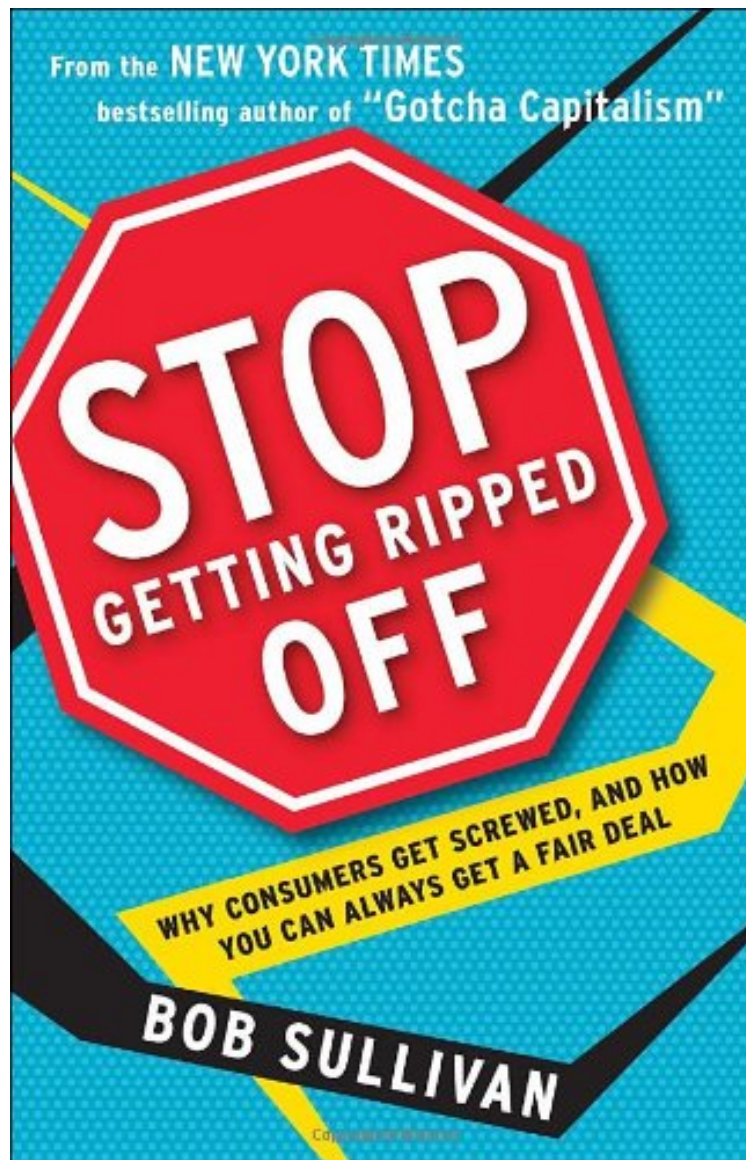


(Download pdf ebook) Stop Getting Ripped Off: Why Consumers Get Screwed, and How You Can Always Get a Fair Deal

Stop Getting Ripped Off: Why Consumers Get Screwed, and How You Can Always Get a Fair Deal

Bob Sullivan

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Bob Sullivan : Stop Getting Ripped Off: Why Consumers Get Screwed, and How You Can Always Get a Fair Deal before purchasing it in order to gage whether or not it would be worth my time, and all praised Stop Getting Ripped Off: Why Consumers Get Screwed, and How You Can Always Get a Fair Deal:

30 of 30 people found the following review helpful. savvy ways to outsmart the systemBy Christine GacharnaBob Sullivan is on a mission to educate Americans and change the way we view and spend our money. He genuinely writes to help people; in this case, help people realistically improve their financial situation simply by using the money they already have in smarter, more creative ways. He writes as if he has an established relationship with his readers. (He does.) He made me come face to face with my own quirky habit of sloughing off responsibility for paying attention to the little numbers. As he explores throughout the entire book, it's those little numbers that add up, ultimately creating opportunity for the long term financial stability that many Americans crave these days. But he does more than just point out the little numbers and why they are important. He actually takes it further and explains the system, and then how we as consumers can use that knowledge of how the system works to move our money smartly and avoid paying unnecessary fees. There is in-depth explanation of how recent changes in the banking system throw some of our conventional thinking about credit cards, checking accounts and ATM transactions upside down, and what we can do as account holders to maximize our benefits and eliminate financial penalties. As a consumer, I can refer back or skip ahead to different sections of the book as/when needed for specific tips on buying a car, shopping for a mortgage, paying for college, negotiating cable TV and cell phone service companies, whatever is most relevant to my daily life that will translate to long-term financial health. My guess is that I will easily pocket the cost of this book time and again simply as a result of being educated by it and knowing I have the option to go back and refer to it as needed.

