Save Up to 50% on Your Grocery Bill

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B. Franklin

The Franklin Prosperity Report

'A PENNY SAVED IS A PENNY EARNED'

Special Edition

Save Up to 50% on Your Grocery Bill!

Does 'Super-Couponing' Actually Work in the Real World? We Put 'Extreme' Shopping Strategies to the Test

Editor's note: You may have seen television shows such as "Extreme Couponing" on TLC, and you've undoubtedly heard stories about people getting hundreds of dollars worth of groceries for pennies on the dollar. You don't want to be stuck behind those people in the checkout line, but otherwise, such feats certainly seem like heady accomplishments.

However, a closer look reveals the obsessive nature required for that level of couponing success. Hunting for coupons online and in print for hours every day, driving miles from store to store, hoarding products in overflowing cupboards (and basements and garages and under beds) can get a little, well, *crazy* in a hurry.

Now, we at The Franklin Prosperity Report love saving money. It's our *raison d'être*, in fact. But having heard so many of these wild-eyed grocery coupon tales, we wondered what an average person realistically could save without quitting her job and dedicating her entire existence to the search for fliers and buy-one-get-one-free promotions. So we recruited one of our top writers, Karla Dial, who is based in Colorado Springs, Colo., and issued her the following challenge: Working with couponing expert Jill Cataldo, how much could she and her husband save on their grocery bill while still having a life — and some closet space? Here's her story, in her own words, chronicling her month of coupon clipping and smart shopping.

I have a confession to make right up front: I don't like grocery shopping. So I've always kept my shopping strategy fairly simple: I keep a notepad on the refrigerator and jot down what we'll need to pick up on our next trip as things run out. Then, at the store, I try to get in and out fast,

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which means sticking strictly to the list. Being concerned about health, I often find that I shop the perimeter, where all the fresh produce and meats can be found, while occasionally dipping into specific aisles for packaged items like canned tuna and cat food, among other necessities.

The rest of the store consists of what I refer to as "the Elvis aisles" — the ones where you'd find Elvis if he were still alive, scarfing down potato chips, candy bars, and all the other highly processed, cellophane-wrapped, sugar-laden things I generally like to limit in my house. (My husband, unfortunately, *loves* these aisles.)

All told, we don't do much to save money when shopping, which is simply unacceptable in this economy. So I was ready for the challenge when asked to be a guinea pig for this article, and to find out whether an everyday working couple can indeed save significant money on grocery shopping.

Saving Money: It's Not Just Coupons That Matter

First, taking stock of our spending habits, I found we spend an average of $174.16 per week on groceries, usually making two trips per week. It seemed like an awful lot for two adults and a cat, considering some single-income families with kids spend less than that.

Jill Cataldo is a couponing expert and founder of Super-Couponing workshops. Her insight and advice can be found at www.JillCataldo.com.

Enter Jill Cataldo, a super-couponing expert who writes a syndicated newspaper column that reaches 20 million people nationwide. She also teaches live workshops and runs her own blog (www.jill-cataldo.com). Cataldo, who lives in Chicago with her husband and three kids, strikes me as pretty normal: Like me, she's health conscious, doesn't want to drive all over town shopping at multiple stores, and is too busy to spend 60 hours a week preparing for one shopping trip, the way some people do on television.

"Super-couponing is not your mom's couponing," Cataldo tells me. "It's as much about tying your purchases to the retailers' sales cycles as it is about using coupons."

Essentially, this involves the same tactics as making a killing on Wall Street. Except that, instead of buying low and selling high, you are buying low and saving up for Armageddon.

Every item in the grocery store is on its own 12-week price cycle. By paying attention to those prices, you can figure out the cycle — or rely on websites that track those prices, such as SavingsAngel.com, GroceryGame.com, Groceryguide.com, MyGroceryDeals.com, and CouponMom.com. Once an item is 50 percent off or more, it's time to stock up.

"It's a little bit different way of shopping because you're shopping ahead of your needs," Cataldo says. "You never really run out of anything, and you're never forced to buy anything at the worst time."

More Savvy Shopping Strategies

Surprisingly, Cataldo avoids bulk stores and "everyday-low-price" stores — the reason being that both tend to price items near the midpoint, thus never having those 12-week sales cycles. The same goes for house brands at any grocery store. Cataldo shops only one grocery store and one pharmacy, once a week, usually loading her cart with national brands.

In addition to matching a sale with a coupon, super-couponing can involve stacking a store coupon (sometimes found in aisle dispensers near the product) with a manufacturer's coupon (often in newspaper fliers and sometimes on the product itself in the form of a peel-off sticker) whenever possible. This doesn't just discount the price — it sometimes results in overages in which you get money back.

Cataldo also recommends paying attention to "Catalina" promotions — the coupons that are printed out at the store register with your receipt (aka the things I've been throwing away all these years). Those can save money on a future trip. In addition, some stores (such as Walgreens and CVS pharmacies), will print out register receipts that are cash-back award coupons, to be used on anything in the store.

After talking to Cataldo, I realized there are more sources for coupons than I imagined. In addition to those Sunday newspaper inserts, I can get deals by registering my loyalty card at the King Soopers website, www.kingsoopers.com. (King Soopers is my local grocery chain, owned by national retailer Kroger.) This allows me to view a list of e-coupons and click on the ones I want to add to my card; some third-party sites do the same. The discounts are taken when I swipe it at the register. Several dedicated websites offer printable coupons.

