TODAY'S Consumer

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Increase Your Child's Financial Aid Chances

If you are a mom or dad of a college bound child, listen up! Most likely your child will need to apply for some type of student aid. Financial aid encompasses everything from government loans, to grants, to student work programs. According to the College Board, student aid reached $122 billion in '03-'04 (the latest year for which there is data) and is only increasing. The question is: How can your family get a piece of the action?

Any student who plans on any type of assistance must first fill out the Free Application for Federal Student Aid (FASFA). This form is what determines each student's eligibility for loans, grants, campus jobs, etc.. Students must re-apply every year of college as long as they are seeking assistance. The FASFA is not technically due until June 30, 2006 but many schools require it months ahead of time. Also, if your child is hoping for any "free money" the government distributes the grants by eligibility on a first-come-fist-serve basis so, get that FASFA in! You may obtain a FASFA form from any guidance office, the financial aid office, your local library, by calling 1-800-4-FED-AID, or online at www.fafsa.ed.gov.

Once a college has your FASFA, it calculates eligibility by taking the cost of attending a particular college minus the expected family contribution (EFC). Your EFC is determined by your (the parents) financial circumstances and how they compare to others applying for aid. The parent's income is the biggest factor in determining this calculation, but the EFC also factors in your assets, such as the number of children you have attending college at the same time and the number of years you have until retirement. The parent's EFC is always a factor in determining the amount of need, even if you are not planning to help your child financially with college.

Aid awards can vary widely for the same student since different schools determine financial needs differently. Some schools base financial aid on need and nothing else, while others may consider additional financial considerations such as medical bills or business loans.

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The Most Overpriced U.S. Cities in 2005

Forbes Magazine has just completed the fourth edition of their "Most Overpriced Places" study and have found that things have shifted slightly over the past year. A few cities fell off the list and others rearranged, but for the most part the roster is still made up of metropolitan areas that will suck dollars from your wallet in a flash. To determine the ten most overpriced places in the country, they started with the 150 cities examined in Forbes' 2005 list for Best Places for Business and Careers. They were ranked from 1 to 150, with 150 being the worst. Forbes used the rankings for job growth, income growth, cost of living (which includes the cost of housing, utilities, transportation, and other expenditures), and then added to the mix a housing affordability index. Housing costs were a major factor in determining the rankings. Real estate continues to soar and the National Association of Realtors expects 2005 to be a record setting year in the U.S..

1. Seattle, Washington

Cost of Living Rank	130
Job Growth Rank	117
Income Growth Rank	150
Housing Affordability Rank	119
Median Home Price	$321,100

For the second year in a row, Seattle takes the top spot in this study. The city does poorly on all counts, but was at the bottom when it comes to job growth, and the cost of living is very high. Seattle may become easier to afford should big local employers such as Microsoft, Boeing and Starbucks stay healthy.

2. New York, New York

Cost of Living Rank	146
Job Growth Rank	108
Income Growth Rank	70
Housing Affordability Rank	144
Median Home Price	$435,200

New Yorkers will tell you that their city should be at the top of any list of overpriced places. The local economy is doing well, and incomes are going up solidly. But the cost of living and housing affordability is where New Yorkers get the bite.

3. Portland, Oregon

Cost of Living Rank	117
Job Growth Rank	113
Income Growth Rank	134
Housing Affordability Rank	104
Median Home Price	$243,100

Like Seattle, Portland took some hard knocks during the dot-com bust. Oregon's economy has not yet recovered from the recession of 2001. At the end of 2004, the state's unemployment rate was around 7%. The quality of life is good but the median home cost price increased by nearly $20,000 in 2004.

