Financial Freedom

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A newsletter from Consumer Credit Counseling Service and Triangle Family Services *Winter 2006*

Online Banking for the Timid

Do you enjoy a personal relationship with your bank? Do they recognize you and make you feel like a valued customer every time you walk into a bank branch? If not, try banking over the Internet for convenience or for higher rates on your hard-earned savings.

Online banking can be an extension to the brick-and-mortar bank you currently visit, or it can mean establishing a new relationship with a bank that exists only in cyberspace. Let's look at each.

Doing business with your regular bank online. Most banks now allow you to check balances, transfer funds between accounts, order checks, view check images, and perform other traditional banking services in the comfort of your home. Online bill paying is usually another service thrown in the mix. You'll have the convenience of 24 hour access, no waiting, and reduced gas expenses. The banks are also adding security measures to protect you from fraud and ID theft.

New bank accounts. If your current brick-and-mortar bank pays a miserly interest rate on checking or savings, look to online banks for a turbo boost in rates. Daily updates at www.bankrate.com list the highest rates on money market and savings accounts. The online banks also offer the best rates on CDs, whether short-term or out 5 years. Be careful about a long-term CD when interest rates are rising, or you'll be locked into a rate that you may learn to regret.

If you decide to take advantage of a high interest account, consider an online money-market account. These come in three distinct flavors:

With checking privileges. These banks pay rates that track the short-term interest rates announced 8 times per year by the Federal Reserve (think Alan Greenspan and Ben Bernanke). The banks are usually FDIC insured. Consider them for longer-term savings, because the bank may limit the number of checks you can write each month.

Without checking. These banks link your existing bank account with theirs, allowing you to exchange money back and forth. You never directly deposit into or withdraw from the online bank, but rather use it to earn a high yield until you need to spend your money. The banks are usually FDIC insured and often require only a small amount of money to open or maintain the account (sometimes as low as $1.00).

Money market mutual funds. These accounts invest in very short-term debt obligations and can be set up through banks and investment companies, including giants such as Fidelity (www.fidelity.com), and Vanguard (www.vanguard.com). The accounts are not insured, but are extremely safe, and often include check writing. The rates change every day, and are the most responsive type of account when interest rates are rising. The highest yielding money market account in the country as of this writing is PayPal (the eBay subsidiary; see www.paypal.com), which pays well north of 4%. Note that PayPal is a linked account that does not offer checking privileges.

Come in to talk about your basic savings and investment needs. We don't provide financial planning services, but we can help you navigate through the maze of products available to address your taxable and tax-sheltered savings.

Insurance You Can Do Without

Buying insurance helps protect against unforeseen events and limits your financial liability. However, three types of common consumer insurance have questionable value for the coverage they provide.

Telephone inside wire maintenance service. Your local landline provider offers insurance for the phone jacks and hidden wiring inside your walls, for around $6/mo. In general, jacks and wires seldom go bad, and if you live in an apartment, your landlord is probably responsible for this maintenance. In your home, you can replace a jack yourself with some dexterity, or hire anyone you want to trace that very rare wiring problem.

Credit card payment protection plans. Your credit card company may offer an option to suspend payments on card balances due to life changing events such as unemployment, illness, or divorce. To receive the benefit, you must request an application and go through a screening process. If approved, the suspension usually runs out after 1-2 years, and waives only interest and fees, not any of the principal. The cost can be as high as 89¢/$100 of balance, or more than 10% of the balance per year. That's a lot of money for what is offered.

Extended warranty agreements. Salespeople commonly ask if you want an extended warranty with your purchase. These very high profit insurance policies are seldom used. Every manufacturer has a limited warranty that usually covers defects in manufacturing, so the majority of extended warranty claims are for wear-related problems. The extra insurance is not usually a good deal, particularly with electronic items (perhaps with the exception of laptops). Spend your time researching the reliability of a product before purchase, and choose one that is unlikely to break or malfunction before its time.

