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WHEN SAVING MONEY ONLINE CAN COST YOU
SEE PAGE 3

IN THIS ISSUE

Smart real-estate moves that you can make now

Housing is back! What to do if you're buying, selling, or staying put.

Until recently, home buyers occupied the sweet spot in the housing market. They were able to choose from a glut of available homes that were severely devalued during the recession, and they could lock in historically low mortgage interest rates.

But the landscape is shifting. Through May of this year, home prices rose almost as fast as they did during the peak bubble years that ended in 2006. The national median closing price for an existing single-family house was up 15.4 percent from May of 2012. And that was the largest year-over-year gain since the end of 2005, according to the National Association of Realtors. More people are buying, too: Monthly sales of existing homes, which include single-family homes, town houses, condominiums, and co-ops, were up 4.2 percent from April to May.

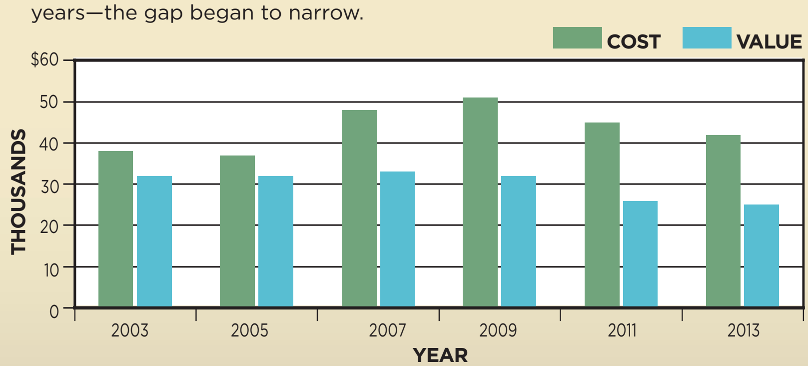
Home prices usually rise as the demand for them increases. But declining inventories are driving this housing recovery. Last spring there were 15 percent to 20 percent fewer homes available than in the spring of 2012, says Steve Cook, managing editor and co-publisher of RealEstateEconomyWatch.com, which tracks trends in the housing market. Because some homes were worth less than what people paid for them, many have been waiting to sell.

That's great news for those who are ready to list. It's not uncommon for sellers in many areas to receive multiple bids today, and in hot markets some home-

Continued on page 4

Is it worth it to remodel?

Should you redo the bath or finish the basement to increase your home's resale value? During the recession, the amount that sellers recouped from such projects dropped significantly. But in 2013—for the first time in six years—the gap began to narrow.



Source: Remodeling 2012-13 "Cost vs. Value" report *(www.costvsvalue.com)*. Based on an e-mail survey of 3,900 respondents.

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from the editor

Smart people, dumb decisions

Full disclosure: When it comes to managing money, I am far from perfect. I have faithfully held on to mutual funds that underperform. I once bought stock in a company based on a tip from a friend of a friend about a year before the company imploded spectacularly. I maintain a pricey gym membership I seldom use and have had to pay late fees more times than I care to admit. The list goes on.

I feel bad about these fiscal failures but take comfort in the fact that I am far from the only reasonably intelligent person guilty of them. As it turns out, financial savvy and general IQ don't necessarily correlate, and a lot of smart people make money mistakes that fall into the shoulda-known-better category. For instance, in this month's reader poll, we discovered a shockingly high number of subscribers who have still not executed that most basic and critical document, a will (see opposite page). And we know, from observation and through our reporting, that there are many financial fallacies that are still widely believed, something we hope to correct with our article "Common (and Costly) Money Mistakes," on page 6.

Of course, money matters can be complex and financial decisions can get mixed up with a lot of emotion, causing us to act irrationally. As for me, I get pretty irrational every month when my Time Warner cable bill arrives, seemingly higher by a good amount than it was the month before. So I was happy to learn that paying too much for home telephone, Internet, and cable TV is one of those stupid mistakes I don't have to make anymore. Read "8 Ways to Lower Your Telecom Bills" on page 12 and get a wee bit smarter yourself.

MARGOT GILMAN, EDITOR

THIS MONTH'S MONEY TIPS...

WE FOUND SECRETS IN YOUR TRASH.

Identity thieves have been known to target paperwork in recycling bins to obtain personal information. Checking one New York town's public recycling facility during several months, we found payroll stubs, credit-card offers, medical billing statements, and more, all with names, addresses, and even account numbers. Even if certain documents can't be used to steal your identity, you probably don't want your neighbors to stumble upon information about your salary or medical treatments. When recycling old paperwork, tear it up—or better, shred it.

Job hunting? Check your credit report

More employers are requiring job applicants to authorize them to obtain a copy of their credit report. So you have another good reason to check your reports regularly and notify the credit bureaus of any mistakes. You can obtain a free report annually from each of the three major credit-reporting bureaus by going to *annualcreditreport.com.* We recommend ordering one report from one bureau every four months. But if you think you might be job hunting soon, review all three reports for errors.

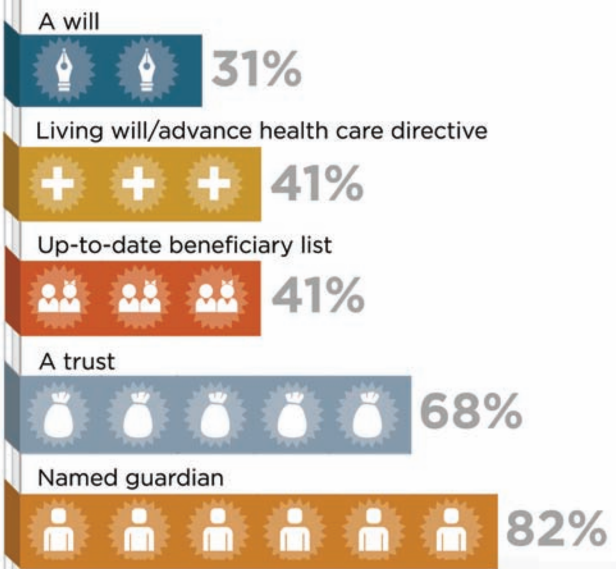
Beware of the celebrity sell

You might recognize the name and even trust it, but that doesn't mean the money-related products

reader poll

DO YOU HAVE THE ESTATE-PLANNING DOCUMENTS YOU NEED?

We asked readers which estate-planning tools listed below they had drawn up. Here's the percentage who have not yet created these documents.



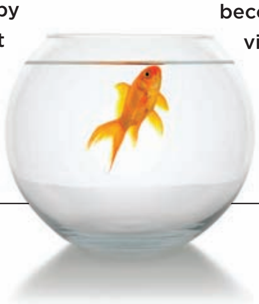
Based on the responses of 668 readers in a survey conducted in June 2013. Responses are not representative of the general public.

ILLUSTRATION BY DAVVI

that carry it are necessarily the best in class (though they might be worth considering). For example, The Approved Prepaid MasterCard without direct deposit (Suze Orman) was rated Very Good in our recent Ratings, but there were better choices when it came to value (see "What You Need to Know About Prepaid Cards," page 14). Consider all of the details, including fees, and check out the competition. The same goes if the product is being hawked by an institution that you know and trust, such as your college or university.

Foil a phishing scam

In 2012 the practice of phishing was the fourth most common scam reported to the National Consumers League's Fraud Center. Phishing is the use of bogus e-mails, texts, and phone calls that appear to be from legitimate senders to steer the recipients to look-alike websites that attempt to get personal information for identify theft or other illegal purposes. Download the league's tips on how to avoid becoming a phishing victim at *www.consumerfed.org/pdfs/Phishing-Tips.pdf*.



When saving money online can cost you

If you're like a lot of shoppers, you're checking out expensive products in walk-in stores first and then buying them for less at a different retailer online. So-called showrooming can save you money, but it's a real threat to stores, particularly the mom-and-pop shops we love and need to keep our communities vibrant. And that's not the only drawback of shopping online. Consider these others.