My first act of enlightened shopping was to register on Cataldo's blog. Because I have been getting my news online for the past several years, my next step was to subscribe to *The Denver Post* — Cataldo says the largest newspaper serving an area often has more coupons and higher per-item savings than smaller ones.

I clicked through several coupon-offering sites Cataldo has listed on her blog: Coupons.com, SmartSource.com, RedPlum.com, and CouponNetwork.com. I registered my King Soopers card on Shortcuts.com and loaded several potential coupons on to it.

My next stop was the King Soopers website to look up the coupon policy. Bad news: I can use either a manufacturer or store coupon on an item, but I can't stack them. I also can't combine digital coupons with paper coupons. Digital coupons will not be doubled.

These policies are a setback, but I remind myself that's why we're doing this experiment — to find out where the potential pitfalls are for us real folks who want to save money.

Eight Steps to Savings Bliss

The sidebar that begins below, "Karla's Grocery Shopping Diary," chronicles a month's worth of shopping. After reading it, you'll learn a couple of things about saving on groceries:

- One, saving significantly will take trial and error, and perhaps as much as three months of practice, before you're making a good dent in your spending.
- Two, achieving the show-stopping savings of those featured on "Extreme Couponing" is next to impossible without approaching it as a full-time job. But that doesn't mean you can't benefit greatly from using their strategies, minus a generous portion of the "extreme."

Success is going to take some patience and the right tools — certain websites, stores that allow you to stack coupons, and possibly a degree in computer science. However, take heart in the knowledge that your odds of saving big improve the longer you do it, and the larger your collection of newspaper inserts.

As a recap, we've distilled everything learned over the course of this experiment into eight actionable tips:

1) Before you visit the store, visit the World Wide Web. Start by registering at Cataldo's blog, www.jillcataldo.com. It's free and it'll connect you to a number of other resources you'll want to get familiar with, including

Karla's Grocery Shopping Diary

May 8: My husband and I formulate a shopping list, load digital coupons on to our card, and head to King Soopers. One of my coupons is for frozen vegetables, and after a lengthy search, I find some green beans and broccoli fitting the coupon parameters. We end up with 52 items in our cart, spending $129.06 and saving $17.95 with coupons — 14 percent. Clearly, we have a long way to go in our quest to get to 50 percent or better.

May 15: I check Shortcuts.com and the weekly ads on the King Soopers site for digital coupons. At the store, I buy 60 items for $152.06, using $6.50 in manufacturer and $22.85 in digital coupons to get $29.35 off my total — 16 percent of my purchase. Better than last week but nowhere near the 50 percent goal.

I register on SavingsAngel.com for $5 a week. The 30-minute tutorial tells me what I suspected: It will take a few months to build up to 50 to 70 percent savings on my grocery bill because it will take that long to build up my pantry. But once I do, I'll be buying only steeply discounted items at the store and shopping from my own pantry the rest of the time. I should give myself 12 weeks to get a feel for price cycles.

May 22: I peruse SavingsAngel.com to learn how it works. It indexes sales at several stores, including Kroger, which owns King Soopers.

Coupons.com, SmartSource.com, RedPlum.com, and CouponNetwork.com, among many others. Bookmark all these sites in a folder under your "Favorites" so they're easy to revisit each time you're preparing to shop.

2) Subscribe to the local newspaper. Make sure it's the largest paper serving your area because it should include the most coupons. You also may be able to determine which day of the week contains the most fliers and coupons and just buy the paper individually that day each week; it's up to you. (You'll also want to buy an accordion file folder, such as those available at OfficeMax or Staples, so you can save and sort coupons and fliers by date.)

By the way, in the hunt for coupons, "extreme" couponers have been known to raid dumpsters and recycling bins for extras, but we obviously don't recommend such behavior. After all, no amount of "$1 off detergent" coupons can wash away your loss of dignity!

3) Create a master list of essential foods and toiletries you use in your home. This is what you'll use to assemble your grocery list and also help you focus on the products you need to watch as you learn their 12-week sales cycles.

4) If your local grocery store and pharmacy offer a club card or rewards card, be sure you sign up. If you're already using these cards, you may just be swiping them when you check out, but be aware that there are more savings you may be missing.

Indeed, many cards now offer coupons that you "load" on to the card, but you must visit the store's website to do so. Just follow the prompts to scroll through the offers; usually it just involves a click and you've automati-

Clicking on "Kroger" takes me to a list of sale items ranked by percentage discounted. I can build a shopping list here, with a counter on the left side of the page that keeps a running account of how much I will spend and save. The "Available Coupons" tab takes me to a list of places to find them — digital, printable, or the date of the newspaper insert. I try it, only to find that some of my e-coupons are good only in Ohio and others are found in newspaper inserts that predate my collection.

Four hours later, I still haven't eaten breakfast and am nowhere near ready to go shopping. I print my list from the site and force my poor husband to find the relevant coupons in the inserts we have, crossing off all the items we don't have any for. Then I print out all the e-coupons I can, registering at the relevant websites as I go, each of which offers to email me coupons in the future. Great, but this is turning into an all-day project. I remind myself that getting started is the hardest part but that this will all pay off later. I remind my husband, too, for good measure; he's getting as cranky as I am.

