

Money for Life

December 2006

Dear Readers,

Holiday sale ads: they blanket the airwaves, jam your mailbox, and add another pound to your Sunday paper. Soon you'll be bombarded with ads for pre-holiday sales, preferred customer specials, early bird sales, midnight madness events, coupon savings days, and, don't forget, post-holiday sales.

The month's newsletter offers tips from the Federal Trade Commission to help you get the most for your money. Also included is an article on comparison shopping by Barb Wollan, Family Resource Management Specialist.

Is the Sales Price the Best Price?

You want a good deal, but just how do you decide if the deal is real?

Shop around. A "sale" price isn't always the "best" price. Some merchants may offer the sale price on the item you want for a limited time; other merchants may discount the item you want everyday. Also, when you're comparison shopping, make sure you have: the item's manufacturer, model number, stock number or other identifying information.



Read sale ads carefully. Some may say "quantities limited," "no rain checks," or "not available at all stores." Before you step out the door, call ahead to make sure the merchant has the item you want in stock. If you're shopping for a popular or hard-to-find item, ask the merchant if he'd be willing to hold the item until you can get to the store.

Take time and travel costs into consideration. If an item is on sale, but it's all the way across town, how much are you really saving once you factor in your time and the costs of transportation and parking?

Look for price-matching policies. Some merchants will match, or even beat, their competitors' prices. Read the merchant's pricing policy carefully. It may not apply to all items.

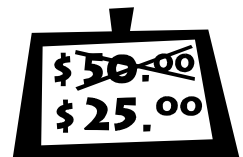


Go online. Check out Internet sites that compare prices for items offered online. Some sites also may compare prices offered at stores in your area. If you decide to buy online, keep shipping costs and delivery time in mind.

Carefully consider bargain offers that are based on purchases of additional merchandise. For example, "buy one, get one free" or "free gift with purchase." If you don't really want or need the item, it's not a deal.

Ask about sale adjustments.

That is, if you buy an item at regular price and it goes on sale the next week, can you get a credit or refund for the discounted amount? What documentation will you need?



Ask about refund and return policies for sale items. Merchants may have different refund and return policies for sale items, especially clearance merchandise.

Comparison Shopping Pays Off



Even though comparison shopping is one of the most basic ways to save money, a 2003 report indicates that *only about half of all consumers shop around*, often because they believe it won't make any difference. However, the same report shows that comparison shopping does pay off.

Those surveyed indicated that the time and effort of comparison shopping would be worthwhile if it would save 10% of a product's cost; this applied for products including gasoline, car insurance, color TVs, new or used cars, and long distance phone service. For other products (including car rentals, plane tickets and life insurance) the survey respondents said that comparison shopping is worthwhile only if savings is 25% or more.

In a related study, researchers examined how much can actually be saved by shopping around. For many products, the savings greatly exceeded 10-25%. For color televisions, savings was over 20%; for plane tickets, savings was more than 50%. Clearly, shopping around pays off better than many consumers realize. (Source: *Consumer Literacy Coalition, Consumer Fed of America*)

Another way to look at the payoff is to compare the *time* spent in comparison shopping with the amount of money saved. In many cases, shopping around can be done quite easily, by phone or on the internet. Study examples included: spending 16 minutes to save \$100 on a color TV; spending 21 minutes to save \$26 on a two-day car rental; and spending 15 minutes to save \$139 on an airline flight.

Consider how those savings translate into hourly wages: \$375/hour; \$74/hour; and \$556/hour! If comparison shopping was a job, we would all be standing in line to apply!

Is Cost the Only Factor?



When shopping for a product, cost is obviously an important consideration. Does that mean that the less-expensive product is always better? *No.*

Quality. It may be worth paying more for a product because it has the taste we like, or a feature that is important to us. If we want a product to last a long time, then we may decide it is worth paying more for high-quality materials or construction. On the other hand, poor quality may be just fine for an item that will only be used once or twice.

Local Business. It is common for consumers to choose to shop in their own town, to support the local economy, even if they could spend less elsewhere.

Service and Warranty. Paying a little more may be worthwhile if it gives you a stronger warranty or access to on-going repair service.

Resources for Comparison Shopping

www.consumerreports.org

www.consumerworld.org

www.extension.iastate.edu/finances/

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