▶ **Speed.** Buying locally usually means not paying shipping charges or having to wait for an item to arrive in the mail.

▶ **Convenience.** If the product doesn't work or breaks in an unreasonable amount of time, it's far easier to return it to a walk-in store than to mail it back to a website's warehouse.

▶ **Service.** If a product purchased online needs adjusting, you'll have to risk doing it yourself or ask a local shop to do it for you (and you may have to pay a fee). The same applies if you need in-person advice on how to set up or use an item.

▶ **Warranties.** Online retailer fine print usually says that products are sold as-is. That means the "implied warranty of merchantability," assurance that a product will last a reasonable amount of time and be free of defects, is disclaimed. This warranty is in addition to any express warranty from the manufacturer. Some states and Washington, D.C., don't permit as-is sales for consumer goods, but the law isn't clear on how that affects most online sales.

Consumer Reports says: When deciding where to shop, weigh the benefits and drawbacks. To preserve your basic implied warranty rights, make major purchases at a walk-in store. If you've scoped out a product locally, give that merchant the option to beat or at least come close to your best online price.

September checklist
Organize your financial life

1. Set up an appointment with your tax adviser or financial planner to discuss your year-end tax-savings steps.
2. If you're required to make quarterly estimated tax payments, your next due date is Sept. 16.
3. If you're a 401(k) participant you should have received your annual fee disclosure form by Aug. 30. If you didn't, call your plan administrator to request one.
4. Spruce up your yard after taking advantage of seasonal sales on shrubs, trees, and perennials.
5. Start making year-end holiday travel plans. Book as early as possible to get the best rates and availability.

Real-estate moves

Continued from page 1

owners are even lucky enough to experience bidding wars, says Walter Molony, economic issues media manager and spokesman for the National Association of Realtors. But it's tougher now for buyers to secure financing, which can cause deals to implode. In 2006 almost anyone could get a loan; now lenders are scrutinizing a buyer's ability to repay with more diligence.

Whether you're buying or selling, we have a variety of tips that will help you get the best deal. If you're not planning to move anytime soon, you may still find it makes sense to refinance if you can lock in a lower interest rate; see the box on page 5 for more information.

Buyers: Save the most

Home prices may be up, but in many markets they're still below where they were seven years ago. And mortgage interest rates are still low: The National Association of Realtors predicts that 30-year fixed rates will rise from their recent 4.29 percent national average to about 5 percent by the end of 2014. So the housing market will stay affordable for many people at least for the next year or so, says Steve Cook of RealEstateEconomyWatch.com. Here's how to close the deal on the home you want.

Check your credit. Years ago you needed a FICO score of 680 or more to get the best mortgage rate. By 2008 that number climbed to 720. Now buyers need a score that's at least 760. Banks cut losses by tightening lending to home buyers during the recession, and no one knows when they'll relax their standards, Cook says.

Scores have a big impact on the total amount you'll pay for a loan. If your score is 760 and you apply for a $300,000 30-year fixed mortgage, you could recently qualify for a 4.25 percent interest rate, with monthly payments of $1,476. But if your score was below 620, your interest rate would have been 5.84 percent and your monthly payment $1,768. Over the 30-year life of the loan, that would cost you more than $105,000.

Even if you have good credit, you might pay more than you should if there are errors on your credit reports. Five percent of consumers who checked their reports from the three major credit bureaus found errors that were serious enough to affect their credit scores, according to a recent study by the Federal Trade Commission. So examine your reports from all three—Experian, Equifax, and TransUnion—at Annualcreditreport.com. Report any errors, and check to make sure they are corrected.

Head 2 Head

Trulia vs. Zillow

If you've checked your home's value on these websites, you might have noticed very different results. These services aggregate data from several sources, including Multiple Listing Services. To come up with your home's value, they use the MLS estimate of what similar homes are selling for in your area, then apply other proprietary criteria. The amount varies because their data and formulas vary. For a rough estimate of your home's value, take the average of what Trulia and Zillow say, as well as similar sites like Homes.com and Realtor.com.

Get pre-approved. That was always a good idea, but now it's a must, says Ron Phipps, a real-estate agent in Warwick, R.I. Sellers tend to take buyers who are pre-approved for a mortgage more seriously, a competitive edge over those who fail to take this step.

Do some digging to find out where you can get the best rates. Check several lenders, including national, local, and online banks as well as credit unions. We generally don't recommend that you hire a mortgage broker to do this for you because he may be more focused on selling you a mortgage than getting you the best deal.

Knowing your monthly payment amount isn't enough. Also get an estimate of the closing costs and all the additional fees you'll owe. Many of the fees involved are negotiable, such as the home inspector's fee, the cost to do a title search, and your attorney's fee, so get the best deal you can.

Use an agent. Working with your own real-estate agent can be helpful in a seller's market, when competition is high and homes sell quickly. An agent can clue you in to market conditions and will know which homes will cost you more than you might think because, for example, flood insurance might be required. You might also pay less for a home. A survey conducted a few years ago by the Consumer Reports National Research Center asked readers about their experiences buying and selling homes. It found that 66 percent who used a real-estate agent to buy paid an average of $5,000 less than the listing price. The buyers who negotiated their own deals without an agent (34 percent) paid close to the asking price.

Consider going right to contract. If the market in your area is especially hot, buyers should skip making an offer and write up a contract for a seller to review, says Robert Bailey, co-owner of Bailey Properties in Santa Cruz, Calif. Just make it contingent upon a home inspection. Also try to find out why the owner is selling, and add something to the deal that reflects his needs. If he wants more time to live in the house, for example, say you'll postpone the close. "I sold one house because a buyer agreed to take care of the family's pet until they were settled," Bailey says.

Sellers: Get the most

If you've wanted to put your house on the market, now may be the time to act. Here's how to get the most on your sale.

Pick the right improvements. "Curb appeal is crucial today," says Walter Molony of the National Association of Realtors. "Buyers get a lot of information from the Web, and they drive around to decide which ones they want to see." Remodeling magazine's annual "Cost vs. Value" report for 2013 found that sprucing up the outside of your home with new entry doors, fiber-cement siding, wood decks, and garage doors tended to recoup the most value when you sell.

You'll also want to clean, remove clutter, give overgrown trees and shrubbery a trim, and paint where needed. According to the Realtors association, the right color palette can raise your home's value by 10 percent or more. For interiors, warm beige colors appeal to the greatest number of people.

Interview more than one agent. Ask friends and family members for recommendations and meet with several candidates. They should explain how they would market your property—how they would advertise your home on social media, how they would handle open houses, and what they would say in Internet and newspaper listings. After you select an agent, make sure the marketing plan is part of the listing agreement, so if it's not followed you'll be able to take your business to another agent. Also try to negotiate the commission. Our survey found that many agents were willing to cut a deal. Readers who successfully negotiated a reduction often cut the traditional 6 percent to 3 or 4 percent, and they tended to be just as satisfied with the result as those who paid more.

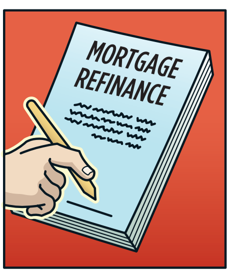
Pay for an inspection. To spot expensive repairs, get a home inspection, which might run about $275 to $500 or so. Then you can make the repairs or, if you don't want to, you can share the information with potential buyers early in the process. "We've found buyers are most likely to accept flaws when they are most in love with your house, which is when they first want to buy it," says Robert Bailey of Bailey Properties in California. Buyers are less likely to gloss over shortcomings a few weeks later.

Assess your need for staging. You may want help to present your home in its best light. A two-hour consultation with a professional stager will cost about $300. A full staging, which includes renting furniture, can run from $500 to several thousand. You can search for a stager on the website of the International Association of Home Staging Professionals at *iahsp.com/membersearch.php.* What's more, you may be able to write off their fees (but probably not the paint or accessories they suggest you buy). Home staging is considered an "advertising fee" and can be subtracted from a gain on the sale of your home, along with agents' commissions and legal fees.

