

CONSUMER ACTION NEWS

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Recession revives simple living movement Reap rewards of frugality in 6 steps

By Monica Steinisch

If there's a silver lining to the Great Recession, it's a renewed interest in simple living. Extolled by American author Henry David Thoreau in his 1854 book *Walden*—a narrative of the two years the author spent living in the woods—simple living as a concept espouses a "less is more" philosophy that hasn't always been popular among Americans. But the financial challenges of the last few years have changed that.

The idea of simple living has become more attractive to many consumers, who have had to figure out how to deal with the reality of higher gas prices, lower investment returns and, in some cases, pay cuts. While the economy has forced many consumers to scale back, others have voluntarily reduced their spending, with the goal of being better prepared for the next financial crunch.

There are now dozens of blogs and websites, with titles like *Frugal Duchess*, *Happy Simple Living* and *The Minimalists*, fueling the simple living trend with tips and support for an audience of downsizers. Not everyone equates "frugal" with "cheap" anymore, and saving is

more "in" than it's been in years. Rather than renounce their newfound frugal ways as the economy recovers, many who adopted a less materialistic lifestyle in response to the recession are choosing to continue living simply.

Many rewards to frugality

Wearing last year's fashions, driving an older car and eating at home rather than at restaurants might sound to some like deprivation. But "frugalists" say the intangible rewards of a less materialistic way of life—peace of mind, financial independence, more free time and a lighter environmental impact—are greater than anything money can buy. In study after study, people who have chosen a simpler lifestyle report being happier and more fulfilled.

A 2005 study by Kirk Warren Brown and Tim Kasser found that in a comparison of 200 "Voluntary Simplifiers" and 200 mainstream Americans, the simplifiers "reported significantly higher levels of life satisfaction" and a "greater balance of pleasant...emotion in their daily lives" despite having an annual income

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Options abound for sustainable and frugal living

By Monica Steinisch

Sustainability—the responsible use and management of resources so they remain available to meet future needs—goes hand-in-hand with frugality. If your choices are made with sustainability in mind, you will naturally spend less since reducing, re-using and sharing all cost less than buying new. Likewise, consumers whose goal is frugality buy less overall and tend to buy fewer new products in particular, thereby consuming fewer resources and reducing waste.

Whether your priority is saving money or saving the planet, a growing community of frugal and sustainability-minded consumers has given rise to a plethora of ideas, communities, services, cooperatives and businesses, all designed to help you avoid mainstream consumerism.

Reduce

Reduce, which sits at the top of the waste management hierarchy—reduce, reuse, recycle—because it has the greatest environmental impact, means to buy less and use less. It encompasses both the

smaller, everyday measures we can take, such as turning down the thermostat, and those life-altering plunges most of us only read about.

Housing is one such area where some consumers have embraced drastic change. The small home movement, which picked up steam following the housing bubble, encourages downsizing from multi-bathroom monster homes to houses that are more affordable, sustainable and ecologically friendly.

While some small homes are less than 200 square feet, such extremes aren't necessary to have an impact. The benefits of a smaller space include fewer building materials, less work to clean and maintain, a lower purchase price and less energy used. Learn more from the Small House Society (bit.ly/SVaKgs).

You don't have to move to improve your finances and the environment. Downsizers can get big results just by changing how they get around. Check out public transportation options, and if you're fit, consider a bicycle.

CarpoolWorld.com connects passengers and drivers who want to share the

Making it pay to be frugal

By Ruth Susswein

Stretch your resources and stay within your budget with these tips:

Cut the cord. Cancel paid cable TV and save a bundle each month. You may still be able to see favorite shows for free online, via Hulu, for example. Or, keep basic cable and cancel paid subscriptions to "premium" channels (HBO, Showtime, etc.) and save almost \$20 per channel, per month.

Movie night freebies. Avoid the cost of Netflix or Redbox by borrowing DVDs of movies and favorite series from your public library. You may have to summon up some patience while you wait for newer shows to become available, but the price is right.

Trim your tresses for less. Try a local beauty school for a free or low-cost haircut. Or ask your hairdresser if the salon features any special discounts you can take advantage of. At some salons, skip the blow-dry and save up to half.

Beauty on the cheap. Cut out brand-name beauty supplies. Use baby oil or sweet almond oil as eye makeup remover and olive or almond oil for baths and hair conditioning.

