

## Unit 6: Consumerism: How to Use Money Wisely

### Introduction

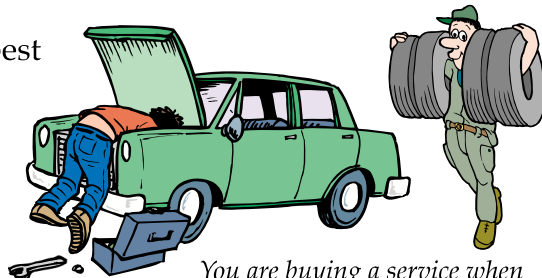
A **consumer** is someone who buys something. Some of the things consumers buy can be touched and carried away after they are bought. These items are called **goods**. That CD you bought recently is a good. So is a computer, a bicycle, and clothing. Eventually, a good is used up or worn out. Consumers can also buy **services**. *Services* can be seen but are not used up in the same way goods are. Services are often performed on something already owned. When you have a dress or suit dry cleaned, your hair cut, or your lawn mowed, you have bought a service. Doctors, dentists, accountants, attorneys, and mechanics all offer a service. What you buy from them is their ability to do something.



*You are buying a service when someone cuts your hair.*

When consumers attempt to buy the best goods and services at the lowest

prices, and to borrow money wisely, they are practicing **consumerism**. Humans have been *consumers* and have practiced *consumerism* for thousands of years.



*You are buying a service when you use a mechanic.*

Now more than ever we are challenged to be *wise* consumers. With so many different kinds of jeans or bicycles or CD players to buy, how can we determine which product gives the best value? Advertising blares that this

one is *the best* and that one is the *answer to your problems* and this other one is *guaranteed to be the lowest priced*.



*The average person will earn and manage more than a million dollars in his or her lifetime.*

Not only are we faced with more and more choices, but we're managing more income than ever before. The average person will earn and manage more than a million dollars in his or her lifetime. Even teenagers in the United States will spend 10 billion dollars this year! How wisely will you spend and borrow money?

## Budgeting: Taking Control of Our Money

If we had all the money in the world, we wouldn't have to think about how to spend our money. We would buy anything and everything we want and need. But we are not fabulously wealthy. We have a limited amount of money, and we have to make *choices* about how to spend and save our income.

Some of us think about the choices we make. We set aside enough money during the week so we can enjoy a concert on the weekend. If we want to begin saving for college or vocational school, or buy an expensive item such as a computer or car, we set aside some money every week until we've saved the necessary amount.

However, some of us make choices without thinking. We spend all of our money for the week by Thursday and then find ourselves without the money to see a movie or go to a restaurant on the weekend. We



*Some of us just can't seem to hang onto our money!*

never seem to have the money for those things we really want. When we think back, we may not even know where our money went. We started the day with a 10-dollar bill in our pocket and little by little it disappeared. We just can't seem to hang onto our money!

The best way to take control of our money is to make a **budget**. A *budget* is a plan for spending and saving money. Corporations and businesses budget their money. So do governments and individuals. They see how much income they have and decide how to use that income to reach their goals. Some of us may imagine ourselves in the future as presidents of large corporations. But if we can't manage our small incomes, how can we ever manage the thousands, even millions, of dollars a business may earn and spend?

### Develop a Plan: Charting Income and Spending

At first we have to follow a series of steps to develop a budget. After a while, these steps will become a natural part of our lives.

**Figuring your income.** Begin by figuring the income you earn over a period of time. If you have a part-time job and receive a check every week,

then develop a weekly budget. If you receive a check every two weeks, then make a budget based on two weeks. Include all of your income: your paycheck, allowance, and even the occasional baby-sitting money you earn from a neighbor.

**Tracking your spending.** Next begin keeping track of all the money you spend during a budget period. If you're planning a biweekly budget, then record every purchase for two weeks. To gain a good overview of your spending practices, do this for an additional two-week period.

**Two-Week Spending List**

lunch money/ eating out	movies/ entertainment	clothes
\$8.00 - pizza	\$3.25 - rent video	\$40.00 - sweater
\$26.00 - lunch money	\$11.00 - 2 movies	
\$7.00 - food at movie		
<b>personal items</b>		
\$2.50 - toothpaste		

Begin keeping track of all the money you spend during a budget period.