4. Chicago, Illinois

Cost of Living Rank	120
Job Growth Rank	118
Income Growth Rank	116
Housing Affordability Rank	111
Median Home Price	$243,800

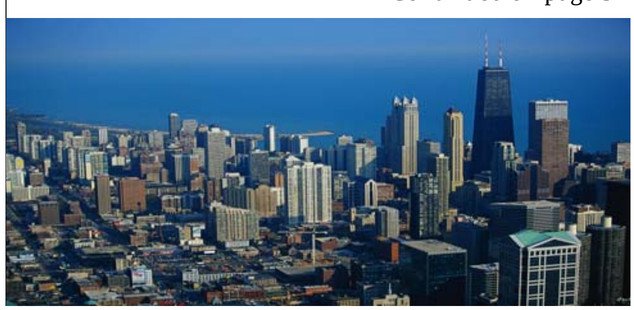
This year Chicago moves up several spots from 2004. The main reason is a relative drop in income growth. Last year the city's income growth ranked 98th out of 150 cities, this year it slid to 116th.

5. San Jose, California

Cost of Living Rank	149
Job Growth Rank	150
Income Growth Rank	24
Housing Affordability Rank	142
Median Home Price	$575,000

According to the San Jose Office of Economic Develop-ment, Santa Clara County is having a hard time kick starting its job growth. And, after peaking in 2000, average pay is back at 1999 levels. Also, there is a shortage of new housing, which keeps real estate prices high.

-Continued on page 3-



-Most Overpriced cont'd-

6. Bergen-Passaic, New Jersey

The Bergen-Passaic area has hit the top ten again, last year it was number two. This year, it scores far better on income growth, but housing and cost of living are very, very expensive.

Cost of Living Rank	140
Job Growth Rank	102
Income Growth Rank	82
Housing Affordability Rank	130
Median Home Price	$448,100

7. San Francisco, California

This hilly city is seventh for the second time in a row. The median home price was closing in on an outstanding $700,000 and job growth is poor. San Francisco is close to the top when it comes to income growth, but that money goes quickly.

Cost of Living Rank	150
Job Growth Rank	148
Income Growth Rank	10
Housing Affordability Rank	145
Median Home Price	$689,200

8. Middlesex, New Jersey

Middlesex residents mainly take a hit on cost of living and housing affordability. Located in the middle of the state, the county is home to large companies, including Merrill Lynch and Bristol-Meyers Squibb.

Cost of Living Rank	138
Job Growth Rank	92
Income Growth Rank	104
Housing Affordability Rank	115
Median Home Price	$381,400

9. Denver, Colorado

According to the Metro Denver Economic Development Corporation, the downward job trend turned around slightly in 2004, but still falls behind the rest of the U.S. Income growth is somewhat stagnant and housing is tough to afford.

Cost of Living Rank	124
Job Growth Rank	93
Income Growth Rank	118
Housing Affordability Rank	109
Median Home Price	$236,000

10. Los Angeles, California

Income growth is good, and job growth is in the middle-third of the cities looked at. The drawback for LA is that it is so expensive to house and clothe yourself.

Cost of Living Rank	134
Job Growth Rank	100
Income Growth Rank	50
Housing Affordability Rank	147
Median Home Price	$474,700

Source:
Sarah Clemence, Most Overpriced Places in the U.S. 2005, *www.forbes.com*

More Online Movie Stores on the Way

The film industry is working to launch online movie download services to avoid the same fate as the piracy-ridden music industry. The global music industry has been destroyed by physical piracy and online file-trading networks. It has aided some of the losses by aggressively targeting illicit file sharers with lawsuits while also offering legal online alternatives like Apple's iTunes Music Store. Movies are increasingly vulnerable to online piracy due to the spread of high speed internet connections and file sharing technologies like BitTorrent. There are already at least two fledging online movie stores: Movielink.com and CinemaNow.com.

Source:
www.cnn.com, 10/4/05

Useful Travel Tips

- **Early booking no longer means the best travel deals.** Sign up for alerts at websites such as Travelocity and Orbitz. You can track air fares on specific routes, and the site will send you an e-mail when the price drops.

- **No single travel site lists every fare.** Sidestep.com, Travelocity.com, and Orbits.com are great sites that compile the sites of all airlines, hotels, rental-car agencies and consolidates for the best price.

- **The best time to find flight deals.** At midnight, airlines load their computers with new fares and purge unsold reservations. Airlines release web specials for the weekend early in the week. They typically raise fares on Friday.