Skip the Starbucks. The savings can really add up when you brew your own coffee at home or work. Pour it into a

to-go cup and you're on your way. At \$3-\$4 per daily cup you could save \$780 or more per year.

Brown bag it. Prepare your own lunch and bring it to work. You could save \$5-\$10 dollars a day, or between \$1,300 and \$2,600 per year.

Tweak the cell phone plan. Shifting your cell phone service to a slightly different plan could save you bucks each month. (Switch when your contract is up, or you may have to extend your contract.) If your kids have cell phones, sign up for unlimited texting, as this is the way kids communicate. Also, consider prepaid cell phones and service—the industry offers data (Web-enabled) phones and the monthly cost has dropped substantially in recent years.

Cut text, data usage. You can text for free with WhatsApp Messenger (www.whatsapp.com) for the iPhone, Android and other smartphones (99¢ after the first year). Users generally give the app high marks. Whenever possible, set your phone to Wi-Fi—available free in many libraries, cafés and other public spaces—which doesn't use your wireless data plan.

Clip this. Only use coupons for items you were planning on buying anyway. Some large supermarkets allow you to claim coupons online that are added to

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ride. Car sharing companies, which allow members to pay by the hour to use one of the company's cars parked nearby, are popping up in cities around the country. "Wheels when you want them," as Zipcar's tagline goes, means fewer cars per capita and far lower costs for users. Companies such as RelayRides and Getaround facilitate peer-to-peer car sharing by connecting individual car owners willing to rent their vehicle with those who need a car and are willing to pay.

If you're still driving to work but would like to save time and gas by telecommuting, read the advice offered by Citi (citi.us/Rpit8g) and Forbes (onforbes.com/1288TZO) on how to sell your boss on the idea. (Tip: Stress how telecommuting will benefit the company, not how it will benefit *you*.)

Barter/reuse

There are many websites that facilitate bartering—trading goods or services without the exchange of money—swapping and other forms of "social commerce." Craigslist (craigslist.com), which serves the entire country through region-specific sub-sites, offers not only a "for sale" section, but "barter" and "free"

sections as well. There's also a "housing swap" section, where travelers can save the cost of a hotel.

Bartering isn't limited to "stuff for stuff." Craigslist posts at the beginning of December included bakery services in exchange for logo and Web design, and professional photography services for dental work. In a well-publicized story of bartering success, a 17-year-old used Craigslist to barter a used cell phone. After 14 trades over two years, the teen ended up with a Porsche.

Freecycle (www.freecycle.org) is a grassroots, non-profit network of more than 5,000 groups with almost 10 million members worldwide who give and get stuff for free in their own communities, keeping a lot of reusable items out of the landfills. Membership is free.

Hosted clothing swaps facilitated by sites such as TheSwapaholics.com and ClothingSwap.com allow dollar-conscious fashionistas to trade shoes, clothing and accessories they no longer need or want. For other item-specific swaps, do an online search for the name of the item plus "swap."

Some local radio stations air "swap" See "Frugal living" page 3

Consumer Action

www.consumer-action.org

Consumer Action has been a champion of underrepresented consumers nationwide since 1971. A non-profit 501(c)3 organization, Consumer Action focuses on financial education that empowers low- and moderate-income and limited-English-speaking consumers to financially prosper.

By providing financial education materials in multiple languages, a free national hotline and ongoing financial services research, Consumer Action helps consumers assert their rights in the marketplace and make financially savvy choices.

Advice and referral hotline

Submit consumer complaints about consumer problems to our hotline:

hotline@consumer-action.org

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Leveraging credit wisely

By Linda Sherry

Credit is a tool to help you achieve financial goals, not a way to buy things you can't afford and don't need. Using credit strategically can help you reach major financial goals such as buying a home or car, making home improvements or paying for education expenses.

Before you use credit you don't intend to pay off at the end of the billing cycle, ask yourself:

- Will using this credit help me achieve a sound financial goal?

If no, then don't do it.

- Can I comfortably afford this item without using credit?

If yes, pay cash or pay off your credit card balance in full when the bill arrives. If no, ask yourself: Do I really need it?

'Good' vs. 'bad' credit

Not all credit is bad credit. For example, for most people, a mortgage (home loan) is necessary to achieve homeownership. This puts mortgages in the "good" category as long as you get the other loan details right: You have to be able to comfortably make the monthly mortgage payment, have good prospects for future income, and choose a home that you could sell relatively quickly without losing money if your life takes a different path. But if these factors don't exist, a mortgage can quickly turn into bad credit.

