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Consumer & Family  
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Newsletter Prepared By:  
Jennifer Hunt  
Extension Educator  
East Peoria Extension Center  
727 Sabrina Drive  
East Peoria, IL 61611

Phone: 309-694-7501 ext. 228  
Fax: 309-694-7882  
Email: [jlhunt@uiuc.edu](mailto:jlhunt@uiuc.edu)

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# Consumer News

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## FACTA 2003: What is it all about?

The Fair and Accurate Credit Transaction Act of 2003, (FACTA), which was enacted on December 4, 2003, amends the FCRA and requires, among other things, that nationwide consumer reporting agencies (CRAs) provide to consumers, upon request, a free copy of their credit reports once every 12 months.

FACTA rules and regulations are currently being developed by the Federal Trade Commission. Public comments on the proposed rule will be accepted until April 16, 2004. Comments can be filed electronically at <http://www.regulations.gov>.

Once the comment period is expired, the Commission will review the rule and issue the rule as final.

Implementation of the rule is scheduled to take place from December 1, 2004 until September 2005.

For more information on the FACTA legislation, visit the Federal Trade Commission website at <http://www.ftc.gov/opa/2004/03/facta.htm>.

*Stay tuned, more information will appear in July about FACTA.*



## Spring into Action

As spring cleaning gets under way, so too does garage selling and disbursing unwanted items from the home.

Many times you may think having a garage sale is the easiest way to reduce and eliminate the unwanted items from your home, such as clothing or toys. While a garage sale can generate income for you, it also takes planning, preparation, and patience.

Another alternative to a garage sale is to donate items to charity. While you are not

selling the items when you donate, you may be able to take a deduction on your taxes for the donation. (Make sure to consult a tax advisor for your situation.)

As with any donation make sure to keep accurate records on the items and charity donated to. This means, getting a receipt from the charity with the number of items donated and the fair market value.

Whatever your choice for dispensing items during spring cleaning—take action today!

### Quick Tip

Make sure to do your homework before giving to charities. The FTC recommends checking out the charity with one of these organizations.

**BBB Wise Giving Alliance**  
[www.give.org](http://www.give.org)

**American Institute of Philanthropy**  
[www.charitywatch.org](http://www.charitywatch.org)

**GuideStar**  
[www.guidestar.org](http://www.guidestar.org)

## Retirement Planning: The Sooner the Better

The sooner you start planning and saving for your retirement, the sooner you can take advantage of the time value of money. Saving money now can help you achieve your goals for the future.

Most employees desire an optimal number of vacation days and a good health insurance plan from their employer. An equally important job benefit for the long-term is the company retirement plan.

Employees who are knowledgeable about company plans, such as the 401(k) or 403(b), can evaluate their options and the plans of prospective employers. When you start a new job, don't delay. Enroll in a savings retirement plan right away.

A tax-deferred retirement plan is desirable, since employee income put into the plan will not be taxed until it is taken out in retirement. Ideally, employers will match employee contributions to the plan. Typically, the match is 25 to 50 percent up to a certain amount.

A choice of mutual funds is beneficial—but not too many choices. At least 10 to 12 fund choices in a retirement savings plan will allow for individual differences in risk tolerance.

This choice allows participants to diversify their investments among various types of assets. Because retirement funds are long-term investments, having a variety of stock mutual funds is important since they have historically been the only asset category that outpaces inflation and gives growth to retirement savings.

The variety of mutual funds should include different categories, such as at least one large company fund, a mid-size fund, and a small-size company fund. Also included could be an international stock fund, a money market fund, a government bond fund, a short-term bond fund, an inflation bond fund, and indexed funds. Adding additional funds of the same type of stocks or bonds may not add diversification, which is the strategy used to lower risk.

Employees should be aware of fees, such as up-front or back-end loads on funds. Annual expenses are typically charged within a mutual fund. Annually companies often charge a flat annual fee.