Check Stub: No. 155, 12/5/2002, Bill Balance, 112 Check Street, Anyplace, FL. Pay to the order of: Sweater Shop, \$ \$40.00 Dollars. Forty and 00/100. THE BIG BANK, ANYPLACE, USA. Bill Balance.

Examine how you've spent money. Separate your list into **needs** and **wants**. *Needs* are goods or services or payments that are important and essential. Needs are *necessities* or things necessary for living—food, clothing, shelter, medical care. Needs are items or costs you have

to use money for—whether you want to or not. Buying food for lunch at school is a need. So is buying school supplies and school clothes. Making your weekly payment on a loan from your parents is also a need. (You need to be a responsible person.) Do you need to drive to your job and pay your own car insurance? Then list the cost under *needs*. Wants are goods and services people would like to have if they had the money to buy them.

**Two Week Spending List  
Wants and Needs**

Wants	Needs	Income
\$40.00 - sweater	\$26.00 - lunch money	\$65.00 - Part-time job (take home pay)
\$8.00 - pizza	\$ 2.50 - toothpaste	
\$7.00 - food at movie	\$ 5.50 - school supplies	
\$3.25 - rent video	\$34.00 - total needs for two weeks	
\$11.00 - 2 movies		
\$69.25 - total wants for two weeks		

Separate your *two-week spending* list into needs and wants. Are you over or under budget?

Some of the payments you make on needs do not fit neatly on weekly, biweekly, or even monthly budgets. You may pay your car insurance every three months or every six months. Divide your car insurance so it fits your budget period. If you pay \$150 every three months, your biweekly car insurance cost is \$25.

When you get older, your needs will probably include many more **fixed expenses**. *Fixed expenses* don't change from week to week. Your rent or house payment will be a fixed expense. Each month you'll pay your landlord or **lender** the same amount. Your car payments and any other loan payments will be fixed expenses. List these costs on the *need* side of your budget.

Some things we spend money on are not needs. They are *wants*. Although we enjoy these items, we could do without them—if we wanted to. That CD just released by your favorite artist or group is a want. So is that ice cream you wolfed down between lunch and supper. And remember that new video game you bought and lost interest in after a few days? That's a want, too.

Now add up the total cost of all your *needs* for the two-week period. Subtract the total cost of your needs from your total income. Whatever money is left can be spent in whatever way you choose or can be used for **discretionary** spending. But wait! Don't rush off to spend that money on any *want* that jumps into your head. Consider the different ways you might want to use that money. Set some goals!

You know you like buying a new bathing suit every spring. But last spring you didn't have the money to buy the suit that caught your eye. Figure the cost of a new suit now and divide the cost by the budget periods left between now and spring. Set that money aside each budget period. When spring comes ... so will a new bathing suit.



*Consider opening a savings account at a bank.*

Consider opening a **savings account** at a bank. No matter how small the amount is, saving money from your income is a good financial practice. And having savings can give you security. If some unexpected expense



pops up, you'll be prepared. Without savings, you'll have to borrow money and go into debt to pay for those financial bumps in the road up ahead. A savings account gives you more control over your future.

Now obviously even a budget won't permit you to buy everything you want. Decide which of your wants are the most important. Helping you get the things that are most important to you is one of the benefits of having budgeted your money.

Biweekly Budget	
Income:	\$65.00 - Part-time job (take home pay) \$65.00
Spending Needs:	\$26.00 - lunch money \$ 2.50 - toothpaste \$ 5.50 - school supplies \$34.00 - total needs for two weeks
Spending Wants:	\$40.00 - sweater \$8.00 - pizza \$7.00 - food at movie \$3.25 - rent video \$11.00 - 2 movies \$69.25 - total wants for two weeks

*This plan is over budget—choices must be made!*

## Using Credit: Borrowing Money

During most of our country's history, business was done on a *cash and carry* basis. You paid for something when you bought it. **Credit**, or buying now and paying later, has all but replaced the old system. More than a trillion dollars in credit purchases a year are made by consumers in the United States.

No matter how well we budget our money, many of us will choose to use credit for some of our purchases. We may use **credit cards**—small plastic cards that show the identification number of a credit account we have with a store or a financial institution. Or we may take out a loan with a bank or other financial institution. Whatever form of credit we use, we are borrowing money. Borrowing money can be very helpful in achieving the lifestyle we want to live. But borrowing money can also be a dangerous practice for those who are not well informed or who abuse credit.



credit cards

### Credit Cards: Plastic with Purchasing Power

Businesses offer consumers three different types of credit cards.

