



B. Franklin

The Franklin Prosperity Report

'A PENNY SAVED IS A PENNY EARNED'

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Save Up to \$20,000 This Year

Experts Reveal Their Secrets to Cutting Costs on Banking, Insurance, Shopping and Groceries, Prescription Drugs, Pet Care and Much More

If you believe Benjamin Franklin's wisdom (and around here, we tend to), you would agree that "A small leak will sink a great ship," as he wrote in an edition of *Poor Richard's Almanack*.

With that in mind, constantly exploring new ways to save even a little amount of money is a prudent exercise, and one that led us to the idea behind this article, which is a collection of expert advice in the areas of investing, insurance, entertainment, daily essentials, and your home.

We also wanted to take these simple everyday ideas about saving a step further and do the math on what these actions could save a typical family. For our purposes, the savings examples you'll see in the following 20 tips were calculated based on a family of four comprising two parents with a combined income of \$80,000 per year and two children living in a 2,000-square-foot home that cost \$200,000.

But of course, the idea behind each savings idea would apply to just about everyone, so be sure to consider anything and everything here that could potentially apply to you. We hope these ideas, as Franklin also once said, help you "watch the pennies" so the "dollars will take care of themselves."

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Investing and Insurance

1. Dump your bank.

When banks had free rein to hide fees in credit-card charges, they were happy to give away basic banking services such as checking. Known as "inter-change" fees, these tiny card charges made banks as much as \$8.7 billion a year. (Of course, these expenses were covered by retailers who then hid the cost in the prices of the goods and services you bought.)

Thanks to new reforms, the charges are ending, but that means rising bank fees. Expect an end to free checking soon, bank experts say. You are likely to begin paying up to \$183 a year in banking fees.

Instead, switch to a credit union. It's cheap to join and offers truly free checking because the account holders own the bank. Find a credit union near you at the National Credit Union Administration website (www.NCUA.gov).

Savings: If our sample couple had separate accounts that they close and merge into a credit union instead, that's \$366 in savings per year.

2. Refinance revolving debt right now.

If history is any guide, the door is about to close on cheap money, and probably for a very long time. If you are holding credit-card debt or a home equity loan at a high interest rate, now is the time to refinance. Credit-card companies are still in the market for balance transfers that charge zero percent for up to two years and have no annual fees.

Savings: A borrower with a credit card charging 19 percent must pay \$202 a month on a \$4,000 debt to get clear inside of two years, according to the Federal Reserve System. Taking out a zero percent card with a two-year window gets you out at \$167 a month instead. The savings amounts to \$420.

3. Buy cheaper mutual funds.

Americans have had a love affair with mutual funds for nearly two decades. The industry promised money management for the masses, and it was hard to argue with the logic of double-digit returns during the long boom in stocks from 1982 on.

But the bloom is off the rose. Investors are beginning to wonder whether a 7 percent long-term return is likely, and they're looking closely at the fees some mutual funds charge. Consider for a moment the typical 401(k) mutual-fund fee, which totals to 2 percent. Now consider the average fee for a plain vanilla index fund or exchange-traded fund that tracks the major indexes. They come in at 0.10 percent, and many can be bought through major brokerages at no cost.

Savings: Let's say our couple puts \$100,000 into Fidelity's Contrafund (FCNTX), a fund many American investors hold. To be fair to Fidelity, they also put \$100,000 into the Fidelity Spartan 500 Index Fund (FUSEX). Both funds earn our expected 7 percent. At the end of one year, the fees for the

actively managed mutual fund amount to \$947.44. For the index fund, it's just \$103.41. In one year, that's \$844 in your pocket to reinvest. (Over a decade, the compounding return really accelerates. The fees hit \$12,499.80 in the managed fund but just \$1,421.54 on the cheaper index fund.)

4. Hire cheaper money management.

Like with the news business, banking, and the U.S. Postal Service, the Internet is steamrolling over costs in the once arcane world of wealth management. If you have enough in your portfolio to qualify – as little as \$250,000 – you can take advantage of investing tools online and get help from an adviser when you need it.

"As an example, take a 40-year-old investor who just changed jobs and wants someone to help manage his \$250,000 IRA rollover. By using a Web-based adviser instead of a traditional firm, an investor could save \$1,125 or more each year," says **Steven Geri**, founder of InvestSimply.com. Geri figures the money invested at a 7 percent return could mean a difference of \$70,000 at retirement. Other similar services include IFA.com and WealthFront.com.

Savings: If our couple has \$500,000 to invest between them, using a Web-based system could turn into \$2,250 per year, by Geri's estimate.

5. Raise your insurance deductibles.

People often confuse insurance with protection. If your home is hit by a freak hailstorm, the damage is done whether you have gold-plated coverage, so-so homeowners insurance, or nothing at all. Instead, think of insurance as protection against the unexpected cost of an accident, not against problems in your life.

Considered that way, the real question is: Can you handle a few thousand bucks in simple repairs? Could you do it yourself or even put it off until you raise the money? In short, would meeting a \$1,000 deductible on your homeowners insurance coverage really break the bank? For most people, the answer is probably "no." Raise your deductible and your premium will fall. It's the single biggest thing you can do to cut homeowners insurance costs.