An example of bad credit is "buy here,

finance here" auto loans. Car loans can be good credit, but some used car dealerships target low-income buyers with poor credit histories and prey on uninformed consumers. Such dealers sell used cars for far beyond their value and extend credit at very high "subprime" interest rates—a double rip-off. Your best defense against

predatory car loans is to visit a local bank or credit union to inquire about a car loan before buying. The lending institution will check your credit history and let you know how much you could borrow and at what rate. If

possible, get a pre-approved loan.

Before buying an auto, check Kelley Blue Book (kbb.com) for the value of the vehicle model you're considering.

Be prepared for emergencies

Saving for emergencies can help you pay for unexpected expenses—your car breaks down or your fridge goes on the fritz—with cash instead of credit. Start saving today to build up a cushion to cover the financial curve balls that life throws at you. Schedule automatic transfers from your checking to your savings account.

If you have access to a credit card, develop a plan to pay off charges in the shortest amount of time possible. For example, if you charge a new fridge at \$900, aim to pay it off in three to four months, or sooner. This way you'll save on interest charges and keep your credit line available if you need it in the future. Or, use your credit card only for emergencies.

Build good credit

Paying down your credit balance as quickly as you can is a good way to have credit available when you need it. It's also good for your credit history. A good credit history can help you qualify for more than just additional credit. Many landlords, insurers and employers check your credit to determine if you are a responsible individual who pays your bills on time. Bonus: A good credit history means lower interest rates on loans.

Have you checked your credit report this year? If not, go to AnnualCreditReport.com. This is the official site built by the big three U.S. credit reporting agencies to furnish free annual credit reports, as required by federal law. You can obtain all three reports at once, but it's a better idea to stagger the three over the year so you can monitor your credit report at regular intervals for fraud and mistakes.

More information

Credit Reports and Credit Scores (bit.ly/credit_reports_scores). In this Consumer Action guide, you'll learn what information is collected about you, how to interpret and improve it and what your rights are.

Questions and Answers About Obtaining and Managing Credit (bit.ly/credit_score_QA). Dozens of Q&As developed by Consumer Action help you understand how to use credit to your advantage.

Improve Your Credit: Put Bad Credit Behind You (bit.ly/improve_credit). This easy-to-read brochure from Consumer Action's MoneyWi\$e series explains why having good credit is important, what your rights are if your credit application is rejected, how to check your credit report, how to dispute mistakes and how to begin to rebuild good credit. ■

'Stash the cash'

Savings strategies for short-to long-term goals

By Ruth Susswein

A pipe bursts, flooding the basement, and the insurance company says you're not covered for all the damage. A car accident lands you in the doctor's office with neck problems and leaves you not just with auto repairs, but a pile of medical bills, too.

Unplanned expenses can derail the best laid spending plans. This is why you need savings.

Socking it away

Create a savings strategy that protects you during emergencies and also helps you meet your financial objectives. Your plan should enable you to:

- build an emergency fund,
- accumulate enough to pay for important purchases in the short- and medium-term, and
- achieve major, long-term financial goals.

Determine the total amount you'll need and calculate how much you'd have to save per month (or pay period) to meet the goal. Set up automatic transfers from checking to savings. Some employers can directly deposit your paycheck into two accounts, such as your checking and your savings or money market account. Add your annual tax refund to the pot.

To learn exactly how much you'd need to sock away to meet your individual savings objectives, try Bankrate's savings calculator (bit.ly/128dsD1).

Emergency fund. This stockpile is to cover unexpected expenses like medical bills, accidents, emergency home repairs, auto and appliance breakdowns. It should also be designed to give you a cushion in case of a job loss. An emergency fund is a must for people of all income levels. When it's well stocked, you don't have to tap into retirement funds, go into credit card debt or, worse, seek out an expensive and ill-advised short-term fix, like a payday loan or car title pawn.

Set your emergency savings goal at three to six months of living expenses. Adjust it regularly as circumstances change for you and your family. If your family is reliant on one income, you may want to save even more in case the breadwinner is disabled or unemployed for a time. While simultaneously working toward a larger savings goal, America Saves (www.americasaves.org) recommends that everyone reserve at least \$500-\$1,000 for emergencies.

