

MONEY TRAP #1: Buying Groceries at the Mini-Mart

What is this Money Trap?

Corner convenient stores, such as 7-11 or mini-marts attached to gas stations, usually mark-up the prices of their items, so you will often pay more for items than you would at a larger grocery store. In addition, often the quality of the goods at the mini-market will be poorer than the quality at the grocery store.

To see a comparison of prices, there are six cards with items listed with their price at a Kroger grocery store. Spend two minutes trying to match the item with the correct price tag that shows how much the same item costs at a mini-mart. Note: These are actual prices taken from stores in Charlottesville, Va. Do not continue to the next page until you have finished matching. The answers are on the next page.

Answer Chart:

Item	Kroger Prices	Mini-mart prices
Domino sugar 5lb	2.99	4.99
Gallon of milk	2.99	4.99
Eggs (dozen)	1.39	2.39
4-pack margarine	.99	1.99
Wonder bread	2.59	2.99
Angel Soft toilet paper (12 pack)	6.99	8.99

If you were to buy these items every two weeks, in a month you would spend \$17.49 at the grocery store versus \$26.34 at the mini mart. In a year's time, you would spend over \$200 more by shopping at the mini-mart—and that's only taking into account six items!

Q: What Skill Will Help You Avoid This Money Trap?

A: RESOURCEFULNESS

After seeing the high costs of shopping at mini-marts you might wonder why anyone would still shop at them. The answer is usually not sheer ignorance but lack of means. A lot of times people who shop at mini-marts do not have a grocery store located near their homes and do not have cars to drive to them. The skill of resourcefulness can enable people to find ways to shop at grocery stores despite obstacles. Being resourceful means being able to creatively use the resources you have to address problems or meet needs. In your group, brainstorm ways for people to shop at grocery stores.

EXERCISE:

Empty out the contents of the Supplies Envelope. The Supplies Envelope should contain 10-15 items. We suggest the following items: pipe cleaners, rubber bands, plastic silverware, scrap paper, string, tape, paperclips, napkins, and buttons. If you do not have those items, you can substitute using other items of your choice. Working as a team, you must construct some product using the objects (resources) from Envelope. Your team has 3 minutes to make something. The supplies in the envelope are going to be used by all the groups, so please be considerate of how much you use. Leave some goodies for the other teams.

You must show your creation to the facilitator, telling them what it is and what it is for (or what it does). The facilitator will decide whether or not your product is adequate. You may exit this Money Trap once your product has been judged adequate by your facilitator.

MONEYTRAP #2: “Fee-Harvesting” Credit Cards

What is this Money Trap?

Not all credit cards offers are as good as they seem. “Fee-Harvesting” credit cards appear to offer attractive credit opportunities, but behind the bold-printed promises lurk hidden fees. Listen to the audio file to hear the true story of a woman’s encounter with such a card.

The moral of the story: Be very careful about any credit card offers you receive and be sure to read all the fine print!

Q: What Skill Will Help You Avoid This Money Trap?

A: SCRUTINY: Look Closely and Read the Fine Print!

1. Credit card offers can be misleading. Take a look at the sample credit card offer. What stands out? What would you assume the credit limit is?
2. Credit card disclosure statements (all that paperwork written in very small print) can be very confusing and tedious. However, if you don’t understand the rules of the card you apply for, you could end up getting a very bad credit card like Mary did. Consumer advocates call these “fee-harvesting” credit cards because the credit card companies make so much money off of naïve customers like Mary who don’t read all the fine print or understand all the fees and rules associated with the card.

EXERCISE: Practice Your Scrutiny Skills

Choose one of the pictures and try to find Waldo. Watch out for look-a-likes! Once you’ve found Waldo, look for the other items on the included checklists. See how many you can find before time runs out.



MONEYTRAP #3: Paycheck Cashing Store

What is this Money Trap?

You got your paycheck and now you want your green fast. So you walk into a Paycheck Cashing store. The problem is that they'll charge you a fee. Usually the fee is advertised as a flat percentage rate that may not sound like much. For example, the national average for cashing a handwritten payroll check at one of these kinds of store is 4.11%. That doesn't sound too bad. But consider what the actual fee amount is. If your paycheck is \$500, you'll pay a \$20.55 fee!

Even more dangerous is another product this store offers: the payday advance loan. A payday advance loan is a short-term loan, usually for about two weeks. Say you need \$500. You write them a check for \$575 and post-date it (i.e., put a date on the check that comes after your next pay period). Then they give you \$500. In two weeks, when the date on your check arrives, the store will cash the \$575 check you gave them and \$575 will be deducted from your checking account. That means you paid \$75 for that \$500. Maybe you feel that's OK. But often the problem is that if you needed \$500 before, chances are by your next pay period things may not be any better. So then you might "roll over" the initial payday advance loan – extending your loan. You do that three times and you'll be out \$225 (\$75 times 3). That means your effective interest rate on your \$500 loan from them was 390%!!!

Q: What Skill Will Help You Avoid This Money Trap?

A: PLANNING AHEAD

The first step you can take to avoid this money trap is to open a free checking account at a bank or credit union. Then you will be able to get your paychecks cashed for free.

