



*B. Franklin*

# The Franklin Prosperity Report

‘A PENNY SAVED IS A PENNY EARNED’

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## How to Make a Few Hundred Extra Bucks a Month, Starting Today

Cash flow pressures hurt and, no matter what the reason, we all experience them at one time or another. Given the current state of our economy, creating an ongoing channel of additional income is an excellent idea even if you're not experiencing a money crunch at the moment.

What can you do to earn a few hundred bucks extra this month? The first step, experts say, is to focus on what you have to offer by assessing your skills and researching the market rates for those abilities.

Sometimes the solution to a problem is literally right at your feet. That's what Jacob D'Aniello realized when he and his wife Susan needed some extra cash and overheard a neighbor complain about pet waste in his yard.

The neighbor quickly accepted the D'Aniellos' offer to clean up the waste for cash, as did many others in their neighborhood. At first, the couple offered their services on evenings and weekends. A few years later, what began as a quick way to pocket extra cash had become so popular that the couple launched Doody Calls. Soon, they were hiring and training employees, purchasing trucks, and ultimately selling franchises in several states.

Sometimes the biggest barrier to turning skills into income is time itself, especially for people who are already working full time, says Debra Condren, author of *Ambition Is Not a Dirty Word*. "Anyone can find two extra hours a day," Condren says. All it takes is analyzing your schedule and cutting out wasted time.

"Your daily two hours gives you an extra 56 hours a month. Multiply that times eleven (that's giving you a month off!) and you've discovered 616 hours for boosting personal productivity," Condren says.

She suggests using one hour for creative, strategic planning activities that require your

*Continued on page 4* ►

### INSIDE . . .

Dr. Franklin's Mailbag.....	2
Work From Home.....	4
Turn Words Into Cash.....	5
'Hands-On' Cash Makers.....	6
Share Your Expertise.....	7
Broker Price War Erupts.....	8
Lower Your 2011 Taxes .....	9
Gift Card Tricks .....	13
Why Pay for a Hotel?.....	14
Home Equity Loan Risks ....	16
Franklin's Love Life.....	18
Ask Dr. Franklin.....	20

## 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.**

If you're going to buy a cellular phone or a computer, consider a refurbished model first. People often return electronics they buy online for a different model and the manufacturer cannot simply repack the box and sell it as new. So, more often than not, the maker will inspect it, label it "refurbished," and then mark it down dramatically – half off or more!

– Jack M., Baton Rouge, La.

Being single, I can't always take advantage of buy-one, get-one-free offers. But most stores advertise that each item is rung up at half price, so I buy one at 50 percent off. Some stores also offer double-coupon days, often making an item at 50% off with a double-value coupon credit almost free. Sometimes I even make a few cents on the deal!

– Bill R., Winston-Salem, N.C.

Here's a helpful tip for all you gardeners: When mulching your plant beds, save the plastic bags the mulch comes in. Use these bags (instead of expensive garbage bags) throughout the spring and summer to bag up lawn clippings and weeds. This saves money and you recycle the bags!

– Arnelle P., Gary, Ind.

If you work and your spouse does not, don't assume adding him or her (and your kids) to your company's health plan is the best choice. For instance, I covered my wife and daughter separately in a private, high-deductible plan and saved \$5,000 on premiums in a year. I've socked that money away in a savings account to cover the deductible – if and when either of them gets sick. Meanwhile, that's real cash saved that pays us interest!

– Larry M., Lawrence, Kan.

Download the "Coupon Sherpa" app on your iPhone. This application allows you to search by store and most coupons can be scanned right from your phone at the check-out.

– Carl D., Minneapolis, Minn.

Make sure you have programmable thermostats for your heating and cooling. This saves money during winter and summer months. Programming higher temps during the day when you are not there in the summer and cooler temps during the day in winter really helps save on electric bills.

– Kathy M., Longview, Tenn.

This idea saved us more than \$300. We have a medical savings account through my husband's employer. We have to decide at the beginning of the year the amount of money we want to fund this account. Like most people, we base our funding on the prior year's medical costs then we cross our fingers and hope we guessed correctly because it is a use-it-or-lose-it deal. Our 2009

fund still had over \$300 in it at the end of December. So, on Dec. 31 we went online to drugstore.com and purchased \$300 worth of items our family uses all of the time – calcium tablets, eye drops, and saline nasal spray for flu season, as well as items like band-aids to stock our first-aid kit. We no longer concern ourselves (much) with over-funding the account because we know we won't lose it.

– Anne K., Pacific City, Ore.

Don't waste your money on brand-name diapers. They don't hold up as well as any of the store brands. Baby wipes, too, seem to be the exact same quality but cost less. They're handy for any kind of cleanup, not just a baby's bottom.

– Warren H., Palos Heights, Ill.

Skip the coffee drink from Starbucks. Instead, I buy their instant coffee, called Via (sold at Costco), which is pretty good and better than most office coffee. Another way to save is to get your hair cut at a chain, where you can get a fine haircut for \$10 on sale to \$15 instead of paying up to \$65 or \$70 at a salon.

– Sara M., Santa Cruz, Calif.

Coffee filters are cheap and can be used in any situation where you have to absorb or soak up, filter, cover, etc. Also, I take all my old calendar pages as the months pass and cut them up into notepaper size and keep them near my telephone – a cheap way of getting paper for notes. I have a three-month calendar at work and it provides many note-sized sheets each month.

– Glenn H., Wallingford, Conn.

