

David Bach's "Fight for Your Money" Rules

1. **There is no such thing as a free lunch.** If a deal sounds too good to be true, it probably is.
2. **Figure out the total cost.** The price they advertise isn't necessarily what something really costs. Make sure you know what the advertised price covers, what it doesn't cover – and how much you'll have to pay for the stuff you're going to need that isn't included.
3. **Don't take anybody's word for anything.** Guarantees and promises don't mean anything unless they are in writing.
4. **Do your homework.** Comparison-shop, educate yourself about the product, and unless you know whom you're dealing with, check them out before you send them a money order or sign a contract.
5. **Be careful what you sign.** Read *all* the paperwork, including the small print, and make sure you understand it.
6. **Resist efforts to pressure or intimidate you.** Not every salesman who employs the hard sell is a crook. But honest ones rarely do. When they badger you to "Act now!" that's a sure sign you shouldn't. When they urge you not to tell anyone else about this "very special opportunity," you definitely should – preferably someone who carries a badge.
7. **If you think you've been scammed, report it to the appropriate authorities.** As an official for the Nation Consumers League put it in an interview with consumer reporter Bob Sullivan, "Complaining is to being a good consumer what voting is to being a good citizen. If there are no complaints, there's no impetus for legislative change and the enforcement officer don't know what's going on. If you only complain to friends but don't report something...then nobody who can do something about it knows what happened to you.
8. **There is no such thing as a set price.** With most services and many consumer goods (cars, cable TV, gym membership) not everyone pays the same price. How much often depends on when you signed up, what incentives you were offered, and how well you negotiated. As a consumer, you have more power than you think.
9. **Package deals are often not good deals.** They may sound great, but they typically require you to buy something you don't really want or need.
10. **Money gives you control, so hold on to it as long as you can.** It's easier to reverse an unfair charge than to try to get a refund once you've paid out cash. So don't agree to automatic debits – use a credit card instead. Similarly, parcel out payments to repairmen and contractors, and avoid years-long service contracts.
11. **Protect your identity.** Personal information, such as credit card and bank account numbers, should be shared only with salespeople and companies you know and trust – and never by email.

Adapted from **FIGHT FOR YOUR MONEY** by David Bach.

Fight For Your Money: Buying A Car

If you're one of the 15 million Americans who bought a car last year, you can be pretty sure that you were taken on the deal. The fact is, even without tricks or scams, buying a new car is almost always a bad investment. New cars lose 25 - 30% of their value in the first year off the dealer's lot. A 1 - 2 year old low-mileage vehicle is almost always the right way to go. That said, if you insist on buying a new car, here's what you need to know:

➤ **Find a Trustworthy Dealer**

When buying a car you're spending a lot of money with a dealership. It's necessary to make sure that the dealer's a trustworthy person, and will give you the best deal possible. The best way to gauge a dealer's trustworthiness is by assessing his financial transparency. Ask to see their paperwork showing the car's "actual cost" including applicable rebates, holdbacks, and manufacturer's incentives. Since this information is also available to you online, it's a great way to see if your dealer is a straight shooter. If the sales staff gives you the runaround, don't bother with them. Just leave.

➤ **Avoid the "Zero Down Payment" Scam**

A loan that's "Zero Down with Zero Payments for One Year" may sound appealing, until a year passes and you finally see what you owe. While you're not repaying your loan, interest rates still accrue. Meanwhile, the value of your car depreciates, and you get hit with a double whammy. By the time you start repaying your loan, the amount you owe might have increased by hundreds or even thousands of dollars, while your car is worth 20 - 30% of its original value. You pay more for less! And remember, your auto insurance only covers the actual value of the vehicle. This means that if the car is stolen or totaled, you will be compensated at an amount far less than the loan you're still stuck with.

➤ **Don't Get Squeezed by Dealer Financing**

The profit margin on a new car is very narrow for the dealer. Where they profit, and where you lose, is by squeezing out as much as they can for financing, add-on options and servicing. Watch out! If you need financing for your new car, borrow from a bank, not a dealer. Any interest rate a car dealer quotes you is bound to be higher - often much higher - than you should be able to get from a bank. Look out for unnecessary add-ons like paint protection, rust proofing, undercoating and fabric protection. The dealer will charge you \$800 for something that costs them just \$40.

