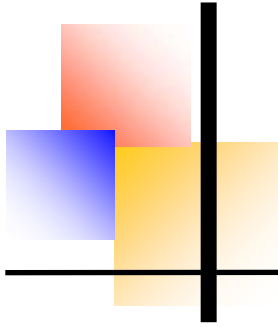


Become Captain of Your Financial Ship



A Curriculum in Financial Management



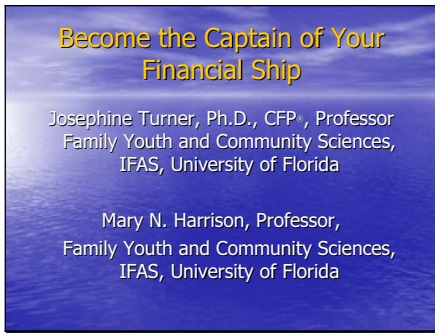
Become Captain of Your Financial Ship

Staying The Course

Unit 4













Staying the Course

- Review your goals.
- Don't be side tracked by "good deals."
- Curb impulse buying.
- Read Guarantees and Warranties.
- Watch out for fraud.
- Protect identity.
- Avoid predatory lenders.



Goals

- Does this item or service you are considering move you toward your goals?



"Good Deals"

- *Coupons and rebates*
- *Package deals*
- *Free gifts*
- *Contests*
- *"One day only sales"*
- *Groups or clubs*

Impulse Spending

- Spending without considering the impact on your goals.
- The cost:
 - Example – a pack of cigarettes per day for 20 years.
 - Cigarettes @ \$3.20 per pack = \$1,168 per year
 - If you had saved this \$1,168 and invested at 10% for 20 years you would have \$74,600.

Stop Smoking

- 20 years you have \$73,917
- Leave it 20 years to earn 10% return in a tax deferred investment.
- Then in 20 years you have \$541,669.
- 40 years saving smoke money = half million dollars

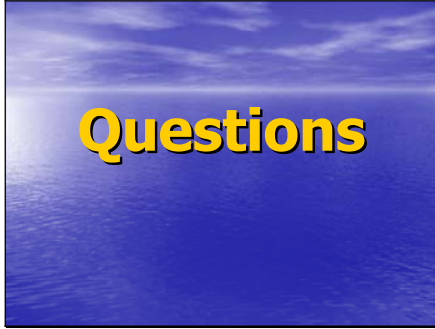
Calculation

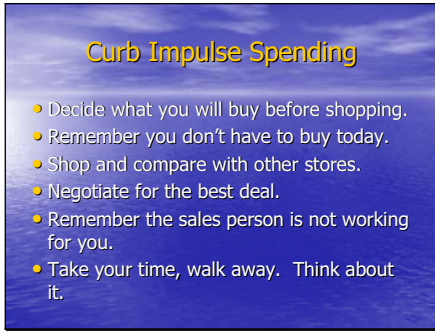
- Hp10b11 financial calculator
- \$97.34 pmt
- $12 \times 20 = N$ (number of monthly payments)
- $10 \div 12 = I$ (monthly interest)
- $FV = \$73,917$

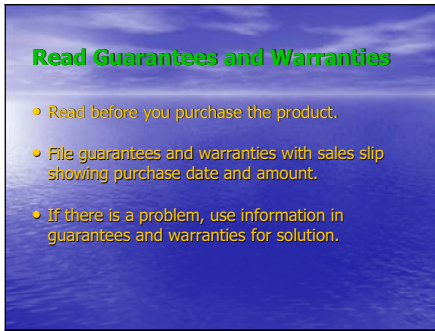
Questions

Snacks

- \$2.00 per day or \$60.00 month at the end of the year \$730. (Invest \$60 month at 7%)
 - 60 pmt
 - $40 \times 12 = N$ (number of months paying)
 - $7 \div 12 = I$ (monthly interest rate)
 - Future Value = \$157,489.








Frauds and Scams

- Telemarketing
- Travel
- Investments
- Banking
- Charities
- Recovery scams
- Medical
- Work at home

A cartoon illustration of a thief wearing a black hat and glasses, carrying a large stack of money tied with a red ribbon.

Questions

Smart Shopper

- Plan at home
- Make a shopping list
- Decide on quality
- Comparison-shop

Protect Identity

- Order free annual credit report.
- Don't use passwords that others can easily figure out.
- Treat mail and trash carefully.
– NOTE: December 4, 2006 only last 4 digits of credit card number may be on electronic receipts.



Predatory Lenders

- Charge high interest rates
- Prey on people with poor credit rating
- Loan flipping
- Equity stripping
- Bait and switch
- Inflated appraisals



Smart Shopper Check List

- Once I own it, can I afford to maintain it?
- Is this a useful tool or a gadget?
- Will I have time to learn to use it?
- Have I already spent too much money on items like this?
- Where will I store it?
- Is there something else I would rather have?
- How will this purchase impact my goals?
- What will I have to give up to get this?







DETER·DETECT·DEFEND
AVOID THEFT



▶ Consumers

▶ En Español

▶ Businesses

▶ Law Enforcement

▶ Media Resources

▶ Reference Desk

Welcome to the Federal Trade Commission Your National Resource about Identity Theft

This website is a one-stop national resource to learn about the crime of identity theft. It provides detailed information to help you [Deter, Detect, and Defend](#) against identity theft. While there are no guarantees about avoiding identity theft, there are steps you can take to minimize your risk and minimize the damage if a problem occurs:

Deter identity thieves by safeguarding your information

Detect suspicious activity by routinely monitoring your financial accounts and billing statements

Defend against ID theft as soon as you suspect a problem

This site also is a comprehensive reference center – for [consumers](#), [businesses](#), [law enforcement](#), and the [media](#) – with access to specific laws, contact information, and resources from state and federal government agencies.

Identity theft is a serious crime. How does it happen?

Identity theft occurs when someone uses your personal information without your permission to commit fraud or other crimes. While you can't entirely control whether you will become a victim, there are steps you can take to [minimize your risk](#).

