

Money Talk\$



Consumer Guide for Boston Teens

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Money Management: Credit, Debit and Bank Accounts

Credit Reports

A credit report describes your financial history, including whether you pay your bills or credit cards on time. Maintaining a good credit report is important if you intend to ask for more credit, such as a car loan or mortgage. The three main credit-reporting agencies are Experian (1-800-525-6285), Transunion (1-800-680-7289), and Equifax (1-800-301-7195). You are entitled to one free copy of your credit report annually.

How to maintain Good Credits

- 1. Start with a relatively small credit limit of \$500-\$1000*
- 2. Pay of the balance due with regular payments*
- 3. Do not skip or make payments late. Make sure you can afford your purchases.*

Credit Versus Debit Cards

A debit card works like a credit card. When you use a debit card, the purchase amount is deducted from your checking account. You run a higher risk of unauthorized withdrawals with a debit card. Generally, you are responsible for unauthorized withdrawals and purchases made with a debit card. However, under state and federal law, credit card fraud victims are only liable for up to \$50 of their losses. To protect yourself from debit fraud, never give you debit card number over the phone or Internet unless you have initiated the transaction.

Checking Accounts

Banks offer many types of checking accounts. Of particular interest to students are Lifeline and Express accounts. Lifeline accounts typically have no or low minimum deposit or balance requirements; and allow a certain amount of checks per month. Massachusetts law requires banks to offer such accounts. Law rather than individual banks set minimum terms, fees and conditions. Those who prefer to bank by ATM, telephone, or computer often choose express accounts. Such accounts may provide unlimited checks, require low minimum balances and carry low or no monthly fees. However, express account customers do pay fees when they use a teller. Check out special checking deals for students as well. They can include free checks, ATM use, better rates on loans and credit cards, and discounts on other services and products.

Savings Accounts

If you want to start a savings account the first thing to do is to pick a bank. The bank you pick depends on two things: Location and interest rate. An interest rate is the rate of money you get, or the percentage amount the bank pays you for letting your money stay with them. The higher your interest rate, the more money you make on your saved money.

Security on savings accounts and Checking Account

The number one security tip is to always protect yourself and your personal information on the web. Another security tip is never to use web sites that do not have a secure server. Never allow anyone to have access to your personal information.

Direct Deposit - A payment deposited into an individual's account.

Pros

- There are no checks to be lost or stolen
- Payments reach your account the day the check is issued
- Direct deposits can save you trips and long lines at the teller/ATM's

Cons

- If you are trying to protect your wages from another person who has access to your account, you are better off with cash.

How to Get an Identification Card

If you do not have a driver's license you can still get an official identification card, which displays your age, signature, and photo. The Massachusetts Registry of Motor Vehicles issues the I.D card for a \$15 fee. In order to receive the card, you must be at least 16 years old, be a resident of Massachusetts, and have a valid social security number (or denial letter). You may not hold a driver's license in any state.

Identity Theft

Identity theft is a crime where somebody purposely impersonates an individual for personal gain.

Avoiding Identity Theft

- Guard your financial information
 - Keep your social security number confidential
 - Memorize your passwords and PIN numbers. Don't leave the numbers in your wallet or behind your credit card.
 - Keep your mail safe. The mail contains your personal information in them.
- <http://www.fraud.org/tips/internet/idtheftavoid.htm>

Store Policies: What You Should Know

False Advertising and How It Works:

Whenever you purchase something from a store, it is always good to be aware of what you are actually buying. You may want to buy something you see because you understand it to be one thing when it is really another. This is called “False Advertising”. Stores have many different techniques to do this process. Here’s what to know...

Bait and Switch

Bait and switch advertising is the offering of certain products or services at bargain prices with no intention of selling them as advertised. The point of this tactic is to lure you in with one attractive thing and to switch it to another without your knowing.

False Price Comparison

Real advertisers often compare a sale price to a “regular” price, which is really a falsely inflated “regular” price, in order to get you to think you are getting a bargain.