Because I can't find any deals for food items I actually need, I am left with a list of personal-care items. So we head to Walgreens and use our coupons on its Register Rewards products. Do we need all this stuff? Not at the moment — but this is what super-couponers do, isn't it? Buy low and stock up for later. We spend $52.57 on shampoo, conditioner, split-end treatment serum, body wash, shaving gear, foot stuff, eye drops, and bar soaps. We save $24.36 — 68 percent of our total — and get $14 worth of

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cally downloaded a digital coupon to your account, which will be activated at the store when you swipe your card at the register.

5) Stay away from bulk-buy stores such as Costco and Sam's Club, and also avoid the house brands at any grocer. Occasional shoppers can indeed save money at all those locations and with house brands when compared when full-price branded goods elsewhere. If you aren't interested in a more dedicated approach to saving money on groceries, then by all means, shop Costco, Sams and pick up house brands.

But if you really want to take your savings to another level, you need to take advantage of the sale cycles at traditional grocers, where name-brand items go on sale well below their "midpoint" costs. Those sales generally don't occur with house brands, and such deep discounts are not the norm at "everyday-low-price" retailers, either. In other words, if you plan ahead and time your shopping right, you can get brand-name products at prices *lower* than you'd find at the typical bulk store or via a house brand option.

6) Remember that your house is not a warehouse. One of the tactics of extreme couponers is to buy items in bulk – and not just a few extra but hundreds in some cases.

Simply put, that's just ridiculous, especially considering that so many things you may buy have expiration dates. Instead, set a limit. Some saner couponers swear by the "rule of three," meaning that you never have more than three of any one item on hand. For a deal, you may need to stretch that limit sometimes, but for the most part, it's a solid guideline to avoid unnecessary excess.

7) Limit how much time you spend planning your trips to the stores and hunting for coupons. There's a fine line between frugality and obsession,

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cash-like Register Rewards to use on our next purchase before June 5.

I feel like I've been hit by a truck, but there's still no food in the house. I walk my husband through the basics of loading coupons on to his loyalty card and send him off to buy whatever he wants. He returns an hour later, bearing frozen pizzas, energy drinks, and ice-cream bars. Someone's made full use of the Elvis aisles today! But he's saved $32.20 — 35 percent of his $90.79 trip. The knowledge that we didn't pay full price consoles me slightly.

▸ **May 27:** I register at GroceryGame.com and watch the five-minute tutorial. The deals are color-coded — green items are free, blue items are 50 percent off or more, and everything else is in white (so buy it only if necessary). I need only rice cakes, but I don't see a deal for them here. I click through the sale items and make a short list of things to stock up on. Some are actually food! According to my tracker box, if all goes as planned, I will spend $37.76 on the 27 items I've selected and save $71.44, or 65 percent. I click the tab that allows me to gather my coupons — some of which are available right on the site — but get an error message. I'll have to figure this out later.

In the meantime, I hit Walgreens with my 14 Register Rewards bucks in my wallet. I find no rice cakes but plenty of the sugary products my husband likes. My story is due in a few days and I feel pressure to prove this can be done — 50 percent or better . . . this time with food! So I prowl the aisles searching for discounted and you don't want to cross over from the former to the latter. Cataldo suggests not spending more than one or two hours per week maximum, and preferably less, on planning and coupon hunting.

8) Pure monetary savings shouldn't be your only driving goal when you shop. In the world of coupons, it's much easier to find savings on cookies, crackers, candy, and other processed food than it is to find savings on healthy items such as fruit and vegetables. In the long run, you're much better off putting your health first, and savings second, when building your grocery list.

The Take-Home Message

Despite reaching my 50-percent-off savings goal only twice (and winding up with a little too much junk food in the process), the monthlong experiment in "super-couponing" wasn't bad at all. In April, my husband and I shopped eight times, paying a total of $696.65 for an average of $87.08 per trip. In May, we shopped 12 times (more mainly because of this article), paying a total of $804.92 for an average of $67.08 per trip.

Admittedly, the weekly average we were spending was $201.23 per week in May, putting the bill higher than it was in April, but that's misleading. If I stick with these new shopping tips, my weekly average will certainly drop month to month, as the products we've stocked up on during sales come into play, knocking things off future shopping lists that we would have ended up paying full price for.

In the final analysis, then, shopping smarter and using coupons can be a fruitful — and sometimes even exhilarating — experience. Just don't let the chase for cheaper consumables consume you. □

snacks, nutrition be damned: energy drinks, trail mix, chocolate-covered toffees, licorice, and cheese. I end up with $9.62 in store discounts added to my $14 in Register Rewards, spending a grand total of $4.55 on $27.80 worth of products — saving 84 percent. Yes, 84 percent! So this is what super-couponing feels like. I feel 10 feet tall and bulletproof.

▸ **May 29:** With my growing newspaper insert collection organized by date in my new case file-folder system (one of Cataldo's tips), I log back on to GroceryGame.com to search for deals on the things I'm out of (egg whites, tuna, peanut butter, avocados, and the still-missing rice cakes). I see only one coupon — for a jar of no-stir peanut butter I'd bet is full of hydrogenated oils. I turn my attention to fixing whatever computer glitch prevented me from getting my e-coupons from the site two days ago. This takes half an hour. Once done, I'm able to see a list of printable coupons . . . but not the ones I want. A scene from "Extreme Couponing" pops into my head: One of the shoppers saying that anyone who claims to spend less than 10 hours a week prepping for a shopping trip is lying. I believe her.