If you think your identity has been stolen, here's what to do:

1. Contact the fraud departments of any one of the [three consumer reporting companies](#) to place a [fraud alert](#) on your credit report. The fraud alert tells creditors to contact you before opening any new accounts or making any changes to your existing accounts. You only need to contact one of the three companies to place an alert. The company you call is required to contact the other two, which will place an alert on their versions of your report, too. Once you place the fraud alert in your file, you're entitled to order free copies of your credit reports, and, if you ask, only the last four digits of your Social Security number will appear on your credit reports.

Hot Links

[September 19, 2006 - The President's Identity Theft Task Force](#)

[Telephone Fraud Involving Jury Duty](#)

[The FTC's New Deter, Detect, Defend Campaign](#)

[Deter, Detect, Defend Brochure \(PDF 207KB\)](#)



[What To Do If Your Personal Information Has Been Compromised \(PDF 152KB\)](#)

[Take Charge: Fighting Back Against Identity Theft \(PDF 4.9MB\)](#)



[Test Your Knowledge about Identity Theft — New OnGuard Online Quiz](#)

[Information Compromise and the Risk of Identity Theft: Guidance for Your Business \(PDF 52 KB\)](#)

- 2.** Close the accounts that you know or believe have been tampered with or opened fraudulently. Use the [ID Theft Affidavit \(PDF, 56 KB\)](#) when disputing new unauthorized accounts.

- 3.** File a report with your local police or the police in the community where the identity theft took place. Get a copy of the report or at the very least, the number of the report, to submit to your creditors and others that may require proof of the crime.

- 4.** [File your complaint with the FTC.](#) The FTC maintains a database of identity theft cases used by law enforcement agencies for investigations. Filing a complaint also helps us learn more about identity theft and the problems victims are having so that we can better assist you.

View or print an easy-to-follow [brochure on how to Deter, Detect, and Defend against identity theft](#). For more in-depth information on recovering from identity theft and help with specific problems, read [Take Charge: Fighting Back Against Identity Theft](#).

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Minimizing Your Risk

[What should I do if my personal information has been lost or stolen?](#)

[How can I minimize my risk?](#)

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[How can I stop companies from using my personal information for marketing?](#)

[When should I give out my Social Security number?](#)

[Should I buy identity theft insurance?](#)

What should I do if my personal information has been lost or stolen?

If you've lost personal information or identification, or if it has been stolen from you, taking certain steps quickly can minimize the potential for identity theft.

Financial accounts: Close accounts, like credit cards and bank accounts, immediately. When you open new accounts, place passwords on them. Avoid using your mother's maiden name, your birth date, the last four digits of your Social Security number or your phone number, or a series of consecutive numbers.

Social Security number: Call the toll-free fraud number of any of the three nationwide consumer reporting companies and place an initial fraud alert on your credit reports. An alert can help stop someone from opening new credit accounts in your name. See consumer reporting company contact information. For more information, see [What is a fraud alert?](#)

Driver's license/other government issued identification: Contact the agency that issued the license or other identification document. Follow its procedures to cancel the document and to get a replacement. Ask the agency to flag your file so that no one else can get a license or any other identification document from them in your name.

Once you have taken these precautions, watch for signs that your information is being misused. See [How can I tell if I'm a victim of identity theft?](#)

If your information has been misused, file a report about the theft with the police, and file a complaint with the Federal Trade Commission, as well. If another crime was committed - for example, if your purse or wallet was stolen or your house or car was broken into - report it to the police immediately.

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How can I minimize my risk?

When it comes to identity theft, you can't entirely control whether you will become a victim. But there are certain steps you can take to minimize your risk.

Order a copy of your credit report. An amendment to the federal Fair Credit Reporting Act requires each of the major nationwide consumer reporting companies to provide you with a free copy of your credit reports, at your request, once every 12 months.

To order your free annual report from one or all the national consumer reporting companies, visit www.annualcreditreport.com, call toll-free 877-322-8228, or complete the Annual Credit Report Request Form and mail it to: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281. You can print the form from ftc.gov/credit. Do not contact the three nationwide consumer reporting companies individually; they provide free annual credit reports only through www.annualcreditreport.com, 877-322-8228, and Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281.

Under federal law, you're also entitled to a free report if a company takes adverse action against you, such as denying your application for credit, insurance or employment, and you request your report within 60 days of receiving notice of the action. The notice will give you the name, address, and phone number of the consumer reporting company that supplied the information about you. You're also entitled to one free report a year if you're unemployed and plan to look for a job within 60 days; you're on welfare; or your report is inaccurate because of fraud. Otherwise, a consumer reporting company may charge you up to \$9.50 for any other copies of your report.

To buy a copy of your report, contact:

Equifax: 800-685-1111; www.equifax.com

Experian: 888-EXPERIAN (888-397-3742); www.experian.com

TransUnion: 800-916-8800; www.transunion.com

Under state law, consumers in Colorado, Georgia, Maine, Maryland, Massachusetts, New Jersey, and Vermont already have free access to their credit reports.

If you ask, only the last four digits of your Social Security number will appear on your credit reports.

Place passwords on your credit card, bank, and phone accounts. Avoid using easily available information like your mother's maiden name, your birth date, the last four digits of your Social Security number or your phone number, or a series of consecutive numbers. When opening new accounts, you may find that many businesses still have a line on their applications for your mother's maiden name. Ask if you can use a password instead.

Secure personal information in your home, especially if you have roommates, employ outside help, or are having work done in your home.

Ask about information security procedures in your workplace or at businesses, doctor's offices or other institutions that collect your personally identifying

information. Find out who has access to your personal information and verify that it is handled securely. Ask about the disposal procedures for those records as well. Find out if your information will be shared with anyone else. If so, ask how your information can be kept confidential.

Don't give out personal information on the phone, through the mail, or on the Internet unless you've initiated the contact or are sure you know who you're dealing with. Identity thieves are clever, and have posed as representatives of banks, Internet service providers (ISPs), and even government agencies to get people to reveal their Social Security number, mother's maiden name, account numbers, and other identifying information. Before you share any personal information, confirm that you are dealing with a legitimate organization. Check an organization's website by typing its URL in the address line, rather than cutting and pasting it. Many companies post scam alerts when their name is used improperly. Or call customer service using the number listed on your account statement or in the telephone book. For more information, see [How Not to Get Hooked by a 'Phishing' Scam](#).