**Single-purpose credit card.** The *single-purpose* credit card is issued by a company for use only at stores or businesses they own. Some big oil companies, department stores, airlines, and even restaurants and hotels offer customers single-purpose credit cards.



credit cards

Businesses offer single-purpose credit cards for one reason. They want to encourage people to buy from their particular company. Drivers are more likely to gas up at a station at which they can charge their gas purchase. If we

don't have money but need some clothes, we'll go to the department store where our *plastic*—a credit card—is accepted. Many of these cards offer **revolving credit accounts**. Each month the consumer can make a **minimum payment** on the **balance** she owes. However, the consumer also has to pay **interest** on the entire balance.

**Bank credit cards.** These credit cards are offered by banks and other financial institutions. The most well known are Visa and MasterCard. Many businesses throughout this country and the world accept Visa and MasterCard in payment for purchases. These cards are attractive to retailers and businesses because the bank, not the user of the card, pays for the purchases. The bank then collects the purchase price from the cardholder. Like single-purpose credit cards, many bank credit cards offer revolving credit. They also charge interest on any balance the cardholder does not pay in full.

**Travel and entertainment credit cards.** The most well known of these is the American Express card. Others include Diners Club and Carte Blanche. They can be used at many businesses throughout the world, especially hotels, restaurants, and retail stores. Unlike many single-purpose and bank credit cards, these cards do not offer revolving credit. The balance must be paid in full each month.

### The Advantages of Credit Cards

When used wisely, credit cards can make shopping easy for consumers. It can be easier—and safer—to carry a credit card than to carry cash. A lost credit card can be replaced; lost cash cannot.

A credit card can make it possible for the consumer who doesn't have the money at the time of a sale to take advantage of the savings. Credit cards are also useful in emergencies. Expensive car repairs could leave a consumer without transportation if he didn't have the money to cover the cost. But the consumer with a bank card can charge now and pay later.

### The Pitfalls of Using Credit Cards

Getting credit cards can be quite easy. Using them wisely is much harder. Many credit card users run up huge amounts of debt. Their lack of discipline leads them to charge more than they can afford. So learn the language of credit and be a wise and disciplined user.



*Many credit card users run up huge amounts of debt.*

**Membership fee.** Some credit cards charge a **membership fee**. The cardholder may have to pay from \$25 to \$50 or even more. Be certain to read all **contracts** before signing them and opening a charge account with any credit card company.

**Annual percentage rate (APR).** Credit cards charge interest on any balance that is not paid in full by the due date marked on each monthly statement. This interest is expressed as an **annual percentage rate (APR)**. Many credit cards charge as much as 18% interest a year on unpaid balances. This works out to  $1\frac{1}{2}\%$  a month ( $12 \text{ months} \times 1\frac{1}{2}\% = 18\%$ ). Although this may not seem like much, on an unpaid balance of \$500, a cardholder will pay \$90 or more in interest over a year. By paying the entire balance due each month, the cardholder avoids any interest.

**Finance charge.** Listed on each monthly statement is a box titled **Finance Charge**. The number in this box is the actual dollar amount in interest or penalty that the company has charged to a cardholder's account. The finance charge is often the APR, or interest, expressed as a dollar amount.

PLEASE MAIL THIS PORTION WITH PAYMENT TO P.O. BOX 2390

*Lexington's*  
DEPARTMENT STORE

Angela B. Gibson  
#16 Melrose Place  
7345 N. Main  
Chicago, IL 20002

☐ IF ADDRESS IS INCORRECT, PLEASE CHECK BOX

ACCOUNT NO. 064-173-357-15

PREVIOUS BALANCE	.00
MINIMUM PAYMENT	20.00
THIS PAYMENT	
BILL CLOSING DATE	11/05/02

Last date transactions were processed

DATE	DEPT.	DESCRIPTION	PURCHASES	CREDITS	PAYMENTS	ITEM NO.
10-28	852	HOUSEWARES	39.90			04-951H
10-28	654	ELECTRONICS	499.00			05-753E

Amount owed.