Price it right. Trying to make your house stand out by offering potential buyers enticements like a free set of golf clubs is so 2009. Today the listing price is critical, Bailey says. Homes sell most quickly if they are put on the market at a price that's right at, but not higher than, those of similar homes in the area. Have your agent do a market check of homes that have sold in the past few weeks.

And use round numbers. Most people buying homes today get information by searching online sites like Trulia.com. To conduct a search on that site, buyers specify a price range, beginning and ending with round numbers. So if you price your home that way, more people will see it. Instead of putting it on the market for $349,000, use $350,000 instead. That way people shopping online for houses from $300,000 to $350,000 will see your home, and so will people looking between $350,000 and $400,000.

Dodge low-appraisal nightmares. One of the downsides of today's sellers market is the tendency for appraisers to undervalue a property. That happens when prices have been rising quickly and appraisers who aren't familiar with the area use comparable transactions that don't reflect the latest price trends. So when a prospective buyer schedules the appraisal, make sure you are present to share data on comparable properties that may be overlooked.



Staying put? There's still time to refinance

You may have missed last year's record-low mortgage rates. But there's no need to panic.

You can still consider refinancing, says Walter Molony of the National Association of Realtors. Although you might get a 30-year fixed loan at about 4 percent now vs. last year's 3.24 percent, you can still lower your payments if your interest rate is currently 5 percent or more, he says.

HSH.com, which publishes mortgage and consumer loan data, has a refinancing calculator on its website *(hsh.com/usnrcalc.html)* that can help you decide if a refi makes sense. You fill in the details about your current loan and the refi you're considering, and it estimates how much less your monthly payments will be, and how long it will take you to break even—in other words, recover your closing costs. A refi doesn't make sense if you plan to move before your break-even date. If you decide to proceed, check with your current lender to see if it charges a prepayment penalty. If it does, it will obviously increase the time it will take you to break even. $

ILLUSTRATIONS BY PETER AND MARIA HOEY

Common (and costly) money mistakes

From contracts to credit cards, brokers to warranties, here's our advice.

Do you think you're out of luck if a product breaks after the warranty expires? That your broker has to put your interests first when recommending a stock or mutual fund? That the larger size of a product means better value? If you do, you're probably like a lot of people ... wrong.

There are plenty of misconceptions that can lead you to make decisions that hurt your wallet. Here are some common consumer myths, and what you should know.

MYTH: Once the warranty expires, I'm out of luck if the item breaks.

Not necessarily. Along with the manufacturer's "express" warranty, products often come with a so-called implied warranty of merchantability, an unwritten assurance that the item will last a reasonable amount of time with normal use and be otherwise free of defects.

Manufacturers and online retailers typically disclaim implied warranties in their fine print and by selling products as-is. But such disclaimers are rare in walk-in stores and have almost no meaning in Connecticut, Kansas, Maine, Maryland, Massachusetts, Minnesota, Mississippi, New Hampshire, Vermont, Washington, West Virginia, and Washington, D.C.

The implied warranty covers items for up to four years (though products don't necessarily have to last that long). Also, manufacturers often have good-will programs and executive response teams that can help customers even after their warranty rights have expired.

WHAT TO DO. Consider making major purchases in a walk-in store instead of online, especially if you don't live or shop in any of the places that prohibit implied warranty disclaimers. If a product is defective or fails in an unreasonable amount of time, contact the store and manufacturer. Start off by being nice, and explain that you're a good and long-standing customer. If that doesn't work, try complaining to the executive offices or on the company's Facebook page.

MYTH: A product with a lifetime warranty must last for my lifetime.

The term "lifetime" has no legal meaning by itself. It can refer to a product's lifetime, not yours—and that could mean the period of time a retailer carries the item, the manufacturer still makes it, parts are available, or you still have it.

WHAT TO DO. If you're counting on something having a lifetime warranty, read the terms carefully to determine what lifetime means. And find out exactly what's covered. If the item needs a repair, does the warranty provide for both labor and parts, or just parts? Who is responsible for the cost of shipping the product back to the manufacturer? Is the warranty transferable if you sell the item?

MYTH: Canceling one or more credit cards will help improve my credit score.

The opposite is more likely the case. If you cancel a credit card, you'll reduce the overall amount of credit you have available. So whatever debt you have—even if it's temporary—will constitute a greater percentage of your available credit, giving you a less favorable credit-use rate. And that can have a negative effect on your score.

WHAT TO DO. Resist canceling unused credit cards (except cards that charge you an annual fee). That goes double for cards that have high credit limits, which can help your credit score. Instead, secure unused cards or cut them up so they don't get into the wrong hands.

MYTH: If a credit-card company OKs my request for a chargeback, I am off the hook.

Your credit-card issuer may have accepted your claim that you didn't authorize a charge or were charged the wrong amount. But that doesn't mean a retailer can't pursue you if it thinks that you're obligated to make a payment.

WHAT TO DO. Don't request a reversal of charges without first making sure that the charge wasn't legitimate under the contract terms or retailer policies that were in place when you made the purchase. It's always best to contact the retailer to discuss your problem with the product or service before requesting a chargeback.

MYTH: If my broker recommends a stock, mutual fund, or other security, she has my best interests in mind.

Brokers are required to follow only the "suitability" standard. That means that when making investment recommendations, they must take into account your investing objectives, time horizon, and risk tolerance, among other factors. But they don't have to observe the stricter "fiduciary" standard, which requires professionals to put your interests above their own and to disclose any potential conflicts of interest. That means their recommendations might be based on the size of the commission they can earn, for example. On the other hand, registered investment advisers—investment-advice professionals who are registered with the federal Securities Exchange Commission or a state securities agency—must operate under the fiduciary standard.

WHAT TO DO. Regulators and the financial industry are having a debate about whether the fiduciary standard should apply to many financial professionals. Ask your broker or financial adviser whether he is operating under a fiduciary standard, and, if so, to put that fact in writing. If he isn't, and you want to work with a professional who puts your interests first, look around for someone else. No matter what standard the professional must follow, be sure you understand any recommendation. Ask questions, and do some research.

MYTH: I have three days to cancel any contract.

That's a misconception consumer agencies often warn people about. The confusion may stem from the fact that certain transactions are covered by a three-day right of rescission, aka a cooling-off period. They include most purchases of more than $25 made in your home, for example, with a door-to-door salesperson; most loan transactions, such as a mortgage refi, that use your home as security; and purchases made at a location other than the merchant's regular place of business, such as at a fair or convention. Some states allow cooling-off periods of three days or more for other types of transactions, including those with credit-repair firms, camping clubs, health clubs, home-improvement contractors, and sellers of timeshares. For many other contracts, your signature binds you the minute the ink is dry.

WHAT TO DO. Read any contract thoroughly before signing. If a saleswoman says that you can change your mind after leaving a deposit, for example, get it in writing, preferably from a manager.

MYTH: The larger container of a product is always the better value.

Rather than offering a so-called quantity discount, stores sometimes impose a quantity surcharge. Studies have found that in some supermarkets, the larger package of a brand-name product may be the poorer value as much as 25 percent of the time. For example, we found a New York-area market selling a 12-ounce can of Bumble Bee solid white tuna with a unit price 1.5 cents per ounce higher than a 7-ounce can.

WHAT TO DO. Don't assume that the larger package is always the best value. Carefully check unit prices. $

tightwad tod

Should you shop for a cause?

You know the pitch. A checkout clerk asks if you'd like to round up your bill and drop the change in a jar to help the homeless. A local store pledges to donate a pound of food to an animal shelter if you "Like" it on Facebook.