Treat your mail and trash carefully.

Deposit your outgoing mail in post office collection boxes or at your local post office, rather than in an unsecured mailbox. Promptly remove mail from your mailbox. If you're planning to be away from home and can't pick up your mail, call the U.S. Postal Service at 1-800-275-8777 to request a vacation hold. The Postal Service will hold your mail at your local post office until you can pick it up or are home to receive it.

To thwart an identity thief who may pick through your trash or recycling bins to capture your personal information, tear or shred your charge receipts, copies of credit applications, insurance forms, physician statements, checks and bank statements, expired charge cards that you're discarding, and credit offers you get in the mail. To opt out of receiving offers of credit in the mail, call: 1-888-5-OPTOUT (1-888-567-8688). The three nationwide consumer reporting companies use the same toll-free number to let consumers choose not to receive credit offers based on their lists. **Note:** You will be asked to provide your Social Security number which the consumer reporting companies need to match you with your file.

Don't carry your Social Security number card; leave it in a secure place.

Give your Social Security number only when absolutely necessary, and ask to use other types of identifiers. If your state uses your Social Security number as your driver's license number, ask to substitute another number. Do the same if your health insurance company uses your Social Security number as your policy number.

Carry only the identification information and the credit and debit cards that you'll actually need when you go out.

Be cautious when responding to promotions. Identity thieves may create phony promotional offers to get you to give them your personal information.

Keep your purse or wallet in a safe place at work; do the same with copies of administrative forms that have your sensitive personal information.

When ordering new checks, pick them up from the bank instead of having them mailed to your home mailbox.

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I have a computer and use the Internet. What should I be concerned about?

You may be careful about locking your doors and windows, and keeping your personal papers in a secure place. Depending on what you use your personal computer for, an identity thief may not need to set foot in your house to steal your personal information. You may store your Social Security number, financial records, tax returns, birth date, and bank account numbers on your computer. These tips can help you keep your computer – and the personal information it stores – safe.

Virus protection software should be updated regularly, and patches for your operating system and other software programs should be installed to protect against intrusions and infections that can lead to the compromise of your computer files or passwords. Ideally, virus protection software should be set to automatically update each week. The Windows XP operating system also can be set to automatically check for patches and download them to your computer.

Do not open files sent to you by strangers, or click on hyperlinks or download programs from people you don't know. Be careful about using file-sharing programs. Opening a file could expose your system to a computer virus or a program known as "spyware," which could capture your passwords or any other information as you type it into your keyboard.

Use a firewall program, especially if you use a high-speed Internet connection like cable, DSL or T-1 that leaves your computer connected to the Internet 24 hours a day. The firewall program will allow you to stop uninvited access to your computer. Without it, hackers can take over your computer, access the personal information stored on it, or use it to commit other crimes.

Use a secure browser – software that encrypts or scrambles information you send over the Internet – to guard your online transactions. Be sure your browser has the most up-to-date encryption capabilities by using the latest version available from the manufacturer. You also can download some browsers for free over the Internet. When submitting information, look for the "lock" icon on the browser's status bar to be sure your information is secure during transmission.

Try not to store financial information on your laptop unless absolutely necessary. If you do, use a strong password with a combination of letters (upper and lower case), numbers and symbols. A good way to create a strong password is to think of a memorable phrase and use the first letter of each word as your password, converting some letters into numbers that resemble letters. For example, "I love Felix; he's a good cat," would become 1LFHA6c. Don't use an automatic log-in feature that saves your user name and password, and always log off when you're finished. That way, if your laptop is stolen, it's harder for a thief to access your personal information.

Before you dispose of a computer, delete all the personal information it stored. Deleting files using the keyboard or mouse commands or reformatting your hard drive may not be enough because the files may stay on the computer's hard drive, where they may be retrieved easily. Use a "wipe" utility program to overwrite the entire hard drive.

Look for website privacy policies. They should answer questions about maintaining

accuracy, access, security, and control of personal information collected by the site, how the information will be used, and whether it will be provided to third parties. If you don't see a privacy policy or if you can't understand it consider doing business elsewhere.

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What is an active duty military alert?

If you are a member of the military and away from your usual duty station, you may place an active duty alert on your credit reports to help minimize the risk of identity theft while you are deployed. Active duty alerts are in effect on your report for one year. If your deployment lasts longer, you can place another alert on your credit report.

When you place an active duty alert, you'll be removed from the credit reporting companies' marketing list for pre-screened credit card offers for two years unless you ask to go back on the list before then.

See [How can I minimize my risk?](#) for contact information. The process for getting and removing an alert, and a business's response to your alert, are the same as that for an initial [alert](#). You may use a personal representative to place or remove an alert.

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Are companies allowed to print my entire credit card number on my receipt?

Beginning December 5, 2006, companies must not print your credit or debit card expiration date or more than the last 5 digits of your card number on your electronic receipt. Some businesses must make this change sooner, depending on the way they process credit card transactions. The law will allow receipts that are hand written or mechanically imprinted to show your entire number and expiration date, even after December 4, 2006.

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How can I stop companies from using my personal information for marketing?

More organizations are offering consumers choices about how their personal information is used. For example, many let you "opt out" of having your information shared with others or used for marketing purposes. For more information see [Privacy: What You Do Know Can Protect You](#) and [Privacy Choices for Your Personal Financial Information](#). You also can visit [Privacy Initiatives](#) and the [National Do Not Call Registry](#).

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When should I give out my Social Security number?

Your employer and financial institutions will need your Social Security number for wage and tax reporting purposes. Other businesses may ask you for your Social Security number to do a credit check if you are applying for a loan, renting an apartment, or signing up for utilities. Sometimes, however, they simply want your

Social Security number for general record keeping. If someone asks for your Social Security number, ask:

Why do you need my Social Security number?
How will my Social Security number be used?
How do you protect my Social Security number from being stolen?
What will happen if I don't give you my Social Security number?

