



Lesson Seven

Consumer Awareness



deciding to spend your money

- Do I really need this item?
- Is it worth the time I spend making the money to pay for it?
- Is there a better use for my money right now?

deciding on the type of item

- What level of quality do I want (low, medium, or high)?
- What level of quality do I need (low, medium, or high)?
- How much can I afford?
- Should I wait until there is a sale on the item I want?
- Should I choose an item with a well-known name, even if it costs more?
- Do I know anyone who already owns this type of item?
- Is there a warranty and/or service contract on the item? If so, is it comparable to warranties and service contracts on similar items?
- What do consumer magazines say about the type of item I am thinking about buying?



comparative shopping chart 1

electronic entertainment device or home appliance

	1	2	3
Store			
Brand name			
Price			
Your budget limit			
Basic features			
Special features			
Warranty			
Store return policy			
Refund policy			
Exchange policy			
Other			



comparative shopping chart 2

item of clothing

	1	2	3
Store			
Brand name			
Price			
Your budget limit			
Where to be worn			
Characteristics			
Quality			
Durability			
Needs alterations?			
Comfortable?			
Care requirements			
Store return policy			
Refund policy			
Exchange policy			



the real cost of a garment

an example:

	Linen	Cotton/Poly	Silk
A. Initial Cost	\$110	\$85	\$170
B. Care	\$5.00/cleaning x 7 times=\$35 Iron each time	\$.30/wash x 22 times = \$6.60	\$6.00/cleaning x 6 times = \$36.00
C. Cycle Life (Cost A + B)	\$110 +\$35 \$145	\$85 +\$6.60 \$91.60	\$170 +\$36 \$206
D. When Worn	Spring and Summer	All Year	Dressy/ Day/Evening
E. Times Worn/Yr.	36	108	18
F. Cost/Wear	\$145/36= \$4.03	\$91.60/108= \$.85	\$206/18= \$11.44



clubs don't always save you money

- Sometimes require a large initiation fee.

e.g. **For example:** a \$300 membership fee for a club that gives you a 10% discount on purchases would mean you would have to spend \$3,000 to save enough to just cover the cost of your membership fee.

- May need to make a large number of purchases before you begin to save money.
- May have to make purchases in larger quantities than you really need.
- Often can get goods for same price through discount stores and catalog showrooms (which don't require an initiation fee).

how to know whether you're getting a deal

- Comparison shop

watch out for

- Clubs that won't let you see their prices, catalog, or showroom until after you join.
- Clubs that use high-pressure sales techniques.



shopping by phone, mail, or online

The Mail-Order Rule

- Companies are required to ship order within a set period of time.
- If order is not shipped within set time period, company must send you a notice of options.
- Does not apply to telephone orders, unless order is paid for by mail.

The Fair Credit Billing Act

- Sets up a procedure for the quick correction of mistakes that appear on consumer credit accounts.
- Applies to any item bought and paid for with a credit card (including items bought by phone or by mail).

precautions

- Investigate the reputation of the company.
- Ask about the company's refund and return policy.
- Ask about the availability of the product.
- Know the total cost of your order.
- When ordering by phone, send the payment in by mail (your purchase will then be covered by The Mail-Order Rule).
- When shopping online, use a secure browser, shop with companies that you know, keep your password private, pay by credit card, and keep a record of your transactions.



layaway purchase plans

before you buy on layaway, know

- Terms of the layaway plan
- Store's refund policy
- Location, availability, and identification of layaway merchandise
- Store's reputation

once you begin a layaway plan

- Keep good records of your payments.



the cooling-off rule

what it is

- If you buy an item in your home or at a location that is not the seller's regular place of business, you have three days to cancel purchases of \$25 or more.
- Seller must inform you of your cancellation rights at the time of sale.

some exceptions include

- Sales under \$25
- Sales made entirely by mail or telephone
- Sales made as a result of prior negotiation at seller's permanent place of business
- Emergency home repairs when you waive your right to cancel
- Real estate, insurance, or securities
- Automobiles, vans, trucks, or other motor vehicles sold at temporary locations, provided the seller has at least one permanent place of business
- Arts or crafts sold at fairs or locations such as shopping malls, civic centers, and schools



warning signs:

- High-pressure sales techniques
- Insistence on an immediate action
- Offers that sound too good to be true
- A request for your credit card number for any purpose other than to make a purchase
- An offer to get your money quickly (e.g., pay for overnight mail, send someone to your home or office to pick it up)
- A statement that a product or service is free, followed by a request that you pay for something
- Claims of an investment that is “without risk”
- Inability or refusal to provide written information or references about the company, product, service, or investment
- Suggestions that you should make purchase or investment based on “trust”

how to avoid being a victim

- Don't be pushed into a decision.
- Request written information about organization and product or investment.
- Don't buy anything on terms you don't fully understand.
- Request the name of the federal agency by/with whom the firm is regulated or registered.
- Investigate the company or organization.
- Find out about refund, return, and cancellation policies.
- Don't believe testimonials you can't verify.
- Don't provide any personal financial information.
- If you must, hang up.



email/internet scams

email/internet scams have several common denominators:

- Requests for personal information through emails or websites
- Requests for money (business proposals, donations, etc.)
- Offers of lottery and/or prize winnings
- Offers of jobs that are “too good to be true”

common scams include:

■ **phishing:**

Emails purportedly sent from a legitimate company or organization “phishing” for information. The emails request that recipients provide valuable personal data (date of birth, account numbers, passwords/access codes, etc.) through a website/email. Often, there’s an urgency indicating an account will be closed or penalties will accrue without a response.

■ **auction fraud:**

This occurs when consumers use online auction sites to purchase goods and products. Users often report faulty merchandise, misleading product descriptions, false information and/or failure to deliver.