To avoid having to use payday advance loans, you need to be a person who can think and plan ahead. Obviously unexpected emergencies cannot be planned – that's why we call them "unexpected." But you *can* expect that probably, at some point, the unexpected *will* happen. Maybe you'll get into a fender-bender with the car. Maybe the kitchen faucet will break and you'll need a plumber. Maybe you'll get a toothache and have to visit-and pay—the dentist. Maybe your kid's school will decide that all the students must buy school uniforms this year.

Your best bet is to plan that you may face some financial needs in the future, and open a savings account. Put in a little money each month. That way, when the unexpected happens, you will have something to turn to rather than taking on an expensive payday advance loan.

EXERCISE: Peg Game

This game is played the same way as the table games found at Cracker Barrel restaurants. You will need the Peg Game Board as well as 14 buttons (or 14 small circles cut out of construction paper). Place one button on each of the black circles on the game board. (You will have one empty circle.) Using the board, use one button to "jump" over another. Remove the button that was jumped over from the board. Continue jumping until there are no other possible moves. The objective is to leave as few buttons on the board as possible—but you'll have to be strategic about your jumps! Have everyone in the group take a turn and see who ends with the least amount of buttons on the board.

MONEYTRAP #4: Buying at the Rent-to-Own Store

What is this Money Trap?

“You want it, you can get it RIGHT NOW.” Isn’t that the attraction of rent-to-own? Say you’re in a new apartment and you want a TV. You can get one immediately at the rent-to-own store, often with no credit check and no down payment. You just need to make a small weekly payment—and often the store will service the product (i.e., fix it if it gets broken) for free while you are paying on it.

But now the bad news. If you buy that TV on a rent-to-own contract, you will probably end up paying **three or four times** what it would have cost you to get it from a regular store like Sears or Best Buy. Consider the chart below:

Purchase Method	Payment Amount and Frequency	Number of Payments	Total Cost	Who Makes Repairs
Cash	\$250.00	1	\$250.00	Consumer Does
Installment Sale at 19.8% APR (Annual Percentage Rate)	\$16.00/Month	18 Months	\$288.00	Consumer Does
Rent-to-Own	\$13.00/Week	78 Weeks	\$1,014.00	Read Contract

Sales tax not included
Source: Consumers League of New Jersey

The moral of the story: it pays to wait! Visit your friends for a while and watch their TV, while you save up to buy your own!

Q: What Skill Will Help You Avoid This Money Trap?

A: BALANCING YOUR NEEDS AND WANTS

The most common purchases at rent-to-own stores are for wants, not needs (stereos, TVs, entertainment centers, fancy furniture). Use your money for your needs – rent, utilities, food – and then save up for your wants. Don’t let your wants lead you to pay far too much for items you can have for much less money later, with a little budgeting and saving.

EXERCISE: Improve Your Balance

You will need three squares of paper in this Money Trap. Take the three squares of paper and arrange them in a triangle. The sides of the triangle should all be about the same length, roughly 16”. Step with your right foot onto one of the squares. Now balance on that one foot. Reach down (while standing on the one foot) and pick up one of the squares of paper. Stand back up (still balancing on one foot), then bend back down again to snatch the other square of paper. You must accomplish this while remaining balanced on just one foot. Each team member must successfully complete this exercise before the team can advance to the next Money Trap.

MONEYTRAP #5: Identity Theft

What is this Money Trap?

Identity theft is the fastest growing nonviolent crime today. You'd be amazed at all the ways thieves have designed to try to get your personal information illegally, so that in your name they can apply for credit cards and go on spending sprees or get access into your bank accounts. Here are just a few examples:

- You're in line to pay for something at the store and you've taken out your credit card. You lay it on the counter and the guy behind you quietly snaps a photo of it with his camera-cell phone.
- The phone rings and you answer. The caller informs you that he is a court official and you have failed to show up in court on a jury summons. He claims to be the jury coordinator. He tells you that you are going to get an arrest warrant for failure to show up for jury duty. When you protest that you never received a jury duty summons, he asks you for your date of birth and social security number so that he can "check the records."
- You get an email that looks like official correspondence from the IRS. The letter says that you are entitled to a tax refund of \$163.80. It tells you to click on a link to get a special refund form to submit to the IRS. The form asks for personal information such as checking account numbers and PINs. The scammers then used that information to steal money from the victims.

A common misconception is that only people with higher incomes are victims of identity theft. While people earning more than \$150,000 a year experience more cases of identity theft annually, consumers with incomes of less than \$15,000 experience higher amounts of fraud per case and spend twice as long and twice as much money resolving the related problems. Hispanics and African Americans, young adults, and lower income families are among those most greatly affected by identity theft each year.

Q: What Skill Will Help You Avoid This Money Trap?

A: DISCERNMENT (so you won't be taken in by a fraudster!)

Play it safe...keep your credit cards and PIN numbers private. Be suspicious of people asking you for personal financial information over the phone. Typically, staff from government offices will not ask you for such information by phone or email. Official correspondence from the IRS, for example, comes by mail. And remember, to avoid any scam, just keep in the mind the general rule: If it sounds too good to be true, it probably is!

EXERCISE: Fact or Fiction?

The facilitator will read each statement on the card and the students will guess if the statements are "fact or fiction" (i.e. true or false). See how well your group is at discerning the truth.