to prove income eligibility.

**Next time RUBY'S PANTRY is open for business is September 16, 2010 5:30 pm**

For more information, contact: First United Methodist Church (727-8021) 230 East Skyline Parkway Duluth

## Stumped by Which Bill to Pay First?

Questions run through our mind about which bill to pay first and when to pay what until we are completely overwhelmed and we just feel like giving up! This is what debt and stress can do to us. But don't worry—there's help and hope!

There are some steps we can take and some basic guidelines we can follow to help us understand how each of our debts affect us and which debts should be a priority. You should know that there are 3 basic kinds of debts which are: Secured, Priority Unsecured and Unsecured. Sounds like a bunch of mumbo-jumbo? Let us explain....

Secured debts are backed by things you own, like a car, a home, a boat or a trailer. If you fail to pay a secured debt, the creditor (bank, credit union or lender that provided the loan to you) can physically take back that property—repossessing your car or boat, or placing your home in foreclosure. And that's not all...they can also sue you for any additional amount that may have been lost in the transaction. These types of debts are the most important debts to pay.

Priority Unsecured debts are debt backed by the government. The most common types of priority unsecured debt are: Student loans, taxes and child support. If you don't pay as agreed, creditors can add penalties and interest, garnish your wages and even come after

your bank accounts! These are the second most important type of debt to pay.

Unsecured debts are those things like credit cards, lines of credit, personal loans and medical bills. These types of debts only have your contract (your word) to back them. Interest and penalties are often added to your debt and in some cases your wages could be garnished or you could have a judgment placed against you. Often times, you might receive collection calls or letters. Although it can be stressful and uncomfortable to receive these calls, especially if they are rude, these debts should be the third on your list.

Remember that you NEED food, water, heat and electricity to survive—and those bills should be your very first priority before debt. There are tons of thrifty ways to save on these bills: Look into energy assistance programs offered through AEOA (624-7625), turn off your lights and unplug your appliances, turn down your heat while you're at work and when you are sleeping and cook more meals at home. There are hundreds of simple ways to save, freeing up more of your budget for your debt payments!

If you want help making your budget work for you, take our free Common Cents class or give us a call.

## Check out our Seeds of Success Fresh Produce!

Looking for some delicious fresh grown veggies?  
Check out Seeds of Success, one of our newest program's,  
fresh grown produce at your local farmer's market!

**WEDNESDAYS UMD 1:30PM—4:30PM**



## What Did They Overcome?

You may be having a tough time with obstacles right now, but don't give up! You have great things to offer this world and if you quit, the world will become a very different place. Imagine what it would be like if these guys quit....

**Walt Disney:** Shortly after WWI ended, Disney opened up his own studio and hired several animators. Because of the high salaries he had to pay his workers and the little profit he was turning, the company became increasingly debt laden and had to file bankruptcy. That wasn't all. After developing the hit animated short series, *Oswald the Lucky Rabbit* in 1927, Disney was told by the distributing company that they actually owned Oswald, as well as the contracts for most of his animators. Disney could either accept less money for his work or lose Oswald and his staff. Disney declined the offer and after all that, he was left with nothing. Still, Disney didn't quit. He overcame obstacle after obstacle and laid the foundation for one of the most

recognizable businesses in the world's history as well as one that has multi-billion dollar profits!

**Dr. Seuss:** The "Prince of Petite Poetry" was rejected between 20 and 30 times by various editors before his first, *And To Think I Saw it on Mulberry Street* was published in 1937. It wasn't until 1955, at the age of 51, that his famous *The Cat in the Hat* was released for publication. He didn't think he was too old or his stories were too simple—he knew he had something to offer and wouldn't quit until it was discovered.



**Nelson Mandela:** Most of us would say we know what its like to be imprisoned by debt but Nelson Mandela was actually a prisoner for his debt for over one-third of his lifetime! How's that for an obstacle...He was

arrested in 1962, accused of sabotage and conspiracy against the country of South Africa, and sentenced to life in jail. He performed hard labor in a lime quarry for the 27 years he was in jail. He even turned down a release offer because it conflicted with his values! Through it all—he never gave up. Mandela was eventually freed in 1990 and just 4 years later, was elected South Africa's first black president. His work not only paid off in terms of the election but it served him as inspiration throughout his struggles.