Short- to medium-term goals. Save these funds for expenses you plan for in the next couple of years—like a car purchase, home improvements, a wedding or a vacation.

Long-term goals. College, major home improvements and retirement are examples of long-term goals. If you won't need the funds for years to come, your strategy should be different: *Investing* some of your savings will help the money grow to carry out future plans.

If you're confident that you won't need to access this money for a long time, you could deposit it in an insured certificate of deposit (CD) account that would pay a higher rate of interest than a regular savings account (although even CD interest rates these days are extremely low). Money deposited in a CD is expected to not be withdrawn for a specific period of time, in some cases years. Hefty penalty fees are imposed for early withdrawal.

Laddering CDs

If you'd like to take advantage of the higher rates that longer-term CDs offer but you don't want to tie up all your money for a long period, consider "laddering" your CDs.

One way to ladder is to buy CDs with varying maturity dates so that some of your money is always becoming available relatively soon. For example, if you had \$4,000 to invest, you might buy one three-month CD, one six-month CD, one nine-month CD and a one-year CD, each for \$1,000. As each of your CDs matured, you could decide how and where to reinvest the money. If interest rates have gone up but you don't think they will continue to rise, you might consider a five-year CD for some of your money. Generally speaking, the longer the CD term, the higher the interest rate.

Or, if you need the cash, you could keep the proceeds in a more liquid savings or money market account while the other CDs in the ladder (the rungs) continue to grow to maturity.

Money market deposit accounts (MMDAs) pay a higher interest rate than standard savings accounts and generally are FDIC-insured, however there is usually a limit on the number of account transactions (checks and ATM withdrawals).

See "Savings strategies," page 3

Your bottom line, online

By Michelle De Mooy

The holiday season heralds more than just the beginning of a new year. It is also the time that many people try to get a grip on their finances. Millions of Americans are in debt and seeking to reduce spending, a fact highlighted by a recent poll by the National Foundation for Credit Counseling (NFCC.org), which found that half of holiday shoppers plan to spend less this year than they did in 2011, and 37 percent plan to spend nothing at all on presents (homemade fruitcake anyone?).

The good news is that budgeting and managing money has never been easier than it is today. There are dozens of online and Web-based tools aimed at helping you track and manage your money. Most of them offer free, comprehensive budgeting tools that streamline and organize multiple banking and retail accounts, as well as keep track of your money flow in real-time and in a format of your choosing (mobile phone, desktop computer, tablet).

Financial management programs (FMPs) are online or Web-based tools and services that are specifically aimed at helping consumers manage their money. Studies have shown that using a financial management program not only helps you track your spending, it also changes your behavior for the better, potentially adding dollars to your bottom line.

It can be daunting to decide which FMP is for you. There are a huge variety of options to choose from. Free Web-based money management sites, like Mint.com or SmartyPig.com, host your data on their online servers, meaning you can access it using a password from any computer or Web-enabled device. The problem is that sensitive financial data is sitting somewhere in the "cloud" and is, therefore, more exposed to potential privacy violations. Some other services and software, such as Quicken or Moneydance, ask for an initial or monthly fee and often provide more comprehensive services such as bill payment, account management, budgeting and tracking, and online banking. Money management programs like these may offer more privacy protection since they are downloaded solely to your computer or device, and are, therefore, at less risk of exposure.

Traditional banks also offer FMPs for their customers—for example PNC's Virtual Wallet and Bank of America's My Portfolio. They offer the same budgeting and tracking tools as the ever-popular Mint, but sometimes send targeted ads to users based on their prior spending history. Yodlee works with financial institutions to offer online money management tools, but individual consumers can also sign up to use the company's MoneyCenter at Yodlee.com. It's fairly easy to upload spending data and review

spending habits.

One of the best ways to narrow down which program is right for you is to consider what your financial needs and goals are for the coming year. Here are a few additional sites that speak to different budgeting styles and are worth a look:

The Goalsetter. Having a financial goal is perhaps one of the most crucial parts of effectively managing money. If it takes having a deadline to make your money dreams happen, look at PocketSmith. This app embeds in your calendar to track expenses and income in real time, while setting aggressive savings goals.

The Obsessive Phone Checker. Warning: Mint can be addictive, particularly for people whose fingers are already permanently attached to their smart devices. The FMP provides real-time money tracking and budgeting, as well as a look at what others in your income bracket and geographic location are spending their money on. Though some of the program's privacy practices have been called into question because it collects and shares personal information from its users, Mint is still one of the top-rated tools by consumers for real-time money tracking.