If you don't provide your Social Security number, some businesses may not provide you with the service or benefit you want. Getting satisfactory answers to these questions will help you decide whether you want to share your Social Security number with the business. The decision to share is yours.

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Should I buy identity theft insurance?

Some companies offer insurance or similar products that claim to give you protection against the costs associated with resolving an identity theft case. Be aware that most creditors will only deal with you to resolve problems, so the insurance company in most cases will not be able to reduce that burden. As with any product or service, make sure you understand what you're getting before you buy. If you decide to buy an identity theft insurance product, check out the company with your local Better Business Bureau, consumer protection agency and state Attorney General to see if they have any complaints on file.

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Shopping to Get the Most for your Money¹

Mary N. Harrison²

People must make choices about food, clothing, and housing as well as non-essentials. Our wants are endless, but our resources are not! To become a competent consumer, you must develop skills to serve you in a complex marketplace. When buying goods and services, if you spend your money wisely you will receive satisfaction and value for the dollars you spend. To become a competent consumer, learn to shop effectively.

Know your Needs and Wants

Know the difference between things you need and things you want. For example, you need protein in your diet, you may want steak.

Know which are long-range goals and which are immediate needs. Your long-range goal may be to save for a new car. Your immediate need may be to have dependable transportation to go to work. This could mean comparing the cost of repairing your car with the expense of trading it for a better one.

Know your Requirements

Individuals and families have different needs. For example, both you and your neighbor may need

transportation. Your neighbor who has several children may need a four door, full size car to transport his family. Meanwhile you may live alone and often drive on long trips. For you a reliable, comfortable, fuel-efficient car would be a wise choice.

Before buying, determine why you want an item. What purpose will it serve? Do you want to “look as good or better than the neighbors?” Will the purchase help you feel important? Or, are you buying because the item is greatly reduced in price? Perhaps you feel it is “Such a good buy,” you cant pass it up, even if you don't need it.

What is the intended use of the item? Will it do what you expect it to do? What are the trade offs? For example, if you are shopping for a car to be used to transport children to school, you will need seating space and 4 doors. If parking is a problem, a small car is easier to park. But, if your car is to be used as transportation for a large family, a compact car will be crowded. Which is a greater problem to you, limited parking space or an overcrowded car?

1. This document is Fact Sheet FCS 5008, a series of the Department of Family, Youth and Community Sciences, Florida Cooperative Extension Service, Institute of Food and Agricultural Sciences, University of Florida. Revised: June 2005. First published: June 1982. Please visit the EDIS Web site at <http://edis.ifas.ufl.edu>

2. Written by Mary N. Harrison, professor, Consumer Education, and reviewed by Josephine Turner, CFP, professor, Family and Consumer Economics, Department of Family, Youth and Community Sciences, Cooperative Extension Service, Institute of Food and Agricultural Sciences, University Florida, Gainesville FL 32611.

Know your Resources and Decide the Amount to be Spent

- Develop a family spending plan and involve all family members.
- List resources (income, etc.) available to be used for your family's needs and wants.
- Carefully plan the amount of money you'll need for necessities. Write down your fixed expenses, such as house payment or rent, car payment and insurance. Now add the monthly average of the other expenses such as utility bills, food, clothing, medical costs and other expenses. Total these. Subtract this total from your monthly income.
- Remember to save some money each month for emergencies and future needs. The equivalent of 3 to 9 months income should be available to meet unexpected emergencies.
- Compare your income with your expenses. Then decide the amount you can afford to spend for your wants.
- Rank your wants in order of importance. Consider alternatives in deciding the order.

Plan Before your Buy

- Thoughtful planning gives direction to all shopping decisions, also, it simplifies shopping.
- Consider carefully: small day-to-day expenses, purchase of durable goods, and expensive items.

Get Reliable Information

Sources of reliable information:

- County Extension faculty
- Government bulletins
- Consumer service booklets and magazines

Consider and Evaluate:

- Books
- Advertising
- Information from industry and mass media (TV, radio, newspapers, and magazines).

Use Shopping Lists

Develop lists for:

- Things you buy regularly.
- Things you buy occasionally.

Keep a list handy so that you can jot down items when you see you need them. Organize the list by kinds of items wanted and their locations in stores. Identify sizes, colors, or measurements when appropriate.

Learn about Marketplaces

- Know about the kinds of stores in the community, products or merchandise carried by, each kinds of services offered, and the advantages and disadvantages for each type of store.
- Business reputations of merchants. Shop only with reliable ones. No one store is the best place to shop at all times for all items.

Choose the "Right" Shopping Time

- Remember that the time of the week and year affect buying patterns, products offered, and prices.
- Learn to recognize the differences between sale items and "special purchases."
- Become familiar with the various types of sales:
 - *Inventory Sales*, held just before stores take inventory to reduce merchandise inventory and taxes.
 - *Situational Sales*, such as fire sales, going-out-of-business sales, moving sales, etc.

- *Seasonal Sales*, for example, after Christmas sales, white sales in January and July, summer clearance and other special occasions.
- *Promotional Sales*, used to introduce a new product or a new market, to stimulate sales on a particular product, or to encourage buying when business is slow.
- Shop at the beginning of a sale for best selection.
- Shop for specific items that you plan to buy.
- Examine merchandise carefully to determine why it has not sold at regular price.
- Remember, no purchase is a bargain at any price if you don't need it!

Look for and Compare Quality

- Quality implies a standard of excellence which may or may not relate to price.
- Does the quality of the item relate to how well it will serve its purpose and intended use?
- Are there variations in the quality and cost of different brands? A higher price is not an assurance of a better quality.
- Most brands offer products of more than one quality.

Consider high quality if:

- An article is to be used over a long period of time or often.
- Fine detail in construction, workmanship, and styling are important.

Consider medium quality if:

- An article is expected to give reasonable service.
- Sturdy construction is important but not fine detail.

Consider low quality if:

- Items are bought for limited or short-term use.