Don't ever say that your situation is too tough, or you can't meet your goals or its just plain hopeless. We know times are tough and that our lives can become overwhelming but if you have no hope, you've already lost the battle. If you feel overwhelmed—there's help and there's hope.

**SET GOALS.  
OVERCOME OBSTACLES.**

Brought to you from [www.daveramsey.com](http://www.daveramsey.com)

## Debt FREE?....Yeah, Right. Wrong! Learn How:

The words "debt" and "free" are two words we don't often hear in the same paragraph let alone the same sentence! Together the two words can seem unrealistic but you can be debt free and there is a tool to help. That tool is called "Power Pay".

Debt is overwhelming, no matter how you look at it. Often we think "what's one more credit card" or "what does it matter now that I already owe so much" but it does. We're not trying to say that using power pay is a magical tool that will erase your debt but it will help you get rid of it much faster. It will take time and discipline but the pay off is worth it all!

In order to use the Power Pay strategy, you have to commit to 2 things. First, commit to paying down your debt and second commit to NOT taking on any new debt in the process and you can be debt FREE!

Power Pay asks that you list your debts (credit cards, loans, medical debt, lines of credit—everything) in order of highest annual percentage rate (APR). Instead of keeping your extra monthly amount after a debt is paid off, you pay that amount on top of your next highest APR debt.

**Example:** I have a department store card balance of \$500 with an APR of 22%, a car loan balance of \$5,500 with an APR of 9.5% and a credit card with a balance of \$950 with an APR of 18%. My monthly dept. store payment is \$50, my car payment is \$150 and my credit card payment is \$19.

With Power Pay, I continue paying all my monthly payments on time. It takes me 12 months to pay off my first department store card (after interest). When month 13 comes, instead of pocketing my extra \$50 from my dept. store payment, I add it to my credit card payment since it has the next highest interest rate. I'm now paying \$69 every month instead of the minimum \$19. That takes me another 14 months to pay that off. Now, I put that extra \$69 (dept. store \$50 and credit card \$19) towards my car payment. I now pay \$219 on my car until its paid off which takes me another 13 months.

**To see how much I saved using power payments continue reading on page 4....**

# Power Payments Continued...

**Without Power Payments:** I would have paid a total of \$8661—\$1711 in interest alone. **It would have taken me 7 years and I wouldn't have saved a dime.**

**With Power Payments:** I paid a total of \$8152—\$1202 in interest. **I saved over \$500 and it took me just over 3 years to pay off the exact same debts!**

If you want to take it to the next level, in addition to power payments, you can get out of debt faster by increasing the amount of your monthly payments (paying more than the minimum which saves even more in interest) and/or by paying lump sum amounts when you have extra cash (tax time perhaps...?).

You might say, how can I find EXTRA money, I'm barely scraping by now? Review your spending habits and make small changes. Even those small changes—a soda a day or a trip to McDonalds can add up quickly.

## So, how do you make Power Pay work for you?

1. Make a commitment to stop borrowing or charging until all your debts are repaid.
2. Determine how much money you have to repay debts. Instead of making only minimum payments on credit card accounts, try to make the largest monthly payment you can afford.
3. Use power payments to repay your debts faster and reduce

the interest costs. As soon as one debt is totally repaid, apply the monthly payment from that debt to another creditor.

4. Continue to combine the money from paid debts until you repay all your creditors.
5. Consider adding lump sums to your power payments or increasing your monthly payment amount when you have extra money.

Learning how to use power payments can put you on the path to being **DEBT-FREE!** It can save you hundreds of dollars in interest and get you out of debt months or even years sooner. The words “debt” and “free” really can be used together—and if you commit to it, you can use them to describe your financial health!

*To find out more about Power Pay and to use a great on-line tool that makes power payments quick and easy, visit: [www.powerpay.org](http://www.powerpay.org) or call us at 726-1665 and we'll help you!*



## Engaging the community to end poverty

Community Action Duluth  
19 North 21st Avenue West  
Duluth, Minnesota 55806  
218-726-1665

Find out more about how you can improve your fiscal fitness today by joining our free

### Common Cents: The Money Class!

Classes Offered:

**Tuesday and Thursday nights 6-8pm**

September 14 — September 30

**Tuesday nights 6-8pm**

October 5 — November 9

**Saturday afternoons 11-2pm**

October 9 — October 30

**Monday nights 6-8pm**

November 8 — December 27

**Childcare and dinner provided!**