

Money 2000

Where to put savings now?

With interest rates in the basement, making sure your savings earn the best rate possible is more important than ever. When looking for a place to stash your emergency fund, your first concerns should be safety and **liquidity** — can you convert your savings easily to cash — since you may need the cash at a moment's notice. A money market deposit account or money market mutual fund would be good options since they both offer check-writing privileges.

Money market deposit accounts offer the additional security of Federal Deposit Insurance Corp. (FDIC) insurance. Generally, you must deposit \$10,000 to get money market rates.

Money market mutual fund companies usually require lower minimum deposits to earn market rates and offer higher yields than money market accounts, but are not federally insured.

If you won't need to get at the money quickly, you might consider **certificates of deposit (CDs)**. CDs issued by banks or credit unions are federally insured, and their yields usually beat money market accounts.

Instead of locking up all your savings for the same amount of time, consider diversifying by **laddering** or staggering the maturities of your CDs. For example, put one-fourth of your CD money in a 3-month certificate, one-fourth in a 6-month CD, one-fourth in a 1-year CD, and one-fourth in a 2- or 3-year certificate.

If interest rates rise, your shorter-term CDs will mature in time to reinvest your principal at the new higher rates. If rates fall or stay flat, at least you have locked in the higher 2- or 3-year rates. By the time those CDs mature, rates could be heading higher again.

Compare the rates at several financial institutions. Then check the fine print. For a money market account or mutual fund, be sure to check the account minimums, fees and expenses, limits to check writing and electronic transfers, penalties, and alternatives to check writing such as in-person, telephone, ATM or Internet withdrawals. Know the rules for how to access your money.

With CDs, check the penalty for early withdrawals. And find out if the CD is **callable** — the issuing bank or broker can terminate or "call" the CD after a fixed period of time and pay back the principal with interest. For example, a 1-year callable CD with a 7-year maturity may be "called" by the bank after 1 year if interest rates fall.

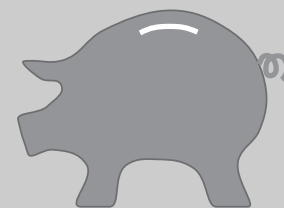
Callable CDs are often marketed in newspaper ads, high-pressure telephone solicitations and direct mail, according to Patricia Struck, administrator of the Division of Securities for the Wisconsin Department of Financial Institutions.

Before purchasing any CD, be sure you know its maturity date, where the money will be deposited, the penalties for early withdrawal, any costs associated with selling before maturity, and whether the interest rate is fixed or variable.

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**For more
information,
call DFI's Division
of Securities:
(800) 47CHECK**



What's the cost of a second job?



Is the additional income from both parents worth what it costs? That's a question many young couples often ask.

Obviously, there are many different perspectives to consider when answering this question. Aside from the personal and psychological costs/benefits, there are important financial considerations to weigh when deciding whether two paychecks actually equal more money.

Taxes reduce your income

The second income will generate additional taxes. The way our tax schedules are built, a second paycheck can push your household income into a higher tax bracket.

For example, in 2002, adjusted gross income up to \$46,700 is taxed at 15 percent for married couples filing jointly. But any income above \$46,700 is taxed at 27 percent. So you are paying **12 percent more in taxes** on that additional money. Wisconsin income tax adds another 4.6 to 6.75 percent tax that further reduces your net income.

Factor in additional expenses

Additional taxes are only the beginning. You must also figure out how much you have to spend for your spouse to be able to work. Add up the costs for child care (which can easily run \$10,000 a year or more), a second car and parking or other commuting costs, work clothes, dry cleaning, lunches out and other expenses.

A recommended starting point would be to make a list of everything your spouse has to buy in order to be able to go to work. Add up the additional costs, then subtract that total from your spouse's after-tax income.

You may discover that after taxes and expenses, your spouse is only clearing about 10 to 20 percent of that second income. If that is the case, by cutting your household spending by a similar amount, you might be able to afford full-time parenting without adversely affecting your lifestyle.

The point is to determine how much you spend as a household and reduce that by at least enough to match any actual losses in income should your spouse decide to stay home.



2002 Federal income tax table — Married filing jointly

Taxable income	Tax rate
Up to \$12,000	10%
Up to \$46,700	\$1,200 + 15% amount over \$12,000
\$46,700 to \$112,850	\$6,405 + 27% amount over \$46,700
\$112,850 to \$171,950	\$24,266 + 30% amount over \$112,850

Source: Internal Revenue Service (IRS)

Resolving consumer problems

About one of every four purchases results in some type of problem — faulty or unsafe products, poor product performance, misrepresentation, delivery problems, or errors in billing.

While most of these problems are not reported, the volume of consumer complaints is twice what it was 10 years ago. In Wisconsin, there are more than 200,000 consumer complaints each year.

Guidelines for dealing with complaints:

- Pursue your complaint as soon as possible. Start with the local business.
- Clearly identify the problem and document it.
- Explain how you want your complaint resolved.
- Be courteous yet persistent.
- Be willing to compromise.
- Be prepared to wait if necessary.