Going Out of Business Sales

Some retail establishments falsely advertise that they are going out of business to trick customers into thinking they will be able to purchase items with a large savings. Be aware of bankruptcy sales, lost our lease, forced out of business, final days, liquidation sales, quitting businesses, or similar names

Buy One Get One Free

In many cases, when this offer is made in an advertisement, the price of the product you pay for is inflated to cover the cost of the “free” product

Misrepresentations

Advertisers often intentionally misrepresent the characteristics, origin, uses, benefits, or qualities of products for sale.

Do’s and Don’ts of False Advertising

- Do shop around to make your own price comparisons*
- Do whenever possible check out all advertising claims before making purchases*
- Do ask for a “rain check” when advertised products are not available for sale*
- Do ask to see a permit for a going-out-of business sale before buying*
- Do be on guard when you see advertisements offering anything “free”*
- Don’t allow yourself to be “switched” from a low-priced “bait” product to a more expensive alternative*
- Do report all cases of false advertising to the Department of Consumer Affairs*

Store Returns

Massachusetts law requires merchants to clearly and conspicuously post and disclose store return, refund and cancellation policies. A merchant can choose whatever return policy they want as long as it is posted and disclosed prior to a sale. Stating the policy on the receipt is not sufficient. A merchant cannot misrepresent the policy or fail to honor it. A store cannot use its disclosure policy to refuse the return of defective merchandise.

Gift Certificates and Merchandise Credits

You have at least 5 years from the date issued to redeem a merchandise credit. Under a recent state law, you have 7 years from the issue date to redeem a gift card or certificate, providing the dates of issuance and expiration are on the face of the card. If there are no corresponding dates, the gift certificate remains valid indefinitely.

Spending Money

These are some tips to help you understand how to manage money and how your parents can help

- *Consider asking your parents for an allowance. It will shift the responsibility to you to manage money that covers legitimate expenses.*
- *If credit is used, explain the costs of credit and the impact of credit. Also inform them of credit practices and the true cost of items*
- *Teach yourself how to use and manage a checking and saving account*

Warranties

There are two types of warranties: express and implied. Most express warranties are made in writing, when the seller makes a promise to you. All products sold in Massachusetts come with an implied warranty. Under an implied warranty of merchantability, the merchandise must do what it is intended to do, with reasonable safety, efficiency, and ease and for a reasonable period of time.

3-Day Cancellation Periods

*Many people mistakenly assume that they have “3 days” to cancel a contract or transaction. **THIS IS NOT TRUE.** This is only true in the following limited situations:*

1. *Door-to-Door Sales- Massachusetts and federal law allow you 3 days to cancel a purchase if you make it at a place other than the merchant’s usual place of business.*
2. *Health Club Membership- you have 3 days to cancel a health club membership, no matter where you join.*

How To Get Credit And Compare Credit Card Offers

You can get credit when you qualify for a credit card. Most credit card companies require that you are at least 18 years old and have a regular source of income to qualify. However, some will issue you a credit if you have a joint account with a sibling or parent (over the age of 18). You do not need to settle for the first credit card offer you receive. Fees, charges, and benefits vary among credit cards. You should compare credit card offers to determine which card is best for you.

1. *Annual Percentage Rate (APR)- also known as finance charge, this is the cost of the credit. Expressed as a yearly interest rate, the lower the APR, the lower the dollar amount you pay.*
2. *Annual Fees – Some credit card companies charge an annual membership fee, ranging from \$25 to \$100. Others do not. Some will waive the initial annual membership fee as part of their marketing effort.*
3. *Grace Period – You may be able to avoid finance or interest charges by paying you balance before it’s due (known as a grace period).*
4. *Late Payment Fees – You may be charged an extra fee if your payment does not arrive by its due date.*

Internet Safety

Making Online Purchases

When surfing the web, especially when ordering products online, be sure that you are buying from a reliable source. Misuse can lead to your personal information including your name, address, phone numbers, and credit card information can be accessed to hackers.

Online File Sharing

Using peer-to-peer sources such as Kazaa, Limewire, WinMx, BitTorrent and similar programs to share copy written material can land you in trouble with the law. Any sharing of copy written materials such as pictures, music, games, movies, or similar items, can lead to you or your parents being sued by major corporations. Fines can range anywhere from \$750 to \$150,000 per file!!!! But illegal downloading will not only leave you with the possibility of legal trouble, it can also lead to any of your personal information on your hard drive being accessed. Through your ISP (internet service provider), your files including tax forms, credit card numbers, or ANY other personal information that is stored on your computer's hard drive, can be made visible to hackers.