- Appearance is relatively unimportant as long as the item serves its particular purpose.

Make Price Comparisons

- Compare prices of identical quality items by various brands and at different stores.
- Compare care that is required, the service or maintenance needed, and the warranties as well as price.
- Expect to pay a reasonable price. Avoid “bait advertisements” or “something-for-nothing-offers.”

Read Labels, Hangtags, and Warranties

- Labels hangtags, and warranties provide information about products, their care, and their use.
- They may indicate the grade or quality.
- Warranties and guarantees list any services that are offered with the item, and the conditions and terms required.
- Keep a file for the warranties and hangtags. Use them for reference in the care, use, and service expectations.

Learn About Legal Protections and Agencies Administrating them

- Expect and demand that products measure up to quality and safety standards established by law.
- Report defects, poor quality, or performance to the seller and manufacturer.
- If you see violations of legal regulations, report them to the appropriate regulatory authorities.

Know the Consumer's Responsibilities

- Expect reasonable service from merchants and products.
- Return only products with which you have a legitimate complaint or for a justifiable reason.

Shopping to Get the Most for your Money

- If merchandise is to be returned or exchanged, do so promptly, unused, and in the original container, if there is one.
- Be honest in dealing with merchants.
- Pay bills on time.
- Do not abuse merchandise on display or misuse purchases.

Remember: An informed consumer is his own best protection. If you make wise choices, you'll get more satisfaction for dollars spent. Its up to you! An ounce of protection can save a heap of money.

Garage Sales¹

Mary N. Harrison²

Garage or yard sales can benefit both buyer and seller. The seller gets rid of things that he/she no longer wants or can use. The buyer finds things he/she wants or needs at a low price.

Shopping at Garage Sales

Garage sales can be an excellent source for inexpensive merchandise. However, there are a few precautions you should observe.

- Realize that garage sale shopping takes time and patience. You may have to visit several garage sales before you find items that will fit your needs or be of use to you. You may not be able to find specific items. Also, keep in mind the time you must spend and your travel expenses.
- Before going shopping, set a maximum that you can afford or are willing to pay. Stick to it when shopping.
- To find garage sales, check classified ads in the newspaper, listen to radio programs that advertise "swap shops" and items for sale, and/or watch for neighborhood signs. Give first consideration to garage sales located in upper middle class and affluent neighborhoods.

Merchandise is usually of better quality and prices are likely to be more reasonable. These people are more likely to hold a garage sale to dispose of items they no longer want instead of primarily to raise money. Thus the percentage of price reduction is much higher than in neighborhoods where finances are of greater concern.

- Arrive early for best selection. However, observe the hours listed for the sale. Don't go to a garage sale early in the morning before the people are out of bed. Toward the end of the day or sale the seller is more likely to lower prices.
- Carry cash. Often people holding garage sales are hesitant about taking a check from a stranger. (You would be too!) Also, when it comes to bargaining, a ten dollar bill in hand is a real temptation to a seller asking \$15.00 for an item. Cash-in-hand is a bargaining tool.
- Bargain on prices. The seller wants to dispose of the items as quickly as possible. (A garage sale is not a store.) Often he/she will reduce prices if asked, and especially if you are purchasing more than one item.

1. This document is Fact Sheet FCS 5042, a series of the Department of Family, Youth and Community Sciences, Florida Cooperative Extension Service, Institute of Food and Agricultural Sciences, University of Florida. First published: January 1994. Revised: June 2005. Please visit the EDIS Web site at <http://edis.ifas.ufl.edu>

2. Written by Mary N. Harrison, professor, Consumer Education, and reviewed by Josephine Turner, CFP, professor, Family and Consumer Economics, Department of Family, Youth and Community Sciences, Cooperative Extension Service, Institute of Food and Agricultural Sciences, University Florida, Gainesville FL 32611.

- Carefully inspect the merchandise before buying. Remember all items are sold "as is." Why are they being sold? Are the items defective or of questionable quality, or is it because the family is moving? Perhaps the family's needs have changed.
- Read labels carefully to learn the composition of a product and how to care for it. Check to make sure all parts or components are present and in working order.
- Buy only items you need and are looking for. Avoid "orphan bargains," items that are greatly reduced in price, but for which you have no special need. Buying something just because it is a "bargain" can be costly, even at greatly reduced prices.
- Be prepared to transport your purchase. If you have no way to transport a large purchase try to work out a delivery arrangement with the seller before you make a commitment to buy. Or, you may arrange for the seller to store the item until you can pick it up.
- Know the facts before you place a deposit on an item you want to buy. If a deposit is to be placed on an item, put the agreement in writing. Describe the item on which the deposit is placed, write the amount of deposit, and the specifics of the agreement. Include things such as whether the deposit is forfeited if you do not return by a specified time and date to get the item. If any type of refund is to be given, put the details in writing. Both the buyer and the seller should sign the agreement, date it and each receive a signed copy.
- Shop carefully. Avoid impulse buying.
- **Where will you hold the sale?** Space is needed to display the items you wish to sell. Customers should be able to walk around and inspect items without being crowded. Garages, carports and porches are good locations because they provide protection from unexpected rain showers. You may use a yard or lawn if you do not have a covered area. Because of safety concerns, the sale should be outside your home.
- **When should I hold the sale?** Weekends are usually the best time for garage/yard sales. Saturday is the most popular day followed by Sunday and Friday.
 - Announce the time of day you expect to begin the sale — but be prepared for early arrivals. Some people who frequent garage sales go 30 minutes to one-hour early. If you feel strongly about early arrivals prominently display the hour you expect to open in your ad and on your lawn.
 - The time of year is also important. Hold sales in the appropriate season. For example if you expect to sell winter clothes, hold the sale during cold weather. Early December is an ideal time to sell toys and May or June for boating, swimming and items for the beach.
 - Avoid times such as "football weekends," and holidays. If your community has a specific "payday," that is a good time for a sale.
- **How do I advertise the sale?** If possible, use a variety of advertising methods. Place a classified ad in the newspaper. Some cities also have a weekly "shopper" or community flyer that is free and filled with ads. Their ads are usually inexpensive and reach a wide range of readers.
 - In planning your ad remember you pay for each line. Mention your best items, but don't list everything. Try to make your ad sound special. Be sure to include date, time, and location.