Cause-related marketing, in which merchants and manufacturers partner with nonprofits for charitable purposes, will generate $1.8 billion this year, double that of a decade ago. They realize the benefit to their reputation and bottom line by linking sales with social responsibility. But how do you know your good will is doing good?

Experts we spoke with agreed that outright deception is rare, especially scams involving well-known charities, which tend to police for misuse of their names. But they urged consumers to be vigilant and insist on certain information before committing to a cause. You should know the identity of the charity (it's not unusual for the name to be excluded), the amount of your donation earmarked to helping the cause instead of administering it, and precisely how your money will be spent (for example, on research, lobbying, or education).

Clifford Perlman of Perlman & Perlman, a New York City law firm that advises companies and nonprofits about their philanthropic activities, says that you should be alert to another problem: organizations that fail to mention that a campaign will end after a certain number of products are sold or a certain amount of money is raised.

That's what got General Mills in trouble in 1999 with the Georgia Secretary of State's Office regarding a cause-marketing campaign involving Yoplait yogurt and the Breast Cancer Research Fund.

Consumers should demand to know the end date of a cause-marketing campaign, says Megan Strand, director of communications for the Cause Marketing Forum, an educational best-practices organization. Companies are sometimes lax about disclosing that their campaigns are of limited duration. "I bought a pack of pens, but the program had expired the year before," Strand says. "You don't want to think your money is going one place, but ends up elsewhere."

▶ **Consumer Reports says:** There isn't a lot of oversight in the cause-marketing arena, and authorities usually don't get involved unless they are misleading. Retailers and charities aren't typically required to disclose the nature of their relationship. The better ones do, however, on their corporate citizenship Web pages and on product packaging. Be wary of vagueness and look for as much transparency as possible.

Sandra Miniutti, vice president of marketing and chief financial officer of Charity Navigator, which evaluates charities, says shoppers should buy cause-related products only if they were planning on making the purchase anyway.

And about those coin boxes at the checkout counter? Ask for details about the campaign. If the cashier has no answers, it doesn't mean the charity isn't legitimate, but it is a statement about the merchant's commitment to the cause. Also note that some retailers pay charities a flat monthly fee to keep donation jars on counters in exchange for keeping the money. It's legal but should be disclosed on the jar.

Tod Marks has covered shopping trends for Consumer Reports for more than 20 years.

Dividend income at reasonable prices

Bigger yields may tempt you, but try these alternatives to high-priced stocks.

Like many of our readers, we're fans of dividend-paying stocks. In the past year we've noted that health care, energy, and, perhaps surprisingly, technology stocks can pay substantial, reliable yields. And in general, dividend stocks have become increasingly attractive during the past five years, when some investments stopped providing any meaningful income. (Take a look at the current certificate of deposit rates on page 10 and you'll see what we mean.) And most bond funds, another major income producer, are losing money so far in 2013.

As recently as last year, more than half of the companies in the Standard & Poor's 500 index were paying dividends that yielded more than 10-year Treasury bonds. Since the 1950s, that relationship has been the opposite: Bonds generated higher yields than stocks. Combine those two events—meager yields in traditional investments and the relative safety and higher yields in certain stocks—and it's no surprise that the more dividend-centric sectors of the market have been bid up in price faster than other parts of the market.

With more than a few investors voting with their dollars, the more "boring" sectors of the S&P, those with reliable dividends and slow-to-stodgy but dependable earnings, became the flavor of 2012. More than $7 billion has flowed into dividend funds in the past year. Compare this with the past 10 years, when money flowed out of stock funds by the tens of billions. But as with any other investment, there can be too much of a good thing. Are dividend-paying stocks now overpriced?

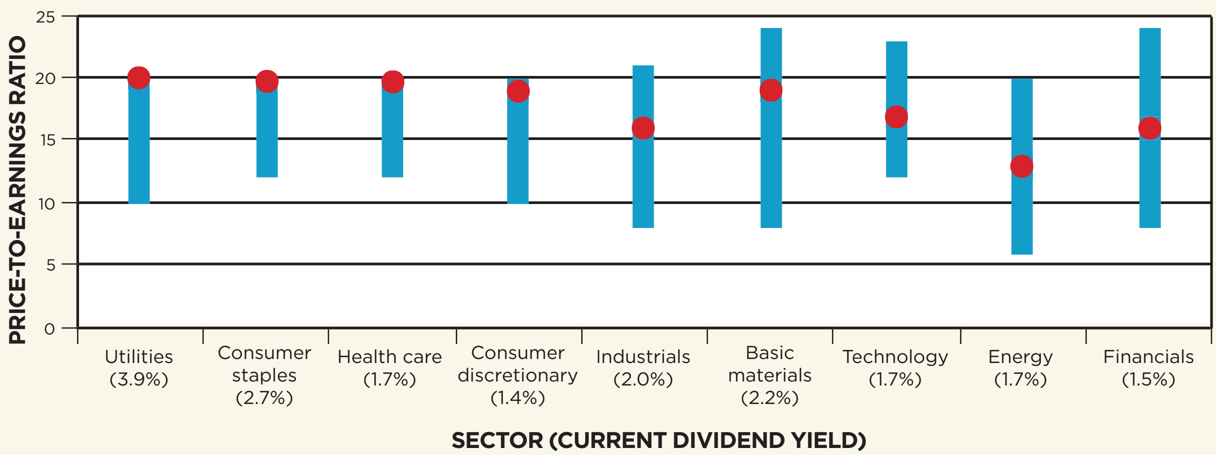
ROARING DIVIDENDS (AND PRICES)

Usually, investors just have to ask themselves this basic question about dividend-paying stocks: Can the company not only maintain a dividend payment but also regularly increase its dividend over a number of years? If it can, then it's likely to become canonized in certain dividend-paying investment superlative lists, such as the "Dividend Aristocrats" (S&P 500 companies that have increased dividends for at least 25 years) and the "Dividend Achievers" (10 years of annual dividend increases). Of course, you can find an exchange-traded fund composed exclusively of the stocks on either of those lists.

There's nothing necessarily wrong with those stocks and funds if the price is right. We've recommended those funds before in recent years, and we will again. And it's likely that all but a few of the achievers and aristocrats on today's lists will be the same a decade from now.

Sectors gone wild

Some of the more generous dividend payers, such as utilities and consumer staples, are at five-year-high valuations as measured by their price-to-earnings ratios. But there are still a number of sectors, such as basic materials, technology, and energy, with generous dividends and more moderate valuations.



Source: Morningstar. Dividend yields of the S&P sector exchange-traded funds as of May 31, 2013. The blue bars represent the range of price-to-earnings ratios (based on actual, not forecast, earnings) since June 2008. The red circles represent the most recent P/E ratios.

One of the big "don'ts" that financial advisers dispense to their clients is not to chase yields, no matter how large and tempting they may be. There's usually a reason that the largest dividends available should be avoided: Often the stock price is rapidly falling, which temporarily increases the dividend yield. A dividend cut is all but inevitable.

The yield chasing we're referencing this month doesn't concern foundering companies or industries, but rather the valuation of relatively healthy investments. For the most part their dividends aren't in jeopardy—many are members of the exclusive dividend achievers and aristocrats clubs, after all—but their prices may be. While the yields of those sectors, 4 percent for utilities and 2.7 percent for consumer goods, are still relatively normal, the high price-to-earnings ratios are markedly not. (The P/E ratio, a primary valuation tool, is determined by dividing a stock price by the latest 12 months of earnings.)

THE ALLURE OF DEFENSIVE STOCKS

Perhaps because of the frantic search for income, some of the dividend-centric sectors, like utilities and consumer staples, are now trading at five-year highs as measured by the price-to-earnings ratio (see the chart on page 8). And those two sectors comprise more than 25 percent of the dividend-paying aristocratic achievers. Even more unusual than their valuation compared with previous years, the P/E ratios of the two sectors are currently higher than those of all the other sectors. Usually, you'll find utilities with the lowest P/E ratios, year in and year out. It's not an exciting sector: Their primary business is to supply and deliver electricity, and then send customers a bill. Similarly, food and beverage producers may have the occasional hit product, but for the most part their sales growth, while dependable, is slow.

