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Contacts
Jack Gillis, CFA, 202-387-6121
Mary Levy, FCIC, 202-501-1794

AMERICANS SCORE POORLY ON SAVING MONEY TEST

National Groups Release Updated "66 Ways to Save Money" Brochure and Website

Washington, D.C. -- On a recent true-false test about saving money on consumer purchases, more than 1,000 representative adult Americans scored, on average, only 53%. The test was developed by the Consumer Literacy Consortium (CLC), a group of 20 federal agencies, corporate groups, and national non-profits. It was administered this past February by the Opinion Research Corporation International (margin of error, plus or minus three percentage points).

(To see the test go to: <http://www.consumerfed.org/pdfs/5CLCMYTH.pdf>)

"An important reason consumer knowledge is so poor is because today's marketplace is so dynamic and complex," said CLC member Robert Krughoff, President of Consumers' CHECKBOOK. "Consumer information and education has never been more important," he added.

"The annual cost to consumers of poor knowledge about saving money on purchases is certainly in the billions of dollars," said CLC member Stephen Brobeck, Executive Director of the Consumer Federation of America. "Just learning basic information about how to save money can save individual consumers hundreds of dollars a year," he added.

To help consumers learn more about saving money on purchases, the CLC has revised its popular "66 Ways to Save Money" brochure and website. For an online version of the brochure (in Spanish or English), with links to other government websites with product-related information, go to www.66ways.org. Single copies of the brochure are available for \$.50 each from the Federal Citizen Information Center at Save Money, Pueblo, CO 81009 (and they can be ordered online at 66ways.org).

"For the past decade, the '66 Ways to Save Money' brochure has been our most popular consumer publication distributed for a fee," said CLC member Mary Levy, Director, Information and Education at the Federal Citizen Information Center. "And we expect the newly revised brochure and related website to be very popular in coming years," she added.

What Most Consumers DON'T Know About Saving Money on Purchases

The question that the fewest respondents answered correctly dealt with funeral options. In response to the statement -- "One can find the least expensive burial or funeral option by comparison shopping among funeral homes" -- only 9% correctly said it was false. In reality, one can almost always find the least expensive option by calling a local Funeral Consumer Alliance or memorial society.

Only 38% accurately said the following statement was false -- "For consumers who want life insurance protection for less than ten years, it is usually wisest to purchase a whole life insurance policy than a term life insurance policy." It is usually wisest to hold a whole life policy for at least 15 years. Canceling these policies after only a few years can more than double your life insurance costs.

Only 31% correctly indicated that the following statement about credit payments was false -- "Credit card users typically have 20 to 25 days to make a payment on time after receiving their monthly statement." While credit card issuers typically provide a 20-25 day grace period after the statement date, because of the time monthly statements are in the mail, cardholders typically have less time to make a payment on time.

Despite extensive news coverage of the issue for over a decade, fewer than one-half of respondents (48%) knew that the following statement about federal deposit insurance was false -- "All savings and investment products sold by banks are federally insured." In general, their savings products like statement savings accounts and CDs are federally insured but their investments products like stocks, bonds, and mutual funds are not.

What Most Consumers DO Know About Saving Money on Purchases

More than 70% of respondents answered five questions correctly. These items deal with unit pricing, renter's insurance, the cost of mortgage loans, auto insurance rates, and credit card rate hikes.

For example, 75% of consumers correctly understand that, if credit card users make a late payment, most card issuers can hike their credit card interest rate to well over 20%.

Moreover, 74% know that the least expensive mortgage is not necessarily the one with the lowest monthly payments. The least expensive mortgage is one with the lowest rate, points, and fees with the shortest term. Fifteen-year mortgages, for example, usually have higher monthly payments than 30-year mortgages yet are far less expensive because of lower interest rates and lower interest obligations over the term of the mortgage.

Which Consumers Know the Most and the Least

Overall, men and women were about as knowledgeable about saving money on purchases. Those aged 45-55 were in the most knowledgeable age group, with those aged 55-65 and those 35-45 close behind.

The largest differences among demographic groups were between the poor and the affluent, and the least and most educated. Those with household incomes of at least \$75,000 scored about ten percentage points higher than those with annual incomes under \$25,000. And those with graduate or professional degrees scored about ten percentage points higher than those without a high school degree.

"We believe our money-saving brochure is especially useful for today's time-stressed consumers," said the FCIC's Levy. "It targets high-ticket items with buying tips that are short, clear, and don't take too much time to do," she added.

Revised Edition of Popular Brochure and Website Available to Consumers

More than 2 million copies of the "66 Ways to Save Money" brochure have been distributed over the past decade. The third edition of the publication deals with 28 product categories -- from airplane travel to life insurance to mortgage loans to food purchases. Most of the 66 tips include "motivators" -- for example, how much can be saved by practicing the tip.

Single copies of the brochure are available for \$.50 from the Federal Citizen Information Center. To order larger quantities, contact Save Money, CFA, 1424 16th St., NW, Suite 604, Washington D.C. 20036.

The Consumer Literacy Consortium is a working group of representatives from federal and state government agencies, consumer groups, business organizations, and educational institutions that seek to develop and publicize money-saving consumer tips. Membership in the Consortium does not imply endorsement of all its messages or the products and services of other members.