The Social Networker. SmartyPig helps you find money in your budget to put towards financial goals, from buying plane tickets to buying a home. The service works with you to craft realistic goals within your budget and allows you to set up automatic recurring transfers to your goal-specific accounts. The free site even offers a competitive 1% interest rate, and accounts are FDIC-insured.

And get this, social networkers: You can integrate any SmartyPig account with online social communities and even offer the ability for friends and family to contribute towards your savings goals.

The Roommate. Designed mainly to target twenty-somethings who share expenses with others, such as roommates (or parents), Buxfer offers an easy-to-use interface that allows users to sign in using a Google or Facebook account. One of the best tools is an automatic bill tally that divides up payments among several people and sends reminder alerts with the amount they owe.

The Family Budgeter. Family budgets can be hard to stick to, especially when you're busy. Pennyminder is ideal for families with multiple spenders because it allows users to see other family members' spending and jointly manage a household budget.

The Debtor. If you're living paycheck to paycheck and trying to pay off debt, visit YouNeedABudget.com. The site provides a detailed look at where your money goes every month and helps you create and adhere to spending targets so that more of your money is paying down your debt.

The Credit Builder. Those who are working hard to build, or rebuild, their credit might consider trying Credit Sesame, a mobile application that gives users a free credit score and credit monitoring. The app also provides an updated financial outlook, and looks across the Web for ways to save money. ■

Savings strategies

Continued from page 2

als) allowed within a stated time period. Do not confuse MMDAs with money market mutual funds, which are *not* insured. You can withdraw the money in your money market account at any time without a penalty fee.

For more on CD and money market investing, visit the Investing Basics section of Bankrate.com (bit.ly/VABOz1).

Saving for college

For college costs, consider investing in a 529 plan. These are state-sponsored savings plans that offer federal and state tax advantages. Some states also offer matching grants. According to the College Savings Plans Network, 23 states offer savings matches ranging from \$300 to \$500. Savings in 529 plans are invested in mutual funds, which are not federally insured, so your investment could grow or decline in value. The funds can be used to pay for school expenses at any college. If you use the funds for something other than college, you will pay income tax and a 10% penalty fee.

529 prepaid tuition plans are generally tied to the state you live in and lock in the price of tuition when you invest. The plans often are guaranteed by the state in which you purchase them. Each of these 529 plans comes with enrollment, maintenance and broker fees (if you use a broker). Ask what fees are charged and if there are any discounts. Also know that your savings can be invested in safer or riskier funds for varying levels of potential growth (higher risk typically offers the potential for higher returns in the long term). Consider your comfort level with varying degrees of risk. Learn more at CollegeSavings.org (bit.ly/VAC8xF).

Saving for retirement

The easiest way to save for retirement is with automatic deductions through your employer-sponsored retirement plan, if you have that option. Otherwise, consider opening an individual

retirement account (IRA). Depending on the type of IRA, you may be able to make tax-deductible contributions and postpone paying taxes on the earnings until you retire. Contributions to a Roth IRA aren't deductible, but earnings are typically tax-free. The longer you have to invest, the more flexibility you have in choosing higher risk-reward investments. Experts recommend trying to save 10% of your income per year for retirement. Learn more at the U.S. Department of Labor (1.usa.gov/Ujqc3n).

Savings boosters

After several years of paying down debt and increasing savings, the nation's personal savings rate dropped to 3.3% in September, according to the U.S. Department of Commerce. That's down almost one percent from June (at 4.4%). Buck the downward trend. Here are some innovative approaches to boosting your savings:

Save to Win savings programs are available at credit unions in Michigan, Nebraska, Washington and North Carolina in 2013. For every \$25 you save, you earn a chance at prizes worth up to \$100,000.

Bank of America's Keep the Change program promotes saving by rounding up your debit card purchases (i.e., \$2.73 to \$3) and automatically transfers the difference to a savings account.

The UPSide prepaid card (by Plastyc) comes with a rainy day reserve feature that lets you select the level of savings you want automatically reserved each time you load the card with funds.