PREVIOUS BALANCE	CHARGES	FINANCE CHARGE	CREDIT / RETURNS	PAYMENTS	NEW BALANCE	PAST DUE AMOUNT
.00	538.90	.00	.00	00.00	538.90	.00

ACCOUNT NO. 064-173-357-15

CREDIT LIMIT 800

TO AVOID ADDITIONAL FINANCE CHARGE, PAY →

PAYMENT DUE DATE 11-25-02

MINIMUM PAYMENT DUE 20.00

*credit card statement*

The finance charge can also include any **late fees**. Some credit cards not only charge interest on the balance due, but they also charge a *late fee* if they do not receive at least the *minimum payment due* by the due date. This fee can be \$15 or higher. Also, if you charge more than your credit limit, you may need to pay an over-the-limit finance charge for each month you go over. This fee can be \$20 or higher.

Membership fees, the annual percentage rate (APR), finance charges, late fees, over-the-limit fees—they all add up to this: If you run up a large debt on a credit card and can't afford to pay it in full each month, you're in for some expensive charges. Suddenly, items that seemed like a bargain when you bought them will become very expensive.

So when you consider buying something on a credit card, remember this: If you know you won't be able to pay for it by the *payment due date*, then add the interest (and late fee if there will be one) to the price of the item. Then ask yourself if you really want to make this purchase on a credit card.

## All Credit Cards Are Definitely Not Created Equal

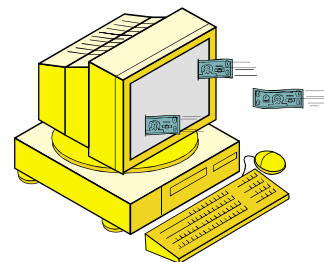
Shop around for the best deal on a credit card. There are many to choose from and new ones are being offered each month. Look for a credit card with the following features:

- low APR
- no membership fee or a very low membership fee
- no late fee or a low late fee.

## Protection against Credit Card Fraud

Credit card **fraud** is a multi-million dollar *business*. Thieves are constantly developing new ways to steal money from people by fraudulently using their credit cards. The following are some tips for avoiding credit card frauds.

- always destroy a credit card that has expired or that has been canceled



*Be careful giving your credit card number over the phone or on the Internet.*

- always check credit card receipts before signing them (make sure the amount of purchase and the total amount are correct)
- save all credit card receipts and compare them with your monthly statement
- never give your credit card number over the phone or on the Internet unless you're charging an item and have checked the company or organization with which you're doing business



## Installment Loans: Borrowing Money for Expensive Items

Credit cards are one way of borrowing money. They offer the cardholder *open-ended credit*. The company issuing the credit card puts a limit on the total amount a consumer can purchase on his or her card. However, there is no agreement on how much below that limit the cardholder will use.



Another way of borrowing money is called the **installment loan**. An installment loan is a specific amount of money a consumer borrows to pay for a particular item. Without these loans, some people could never buy big-ticket items

such as cars, refrigerators, washing machines, or stereo equipment. Most people would have to do without these essential or helpful items for many years while they saved up the purchase price. Installment loans permit consumers to use these items while they pay for them.

The retailer from whom a consumer buys an item may offer installment loans. Loans from retailers, however, often turn out to be very expensive. Consumers will do better if they take out an installment loan from a commercial bank, credit union, savings and loan association, or consumer finance company. These loans are called *installment loans* because consumers make installments, or payments, on a regular basis. Most contracts call for monthly payments of equal amounts.

Like the loan made on a credit card, these loans also charge interest. The smart consumer shops around and finds the lowest interest rate. Always include the interest charges and any other costs of borrowing money when figuring the cost of a purchase. Some installment loans also charge consumers an initial fee for making the loan.



This search for the lowest interest rate is easier than it sounds. Financial institutions use many different methods to calculate interest. Consequently, a loan with an interest rate of 15 percent may actually end up being more expensive than a loan with an interest rate of 16 percent. The smart consumer asks for a






<h1>Myers Used Cars</h1>		
 <b>\$10,999.00</b>	 <b>Door Busters!</b>	 <b>\$6,999.00</b>
 <b>\$8,999.00</b>	<b>6.9%*</b> *for 60 months Hurry! Sale ends May 4	 <b>\$12,999.00</b>

table that explains exactly how much interest will be paid over the life of the loan. The smart consumer also asks a financial expert not connected to the *lender* to review all contracts. Remember—once you sign a contract, you'll have to live with it!

Many installment loans have a clause that permits the lender to *repossess*, or take back, the item

purchased if the consumer does not make payments on the loan. Some contracts permit the lender to take a percentage of the consumer's wages if payment is not made. This process is called *garnishing wages*.