Savings: Premiums around the country range from as low as \$387 in Idaho to \$1,390 in hurricane-ravaged Florida. If you figure on a premium of about \$800, raising the deductible to \$1,000 should knock off 25 percent, saving our couple \$200 a year.

6. Lower your coverage.

Driving an older vehicle? It's time to stop paying insurance as if it were a brand new car. Remember, if you total your car, your insurance company is not going to buy you a new one. Instead – and this surprises people – it'll pay what it considers the "cash value" of the car you lost. That might be only a few thousand bucks, just enough to make a new down payment.

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**Check your e-mail inbox for this
month's password.**

(Remember to use lowercase letters.)

"Your beloved 10-year-old Chevy that's in perfect shape is probably worth \$2,500 at best," says **Mark Carrasquillo**, an account executive with E.G. Bowman Co. in New York. "So it doesn't make much sense spending \$1,000 to insure it, particularly if you have a \$1,000 deductible." The coverage you might want to drop is the collision portion – not comprehensive, which covers against fire, theft, and vandalism and is normally the cheaper of the two, Carrasquillo says.

Savings: The amount varies according to vehicle and state, but collision can be up to 40 percent of your premium. Average insurance premiums in 2010 were \$1,031 a year, according to AAA, so that's \$412 back to you.

7. Shop your coverage.

Happy with your insurance company? You might be, but that doesn't mean your premiums are competitive. You can get comfortable with your home or car insurance, but it's smart to shop your policy every few years, says **Sol Nasisi**, the co-founder and chief economist of BestCashCow.com, a website that specializes in banking and credit-union savings rates.

"This is especially true if your circumstances have changed – you have a new alarm system, you're working from home instead of driving, or you have an improved driving record," Nasisi says. "I recently was able to cut my auto insurance bill by \$600 per year. Lots of small changes can add up over time." Combining car and homeowners insurance under one company can save up to \$300 per year too – but Nasisi advises getting several quotes to be sure.

Savings: If our couple shopped coverage for their two cars and combined them with a homeowners insurance policy at one insurer, with a bit of luck, it could mean savings of \$1,800 for the year.

Entertainment and Daily Essentials

8. Slash your grocery tally.

The average family of four with two teenagers easily can spend \$600 a month on groceries. But if you get a discount card at your local grocery store and buy mainly discounted store items, you can save \$20 to \$40 every week, says **Lori Mackey**, a financial literacy expert and founder of the 7-year-old Los Angeles-based company Prosperity 4 Kids, which teaches money-management principles to children.

Add in a membership to a wholesale buying club such as Sam's or Costco for nonperishable items such as toilet paper, and you can save even more by buying in bulk. Although a club membership costs money – \$40 or \$50 annually at Sam's or Costco – it usually pays for itself in a few visits.

Savings: Taking the \$40 grocery figure, our family would save \$173 on average per month, about \$2,080 a year.

9. Dine out less.

The occasional dinner out for a family of four costs money – about \$60 per

meal at the average sit-down restaurant. If you're treating yourself just once a week, that's easily \$250 a month. Fortunately, it's also an easy place to save money – just do it half as often, Mackey says, and make the home alternative fun. "Have a movie night at home and make a healthy dinner and snacks, and you're going to save all the way around," she suggests.

And for the two meals you do eat out, check your local mail-service coupons or go online to find restaurants that are offering buy-one-get-one meals, says **Cathy Freund**, a strategic marketing expert and owner of a Money Mailer franchise in Kansas City, Mo.

Savings: Our family could save about \$120 a month by cutting down restaurant visits from four times out a month to two, for \$1,440 per year.

10. Save on prescriptions.

With the average price of a prescription drug hovering at just under \$70, there's no reason whatsoever to use anything but generics whenever possible. For example, the high blood pressure drug Norvasc costs \$221.96 for 90 5 mg tablets at DrugStore.com, while the generic amlodipine besylate costs \$22.99 for the same size and amount.

Though some insurance companies require prescriptions to be obtained through specific mail-order services, ask about alternatives. Walmart offers hundreds of prescription drugs for either \$4 for a 30-day supply or \$10 for a 90-day supply. Also, ask your doctor for a longer prescription plan, suggests **Dennis R. Marvin**, a certified financial planner and founder of Marvin Wealth Management in Cleveland.

Savings: For a family spending \$200 a month on prescriptions, these strategies could save half that amount or more – \$1,200 a year.

11. Lower your car payments.

The rule of thumb with cars is never to spend more than 8 percent of your monthly gross income on payments. That's about \$533 a month for a family of four making \$80,000 a year. If you're at that level (or higher) and want to lower it, you may be able to refinance your auto loan(s) with MoneyAisle.com, a website that allows banks and credit unions to bid for your business by offering low APR rates.

As financial planner Marvin says, banks and credit unions generally offer much lower interest rates on car loans than dealerships, so having them compete for your business only makes sense.

Savings: The average customer saves \$1,200 a year, reports MoneyAisle.com.

