

# Ask the Budget Guy

Submitted by Allen Gunter

## I ADMIT IT, I'M a PENNY PICKER!

Dear Mr. Budget Guy – I've heard that you pick up pennies whenever you see them lying on the ground. What on earth for? What can anyone possibly do with a penny?!

**Budget Guy (BG): Well, how about using it to pay off one of your credit cards?**

Yeah...right! A penny isn't going to do much for MY credit card bill!!

**BG: You might be surprised. Suppose you have a \$1,000 balance on a credit card that charges 12% interest per year (1% per month). If you pay \$10 each month, how long will it take you to pay it off?**

What's this, a trick question? 1% of \$1,000 is \$10. I'd be paying the interest only, so I'd never pay off the balance!

**BG: Right. But what if you paid \$10.01 each month...just a penny more. How long then?**

Oh, I don't know...how about two-and-a-half days less than never?!

**BG: Actually, you'd pay it off in 57 years and 11 months.**

Big deal – that's not very fast!

**BG: No, but it's sure a lot faster than never! Now suppose you add 4¢ to make your payment \$10.05. How much faster does that make it?**

Hmmm...I'll guess...10 years?

**BG: Close, but you're low. That extra 4¢ reduces the time it takes to pay off that credit card takes by more than 13 years!**

Wow – I get it! Paying even a little bit extra each month can pay off a credit card a lot faster than I ever imagined!!

**BG: That's right. It may not look like much is happening at first, but stick with it and you'll definitely see the results.**

I'm sold! Anything else I should know?

**BG: Well, there is one thing. Don't shoot yourself in the foot.**

Huh???

**BG: Don't charge anything more that you won't have the cash to pay for when the bill comes in. If you do, you'll be making it just that much harder on yourself. After all, how long do you want your life to be hostage to your bills??**

*Just as the rich rule the poor, so the borrower is servant to the lender.*

*- Proverbs 22:7*

Got a question for the Budget Guy? Leave a message for Allen Gunter at the church (892-3580, ext. 122) or send him an email at BudgetGuy@SHPC.org. Everything is kept totally confidential.