Merchandise You Did Not Order

In Massachusetts, you may keep, without further obligation, merchandise delivered to you which you did not order. This rule applies no matter whether you received the merchandise by mail or some other delivery method.

When You Buy A Used Car

Massachusetts Used Vehicle Warranty Law protects you if you buy a used car from a private party or dealer. Dealers must provide written warranties against defects that impair the use or safety of the car. Covered vehicles are those sold for more than \$700 and with less than 125,000 miles at the time of sale. Though not required to give a written warranty, private parties must disclose known use or safety defects. Remedies under the law include mandatory repairs refund, or repurchase of the car. Failure of the seller to disclose defects entitles the buyer, within 30 days, to cancel the sale and receive a refund. Warranty coverage periods: if the vehicle has less than 40,000 miles the buyer has up to 90 days; if the vehicle has between 40,000 to 79,000 the buyer has up to 60 days and if the vehicle has between 80,000 to 124,999 miles the buyer has 30 days and if the vehicle has over 125,000 the car is not covered by warranty.

Under MA Law any used vehicle that is purchased from a dealer or a private party must pass inspection within 7 days from the date of the purchase. If the vehicle fails to pass inspection within 7 days and the estimated cost of repairs or emissions or safety related defects exceed 10% of the purchase price, the buyer is entitled to a full refund. It is wise to take the vehicle to an independent license station for the inspection. The law only applies if the vehicle fails inspection 7 days after purchase and not the registration. You can agree with the seller to have the seller make the necessary repairs at the seller's expense or you can refuse the seller's offer to repair and accept a full refund instead.

Phones

Consumers Union, a national advocacy group, offers 15 questions to ask when shopping for wireless phone service.

- 1. How does the plan define night, weekend, peak, off-peak, and anytime minutes? When will you use your phone?*
- 2. How are home, region, and nation defined? Does nationwide refer only to the carrier's national network? If so, this could mean coverage is more limited. Roaming agreements can supplement the carrier's network.*
- 3. Who pays for incoming calls? Most plans charge incoming calls to the receiver's minutes. Some offer free incoming calls.*
- 4. What is the price per minute when you exceed your plan limit?*
- 5. How much are roaming charges? There can be additional charges for using other carriers' network or placing calls outside your home area.*

6. *Is long distance service included? If not, you may pay additional per minute charges.*
7. *What happens to unused minutes at the end of a billing period? Most likely, they will be lost, although a few plans will roll them over to the next month.*
8. *What happens to fractions of minutes? Most carriers round up usage to the next minute. A few round up to the nearest second.*
9. *Can I use my phone with another carrier? Carriers usually have a unique system, which usually means you have to buy a new phone if you switch phone services.*
10. *What are additional charges? They can include directory assistance, caller ID, voice mail, text messaging, picture downloads, Internet and music downloads.*
11. *What are the start-up or termination charges? Most plans require a minimum contract of one year. They may charge hefty fees to terminate a contract before it expires. Also check out the deposit and activation fees to see if they are the same charge, or separate charges. Do you get your deposit back after a specific number of payments?*
12. *Does the phone also work in analog mode? Many cell phone users have trouble-dialing 911 on digital cell phones. Phones with both analog and digital modes provide more options to get through in an emergency.*
13. *Can the carrier provide an estimate of taxes, fees, and surcharges for a typical phone bill?*
14. *Is there a trial period that allows you to use the service and cancel without penalty or termination fees? If so, how long is it?*
15. *What is the financial state of the service provider? Will you be able to rely on the service being around, and not being stuck with a phone if the service goes out of business?*

Pre-Paid Phone Cards

A pre-paid phone card represents telephone time you buy in advance. It allows you to make calls from most public phones without having to carry coins or pay a bill later. Many students, travelers, and those who make long distance phone calls use pre-paid phone cards. Most cards display a toll free access number and a personal identification number (PIN). A computer uses your PIN to track card usage. To make a call, you dial the access number, enter your PIN, and at the voice prompt enter the phone number you are calling. A computer tells you how many minutes you have left on the card. When you buy a pre-paid phone card from a store, it is important to remember you are purchasing a telephone service, not a product, which means the store is not responsible if the card does not work.