Increase your income

OK, you have a job. But maybe you could earn even more money and put those earnings directly into savings. Are you handy, nurturing or creative? These skills could help you earn extra money doing handyman jobs, babysitting or sewing in your spare time. Tap your inner entrepreneur to save more than you thought you could. ■

Frugal living

Continued from page 1

shop" shows that allow local residents to call in to broadcast what they have and what they want. To find out if such a radio show exists in your area, do an online search for "swap shop radio" plus the name of your city or town. (When meeting a swapper or seller in person, choose a public place and let someone else know where you are going, or bring a friend.)

The holidays are bound to bring gift cards for stores and restaurants you don't love. Numerous websites exist for buying, selling and trading gift cards. Use Gift Card Granny (www.giftcardgranny.com) to compare card swap values at various sites.

Share

There's no reason every family in the neighborhood has to have its own lawnmower or snow blower. Why not start a neighborhood cooperative to share big-ticket, space-hogging, rarely-used-but-necessary tools? A co-op can be formed to meet virtually any need, such as child care (trade babysitting hours), cooking (prepare meals to share) and garden produce (share what you grow). All you need to form a co-op is a common need and agreement on how to meet it together.

Even non-gardeners can share in the bounty through community supported agriculture programs. CSA members subscribe to receive weekly fresh produce (or eggs, meat, flowers, etc.) from local farms. Locally produced food conserves energy because it doesn't have to be shipped hundreds or thousands of miles, and it is typically free of packaging. (It also tastes better.) LocalHarvest offers a directory of more than 4,000 CSA farms (localharvest.org/csa). While you're at it, search for a local food co-op (bit.ly/UU0l5g), which is a worker- or customer-owned grocery store.

A credit union is an entirely differ-

ent type of money-saving co-op. Credit unions do most of the same things banks do—offer checking and savings accounts, make loans, issue credit cards and more. But because their members own them, they charge lower account fees and interest rates on loans and tend to pay higher rates on savings. To find a credit union you can join, use the online search tool (creditunion.coop) or call 800-358-5710.

Save

Sometimes you just can't avoid buying new. In those cases, look for sales and coupons. The 2013 Online Coupon Service Comparisons report from TopTenREVIEWS (bit.ly/SRgTZJ) lists coupon websites that might meet your needs. (Usually, grocery coupons are just for brand names—so compare prices on store brands, too.)

If you've ever watched the reality television show "Extreme Couponing," you know it's possible to get carried away. Shopping carts piled high with years' worth of products and things that aren't truly needed represent anything but simple and sustainable living. The Coupon Project (thecouponproject.com) blog might keep you grounded: It's not only another source for coupons, the woman behind the posts says she practices "ethical, common sense couponing."

If you're looking for a percentage-off discount code for a particular online merchant, do an online search for the name of the retailer along with the words "discount code" or "coupon."

Do it yourself

DIYers almost always save money, and they often help the environment, too. But what if you don't know how to change the oil in your car or unclog a drain? To learn, visit sites such as About.com (bit.ly/W69Mxh), the DIY Network (www.diynetwork.com) and DoItYourself.com (www.doityourself.com).

Continue your quest for frugal, sustainable living ideas and inspiration online and in your community. ■

A record annual fundraiser

Consumer Action's 2012 Consumer Excellence Awards, held Oct. 2 at the Hyatt Regency on Capitol Hill in Washington, DC raised \$180,000, a new record for the annual fundraiser.

2012 awardees

The American Library Association's Office for Intellectual Freedom received our award for its outstanding efforts to educate consumers on their privacy rights via participation in privacy coalitions, Choose Privacy Week at local libraries, and development of the

PrivacyRevolution.org website.

Postal Regulatory Chairman Ruth Y. Goldway received our award for her considerable contributions to protecting postal consumers during a time of unprecedented change and challenges for the U.S. postal community.

Reporter and author Bob Sullivan, who writes The Red Tape Chronicles for NBCNews.com, received our award in recognition of his consumer rights-focused reporting and exposés on fraud and identity theft.

You can view a slideshow of the event on YouTube (bit.ly/41st_event).

Simple living

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that was only about two-thirds of their counterparts.

The New Road Map Foundation (www.financialintegrity.org) is a Seattle-based non-profit that offers a nine-step program based on the bestselling book *Your Money or Your Life*. Rose Hughes, a director there, points out that frugalists also "are used to being resourceful and thinking outside of the box, and so setbacks [such as the recession] are seen as an interesting challenge," rather than as an insurmountable crisis.