When my children were in elementary school, they were invited to lots of birthday parties, which of course involved buying lots of gifts! To cut expenses but still give great gifts, I made a small "store" in the corner of a closet. I stocked it with items I found on sale or clearance. When a party invitation arrived, my child chose a gift from our home store. This still allowed them to choose a special gift for their friend but saved me lots of last-minute trips to the store to pay full price.

– Cheryl A., Plantation, Fla.

Change your satellite or cable subscription every year: Discount plans are normally offered if you will sign a one-year contract. These discounts are substantial (often 25 percent to 50 percent) but are generally good for only six months. After that, you are charged full price. So, keep track of your contract expiration date and switch to the provider who is offering the best discount at that time. You can even renegotiate with your existing company. This will save hundreds of dollars a year.

– Mike K., Murrieta, Calif.

**SHARE YOUR MONEY SMARTS AND GET \$50!** If you have a money-saving (or money-making) idea, send it to [saving@franklintips.com](mailto:saving@franklintips.com) or by regular mail to Franklin Tips, P.O. Box 20989, West Palm Beach, FL 33416. If we publish your idea, we'll send you a \$50 Walmart gift card.

*Continued from page 1*

brain to be fully awake and fired up, and the second one for the roll-up-your-sleeves grunt work that doesn't call for mental alertness or focus. The point is, commit to finding and using the time productively.

Franklin Prosperity Report pored over the multitude of part-time opportunities out there and came up with this list of starting points for raising your monthly income and living a better life:

- **Become a Virtual Assistant:** So, what kinds of things can you do to make money in a couple of hours a day and on your own schedule? Think virtual assistant (VA) first, and work at home in your pajamas! Hundreds of services can be provided virtually these days. Do you have a head for numbers? A part-time virtual bookkeeping job awaits. The same is true if you can do Web design, write articles, improve resumes, provide graphic design, or help others find their way around social media sites.

Many companies have reduced their in-office staff but still need to have general administrative and other tasks done, notes Diana Ennen, author of *Virtual Assistant – the Series: Become a Highly Successful, Sought After VA*.

Ennen says there's a world of virtual word-processing work available: Typing press releases, resumes, manuscripts, medical and legal transcription, student papers, and business letters are just a few, says Ennen, who offers a free booklet at [VirtualWordPublishing.com](http://VirtualWordPublishing.com) on how to obtain clients. Web sites, including [HireMyMom.com](http://HireMyMom.com), [ProductionTranscripts.com](http://ProductionTranscripts.com), [Tigerfish.com](http://Tigerfish.com), and [AliceDarling.com](http://AliceDarling.com) hire transcribers for virtual work.

- **Become a Customer Service Agent:** Another growing work-from-home opportunity lies in answering inbound customer calls for companies like J. Crew, 1-800-Flowers, Virgin Atlantic, and Walgreens. These companies and many others now outsource their customer-service calls to companies that hire U.S.-based virtual agents.

The work requires a pleasant voice, strong customer-service skills, high-speed Internet access, a computer, a landline, and a quiet place to work. Though you can set your own hours, most companies will probably want you to work a minimum of 20 hours per week. Some of the companies that hire virtual agents include [LiveOps.com](http://LiveOps.com), [West.com](http://West.com), [Arise.com](http://Arise.com), [WorkingSolutions.com](http://WorkingSolutions.com), [AccoladeSupport.com](http://AccoladeSupport.com), [Customer Loyalty Concepts \(www.customloyal.com\)](http://CustomerLoyaltyConcepts.com), [Overflow \(www.overflowusa.com\)](http://Overflow.com), [JetBlue.com](http://JetBlue.com), [ACDDirect.com](http://ACDDirect.com), and [AlpineAccess.com](http://AlpineAccess.com).

- **Become a Telemarketer:** In addition to hiring virtual customer service reps, many companies and organizations now outsource their cold-calling campaigns to third parties, firms that often hire part-time workers, many of whom work from home.

These kinds of opportunities often involve persuading the people you contact by phone to book an appointment, commit to making a charitable donation, agree to try a product or service, or pay a debt they owe. Though they typically pay a small hourly fee, these jobs are largely performance-based: How

much money you'll make depends on how many people you can persuade. Check out **Intrep.com** for gigs, and remember that most companies want you to have demonstrable previous experience before they will agree to hire you. Do not pay for leads; you should be able to find this kind of work on your own.

- **Sell Your Photos Online:** Good with a camera? Make money at it. Web sites such as **BigStockPhoto.com**, **Shutterstock.com**, **Fotolia.com**, and others pay you each time one of your photos is downloaded. Generally, sites pay \$0.25 per photo downloaded or a percentage of the commission on specialty photos.

- **Blog for Bucks:** Blogging and media sharing on the Internet are here to stay, and Web sites with videos, personal content, and gossip make big advertising bucks every time someone clicks on them. Disparagingly called "content mills," the pay-per-post model has taken off in the past few years. Compensation varies, but writers report making \$10 to \$50 per article. **DemandStudios.com**, **Examiner.com**, **About.com**, and **AssociatedContent.com** are among the larger such per-article or per-blog employers. The newly relaunched **AOL.com** is moving toward this model and hiring lots of new writers on a per-item basis.

- **Serve on a Virtual Jury:** Law firms sometimes use home-based jurors to provide feedback to help lay out their strategies before heading into a courtroom. Fees range from \$10 to \$60. Check out **eJury.com**, **OnlineVerdict.com**, and **Trial Practices (www.trialpractice.com)** for opportunities, and be certain to read the requirements before signing on to serve. For instance, you cannot take part if you work at a law firm or if your spouse is a lawyer.

