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## Earned Income Tax Credit 2009

The Earned Income Tax Credit can be a powerful benefit for low-income people who work. Workers who qualify for the EIC and claim it on their federal tax return can receive a refund check from the IRS even if their earnings were too small to owe income tax. Eligibility information for the 2009 Tax Year is below.

Number of Children	Earned Income Cap	Earned Income Cap	Claim EIC up to:
	<i>Individual</i>	<i>Married</i>	
3 or more children	\$43,279	\$48,279	\$5,657
2 or more children	\$40,295	\$45,295	\$5,028
1 child	\$35,463	\$40,463	\$3,043
No children	\$13,440	\$18,440	\$457

### Economic Stimulus Payments— How Were They Used

The IRS issued approximately 130,000 Economic Stimulus Payments in 2008 in an effort to encourage consumers to spend. Special questions were added to the Consumer Expenditure Survey interviews to determine how the money was used.



Almost half (49%) of the recipients reported using the rebate mostly to pay off debt. Most other recipients reported either mostly spending the rebate (30%), or mostly saving the rebate (18%). The small remainder of those asked (3%) did not report this information.

### Bank Fee EXPLOSION!

Each year, over 50 million Americans overdraw their checking account, paying nearly \$24 billion in overdraft fees. Twenty-seven million Americans pay five or more overdraft or non-sufficient funds fees each year. The most common triggers of these fees are small debit card transactions that could easily be denied for no fee. Overdraft fee income for banks and credit unions rose 35 percent from 2006 to 2008.

For more details, visit the Center for Responsible Lending website <http://www.responsiblelending.org/>

Source: *Overdraft Explosion: Bank fees for overdrafts increase 35% in two years*, Leslie Parrish, Center for Responsible Lending, Oct. 6, 2009.





# Energy Entrepreneur

In these economic times, finding a safe and productive place to save or invest our money is challenging. However, research done at the Lawrence Berkley National Laboratory demonstrated that 10 common home energy efficiency improvements (investments), including appliances, can result in a 16 percent average annual return. To put a 16 percent return in perspective - it is better than the Dow Jones Industrial Average performance of 14 percent for the “go-go” years of 1990 to 1997. Importantly, by investing in the efficiency of our home and home appliances, we can realize returns that are safe, tax free, totally in our control, as well as being profitable. Besides, the money we save is able to be added to our retirement plan, our educational plan, used to reduce indebtedness, or to realize any one of our many goals.

So, what is the Energy Entrepreneur Top-10 List?

1. Changing lights to new fluorescent lamps and fixtures averages a return of 41 percent. (Consumers have been slow to adopt to these lamps, although the evidence in their favor is overwhelming. Watch for sales or a special promotion by your local utility company.)
2. Sealing heating and cooling ducts averages a return of 41 percent. (Air leaks are everywhere in your home.
3. Upgrading to Energy Star when replacing a clothes washer averages a 37 percent return. (Consider the new energy and water efficient upright Energy Star washers and dryers.)
4. Upgrading to an programmable thermostat has an average return of 30 percent. (Raising the temperature a few degrees in the summer and lowering it a few degrees in the winter can add considerably to these savings. If you have a sweater, wear it. If you're sweating, take a break and have a nice glass of ice water.)
5. Installing an R-12 water heater insulation jacket averages a 28 percent return. (You wouldn't want your water heater to be improperly attired, would you?)
6. Upgrading to Energy Star when replacing a refrigerator averages a 37 percent return, assuming the old one is no longer used. (If you keep the old one for storing that extra case of soda, the moldy meatloaf, or the egg-salad that smells like a sulfur spring, forget the savings and remember to buy some baking soda.)

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# Energy Entrepreneur

*cont.*

7. Upgrading to an Energy Star heat pump when replacing the furnace and air-conditioning system, averages a return of 19 percent. (Make sure you plan to live in the house long enough to reap the savings or that your market prices for homes reward the installation of a heat-pump.)
8. Upgrading to Energy Star when replacing a dishwasher results in an average return of 18 percent. (Using fewer dishes or running the dishwasher without the heat element can save even more money.)
9. Weatherizing and sealing the home to limit air changes to less than 0.5 per hour has an average return of 9 percent. (Be careful to not overly seal your home and add the problem of excessive condensation to your list of issues.)
10. Increasing wall and attic insulation to 1997 Department of Energy recommended levels has an average return of only eight percent. It does, however, represent the greatest dollar savings – but insulation is also the most costly change. (As energy prices rise, so will the return on insulation. Of course, buying home improvement items during a housing market slowdown is like buying your new lawnmower in October – it will cost much less.)

