

MONEY TRAP #1: Buying Groceries at the Mini-Mart

What is this Money Trap?

When you shop at corner convenience stores (for example, 7-11 or mini-marts attached to gas stations), you will often pay 25% or more for items than the price you'd see at a larger grocery store. In addition, often the quality of the goods at the mini-market will be poorer than the quality at the grocery store.

Q: What Skill Will Help You Avoid This Money Trap?

A: RESOURCEFULNESS

Being resourceful means being able to creatively use the resources you have to address problems or meet needs. For example, here's one way to be resourceful and avoid the Mini-Market Money Trap:

Let's say you don't own a car and the nearest grocery store is 5 miles away. What can you do to avoid buying your groceries at the Mini-Mart? One idea: talk with your neighbors who are in a similar situation and plan a grocery shopping trip together, where 2 or 3 of you will split the cost of a taxi-cab to the nearest grocery store. Be sure to make a shopping list and clip some coupons to take with you to avoid "impulse purchases" and save a few extra nickels. Purchase all the groceries you will need for at least a week or two, so that you won't have to run the mini-mart because you've run out of supplies.

EXERCISE:

Working as a team, empty out the contents of the Supplies Envelope. The team must construct some product using the objects (resources) from Envelope. Your team has 3 minutes to make something and you must use at least half of the items in the envelope. You must show your creation to the teacher/leader, telling them what it is and what it is for (or what it does). The teacher/leader will decide whether or not your product is adequate.

You may exit this Money Trap once your product has been judged adequate by your teacher/leader.

MONEYTRAP #2: “Fee-Harvesting” Credit Cards

What is this Money Trap?

This is a true story. Mary Brown (not her real name) received a credit card offer in the mail, offering her instant approval on a credit card with “an initial credit line of \$1500*” She didn’t read the fine print. There it said:

*Initial credit limit of \$250

Mary also didn’t see the fine print that listed the various **fees** associated with this card. These included immediate deductions of \$50 (“annual fee”), \$119 (“acceptance fee”), and \$6/month (“monthly participation fee”). That left Mary with an actual credit line of only \$75. She bought \$80 worth of groceries. When her credit card statement came, the total due was **\$214**, representing all the fees, plus the \$29 “over the limit fee” and the \$10 minimum balance payment on the \$80 grocery bill!

The moral of the story: Be very careful about any credit card offers you receive and be sure to read all the fine print!

Q: What Skill Will Help You Avoid This Money Trap?

A: GETTING THROUGH THE CONFUSING DOCUMENTATION TO “THE BOTTOM LINE”

Credit card disclosure statements (all that paperwork written in very small print) can be very confusing and tedious. However, if you don’t understand the rules of the card you apply for, you could end up getting a very bad credit card like Mary did. Consumer advocates call these “fee-harvesting” credit cards because the credit card companies make so much money off of naïve customers like Mary who don’t read all the fine print or understand all the fees and rules associated with the card.

EXERCISE:

There should be a stack of cards in your Money Trap. Each card has a word on it, but the letters are all scrambled. Your team must choose three cards and successfully unscramble the letters to make the word. (*Hint: all the words have to do with financial literacy!*)

MONEYTRAP #3: Cash Advances on Your Credit Card

What is this Money Trap?

You look at the calendar and realize you have too much month at the end of your money. Of course, you **DO** have your credit card. So, you go to the bank and use your credit card for a cash advance. How convenient! But there's a catch: the bank will charge you a **cash advance fee**.

Typically this fee is stated in terms of a flat per-transaction fee or a percentage of the amount of the cash advance. For example, the fee may be expressed as follows: "2%/\$10". This means that the cash advance fee will be the greater of 2 percent of the cash advance amount or \$10. So...

For a cash advance of \$100, you will be charged a \$10 fee

For a cash advance of \$800, you will be charged a \$16 fee

And remember, this "cash advance" is really a loan – you will be charged **interest** on this money by your credit card company if you do not pay back the total amount in full, on time, when you get your next credit card statement.

Q: What Skill Will Help You Avoid This Money Trap?

A: A KEEN EYE (to read the fine print!)

Handling credit responsibly means knowing what the rules are. It's fine to get a cash advance if you need one – but keep in mind the fees and interest you will be charged. Your credit card company may tell you "have easy access to cash" by using cash advances, but remember that these advances are not free! You should avoid them if at all possible.

EXERCISE:

Your teacher/leader will have posted a Target on the wall. You must stand 8 feet from the target (behind the line of tape placed by the teacher/leader). Each member of the team must shoot a rubber band at the target and hit it before the team can move on to the next Money Trap. You'll need a keen eye to hit the bulls-eye! (Players just need to hit the target, though; they do not have to hit the bulls-eye.)

MONEYTRAP #4: Paycheck Cashing Store

What is this Money Trap?

You got your paycheck and now you want your green fast. So you walk into a Pay Check Cashing store. The problem is that they'll charge you a fee. Usually the fee is advertised as a flat percentage rate that may not sound like much. For example, the national average for cashing a handwritten payroll check at one of these kinds of store is 4.11%. That doesn't sound too bad. But consider what the actual fee amount is. If your paycheck is \$500, you'll pay a \$20.55 fee!

