

Reading Your Debt Payoff Report

This guide will assist you in understanding the enclosed Power Pay analysis of your installment obligations. Power Pay requires hard work and dedication on your part to be effective. **First, you cannot acquire any new debt for this system to work because it is impossible to borrow yourself out of debt. Second, as an account is paid off, apply that payment to the next account in line to be paid off.** This process will help you pay off your debts faster and save money on the amount of interest paid to the creditors. Please look over the example below to familiarize yourself with the format of your report.

The Current Debt Analysis list your debts as they currently stand if no different action is taken. The Visa account will take 32 payments at \$50 per month and a final payment of \$30.25 to pay the balance in full.

Current Debt Analysis: Interest Paid: \$411.58

Debt Name	Balance	Current Payments		Months	Interest Rate	Interest Paid
Visa	\$1,250.00	32 @ \$50.00	1 @ \$30.25	33	19.90% APR	\$380.25
MasterCard	\$275.00	12 @ \$25.00	1 @ \$6.33	13	19.90% APR	\$31.33

The Proposed Debt Payoff Plan allows you to compare the savings in time and money between the Power Pay method and by doing nothing differently. Between both the Visa and MasterCard accounts, your total monthly payment amount is \$75. Note the four different payments to be made on the Visa account. The first 12 payments are \$50 per month. When the 13th and final payment of \$6.33 is made on the MasterCard, the difference of \$18.67 (\$25 - \$6.33) is added on top of the \$50 Visa payment for a total of \$68.81 that month. **When the MasterCard is paid in full, the entire \$75 is applied to the Visa account for the next 12 payments.** This is the basis of the Power Pay method. The final payment of \$.43 is simply a small remaining balance since the extra payments knock down the principal more rapidly. The report also lists the amount of time and interest saved by applying Power Pay principles.

Proposed Debt Payoff Plan: Interest Paid: \$352.53

Debt Name	Original Balance	Current Payments				Months	Months Saved	Interest Paid	Interest Saved
Visa	\$1,250.00	12 @ \$50.00	1 @ \$68.67	12 @ \$75.00	1 @ \$2.53	26	7	\$321.20	\$59.05
MasterCard	\$275.00	12 @ \$25.00	1 @ \$6.33			13	0	\$31.33	\$0.00

A Calendar of Payments is provided to remind you of the balance of each account following that month's payments. The first payment illustrated in this chart is made in June of 2011. This example provides the illustration of applying the full \$75 to the Visa when the MasterCard account is paid in full. Although not indicated on the example, year-end and cumulative (life of loan) totals are provided on the Debt Payoff Calendar.

Payment Date	Total Payment	Visa		MasterCard	
		Payment	Balance	Payment	Balance
6/11	\$75.00	\$50.00	\$900.94	\$25.00	\$30.72
7/11	\$75.00	\$50.00	\$865.95	\$25.00	\$6.33
8/11	\$75.00	\$68.67	\$811.71	\$6.33	Paid Off
9/11	\$75.00	\$75.00	\$750.23		

Finally, the savings in time and interest is expressed in a graph format within your report to provide a visual display of the positive impact of Power Pay. Give this method an honest try—the results can make a huge difference in your financial situation. Feel free to contact us at 877.367.5428 or at financialplanner@lgfcu.org if you need any assistance with your report.