- **Write and Sell an E-book:** Do you have a particular skill or knowledge to share? A stunning array of recipes? Do you know how to train dogs, trade foreign exchange, or anything else people want to know? Write an e-book about it. That's what Jennifer Thoden, author of *How To Make Roman Shades*, did when she discovered that buying custom-made shades was simply not in her budget.

Once her e-book was up and running, Thoden realized that many people in her online audience lived far from the supply centers needed for this kind of project, so she added selling supplies to her repertoire. Her business grew rapidly, moving from her basement to the garage and finally to a warehouse, where her newly hired employees handled orders.

Thoden sold that online business two years ago. Now she teaches people how to sew using online videos at **SimpleSewingProjects.com**, a monthly paid membership site. If you don't want to write an e-book yourself, you can still turn your knowledge into money. Go to the freelancer sites **Elance.com** or **FreelanceConnect.com** and you can easily find someone to write your book for you at a reasonable cost.

- **Sell Your Designs Online:** You don't have to invest any money to sell your T-shirt, baseball cap, apron, coffee mug, poster, note cards, or other designs online. **Zazzle.com**, **CafePress.com**, and similar sites will pay you a commission on sales your designs generate, and uploading your designs is easy. **Etsy.com** allows you to sell your products directly and

is a great resource for jewelry-makers and other crafty types.

- **Find Needs in Your Own Neighborhood:** Do any of your neighbors need help cleaning out their garages, sorting through clothing and other possessions, doing their spring cleaning, or getting a garden started? Become a "hands-on" service temp and help them out for cash. Start by quick-printing some cards or flyers listing the services you're willing to provide and leave one inside every door in your neighborhood. (Avoid mailboxes; the Postal Service gets very cranky with people who use them for solicitation.)

- **Pet Care:** Given the size of the U.S. pet industry, dog-walking and pet-sitting services are great "neighborly" moneymakers, as are being willing to bathe dogs and clip pet toenails. However, to provide these services correctly you should first acquire a business license, become insured and bonded for your own protection and that of your four-legged charges, and consider joining your local pet-sitter association.

Be sure to get some business cards printed and leave them at pet supply stores, boarding kennels, and humane organizations.

- **Work One Day at a Time:** If your own neighborhood doesn't offer enough opportunity to earn quick cash, consider contacting an agency that provides short-term help to employers, such as **KellyServices.com**, **RobertHalf.com**, and **Manpower.com**. Jobs here can range from office work and reception work to landscaping or work in construction, factories, offices, and manufacturing. Specialized services like **Accountemps.com** focus just on the finance profession.

- **Help Older Folks:** Elder help, another part-time job that's probably available right where you live, is always in demand. Many older people just need some companionship and a little help with routine tasks such as cooking, shopping, and light cleaning. However, it's best to work part-time for a company that offers these services rather than go out on your own, principally for insurance reasons.

These jobs are highly local and run by small providers. Try searching "home health aide" or "personal and home care aide" at **Monster.com** or **Yahoo! Hot Jobs (hotjobs.yahoo.com)**, searching by your zip code or city.

- **Teach a Class:** Teaching at your local adult education or community college could net you a fast few hundred bucks. Other good teaching bets are community centers, which try to offer a wide variety of courses such as cooking, knitting and crocheting, sewing, upholstering, photography, floral design, wardrobe planning, and exercise classes.

Typically, your pay is based on the number of people who sign up, so you'll need to promote your class on bulletin boards in public places and via your friends and colleagues.

- **Cash In On Your Computer Expertise:** Are you a whiz at untangling software glitches? Do you love taking apart computers, setting up networks, and other computer tasks about which most people haven't got a clue? Set yourself up

as a technical problem-solver among your friends then ask them for referrals. Try **Craigslist.com** to advertise locally for free.

- **Turn Your Car Into a Rolling Advertisement:** Providing that your driving record is clean and you're willing to have a GPS unit installed in your car to track mileage, you may be able to get paid for turning your vehicle into a rolling advertisement. Be aware that a lot of people compete for these gigs, but don't let that stop you from applying. You will need to be 18, in possession of a valid driver's license, and provide proof of insurance. That said, you can earn up to \$1,000 a month for doing what you're probably doing anyway – driving your car. Check out **FreeCarMedia.com** and **Driven Media (www.drivenmediaonline.com)** to learn more and to register.

- **Offer Concierge Services:** Are you good at keeping your own life well-organized? You may want to consider helping others keep on top of their lives, too. Many people just don't have the time to research the best airfares and hotels for their vacations, or don't want to buy groceries, pick up dry cleaning, make doctor and dental appointments for themselves and their kids, or run errands after a busy day of work.

Decide which personal services you're willing to provide, then print up and pass out flyers. You could also check out **VIPdesk.com**, which offers its clients traditional concierge services such as dining reservations, entertainment, and travel tickets, as well as event management and reward and redemption services. VIPdesk's clients are executives and employees of some of the top companies in the world. You'll need to be highly resourceful to get hired, and the company prefers previous experience in high-end customer service, travel, or the hospitality industry.

- **Plan Parties:** If you're good at planning, organizing, and executing parties, becoming a part-time party planner can be a great way to get a nice chunk of extra cash. After working all day many parents rarely have the time or energy to provide the kinds of birthday parties they'd like their kids to enjoy, let alone find and hire a pony ride service or contract a bounce house. Engagements, anniversaries, and holidays offer additional party-planning opportunities.