12. Call for cheaper cell bills.

A family spending \$300 each month on a cell phone plan needs to shop around for better deals, which come out all the time in this competitive market. "Stay updated on what your cell phone company is offering, even if you've been a customer for a while. I just did this, and they were able to drop our bill by \$40," Mackey says.

Also, go online and see if you can drop features from your package you're not using; that can yield an easy 10 to 15 percent savings (\$540 a year). In addition, if you're not under contract with a provider and T-Mobile coverage is good in your area, head to Walmart: The superstore is offering unlimited text and talk through T-Mobile, starting at \$99.99 to families of two, with additional lines available for \$30 apiece.

Savings: A family of four could potentially save up to \$140 per month depending on their current service, or \$1,680 a year.

13. Hem in clothing expenses.

Clothes can be pricey, but there's plenty of wiggle room to slash your monthly expenses. A family spending \$125 a month just needs to exercise more forethought: Buy only what you absolutely love, Mackey says. Shop for coats in the summer and swimsuits in the winter; buy only what's been discounted, and look for good consignment stores in your area.

Also, with a few key investments in home-care items – a good \$50 clothes steamer, maybe \$10 here and there for a package of Dryel – you might not need to bother dropping your clothes off at the cleaners at all.

Savings: Such changes may save as much as \$62.50 per month, or \$750 a year.

Your Home

14. Refinance your mortgage.

Unless you have a spectacular deal on your current mortgage, it always pays to at least look into improving your situation through a refinance. After all, cheaper money is cheaper money, and over the life of a long-term expense like a home loan, the total savings can stretch into the tens of thousands.

Savings: Refinancing a 30-year fixed home mortgage that was acquired at an interest rate of 6.5 percent to a rate of 4.75 percent will lower our example family's payments by \$2,385 a year, providing parents with funds they can invest for their retirements or for their children's educations.

15. Cover your windows with honeycomb shades.

The average 2,000-square-foot house has 15 to 20 windows. Research shows that adding properly installed honeycomb shades such as Hunter Douglas' Duette Architella – the first and only window covering to qualify for federal tax credits for energy efficiency without add-on insulation systems – can save up to \$60 in annual energy costs for an average-sized window.

By the way, if this tip interests you, **John Milligan**, president of Goals2Green.com, suggests hiring a certified home-energy expert give your home an energy audit. "You can find auditors in your area by searching the Residential Energy Services Network website at www.resnet.us/trade/find-raters-auditors," Milligan says. After an audit, he says, you'll know exactly what you need to do to lower your energy use.

"Not only can you save major money with these improvements, you'll be helping to protect the environment through reducing household energy usage and greenhouse gas emissions," says **Bill Cunningham**, an energy-efficiency expert with home heating and cooling equipment manufacturer Lennox Industries.

Savings: Installing honeycomb shades in all of the windows could result in an energy savings of \$900 to \$1,200 a year.

16. Install a solar water heater.

Depending upon where you live, you could save 50 percent on the cost of a solar water heater courtesy of tax credits and grants at federal, state and local levels.

Savings: Potentially, a solar-powered heater can save up to \$800 a year.

17. Wash clothes in cold water.

Cold water keeps colors brighter if you use a laundry detergent formulated for use in cold temperatures, Cunningham points out.

Savings: Going cold can save \$40 a year.

18. Clean the lint trap in your clothes dryer.

It's easy to forget, but taking a moment to swipe out the lint before running the dryer helps the machine run more efficiently.

Savings: Do this before every load of laundry and save up to \$34 a year.

19. Buy pet meds online.

Simply keeping pets flea free can cost \$20 a month or more when you buy prevention at your veterinarian's office. Also, should your pet(s) require medicine for medical problems, especially chronic ones, buying the prescribed meds online could cut your expenditure by 40 percent.

Savings: You'll have to obtain a prescription from your vet, but you easily could wind up saving \$550 or more per year if your pets are on medications.

20. Insulate your attic.

Only 20 percent of U.S. homes built before 1980 are well-insulated, says consumer finance expert **Kevin Gallegos**, vice president of Freedom Debt Relief. "Hiring a reputable insulation company to spray appropriate insulation can be one of the most efficient ways to reduce heating costs in your home," Gallegos says.

Savings: Insulating a previously uninsulated, 1,000-square-foot attic will save \$420 a year. □

– Reporting by Greg Brown, Julie Crawshaw and Karla Dial

Would you like even more savings tips? Like, say, \$50,000 worth? If so, go to FranklinProsperityReport.com to download the Special Report, "50 Ways to Save Up To \$50,000." It's a much-expanded version of this article and includes a bonus "Travel Savings" section. It's free to any current Franklin Prosperity Report subscriber!



Tap Into a Network of Aspiring Currency Traders

Want to stick your toe into the whirling waters of currency trading without the worry of getting in over your head and drowning? You may want to consider joining Currensee, a social-networking group of those interested in currency trading that opened to the public late last year. The company networks via a Facebook page, where Forex investors of all experience levels can learn about the risks and opportunities of currency markets from each other and share strategies.