There can be tangible rewards to a simpler, more frugal lifestyle. Households that reduce spending can redirect those dollars toward increasing savings and reducing debt. A stronger balance sheet makes it possible to achieve financial goals, from starting a business or buying a home to pursuing investment opportunities and increasing charitable giving.

New attitude required

Despite the many rewards of frugality, some consumers may be resuming their pre-recession consumption patterns. Experts say the only way to make a permanent transition from mindless spending to mindful spending is by combining new practices with a fundamental change in the way you think.

According to *Your Money or Your Life*, those who want to live with less stuff must first determine what is enough and what is just excess.

Carol Holst, director of Postconsumers, an educational company trying to help "move society beyond addictive consumerism," says there is no sense of deprivation or sacrifice when you achieve the "satisfaction of enough."

Your Money or Your Life also challenges consumers to calculate the true cost of every purchase, which is the work required to pay for the purchase and the time not spent with family and friends, volunteering, pursuing hobbies and

engaging in other physically, socially and emotionally rewarding activities because the hours were instead spent earning and shopping. When you boil down the cost of a new sweater to a day of your life, it becomes much easier to avoid unnecessary spending.

Essential to achieving a new mindset is adopting a new value system. In "The High Price of Materialism," an animation produced by the Center for a New American Dream (bit.ly/12nzHUH), psychologist Kasser emphasizes the importance of orienting your life around intrinsic values. These are inherently important elements, like family, community, personal growth, self-acceptance and making the world a better place. "As intrinsic values go up, materialistic values tend to go down," says Kasser. "So part of the trick [to avoiding materialism] is to build a life that expresses your intrinsic values."

Six steps

Even before you've achieved a new mindset, you can still enjoy many of the benefits of a simpler, less materialistic life with these six steps.

Find your motivation. Figure out what is most attractive to you about living more simply and frugally. Saving the planet? Having the freedom to work part-time? Eliminating the stress of living paycheck to paycheck? This will keep you on track when temptation strikes.

Choose the version of simple living that works for you. Just because your neighbors grow their own food, use alternative energy and ride their bicycles everywhere doesn't mean you have to. Explore the many strategies for reducing spending, lightening your impact on the planet and simplifying your life, and adopt those that are sustainable for you.

Become a conscious consumer. Look at everything you spend and ask if it's truly necessary, if it provides value equal to its cost, if there's a way to reduce the cost, or if there's another option that better supports your goals (for example, buying products sold in bulk that can

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Making it pay

Continued from page 1

your supermarket loyalty card so you can claim them at checkout. Make sure the discounted price isn't higher than that of a comparable store brand.

Slash insurance costs. Insurance premiums have skyrocketed in recent years. To save, consider increasing your deductible (the out-of-pocket amount you pay before your insurance coverage begins). Set the savings aside in case you need the money later. Adjust the deductible based on how much you could afford to pay if you were to file an insurance claim.

Check on discounts you might be entitled to, including breaks for good drivers, low mileage, multiple policies, burglar and fire alarms, etc.

Shop around with various insurers. You might get better discounts if you switch all your business to a new company.

Flip the switch. Unplug chargers and other devices that consume energy while in standby mode. Use a power strip for your computer, TVs, DVD players and other household electronics. Just flip the strip switch off when not in use. The EPA says this can cut 10% from a typical household's electric bill.

Take your temperature. Adjust your thermostat setting by a few points, lower your water heater setting, use cold water for washing clothes, and line dry your laundry.

Slow the flow. Use a low-flow shower head to cut down on water usage, turn off the tap while brushing your teeth and recycle veggie-washing water for plants.

Cut costs on almost anything. Search blogs that feature frugal living ideas and find out how to save on dining, cleaning, entertaining and more. Here are a few such sites:

- 5DollarDinners.com. As the name implies, the site shows you how to cut meal costs and grocery bills and still leave the table feeling satisfied.

- MyTwoDollars.com. Helps you slash costs by reusing household items for new purposes such as wrapping paper, household cleansers and packing material.

- FrugalDad.com. Provides common sense ways to save on energy and daily expenses—for example, by reducing the temperature on your hot water heater and cutting gasoline consumption with a new air filter.

- WiseBread.com. Helps you "live large on a small budget" with a frugal living section and personal finance tips on how to reduce credit card debt. ■



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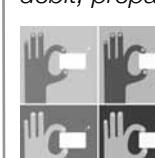
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