Most financial institutions will check your financial history before giving you a loan. They will judge whether you will be able to make payments on an installment loan. They will want to know how much you earn, how long you've worked at the same job, and whether you've used credit responsibly in the past. No financial institution can deny you a loan if you meet their standards. They cannot deny you a loan based on your sex, marital status, race, religion, national origin, or age (unless you are under the legal age).

## Wise Borrowing and What to Do If You Can't Make Payments

The wise borrower uses a formula to keep her debt under control. She doesn't let the total of her credit payments exceed more than 20 percent of her after-tax income. If her take-home pay is \$1200 a month, her total payments on credit card charges and installment loans will not be more than \$240 ( $\$1200 \times 20\% = \$240$ ).

If you find that you can't make payments on a credit card or installment loan debt, call the *lender*. Lenders want to help you make a plan to pay off debt. It is to their advantage if you make



partial payments rather than making no payment. If your debt is from a credit card, the company will stop your credit. But if debt is too heavy, you wouldn't want to continue using your credit card anyway.

## Buying for Value: Knowing the Questions to Ask

Finding the money with which to buy something is only part of the work a smart consumer does. Few consumers have avoided the experience of buying something only to get it home and find that it was poorly made or that it really wasn't what they wanted. It's easy to know you want a CD



*How can you know which CD player is the right one for you?*

player or a computer. But with all the types and brands on the market, how can you know which is the right one for you? Consumers can use some handy categories to help them sort through the many items that fill the marketplace.

### Price: How Much Will This Cost?

Sure, it's easy to look at price tags of different items and see which is the cheapest. But the cheapest is not always ... the cheapest. Be sure to include all the costs. Will the item need to be delivered? If so, how much will delivery cost? What about installation? And if the item needs to be serviced in the future, how much will that cost? Does the warranty cover the entire purchase?

### Performance: How Well Does It Work?

Consumers can find helpful guides that compare the performance of different brands of the same item. Magazines such as *Consumer Reports* can be found in any local library. They list the results of different tests and studies on consumer goods and services. Consumers can often test items in the store or, in the case of a car, on the road. Check to see if a watch is accurate, if stereo speakers provide dynamic sound, and if a car handles well.

### Durability: Will It Last?

Don't be afraid to jiggle the knobs on a toaster-oven or check all the gauges in a car. A reputable store or retailer will not object. If you're buying a shirt, check to see how securely the buttons are sewn or how well the zipper on a pair of jeans zip. If repairs had to be made, how expensive would they be? Does one brand offer a longer warranty than the others?

### Convenience: Will I Enjoy It?

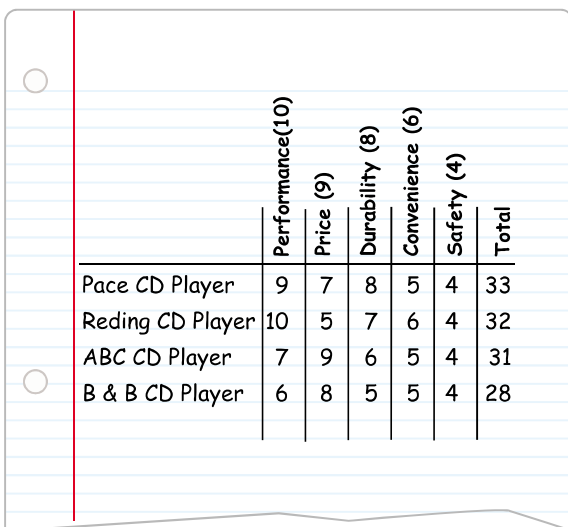
How well is the item designed? Will I have to make myself into a pretzel to check the oil on this car? Is it hard to change CDs on this player? Is this desk the right height for a computer keyboard? Do I find this backpack comfortable when it's filled with books?

### Safety: Can I Live with This Purchase?

Does this car perform poorly in crash tests? Will this hair dryer cause an electrical shock if it touches water? Do the wheels on these roller blades come off easily?

### Adding Up the Score

List the five categories above according to importance. Then give a point value to each item you're considering buying. If you ranked *safety* the most important, give the safest item a 10, the next safest a lower number, and so on. If you ranked *price* the next most important category, give the least expensive item a 9 or an 8, and the next least expensive item a lower number, and so on. When you've numbered all the brands you're considering buying, add up the scores. The brand or item with the highest score may be the one you'll be most happy with.