More important for Forex newcomers, those trading on Currensee also can choose to align their portfolios automatically with those of the best traders in the network using Currensee's Trade Leader Investment Program, which requires a minimum investment of \$5,000 – and which Currensee CEO **Dave Lemont** says includes "the top traders in the social network."

Here's how it works:

- 1) First, you open a currency trading account with a foreign currency broker and link the account to Currensee.
- 2) Then, after evaluating the performance and trading histories of the trade leaders, you choose which leader or leaders you want to follow and allocate a specific amount of your funds to each one. Every time one of your leaders trades, the trade automatically executes in your account too.

"Because we have permission to see everyone's live trading accounts, we can measure performance and rank investors so they can see how they're doing in real time compared to other members of the community," Lemont says. "Investors who don't want to disclose that simply click a privacy setting."



Dave Lemont is the CEO of Currensee, a social-networking group that connects people interested in trading on the Forex currency market.

Costs to use Currensee are a 2 percent annualized service fee, based on the average capital in your account and charged in monthly installments. The service also collects 20 percent of your realized gains, which it then pays to the trade leaders you followed.

Currensee investor **Gary Loest** says the online service has turned out very well for him. "It's a very interesting concept," Loest says. "I've only been on it a couple of months, but I feel the potential for success is far better than what I would have attained had I just managed my own currency trades."

The company has signed up more than 7,000 members. Recently, it passed the \$2 billion mark in trading volume in its social network. Learn more by visiting www.currensee.com or by calling (800) 622-1520.

Finding a Brokerage: The Benefits of Going Small

If you're on the hunt for a brokerage firm, you no doubt have seen the ads for the big-name players, everyone from Charles Schwab to Merrill Lynch. Although those national firms dominate the landscape in a marketing sense, they aren't the only games in town.

In fact, many people may prefer the more personal one-on-one interaction with a smaller firm, says **Laura McCue**, president and CEO of White Oak Financial Management Inc., a registered investment advisory firm that manages \$40 million in Asheville, N.C.

McCue has been in the business for 20 years, the first 12 of which were spent at big brokerage houses. "In a big brokerage, there are factors at work other than serving your clients," she says. "I've been in the big brokerage office where the competition between brokers to produce the most was fierce. In a smaller office, I think you have more freedom to do what you're supposed to be doing, which is to take care of your clients."



Laura McCue is president and CEO of White Oak Financial Management, Inc., a registered investment advisory firm based in Asheville, N.C.

McCue says that, in small advisory services such as hers, clients' information is shared with everyone in the firm so everyone working there usually can provide whatever assistance is needed. "In a smaller firm, people feel they have ownership," McCue explains. "We don't have any obligation or incentive to sell specific products."

Brokers at large firms often decry their compliance section as "business prevention" because they wind up spending all their time doing compliance work instead of managing clients' money, McCue says. "Our business really blossomed when we were able to work under our own guidelines with discretion," she says of the White Oak operation, which also includes her sister as operations manager and another financial adviser. "We never stop learning, and we take classes."

Although a firm's size is one criterion for consideration, investing experts advise that finding a broker with significant experience in the kind of investing you want to do is paramount, whether that's stocks, options, or something further afield.

You also want to gauge performance (ask for specifics when you interview firms you're considering) and pricing for services. Finally, chemistry is important – if you don't feel comfortable with a certain broker or you feel any undue pressure from sales tactics, it's best to protect your assets and keep looking.



Ben's Good Cents

"If you would persuade, you must appeal to interest rather than intellect."

Protect Your Portfolio From the Potential of a Municipal-Bond Market Meltdown

The news on the municipal-bond front seems to get worse every day. Banking analyst Meredith Whitney, who was one of the first on Wall Street to predict the banking crisis in 2007, issued a report in May that describes state finances as far worse than previously thought, and it warns that future deficits and debt levels are far larger than official numbers show.

With such news in mind, if your portfolio is particularly bond heavy, now is a great time to take strategic steps to protect your money.

"There's no way around the fact that a state default would be bad for everyone it affects, from investors to pensioners, contract holders to ordinary citizens," **Jonathan Bergman**, vice president of Palisades Hudson Financial Group, writes in a note to investors. "But while we can hope for the best, it still makes sense to prepare for the worst."

Staying alert to the potential for a state not to meet its bond obligations can give you some room to plan and some options to explore. "When the state turns out empty pockets, you needn't find yours empty, as well," Bergman says.



Jonathan Bergman is the vice president of Palisades Hudson Financial Group LLC, an advisory firm with offices in New York, Georgia and Florida.

Bergman suggests that bondholders sell their individual municipal bonds if they have them, and reinvest in a diversified portfolio of municipal bonds instead. "Reinvesting in a fund with multi-state issuers will reduce the risk posed by a single state defaulting," he says.

Bondholders also can short the bond market by short-selling exchange-traded funds (ETF) that own municipal bonds of a single state. (Because of the complicated nature of shorting, this newsletter doesn't recommend it for casual investors.)