3 of 3 people found the following review helpful. CONSUMER REPORTS and Ralph Nader can't do everything for usBy Jim LaReginaIf you're considering consumer advocate Bob Sullivan's book STOP GETTING RIPPED OFF: WHY CONSUMERS GET SCREWED, AND HOW YOU CAN ALWAYS GET A FAIR DEAL, you may have several Ralph Nader volumes, or perhaps you subscribe to CONSUMER REPORTS magazine. But you understand even Mr. Nader and Consumers Union can't do everything for us. STOP GETTING RIPPED OFF is one of those books you want at your fingertips, as opposed to one you borrow from the library or a friend and after returning it never view again. You'll pick it up from time to time even if you're a careful shopper, just like the best baseball hitters still take batting practice. But if you've never been the type to compare by unit price, while STOP GETTING RIPPED OFF is a phrase that speaks to you the book's first passage softens the blow it delivers with the title, "Why Consumers Get Screwed," as if author Sullivan figured "Why You Get Screwed" might be too harsh for those at the math and reading levels he addresses. You may cringe if you're among the 71% of people who can't figure out how many miles per gallon your car gets. However, STOP GETTING RIPPED OFF's second passage, "One Deal At A Time," is your starting point to make up for lost opportunity with blow-by-blow approaches to getting more for your money on: checking accounts- automobiles- homes- cell phones- pay television- student loans- insurance. In its final passage, "How to Pitfall-Proof Your Finances," STOP GETTING RIPPED OFF walks you through getting a six-month rainy day fund in order and, after that, putting your dollars to work cents-ably. Its nuts-and-bolts approach to consumer topics it covers makes STOP GETTING RIPPED OFF worth owning. But also valuable is author Bob Sullivan's overall reminder to be less passive, more active consumer. For example, with Sullivan's message in mind, I was more careful to read the paperwork on a used car I bought, not signing the passage that said I would agree to arbitration should I have a dispute. Before this book, I might have signed and initialed without thinking about it. Buy STOP GETTING RIPPED OFF.

4 of 4 people found the following review helpful. A Must Read for anyone who buys anythingBy B. R. SullivanBob Sullivan (no relation) manages to take what one would expect to be a boring topic and makes it not only a good read, but a fascinating page turner. I consider myself to be pretty financially savvy, but learned several new, practical tips in his chapters on managing retirement funds, credit cards, and purchasing a cell phone plan. Bob also includes additional chapters on topics such as purchasing a house, student loans, purchasing cable, and a few other things I'm forgetting at the moment. However, even if you know everything about all of the above topics, the book is still a must-read for his opening discussion of how and why corporations are able to "rip people off" and the appalling financial illiteracy of the US population. While I did check this book out from the library I would actually recommend purchasing it as it will come in handy as a reference book for many future purchases.

New York Times bestselling author of Gotcha Capitalism and MSNBC.com "Red Tape Chronicles" columnist Bob Sullivan strikes again to help you evade the financial traps big businesses set for unwary consumers and shows you how to get the best possible deals every single time. Today's marketplace is full of hidden fees, fine print, and other booby traps designed to trip you up and take your money. You may be losing big even when you think you're getting a steal! But with Sullivan's keen guidance and sensible advice, you can save money and regain control of your financial life. Clearly and concisely, Sullivan reveals why American consumers make such easy targets for corporate America (you'll be stunned, for example, at how poor our math skills are) how Wall Street will skim off one third of your retirement money (avoid this trap with Sullivan's new "Pitfall-Proof Pyramid") the myths behind credit-card reward programs and "the 21st-Century Bank Account" the real numbers to focus on when buying a new car why you should spend more time shopping for your mortgage than your home the key questions you must ask before buying life insurance the secrets to saving for college and paying off student loans the right way the best deals on cell phones and pay-TV service With Sullivan's empowering message, financial savvy, and knowledge of consumers' wants and needs,

you can outsmart the system, keep your hard-earned cash, and finally stop getting ripped off. And you'll become part of a growing grass-roots movement to rein in the abuses of corporate America before consumers get hurt by another boom-and-bust cycle.