- **Flights scheduled before 10am have the best on-time performance.** Plus, if your flight is cancelled you have a better chance to find another flight that day.

- **Program your airline's phone number into your cell phone.** If your flight is late or cancelled when you are at the airport, you are better off calling than waiting in line. Phone agents can do almost anything the folks at the ticket counter can do.

- **You can haggle with the front desk.** At most hotels, you have to book online or through a central reservations number. Unlike airline ticket agents, hotel desk clerks– or their managers– have the power to improve your rate. Always ask to upgrade to a better room for the same price, if one is available they will most likely agree to the change.

- **Using a travel agent can pay off.** Agents sell 95% of cruises and 90% of tours and packages. For those trips, an agent can save you money and time– and offer advice that a Web site would not have, like how not to end up in the cabin next to the ship's engine.

ABC, NBC & CBS Take Primetime On-Demand

ABC, NBC ,and CBS may embrace the idea of video on-demand, typically only found in the realm of cable TV, in an attempt to boost revenue. Mediaweek.com reported that the option could be available as early as next summer or at least for the 2006-2007 television season. Since show production costs are continuing to climb and broadcasters keep searching for new sources of revenue, incorporating an on-demand format is a high priority for the Big Three. Viewers would most likely be offered two options: either paying $1 for a show and being able to fast forward through commercials or only paying $.50 and not having that option. All networks would have to be on board in order for the idea to take off since viewers would be attracted to more options of top-rated shows.

Source:
Paying For Your Own CSI Showing, *www.cnn.com*

-<u>Financial Aid</u> cont'd-

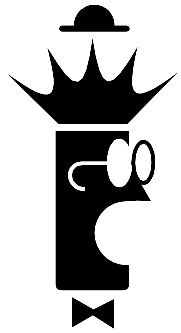
There are three easy ways that you can work on now which will help maximize your child's financial aid chances.

The first is to **save in your name, and not in your child's.** College aid officials assess 35% of a student's assets compared to only 5.63% of a parent's holdings. Do allow your teenager to maintain a checking account, but try to keep all large saving accounts in the parent's name.

The second is to **maximize retirement savings.** Money saved in retirement accounts is not counted by the college financial aid officer. It pays for parents to maximize their contributions for retirement before focusing on college accounts. In addition, you can withdraw money from an individual retirement plan for qualified higher education expenses without penalty.

The third way to maximize your child's aid reward is to **watch your debt load.** Pay down your debt before your child fills out the FASFA. Paying down credit card debt, reduces the net value of your savings, which improves your profile in the eyes of the financial aid officers. Parents with $20,000 in the bank, but $10,000 in credit card debt are going to appear to have more resources than parents with $10,000 in the bank and no debt.

Source:
Jessica Seid, Maximize Your Financial Aid Chances, *9/30/05, www.cnnmoney.com*



Shocking Retirement Facts

- 40% of consumers are worried about having enough money to live comfortably when they retire!
- 1/3 of consumers say they have <u>**NO**</u> money saved for retirement!
- 50% save for retirement regularly!
- About 20% of all non-retired consumers today expect to retire before reaching their 60th birthday. . .
- . . . And another 20% before they reach 65!
- 23% of consumers expect to either <u>**NEVER**</u> retire or expect to retire after reaching the age of 70!
- 28% of consumers expect social security to be a major source of retirement!
- 65% of men are confident they will have enough money for retirement!
- 50% of women are confident that they will have enough money for retirement!

Source:
Heather Greer, www.experian.com,
Experian-Gallup Personal Credit Index Shown One-Third of Consumers Have No Money Saved for Retirement

5 Tips to Saving Energy the Old-Fashioned Way

1. **Automate Your Use!**

Buy a programmable thermostat that will regulate your energy consumption, automatically adjusting your heat when you are asleep or away. You can save as much as $100 a year, according to the Department of Energy's Energy Star program.

2. **Seal Your Ducts!**

One way homeowners lose money is that hot air never makes it to the room it's intended for but instead leaks out of ducts in your basement or crawlspace. Check to see if your ducts have been disconnected and reconnect them. You can seal ducts yourself using mastic, metal-backed tape or aerosol sealant. Do not use duct tape because it does not hold up under high temperatures.