	Performance(10)	Price (9)	Durability (8)	Convenience (6)	Safety (4)	Total
Pace CD Player	9	7	8	5	4	33
Reding CD Player	10	5	7	6	4	32
ABC CD Player	7	9	6	5	4	31
B & B CD Player	6	8	5	5	4	28

The possible points in each category is determined by the consumer. For this consumer, *price* was only slightly less important than *performance*. Therefore, a 9-point scale was used for grading *price* and a 10-point scale was used for *performance*. *Convenience* was only about two-thirds as important as *price*, and so a 6-point scale was used for *convenience*. The Pace, Reding, and ABC CD players earned similar scores. But note that the ABC CD player scored only 7 points in *performance*, the most important category. This consumer should probably choose between Pace and Reding CD players for his or her purchase.

### **Don't Make Snap Judgments: Don't Be Fooled by Price or Brand Name**

Some consumers may think that the most expensive item is the best. Tests and experience have shown that price is not a reliable indicator of quality. Some items are more expensive because a famous person advertises them or because they are made to look expensive.

The brand name of an item is also not a reliable indicator of its quality. A company that made quality products two years ago may have slipped in quality control over time. And a company that made poor products last year may have improved. Don't be fooled by a name.

### **Buyer Satisfaction: Don't Settle for Less**

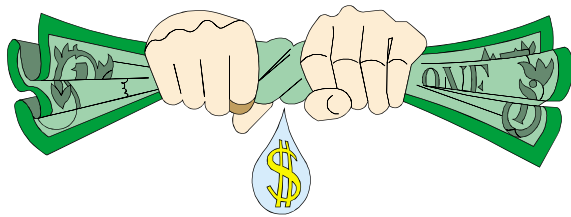
Stores that don't treat their customers well do not survive very long. So most stores will go out of their way to keep you satisfied ... and returning. If you're unhappy with an item you've purchased, return immediately to the store and explain your complaint. In most cases the store will solve your problem.

If, however, the store doesn't respond satisfactorily to your complaint, then take your problem to the company's headquarters. The address of the company headquarters and the name of the company's president can be found in *Standard and Poor's*, a reference book in your local library. Address your letter to the president. Explain your complaint and explain what you would like the company to do. Would you like it to refund your money, exchange your purchase for another item, or repair your purchase? The more specific you are, the greater the chance the company will respond to your problem.

## Consumer Fraud: Buyer Beware

In all of your consumer transactions, be wary. Consumers who are too trusting or are unaware of their rights are cheated out of millions of dollars a year.

Ordering goods through mail-order catalogs or the Internet is fast becoming one of the most popular ways to shop. When done right, this can save the consumer time and money. To be safe, never send cash through the mail. One dishonest individual in the process can remove



*Consumers who are too trusting or are unaware of their rights are cheated out of millions of dollars a year.*

your cash from your order. Use checks, money orders, bank transfers, credit cards, debit cards, or electronic “digital” cash as payment. Each of these can be used as proof that the company received your money.

Thieves have fraudulently attempted to get money from

consumers through the mail. Consumers are mailed merchandise they have *not* requested. Enclosed with the merchandise is a note that says: “If you’d like to keep this merchandise, send money to the address below. If you choose not to keep this merchandise, return it to the address below.”

Under federal law, consumers are not responsible for merchandise they receive in the mail that they have not ordered. You are under no obligation to pay for unordered merchandise. You also do not have to pay the postage and return the merchandise. **Remember:** Do not let thieves pressure you through the mail or over the phone to hand over your money, your credit card numbers, or anything. Simply ignore them.

Some retail stores use a practice called *bait and switch*. They advertise a low-priced model of a certain item. This item is called the *bait*. It attracts consumers into the store. However, when consumers try to purchase that item, the salesperson tries to sell a higher-priced model. This is the *switch*—the switch to a more expensive purchase. The salesperson may claim that the lower-priced item has been sold out, or is not very good, or doesn’t have the necessary features that the higher-priced model does. When you hear this pitch from a salesperson, you know you’re in a bait and switch situation. Leave the store and don’t return.



## Advertising: Pressing Our Buttons

Historians claim that people began **advertising** their services as early as 1000 B.C. So advertising has been around for a long time, although it has changed through the years. In its earliest form, advertising informed consumers of the product and the price. Over time, however, advertisers have added a twist. They began attempting to make us believe that unless we buy their goods, we are incomplete, less lovable, even less human!