About the Author Bob Sullivan has been a reporter for nearly two decades. For the past twelve years, he has covered computer crime and consumer affairs for MSNBC.com. Today his work appears on MSNBC.com's "Red Tape Chronicles" blog. He also appears regularly on MSNBC television, NBC Nightly News, the Today show, and various local NBC affiliates. He is the winner of the prestigious 2002 Society of Professional Journalist Public Service Award for a series of articles on online fraud. His first book, *Your Evil Twin: Behind the Identity Theft Epidemic*, investigated the root causes of credit card fraud and other identity-related crimes. His second book, *Gotcha Capitalism*, exposed the hidden fee economy that attacks family budgets. He lives in Maltby, Wash. with his golden retriever, Lucky.

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Chapter One: The Twenty-First-Century Checking Account

I recently overdrew my checking account at Chase Bank by 60 cents, and my unemployment check was set to be electronically deposited later the same night. The overdraft would only exist for a few hours. The bank charged me \$35 for a 60-cent overdraft. If this were interest, it would be 6000%, but since it is a fee, it is okay.

--Kate Hank, a Red Tape Chronicles reader

Once upon a time, a checking account was simply for depositing paychecks and writing checks. As long as you noted the checks in a register, you were safe. If you bounced a check, it probably was your fault. Those days are long gone. Now, check writing is probably the least of your checking-account worries. Today, your checking account can be accessed at least six ways--ATM withdrawals, signature debit purchases, PIN debit purchases, online bill pay, and other electronic transactions such as wire transfers. And, of course, checks. In industry terms, your checking account has far more velocity now, making it far more vulnerable to hackers, and, more important, far more difficult to keep track of your balance.

The result? In 2007, Americans spent \$17.5 billion making banks richer through overdraft charges, probably the most lucrative hidden fee in America. The notion of a free checking account is largely a charade. Banks created the overdraft phenomenon and stoke it by quietly adding features such as "courtesy overdraft protection," all the while tightening the screws more and more with each passing year. Overdraft fees now cost nearly \$40 per transgression, and because the fees are often "stacked"--one overdraft leads to another, then another, and so on--one single lapse can easily cause a \$5 hamburger purchase to ultimately cost \$200. That means it's more important than ever to protect yourself, and your checking account, from heading south of zero. It's not easy. There are other bank-designed booby traps, such as "Check 21." This new electronic processing system for checks means banks get your money instantly when someone cashes a check you write (no more "float"), but can still hold on to checks you deposit for long stretches of time (up to eleven days). In short, the money comes out much faster than it goes in. That's a recipe for overdrafts. Banks even vary by deposit type how quickly they credit your account when you deposit money. (Hint: At one major bank, online transactions are credited at 10:45 a.m. every day, in-person teller transactions aren't credited until 2 p.m., and deposits at newer ATMs don't make it until 8 p.m.!) Not knowing these rules can be costly. But how would you know them? In 2007, 20 percent of banks were in violation of the Truth in Savings Act, a federal law requiring clear and conspicuous disclosure of their fee schedules.

Quick: What does your bank charge for an overdraft? In total, Americans donate \$36 billion in fees to U.S. banks every year, or about \$400 for every adult American. Virtually all of that spending is unnecessary. Anyone using the right tricks can have checking and savings accounts for free. This chapter will show you how.