So we're seeing something anomalous here in the valuation of these defensive sectors. These dividend-paying sectors historically have lower price-to-earnings ratios than the rest of the market, no matter if the economy's booming, in recession, or somewhere in between. Right now they're both higher. While we don't condone timing the market (predicting the near-term future direction of the market overall), particularly individual sectors of the market, this development does give us pause.

Market history suggests that sooner or later those sectors will return to their lower, long-term P/E ratios. So even if the firms in those sectors are able to maintain their earnings, the price—the P of the P/E—could eventually lower the total return of those stocks to their shareholders. Although they will probably continue to crank out dividend checks every quarter, they may lose some value in the months and years ahead.

What could possibly bring down the prices of those sectors? Think back to those Treasury bonds that have lost value this year. Since bond yields and bond prices move in opposite directions, a fall in bond values means that their yields are finally rising. The 10-year Treasury is currently yielding 2.6 percent, up more than half a percent in three months. It's possible, if bond rates continue to rise, that some income seekers may sell their utilities and consumer staples stocks in exchange for similar yielding bonds, which would put additional downward pressure on the price of the stock in those sectors.

When we screened for dividend funds without a significant exposure to the potentially problematic sectors, we weren't able to find any large, domestic diversified funds. Instead, we found funds that were international in nature, small-cap funds, or a combination of both (see the table below). None are necessarily bad alternatives, but they all have their own sets of risks. International funds are more volatile than domestic stocks and have additional currency risks. Small-cap stock funds are also more volatile. And although some can deliver handsome yields, few have decades of steady dividends behind them.

Although these alternatives to the traditional dividend payers have risks, they're trading at more reasonable P/E multiples while still maintaining similar yields. And while income from stocks is finally being recognized, it's important to avoid the temptation to chase. There are some less-pricey sectors with dividend yields that are almost as attractive, but even the less-risky investments have risks. $

Better income investments

These no-load funds have yields of more than 2 percent, with little exposure to overpriced consumer staples and utilities.

Name	Ticker	Category	Yield	Total return (1 year)	Total return (annualized 3 year)	Total return (annualized 5 year)	Expense ratio	Minimum investment
BlackRock Small Cap Index	MDSKX	Small blend	2.43%	27.59%	16.26%	8.03%	0.58%	$1,000
Bridgeway Ultra-Small Company Market	BRSIX	Small blend	2.22	33.31	18.33	8.27	0.87	2,000
Dodge & Cox International Stock	DODFX	Foreign large blend	2.05	27.65	9.48	1.57	0.64	2,500
Vanguard International Explorer	VINEX	Foreign small/mid-blend	2.56	24.97	9.04	2.18	0.43	3,000

Source: Morningstar. Returns as of June 30, 2013.

THIS JUST IN

Inflation protection: Worth the price?

Most investors opening their second-quarter statements will be pleased. U.S. stock indexes are up more than 10 percent for the year, and even international stocks are gaining despite endless headwinds. And even though bond funds lost some value, as expected, most lost no more than 3 percent this year, nothing that should disturb a long-term investor.

But there's a subset of bonds that has been clobbered in 2013. TIPS, or Treasury Inflation-Protected Securities, lost more than 7 percent of their value in the second quarter, according to the Morningstar bond index that tracks them.

TIPS are a special type of bond issued by the Treasury Department that have grown in popularity since their introduction in 1997. Unlike ordinary bonds, where the Treasury returns the original purchase price to the current bondholder, the price of a TIPS bond adjusts for changes in inflation as measured by the Consumer Price Index. So instead of $1,000, the owner of a 10-year TIPS bond that matured last July received $1,267, which included the 10 years of inflation adjustments since 2003.

NOT BULLETPROOF

How could such a seemingly solid investment, one that promises to keep up with inflation, do so poorly? Part of the answer lies in a market that has paid increasingly larger premiums for this investment. Since 2011 the market has priced TIPS expecting a 2.5 percent inflation rate during the next 10 years.

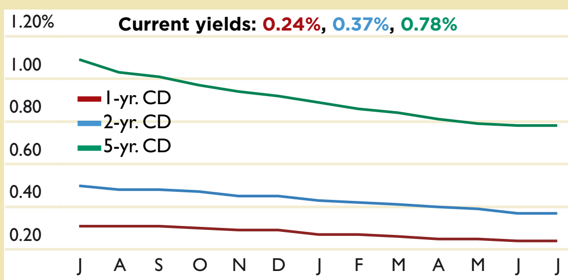
That may sound modest, but consider how little inflation we've actually experienced in the past five years. Despite the billions of dollars the Federal Reserve has injected into the market through various monetary policies, its attempt to get inflation up to 2 percent has fallen short of the target. This year the annual inflation rate has ranged from 1.1 to 1.8 percent.

Now the market has readjusted its opinion, and TIPS reflect 2 percent inflation. Is that rate still too high—or low? Time will tell. But one thing that investors can learn is that TIPS aren't a bulletproof investment. On the contrary, as their name suggests, they play a very useful but specific role. Think of them as insurance against inflation. Buy some, but not more than you need.

savings and loans

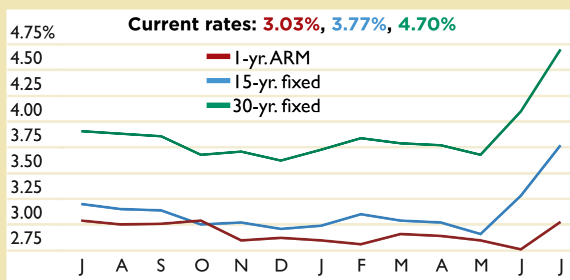
Beating the averages Here are the trends in CD and mortgage rates, and where you can find some better-than-average deals.

Savings



1-, 2-, and 5-year CDs

Loans



1-year ARM, 15- and 30-year fixed mortgages

Top-yielding certificates of deposit

	APY	Minimum	Web address, phone
1-year CD			
Colorado Federal Savings Bank Greenwood Village, Colo.	1.00%	$5,000	coloradofederalbank.com 877-484-2372
The Palladian PrivateBank Chicago	1.00	10,000	palladianprivatebank.com 877-448-6500
2-year CD			
BAC Florida Bank Coral Gables, Fla.	1.11%	$500	bacflorida.com 305-789-8077
The Palladian PrivateBank Chicago	1.10	10,000	palladianprivatebank.com 877-448-6500
5-year CD			
Nationwide Bank Hamilton, N.J.	1.66%	$500	nationwide.com 866-353-4291
Barclays Wilmington, Del.	1.65	0	banking.barclaysus.com 888-720-8756

Top mortgage deals

	Down payment	Rate	Points	Fee
30-year fixed rate				
Lake Shore Savings Dunkirk, N.Y. 716-366-4070	20%	4.25%	0	$379
PNC Mortgage Baltimore 410-415-6000	20	4.25	0	451
Intrust Bank Edmond, Okla. 405-949-8440	20	4.375	0	423
Whitney Bank Jefferson, La. 504-838-6300	20	4.5	0	445

Sources: CD data provided by Bankrate.com. Top-yielding CDs are the highest yields tracked by Bankrate.com from banks with ratings of three or more stars for financial strength. Mortgage data provided by HSH Associates *(hsh.com)*. All mortgages listed have a borrowing limit of $417,000. Data current through mid-July 2013.

Pay for college and get a tax break, too

Make the right moves and boost your child's aid eligibility.

College costs have gone through the roof. Total charges at private, nonprofit four-year institutions averaged almost $40,000 for the 2012-13 school year, according to the College Board. Saving for that giant tab is difficult enough; choosing the most tax-efficient ways to pay the bills—through tax-deferred savings in 529 plans, taxable accounts, loans, and other means—adds a whole other level of complexity.