■ **identity theft scams:**

This occurs when a scammer wrongfully obtains and uses someone’s personal information for fraud, deception or economic gain. Many times victims have provided the personal data themselves without checking or confirming the validity of requests.



Federal Trade Commission telemarketing sales rules

the Federal Trade Commission's telemarketing sales rules include the following provisions to protect consumers:

- Calls are prohibited to consumers who have said they don't want to be called.
- Telemarketing calls before 8:00 a.m. and after 9:00 p.m. are not allowed.
- Telemarketers must tell you that it is a sales call, the name of the seller, and what they are selling.
- If a prize promotion is involved, you must be told that no purchase or payment is necessary to enter to win.
- Telemarketers may not misrepresent any information about the cost, quantity, and other aspects of the offered goods or services.
- Before you pay, telemarketers must tell you the total cost of the goods and any restrictions on getting or using them, or that a sale is final or non-refundable.
- Telemarketers are prohibited from withdrawing money from your checking account without your express, verifiable authorization.
- Telemarketers offering to arrange loans, provide credit service, or recover money from another scam may not seek payment before rendering the promised service.
- State law enforcement officers are authorized to prosecute fraudulent telemarketers who operate across state lines.

For additional information, contact the Federal Trade Commission,
Office of Consumer Education, Washington, DC 20580.
website: www.ftc.gov



common (and not-so-common) frauds

foreign scams: may involve a letter or phone call about a foreign investment that is “too good to be true.”

telemarketing scams: commonly include sweepstakes, prize offers, travel packages, investments, charities, work-at-home schemes, magazine sales, lotteries, and business opportunities.

advance-fee loans: fraudulent loan brokers misrepresent the availability of credit with a guarantee to get you credit—but you must pay before you apply.

credit repair: an appeal to clean up the credit reports of consumers with poor credit histories.

automatic debit scams: fraudulent telemarketers use this technique to improperly take money from checking accounts. **DO NOT** give out checking account information over the phone unless you are familiar with the company.

fraudulent diets: Americans spend an estimated \$6 billion a year on fraudulent diet products sold with advertising such as “The Amazing Skin Patch Melts Away Body Fat” or “Lose Weight While You Sleep.”

magazine subscriptions scams: beware of telephone sales pitches for “free,” “prepaid,” or “special” magazine subscription offers.

toll-free scams: calls to numbers with certain prefixes, such as 800, 888, 877, and others are almost always free. However, there are some exceptions. Be careful.

international phone scams: scam artists confuse callers by promoting calls to 809 numbers; while these telephone numbers may look like domestic calls, international rates apply.

prepaid phone card scams: selling prepaid calling cards may involve a multi-level marketing scam with a large up-front fee.

online and high-tech scams: common internet scams are pyramid schemes, internet related services, equipment sales, business opportunities, and work-at-home offers.



"900" numbers

what they are

- One kind of telemarketing pitch, with a per-minute fee.

what to watch for

- Failure to disclose any cost up-front, or at later times.
- Enticements to call for bogus products or services.
- Product or service pitches aimed at children or teenagers.

how to protect yourself

- Deal only with reputable companies.
- Know precisely what the 900 call will cost before making the call.
- Think twice before calling a 900 number for a "free" gift.
- Don't confuse 900 numbers with toll-free 800 numbers.
- Check your phone bill carefully for any 900 number charges.

if you're caught in a scam

- Call or write your telephone company immediately.
- Dispute the charges with the 900 number company.
- Contact the Federal Trade Commission.



what they are

- Promotions that use deceptively advertised prizes.

what to watch for

- Offers or notices announcing “fabulous” prizes (often used to attract customers to sales meetings for land, or for vacation “timesharing”).
- High-pressure sales techniques.

how to avoid being a victim

- Consider any purchase carefully before signing a contract.
- Don't be deceived by letters that look official or urgent.
- Read the letter carefully.
- Think carefully before you attend a sales meeting.
- If you attend a sales meeting, don't sign a contract or give a salesperson a deposit right away.
- Find out about the seller's reputation.
- If a salesperson makes claims that aren't in the contract, don't sign the contract.



work-at-home schemes

common schemes

- Envelope stuffing
- Assembly or craft work
- Reading books

to avoid being a victim, find out

- What task you will be required to perform
- If you will be paid on salary or commission
- Who will pay you
- When you will get your first paycheck
- The total cost of the work-at-home program (such as how much you will have to pay to get the materials)
- The company's reputation (check with a local or federal consumer protection agency)



how to handle a consumer problem

collect records

- Start a file about your complaint.
- Keep copies of sales receipts, repair orders, warranties, cancelled checks, and contracts.

go back to where you made the purchase

- Contact the person who sold you the item or performed the service.
- Calmly and accurately explain the problem and what action you would like taken.
- Talk with the supervisor or manager, if necessary.
- Allow each person you contact time to resolve the problem before contacting another person.
- Keep a record of your efforts.

don't give up

- Call or write the person responsible for consumer complaints at the company's headquarters.

describe the problem

- Describe why you're unsatisfied.
- Detail what, if anything, you've done about it already.
- Describe what you think is a fair solution.



how to write a complaint letter

where to write

- To the head of the company or the person who handles consumer complaints.

what to write

- Your name, address, and account number, if appropriate.
- Describe your purchase (name of product, serial numbers, date and location of purchase).
- State problem and give history.
- Ask for a specific action.
- Enclose copies of documents regarding your problem.
- Allow time for action or response.
- Include how you can be reached.

don't

- Write an angry, sarcastic, or threatening letter.
- Send original documents.

do

- Type your letter, if possible (or handwrite neatly).
- Keep copies of all letters to and from the company.