- **Avon Calling:** Direct sales aren't limited to Avon, Mary Kay, and Tupperware parties: More than 14 million people now work as independent contractors for direct sales organizations as diversified as wine sellers **The Traveling Vineyard (vineyardwine.net)** and toy sellers **Discovery Toys (www.discoverytoysinc.com)**, among others. Check out links to businesses and advice on how to succeed in direct sales at **The Direct Selling Association (www.dsa.org)**.

- **Put Your Language Skills to Work:** If you speak a foreign language, becoming a part-time freelance translator could be a great opportunity for you. Many companies need documentation translated for international partners. See **WeLocalize.com**, **LanguageTranslation.com**, **Accurapid.com**, and **Telelanguage Services (www.telelanguage.com)** for opportunities. Companies that hire freelance translators generally prefer native speakers of the target language. □



## The Broker Price War That Can Save You Big

Exchange-traded funds (ETFs) are a terrific, low-cost way for even very small investors to diversify. They offer a wide selection of choices and can be easily bought and sold like regular shares. About the only drawback is the commission you pay to buy or sell shares. But now you can avoid that too, thanks to a commission price war that's broken out between discount brokerage heavyweights **Fidelity** and **Charles Schwab**.

For at least the next three years, buying or selling 25 different ETFs online at Fidelity Investments will be commission-free. The list includes a wide range of U.S. and international equity ETFs as well as fixed income (bond) ETFs. Rival discount firm Charles Schwab also axed commissions on its own family of eight branded ETFs, offering commission-free trades online through a Schwab account.

Meanwhile, the two firms are also duking it out over regular stock trading commissions, which Fidelity has dropped to \$7.95 per trade, while Schwab has gone to \$8.95. For ETF trades, this is the place to be. You can't do better than free.

## Hidden Traps and Opportunities in IRS 'Wash Sale' Rules

As millions of Americans struggle to rebalance investments – both taxable and tax-sheltered – the issue of "wash sales" looms larger than ever. To avoid tax trouble and still keep your investments in proper balance, you need to know how the rule works. Basically, it prevents you from selling a stock, mutual fund, or other security at a loss and immediately buying back the same stock or fund.

According to the IRS, you cannot claim a loss if you sell (or buy) a "substantially identical" security 30 days before or after the sale. So, for example, you can't sell Bank of America stock you own at a loss and then buy it back, say, two weeks later.

Legit "tax-loss harvesting can be an effective strategy for reducing tax liability," says Lee McGowan, a certified financial planner with TFC Financial Management in Boston. Realized losses can be used to reduce realized capital gains dollar for dollar during the year. And, according to McGowan, "additional losses of up to \$3,000 can also be deducted against ordinary income with any remaining losses carried forward indefinitely."

But even for experienced investment advisers – let alone individuals managing their own – the wash sale rules are filled with booby traps, McGowan warns. The two key issues are:



- Knowing what constitutes a “substantially identical security.”
- Avoiding trouble with a little-known IRS ruling from 2008 that says if you sell a stock or fund in a taxable account and buy it back in your IRA, that’s also a wash sale.

**Accidental Wash-Sale Violations:** Obstacles are magnified this year by the rush to convert traditional IRAs to Roth IRAs. For example, if you buy a stock or fund for your Roth or traditional IRA within the forbidden 61-day period book-ending a loss sale in a taxable fund, you’ve shot yourself in the foot and can’t deduct the loss. For decades the IRS was silent on this point and such transactions were not questioned. But that’s all changed now. **To avoid trouble, be especially careful when rebalancing a portfolio** and in managing a systematic investment program that might make automatic purchases or sales that run afoul of the wash-sale rule.

### Suitable Sales

McGowan lists these mutual fund transactions considered acceptable under wash-sale rules:

- ✓ Selling one index fund, then buying another that tracks a different index. Example: Exchanging an S&P 500 index for a small-cap Russell 1000 fund.
- ✓ Selling an actively managed fund, then buying a fund at another company with different portfolio managers.
- ✓ Selling a passive index fund, then buying an actively managed fund, regardless of the fund company.
- ✓ Or, selling an actively managed fund, then buying an index fund, regardless of the fund company.

**IRS Publication 550: Investment Income and Expenses** has a detailed explanation of the rule and how it works, including examples. You can find it at [www.irs.gov](http://www.irs.gov) under the link “Forms and Publications.”

## How to Lower Your 2011 Tax Bill

Bush administration tax cuts put in place years ago are set to expire in 2011. If Congress and the administration let that happen – as they have promised – top income tax rates in 2011 will rise from to 31, 36, and 39.5 percent from 28, 33, and 35 percent now.

“Don’t look for relief on taxes anytime soon from Washington, or state governments,” warns Chris Province, CPA and partner in the firm Armanino McKenna, in San Ramon, Calif. Tax rates are headed up, Province says, and he suggests making money moves this year to minimize taxes in future years when tax rates will be higher.

Your three main moves, according to Province and other CPAs, are these:

- **Accelerate Income.** Try to earn more in the 2010 tax year rather than

taking it in 2011, when it will likely be taxed at a higher rate. If you own a business or are self-employed, arrange to take more pay by December 2010 and less in 2011. Plus, if you are at least age 59½ and plan to start taking retirement plan distributions in 2011, you should consider starting this year instead to take advantage of a lower tax bracket, then taking less in 2011 when rates are higher.