Holding a Garage Sale

Conducting a successful garage sale requires planning and preparation. Time is needed to assemble and organize items to be sold and to advertise them. The location of the sale and the way things are displayed are also important. Perhaps the following tips will be of help in preparing for a garage sale.

- You may post signs on major thoroughfares in your neighborhood. Place notices on bulletin boards, or at public places such as laundromats or grocery stores. Some areas also have radio call-in programs that announce private garage sales. If your residence is difficult to reach include directions and a telephone number.
- **What items can I sell?** There appears to be a market for almost anything, from plants to tools to used clothing. The appearance of items offered for sale is important. Things should be very clean, whether a tool or an electrical appliance or anything else. Clothes should be clean, free of spots, and hung on hangers or carefully folded.
- **How should things be displayed?** The way items are displayed is very important. Use tables (borrow them if necessary). You may use boards or even an old door on sawhorses to build display space. Card tables work well. Be sure none of the display tables are easily tipped. (You don't want a table to fall on someone's foot. Check your homeowner's insurance policy to review your coverage.)
 - Arrange the merchandise according to categories. For example, one table might be devoted to children's clothing, another for books and another for tools. Make it easy for your customers to see and inspect the merchandise.
 - Place small items or those most likely to be subject to theft near the cashier's table or in a highly visible location. Several small inexpensive items might be grouped together as a set, with each set packaged separately.
- **Should all items have price tags?** Get stickers or use slips of paper and tape to individually price all items. This saves time and avoids confusion. It helps shoppers know whether they are interested in an item.
- **How do I know what to charge?** Visit two or three garage sales in your community to get an idea of the value of commonly sold items. You may also visit a store that sells used merchandise. Your prices should be less than the store price to attract buyers.
- **When should I set up for the sale?** If you are using a garage that can be closed, set up for the sale the day before the event. This eliminates pressure of being ready by your opening time. If that is not possible, have things organized so you can have them in place shortly before opening time.
- **How much change should I have?** It is a good idea to have \$15 to \$20 in change, (nickels, dimes, quarters). You will also need about \$20 in one dollar bills. Have a file drawer or a special box for your money. Put it in a safe location. Keep about half of your change and dollar bills in a safe location other than the cash drawer. Bring it out only if and when needed.
 - Try to arrange your physical set up so that shoppers must exit by your cashier. To avoid losses never leave the sale unattended. If possible have more than one person help with the sale. One person should serve as cashier. The other can circulate, answer questions and provide other help to customers.
- **Should I accept a deposit to hold merchandise?** Generally it is best to avoid "holding" merchandise. Your goal is to sell. If you choose to accept a deposit, put your agreement in writing, make two copies with both you and the buyer signing the agreement. Each person should keep a copy of the agreement. In the agreement, include important information such a name, address, telephone number of buyer and seller, the total sale price, the amount of deposit and detailed terms of the agreement such as when the item is to be picked up (before what date and time), the balance due and when it is to be paid, and what happens to the deposit if the buyer changes his/her mind and does not want the item or does not return within the agreed time. (Without this type of agreement, some holders of deposits have had to return the deposits even though they missed selling the merchandise to others.)

- **Do I have to charge sales tax?** No you do not sell regularly or operate a business.
- **Do I have to refund money for an item sold at a garage sale and then returned?** Usually items sold at a garage sale are sold "as is." Therefore, you do not have to refund money if the item is returned. However, if you misrepresented an item you can be liable. For example, suppose you sold an electric lawn mower and you told the person it operates well and will cut grass and he bought it based on your assurance. If the lawn mower does not operate or will not cut grass when he gets home with it (and he did not damage it enroute) then you are liable. You will have to accept it back and refund his money. It would have been better for you to have him plug in the lawn mower at your house and cut some grass to see that it does operate. You then would not be liable. If you tell the truth about the merchandise, or if you don't know, say so, then you are not liable.
 - If you are selling an appliance that has a warranty, provide the buyer with a copy. Some warranties are transferrable to a second owner.



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Stretching Your Dollars: Types of Sales¹

Mary N. Harrison²



Price Reductions and Sales

Most consumers seem obsessed with the terms "sale," and "reduced prices." This fascination is evidenced by the phenomenal growth of discount stores and outlets. Department stores and specialty shops are following the trend by continuously advertising sales.

There are genuine sales. However many products claiming to be reduced in price are not. Some retailers place two prices on their hang tags, "should sell for" or "selling elsewhere for," and "our selling price." Remember, the retail value is what the product will sell for and no merchant can afford to give away merchandise.

Types of Sales

Although sales carry many names, they can all be grouped into two general classifications:

promotional and clearance. By recognizing the type of sale, a consumer is better able to anticipate the potential condition of the merchandise and the amount of price reduction.

Dispose of Unwanted Merchandise

There are several different kinds of sales which are designed to get rid of the merchandise that retailers no longer want to keep in stock. As a general rule these types of sales offer the greatest price reductions, and the most limited selection of products. They may also offer the greatest opportunity for the shopper to make a very good buy, or a very poor one, depending on the shopper's skills. Sales designed to dispose of unwanted merchandise include:

- **Clearance sales**, designed to "clear out" left over seasonal merchandise, shopworn items, and those that are damaged or are one-of-a-kind.
- **Close-out sales**, used to get rid of merchandise which will no longer be carried, or a line of products that the manufacturer is discontinuing. (Be sure the item is not being discontinued because of a basic design flaw.)

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2. Written by Mary N. Harrison, professor, Consumer Education; reviewed by Jo Turner, professor, Family and Consumer Economics, Department of Family, Youth and Community Sciences, Cooperative Extension Service, Institute of Food and Agricultural Sciences, University of Florida, Gainesville, FL 32611.