Even more dangerous is another product this store offers: the payday advance loan. A payday advance loan is a short-term loan, usually for about two weeks. Say you need \$500. You write them a check for \$575 and post-date it (i.e., put a date on the check that comes after your next pay period). Then they give you \$500. In two weeks, when the date on your check arrives, the store will cash the \$575 check you gave them and \$575 will be deducted from your checking account. That means you paid \$75 for that \$500. Maybe you feel that's OK. But often the problem is that if you needed \$500 before, chances are by your next pay period things may not be any better. So then you might "roll over" the initial payday advance loan – extending your loan. You do that three times and you'll be out \$225 (\$75 times 3). That means your effective interest rate on your \$500 loan from them was 390%!!!

Q: What Skill Will Help You Avoid This Money Trap?

A: PLANNING AHEAD

The first step you can take to avoid this money trap is to open a free checking account at a bank or credit union. Then you will be able to get your paychecks cashed for free.

To avoid having to use payday advance loans, you need to be a person who can think and plan ahead. Obviously unexpected emergencies cannot be planned – that's why we call them "unexpected." But you *can* expect that probably, at some point, the unexpected *will* happen. Maybe you'll get into a fender-bender with the car. Maybe the kitchen faucet will break and you'll need a plumber. Maybe you'll get a toothache and have to visit-and pay—the dentist. Maybe your kid's school will decide that all the students must buy school uniforms this year.

Your best bet is to plan that you may face some financial needs in the future, and open a savings account. Put in a little money each month. That way, when the unexpected happens, you will have something to turn to rather than taking on an expensive payday advance loan.

EXERCISE:

There will be several copies of a maze in this Money Trap. Each player on the team can work on the maze. At least team member must get through the maze within 3 minutes in order for the team to move on to the next Money Trap.

MONEYTRAP #5: Buying at the Rent-to-Own Store

What is this Money Trap?

“You want it, you can get it RIGHT NOW.” Isn’t that the attraction of rent-to-own? Say you’re in a new apartment and you want a TV. You can get one immediately at the rent-to-own store, often with no credit check and no down payment. You just need to make a small weekly payment—and often the store will service the product (i.e., fix it if it gets broken) for free while you are paying on it.

But now the bad news. If you buy that TV on a rent-to-own contract, you will probably end up paying **three or four times** what it would have cost you to get it from a regular store like Sears or Best Buy. Consider the chart below:

Purchase Method	Payment Amount and Frequency	Number of Payments	Total Cost	Who Makes Repairs
Cash	\$250.00	1	\$250.00	Consumer Does
Installment Sale at 19.8% APR (Annual Percentage Rate)	\$16.00/Month	18 Months	\$288.00	Consumer Does
Rent-to-Own	\$13.00/Week	78 Weeks	\$1,014.00	Read Contract

Sales tax not included
Source: Consumers League of New Jersey

The moral of the story: it pays to wait! Visit your friends for a while and watch their TV, while you save up to buy your own!

Q: What Skill Will Help You Avoid This Money Trap?

A: BALANCING YOUR NEEDS AND WANTS

The most common purchases at rent-to-own stores are for wants, not needs (stereos, TVs, entertainment centers, fancy furniture). Use your money for your needs – rent, utilities, food – and then save up for your wants. Don’t let your wants lead you to pay far too much for items you can have for much less money later, with a little budgeting and saving.

EXERCISE: Improve Your Balance

You should find three squares of paper in this Money Trap. Take the three squares of paper and arrange them in a triangle. The sides of the triangle should all be about the same length, roughly 16”. Step with your right foot onto one of the squares. Now balance on that one foot. Reach down (while standing on the one foot) and pick up one of the squares of paper. Stand back up (still balancing on one foot), then bend back down again to snatch the other square of paper. You must accomplish this while remaining balanced on just one foot. Each team member must successfully complete this exercise before the team can advance to the next Money Trap.

MONEYTRAP #6: Identity Theft

What is this Money Trap?

Identity theft is the fastest growing nonviolent crime today. You'd be amazed at all the ways thieves have designed to try to get your personal information illegally, so that in your name they can apply for credit cards and go on spending sprees or get access into your bank accounts. Here are just a few examples:

- You're in line to pay for something at the store and you've taken out your credit card. You lay it on the counter and the guy behind you quietly snaps a photo of it with his camera-cell phone.
- The phone rings and you answer. The caller informs you that he is a court official and you have failed to show up in court on a jury summons. He claims to be the jury coordinator. He tells you that you are going to get an arrest warrant for failure to show up for jury duty. When you protest that you never received a jury duty summons, he asks you for your date of birth and social security number so that he can "check the records."
- You get an email that looks like official correspondence from the IRS. The letter says that you are entitled to a tax refund of \$163.80. It tells you to click on a link to get a special refund form to submit to the IRS. The form asks for personal information such as checking account numbers and PINs. The scammers then used that information to steal money from the victims.

Q: What Skill Will Help You Avoid This Money Trap?

A: DISCERNMENT (so you won't be taken in by a fraudster!)

Play it safe...keep your credit cards and PIN numbers private. Be suspicious of people asking you for personal financial information over the phone. Typically, staff from government offices will not ask you for such information by phone or email. Official correspondence from the IRS, for example, comes by mail. And remember, to avoid any scam, just keep in the mind the general rule: If it sounds too good to be true, it probably is!

EXERCISE:

Play "Candy Quiz" – can you discern which is which? Look at the picture of the "guts" of each candy bar and identify its name. All team members must be in agreement about the name of each one.

The team must get all eight correct before you can exit this Money Trap.