BALANCING YOUR CHECKBOOK MONTHLY? NO, DAILY

You'll hear plenty of old-fashioned advice about balancing your checkbook to prevent accidental overdrafts. If you're the type to do that every month, God bless. Software can help, too. But balancing a checkbook today is so much harder than it used to be; and even a monthly balancing won't really protect you from the \$39 overdraft fees I'm talking about. Anybody can make a string of unexpected debit purchases during a month of bad luck (but not if you follow my advice and don't make debit purchases). Anyone can misunderstand checking-account deposit-credit policies. Anyone can accidentally click twice while using online bill pay and suddenly find their accounts unfunded. Checking accounts are misnamed at this point--their real name should be something like "electronic transaction accounts" or "e-accounts." And for these accounts, we need a whole new branch of personal accounting.

In a moment, I'll tell you that you don't really have to balance your checking account to the penny every month. I want you to set up your finances so they run on automatic for you, without any fear of overdraft fees, and I'll show you how. But first, I want you to consider the simple proposition that change is good. Here's the fundamental flaw introduced into your life by the debit card: There are too many transactions yanking money out of your primary wealth-holding account. For the vast majority of consumers, the modern checking account is the staging ground for most of their money. Paychecks are automatically deposited into it; money sits there earning paltry interest while you wait to pay bills, then you spend it. Think about it; if your after-tax paycheck is \$1,500 twice each month, then \$36,000 flows into your checking account every year. What do you get for that? If you have to claim more than \$20 in interest earning on your federal taxes each year, then consider yourself lucky. My point is this: Whatever bank you use for direct deposit of your paycheck, you are giving that bank a hell of a deal. Why be loyal? If you suffer an overdraft fee and your bank isn't playing ball with you, break off the relationship. Join a credit union or a smaller bank. These almost always have lower fees, less brutal policies,

and higher interest rates. Save yourself two overdraft fees and earn yourself an extra 0.5 percent interest, and you've just pocketed more than \$200 annually. Then buy your spouse something nice for Christmas. That's sure worth the trouble. But even if you don't switch, the knowledge that you can switch is really valuable. When you're having a protracted conversation with a bank manager about excessive fees, the most convincing argument you have is the front door, because if you announce you are walking out the front door, you'll often find your foe will come around to your point of view. One special note about switching banks. Many of the suggestions I make rely on effective use of online banking tools. These are still evolving, particularly at small banks. Most are now free, but they are not all created equal. Before you sign up with a new bank, ask to see a demonstration of its website and its online bill-paying tools. Ask friends who use the site. If a bank's online tools are hard to use or come with any fees attached, you should probably keep shopping around. Now, back to the concept of the everything-but-the-kitchen-sink checking account, the place where you "stage" all your money. This is a bad setup and I want you to change it immediately. You should never make ticky-tacky purchases or weekly cash withdrawals from the main staging place for your money. That's a recipe for disaster. Eventually, you're going to trip up, screw up, and be hit with a fee. You're also going to lose track of your balance and the normal ebb and flow of money into and out of your account. Using one account for all these things is a big mistake. What you need is an allowance debit card. Here's what I mean. I want you to set up a second bank account, either at your primary institution or, even better, at a second bank. Then each month, I want you to automatically send yourself spending money. That's the only account I want you to use for debit purchases or ATM withdrawals. In fact, you can go to your primary checking-account bank and ask them for an old-fashioned "ATM card" rather than a debit card to help you avoid accidental purchases out of your number one account. When you divorce all those workaday transactions away from your "staging" account, a funny thing happens: You will be stunned at how easy it is to balance your checking account. One or two deposits each month, then five or ten checks/payments each month, and that's the end of it. No more hunting through your purse for ATM receipts. No more hours spent wondering where that other \$2.23 went. Here's how it would work in the checking account we've already described. Each month, there are two deposits totaling \$3,000. On the first of the month, move \$500 from your holding account to your spending account. During each month, make your payments as they come up. Here's what your primary checking account would look like: When was the last time your checking-account monthly statement looked that neat and clean? Obviously, your own monthly recurring payments will vary, but I want to call your attention to a few other things about this monthly payment sheet. For starters, notice how the payments are lumped together. That's no accident; nor is it due to some convenience initiative by the electric company and the cell-phone company. Some of your bills are due at around the same time of the month. By batching them together, you can keep your grasp on how much you are paying all at once. And by lumping them into two sets, you can essentially assign certain bills to check A and others to check B each month. This makes it easier to make sure you are running from ahead instead of running from behind. Notice the savings payment comes at the happy end of the month, when you have something left over, which leaves you a little breathing room for unexpected emergencies. Many personal-finance columnists urge consumers to "pay themselves first," which is nice if you can do it. But ten months of extra interest earned by paying yourself first can be ruined by one bout with overdraft fees, so I wouldn't go that route unless I had a nice cushion to work with every month. The big message here is that you have a rough idea of your cash flow all month long. If it's the beginning of the month, you know you have \$1,500 minus \$500 in living expenses and about another \$700 in bills; if it's the end of the month, you know you have \$1,500 to work with and \$1,400 in bills. The key to all of this, of course, is that you never dip below the equator and turn that balance red. You always know what you have, and you don't muck it up with long lists of \$20 withdrawals and \$1.98 bagel purchases. All those daily activities are going on in your allowance account, which looks like this: The beauty of the two-account system is that you don't really have to keep eagle-eyed watch over your spending account. Here's a little-known secret benefit to keeping close tabs on your budget. It's not oppressive or depressing, or even anal retentive. It's liberating. On the other hand, nothing creates more anxiety than spending-spending-spending and never knowing how much you've spent or what you have. To make this work, an absolutely critical element is to be sure that no overdraft protection is connected to your allowance account, and that no minimum balance is required. This card is intended to be used until its empty, then no more. It will provide its own very specific, very brutal corrections if you try to spend more than you have. Your transaction will be denied. Important note: This entire system breaks down if your bank attaches automatic "courtesy" overdraft protection to this account. When this account is empty, you simply want it to stop working. Because you'll never write checks against it, this account will be bounce-proof. And so will you. One more note on your allowance card. Obviously you'll be using this card for lots of ATM withdrawals. So it's critical that you find a bank that doesn't impose ATM fees, and that refunds other banks' fees. The average consumer pays almost \$100 each year in withdrawal fees. (Many withdrawals now cost \$2 at your bank + \$3 at Bank of America = \$5. Do that twice a month and you reach \$120 by the end of the year. Boy, would that eat into your allowance.) This is why shopping around for your allowance card is critical. Credit unions and small banks tend to have the most generous terms, but no one offers infinite largesse. Most banks limit their fee refunds to \$10 or \$15 each month, so it's better to take out larger sums less frequently. Still, even if you do pay a fee here or there, you're getting a 50 percent discount because you're only paying the "foreign" bank