3. **Insulate Your Attic!**

Laying insulation in your attic is one of the quickest ways of bringing down your home's heating bill. Pick the right level of insulation for the type of climate you live in and the type of heating system in your home.

4. **Insulate Your Water Heater**

Insulating your water heater can save 4-9% on water heating costs. Your water heater is the third largest money guzzler in your home and insulating it will keep the water hotter for longer! Water heater insulation blankets can be found at your local hardware store and simply wrap around the unit.

5. **Get Free Heat!**

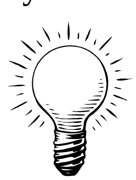
Uncle Sam can pay some of your heating or cooling bills if you qualify. In order to get money from the Low Income Home Energy Assistance Program (LIHEAP), you must have an annual income of $18,000 or less a year for a family of four. Benefits are limited, you will get a one-time annual payment of $250. Qualifications vary by state, so call the National Energy Assistance hotline

Sources:
Gerri Willis, www.cnnmoney.com, September 30, 2005, Saving Energy the Old *Fashioned Way*
Project Energy Saves, National Energy Asst., Directors' Issue & EEI

Do you need assistance with your energy bills?

Or

Do you want to help keep people warm this winter?



Please Contact:
National Fuel Funds Network
www.nationalfuelfunds.org

Currently the NFFN is raising money to help the recent hurricane survivors. The funds that the NFFN raises are not intended for immediate relief, but longer term assistance for those with unaffordable bills for home energy in the months to come. NFFN is constantly supporting people all across the country. Electronic donors and check writers may designate their donations for a particular state or for customers of a particular utility.

10 Consumer Misperceptions That Can Hinder a Comfortable Retirement

Unfortunately, many workers and retirees have an incomplete or misleading picture of how much they need to save, how to invest such savings effectively and how to make their money last a lifetime. Clearing up such misperceptions will be essential for people to fulfill their dreams of a comfortable retirement.

1. **Saving too little.** Most people have not tried to estimate how much money they will need for retirement. Those who have calculated this amount, often underestimate it.

2. **Not knowing when retirement will occur.** Many workers will retire before they expect to, and before they are ready.

3. **Living longer than planned.** As individuals learn to manage their own retirement funds, they may not understand that life expectancy is a very limited planning tool. In fact, some retirees will live long beyond their life expectancy, with a large risk of outliving their savings.

4. **Not facing facts about long-term care.** Many people underestimate their chances of needing long-term care. Relatively few people either own long-term care insurance or can afford to pay for extended long-term care themselves.

5. **Failing to ensure guaranteed lifetime income.** Although people find guaranteed lifetime income attractive, in practice they usually will choose to receive retirement plan benefits in lump-sum form. They pass up opportunities to get a lifetime pension or annuity, failing to recognize the difficulty of creating lifetime income streams on their own.

6. **Not understanding investments.** Due to the growth of workplace retirement savings plans, workers are now responsible for managing investments for retirement. However, many workers misunderstand investment returns and how investment plans work.

7. **Relying on poor advice.** A significant portion of retirees and pre-retirees do not seek the help of a "qualified professional." Yet they indicate a strong desire to work with a financial professional.

8. **Not knowing sources of retirement income.** Workers misunderstand what their primary sources of income will be in retirement, and may be disappointed when trying to live on the income that's available.

9. **Failing to deal with inflation.** Inflation is a fact of life that workers usually deal with through pay increases. But after retirement, few people can increase their income to keep pace with the cost of living.

10. **Not providing for a surviving spouse.** Many married couples fail to plan for the eventual death of one spouse before the other. This can have serious consequences, especially when the survivor is the wife.

Source: LIMRA International, www.limra.com

Comments and Requests

Today's Consumer is written primarily for the staff of UC Cooperative Extension. It is available to readers outside of Cooperative Extension for a subscription fee. Send comments and requests to me at: Cooperative Extension, University of California, Riverside, CA 92521; 951-827-5241.

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