- **Delay Deductions into 2011.** When tax rates go up, deductions become more valuable. This could include charitable gifts and tax payments where you have the choice of paying in, say, December 2010 or January 2011. For people in the top tax brackets, these write-offs will be worth more in 2011.
- **Reorganize Your Business.** If your small business is organized as an S-Corp, partnership, or LLC, the tax benefits of selecting that structure may disappear, according to John Smolke, a CPA with the Seattle-based firm Peterson Sullivan. Since income from those types of businesses passes through to your personal tax return, the rate you'll pay goes up in 2011. For taxpayers in the highest 39.5 percent bracket, the top rate of 35 percent on C-corporation profits could become the better deal.

**IMPORTANT:** Remember that this year you can convert your traditional IRA into a Roth IRA and earn tax-free income in retirement – but that might also push up your tax bill in 2011 and 2012.

If you convert your IRA this year, you can choose to pay the taxes in full this year (as ordinary income, on top of whatever you earn). However, you can take the tax hit instead in the following two years in equal portions. Remember, though, that tax rates are likely to rise. The top tax rate could move to 39.6 percent. (Capital gains and dividend income rates are likely to shoot up as well.)

So, if you think your income will be steady or higher into 2011, all the more reason to take the Roth conversion now and enjoy 2010 rates. Some caveats to keep in mind:

- ✓ Conversion now could push you into a higher tax bracket this year.
- ✓ You are allowed, if you meet the income limits, to put \$5,000 into a Roth each year (\$6,000 if you are over 50).
- ✓ If high income isn't your tax problem, you could always do smaller conversions over several years to cushion the tax hit. This is especially useful if your income varies from year to year. □



## Ben's Good Cents

“A good conscience is a continual Christmas.”



## Save Money and Survive the Employer-Tax Crackdown

As budget deficits go stratospheric, the federal "tax gap" is once again a hot topic in Washington. The "gap" here is money the government believes should be paid in taxes but isn't. Bureaucrats are beefing up enforcement of existing rules or implementing new ones created by Congress, forming a new gauntlet of compliance requirements for small employers – especially those that use freelance or contract help.

The target here is "worker misclassification." Basically, that's when you pay somebody as an independent contractor, thus avoiding the need to withhold payroll taxes, rather than as an employee. Or perhaps you are paying someone a salary when they really should be hourly and subject to overtime pay. Either way, if you get it wrong it could cost you dearly.

The new federal budget hands the U.S. Department of Labor (DOL) an extra \$25 million to pursue misclassification miscreants. But, according to leading human resources consulting firm MBO Partners, the extra dough for DOL is nothing compared to an estimated \$8 billion boost the feds are giving IRS to modernize and expand enforcement programs.

Implications for small business are immense. "Minimum wage and overtime laws can be confusing, and not paying the proper wage to an employee can quickly turn into an expensive headache," says Karen Harned, executive director of the National Federation of Independent Business (NFIB) Small Business Legal Center.

To avoid penalties or claims from disgruntled employees, make sure your business hasn't fallen into these common traps.

- **Letting hourly employees waive their right to overtime pay.** Overtime pay is mandatory. Employees can't opt out. Even if an employee is instructed to only work 40 hours per week, any hours actually worked over 40 hours in a seven-day workweek are subject to overtime pay.
- **Averaging hours worked over two weeks.** Even if you use a two-week pay period, the Fair Labor Standards Act (FLSA) treats each work week as a single unit. An employee who works 42 hours in one week must be paid two hours of overtime, even if he or she only works 20 hours the next week.
- **Giving time off instead of cash.** The law is highly biased in favor of cash compensation rather than "comp time." Neither the employer nor employee can agree to or insist on comp time in lieu of overtime pay.
- **Treating all salaried employees as exempt from overtime rules.** Just because someone is salaried or carries a fancy job title doesn't make them exempt from FLSA overtime requirements. Employers must be careful to

ensure that employees are properly classified. Exempt employees must meet a certain minimum salary and fall under a certain exemption category.

- **Docking the pay of an exempt employee.** An exempt employee must be paid on a salary basis. This means the employee receives a predetermined amount of pay which is not subject to reduction. Here's the danger: If you make improper deductions from an exempt employee's salary, the salaried basis of payment is destroyed and the exemption is lost. Make sure exempt employees are paid the same each pay period. In other words, if an exempt employee shows up for part of a workday, you must pay him or her for the whole day.

## Insurance Secrets for Weather-Related Losses

Small businesses have suffered billions of dollars in losses in 2010 due to severe weather, including lost income from being unable to conduct business as well as damage from wind, rain, and heavy ice. While a standard business owners' policy (BOP), covers some weather-related losses, owners often discover that BOPs aren't always enough.

Here are **six overlooked ways to ironclad your coverage** and recoup your losses:

- If you suffer damage due to a power outage, **check your property insurance coverage** or an oddly named type of business insurance called a "boiler and machinery" policy, which actually covers all kinds of items. Many businesses have "boiler and machinery" coverage but don't know it, says Loretta Worters, a vice president at the Insurance Information Institute.
- Personal items (yours and your employees') can also be covered, usually up to \$2,500, but only if you've added "**personal effects and property of others**" coverage to your policy. This coverage does not include theft, however, even if theft is a covered cause of loss under the main policy.
- If physical damage to your place of business affects your ability to open, **business income or business interruption insurance** will cover you. "Small business owners should aim to have sufficient policy limits to cover the company for more than a few days," says Worters. "When there's a problem, it often takes more time than most people think to get a business back on track. And there is generally a 48-hour waiting period before business interruption coverage kicks in."
- "Extra income" coverage built into a business interruption policy will reimburse you for any money you spend over and above normal operating expenses in order **to avoid shutting down** while your business recovers.
- Even if your business isn't directly affected by weather, you can still get relief if vendors, suppliers, or key customers were affected. According to Worters, your protection comes from **contingent business interruption insurance**. "Small companies today are more heavily dependent than ever on materials and services from key suppliers. If one of those vendors can't deliver, contingent business interruption insurance will help," she says. □



# Spending

## Unused Gift Cards Can Save or Make You a Mint

People love to hand out gift cards as presents. Using them, though, can be a hassle, so much so that billions of dollars in untapped value is sitting on cards in wallets and in desk drawers. What to do? Sell them online and make a bundle. Or buy others' unused gift cards at discounts of up to 30 percent or more and save big on things you need to buy. Either way, it's easy to do with new and increasingly popular gift card exchange Web sites.