The goal is to reduce your tax bill while making sure your child qualifies for as much financial aid as possible. Assuming that she's your dependent—and her income and assets are small—her eligibility mainly hinges on your income and assets as reported on the Free Application for Federal Student Aid, or FAFSA. Fill out the form early each calendar year at *fafsa.ed.gov*.

Bank accounts, investments, trust funds, and real estate other than your principal residence generally must be reported on the application. Exclusions include pensions, individual retirement accounts, 401(k)s, and the value of autos and family small-business interests. Assets don't need to be reported on the application if the parents have an adjusted gross income of less than $50,000 and are eligible to file Internal Revenue Service form 1040A or 1040EZ.

IF YOUR INCOME IS HIGH: TAP A 529

Households with relatively high incomes should dip into 529 savings accounts to pay for college before taking out loans. Joint filers with more than $180,000 in modified adjusted gross income (MAGI)—adjusted gross income before deducting tuition and fees—fall into this group. So do singles and heads of household with MAGI of more than $90,000.

You can tap your child's 529 account to pay for "qualified" college costs: tuition, fees, books, supplies, and generally, room and board. Those 529 withdrawals—the money you originally invested, plus built-up gains—will be tax-free as long as they don't exceed what you pay in qualified costs in a calendar year. "Using your 529 account locks in the tax break on any gains," says Joe Hurley, a certified public accountant and founder of Savingforcollege.com.

You don't have to report gains in a 529 account on the FAFSA. And drawing down a 529 account will reduce the assets you do have to report. So by using 529 funds, you take advantage of a tax break while potentially improving your child's financial-aid eligibility in the upcoming school year.

IF YOUR INCOME ISN'T AS HIGH: WEIGH TAX BREAKS

If your MAGI is below the $90,000 or $180,000 threshold, you might qualify for a tax break called the American Opportunity Tax Credit (AOTC). Or you might be able to deduct up to $4,000 in tuition and fees on your tax return. But you can't claim both benefits for the same student in the same year.

The AOTC is a credit subtracted directly from your taxes. Claiming it can cut your taxes by up to $2,500 per student a year. In contrast, the tuition-and-fees deduction will cut your adjusted gross income by up to $4,000 a year; if you're in the 25 percent bracket, you could save $1,000. Tax software will automatically select the better option for you. "Most programs indicate that the AOTC will reduce your tax bill by more than the tuition-and-fees deduction," says Deborah Fox, who heads Fox College Funding, a planning firm in San Diego.

But tax software doesn't take into account the fact that claiming the tuition-and-fees deduction might enable your child to qualify for more need-based financial aid, Fox says. Deciding which break works best might require running the numbers with a financial adviser.

Keep in mind that you can't claim tax breaks for the same expenses you cover with 529 withdrawals. If you do, some earnings from the 529 will be considered "nonqualified"—that is, taxable.

IF YOU HAVE MULTIPLE 529 PLANS: MANAGE WITHDRAWALS

When there's more than one 529 plan for the same student, withdraw from the account with the highest returns first. You'll realize larger tax-free gains.

Accounts owned by grandparents don't have to be listed as an asset on the FAFSA, which can help the grandchild qualify for more student aid, notes Mark Kantrowitz, publisher of Edvisors.com, a network of websites about planning and paying for college. The catch? Paying college bills from a grandparent-owned 529 can reduce financial aid eligibility by as much as half of the amount taken from the account.

Kantrowitz suggests changing the account ownership from the grandparent to the parent or student, a move allowed by most states. The shift will affect financial aid eligibility a little, he says, but much less than if the grandparent's 529 plan paid the college bills. Or, he says, wait to take distributions from the grandparent's account until after the FAFSA is filed for the senior year in college, when you no longer have to file future FAFSA applications.

Hurley has a different take. He favors using money from the grandparent's 529 account sooner than later to pay college bills. "It is generally best to use other people's money before you lose it," he says. $

8 ways to lower your telecom bills

Think you're paying too much for phone, cable, and Internet? You probably are.

Like preschoolers sneaking snacks into your shopping cart, cable, satellite, and phone companies never stop pestering you to spend more for TV, Internet, and phone service. The relentless promotions and nickle-and-diming help explain why families can easily pay $200 or more a month for telecom service.

If telecom providers don't persuade you to buy better, faster, or more, they might simply hike your base rate by $5 a month, as Comcast did with its triple-play bundles this year. They might raise monthly fees, as AT&T did with its U-verse TV prices (by $2 to $4) and Internet service costs (by $3 to $5). Or they might invent a surcharge. But you don't have to accept that as the cost of being connected. Here's how you can cut your bills.

1 Buy a bundle. Buying all of your telecom services from the same provider can save up to 30 percent off the price of buying each service individually. But you should also push to save more. Among the one-third of almost 21,000 Consumer Reports subscribers surveyed last year who bundled and negotiated for price, 44 percent got the cost cut by as much as $50 a month, and 7 percent cut it by more than $50 a month. About a quarter got installation fees waived and 21 percent reaped free activation or discounted equipment.

2 Never stop bargaining. Bundled savings typically last only six months to two years. After that, the regular prices kick in, and that can mean a 40 percent jump in your bill, though some providers phase in the increases. Too many consumers let that happen without a struggle.

Among our subscribers whose promotional bundled rate expired, 60 percent accepted the hike. But 40 percent pushed for continued savings, and most of those hard bargainers got the same or a lesser discount, which can still be considerable. The most effective tactic is to threaten to

switch to a competitor or even schedule your disconnection. You have the most bargaining power if AT&T U-verse or Verizon FiOS are in your area to compete with your cable company, and if you can get an unobstructed line of sight to the southern horizon, where Dish Network and DirecTV satellites hover.

3 Avoid speeds you don't need. Cable and phone-company Internet service providers are pushing faster download speeds, up to 50 megabits per second (Mbps), which can cost $15 more a month. But most households don't need more than 15 Mbps, even if they have multiple users simultaneously engaged in bandwidth-hungry activities.

4 Drop TV channels. Although many plans offer hundreds of channels, most households watch only 20. You can save as much as $360 a year by switching to a smaller channel package. While you're at it, drop HBO, Showtime, and other premium channels that were free when you signed up but now might add $8 to $24 each to your bill. It may be cheaper to buy must-see cable TV series like "Homeland" or "Game of Thrones" when they become available on iTunes or DVD.

5 Cut the cord. You're already paying a pretty penny for now-ubiquitous cellular service, so why pay for the redundancy of a landline phone? About a third of American homes have only wireless, and one in six households use a cellphone for most or all calls, even if they still have a home phone. If you think you need a home line to dial 911, consider this: When Superstorm Sandy smashed into the Northeast last year, cell phones were more likely to have kept working when phone and cable-company wire lines and Voice over Internet Protocol (VoIP) phone service went dead.

6 Buy Ooma. If you must have a landline, buy an Ooma device, which provides VoIP phone service over the broadband you're already paying for. Ooma was top-rated by our readers among home-phone services. The hardware costs $150, but there's no charge for local calls and domestic long distance, though you must pay a few dollars a month in taxes. Ooma's total monthly service (for local, domestic long-distance, and international calls) is capped at 5,000 minutes.

7 Quit the DVR. Streaming video from Hulu, Netflix, and others, and video-on-demand services from pay TV providers may have made your digital video recorder a dinosaur. Save the $6 to $20 monthly cost of keeping it around.

8 Save on cellular. Consider services like Tracfone for buy-only-what-you-need talk and text, and StraightTalk for no-contract phones and data service that uses all four major cell networks, depending on the phone. Consider Consumer Cellular for highly rated voice, text, and data service and lower prices than AT&T, even though it operates on the same network. If you live in its service area, try US Cellular, which our readers judged to be a better value than the big four nationals. $

SAVE A BUNDLE

Consumer Reports readers help you choose and save on TV, Internet, home phone, and cell-phone service. Go to *www.ConsumerReports.org/telecom0913*.