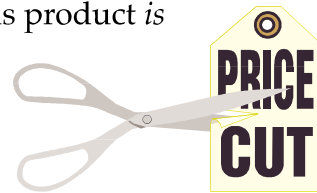
Advertising will probably always surround us. We can't change that. We can, however, be aware of how advertisers try to hook us into buying their goods. This knowledge can help keep us from buying things simply because we are convinced we need them for our happiness. Happiness, popularity, and romance are never as easy to attain as buying a pair of jeans or drinking a soda.

### Celebrity Testimonials: The Famous Face

You see it on TV all the time. A celebrity sells something. Michael Jordan sells underwear. Britney Spears sells soda. A famous athlete sells a sports drink. A beautiful actress sells shampoo. We'll never know if these people use the products they sell. They advertise these products for one reason: money—they are paid lots of money. Buy a product because you think it has value, not because a famous person tells you to.

### Glittering Generalities: Empty Language

Take a look at the language in some ads. Note how phrases such as *the best*, *this is it*, and *it's the real you* are used. Do they really say anything? In what way is this product *the best*? If this product *is it*, what exactly does *it* refer to? And how can an advertiser really know what the *real* us is? Ads often use meaningless language intended to catch our ear and suggest something bigger than life. Really listen to ads and you'll be a wise consumer!



## Appealing to Our Emotions: Playing on Fear

Many ads play on our emotions. They try to make us feel insecure about ourselves. If we don't use this toothpaste, our teeth



won't shine, and we'll lose out on love. Use this deodorant or you'll never get that job you want. Drive this car or you're a failure—and everyone will know it. Don't let advertising convince you that your life is incomplete and has no value unless you buy a certain product. Don't let ads tell you who you are or whether you're a success. Be an independent thinker and a wise consumer!

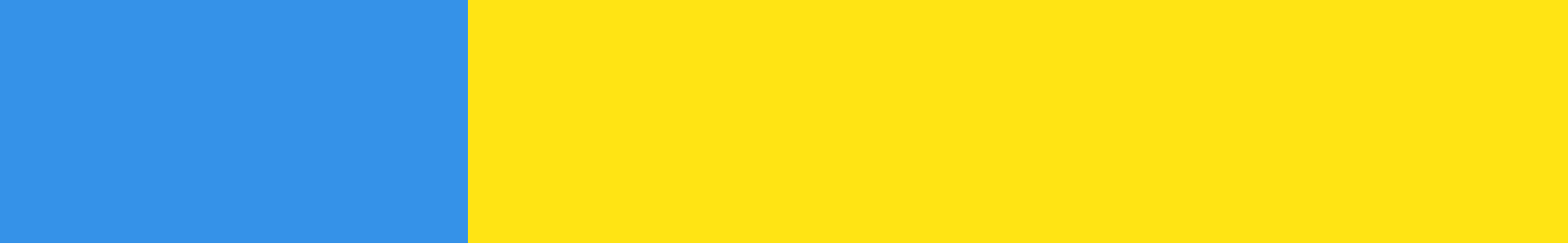
## Summary

*Consumers* need to educate themselves in *consumerism* so they can get the best values when purchasing *goods* and *services*. Wise consumers begin with a *budget*, or a plan for spending and saving their income.

In the past, most business was done on a “cash and carry” basis. Buying on *credit* is now one of the most common ways of making purchases. Credit includes *credit cards* and *installment loans*. These forms of credit allow consumers to use a product as they pay for it. Credit cards can make shopping easier, but consumers must discipline themselves so they do not charge more than they can afford. Installment loans are used for big-ticket items. They are usually paid in equal monthly amounts.

The marketplace is flooded with different items and different brands of the same item. Smart consumers use a series of questions to determine which item and brand is the best for them.

Consumer *fraud* is a big business. There are many thieves and dishonest salespeople waiting to take consumers' money. Consumers need to be aware of the many fraudulent practices they can face. Fraud is practiced in stores, on the phone, in the mail, and on the Internet. Never let anyone pressure you into buying something you don't want. Never give credit card numbers over the phone unless you are sure you are speaking to a representative of a legitimate company. Never send cash through the mail.



To sell many goods and services, producers use *advertising*. Advertising can be helpful in telling us what goods and services are available and what their prices are. But some advertising tries to hook us into believing that we need a product for our happiness or success. Knowing the language and practices of advertising can help us see through ads and decide what products we really want and need.