More employers are realizing that education on retirement planning is valuable for employees. If training and individual counseling on retirement investing is available, take advantage of it.

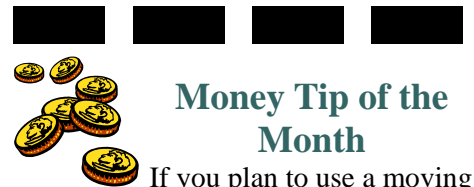
For more information about retirement planning, check out University of Illinois Extension's [Plan Well, Retire Well: Your how-to guide](http://www.RetireWell.uiuc.edu) website at: <http://www.RetireWell.uiuc.edu>. >

When you start saving for the future, starting **NOW** makes a big difference!

*Article provided by Jennifer Hunt, Extension Educator, East Peoria Center.*

### In the Spotlight

Looking for an Internet site to answer some common household questions such as cleaning and stain removal? Visit <http://www.solutions.uiuc.edu/index2.cfm?series=1>.> The website is maintained by University of Illinois Extension and contains answers to many everyday issues concerning household maintenance.



### Money Tip of the Month

If you plan to use a moving company for your next move, be sure to get several cost estimates. *Consumer Reports* found that people could save significantly by choosing a low bid. Also, use the estimate "walk through" to ask movers for money saving tips. For example it may be cheaper to mail your books at book rate, than to have the moving company handle it.

### Hot Off the Presses—Home Ownership: Can You Afford It?

Home Ownership: Can You Afford It, is new software that helps potential buyers to decide whether they really can afford to buy a house. Included with the software are 6 fact sheets in English or Spanish. The fact sheets can be downloaded at <http://www.ace.uiuc.edu/cfe/housing/index.html>> A single copy including fact sheets (Item #CD-001) can be purchased for \$25.00 plus shipping through University of Illinois Publications Plus at 1-800-345-6087 or at <https://webstore.aces.uiuc.edu/shopsite/CD-001.html>.

## New Beginnings with Your Finances

Have you been meaning to reign in your spending? Did your debt get bigger over the holidays? Are you getting collection notices about bills that you can't pay?

When Americans need help getting their debt under control, many of them turn to credit counseling programs. The number of agencies and companies providing credit counseling has increased over the past few years. Before signing up, consumers need to check out the company and make sure they will get the help they need.

In the past, it might be enough just to know that the organization is a non-profit. But today, some groups have abused their non-profit status. One company, AmeriDebt, has even been sued by The State of Illinois and others for defrauding clients.

Credit counseling programs provide two main types of services: debt management and counseling/education.

Debt management is the type of program where you make one payment to the credit counseling service, and they in turn pay your creditors. They will contact your creditors and may be able to arrange for reduced interest rates, smaller payments, or "re-aging" the account, meaning that it is considered to be current at the time you start the debt management program. Not everyone will benefit from debt management. A good credit counselor will help you evaluate all your options, not just debt management.

Debt management is the main service that generates income for the credit counseling program; profit-motivated companies may enroll you in a debt management program but provide little individualized help with setting up a budget, working with you to set up a plan for yourself, or educational programs. Creditors pay the counseling service a fee based on the amount of debt paid. Agencies are under

financial pressure, since creditors have severely reduced the amount they pay the counseling service for debts recovered.

The client also pays a fee for this service. How much you pay, and whether it is clearly disclosed, is where problems can arise.

Ask the agency what educational classes or materials they offer, and whether they provide such services as budget counseling. Do they charge for these counseling and educational services?

Last April, the National Consumer Law Center (NCLC) and Consumer Federation of America (CFA) released *Credit Counseling in Crisis*, a report detailing the severe threat to consumers from a new generation of credit-counseling agencies. The report cited "red flags" -- reasons to reject an agency and to look elsewhere for assistance. In addition to warnings about companies that offer only debt management services, the red flags are:

1. **High Fees.** In general, if the set-up fee for a debt management plan (also known as debt consolidation) is more than \$50 and monthly fees are more than \$25, look for a better deal. Similarly, if the agency is vague or reluctant to talk about specific fees, go elsewhere.