It is important to remember that the Lawrence Berkley study used 1997 costs.

In the twelve years since that study, fuel costs have increased and the cost of many technologies have dropped, as well as new and better technologies have been introduced. That means a person can realize an even greater return on wise energy saving investments. Other opportunities can be realized by taking energy efficiency tax credits and utility rebates. For a list of the current energy tax credits go to: <http://www.energystar.gov/taxcredits>

The conclusion is very simple. An investment ranging from several hundred to several thousand dollars can have a very good return. While your return may vary from those found by the Berkley Lab, the return will be positive and it comes with no risk. Sounds like an opportunity for financial success... and it only comes in one color, “green”.



Source: Barber, Jeff and Weagley, Robert O. Financial Tip. “Energy Entrepreneur.” Office for Financial Success and Center for Economic Education. University of Missouri, June 11, 2009.

Note: To subscribe to Financial Tip send an email to [LISTSERVE@LISTS.MISSOURI.EDU](mailto:LISTSERVE@LISTS.MISSOURI.EDU) with no subject line and “subscribe financilatip” plus your first and last name in the body of the email.

# Where do You Stand?

Sometimes it's good to get back to basics. This is certainly true when it comes to personal finances. Experts in the field have provided guidelines for managing money for years. Now might be a good time for you to use these guidelines to check your financial stability.



## Debt Load

Your total monthly debt should be below 36% of your gross monthly income. So if your household income is \$4,000/month, you should not carry more than \$1,440 in debt. (4000 x .36 = 1440)

## Housing

People in the market for a new home always find themselves asking, "How much home can I afford?" The recommendation is that your home price be no more than 2 1/2 to 3 times your annual income. So if your household income is \$60,000 per year, you shouldn't spend more than \$150,000—\$180,000 on a home. If this won't buy a home in your area, lower the amount of your mortgage by making a larger down payment. (60000 x 2.5 = 150000; 60000 x 3 = 180000)

## Retirement Savings

Retirement comes about faster than you think. You should be setting aside at least 10% of your gross income in an IRA or some other type of retirement account now. If you gross \$4,000/month you should be setting aside \$400/month towards your retirement income. (4000 x .10 = 400)

## Emergency Savings

Your emergency savings should be equal to 3 to 6 month's expenses. So if your monthly household expenses are \$3,000, you should have a minimum of \$9,000 in your emergency savings account. (3000 x 3 = 9000; 3000 x 6 = 18000)

If your situation falls short of the ideal, don't despair. Begin to take steps to reach these financial goals today.

One way to assess your situation is to complete a net worth statement once a year. Your net worth is a total of all your assets, less all your debts. If you are managing well your net worth should increase each year. Some ways you can increase your net worth include:

- ◆ Paying off credit card debt
- ◆ Paying off student loans
- ◆ Increasing your savings
- ◆ Cutting back on spending

Next year at this time, review your situation and see where you stand.



# College Costs vs. Value of Education



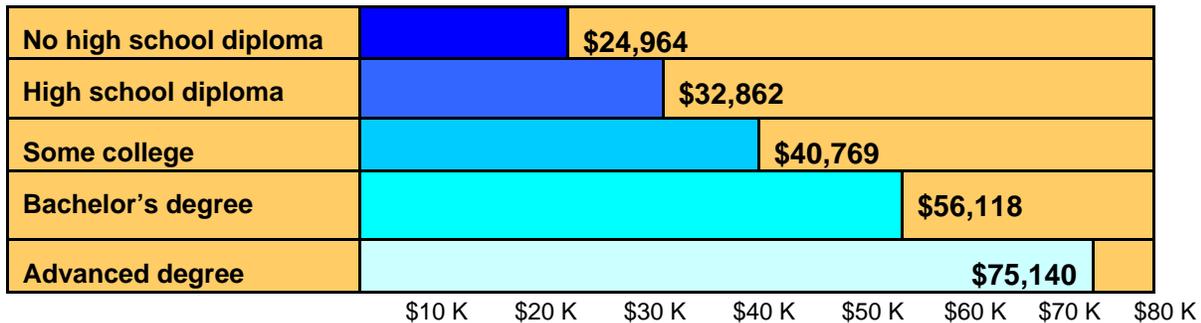
The price for obtaining a college education, at both public and private educational institutions has increased nationwide. At the same time, colleges are seeing larger class sizes and hiring freezes.

According to the College Board, tuition and fees at public 4-year universities grew over 6% from the 2008-09 academic year. Costs at private 4-year institutions grew by more than 4%. Unfortunately, grant funding is struggling to keep up. Many students may be wondering if college is even worth the hassle.