➤ **The Bottom Line:**

When buying a car, your best deal is often a well-maintained, used vehicle. That said, if you must buy a new one, educate yourself before you make that final purchase. You work hard for your money, so Fight For It!

Fight For Your Money: Cell Phones

If you're an average American, you talk about 23 minutes a day talking on your cell phone, and you're spending around \$50 a month for the privilege. That doesn't sound like much—but it's a lot more than it should be! Why? Because most of us have the wrong cell phone plan for our needs. Chances are you'll be able to lower your bill, and make considerable savings. It's time to fight for your money.

➤ **Don't Get Taken In By Excessive Monthly Minutes Plans**

How long has it been since you've used all your monthly minutes? It's likely that you're amongst the millions of Americans that regularly pay for phone services they don't use. It's time you take a look at that monthly bill and figure out what you should really be paying for. Figure out the size of the plan that's right for you then comparison shop amongst the major providers. Be conservative. When in doubt, go for the smaller plan.

➤ **Avoid Outrageous "Early Termination" Fees**

It's possible that you're committed to a bad plan and need to get out. Unfortunately, early termination fees can run as high as \$200 for canceling your contract before it expires. There are now some resources in your favor. Anytime your carrier adds an incorrect charge to your plan (which happens ALL the time), you have the right to cancel your contract without penalty for 14 days. This is called the "material adverse change" clause. Comb through your bill and look for errors that can get you out of a bad relationship. Alternatively, you can avoid the termination fee by transferring your cell phone contract to someone else. For a fee of about \$20, websites like Cellswapper.com and Celltrade.com will connect you with someone who will take your old plan off your hands.

➤ **Watch Out for Hidden Service Contract Extensions**

The big carriers are notorious for extending service contracts, often without prior notification. Watch out for Mandatory Contract Extensions. Their main tactic is to try to hook you by offering a "free" new phone or a better data service. Buried in the fine print are provisions that say your contract will automatically extend if you take the deal. Once your initial contract ends, you can continue service on a month-by-month basis. But watch out—the companies will do everything they can to get you to sign a new contract. So be skeptical about promotional come-ons and "free" deals. If you're not careful, you might agree to an automatic long-term extension of your contract.

➤ **The Bottom Line:**

Cell phones are a BIG business and the providers are not always on our side. It's important to arm yourself with information and take charge. We're now reaching a point where just about everyone who wants a cell phone has one. The market for new cell phone users is pretty much tapped out, which means that the only way a cell phone company can grow is by stealing business from its competitors. That's great news for us, and a good time to start trying out these new techniques. You work hard for your money, so Fight For It.

Adapted from FIGHT FOR YOUR MONEY by David Bach.

Fight For Your Money: Credit Cards

When used responsibly, credit cards are a good resource. Unfortunately, many Americans fall into bad borrowing habits encouraged by the major credit card companies. That's why roughly 53 million American households are carrying more than \$1 trillion in credit card debt. This averages out to nearly \$18,000 per household. Don't let your credit cards get the better of you. Here are some of the dirty little secrets the credit card industry can and will use against you:

➤ **Avoid the Minimum Monthly Payment Scam**

Banks and credit card companies are in the business of lending money. In order to keep customers, they don't want you to pay off your credit debt in full. The lower the payments you make, the more money they earn in interest. Just because there's a "minimum" payment doesn't mean that's the amount you should pay. Always pay more—as much as you can afford—than the minimum payment. If you don't, the banks will make a fortune off of you.

➤ **Watch Out for Hidden “Gotcha” Clauses that Jack Up Your Interest Rate**

When signing up for a new credit card, watch out for the ultimate “gotcha” clause in your credit card agreement: a “universal default provision”. A universal default provision gives the card company the right to jack up your interest rate if you're more than 30 days late paying ANY bill you owe to ANYONE. This includes a telephone or utility bill that has nothing to do with your credit card. 40% of credit card issuers apply the universal default provision. So before signing up for a new card, check the fine print of your agreement.