- **Going-out-of-business sales**, held when a store is closing (discontinuing business).
- **Disaster sales**, usually held following a disaster such as a flood, fire, hurricane, tornado, or other major problem. Frequently the merchandise is damaged.
- **Inventory sales**, designed to reduce the quantity of merchandise in stock. These sales are often held near the time a store is required to take inventory for tax purposes.

Stimulate Consumer Buying

Promotional sales use moderate price reductions to coax customers to buy. A promotional sale may be a storewide sale, or it can be for a specific product or service.

- **Seasonal sales**, built around merchandise traditionally placed on sale at specific times during the year (for example, white sales). Seasonal sales are also held at the time of special events such as Easter, Christmas, and the beginning of the school year when special types of merchandise are in high demand.
- **Private sales**, confined to a store or chain whose regular customers are notified several days before the sale is announced to the public. They promote store loyalty.
- **Anniversary sales**, commemorate the founding of the store with general storewide price reductions.
- **One-day sales** or **holiday sales**, feature markdowns for special holidays such as St. Valentine's Day, Memorial Day, and Labor Day.
- **Special Purchase sales**, offer merchandise that the store's buyer has obtained from a manufacturer or wholesaler at a reduced price. Sale items may be a manufacturer's overruns, seconds or irregulars, or may be merchandise ordered by another store that went out of business. Sale items may or may not be of the quality usually carried by the retailer.

- **Introductory sales**, introduce a new product, service or store to help consumers learn about specific goods and/or services.
- **Stimulation sales**, designed to increase sales volume during periods of slow movement.

Cautions for Shoppers

Shoppers attending sales should be especially cautious to be sure they get their money's worth.

- Comparison shop -- even at sales. Sale merchandise at some stores will cost more than the same merchandise sold at the regular price at another store.
- Ask yourself, "Why did this merchandise not sell at the regular price?" Was it over-priced or defective? If so, how will this affect the item? Is it trendy and will it soon be out of style?
- Is the price really reduced? Some hang tags show two prices, one of which is the sale price. Is the other price the prior selling price or a "suggested retail price?" Look for the item's regular selling price not the suggested price. The items may never be sold at the "suggested retail price." The "sale price" may be the true "retail" price.
- Would you consider buying the product if it were not on sale? Poorly constructed products or odd designs are no bargains.
- Usually sale merchandise can't be returned or exchanged (unless it was sold as first quality and turns out to be defective).

Buying Tips

- For promotional sales it is usually wise to shop the first days of the sale because the selection is better. Prices will not change during the sale.
- If the sale is a clearance sale, the price reduction usually is larger than for promotional sales. The best selection is at the beginning of the sale; however, the best prices are often found during the last few days.

- Comparison shop before buying. Compare quality, usefulness, and price.
- Be sure all warranty information and care instructions are included with the product.
- Carefully inspect merchandise for damage and quality of construction.
- Recognize that the excitement of buying at a sale is contagious. Don't buy just because others are buying. A price reduction is no bargain if the product is not needed.
- At close-out sales, be cautious when buying items that may require service or repairs. Find out who will provide the service and warranty work.

Other Forms of Price Reductions

There are a number of other forms of price reductions. Some of these are listed below.

- **Cents-off** -- price reductions given by the manufacturer or distributor. There are specific regulations governing this area. A product can be sold only 6 months out of the year with a cents-off offer. At other times it must sell at the regular price.
- **"Specials" or loss-leaders** -- inexpensive, commonly used items are sold at a reduced price to attract customers. Usually they require the consumer to purchase other merchandise to be eligible to take advantage of the special.
- **Introductory offer** -- merchandise that is new, or new to the marketing area. Price reductions can be for no more than 6 months out of the year. (The law requires products to be new, improved, or introduced to a new marketing area to be sold as an "introductory offer.")
- **Coupons and refunds** are other ways of taking advantage of price reductions. Coupons may be issued by the manufacturer or by the store. Use coupons only for items you already plan to buy, and if the the cost of the item will be reduced to or below that of competing brands.

Discount and Outlet Stores

Discount stores and manufacturer's outlets have gained wide popularity and greatly influence retailing. These stores claim to sell merchandise at prices substantially below department and specialty stores. They may or may not offer bargains. Some carry manufacturer's first quality overruns; others carry seconds and damaged merchandise; and some have last season's merchandise. Many carry one-of-a-kind or size merchandise. Careful comparison shopping is required to find true bargains.

Shopping sales is one good way to stretch the purchasing power of the dollar provided you:

- do careful comparison shopping.
- resist the temptation of impulse buying.
- clearly understand the types of sales.
- have realistic expectations.
- buy only what is needed and can be used.
- avoid buying only because the price is reduced.
- look for quality and low prices.

Extended Warranties and Service Contracts¹

Mary N. Harrison²

If you have purchased a major household appliance or a car recently, you were probably encouraged to buy an extended warranty or service contract. Some retailers promote the sale of extended warranties or service contracts while others do not. Perhaps you wonder if the extra protection is worth the additional cost.

The advisability of buying an extended warranty or service contract has been debated for years. There are advantages and disadvantages that the consumer should consider before making a decision. Your best decision is one that is based on your individual situation and what is important to you.

Some people buy service contracts because they are afraid that repairs will be needed and they will not have the money to pay for the repairs. Others think that an extended warranty or service contract ensures them faster or more reliable service than the general public receives. However, some people believe extended warranties are a waste of money since they cover only the first years of a product's life, the time when repairs are less likely to be needed.

What Are Extended Warranties and Service Contracts?

An extended warranty and a service contract are basically the same thing. It is an agreement made between the owner of the serviceable product and someone who can (theoretically) fix the item if it needs service or repairs. It is much like an insurance policy that pays for repairs on a piece of equipment that is not functioning properly. The owner pays a set fee, usually by the year or for a specific number of years, and in return receives needed repairs at no additional charge. For cars, the coverage is for a specified number of miles.

Service contracts are widely used. One major department store chain has over five million customers with service contracts on its household appliances and another company has over one million customers with service contracts on its televisions. The number of extended warranties sold for new cars is increasing. Extended warranties and service contracts are big business, and a major money-maker for those that sell them.