Who We Are

Triangle Family Services is a private United Way non-profit agency. We have served the physical, emotional, and financial needs of the greater Raleigh community since 1937. Our programs focus on family safety, financial security, and mental health. Our Consumer Credit Counseling Service is accredited, with agency and counselor certification from the National Foundation for Credit Counseling. Our agency is HUD-approved for homebuyers and homeowners, with counselors certified by The Association of Housing Counselors. This newsletter profiles some of the financial services that we offer.

Financial Literacy Workshops For You

Triangle Family Services offers a variety of money-oriented community workshops. Our goal is to educate people about finances and avoid the need for desperate individual counseling when the bills can no longer be paid. Here's a description of our offerings.

Budget and Credit *(1.5–2 hours)*. This core workshop covers the majority of popular consumer topics. We cover the science and mechanics of budgeting, ways to save money, understanding the credit reporting system, repairing and rebuilding credit, and the dangers and pitfalls of credit card usage.

Ways to Save Money *(45-60 minutes)*. A derivative of the standard budget and credit workshop, this informative presentation offers detailed ways to shave pennies and dollars off everyday expenses and bills. It's an ideal subject for a corporate lunch and learn.

In-Depth Credit Workshop *(1-2 hours)*. This presentation goes into great detail on credit issues, with more depth than the core *Budget and Credit* Workshop. It covers credit reporting, the structure and content of credit reports, impact of negative credit, how credit scoring works, and how to repair and rebuild bad credit or no credit.

Investing basics *(2 hours)*. This workshop covers online banking, CDs, money markets, mutual funds, stocks and bonds, and more exotic instruments from an educational perspective. Don't look for the latest stock tip here, but instead become more knowledgeable about how to invest 401K money or get the best interest on a savings account. It's targeted for a corporate presentation at a basic level, with no previous knowledge of investing required.

Identity theft *(45-60 minutes)*. This talk explains how to keep from becoming a victim, as well as what to do if you already are a victim of ID theft. It covers how identity theft occurs, and step-by-step remedies to prevent theft or restore your good name. This is a great lunch and learn or civic group presentation.

Financial Teen Talk *(90 minutes)*. This budget and credit presentation is geared to juniors and seniors in high school. It covers wants vs. needs, how credit cards work, and understanding how credit reporting can affect your future. Includes an interactive game.

Financial Teen Talk for Parents *(45-60 minutes)*. This is the same *Financial Teen Talk* workshop for a parent audience, such as a lunch and learn group. It teaches how to present this material to your children, but parents may learn from this as well.

First Time Home Buyer Workshop *(6 hours)*. This extensive workshop covers the basics of home buying. It includes budget and credit qualifications, mortgage products and calculations, real estate considerations, and how to prepare for being a homeowner. This workshop is available on a limited basis.

Roll Your Own. Any of these topics can be combined or consolidated into a custom session to meet audience needs.

Scheduling is flexible. Presenters are available in both our Raleigh and Durham locations, and can schedule workshops during the day, evening, or Saturday. We can present to schools and universities, civic groups, churches, non-profits, and companies or corporations. We can present as a one-time event, or offer a series of talks. There may be a fee, depending on the type of organization and workshop content. Because our facility space is limited, we ask that the requesting organization host the workshop. If you would like to sponsor a session or a series of talks (or know a potential sponsor), contact Joe Paradise at 821-1770 x309.

New ID Theft Security Freeze Option

As of Dec. 1, 2005, North Carolina consumers have a new right to place a security freeze on their credit reports, blocking an identity thief from opening an account or using credit in their name. ID theft victims can freeze reports for free; it's $10 per credit bureau for all others. See www.ncdoj.com/idtheft for more details and an application form. The freeze must be lifted temporarily whenever you need to apply for credit or need a credit check.

This newsletter is brought to you by Triangle Family Services, a community resource for physical, emotional, and financial well being. Download previous newsletter editions from our web site. We are in downtown Raleigh (4 blocks west of the State Capitol bldg., at the corner of Hillsborough and Harrington St.) and in downtown Durham (between W. Main St. and E. Chapel Hill St., inside the downtown loop). We offer financial counseling appointments each business day, starting at 9 AM, with some evening slots available. Appointments can be in person or by telephone. Give us a call at 919-821-1770.