Get the money to launch your dream

New business funding options open up loan possibilities.

After 16 years of working in health insurance, Therese Wantuch of Cincinnati decided to use the money that would have gone into her 401(k) to start a company that creates apps for people with autism. After her first app was a success, she got $5,000 interest-free from the lending site Kiva Zip to hire programmers to develop her next ideas. "If we could positively change the lives of these kids," says Wantuch, who has a son with autism, "how amazing would it be?"

Despite the sluggish economy, which has made bank loans harder to get, people like Wantuch are taking advantage of new funding options that weren't available just a few years ago. The site she used is part of the new "crowdfunding" movement that raised $2.7 billion in 2012 for projects and businesses, according to the research firm Massolution, and is expected to raise $5.1 billion this year. So if you want to chase your passion even at a late stage in your career, there are conventional and unconventional ways to get the money to put your dream into action—without the help of a rich uncle.

CROWDFUNDING

Wantuch tapped into the newest trend in financing, which uses the wisdom of online crowds to fund the best startup projects. Borrowers upload a profile of their project and how much money they need to a website, and hundreds of people can make pledges of as little as $1. (Borrowers typically don't receive any money unless the funding goal is met.) In exchange, backers may receive a small reward or the product being funded.

Until recently many of these sites, such as Indiegogo.com, Kickstarter.com, and Kiva.com, were geared toward philanthropy or creative projects like documentary films. But they've expanded, and newer sites, such as EquityNet.com, Fundable.com, and FundaGeek.com, are focused on all types of small businesses.

PEER-TO-PEER LENDING

Similar to crowdfunding in its focus on microlending, peer-to-peer lending sites such as LendingClub.com and Prosper.com link investors with borrowers. Investors earn a rate of return on their loan during a repayment period of 36 to 60 months. Interest rates vary widely; they're based on the borrower's credit record and income. At Lending Club, the average is 13 percent but can be as low as 6.7 percent to as high as 29 percent. Prosper's rates are similar.

Loan amounts are kept low. With Prosper and Lending Club, the current limit is $35,000. Renaud Laplanche, Lending Club's chief executive officer, says that the company is preparing to launch a small-business website to offer loans of up to $100,000, but that some of them—depending on the loan amount and a person's creditworthiness—will require collateral like a traditional bank loan.

You can piece together the money for your startup project through some unconventional sources.

Caution: Loans you may want to skip

Tapping your personal contacts, such as family and friends, might be an easy source of investment capital, but it's fraught with peril. If you do go this route, pay interest on the loan (to be fair) or offer a percentage of your revenues as a repayment, says Paul Edwards, co-author of "Home-Based Business for Dummies" (John Wiley & Sons, 2010). But "interest is generally a far better choice," he says, because it will help keep the business aspects separate from your relationship.

Formalize your loan with a written agreement stipulating the interest rate and payment schedule. You can find templates for a promissory note at *nolo.com*.

TRADITIONAL LOANS

Meeting with a loan officer at a branch of a bank or credit union is the most familiar way to get funding for small businesses. But you'll typically need to put up collateral, such as your house. The Small Business Administration guarantees many of the loans made to small businesses through banks and organizations. SBA-backed loans usually carry interest rates in the area of 6.5 percent to 7.5 percent, says Larry Rush, president of the Reading, Pa., chapter of Score.org, a nationwide nonprofit network of mentors who help entrepreneurs through the loan process. Non-SBA loans carry similar interest rates. But if you have a lower credit score (below 660), or no collateral, you'll be looking at 9 percent or even higher with lenders of last resort, Rush says.

To find lenders in your area, contact your local Score and SBA offices, Chamber of Commerce, state and local economic development corporations, and community associations. The Aspen Institute's Microenterprise Program Directory (*fieldus.org/projects/entrepreneurs.html*) and Microenterpriseworks.org list hundreds of programs nationwide that lend to entrepreneurs at the community level.

Besides walk-in banks, there are online lenders such as IOUCentral.com, Kabbage.com, Lendio.com, and OnDeckCapital.com that will provide short-term loans and use software to quickly evaluate your loan worthiness. $

What you need to know about prepaid cards

Prepaid cards are no longer just for people who don't have bank accounts. They're the fastest-growing payment method in the U.S., and they're attracting those who want to budget their spending. And our new report has some positive news for consumers: Fees have declined, and many prepaid cards offer more features.

Consumers Union, the policy and advocacy arm of Consumer Reports, has tracked the prepaid-card market for years, and previous analyses found that checking accounts (which prepaid cards aim to replace) provided guaranteed protection, at a lower cost, than most cards. But this year's report on 26 cards found that some are now more competitive with checking accounts.

Prepaid cards are often given to teenagers and the college-bound because parents can reload them from afar and oversee spending. Big banks such as Chase and US Bank have recently joined the ranks of smaller companies to roll out their own cards. In 2012 about $77 billion was loaded onto prepaid cards in the U.S., according to the Mercator Advisory Group.

Prepaid cards often look like debit cards, with American Express, MasterCard, or Visa logos. They can be used to withdraw cash from an ATM, pay bills, or make purchases online and in stores. Unlike debit cards, they're not linked to traditional bank accounts. But some cards are still quite expensive, and not all of them offer the conveniences that consumers might expect.

HOW FEES MOUNT

One big knock against the cards are the fees: for activation, monthly maintenance, reloading, and ATM use. The Prepaid Visa Rush Card monthly card option, for example, has a one-time activation fee of $3.95 or $9.95, depending on the card design, and a monthly fee of $9.95. But it can get worse. For example, the NetSpend Prepaid Visa Pay-As-You-Go card carries a $1 or $2 "swipe" fee every time it's used to make a purchase. That can add up. The top cards in our survey do not charge purchase fees.

Issuers have added features for some cards that rival those of bank accounts, such as paper checks. Two-thirds of the cards in our survey allow the use of ATMs free or for a reduced fee. Text and e-mail alerts give account information. When considering a card, check to make sure your funds will be FDIC-insured. $

Rating the cards

Twenty-six prepaid cards were rated on four factors: value, safety, convenience, and fee accessibility and clarity.

☑ Recommended

Rec.	Card	Overall score (0–100; P | F | G | VG | E)
	The best ...	
☑	**Bluebird** with direct deposit (American Express)	80
☑	**H&R Block Emerald Prepaid MasterCard** (H&R Block)	78
☑	**Green Dot Card** (Green Dot Bank)	75
	The Approved Prepaid MasterCard with direct deposit (Suze Orman)	69
	The Approved Prepaid MasterCard without direct deposit (Suze Orman)	67
	... and the worst	
	AccountNow Gold Visa Prepaid Card (Meta Bank)	36
	Reach Visa Prepaid Card (Tom Joyner)	34
	Redpack Mi Promesa Prepaid MasterCard	33
	American Express for Target card	17

Source: Consumers Reports, 2013 analysis. To see the full report, go to http://bit.ly/11Yg5s8. Recommended cards had an overall score of 75 or higher.

gimmicks and gotchas

Watch out for the fine print in price-matching offers

Retailer price-matching policies, which promise to equal or beat a competitor's price before a purchase (or in some cases after), can protect you from overpaying—if you can get through the fine-print exceptions. Some purchases are ineligible, including clearance items, those from opened boxes, special orders, and items available for a limited time.

For example, Staples retail stores will match prices of other walk-in stores, but not those of online retailers except Staples.com. Sears won't price-match Internet-only retailers.

Just understanding the policies can be a chore. Lowe's website advises visitors to go to a store for complete details of its everyday low-price guarantee. Earlier this year, the Better Business Bureau recommended that Toys "R" Us modify or remove in-store banners that could mislead customers into thinking that its price-matching policy applied to online prices.