Bergman gives the following example of how this short selling works:

* Assume you shorted the SPDR Nuveen Barclays Capital California Municipal Bond ETF (CXA) on Sept. 15, 2010, when California's financial picture was relatively stable, at a price of \$23.25.

* Two months later, California's budget woes made the headlines again, driving down investor demand for new California debt, and the ETF dropped to \$21.55.

"Over that two-month period, the simple price return was minus 7.31 percent," Bergman observes. "Two dividends were paid during this period, totaling 0.66 percent, which a short-seller would need to repay to the security lender. So an investor who shorted CXA over this period would have made 6.65 percent." □



Spending

How to Be Treated Like a King at Restaurants

Anyone who has ever received shabby service at a restaurant knows how annoying it can be. However, all too often, poor service is a reaction based on customers' less-than-good behavior, according to former waiter **Stephen J. Dublanica**, author of the best-sellers *Waiter Rant* (Ecco, 2008) and *Keep the Change* (Ecco, 2010).



Stephen J. Dublanica is the author of the best-selling books *Waiter Rant* and *Keep the Change*, which are available at Amazon.com and other booksellers.

Here are five behaviors Dublanica says will improve the level of service you receive at restaurants you frequent:

1. Make reservations and keep them. "In this age of cellphones, some people make reservations at three or four different places, decide which one they'll go to at the last minute, and fail to notify the others that they won't be coming," Dublanica says.

"Restaurants overbook because they know a percentage of those people who make reservations won't show up," he admits, but not showing up for a reservation can still cause service issues.

2. Treat your waitperson with respect. It sounds simple but it certainly helps to say "please" and "thank you" when you're interacting with the staff. Also, if you have food allergies, say so when you order, not when the food is served. And if you and your dining companion want separate checks, share that information up front when you order your food, not after you've finished your meal, Dublanica counsels.

3. Be a good tipper. Leave at least 15 to 20 percent of the check for your server, and leave it in cash, if possible. No one will refuse a tip added to a credit-card slip, but the server may have to wait two weeks to see it appear in a paycheck, and sometimes not all of it appears even then, Dublanica says. Also, most wait staff share their tips with bus staff, and this is easier to do with cash.

4. Turn off your cellphone. "I can't tell you how often I am two entrees into describing the specials when the customer's phone rings, he answers it, and then actually expects me to stand there until the call is over," Dublanica says. "They're talking on the phone while we're trying to do our job. If you absolutely must use your cell, take it outside."

5. Be a regular customer – and don't overstay your welcome. "Granted, you should get good service in any restaurant," Dublanica says. "But you will get better service when you dine there regularly. And while no one should object to you enjoying your coffee after dessert, don't hang out for an hour when other diners are waiting to be seated."

With those tips in mind, Dublanica also shared five all-too-common customer behaviors that make wait staff want to avoid you (which in turn impedes the level of service you'll receive):

1. Walking in like you own the place, insisting on the best table in the house, or saying you're a friend of the owner. "We either already know who the owner's friends are or word is going to come down from on high that a friend is coming," Dublanica says. "If you walk in at 8 o'clock on a Saturday night and the place is jammed, we'll do the best we can, but don't trade on friendship."

2. Forgetting that a restaurant is a place of business and failing to behave as you would in your own place of business. "One customer actually asked me to dispose of a dirty diaper," Dublanica recalls. "She would never ask her boss or a co-worker to do that."

3. Failing to control your children. "No one who goes to a fine restaurant on Saturday night wants to listen to children screaming," Dublanica says. "If you must bring your children, come at 5 p.m. when there are fewer customers to annoy."

4. Behaving inappropriately. Don't get drunk, make unreasonable substitution requests, or demand items that aren't on the menu. "If you bring your own tea bag, understand it's only fair that the restaurant charges you for hot tea. After all, it is providing the hot water, cup, and service," Dublanica says.

5. Saying, "You're the best waiter I ever had," then leaving a bad tip. "Say thank you in cold, hard cash," Dublanica advises.

Negotiate the Best Deal at a Health Club

Used car salesmen, move over – there's a new generation of stereotypical slick, fast-talking, high-pressure salespeople in town, and they can be found at your local health club. The tactics may not be outright sleazy, but they sure talk a good game, blasting past your defenses in an effort to get you to sign on the dotted line.

It's true that joining a health club can be a wonderful thing, if you use it regularly. The best clubs are motivational places where you can take control of your health and get fitter and stronger. You just want to do it on fair terms, and for a fair price.

This quick-tip guide, which we assembled by talking to some health-club managers who gave us an honest appraisal after we agreed to hide their identities, will help give you the upper hand in your negotiations with the membership sales staff at the club of your choice.

1. Take a tour. When you redeem your free pass, a sales representative will give you a tour of the facility. Let him do all the talking. You'll find

that he asks things that sound like simple icebreaking, getting-to-know-you questions during this tour – they're not.

"What he really wants to know is, 'How much can you afford to pay me every month?'" says one health-club sales manager. Be honest and polite but vague with personal details. The less the sales rep knows about you, the stronger your position will be at the bargaining table.

2. Don't rush. The more time a sales rep invests in you, the more willing he will be to negotiate with you to close the deal. So don't think you need to sign up the same day you take the tour.

