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Texas A&M AgriLife Extension
Family & Consumer Sciences

Harris County

Small Steps to Health and Wealth

Strategy 11 - Say “NO” to Super-Sizing (Wealth)

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*This program and newsletter is adapted from the “**Small Steps to Health and Wealth Program ,**” developed by Joanne Kinsey, M.S., CFCS at Rutgers, New Jersey Agricultural Experiment Station*

“Super-sizing” isn’t just for meal deals. It can also entice consumers to spend more money on non-food items that might otherwise be invested for future goals. Merchants may bait you by offers such as:

1. **Discounts** - spend $100 and get $20 off
2. **Paired discounts** - buy “X” and get another item of equal or lesser value for 50% off
3. **Free item offers** - Buy three of one item and get one more for free.

There is a major problem associated with marketing offers based on sales volume...debt. This is especially true if items are paid for with credit card minimum payments.

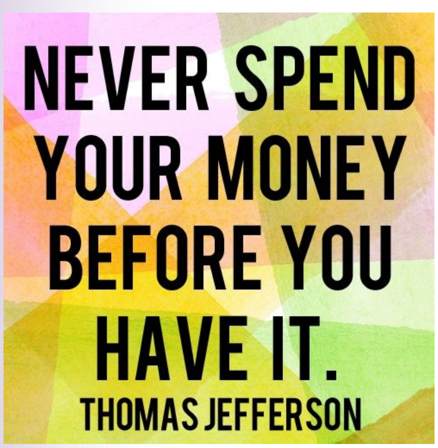
Average Americans with credit card debt are carrying about a $15,000 balance on their credit cards. With an 18% annual percentage rate and low minimum payments, it will take decades to repay this debt. Carrying debt for decades has been referred to as “perma-debt” because the outstanding credit balance barely budges over time due to small payments toward principal and high interest charges.

Perma-debt can lead to financial distress and associated health problems such as anxiety and insomnia. “Super-sized” spending is a dangerous practice.

Household debt-to-income ratios, which include all consumer debts but not home mortgages, can increase quickly and spin out of control. Let’s say your take-home (after-tax) pay is $3,000 monthly (about $36,000 per year). If you owe a total of $300 monthly ($220 on a car loan and $80 on credit cards), your debt to-income ratio is 10% (300/3,000), which is within an acceptable debt-to-income range.

If monthly payments increase to $450, because $230 is owed on credit cards, the debt-to-income ratio is 15% (450/3,000) which financial experts agree is an indicator of financial difficulty. Increase the monthly payment further to $600, with $380 owed on credit cards, and the debt-to-income ratio increases to an even more dangerous 20% (600/3,000). This effectively means that you are working five days and getting paid for four because one day’s pay is “spoken for.”

So, before you fall victim to a “super-sized” offer ask yourself if you *really* need what’s being offered and if you could use the money more wisely?



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Annual Interest Payments on Various Credit Card Balances (notice how quickly payments can rise)

APR	$1000	$2000	$3000	$4000	$5000
14%	$140	$280	$420	$560	$700
15%	$150	$300	$450	$300	$750
16%	$160	$320	$480	$640	$800
17%	$170	$340	$510	$680	$850
18%	$180	$360	$540	$720	$900
19%	$190	$380	$570	$760	$950
20%	$200	$400	$600	$800	$1000