With the prep done, it's time to hit the stores. At Walgreens, we spend $126.95 on personal-care products, junk food, and three cans of tuna, saving $35.78 (22 percent) and earning another $15 in Register Rewards bucks for future use. At King Soopers, we spend $106.38 on real food, saving 15 percent with coupons. We then visit Whole Foods to grind our own peanut butter and buy recycled toilet paper, spending $33.65 and saving no money — but lots of trees and wildlife. □

Investing

The Pitfalls of Automatic Portfolio Rebalancing

If you participate in a 401(k) or other retirement account, you may have been given the option to have your portfolio "automatically rebalanced" for you at set junctures, such as quarterly or yearly.

The idea behind rebalancing is to minimize investing risk by reverting the balance of stocks and bonds to percentages you initially set, based on your time horizon to retirement (generally heavier on stocks when you are younger, more bonds as you age).

Matthew Tuttle, a regular contributor to The Franklin Prosperity Report, is the founder and CEO of Tuttle Wealth Management in Stamford, Conn.

For instance, if your portfolio holds 50 percent stocks and 50 percent bonds, your stock-to-bond ratio may have shifted to 60 percent stocks and 40 percent bonds during years when the stock market is rising and equity values appreciate. Traditional rebalancing basically forces you to take the profits you made from equities and use them to buy more bonds, thus achieving that initial 50-50 ratio. The question is: Should you agree to have your portfolio rebalanced automatically?

Absolutely not, says **Matthew Tuttle**, CFP, MBA, CEO of Tuttle Wealth Management in Stamford, Conn. "Automatic portfolio rebalancing is stupid," Tuttle says. "The idea that you'd rebalance a portfolio based on a calendar date to me is kind of crazy."

The correct way to rebalance is to understand the underlying market dynamics and act accordingly. "The key to safety is staying in harmony with the major market trends," Tuttle says. "So, if you see that those trends are favoring small caps over large caps, you overweight small caps; if stocks are doing better than bonds, you overweight stocks. To me, age has very little to do with it."

Nor does Tuttle like the method of portfolio rebalancing that calls for investors to increase the portfolio percentage of bonds as they move closer to retirement.

"Conventional wisdom says that, as investors get close to 65, they should have most of their portfolios in bonds," Tuttle says. "That pretty much guarantees that, at age 80, you're going to be working at Walmart, because life expectancy is increasing. I'm going to my grandmother's 96th birthday party next month."

Shifting almost everything to bonds as you age is risky because rising interest rates will bring capital losses and because bonds don't keep pace with inflation, Tuttle says.

To be fair, not all financial advisers are completely anti-auto-rebalance. Whether you should allow automatic portfolio rebalancing depends on the kind of investor you are, says **John Graziano**, CPA, PFS, CFP, president of Graziano & Co. in Bayonne, N.J. "Hands-on investors who either actively monitor their portfolios or use a financial professional should not be automatically rebalancing," Graziano says.

John Graziano is president of Graziano & Co., an accounting firm based in Bayonne, N.J. He can be reached through his site, www.JohnGraziano.com.

However, allowing automatic rebalancing can keep hands-off investors out of trouble. "The really negative part of being hands off is that the ratings of the funds and sub-account they chose for their portfolios may not be as good as they were when the investments were purchased," Graziano points out.

Even if you're a hands-on type, you might want to ask a financial professional to monitor your investments along with you. Graziano says his firm monitors portfolios with its hands-on investors free of charge. "It's part of the service we provide," he says. □

Need a Loan? It May Pay to Be Your Own Bank

Borrowing from your 401(k) retirement plan used to be considered taboo, left only for a worst-case financial scenario — and even then frowned upon because of the potentially deleterious effect on your long-term gains.

Darrell Canby, CPA, CFP, is a shareholder at Canby Financial Advisors in Massachusetts. He has over 35 years of experience as a tax professional.

However, difficult economic conditions and today's low 401(k) loan rates make borrowing from these retirement accounts a more appealing practice, or at least an option to consider when in need of a cash influx.

In fact, a new study by researchers at the University of Michigan says a 401(k) loan can make you richer, provided that you use the loan proceeds to reduce or eliminate high-interest debt.

Current 401(k) loan charges are the prime rate plus 1 percent — and the loans can last up to five years (or 15 years if used to buy a home), according to the Profit Sharing/401k Council of America. If the prime rate is 3.25 percent, you're looking at a 4.25 percent interest rate; compare that with the 14.88 percent average annual percentage rate nationally, and you can see quickly why a 401(k) loan is an enticing option.

Oh, and the best part? Instead of that interest going to the bank, it goes right back to you, deposited into your 401(k) account.

"If you're borrowing from your 401(k), you're not technically pulling money out permanently, so you don't have to pay tax on it," says **Darrell Canby**, CPA, CFP, shareholder at Canby Financial Advisors LLC. "You're going to repay the loan, and the interest you pay is to yourself."

"Reducing high-interest debt means less cash outflow and is certainly cheaper than paying the high interest on something like credit-card debt," Canby says. "For many people, borrowing from their 401(k) plans and using the money wisely may be a smart financial move."

Of course, there are drawbacks that must be taken into serious consideration before you self-fund your own loan. First, realize that at a portion of future 401(k) contributions made via automatic payroll deductions go toward paying down the loan, which slows your investment account growth.

In addition, should you lose or otherwise leave your job and fail to repay your 401(k) loan within 90 days of your final day on the clock, you'll be on the hook to pay federal income tax on the amount you borrowed, plus a 10 percent penalty if you're younger than 59½. In that scenario, that loan quickly morphs from a cheap option to a very expensive one.

