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MANHATTAN, Kan. – The changing economic climate is prompting more careful spending – consumers are paying with cash or debit card and working to reduce credit card debt, said Carol Young, Kansas State University Research and Extension financial management specialist.

Ads for credit counseling are plentiful, yet consumers often can reduce debt without paying for outside help, Young said. The goal is to make all payments work for your bottom line, rather than that of the credit card company.

Successful debt-reduction typically includes paying down debt as quickly as possible (speed), and consistency, such as paying the same amount every month to reduce interest and pay down the loan, Young said.

Another strategy, called “leveling,” means continuing to pay the current minimum payment, rather than a reduced minimum payment allowed as the balance is paid down.

Paying a “level amount” will pay off the debt more quickly and save interest, she said. For example, a minimum payment for a consumer carrying a \$5,000 balance on a card with a 15 percent interest rate will be \$150 (3 percent of the balance, with a \$10 minimum).

If making only the decreasing minimum payment (offered by the credit card company) each month, paying off the card will take 16 years and five months and generate \$3,400 in interest.

If the practice of “leveling” is used and a consumer makes “level” monthly payments of \$150 (the previous minimum) even when the minimum payment requested by the credit card company drops, the debt will be paid off in three years and eight months, with a savings of \$1,900 in interest. That \$1,900 could be used to jumpstart savings toward long-term goals or an emergency fund to meet unexpected expenses.

More money management strategies are available at <http://financialtip.blogspot.com/> for a Financial Tip of the Week written by Dr. Mark Oleson, formerly of the University of Missouri. Free information on money management also is available at county and district K-State Research and Extension offices and at: www.ksre.ksu.edu/financialmanagement/.

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fields, area Extension offices and regional research centers statewide. Its headquarters is on the K-State campus, Manhattan.

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