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Stretching your paycheck B U D G E T

Is saving money costing you in the end?

By HILLARY RHODES The Associated Press

You buy a used mattress æ.æ.æ. and it has bedbugs.

You “save 15 percent on your purchase” æ.æ.æ. and your credit score goes down.

Not all cost-cutting techniques are what they seem to be, and sometimes they actually wind up costing you more. What’s the point in being frugal if you suffer for it later, monetarily or otherwise?

Experts say you have to know yourself and see the bigger picture before you can truly achieve money-saving bliss. Even as consumers pull back and worries about the economy hit the headlines each day, glomming on to tempting deals or cheaper prices isn’t always the smartest route.

Financial planner Timothy Maurer says enlightened frugality begins with a look at “economic bias.”

Before you get suckered into a deal that looks too good to be true (which it often is), ask yourself the question, “What are they getting out of it?” Companies don’t save you money out of the goodness of their hearts — there’s something in it for them.

“It’s not this idea that you need to go around, as a consumer, thinking that everybody’s out to get you,” Maurer said. “But it’s that once you recognize how this may benefit someone else economically æ.æ.æ. so you can better understand how to make your decision.”

>>> Interest free

So-called 0-percent financing on your car might mean the price of the vehicle has been raised so the company is still getting the same margin of profit, while you think you’re getting a deal.

Or furniture deals, where companies offer you interest-free loans for six or 12 months. Usually, if you don’t have all the money to pay off your purchases by the end of that time period, you owe all the interest you accrued over that whole time, and usually at a very high rate, says Maurer, the director of financial planning at The Financial Consulate, Inc.

EXTENDED

WARRANTIES

With electronic devices, you have to look at the price of the warranty as it compares to the worth of the item you’re insuring. Beware of hand-picking insurance policies solely based on the price tag.

“Most people are more likely, for example, to pass on disability income insurance — something they really should consider — because it is expensive, and say yes to the \$50 extended warranty on the \$400 piece of stereo equipment because it looks relatively cheap.”

REBATES

Companies lure consumers in with apparently lower prices. Only after they’re hooked do they realize that they’ve been looking at a post-rebate cost. Often, people don’t remember to send in their rebates and cash in on the deal. Even if they do, they might not remember to keep a copy, giving the company an easy out for why they haven’t delivered on their end of the deal.

“You really have to do the math and truly understand everything that you’re getting yourself into,” says John Ulzheimer, president of consumer education for Credit.com.

IN-STORE CREDIT

CARDS

If you apply for in-store credit cards that offer you 10 percent or 20 percent off your clothing purchase, that can affect your overall credit score. Why? Because the credit limit on those cards are often set very low, so even a small purchase, like a belt or a pair of boots, will show up as a big percentage of your limit, says Ulzheimer, author of the book “You’re Nothing but a Number,” about credit scores.

If you buy something for \$250 on a card whose limit is \$500, then you are 50-percent utilized on that card. That hurts your score. Whereas if you make the same purchase on a Visa or MasterCard with a \$10,000 limit, the percentage is negligible.

Furthermore, if you fail to pay off the credit card immediately, the interest rates are generally so high that the store more than makes up for the percentage off they gave you to begin with.

CLOTHES

If you’re super trendy, and your style changes regularly, you might be better off buying those cheaper clothes, as they’re going to go out of fashion before they fall apart.

But if you want a stable, practical wardrobe that will stand the test of time, it might be worth shelling out some extra cash now, and avoid having to do so again too soon in the future.

“The trick for most people is understanding when you need the better quality, and when the lower quality is OK,” says Gary Foreman, editor of the online money guide The Dollar Stretcher (www.stretcher.com).

BUYING IN BULK

Another pitfall Foreman mentions is buying in bulk. It’s a good idea if you’re actually going to use all of the product at a cheaper perunit price. But so often, that’s not the case.

People end up throwing a lot of it out, meaning they could’ve spent less money buying less in the first place, Foreman says. Again, it’s about knowing yourself and being in tune with what you truly need.

WORTH THE TIME?

When you think about your hourly wage, are you factoring in how much gas you spend getting to the office or how much money you spend on lunch with colleagues?

On the flip side, how much is frugality itself worth?

Angela Bick, a 28-year-old mother of two children, from Barrie, Ontario, says she has noticed that talk of savings can take over conversations among parents, and obsessing over the deals you found is just another way of letting materialism take over your life.

“I try to keep (money) an unimportant thing while keeping an eye on it,” Bick says.

As Foreman says, “You can frugal yourself into a knot if you’re not careful.”