where you make the withdrawal, not your own bank. A special note to couples: Married couples and others sharing joint accounts know keeping track of spending and finances can be among the most vexing topics in a relationship. For them, the allowance-account strategy can be a godsend. Most couples never think they'll have the kind of miscommunication that sees them both withdrawing \$300 from the ATM on the same day to make sure they have cash for that big weekend trip. But it happens. All the time. The best way to stop it from happening is to make it impossible. Opening a joint allowance account is one option--as long as that account is bounce-proof, as I've described. But a more practical solution is to open a holding account that's used for all paychecks and common bills, then giving each partner an allowance card. Whatever system you use, I want you to adhere to one simple premise--stop using one checking account for everything. Of course, I know some of you out there want to keep better track of exactly what you're spending and when you spend it. You know the truism that if you really want to get control of anything in your life--how much you eat, how much you spend, how much you exercise--you've got to write down everything that happens. Nothing is more sobering to a dieter than a diary of food intake; ditto for big spenders. Good news: Keeping all your spending in a separate account makes this infinitely easier. A growing list of online software companies such as Mint.com and Buxfer.com will even help you convert your spending account into useful pie charts and balance sheets. These sites also offer fee-busting tools that are indispensable. When your balance gets near some critical amount--either near a zero balance or near a minimum-balance requirement--Mint and Buxfer can send you a warning email, or even an instant text message to your phone (or your spouse's phone). That will let you deal with the problem immediately and perhaps even make some simple, profitable choices like postponing a sweater purchase for a week until you're sure you have the money to cover it. Some consumers might not like the idea of giving a single company so much information about their financial life. Such privacy concerns are valid. Still, you can choose how much you tell each site--you can limit the data shared to certain accounts, such as the allowance account I'm describing. That will protect your privacy and still provide automatic warnings.