First, start with the local business — talk to the salesperson, supervisor or store manager. Record the date, name of the person you talked to and the resolution, and follow up with a letter.

If that doesn't resolve your problem, contact the product manufacturer's consumer affairs department. For the phone number, call toll-free directory assistance: (800) 555-1212

If the local business or manufacturer cannot resolve your problem, contact the appropriate consumer protection agencies.

In Wisconsin, contact the DATCP Division of Consumer Protection:
(800) 422-7128
Email: hotline@datcp.state.wi.us

You can also file complaints with federal agencies such as the Food & Drug Administration, Consumer Product Safety Commission, and Federal Trade Commission (FTC). Complaining to federal agencies helps them obtain information to take collective actions against sellers.

The FTC works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them.

To file a complaint call toll-free: (877) 382-4357 (877-FTC-HELP)



Old refrigerators cost money!

Refrigerators are the single biggest user of electricity in most homes. Models made before 1990 can cost from \$96 to \$232 a year more to run than a newer, more energy efficient model.

New refrigerators use much more effective insulation, more efficient compressors and better controls. A 20 to 22.5 cubic foot top freezer model can use as little as 457 kilowatt hours per year at an electricity cost of \$36.

If your "fridge" is avocado or harvest gold, it's most likely an energy hog. You can check the age on the model identification plate, typically found inside on

the bottom outer face. Newer models have the label high on the inside left wall.

Since the cost of disposing of an old refrigerator is \$20 or more, many people choose to keep the old one in the basement or garage for storing cold drinks. But remember — it continues to guzzle energy and cost you money.

Instead, check with the Wisconsin Focus on Energy program about having your old refrigerator or freezer picked up and recycled for free. Choose the Residential Information Center option from the menu: (800) 762-7077

**Instead of paying more to run your old refrigerator or freezer, call about having it hauled away for free:
(800) 762-7077**

Are you an “average” consumer?

Today’s “average” consumer has a total of 11 credit obligations:

- 7 credit cards — department store, gas or bank cards
- 4 installment loans — education, auto, mortgage or other

Less than four out of 10 individuals have ever been reported as 30 or more days late making a payment. Only half of those have ever been 60 or more days late. Less than 10 percent have ever had a loan or account closed by the lender due to default (failure to pay).

About half (48 percent) of credit card holders carry a balance of less than \$1,000. Looking at **total consumer debt** — total debt minus mortgage — 54 percent of consumers carry less than \$5,000 of debt.

On the flip side, about 10 percent carry credit card balances over \$10,000, and nearly 30 percent of consumers carry more than \$10,000 of total consumer debt (non-mortgage-related debt).

More than half of all people with credit cards use less than 30 percent of their total credit card limit. Just over one in

eight are using 80 percent or more of their credit card limit.

The average consumer has a credit history 13 years old. One in five have credit histories of 20 years or longer. Only one in 20 consumers have credit histories shorter than 2 years.

What does this mean?

You might be surprised how much you’re in the minority if you have a low credit score. A common credit scoring system is a FICO score from Fair, Isaac and Company, Inc. Possible FICO scores range from 300 to 900. If you scored 670, you’d probably think you were doing fine.

In fact, your score would only place you in the 30th percentile. That means that 30 percent of consumers have scores lower or equal to yours, and 70 percent have scores that are higher!

For more information

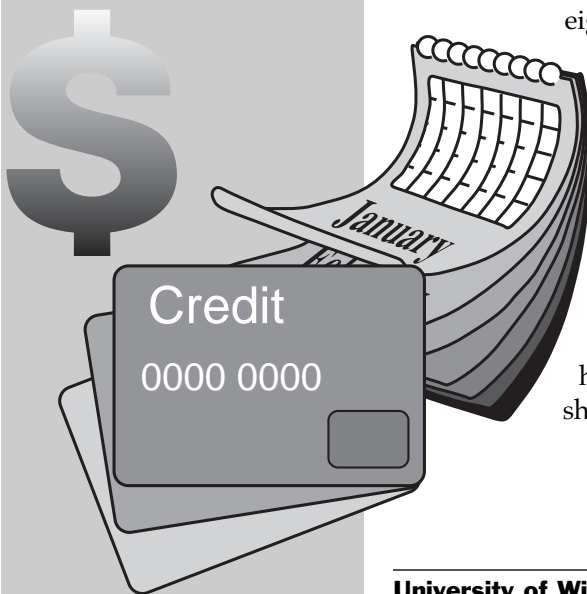
Learn about credit scoring:
www.myfico.com/MyFICO/CreditCentral/ScoreConsiders.htm

Wisconsin Consumer Act:
www.wdfr.org/wca/consumer_credit/credit_guides/default.htm

Your Credit Report NCR 606-3 (in English or Spanish) and *Credit Card Smarts* NCR 613, available from your county UW-Extension office or Cooperative Extension Publications (877-WIS-PUBS):
www1.uwex.edu/ces/pubs

Money 2000 and Beyond:
www.uwex.edu/ces/money2000

Internet access is available at many public libraries or other public places in your community.



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