Canby also points out that only through hindsight can you calculate what you missed in retirement savings growth by temporarily removing some money from your account.

For example, if you take two years to repay a $20,000 loan from your 401(k) and you were invested in the S&P 500 Index, which appreciated for each of those years, your opportunity loss would be what the appreciation would have been on that $20,000 over that two years, compared with the money you saved by using a low-interest loan to repay a high-interest one.

Opportunity loss always depends on what the market might have done, and every would-be 401(k) borrower lives in a different financial situation. "If you have $100,000 in your 401(k) and borrow $20,000 to reduce high-interest debt, that's one thing," Canby says. "But if you have $20,000 and you borrow the whole thing to do that, it's quite another. You have to look at the total package."

Also of note, depending on your employer, there may be limitations on what you can obtain a loan for (usually education expenses, medical expenses, or to avoid foreclosure or buy a first home).

With all of that in mind, if you're currently facing down a perilous mountain of debt and are committed to a multi-pronged plan of eliminating it, the option of taking out a 401(k) loan — once almost universally frowned upon in personal finance circles — actually could be a very helpful part of the solution. □

Ben's Good Cents

"Who is wise? He that learns from everyone. Who is powerful? He that governs his passions. Who is rich? He that is content. Who is that? Nobody."

Getting the Most Value From Hotel Programs

There are as many hotel loyalty programs as there are hotel chains. In all, almost 20 chains are vying for the loyalty of American travelers, each with its own frequent-stay program and set of features and benefits. What those programs have in common (and where their value lies) is that they all award points for paid stays, and the points can be redeemed for free nights.

But which program rewards program members with the most free nights for the fewest paid stays? Which program, in other words, represents the best return on investment? We put that question to **Ric Garrido**, founder and principal blogger at Loyalty Traveler. Garrido's in-depth reports on hotel programs are legendary among travel analysts for their rigor and depth.

According to Garrido, the hotels' frequent-stay schemes have evolved over time to offer nearly equivalent benefits in return for comparable spending on paid rooms. (That's valuable insight because the programs' differing earning and redemption schemes make apples-to-apples comparisons difficult.)

But that doesn't mean all programs deliver a completely equal return on investment. The difference is in the extra value that some programs' periodic promotions deliver, he says. Garrido singles out Priority Club Rewards, the loyalty program of the InterContinental Hotels Group, as "a step above for good value" for its frequent and rich bonus offers.

Ric Garrido is the founder and principal blogger at Loyalty Traveler, one of the Internet's leading websites for hotel loyalty program advice and information.

Through the summer, for example, members of Priority Club can earn double points or miles for two or more stays, plus a $75 rebate for weekend stays. Taken together — and the offers are combinable — the extra points and rebate amount to exceptional extra value.

In addition, InterContinental's extensive network, which includes almost 5,000 hotels at a variety of price points, makes it a good fit for price-sensitive leisure travelers as well as for business travelers paying with a company credit card.

At the premium end of the hotel spectrum, Garrido likes Hyatt's Gold Passport and Starwood's Preferred Guest programs, "both of which feature good promotions and more free nights," he says.

How can you ensure that you get the most out of whatever hotel plan you choose? Garrido has two tips. First, if value is the goal, "use the programs with a purpose and a plan, namely to get free stays," he says. And second, more strategically, "look at using hotels over a year, including any free stays from loyalty-program points, not just at the price of a single stay."

Want a Better Deal? Negotiate!

Everybody knows there's room to haggle over prices when buying big-ticket items such as houses and cars. But when it comes to smaller, everyday purchases, we tend to think the sticker price is the actual price.

Not necessarily. **Christine Frietchen**, editor in chief of ConsumerSearch.com, a product-review website based in New York City, says that, with a little bit of haggling know-how, you can score great deals on all kinds of items.

Christine Frietchen is the editor in chief of ConsumerSearch.com, a website that provides expert and customer reviews on thousands of products.

"You won't have any luck at Target or Walmart, but other places you very well might," Frietchen says. Choose stores that carry only a few versions of the item you want, and ask whether they can do anything on the price. Also, research online beforehand to find the lowest price possible for the item you're looking for. If you print it out and take it with you, many store managers will match it. If you're buying more than one of the item, mention it to the salesperson — that's often worth a price break, as is offering to pay in cash. Here are items you'll have the most success haggling over:

- **Electronics.** The bigger the toy — TVs, stereos or smartphones — the greater the possibility of a deal. Best Buy has a best-price guarantee, so your online research will pay off there. On the East Coast, the electronics and home-appliance chain P.C. Richard & Son always is open to haggling, Frietchen says.

- **Furniture.** "Furniture salespeople are almost always on commission, which is why they jump on you when you walk in the door," Frietchen points out. "They typically have a lot of wiggle room." If a price break isn't to be had, ask for free extras — such as matching pillows or a chair — and free or discounted shipping.

  This rule goes double for mattresses. "The rule of thumb is you should never pay more than 50 percent of the sticker price," Frietchen says. "Mattress sales are so competitive they'll almost always do that." If the price break doesn't meet your demands, ask for a free box spring, corresponding pillow top, or extra pillows to make it worth your while.

- **Clothing.** Look for slightly damaged items, such as those missing a button or with stuck zippers. "The managers will almost always give you at least 20 percent off for those; if you can fix those yourself or pay a dry cleaner a few dollars to do it, it's worth it," Frietchen says. The key is to shop on a weekday and get the manager to help you. Also, ask whether any sales are coming up — employees often will tell you, and managers sometimes will extend the sale price to you early.