Because salespeople are under the most pressure to meet their quotas during the last week of every month, one franchise owner suggests taking a tour early in the month, then enduring all the subsequent follow-up calls to your home before meeting with the sales staffer at the end of the month to work out a deal.

3. Be cagey. Remember, negotiating is a game, and you have the power. Let the sales rep tell you about the different packages and rates, "then give them a sour face, like, 'That doesn't work for me,'" suggests one franchise owner. "Let the body language speak. If you don't say anything, he will come out with something else. They will want to get you in a long-term contract."

Identify the package you want, but ask what will happen if you have to move in three months or something happens and you can't work out anymore. You might be able to negotiate that two-year commitment price into a month-to-month deal.

4. Pay upfront. Using one lump sum upfront to buy your package could net you as much as a 20 percent discount. Every gym has massive monthly turnover, so retention is the name of the game for a sales manager. That lump sum is money he can count on to meet his goal for the month, so make sure the person you deal with understands that.

5. Longer is better. Every gym has month-to-month membership rates, but the longer the commitment, the better the rate. The best prices usually are in two-year agreements – but before you sign up for an extended period, find out whether there's a cancellation policy. Some gyms have an "out" clause that's reasonable, and some will let you out only if you die, suffer permanent disability, or prove you have moved more than 25 miles away from any of their facilities, If the latter is the case, drop the pen and walk right out the door. □



Ben's Good Cents

"Use now and then a little exercise ... as to swing a weight, or swing your arms about with a small weight in each hand."



Insurance

Dividend Whole Life Insurance Policies: Worth a Look?

In the April 2011 issue of The Franklin Prosperity Report, we ran an article in which **Pamela G. Yellen**, author of *Bank on Yourself: The Life-Changing Secret to Growing and Protecting Your Financial Future* (Vanguard Press,



Pamela G. Yellen is the author of *Bank on Yourself: The Life-Changing Secret to Growing and Protecting Your Financial Future*, available at Amazon.com.

2009), mentioned the value she saw in dividend-paying whole life insurance policies with a paid-up additions rider.

In essence, she said investing in dividend-paying whole life insurance with a paid-up additions rider is a much better approach to saving for

retirement than investing in mutual funds, which can charge fees of as much as 2 percent a year. Not only does eschewing mutual funds save big bucks in fees over the course of a working life, but also paid-up additions riders significantly increase the growth of the money in your policy, Yellen said. "They can make your cash value grow up to 40 times faster," she said. "That's a huge differential."

Yellen firmly believes in the power of dividend-paying whole life policies, and they indeed have their merits. However, the advice prompted a lot of reader response and questions, so we contacted **Michael Wall**, founder of Wall Financial Group in Altoona, Pa., to find out what drawbacks exist for such a policy, to help readers make an informed decision for their own personal situations.

Wall acknowledges that Yellen is correct about the sizable dent mutual fund fees can make in your returns. But he points out that whole life is the most expensive life insurance you can buy, and would instead lean toward a universal life policy "because the fees are much lower than whole life policies," he says. Universal life guarantees only the death benefit, but it provides an opportunity to participate in the indexes for underlying investments by specifying which investment classes you want to buy.

As a general rule, buying life insurance as an investment in order to create a vehicle that gives you tax-free income in the future is a better choice than buying it simply in order to avoid mutual fund fees, Wall contends.

Moreover, Wall stresses that buying a real estate investment trust, which allows you to put money in and take the interest out tax free, or opening a Roth IRA account for which you pay the taxes now on the money you invest, may be better approaches to creating future tax-free income. "Roth accounts didn't exist 25 years ago, so looking to life insurance for tax-free income was a good idea then," Wall says.

Wall advises using exchange-traded funds, or ETFs, in your Roth to save even more. "I can guarantee you that buying an ETF is going to be less costly than buying whole life insurance or a mutual fund," he says. □



Your Home

Expert Tips on Shopping the Foreclosure Market

As a prospective home buyer, you want the best possible deal you can find on a home. Sometimes, a foreclosed home offers the best financial value – but you need to navigate this market carefully and be ready for extra investigation and potential frustrations of dealing with bank-related red tape.

The best foreclosure deals often are found in the “pre-foreclosure stage,” says **Zev Fried**, an investment adviser at JSF Financial in Los Angeles and a former mortgage broker.

“Generally, an owner receives a notice of default when they are three months in arrears on a mortgage,” Fried says. “This is public information and is filed with the county recorder’s office.”

Unless the homeowner can pay off this debt, “it is typically in their best interest to sell before the foreclosure process begins,” says Fried, who advises visiting the recorder’s office or monitoring its website to learn where the “pre-foreclosures” are. If there’s one you’re interested in, you can check to see whether the home is available for sale.



Zev Fried is an investment adviser at JSF Financial, a financial planning and investment advisory firm in Los Angeles. Fried is also a former mortgage broker.

You can, of course, also opt to buy homes that have been foreclosed. These are handled either through auction or a real estate agent (since most banks prefer to sell through agents rather than directly).