➤ **Don't Fall for the “Double-Cycle” Billing Scam**

If you usually pay your bill off in full each month, and only occasionally carry over a credit card balance from month to month, watch out for Double-Cycle Billing! Double-Cycle Billing is a practice in which interest rates are calculated based on your average credit balance for the past two months, rather than on the existing balance due. This can be a huge rip-off and results in you being charged interest for balances you've already paid off. Comb through your card agreement. If it says “Two-Cycle Average Daily Balance”, you are being screwed and you should switch to another card.

Fight For Your Money: Debit Cards

We Americans love our debit cards. In 2006, we used debit cards for more than 26 billion purchases—nearly 20% more often than we used our credit cards. Debit card purchases now total more than \$1 trillion a year. Debit cards are popular and it's obvious why: they're easy to get, simple to use, and keep us from running up credit card balances. But for all this benefit, debit cards aren't as good as they seem. If you're not careful, debit cards can wind up costing you big time.

➤ **Beware Overdraft Fees on Debit Card Purchases**

Debit cards are so popular because banks promote them aggressively, offering all sorts of promotions and special offers. Why are banks so interested in putting a debit card in your pocket? It's simple: overdraft fees alone generate close to \$9 billion a year. Know what you're getting in to when signing up for a debit card. Just because it's "free" and doesn't have a monthly interest rate doesn't mean it's saving you money. According to a study conducted by Consumer Reports, a typical overdraft fee on a debit card purchase translates to an annual interest rate of more than 1000%!

➤ **Don't Fall for the False Promise of "Zero-liability" Debit Cards**

Many banks offer "zero-liability" debit cards. Typically with credit cards, this means that you're not responsible for unauthorized charges on your card. This is not often the case with debit fraud. Don't be fooled. This zero-liability policy applies only when you sign a transaction slip; not when you punch in your PIN at a cash register or ATM. This means if someone gets your PIN, then they've got your money, and the bank's zero-liability policy won't cover it. You're probably wondering how that's possible.... Well, in contrast to credit cards, the zero-liability POLICY on your debit card is exactly that: A policy, not a federal law. Call your bank today to find out what kind of liability policy they offer for debit cards; your money might not be as safe as you think it is. If you lose your PIN you risk losing your money. Guard it like you would your wallet.

➤ **The Bottom Line:**

Debit cards seem like a great deal but they introduce a lot of risk into your financial lives. For a "free" service from your bank, they can end up costing you a lot of money and hardship. Use your debit card only for small, immediate transactions. You work hard for your money, so Fight For It.

Fight For Your Money: Family Travel

Anyone who has to travel frequently will tell you that air travel has become a brutal, miserable experience that gets worse with each passing day. And more expensive. Not only do we pay the airlines hundreds—sometimes thousands—of dollars for a ticket, they're now charging us extra for just about everything except wings and a seat belt.

Want to make your reservation by telephone? That'll add \$25.00

Planning to check luggage? \$15 for the first bag and up to \$80 for the second.

Airlines are in a terrible squeeze right now. Sometimes it seems as if they are deliberately trying to make the skies as unfriendly as possible. But if air travel is unavoidable, here's how to fight your money and get the best deal:

➤ **Always Go Online to Find the Best Deals**

Look for airlines you wouldn't expect to service the destination you're heading for. Going to London? Check out airlines like Air India or Air New Zealand. You can also save by landing in smaller, regional airports instead of big international hubs.

➤ **Buy Airline Tickets Individually**

If you're traveling with your family or a group, don't buy tickets in bunches. Buying one at a time can be a lot cheaper.

➤ **Always Read the Fine Print**

Before you put down your money, make sure you read the fine print and understand the rules and fees about checking luggage and other no-longer-free services.

Fight For Your Money: Hospitals and Health Care

Health care costs are the single biggest source of financial misery in this country so it pays to arm yourself with information—because if the worst happens, you need to be ready. This is what you need to know:

➤ **Don't Be Afraid to Haggle with Hospitals to Reduce Your Health Care Bills**

Hospitals charge the highest prices to those least able to pay. Medicare and the big insurance companies get charged the lowest prices. If you don't have insurance, or if you mistakenly use an out-of-network provider, you could be charged more than six times what Medicare gets charged—for the exact same procedure. What to do? Haggle. Remember Medicare is being charged less than you. If the hospital reduces its rates for the big insurance companies, they can afford to reduce their rate for you.

