Pay It Down: From Debt to Wealth on $10 a Day

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To do well in the competitive financial planning trade book marketplace, new titles need a "hook" to entice consumers to read beyond the front cover. This is especially true if the book's subject matter is not necessarily "original." The content needs to repackaged in such a way that it appears to deliver a fresh approach to readers. To this end, Pay It Down: From Debt to Wealth on $10 a Day has succeeded admirably. Experienced financial planners and educators will not necessarily learn anything new but they will benefit from the way that the chapters are organized and find the book a valuable resource to use with clients. Chatzky employs a well-honed "conversational" writing style, as if she were talking to readers face to face, and numerous real life case studies to illustrate key concepts. She also peppers the book with recent research findings and interesting statistics (e.g., credit cards are used 52 million times a day in the U.S. and only 44% of Americans pay off their credit cards each month).

This 220-page book is organized into 11 "steps" (chapters) and assumes that readers have outstanding debt obligations. The basic premise, as outlined in the introduction, is that the average U.S. household with $8,000 of high-interest (16%) credit card can be debt free in three years by repaying $10 more a day. Two years after that (five years total), saving $10 a day (after the debt is repaid) will result in a "fat emergency cushion" of over $8,000. After that, investing $10 a day in an S&P 500 index fund (Chatzky used 10.7% historical earnings) will result in $64,866 in 20 years, $455,091 in 30 years, and $1,385,351 in 40 years. In step 1, *Assess the Problem*, readers are advised to "understand how you got in trouble in the first place" by thinking back to a time when they had a "clean credit record" and what sparked their credit troubles (e.g., unemployment, high housing costs, a health scare). Worksheets are provided to list and total secured and unsecured debts.

Step 2 is *Break Your Challenge into Manageable Steps*. Chatzky begins with a comparison of financial "issues" to weight loss and advises being specific with a target goal and time deadline. To help readers make plans to become debt-free, she includes three helpful charts that show the amount of daily savings required, for different debt balances and interest rates, to be debt-free in three, four, and five years. These charts are, perhaps, the most helpful pages in the entire book and present one of the few pieces of new information for experienced financial counselors and educators.

In Step 3, *Know and Manage Your Credit Score*, Chatzky provides a primer on how credit scores are calculated and key scoring factors. The book lists a Web site that was set up for readers-PayItDown.com- with a link to the Fair Isaac and Company Web site's credit score simulator. The Web site, more of a PR piece for Chatzky herself, also includes a financial personality quiz and numerous financial tips. In Step 3, Chatzky also discusses the impact of credit scores on loan costs, ways to boost your credit score, and the impact of recent negative information.

Step 4, *Track Your Spending*, discusses household expenses in an effort to identify ways to free up $10 a day. Nothing new for financial educators here: a discussion of fixed and variable expenses with several case examples. In Step 5, *Find the Money,* readers are guided through strategies designed to cumulatively free up about $300 monthly. Again, these ideas are not new and include changing tax withholding, reducing interest rates on debt (Chatzky provides scripts to use with creditors), refinancing a car loan or mortgage, consolidating student loans, eliminating private mortgage insurance (PMI), and, for seniors who've exhausted other revenue generation options, obtaining a reverse mortgage.

In Step 6, *Find the Money: Consolidating Your Debts*, Chatzky appropriately cautions readers of the risks involved. She states "one-third of people who use cash-out refis and home equity loans to pay off their credit card bills then proceed to charge their credit cards right back up…they're in far worse shape, because now they have to pay back *both* loans." Step 7, *Find the Money: Spend Less,* provides additional spending reduction strategies with spaces provided for readers to tally their savings. Nothing new here, either, but a nice consolidated list that includes over a dozen household expenses with a suggested priority level, and cost containment strategies.

Step 8, *Find the Money: Making Hard Choices, Selling Assets, Earning More*, acknowledges that small expense reductions may not make a big enough "dent" and that readers may "need to look at the line items that are costing you the most money: housing, your car(s), education." Much as many people resist the thought of doing so, Chatzky notes that "swapping a larger house for something more manageable and less expensive" may be necessary. The chapter also discusses valuing possessions prior to a sale, how to have a great garage sale, and moonlighting for additional income.

Who gets paid first? is the first topic discussed in Step 9, *Pay It Down-Intelligently*. Chatzky advises paying off highest-rate debts first "because these are the ones that are costing you the most." She also discusses the importance of paying for basic needs (e.g., mortgage or rent, utilities, phone, transportation to work, child support) first when there is not enough money to repay all that you owe. So-called "back-burner debts" include bankcard debt, department store debt, and payments for furniture and appliances. The chapter also discusses tax debt owed to the IRS and automatic bill paying.

In Step 10, *How to Deal When Things Go Wrong*, a variety of topics related to "financial bumps in the road" are discussed including compulsive spending, credit counseling, dealing with debt collectors, and avoiding foreclosure. The final chapter, Step 11, *Staying Ahead of the Game*, describes several time-proven strategies for "steering clear of debt and building wealth." Chatzky advises paying more than the minimum on credit cards, always paying bills on time, wise use of debit and stored-value cards, and protecting yourself from disaster with adequate health and disability insurance. She also presents the concept of "the eleventh dollar," i.e., a dollar a day (or more!) of additional savings at the *same* time that you are repaying debt rather than waiting until after debt is repaid to start a savings program. "That's $365 a year to bail you out of a jam," she notes.

Again, *Pay It Down* presents experienced practitioners with few really novel ideas for expense reduction and cash flow management. After all, what can people really do to right-size their cash flow except increase their income and/or reduce expenses, and we've been teaching that for decades? The book excels, however, by masterfully employing the $10 a day framework throughout. $10 is a powerful number: small enough to be "doable" yet large enough to have an impact in a relatively short amount of time. For this reason, *Pay It Down* deserves a space in your professional library. Financial educators may even want to consider developing consumer education programs based on the content of the book or use it to start a $10 a day savings campaign.