Education Costs for Academic Year 2009-2010			
	Private	Public In-state	Public Out-of-State
<b>Tuition &amp; Fees</b>	\$26,273 4.4%	\$7,020 6.5%	\$18,548 6.2%
<b>Room &amp; Board</b>	\$9,363 4.2%	\$8,193 5.4%	\$8,193 5.4%
<b>Total Cost</b>	\$35,636 4.3%	\$15,213 5.9%	\$26,741 6.0%
<small>"Trends in College Pricing 2009", College Board, <a href="http://www.trends-collegeboard.com/college_pricing/pdf/2009_Trends_College_Pricing.pdf">http://www.trends-collegeboard.com/college_pricing/pdf/2009_Trends_College_Pricing.pdf</a></small>			

Research from the U.S. Census Bureau indicates that higher education is totally worth the investment of time and money. Data released earlier this year reveal that college graduates earn approximately \$56,000 per year. This is over 40 percent more than individuals with only a high school education who earn approximately \$32,800 per year. Over the working life of an individual, this represents close to a million dollars. Well worth the initial investment by most calculations. So hang in there college students, it will be worth the effort.

**Value of Education – Income by Level of Education, 2007**



Source: Educational Attainment in the U.S.: 2007, <http://www.census.gov/prod/2009pubs/p21-560.pdf>

# Hiring a Licensed Contractor



With unemployment rates in double digits many people are offering to provide handyman or landscaping services, often at reduced rates. While it feels good to help out someone in need, make sure any individual you hire is a licensed contractor.

A valid license is your assurance that the contractor is trained to do the job properly and safely and has agreed to adhere to the ethical standards set by the State. It also assures that you have recourse should you not be satisfied with the quality of work or service you receive. The California Department of Consumer Affairs will assist you in resolving disputes that arise with licensed contractors.

It is easy to find out whether a contractor has a valid State license and is in good standing. Before you sign any contract, request the contractors license number and then call 1-877-786-7852 or go online to <http://www.inquirebeforeyouhire.ca.gov>. Once you know the contractor is in good standing, and you have spoken to their previous clients, you can feel comfortable signing the contract.

The California Department of Consumer Affairs licenses and regulates over 250 professions from nurses to housing contractors to cosmetologist. Be sure the individual you plan to hired is appropriately licensed for the work you want completed.

## How Do Other People Spend?

Sometimes people find it helpful, or at least interesting, to see how their spending compares to other people's spending. Here is the latest household expenditure data from the Bureau of Labor Statistics', Consumer Expenditure Survey. See how you compare!

### All Consumer Units

Average annual expenditures	\$50,486
Food	12.8%
Alcoholic beverages	0.9%
Housing	33.9%
Apparel & services	3.6%
Transportation	17.0%
Healthcare	5.9%
Entertainment	5.6%
Personal care products & services	1.2%
Reading	0.2%
Education	2.1%
Tobacco products & supplies	0.6%
Miscellaneous	1.7%
Cash contributions	3.4%
Personal insurance & pensions	11.1%



For more details on the 2008 Consumer Expenditure Survey, go online to: <http://www.bls.gov/cex/#tables>.

# Financial Planning Resources

## Financial Fitness Center

The American Consumer Credit Counseling's Financial Fitness Center website offers an enormous amount of information on personal money management. Web seminars, podcasts, tips of the week, calculators, worksheets, resource articles, links and more are provided free of charge to help consumers better manage their money. <http://www.consumercredit.com/education-center.htm>

## What to Do if You've Lost Your Job

AARP provides people with a checklist of suggestions on immediate steps to take together with longer term ideas for dealing with this new situation. [http://www.aarp.org/money/work/articles/lost\\_your\\_job.html](http://www.aarp.org/money/work/articles/lost_your_job.html)

## Wi\$e Up

This financial education program, from the U.S. Department of Labor Women's Bureau, is designed for Generation X and Y Women. <http://wiseupwomen.tamu.edu/index.php>

## WIFE

The Women's Institute for Financial Education (WIFE) is a nonprofit organization dedicated to providing financial education to women. WIFE offers feature articles on personal finance topics, online video clips, and book reviews. <http://www.wife.org/>

## Calculators

**Doughnut Hole Calculator**—AARP's free online resource to help older Americans avoid the coverage gap in Medicare's program that leaves seniors liable for all of their own costs while still paying premiums. <http://doughnuthole.aarp.org/>

**Edie the Estimator**—This estimator will let you know whether your deposits are within or exceed FDIC coverage limits, for each of your FDIC-insured bank accounts. <https://www.fdic.gov/edie/index.html>

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

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