  Store clerks often keep coupons at the cash register and will scan them for you if you ask. And if you pay full price for an item that goes on sale shortly afterward, some stores — notably Bed Bath & Beyond — will refund the difference to you if you bring in your receipt. □

Can You Get Out of an Annuity? Yes! Here's How.

Annuities might be the most misunderstood and poorly explained financial instrument of modern times. Buying one for a portion of your income in retirement can be a source of great comfort — but if the markets change rapidly, it also can be a source of great regret.

Simply put, annuities are a stream of payments made to an investor over years in exchange for an agreed sum today. They come in many flavors, and they can be bought in a tax-advantaged vehicle such as an IRA or outside of them. Annuities often involve complex "riders" that are designed, one would hope, to protect the investor. Of course, riders often protect the insurance company issuing them, as well.

Leslie Long is the president of Long Financial Services, a financial and investment advisory firm with offices in Plymouth Meeting, Pa., and Boca Raton, Fla.

Usually, buyer's remorse arises because of poor advice or aggressive selling techniques. Investors are promised a strong-performing investment with little risk. Yet many people fail to recognize an annuity is a product sold by insurance companies for profit, no matter what happens to the underlying investment.

Therein lies the rub: In a rising market, a fixed annuity can seem like a rip-off. If the markets fall, a variable annuity feels like you are taking on too much risk. People change, too. Maybe you simply made a mistake or your circumstances have shifted. Can you get out of an annuity without losing your shirt? The answer is a qualified "yes," financial experts say.

The high cost of changing your mind: "Besides death and taxes, there really isn't anything that you can't get out of. Even a bad haircut will grow back. The question is, how much will it cost?" says **Leslie Long**, president of Long Financial Services (www.LongFinancial.com).

Most annuities, Long explains, have what's called a "surrender charge schedule," which sets a fee for how much you must pay to end the annuity. The charge typically is as high as 10 percent in the early years (to discourage you from canceling) and decreases steadily each year. You can find out what schedule you agreed to by reading the policy or by calling the insurer who issued it.

Kevin M. Lynch, CFP, is an assistant professor of insurance at The American College in Pennsylvania. He's been in the insurance industry since 1981.

This feature is less common on annuities that guarantee lifetime payments in exchange for a lump sum of principal. "Even if this is the case, there is still the option of selling your annuity, and there are a number of companies who purchase these income streams for a lump-sum buyout," Long says.

Another option is available to people who took out a deferred rather than immediate annuity, says **Kevin M. Lynch**, an assistant professor of insurance at The American College in Bryn Mawr, Pa. "The first alternative is to take the annual cash withdrawal, usually available in the amount of 10 percent of the annuity's current value," Lynch explains. "If the client has not taken a withdrawal in the preceding years, many contracts allow for an increased amount above 10 percent, usually for a maximum of 25 percent of the current value, without penalties."

It is important to note that, normally, surrender charges are levied only against the earnings on the original balance, not on the entire sum of the investment, Lynch says. "Some abusive annuities levy against the balance of the investment, but I do not recommend those," he says.

Planning better for next time: Be careful with taxes, warns **Justin Krane**, a financial planner in Los Angeles. For instance, the insurance company may let you take a 10 percent distribution penalty free, but consider the impact of that distribution from a tax perspective in any given year. If you bought into a tax-advantaged IRA, this probably is less of a problem if you leave the proceeds in the IRA to reinvest instead of cashing out.

Justin Krane is a financial planner and founder of Krane Financial Solutions in Los Angeles. He's also a member of the Financial Planning Association.

If you're fleeing an annuity, take care that the new destination for your savings is a better deal, says **Kasey Gahler**, a financial adviser in Austin, Texas. "Many investors looking to transition from an annuity to another investment product are those who purchased an IRA annuity from an insurance company with a 401(k) rollover and now want something with lower internal costs," he says. That's often a fee-based IRA. "In almost every occurrence, (a fee-based IRA) will lead to lower costs for the investor with the understanding one would lose any guarantees offered by the insurance company," Gahler says.

What to do if you must stay put: If you can't get out without losing a lot of money, you can ask to switch annuity types — for instance, from an expensive variable annuity to an index or fixed annuity — without starting a new contract, says **Robert Laura**, president of Synergos Financial Group in Howell, Mich., and author of *Naked Retirement* (Spiritis Publishing, 2010).

Also, you might ask the insurer to remove costly riders. "Some annuities offer a 1 percent death-benefit rider," Laura says. "The rider says if you invest $300,000 and then die at a time when your account value fell to $250,000, your beneficiaries get $300,000. However, at a $3,000 a year cost [1 percent of $300,000], you could've bought triple the insurance coverage yourself."

Robert Laura is president of Synergos Financial Group in Howell, Mich., and author of *Naked Retirement* and *Financial Karma*, available on Amazon.com.

It's tricky, of course, so talk to a qualified financial planner or adviser before you contact your annuity provider. It's better to think through a big move than to have to undo it again within a few years. □

Hiring Your First Employee? Use This Checklist

Has your small business grown to the point that you're considering hiring your first employee? For guidance on this important decision, which can make or break a business, we spoke with **Lawrence Gelburd**, who teaches at University of Pennsylvania's esteemed Wharton School and co-founded a company of his own, American Auto-Matrix. Here are seven of the most important steps he recommends:

1. Decide whether to hire a full-time employee or a contractor. It's much simpler to hire (and fire) someone as a contractor. Contractors are responsible for paying all of their own taxes, while you're responsible for withholding taxes for full-time employees, and you have to pay half of their Social Security taxes yourself. "Remember, it's much easier to get into a bad relationship than out of it," Gelburd says of the hiring decision.