➤ **Watch Out for Duplicate Billing and Inaccurate Charges**

Make sure you get what you pay for. Most of the time, your hospital bill isn't even accurate. Experts say 90% of all hospital bills contain mistakes, and they are NEVER in your favor. So watch out, and always check your bill. Duplicate billing is the most common rip off. Ask that your bill is itemized before making a payment and review each line item. Watch out for \$70 or \$80 charges for a bag of saline worth 10 cents. It has happened. It could happen to you.

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Fight For Your Money: Retirement Plans

One of the most important things you can do to impact your wealth is enroll in a 401(k) retirement savings plan. There's no getting around it: contributing as much as you can to your 401(k) is a no-brainer. But, that doesn't mean that once you've signed up you can stop thinking about it. You should be aware that the big banks, brokerage firms, and insurance companies that provide these plans are in the business for one reason only: to make money. These big companies siphon more than \$15 billion a year out of our 401(k) accounts. Here's what you need to know to Fight For Your Money:

➤ **Watch Out for Excessive 401(k) Fees**

Most people don't realize that the average plan costs its participants between 3% and 5% of what they invest each year. Paying an annual fee that's just a single percentage point too high can eventually shrink your nest egg by as much as 20%. What to do? Don't be shy about asking your company or 401(k) provider for a breakdown of fees in your plan. If you're paying more than 3%, complain about it to your employer.

➤ **Never Invest Too Heavily in Your Own Company's Stock**

Don't invest too heavily in your own company's stock. Remember what happened at Enron, Bear Stearns and Lehman Brothers, where employees who had invested all their retirement savings in their own company's stock, were wiped out financially? Let those cases serve as a cautionary tale. If most of your money is invested in your own company's stock and the company goes out of business, not only do you lose your job, but you lose your retirement savings at the same time. My rule of thumb: Don't put more than 5-10% of your net worth in one stock.

➤ **Avoid the Temptation to Borrow Money from Your 401(k) Retirement Account**

Avoid borrowing money from your 401(k) account, and don't cash it out when you leave your employer! One of the worst things banks have done in recent years is to introduce a debit card connected to your retirement account, allowing you to borrow against your 401(k) with a single swipe. This basically amounts to predatory lending. Avoid it at all costs. Invest in your 401(k) and leave it alone.

Fight For Your Money: Taxes

Tax preparation is huge business, with Americans spending about \$11 billion on tax prep services each year. Are we getting our money's worth? Except in California and Oregon, where tax preparers have to be licensed, pretty much anyone can hang up a shingle and call themselves a tax preparer. Here's what you need to know to find a good one:

➤ **When it Comes to Tax Preparation, Bigger Doesn't Always Mean Better**

Bigger doesn't always mean better. National chains like H&R Block and Liberty Tax Service may seem like a good bet, but make sure you ask them who will actually be doing your return. Big firms often employ high school graduates to process your return using software you could buy yourself for \$50. What to do? Ask and make sure you're getting a properly qualified and experienced person working on your return. If you don't like the answer you get, look for another tax service.

➤ **Make Sure You Choose a Professional Tax Preparation Service**

When you select a tax preparer, you're basically choosing a business partner. Take it seriously and look for real professionals. Professional tax preparers are often more expensive than the chains, but spotting one missed opportunity could easily save you the difference. The best way to locate a good preparer is from someone you trust. Ask for referrals from friends, relatives, colleagues. Then, interview your tax preparer before signing up. Find out what protection you'll have if they make a mistake, such as coverage of fines, penalties and interest. Most importantly, find out how your personal information will be safeguarded.

➤ **Don't Fall into the Refund Anticipation Loan Trap**

Refund anticipation Loans (RALs) may sound like a good deal, which is probably why 9 million of us sign up for them each year, but it's really the banks and tax prep firms that benefit; not you. How? They rake in more than \$1 billion a year providing these low-risk loans with exorbitant service fees and finance charges. These service fees and charges can produce APRs as high as 1,200% or more. At rates like that, you're better off borrowing the money on your credit card. If you really need the refund in a hurry, even H&R Block says the best option is to file your taxes electronically and ask the government to deposit your refund directly into your bank account. It's a much better deal than an RAL.