According to the financial consulting firm Deloitte, which tracks the gift card industry, the average American has 5.5 unused gift cards hidden away at home. That's an average of about \$300 per household and totals some \$30 billion. As gift card popularity continues to grow, the amount of unused sums is growing by billions per year. Big corporations even brag about unused gift cards as a boost to company income.

Consumers are fighting back. Tough times are sending increasing numbers of Americans searching shelves and drawers for plastic that can easily be turned into cash. Here's your two-pronged approach for turning old gift cards into new gold:

**Selling Your Cards:** To unload your unused or partially used cards, first go online to register for a free card-trading account (you can browse available cards on the site without an account, but you need to register to buy or sell). Sites such as **PlasticJungle.com** and **GiftCardsAgain.com** have emerged as leaders in this arena. You can sell gift cards with a minimum balance of \$25. You can also exchange your unwanted or partially used gift cards for purchasing power at stores like **Amazon.com** or donate the balance to charity.

At Plastic Jungle, the process works like this: Once your account is set up, you enter details of the cards you want to sell, which the site then validates. If you don't know some information, such as the remaining value on the card, it can be verified by the Web site later in the process. The site will create a prepaid shipping label for you to send in your card. Once it is received and the balance is verified, they'll send you a check.

### Card Trading Tips and Traps

- ✓ **Beware of merchant "maintenance fees"** that can reduce the value of cards you have or might buy. It's probably best to buy a card you intend to spend very soon.
- ✓ Stick with the card exchange sites with a **secure trading system and which offer guarantees**. Cards are commonly bought and sold on Craigslist and eBay, but those carry no guarantees and are more prone to fraud. Plastic Jungle, for instance, will replace or refund a card if the value

is less than listed or a store declines to accept it.

- ✓ Browse or search for cards by product type or merchant and purchase through your registered account at discounts up to 30 percent. On the most popular cards (such as Walmart cards), the discount will be smaller. But remember, **those savings are on top of any store sales, coupons, or specials the merchant might be running.** When you buy a card the shipping is usually free, so your savings remain intact. Stacy Janiak, Vice Chairman and U.S. Retail Leader of Deloitte, recommends focusing your pre-owned card buying at stores where you already shop. This helps you maximize your savings and take advantage of cards that might have odd-amount balances.

## Save Thousands on Vacation Costs with Free Lodging

With a giant boost from the Internet (not to mention more budget-conscious travelers), the practice of "house swapping" – you stay in my home while I stay in yours – has caught on big. "It is the single most logical, sensible, economical, and rewarding method of travel," says **Arthur Frommer, one of America's most notable travel authorities.** "It permits you to use an asset, your own home or apartment, to enjoy a free-of-charge stay in someone else's home or apartment. Plus, you live at the destination as a resident, not a tourist."

Since lodging is nearly always the single largest vacation expense, a home swap can save you a bundle – from \$200 to \$400 per day or even more in some pricey areas. Home-swap first-timers are usually brimming with questions, which you can easily answer by looking at the "frequently asked questions" (FAQ) sections on the home-exchange sites listed below. Here are some home-swap sites to consider:

- **Home Exchange ([www.homeexchange.com](http://www.homeexchange.com))** is the largest exchange site and offers the most home-swap listings (around 34,000) in 130 countries. Annual membership costs \$9.95 per month, but if you don't do a swap in your first year the second year is free. You get unlimited home swaps at no additional charge. (A three-month membership is available for \$15.95 per month.) Home swaps done through the exchange include free trip-cancellation insurance and supplemental (to your existing homeowners' policy) property insurance through Lloyd's of London.
- Other options include **HomeLink International ([www.swapnow.com](http://www.swapnow.com))**; **Intervac ([www.intervac.com](http://www.intervac.com))**; and **Digsville Home Exchange Club ([www.digsville.com](http://www.digsville.com))**.

### Home Swapping Tips and Traps

- ✓ Before joining a home-swapping site or club check its listings to **see what's available in your areas** of interest. You can do this for free.
- ✓ Some exchanges even include use of the family car. But **establish guidelines** on how this works, and check with your insurance company to make sure both your home and car are covered. Listing services offer agreement

forms you can use to ensure there are no misunderstandings.

- ✓ Don't be **overly influenced by a pretty picture**. It's the overall "fit" that really counts – including such things as available dates, exact location of the property, the home's amenities, whether pets and children are allowed, and whether it is suitable for seniors.
- ✓ In home swaps, **the "golden rule" applies**. Visitors are responsible for cleanup and leaving the home as they found it.
- ✓ Traveling to more than one place? No problem. **You can stitch together a series of exchanges** as you move from city to city, state to state, or country to country. If dates don't exactly align, you can stay in a hotel for a few nights between.