2. Have at least one other person interview candidates with you. It could be a friend or a business contact, who could catch something about the person that you miss. "I have my wife meet people for a sandwich with me," Gelburd says.

3. Run a background check on anyone you plan to hire. This should always include conversations with the person's references and, if possible, someone outside the references who knows the applicant. You also might want to check for a criminal record. This can be done on the Internet for a fee.

4. Create an employee manual. This should include a description of all your policies toward employees. You want to spell out that the employee can be fired at will, unless you both sign a contract that stipulates otherwise. Sample manuals are available on the Internet.

5. Use an employment contract. In addition to stating whether the employee can be fired at will, this will state the terms and conditions of employment explicitly. It should include a phrase that the contract supersedes any verbal agreement. "That's an excellent way of avoiding 'You said this, I said that,'" Gelburd explains.

6. Make sure you have followed all legal considerations, including those that your city, county, and state require. For example, you'll have to register with your state's labor department to pay unemployment compensation taxes, and you'll have to set up a payroll system to deduct federal income tax, Social Security, and Medicare taxes.

7. Establish a probationary period before the employee receives benefits such as health insurance. "That gives you a chance to make sure you're satisfied before you start paying for insurance and other benefits," Gelburd says. □

Dr. Franklin's Mailbag

Every month, we ask readers for their best tips on making and saving money. The amounts don't matter; it's about little changes anyone can make to keep more cash in their pockets to save, invest, or spend better elsewhere.

Money Back When You Shop

I'm a member of MoreRebates.com, a website that offers coupons, deals, and promotional offers for a number of online stores, including clothing, books, electronics, groceries, pet supplies, toys, and more. Since I signed up, I've received rebate checks totaling more than $100 from the site. You earn anywhere from 2 to 5 percent of the total purchase price, depending on what store you buy from.

— Marsha K., Fredericksburg, Va.

Profit From Your 'Stuff'

As we get older, we realize we have an awful lot of belongings that someone is going to have to deal with when we're gone. Why not start clearing the clutter now and put a little extra money in our pockets?

I decided to get rid of cookbooks I never use. After going through my home, I ended up with two boxes of them. One turned out to be a collector's item — I checked on eBay and one just like it had recently sold for $189. Antique stores will buy things like this from you if you don't want to go through the trouble of putting them up for sale on eBay or another auction site.

The rest of my cookbooks, along with a myriad of other "treasures," will go out for a big yard sale.

— Arlene H., Martinsville, Va.

A Versatile Solution

With one product you may already have in your home, you could be replacing numerous other products at a nice savings. Water Displacement Formula #40, commonly known as WD-40, is usually used as a spray here and there to stop a squeaky hinge or loosen a tight nut.

But it also protects silver from tarnishing, helps untangle jewelry chains, and works great to remove bugs and tar from your car without hurting the finish. Need to remove a lipstick stain from your clothes? Give the clothing item a spray before washing and the stain will be gone.

It also helps get the grime off your barbecue grill and can remove all traces of duct tape. In the bathroom, it keeps the bathroom mirror from fogging up and keeps your glass shower door free of water spots. And for all the fishermen out there, because its basic ingredient is fish oil, a short spray on your favorite fishing lure or bait acts as good as any of the high-priced fish attractants you'll get in the tackle shop.

— Dennis B., Monument, Colo.

Playing Smart at the Pawnshop
If you're looking to purchase merchandise from a pawnshop, it's best to negotiate the price the last day of a week or month. (Never pay the ticketed price because pawnbrokers mark items up, realizing that people will offer less). They need money to lend out on that date going forward, so on key dates such as the end of the month, the pawnbrokers often accept lower offers to get cash in hand.

Also, if the item you are interested in has been in the pawnshop for a long time, the pawnbrokers are probably anxious to accept a lower offer, so it doesn't hurt to stop back in and keep tabs on an item you're interested in.

— Jim L., Pattonville, Texas

Spread the Savings
Because margarine can be unhealthy for you, as can pure butter, I began making my own blend of virgin olive oil and butter years ago. Take a pound of butter at room temperature and add a pint (two cups) of virgin olive oil. Mix them together thoroughly, and store the mixture in the refrigerator. This mix will spread easily directly from the refrigerator. It tastes like pure butter yet is healthier, and is a money saver to boot.

— Louise S., Desert Hot Springs, Calif.

Be a Friendly Face
This advice may not save you tons of money, but it'll definitely make your shopping experiences more pleasant. At all the places you frequent, go out of your way to be nice to the workers and customer-service providers you encounter.

It sounds like common sense, but then again, why do we observe so many people who don't adhere to that advice? From the grocery store to the coffee shop, employees often have to deal with gruff shoppers who come in with a bad mood for whatever reason. By not being one of them, you'll forge an impression over time in the places you frequent.

I can say personally that I've gotten extra service and attention: I've had stockers go back to the stockroom unprompted to bring out just-arrived produce when they've seen me shopping for a particular fruit or vegetable. I've had checkout lines opened for me, and I've even gotten my meal for free a couple of times at a particular fast-food restaurant I often hit for lunch.

Of course, you should be nice everywhere, not just your regular neighborhood haunts, but being gracious and easy to deal with at your favorite places will certainly pay dividends one way or another. It's the right thing to do, and it makes good business sense.