2. **"Voluntary" Fees that Aren't So Voluntary.** Some agencies publicly claim that their fees are voluntary, but don't pass this information on to consumers. Others will tell you that their fees are voluntary, but will put a lot of pressure on you to pay the full fee, even if you can't afford it. Ask all agencies you contact if their fees are voluntary. If the full fee is too much, do not pay the agency more than you can afford.

3. **The Hard Sell.** If the person at the other end of the line is reading from a script and aggressively pushing debt "savings" or the possibility of a future "consolidation" loan, hang up.

#### 4. **Employees Paid by Commission.**

Most credit counseling agencies are non-profit organizations that are supposed to consider your best interests when offering you counseling options. Employees that receive commissions for placing consumers in debt management plans are more likely to be focusing on their own wallets than yours.

#### 5. **They Flunk the "Twenty Minute"**

**Test.** Any agency that offers you a debt management plan in less than twenty minutes hasn't spent enough time looking at your finances. An effective counseling session, whether on the phone or in-person, takes a significant amount of time, generally thirty to ninety minutes.

7. **Aggressive Ads.** Many agencies that advertise treat consumers fairly. However, some are being investigated or sued for deceptive practices. Many others charge unreasonable fees or offer no real counseling. Don't just respond to television and Internet advertising, or telemarketing calls. Get referrals from friends or family, find out which agencies have been subject to complaints and talk to a number of agencies before making a decision.

You can access the full report at [http://www.consumerfed.org/credit\\_counseling\\_report.pdf](http://www.consumerfed.org/credit_counseling_report.pdf).

*Article Provided By: Karen Chan, Consumer & Family Economics Educator, Chicago Center.*

**Coming July 2004**

Update on FACTA 2003

Protecting Yourself from Identity Theft

Preparing Your Student for College



University of Illinois at Urbana-Champaign College of Agricultural, Consumer and Environmental Sciences  
United States Department of Agriculture Local Extension Councils Cooperating  
*University of Illinois Extension provides equal opportunities in programs and employment.*

## Paying More at the Pump



As gasoline prices rise, many consumers are looking for ways to improve fuel efficiency and save some money at the gasoline pump. General tips to help save money include: driving more efficiently, maintaining your vehicle, and choosing a more fuel-efficient vehicle. For more detailed information about improving fuel efficiency and saving money at the pump the following educational resources are available.

### **U.S. Department of Energy**

<http://www.fueleconomy.gov/>

The U.S. Department of Energy's website provides gas mileage tips, gasoline price information, and explains why fuel economy is important. The website also allows the consumer to view and download the latest version of the fuel economy

guide. Another feature of the website is the ability to compare vehicles fuel economy.

### **Federal Trade Commission**

<http://www.ftc.gov/ftc/consumer.htm>

The Federal Trade Commission has a section of material for consumer's dedicated to automobiles.

Information included on the website includes: buying a car, leasing a car, and information on vehicle fuels.

### **66 Ways to Save Money**

<http://www.ftc.gov/bcp/online/pubs/general/66ways.htm>

This brochure provides helpful tips for consumers on saving money in all areas of living. A few topics covered in the brochure are transportation,

housing, and utilities. The Federal Trade Commission distributes this brochure.

### **U.S. Environmental Protection Agency: Green Vehicle Guide**

<http://www.epa.gov/greenvehicles/index.htm>

The Green Vehicle Guide website provides information to help consumers see the fuel efficiency and cleanliness of a vehicle. Information is based on data submitted by manufacturers to the EPA regarding environmental performance.

*Information prepared by: Jennifer Hunt, Extension Educator, Consumer and Family Economics and Jay Solomon, Extension Educator, Engineering Technology, University of Illinois Extension, February 2004.*