## Score Group Discounts, Even Without a Group

From local mom-and-pop restaurants to major national companies, nearly every business offers coupons, discounts, or group buying deals that can save you a bundle. But knowing when those deals are on, and where to get them locally, is no easy task. For example, more than 55 Web sites list group buying "deals of the day" in cities all over America, says Matthew Moskowitz, marketing manager of **8coupons.com**, which also tracks deals.

8coupons.com is part of a new breed of Web site that pulls together deals from across the U.S. – from restaurants, entertainment, services, and shopping – and organizes them into easy-to-see local lists. Deals come directly from merchants or from the site's community of 160,000 users, who share deals they know about. Other offers come via giant national coupon mailers such as Valpak and Money Mailer.

The site's geo-locator automatically knows where you are and shows only the deals in your area (alternatively, you can enter a zip code). On a map, up pops everything from a discount round of golf or cooking class to free pastries or special deals on haircuts and happy hours.

Many of the absolute best deals and discounts only last a short while, so check regularly or sign up for daily or weekly e-mail alerts. Similar sites to check include **Coupon Cabin (www.couponcabin.com)**, which offers a coupons by e-mail feature and a super-useful list of "Favorite Coupons and Deals," offering savings such as \$5 off a \$50 online order at Sears or Target; half-off printing at Vistaprint; 15 percent off your entire online order at Sports Authority; and dozens more. □



### Ben's Good Cents

"Virtue alone is sufficient to make a man great, glorious, and happy."



## The Hidden Downside of Home Equity Loans

With the heyday of home equity loans behind us, homeowners lucky enough to have substantial equity in their abodes are wondering if a home equity line of credit (HELOC) is still an option to consider – especially with interest rates near rock bottom.

Some Citibank HELOC holders, for example, are paying a mere 2.5 percent interest on their loans. Since the interest is tax deductible, the effective rate is even lower.

But experts at the Center for Retirement Research at Boston College suggest a heavy dose of caution in tapping home equity in the post-crash world. “Even after the bursting of the real estate bubble, housing remains a key piece of the retirement security puzzle” for many Americans, says Dr. Steven Sass, program director at the center.

Here are three things lenders don’t want to tell you about a home equity loan:

- **Using up your equity now can rob you of funds you’ll need in retirement.** A new study by the center argues that home equity could be even more important for many retirees in the future, and that you should do everything you can now to preserve it.
- **A HELOC can be frozen.** Most home equity loan terms permit the lender to reduce or freeze your credit line for three reasons: 1) the value of your home drops; 2) the lender “reasonably believes” you won’t be able to make your payments; or 3) there’s been a “material change” in your financial circumstances. Once the loan is frozen, getting it “unfrozen” can be difficult. And a freeze or reduction also can have a negative impact on your credit score.
- **A flurry of fees comes with it.** According to the Federal Reserve, costs of establishing and maintaining a home equity line include: a property appraisal fee, application fee, points and closing costs, including attorney fees, title insurance, and others. The money can be cheap, but it’s not free.

## An Overlooked Value-Boosting Home Improvement

When considering home improvements that can save money and boost the value of a home over time, most people focus on windows, kitchens, bathrooms and other top-of-mind construction or rehab projects. But one of the most overlooked home value boosters is also one of the cheapest and easiest to do: planting the right kind of trees in the right places. Being tree-



smart can save money over the life of your home and put thousands more into your pocket when you sell, according to the National Association of Home Builders (NAHB). "Trees can affect everything from your heating and cooling bills to your resale value," according to an NAHB report.

Over time, the trees you take time to plant now can single-handedly increase the value of your property by as much as 10 to 15 percent, the report says. At the same time, trees can produce energy- and water-saving shade, food (fruits and nuts), habitat for birds, and a beautiful frame around your home – curb appeal!

Here are some tree tips that can save and make you money:

- **Choose species that will thrive under local conditions.** For instance, in areas with high temperatures and little water, plant trees that are drought tolerant. In areas with high rainfall, select trees that do best with large amounts of moisture. Planting trees that grow naturally in your area will improve your value-boosting odds. Consult a local nursery for suggestions on trees that will thrive where you live.
- **Location counts.** If your trees die, destroy sidewalks and driveways, or must later be cut down because they conflict with power lines or other property features, you lose. Choose spots with adequate sunlight and water and guard against pests. A mesh fence can prevent animals from injuring your saplings. When selecting the perfect spot, envision what the tree will look like when fully grown.
- **Practice special tree care.** Trees are most vulnerable in their first few years. Newly planted trees should be watered deeply on a regular basis. Allowing a hose to drip at the base of a tree for several hours will permit the water to soak deep into the soil and encourage deep rooting. This will give the tree a better chance of surviving drought and wind storms.
- **Consider climate.** In areas with hot summers and cold winters it is best to plant deciduous trees. These will provide shade in the summer but will allow sunlight to pass through in colder months.

**Tree People ([www.treepeople.org](http://www.treepeople.org))** is an award-winning non-profit organization that promotes tree planting in urban areas. Its Web site has lots of helpful information on the right way to plant and care for trees as well as on the value of having trees. □



## Ben's Good Cents

"Plough deep while sluggards sleep."