— Jeff H., North Haven, Conn.

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Franklin Matters

Franklin on the United States Constitution

By Mark Skousen

"Thus I consent, Sir, to this Constitution because I expect no better, and because I am not sure that it is not the best." — Ben Franklin

Sept. 17 is Constitution Day in the United States, and students in schools everywhere will be learning about this founding document.

The United States has lived under the same government and Constitution now for more than 220 years. More than 100 nations have imitated the U.S. Constitution, with its emphasis on checks and balances and individual rights. Although the Constitution increased the scope and role of the state compared with the Articles of Confederation, the aim of the Constitution was to limit the powers of government.

As James Madison, the father of the Constitution, stated, "The powers delegated by the proposed Constitution to the federal government are few and defined . . . If Congress can do whatever in their discretion can be done by money, and will promote the General Welfare, the Government is no longer a limited one, possessing enumerated powers, but an indefinite one."

Franklin, a member of the Pennsylvania delegation to the Constitutional Convention in the summer of 1787, was a firm believer in limiting the power of the state and minimizing the passions of avarice and ambition. He adopted the French phrase, "*Laissez nous faire:* Let us alone . . . *Pas trop gouverner:* Not to govern too strictly."

He had witnessed the excessive powers of the English king and wanted to limit such authority. "A virtuous and laborious people may be cheaply governed," he wrote. He disliked the idea of a single president running the country. "I am apprehensive . . . that the government of these states may in future times end in a monarchy, and a King will the sooner be set over us."

He favored an efficient, democratically elected single legislature, the kind Pennsylvania had. He disliked a dual chamber of a House and a Senate, which he compared with a snake with two heads, the result being "lengthy disputes and delays and great expenses, and promote factions among the people and obstruct the public business." Limiting the Senate to two representatives might create an aristocracy, he said, "giving the rich a predominancy in government."

Franklin was not always consistent in his critique of the rich aristocracy running government. For example, he insisted that public officials be unpaid, which would have limited the legislature to only wealthy citizens. Fortunately, Congress ignored his views on this subject.

Nevertheless, being a businessman and a diplomat, he understood the value of compromise. His diplomatic skills came in handy often — for instance, during the debate over representation of the House and Senate. Franklin told the delegates, "A joiner, when he wants to fit two boards, takes off with his plane the uneven parts from each side, and thus they fit. Let us do the same."

He proposed the "Connecticut" compromise — letting the Senate be elected by the states and the House by population. "I have the happiness to report that a similar plan was eventually adopted," he wrote.

"A virtuous and laborious people may be cheaply governed."

When it came time to sign the document, Franklin made a famous speech of reconciliation. He told the delegates, "It is a singular thing in the history of mankind that a great people have had the opportunity of forming a government for themselves. We are making experiment in politics. In these sentiments, I agree to this Constitution, with all its faults, if they are such . . .

"When you assemble a number of men to have the advantage of their joint wisdom, you inevitably assemble with those men all their prejudices, their passions, their errors of opinion, their local interests, and their selfish views. From such an assembly can a perfect production be expected? It therefore astonishes me, Sir, to find this system approaching so near to perfection as it does . . . "

"On the whole, Sir, I cannot help expressing a wish that every member of the convention who may still have objections to it would, with me, on this occasion doubt a little of his own infallibility, and, to make manifest our unanimity put his name to this instrument."

As a result of Franklin's impassioned plea, 39 members signed the document, and the world's greatest country was set on its course.

Be free,

Mark Skousen, Ph.D., a sixth-generation grandson of Benjamin Franklin, is an economist and holds the Benjamin Franklin Chair of Management at Grantham University. He's the author of *The Compleated Autobiography by Benjamin Franklin*, a tome that fills in the 33-year gap left by Franklin in his original work from age 51 until his death, using Franklin's own papers as the guide.

Ask Franklin

We've made an offer on a short-sale home, but the bank that holds the mortgage is dragging its feet on a decision. Is there anything we can possibly do to speed up the process, or are we stuck on the bank's timeline?

— Joy B., Cincinnati

"Unfortunately, there is not much that a buyer can do to speed up the short-sale approval process," says Chris Yates, president and CEO of CM Yates Capital in Denver.

"Each lender has a different approval process that changes frequently, requires all sorts of documents from the seller, and may change on any given day when the government or investor [i.e., the holder of the mortgage-backed security] changes their policy, mood, or mind," Yates explains.

Yates says he's seen some banks speed up their processing time to as fast as six weeks, although that's an anomaly. From personal experience, he says CM Yates investors have purchased properties as much as 18 months after submitting an initial offer.

"The only thing that a buyer can really do to improve [his or her] chances is to make the best possible offer, pay cash, or provide some evidence of very solid funding resource and help convince the bank that this is the best offer it will get via short sale or at a later sale as an REO," which means real estate owned, a class of property owned by a lender, Yates says.

You can accomplish the latter by providing comparable sales data and photos of the property. "Photos of damage or distress will help your case, as will an estimate of repair costs in order to bring the property up to retail market condition," he says.

NEED EXPERT ADVICE? Email your questions to askfranklin@franklintips.com or send by regular mail to Ask Dr. Franklin, P.O. Box 20989, West Palm Beach, FL 33416.

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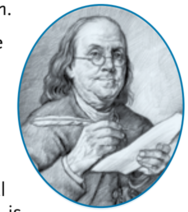

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