How to Get the Best Phone Card for Your Money

1. *Ask the retailer to stand behind the card if the service is unsatisfactory.*
2. *Look for the domestic and international call rates on the card's package.*
3. *Be wary of very low rates on international calls. They may indicate poor customer service.*
4. *Be sure the card comes with instructions you understand.*
5. *Make sure the card comes in a sealed envelope or has a sticker covering the PIN. Otherwise, anyone can copy your PIN and use your pre-paid phone time.*
6. *If your phone card doesn't work, you can call your local Consumer Affairs Department, the Better Business Bureau, or the Federal Trade Commission (1-877-FTC-HELP).*

Video and DVD Rentals

Video store policies vary from one merchant to another. Recently released movies are typically due back sooner (a day or so) than older films (perhaps 5 days). Some merchants run specials during the week, allowing you to keep the films longer or to borrow two for the price of one, for example. You may also be charged fees for overdue materials. These can add up quickly. Your ability to rent films may be cancelled if you consistently return merchandise late or do not abide by store policies. Check out the store's policies before you rent. It may be posted or displayed at the checkout counter.

How to Get a Library Card

All Massachusetts residents are eligible for a borrower's card from the Boston Public Library, which allows them to borrow circulating materials from the central library in Copley Square, branch libraries, and the metro Boston library network. Cards are not transferable. Lost cards should be reported as should name and address changes. Materials are generally due 21 days from the date borrowed and may be renewed with certain exceptions. Borrowers are responsible for the materials and subject to fines and fees for overdue and lost or damaged materials. Fees for damaged materials depend on the severity of the damage. If the material is beyond repair, the replacement cost applies.

Library Fees & Fines for Young Adults

Overdue Young Adults Material, Recordings or Cassettes - \$.10 cents per day up to a maximum of \$5.00

Replacement Lost Cards - \$1 for all borrowers

Replacement costs for lost materials vary:

Young Adult Non-Fiction \$35

Young Adult Fiction - \$30

Books on Audio Tape -\$50

Cassettes and Records - \$16

CDs - \$20

Videos - \$50

How to Avoid a School Break Scam

Many students do not get the trip they expect, while others lose out completely. In part, they lose out because they do not take the time to read the fine print or evaluate the promotion. Flights for many school break trips are public charters, which have different rules than commercial flights. The Federal Trade Commission (FTC) offers the following tips to help students avoid a school break scam.

- 1. Check out the tour operator. Avoid high-pressure sales pitches. Ask the operator for a list of satisfied customers to contact. Ask friends who have used the operator about their experience.*
- 2. If the trip involves a charter flight, call the Department of Transportation (DOT) Public Charter Licensing Division (202-366-2396) to make sure the operator has filed properly to operate charter flights from your departure city to your destination.*
- 3. Read the fine print. Get a copy of the operator contract. This will tell you if the operator can change flights or hotel accommodations and the rules and penalties for cancellations. Ask for cancellation insurance.*
- 4. Understand your rights. According to DOT, you have the right to cancel a charter package without penalty if the operator makes a major change. Major changes include a change in departure or return date, hotel substitution, or a package price increase of more than 10%.*
- 5. Pay with a credit card. It gives you more protection than cash or check. If you pay by check, make sure it is payable to an escrow account (as required by federal law) for charters and call the bank handling the escrow account for verification. Be wary of charter operators who are reluctant to give escrow information.*
- 6. Expect flight delays. They are common on charter flights. DOT rules allow delays up to 48 hours for a charter flight if mechanical difficulties occur. And the operator is not obligated to provide alternate transportation or compensation for your expenses.*

The Mayor's Office of Consumer Affairs and Licensing can answer all your consumer rights questions and assist you if you need to pursue a claim. The office can also help connect you to an oversight agency or authority. The Mayor's Youth Zone also provides tips and advice to protect your consumer rights at www.bostonyouthzone.com/moneytalks

"Special Thanks to the Mayor's Youth Council and Youthline for their input to this guide."