## Franklin Matters

# Franklin's Hard-to-Govern Passions

By Mark Skousen

*"There are three friends in life – a faithful wife, an old mistress, and ready money!"* – Poor Richard's Almanac

Eventually, I knew a column on Franklin's infamous reputation as a lady's man had to be written. We know the public Franklin as a printer, diplomat, and Founding Father. Privately, Franklin had another side: a freethinker, a nudist, a hoaxer, a clubber, and bon vivant extraordinaire women couldn't resist. The savant of Philadelphia was no distant marble figure like the reserved George Washington or the prudish John Adams. Here was a red-blooded American Casanova who disdained the mores of a sexually repressed Puritan age, enjoyed a strong libido, and was adored and memorialized by the fairer sex for his charm, story-telling, fame, and savoir-faire. Franklin was a thoroughly modern Founding Father who had few hang-ups.

From fancy-free youth to octogenarian sage, ol' Ben was a man who fueled the flames of passion throughout his life. We are constantly reminded of his humanness and his playboy image. In his *Autobiography*, he readily admitted that "the hard-to-govern'd passion of youth had hurried me frequently into intrigues with low women that fell in my way" (always censored in early editions). Luckily, he escaped catching a venereal disease, although his sexual exploits proved expensive and caused one unfortunate consequence, the birth of a "natural" son William by a mother whose name Franklin never revealed. In 1730, at the age of 24, he moved in with his common-law wife, Deborah. The marriage was informal because Debbie was previously married and her irresponsible husband left without a divorce. She raised William as a family member, and thus Franklin said he "corrected that great erratum as well as I could."

In his memoirs, written for public consumption, he would have us believe that he daily plotted a life of 13 virtues, among them temperance, moderation, and chastity. He urged his young readers to "rarely use venery but for health or offspring." And did not Poor Richard warn, "Women & wine, game & deceit, makes the wealth small and wants great"? Yet his own story suggests that he surely practiced all the more "healthy" a sex life. "He went to women hungrily, secretly, and briefly," states Carl Van Doren.

Franklin in Philadelphia appears to be a faithful husband to his wife Debbie, with whom he had two children. (I'll give more details in next month's column, "Franklin on Married Life.") However, Debbie refused to accompany her husband to London in 1757, despite numerous pleas, and they

grew distant. Franklin was still in London when Debbie died in late 1774.

Meanwhile, in London, Franklin enjoyed the clubs and the social life. "I find I love company, a chat, a laugh, a glass, and even a song, and the wise sentences of old men's conversation." Though not a member, he occasionally frequented the infamous Hell-Fire Club, which catered to the hard-drinking and womanizing habits of wealthy patrons.

Following the signing of the Declaration of Independence in 1776, Franklin went to Paris as America's first ambassador. He was there for nine long years as the war dragged in what one could describe as *une affaire de coeur*. It was in Paris that his reputation grew as a charmer of French ladies. Franklin, now a widower in his seventies, was capable of the most courteous gallantry, compliments, witticisms, and bagatelles, and entertained French women as a distraction from his many duties and controversies.

"Women, especially, flocked to see him, to speak to him for hours on end," commented his friend Le Roy.

**“Franklin was a red-blooded American Casanova.”**

Franklin was a defender of women's rights and treated them as his equals. He wrote his step-niece in 1779, "Somebody gave it out that I loved ladies; and then everybody presented me their ladies (or the ladies presented themselves) to be embraced, that is to have their necks kissed. For as to kissing of lips or cheeks it is not the mode here, the first is reckoned rude, and the other may rub off the paint. The French ladies have however a thousand other ways of rendering themselves agreeable." John and Abigail Adams were not amused and considered Franklin an unregenerate sinner.

Many historians have argued that because of Franklin's age and maladies, his sex life in his seventies was, in the words of Robert Middlekauf, "very much like Jane Austen's novels – all talk and no action." One of his critics presented his old age in another light: "Franklin, though plagued with fumbling age/Needs nothing to excite him/But is too ready to engage/When younger arms invite him."

**Be free,**



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**Mark Skousen, Ph.D.**, is a sixth-generation grandson of Benjamin Franklin. Dr. Skousen is an economist and holds the Benjamin Franklin Chair of Management at Grantham University. He is the author of *The Completed Autobiography by Benjamin Franklin*.



## Ask Dr. Franklin



In the March issue of Franklin Prosperity Report, you mentioned a tax break for "earned income" that has me confused. Am I losing money I could be keeping?

— Sandra N., Lincoln, Neb.

The article (*Don't Miss These Last-Minute 2009 Tax Deductions*, March 2010) talks about the Earned Income Tax Credit (EITC), a credit for people with low to moderate income and limited investment income. We included it in the deductions article because so many Americans lost jobs this year and likely are not used to claiming the credit. Also, as the piece illustrates, people often confuse "earned" income (a paycheck) and other sources of income that do not count for tax purposes as "earned," such as child support and unemployment benefits.

For tax purposes, your income might be lower than you think for 2009, especially if you lost a job early in the year. As a result, a significant number of Americans who could claim this credit in 2009 probably will not.

For 2009, those "earned income" limits were:

- \$43,279 (\$48,279 married filing jointly) with three or more qualifying children
- \$40,295 (\$45,295 married filing jointly) with two qualifying children
- \$35,463 (\$40,463 married filing jointly) with one qualifying child
- \$13,440 (\$18,440 married filing jointly) with no qualifying children

The investment income limit for 2009 was \$3,100. To find out whether you might qualify, go to [www.irs.gov](http://www.irs.gov) and search for "EITC." □

**SEND A QUESTION TO DR. FRANKLIN!** If you have a vexing money question, send it to [askfranklin@franklintips.com](mailto:askfranklin@franklintips.com) or by regular mail to Ask Dr. Franklin, P.O. Box 20989, West Palm Beach, FL 33416. We'll find an expert who can respond with the inside scoop.

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