What to do. Read store policies carefully, especially if you're counting on price protection, which promises to reimburse you for the difference if you find a lower price within a certain period after making a purchase. If you're unsure whether a price guarantee applies at a walk-in store, call ahead before venturing out. If a retailer rejects your request for a post-purchase price adjustment on an item you haven't used, find out if you can return it under the store's regular return policy. Also check your credit card; some offer price protection.

Make learning a lifelong pursuit

It's never too late to go back to school—and now tuition may even be free.

Here's a paradox: If you're young and eager to complete a college degree, the expenses can be crushing. But if you're 50-plus and in no hurry, you may be able to get that same education free.

Want to study social work for a career reboot? Brush up on your computer skills? Or take up ancient Greek just for the heck of it? Thanks to programs and discounts for mature students, you can find free and inexpensive college courses—in classrooms and online—to keep your brain active.

FIND FREE COURSES

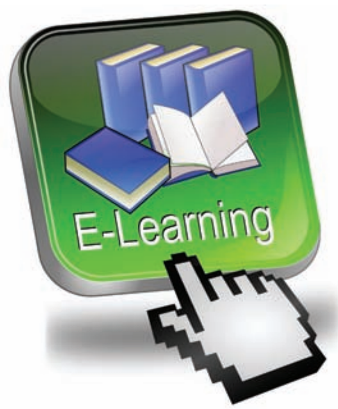
At many state universities and colleges, residents age 60 and older who meet set requirements can use tuition waivers to take for-credit courses, gratis. If courses for credit aren't offered, mature students might still be able to audit a class without paying, gaining no credit but gleaning plenty of knowledge.

The public Michigan Technological University in Houghton, Mich., for instance, waives tuition for anyone 60 or older. Students can audit or take classes for credit. A few such students are working toward a degree, a spokesperson told us.

Private colleges can be generous, too. The College of Wooster, in Wooster, Ohio, for example, lets community members of all ages audit one course per semester, free. Participants must receive approval from the provost and the teacher, and paying students get first dibs. But mature students are rarely turned away, says John Finn, a spokesman. "Faculty often say they welcome the 'elder' input," he adds.

The Bernard Osher Foundation *(osher foundation.org)* endows more than 100 "lifelong learning" programs for students 50 and older at educational institutions nationwide. At the Osher Lifelong Learning Institute at San Diego State University's College of Extended Studies, for instance, students pay as little as $15 per class.

Lifelong-learning students don't get college credit, but they can get quality instruction for a song. Eric Kisch, 75, of Shaker Heights, Ohio, raves about the half-semester, seniors-only classes he takes through the Laura and Alvin Siegal Lifelong Learning Program at Case Western Reserve University. In four- to eight-week courses averaging about $75 to $85, top-notch professors mix it up with students hungry for meaty discussion. "If you're teaching seniors," Kisch says, "they cut you no slack for being boring."



SEEK EVEN MORE VARIETY ONLINE

If face time with professors isn't a priority, jump on the Internet and join a massive open online course, or MOOC. Some of the courses offered by name-brand universities attract more than 100,000 students.

Typically, you'll watch a professor's lecture first. Then you might join online discussions and projects with other students, or take proctored quizzes and exams. You might need to use social media like Facebook and other online tools. Or you can just enjoy the lectures and ignore the tests and homework.

You can find free online courses from numerous universities and colleges through companies like Coursera, edX, and Udacity, and through aggregator sites like Class-central.com. Recent six-week course offerings on Coursera included Songwriting (Berklee College of Music); English Common Law: Structure and Principles (University of London); and the Analysis of Algorithms (Princeton). Skynet University, sponsored by the University of North Carolina at Chapel Hill, offers students remote access to telescopes in Australia, Chile, and other places.

Though most online courses are free, you may have to buy the professor's textbook for the full experience. (Recently, Coursera announced free access to some e-textbooks though Chegg, a textbook sales and rental service.) But paid, MOOC-based degrees may become commonplace. Udacity, AT&T, and Georgia Tech recently announced a collaboration to offer an online-only master's degree program in computer science for just $7,000.

USE AVAILABLE TAX BREAKS

Whatever costs you accrue in your coursework, take advantage of federal tax breaks for college tuition, fees, and supplies (see page 11). You can claim a lifetime-learning credit worth up to $2,000 per household every year for courses at an accredited college, university, or vocational school. A tax credit is better than a deduction because it's subtracted from the tax owed, not from the income on which you're taxed.

You may be able to deduct up to $4,000 in tuition and fees. Another benefit, the American Opportunity Tax Credit, can't be used unless you're enrolled at least half-time. With all three tax breaks, income requirements and other conditions apply. For details, check out IRS Publication 970, "Tax Benefits for Education," at *irs.gov.*

And if your kids and grandkids didn't somehow exhaust the funds in any 529 educational savings accounts you set up in their behalf, make yourself the beneficiary and spend those funds toward your tuition, fees, books, and other qualified expenses. Now, without homework or tests, it's your turn to have some fun. $

Tobie Stanger, M.B.A., *has covered personal finance for Consumer Reports for more than 20 years.*

Question of the month

I want to talk to a financial planner, but don't they require $250,000 to invest? I have only $100,000.

—M.W., Brooklyn, N.Y.

Most fee-only planners (who are not paid by commissions on the investments they recommend) will work with you. They will probably charge between $150 and $300 per hour, and it might take anywhere from 2 to 12 hours to work up your basic financial plan and make investment recommendations, depending on your situation. To find one in your area, go to ***napfa.org,*** click on "Advanced Search" under the "Find an Advisor" box, type in your ZIP code, then click on "Hourly Financial Planning Services" under "Client Market."

Replacing stock certificates

Q I lost track of some stock that I owned when I was living overseas. The company no longer exists. Is there a way to recover my shares?

—J.W., via e-mail

A You'll first need to identify the stock. Most are known by their ticker, but that does little good if it's no longer listed. In addition to tickers, almost every U.S. and Canadian security is assigned an alphanumeric string known as a CUSIP (for Committee on Uniform Securities Identification Procedures). Think of it as a catalog number. It's more permanent, so you'll be able to trace what happened to a company. We had good results finding defunct companies at *quantumonline.com/search.cfm;* an online broker or financial adviser could also help. If it was acquired, for example, the current company may be able to provide you with any shares you are due. If it went bankrupt, you obviously won't get a replacement. Fortunately, most securities today are issued in "street name" (your brokerage manages your certificates) or in the direct registration system (the company registers your ownership). With either approach, you avoid headaches caused by lost, stolen, or damaged certificates.

Parting with a timeshare

Q Timeshares are easy to buy but impossible to sell. Paying an agency to unload our unit is like throwing money down the toilet. Help, we are drowning! *—A.D., Scottsdale, Ariz.*

A Don't pay an up-front fee to an agency, which can be an outright scam. Instead, contact a licensed timeshare resale broker at Ltrba.com. But a broker may not take on your timeshare if it doesn't seem easily sellable. If that's the case, sell it online yourself at My Resort Network, RedWeek.com, Timeshare Users Group *(tug2.net),* or TransAction Realty, or try auction sites such as Bidshares and eBay. Those sites, as well as Vacation Rentals by Owner *(vrbo.com),* can help you rent your timeshare while you try to sell. Also, the resort might be willing to take it off your hands in a "timeshare deedback." You won't get paid, but you'll be free of those maintenance fees.

Ordering checks safely

Q Is it safe to order checks from a company like Designer Checks, which is advertised in circulars in the Sunday newspapers? My bank charges $25 for shipping and handling for two boxes of checks that cost $30.

—S.M.L., Clinton, Mass.

A It's fine to buy checks from printers other than the one your bank uses. The company you mentioned, Designer Checks, is rated A+ by the Better Business Bureau, so it's safe. But its $43 charge for two boxes of basic checks with standard shipping is still too pricey. Instead, buy from Costco, where $14.18 gets you 500 basic checks for Gold Star members, plus $7.75 for standard trackable shipping. The $22 total is a 50 percent savings vs. your bank.

bulletin board

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