If the home you’re interested in is up for auction, you probably will have to show up for the auction with a letter of credit or a cashier’s check for a percentage of the purchase price. If buying through a real estate agent, you’ll have to pay a sales commission in addition to the house price.

Before bidding or buying, you’ll want to find “comps,” which are records of the amounts for which comparable properties in the area have recently sold. Again, an hour spent at your county recorder’s office can pay dividends and won’t cost a dime. (Zillow.com is also helpful for pricing information.)

Alternatively, you can retain the services of an appraiser or ask your real estate agent, if you’re already working with one.

Finally, Fried suggests using an experienced real estate attorney to be sure the title is clear, the property is free of liens, and all the sale paperwork is handled properly.

He also cautions that foreclosed homes often are in disrepair or have deferred maintenance, so get an estimate of necessary repair costs before you close. □



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.

Protect Your Assets Quickly If Your Wallet or Purse Goes Missing

This is a lifesaver if your wallet or purse is ever stolen or lost. Take a moment to make a front and back copy of all the cards you carry – driver's license, credit and debit cards, AAA and other membership cards, et al.

I lost my wallet a few months ago on a shopping trip, and when I got home, I grabbed my two copied pages, which was a helpful reminder of everything that I was carrying (something that would have been harder if going purely by memory). I was able to quickly cancel the cards I needed to, and over the course of a couple of weeks, I reassembled everything. Just a couple of minutes with the home copier turned out to be well worth the small effort, helping to alleviate a stressful situation.

– Douglas E., Portland, Ore.

The Debt-Free Way to Take Advantage of Credit-Card Rewards

My wife and I have three credit cards, which we pay off every month, that offer cash-back rewards. Each time that we are able to collect the rewards, we transfer them directly to our savings account. Over the years of doing this, we put hundreds of dollars in savings that we normally wouldn't have.

– Tom R., Odessa, Texas

Why Pay Retail for Nice Neckties?

I shop in thrift stores for all my ties. I just found 12 like-new silk ties, many of them collectors' items, for which I paid less than \$2 each. Most of them I'll sell on eBay. I get "sticker shock" when I go into a department store and the prices are 20 times higher or more.

I've also found business equipment, computer accessories, CDs, and DVDs, all at bargain prices. Some thrift stores are better than others; those in or adjacent to upscale neighborhoods have the best selection.

– Howard B., Los Angeles

The Amazing Versatility of Vinegar

Each year, a lot of good money is wasted on specialized cleaning products that are much less effective than marketing hype would suggest. Instead of wasting that cash, it pays to instead have a basic like white distilled vinegar on hand. Here are five money-saving uses of this wonder liquid:

1. To remove soap residue, use a sponge soaked in vinegar.
2. Water or alcohol marks on wood can often be rubbed out with a mixture of equal parts vinegar and olive oil.
3. Wash no-wax floors with a mix of one cup of white distilled vinegar and one-half gallon of warm water.

4. To clean the inside of your microwave, boil a mixture of one-fourth cup of vinegar and one cup of water in it to loosen stuck-on food.
5. To avoid frosted windows in the winter, wipe each window the night before an expected frost with a solution of one part water to three parts vinegar.

– Margaret B., Silver Spring, Md.

No Two-Bit Savings Scheme Here

In 2001, when my first grandson was born, I resolved not to spend any quarters that came my way. By the time he was 18 months old, I had saved \$500, with which I opened a 529 college account for him. I have done the same for the other grandchildren who have come since (five in all). Save your quarters (or it can work with other denominations, too), and give yourself extra motivation by having a goal in mind for what you'll spend them on. For me, each time I see a quarter, I think about all my grandchildren.

– Linda D., Oklahoma City

Get Compensated When Your Perishables Perish

I have had a refrigerator stop running twice, once from a power outage during a storm, and in both cases, everything in the refrigerator was lost. I called my insurance company, and in both cases, it reimbursed me \$500 for the lost food. People don't usually think of reporting this type of loss, but it was indeed a loss, and the \$500 essentially paid for a full year of homeowners insurance.

– Richard R., Conroe, Texas

Guarantees Aren't Just Garbage

For many years, I've bought Rubbermaid garbage cans. Recently, I found myself with five Rubbermaid cans, and only one still had a lid that wasn't cracked or otherwise unusable. I then noticed that one can still had the label on it, which said "lifetime warranty."

Like just about anyone, I hadn't saved the receipts for the cans because I had had them for a while. Undeterred, I looked up Rubbermaid on the Internet and contacted the company, asking whether I could get new lids. A company representative said no but told me to email a photo of my cans and existing lids. I followed through and did this – and they mailed me a check for \$72! I turned around and used that money to buy a more expensive, sturdy garbage can with a heavy-duty lid.

The lesson learned is this: If something breaks, take a moment before you toss it out to find out what kind of warranty it may have. Don't be afraid to ask to be compensated.

– Allan K., Owings Mills, Md.

