

# MONEY SENSE

**Genesis**  
FINANCIAL MANAGEMENT INC.

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## NEW BEGINNINGS, DEBT FREE

### Extended Warranties: Worth the Cost?

You know the drill: you get to the check-out counter with your new digital camera, and as they're ringing up your sale they ask the inevitable question—would you like to purchase the extended warranty plan on this item?

If you're like many Americans, in a hurry to get out of the store and unphased by a few extra bucks, you'll say yes. But research has shown that very few extended warranties are worth the cost. A recent article in the "Washington Post" sheds some light on this issue.

Extended warranties, often marketed as service plans, are technically insurance products for which you pay a lump sum premium at the time of purchase. They generally lengthen the coverage provided by the manufacturer's own warranty.

They are often backed by an insurance company that promises to repair or replace the covered item should it break or malfunction, but the fact is that in most cases consumers do not get to choose who performs the repairs under an extended warranty, and many of these policies do not cover accidents or normal wear-and-tear, the most common cause of breakdowns. Even more important to note is that

most extended warranties are never utilized because most products either never need repairing or because the warranty provider makes it such a hassle that it makes more sense to just pay for the repair on your own.

Many stores aggressively market extended warranties because they make significant profits off of them. Whether they are right for every consumer in every situation, though, is a matter for debate.

If you're considering an extended warranty, consider these points first:

**How likely is it that you'll need to repair an item in the first few years of ownership?** - studies have shown that most of the things we buy warranties for—like appliances and electronics—rarely need major repairs in the first few years. For other items, like cordless phones, consider the fact that you'll probably want to replace the item in a couple of years anyway. The exceptions to this line of thought may be higher cost items like laptop PC's and plasma TV's.

**What coverage does the manufacturer automatically offer?** - if a product does require major repairs, they will most likely occur within the first year of ownership when the

original manufacturer's warranty would probably still be in effect.

**Check your credit card**—many cards offer automatic one-year extensions to manufacturer warranties

**Don't say yes right away**—many retailers will now give you a few days to think about the purchase of a warranty, giving you time to do some research into the true value of it.

**Bargain**—try asking for a lower price on the extended warranty—it never hurts!

**Read the exceptions**—What's in the fine print is important. Find out what situations may NOT be covered by the extended warranty.

#### Dollar \$aver\$:

##### Yard/Garage Sales

*Do you have un wanted items.  
Your trash is someone else's  
treasure or vice versa!*

- Try selling items at a yard/garage sale prior to throwing it away.
- Look for items at yard sales before buying brand new. You might find a great deal.

#### Payment Address

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**\*\*Please remember to include instructions with any partial or overpayments that you send us. We want to ensure that the correct amounts reach the correct creditors in a timely manner. \*\***



### Credit Cards– The Fine Print!

When's the last time you read the fine print of a credit card offer or contract? Here are some things you may have missed:

**Credit Limit Increase Fee**– allows the creditor to charge you up to 50% of the value of any credit line increase you request, based on creditworthiness

**APR's not fixed**– many offers include a blanket clause that give the creditor the ability to adjust your APR "at any time for any reason."

**Student loans are one form of debt you don't want to mess around with!**

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## Are We Being Forced to "Buy Now" and "Pay Later?"

Wal-Mart has built their entire empire on serving low-income customers. They've prided themselves on offering good quality merchandise for a fair price. If this is the case, why all of a sudden are they "phasing out" layaway?

The concept of layaway, which originated after the great depression as a means to help families in need and businesses who needed to move merchandise, has allowed generations of shoppers to put a purchase on hold until they can afford it. Without layaway, people are being forced to find alternative payment methods, such as credit cards. This encourages an ever-growing "Buy Now, Pay Later" mentality and is resulting in mounting consumer debt.

That very mentality is the reason Wal-Mart says it's

eliminating layaway. They state that demand for it has faded due to the fact that so many consumers now prefer to use credit or gift cards to purchase items rather than waiting for them.

Wal-Mart shoppers have until November 19th to put items on layaway and must pick them up by December 8th. But what about those people who can't or don't want to buy now and pay later? There are other alternatives.

Some stores do still offer layaway services, including Boscov's, Sears-Roebuck, and K-mart (all subsidiaries of Sears Holding Inc.) which will hold items for up to 90 days. The website [www.layaway.com](http://www.layaway.com) also offers a layaway plan to consumers. It was founded by a gentleman who was not able to afford a computer while in college because of

low income and bad credit. Now he extends his service to the public.

There's also good old-fashioned saving. Before credit cards existed, that's exactly what we did when we wanted something. Revisiting that idea now might help us avoid budget busters, overspending, and impulse buys.

We as consumers have to be smart and continue to save for merchandise or items that we want and not be swayed by incentives or advertisements. One way to do this is to create a holiday fund and put money in there on a monthly basis so that when a birthday or a holiday comes around, you do not have to put purchases on credit.

Layaway is a great service that few stores offer any more, but if you budget and save properly. You won't need to rely on it. □

## Defaulting on Student Loans is Serious Business

For those college students who graduated in 2006, despite their best efforts to forget, those loans payments will soon be coming due.

Unlike other unsecured debts, student loan debt cannot be discharged by bankruptcy, and it can remain legally enforceable until paid in full.

Prior to going into student loan default, the lender will exhaust all efforts to locate and contact the borrower. If still unsuccessful in contact, the lender can turn it over to a state guaranty agency or the Department of Education. Once a student loan is

in default, the maturity date is accelerated, making the payment due in full immediately.

The Department of Education's main focus is to assist those in default, but if they are unable to contact the borrower, it just makes matters worse. According to the Higher Education Act of 1965, the Department of Education can deduct 10-15% of the borrower's disposable income per pay period. This is usually done when the borrower refuses to voluntarily repay their debt.

The Department of Educa-

tion may also withhold your tax refunds as a method of collecting on a defaulted loan or even take legal action. If the borrower refuses to voluntarily repay a loan in default, they may be subject to federal prosecution and sued for the outstanding balance plus any legal fees and collection costs.

It is important to avoid default at all costs. Once your account enters default status, you may not be eligible for any deferments or forbearances. If you are having trouble making the payment, contact your lender immediately for options. □

**Check Us Out Online! [www.YourGFM.com](http://www.YourGFM.com)**