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Who is Responsible for Financing the Repairs Under an Extended Warranty?

Service contracts are usually handled in one of three ways by companies that sell them.

- The service contract is offered by the parent company through its retailer. The retailer sells the service contract. If the company is only one store, it keeps all of the money and does the repairs. If the company is a chain, much of the money goes to the home office. If repairs are done, the home office is billed and the local store is reimbursed for the work done.
- The retailer or company that sells the merchandise collects money for the service contract. Part of this money is paid as a flat-fee to a service company to handle any repairs that may need to be done. The same flat-fee is paid to the repair shop whether or not repairs are made.
- The retailer or company works in cooperation with a financial organization. The money is divided between the financial organization and the retailer. If repairs are needed, the store or dealer's repair department does the work and then bills the financial organization for payment.

The method the retailer uses to handle service contract funds and repair work is important to the consumer. If an individual retailer is totally responsible for the service contract, repair work will usually be done by the store or its designated service center. If a large chain, a corporation, or a finance company handles the account, repairs are usually available at different locations. Be sure to find out who will make the repairs, where the repair shop or service center is located and the quality of work done. It is also important to find out who will handle the funds used to pay for repairs, and if possible, its financial stability.

It is profitable for a business to sell service contracts because the money you pay for a service contract is divided between the retailer and a repair center or financial organization. Also, the repair center or financial organization expects to

collectively receive more money than it will have to pay out for repairs. Some individual consumers do receive repairs of greater value than the amount of money paid for the service contract. However, many others need only minor repairs or no repairs during the extended warranty period, thus they receive less value for their investments.

What Happens to Your Money if You Do Not Need Repairs or Service?

When you paid your money it was placed in a collective fund with fees paid by many other people. From this fund, payments are made for needed repairs. If you do not need repairs, your money is used to pay for other people's repairs. You receive no refund or no value for your investment other than knowing repairs would be made if needed.

When Should You Pay for a Service Contract?

Most service contracts are sold to people at the same time they buy the appliance or the car. People are more likely to buy at this time because they are concerned about how well the purchase will perform and they are thinking about warranties, thus extended warranty has a real appeal. Also, most major purchases are financed. The cost of the extended warranty is added to the purchase price of the car or appliance and is also financed. This ADDS to the cost, but buyers seem to be unaware of this. Fewer service contracts would be sold if a purchaser had to go back to the retailer to buy the extended warranty at the time the manufacturer's warranty expired.

Some merchants charge a lower price for a service contract purchased at the same time that you buy your new car or appliance. The reason is simple, fewer people would buy a service contract later unless their car or appliance had required repairs. The cost of the extended warranty can be kept lower by having service contracts on a mix of trouble-free purchases and those needing repairs.

When you buy an extended warranty or service contract, realize it offers very little or no additional protection during the period that the manufacturer's warranty is in effect. Unless there is substantial savings, buy a service contract at the time the

manufacturer's warranty expires. Why should the company hold your money, interest free, for several months, or a year?

How Likely Are You to Need a Service Contract?

Most people over-estimate the number of repairs an appliance or car will need over its expected life and especially during the early years of ownership. A study by the Massachusetts Institute of Technology found that with major appliances most of the repairs needed during the first five years of ownership, occur during the first year. That is when the appliances are under the manufacturer's warranty. Publications such as *Consumers Report* publish predicted repair records for some products. Independent service centers can also give you information about the frequency of repairs needed by different makes and models of items they service. However, these service center reports may be biased by individual preferences.

How Expensive Are Service Contracts?

Service contracts are usually reasonably priced for the first three to five years of product ownership, the time when the risks are low. After this period of time, a service contract becomes more expensive because the appliance or car is older and is more likely to need repairs. Often, service contracts or extended warranties are not offered for older merchandise.

Does a Service Contract Ensure Better Service?

In most instances, service is no better or faster with a service contract than without one. There are some service departments however, that do take special care to see that repairs are done correctly the first time to avoid return trips. Some other service centers won't be in a hurry to make repairs because they have already received their money. A service contract does tie you to a specific repair place or type of repair center, thus preventing you from going to another place if you are dissatisfied.

How Do I Decide if an Extended Warranty or Service Contract is a Good Investment for Me?

Find out the cost of a service call and types of repairs that commonly occur. How do these costs compare with the price of the service contract? Talk with people who own the same or similar appliances or motor vehicles. Read the service contract very carefully to learn what is covered, not covered, and under what conditions.

Many people have saved money on costly repair bills by having a service contract. However, even more people have spent more money buying a service contract than the total value of the repairs received.

What about your personal feelings? Does owning a service contract contribute to your sense of security? How does the cost of the contract affect your budget, or the amount of the monthly payment?

The merchant who sells a service contract is betting your purchase will be trouble-free. If you buy an extended warranty or service contract, you are betting you will have repair bills. Your decision to buy, or not buy, is a personal one.

Find Out What is Covered

Before signing on the dotted line, find out the answers to the following questions. These answers may help you decide what is best for you.

- Does the contract cover both parts and labor?
- Are extra charges made for calls on weekends, holidays and at night?
- Are all parts covered or just one or two parts such as the picture tube of a TV?
- Will a prorated refund be made if the item is stolen? What if it is sold?
- Will the contract remain in effect if you should move to another city or state?
- Is there a limit to the number of repair calls or trips that can be made during the year?

- Is the extended warranty transferable if you sell the item?
- Does the contract provide for at home service, or must you return the appliance to the store or shop?
- What kind of protections are provided for secondary disasters such as a loss of food if the freezer fails?
- What provisions are made for an emergency where an appliance or vehicle requires several days to repair?
- Who is responsible for making the repairs? Will the business still be there when service is needed?
- Where are repair centers located?

The Decision is Yours

You may consider depositing the annual cost of a service contract in a savings account and holding it as a fund to be used for repairs, if needed. Carefully consider all alternatives before making a decision.



Do I really need this?



Do I really need this?



Do I really need this?



Do I really need this?



Do I really need this?



Do I really need this?



Do I really need this?



Do I really need this?