SHARE YOUR SUCCESS! If you've used a particular tip from The Franklin Prosperity Report that helped you save a significant amount of money, protect your financial assets, or increase your investment income, we'd like to hear about it. Either email us at saving@franklintips.com or send a letter by regular mail to Franklin Tips, P.O. Box 20989, West Palm Beach, FL 33416. If we publish your story, we'll send you a \$50 Walmart gift card.



Franklin Matters

Franklin on Inventions, Technology and Progress

By Mark Skousen

"I have sometimes almost wished it had been my destiny to have been born two or three centuries hence, for inventions of improvement are prolific, and beget more of their kind. The present progress is rapid."

— Ben Franklin, 1788

Benjamin Franklin's first love was not politics or even business. He was fascinated with all things "philosophical," the term used to describe science and technology in the 18th century. In fact, the reason he hated war so much was because it kept him from pursuing his career in science and corresponding with his ingenious friends in England.

"What vast additions to the conveniences and comforts of living might mankind have acquired if the money spent in wars had been employed in works of public utility," he wrote. "What an extension of agriculture . . . what rivers rendered navigable . . . what bridges, aqueducts, new roads, and other public works, edifices and improvements rendering England a complete paradise. But millions were spent in the great war doing mischief and destroying the lives of so many thousands of working people who might have performed useful labor!"

After a successful career as a businessman, Franklin retired to become a "gentleman" devoted to public affairs and the pursuit of science. He was more interested in "applied" science than "theoretical" pursuits. In 1742, he invented the Franklin stove "for the better warming of rooms and at the same time saving fuel."

In the late 1740s and early 1750s, he engaged in a series of experiments in electricity, including his famous kite experiment. His articles on the subject were published in Britain and France, for which he won the Royal Society's Copley Medal and honorary degrees from St. Andrews, Harvard and Yale. From that time forward, he was known as "Doctor Franklin."

In 1752, he invented the lightning rod that protected homes from electrical storms. He also founded the first fire department in Pennsylvania. Upon returning home from France in 1786, he discovered that his own lightning rod had saved his home from destruction: "Thus the invention was of some use to the inventor." (Because of his invention of the lightning rod and his experiments in electricity, the French Finance Minister Anne-Robert-Jacques Turgot expressed the famous epigram of Franklin, "He stole the thunder from the heavens, and the scepter from tyrants.")

In 1784, while ambassador to France, he came up with the idea of bifocals. "By this means, I wear my spectacles constantly, and I have only to move my eyes up or down as I want to see distinctly far or near, the proper glasses always being ready." He found his new invention especially useful in France, noting that the glasses that served him best to see what he ate were not the best to see the faces of those on the other side of the table who spoke to him. "And when one's ears are not well accustomed to the sounds of a language, a sight of the movements in the features of him that speaks helps to explain, so that I understand French better by the help of my spectacles."

In 1768, Franklin, who traversed the Atlantic Ocean eight times, also was the first to discover and map the Gulf Stream that explained the different passage times of ships from England to America. By staying outside the Gulf Stream, ships traveling to America could save several days, and ships to England could pick up several days by staying within the Gulf Stream.

He also invented a crude odometer while inspecting American post offices, and may have been the first to suggest daylight saving time.

Franklin was also interested in music, and created a radically new arrangement of the "glass armonica" in 1761 while in England. This simple musical instrument was played by touching the edge of the spinning glass with dampened fingers. The armonica's beautiful tones appealed to many composers, including Mozart and Beethoven, although it is seldom played today.

Finally, Franklin was also keen on debunking myths and errors when it came to medicine and other natural sciences: "The sciences, which grow larger with the truth, have even more to gain by the suppression of an error." In 1785 in France, he was appointed one of the commissioners to investigate the "new art of healing" from "animal magnetism" sensationalized by the Viennese psychiatrist Franz Mesmer. He came to the conclusion that "the system of magnetism did not cure anything."

No doubt the multi-talented founding father would be fascinated by the variety and advancement of technology in the 21st century.

Be free,



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



“The sciences, which grow larger with the truth, have even more to gain by the suppression of an error.”

Ask Franklin



I'm shopping for long-term care insurance and comparing the prices of plans to one another to make sure I get the best deal. What does the "elimination period" I'm seeing in the policies refer to?

— Tom S., Jersey City, N.J.

The "elimination period" is the time between the onset of an injury or illness and when the insured person begins receiving benefit payments from an insurer for that event. Depending on the policy, it also is known as the "waiting" or "qualifying" period.

In short, policyholders must pay for services received in that interim.

It may help to think of the "elimination period" as a deductible, such as on your auto insurance: You have to pay out of pocket an amount of money before the insurance company kicks in for the insured portion.

Usually, the shorter the elimination period is, the more you will ultimately pay for your long-term care policy. So, opting for a longer elimination period will save you money now (rather than later, if/when the insurance kicks in for long-term care needs). Most insurance policies have the most attractive rates for 90-day elimination periods.

Be aware that many long-term care policies require that the elimination period consist only of consecutive days of disability, not non-consecutive days.

Thus, if you buy a policy with a 90-day elimination period, you would need to be in a hospital or disabled for 90 consecutive days before coverage begins. Accumulating 90 nonconsecutive days over the course of a longer time span would not qualify.

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

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