

# Two Cent Tips for Delaware

July 2009 Issue

## Do the Math Before Back-to-School Shopping

By Margo McDonough

The average family spends almost \$600 annually on back-to-school clothes and supplies, according to the National Retail Federation.

But for many families, that kind of spending isn't possible during these challenging economic times.

"If you look at the spending breakdown, roughly \$230 of that amount is spent on clothes, \$100 on shoes, \$100 on supplies and \$150 on electronics," says Maria Pippidis, a family and consumer science educator with University of Delaware Cooperative Extension. "There are a lot of ways to cut costs in each of these areas."

An attitude adjustment about "wants" versus "needs" may be the first step. "Are those new jeans really a necessity or can your child get by with what's in his or her closet?" asks Pippidis. "Likewise, even though the school supply list might say "four yellow highlighters," can one or two suffice?"

Sometimes, essential back-to-school purchases can be delayed. "If your child's sneakers are starting to get old, can you put off buying new ones until September?" asks Pippidis. "The best prices could be the ones after the stores have taken down their back-to-school signs."



Here are more suggestions from Pippidis on keeping down the costs of your back-to-school shopping:

- Go to secondhand clothing stores. Nice, nearly-new fashions can be found at a variety of secondhand shops that have opened up in Delaware in recent years. Good deals on trendy, used clothes also can be found online.
- While you're at it, sell last year's school clothes, either online or at a consignment shop, to make some extra cash for this year's purchases.
- Team up with friends and buy items in bulk at discount clubs and super centers.
- Recycle. Sure, a shiny new pencil box is nice, but is there anything wrong with the pencil box your child used last year? Re-use, when possible, from the child's own supplies, or from an older sibling or cousin.
- Don't overspend on technology. There is no need for a student to have his or her own laptop if the family already owns a home computer.
- You may decide that a laptop is essential for your college-bound student. For big-ticket items such as a laptop, inquire about buying a store's demos or display merchandise.



Two Cent Tips for Delaware is dedicated to providing information that will help you:

- \$ Save money
- \$ Stay hopeful
- \$ Manage your resources
- \$ Strengthen relationships
- \$ Connect to local resources

Receive Delaware's Two Cent Tips every month by sending an email to [TwoCentTips@udel.edu](mailto:TwoCentTips@udel.edu) with the word "subscribe" in the subject line.

Contents of this newsletter are developed by University of Delaware Cooperative Extension staff. We are dedicated to meeting the needs of individuals, families, and communities throughout Delaware through connections with university resources, knowledge, and research.

Your local Extension office can provide you with unbiased information to get you back in financial shape.

Call:

**New Castle County:**

302-831-1239

**Kent County:**

302-730-4000;

**Sussex:**

302-856-7303

# RESOURCE CORNER

Check out these resources as you re-think your understanding of wealth:

Read *Your Money or Your Life* by Joe Dominguez and Vicki Robin

Or go to: <http://www.yourmoneyoryourlife.org/>

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Review the Simple Living Network Website at: <http://www.simpleliving.net/main/>

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“Feed the Pig” provides some fun interactive ways to look at how you can increase the amount you save.



<http://www.feedthepig.org/>

## How Can I Build Wealth if I Don't Have Money to Save?

By Maria Pippidis

A few months ago, I was discussing the topic of spending and saving with a friend. I suggested that the larger the income, the larger the savings. Think: “progressive” saving. The more you make, it seems, the more you save.

My friend responded differently, saying that if you make six figures, then you'll find a way to spend six figures. If you get a nice laptop, you'll want a nice laptop bag. If you get a nice car, then you'll want accessories. If you get a new TV, you'll want more channels. Of



course, I thought this was crazy. People don't really do that, right? Turns out, he was right.

Statistically speaking, **life savings have almost nothing to do with income.** Free Money Finance referenced the conclusions of two economics professors (from Dartmouth and Harvard) who did a study for the National Bureau of Economic Research.

The professors studied a little under 4,000 households near retirement, looking to see a correlation between life savings and income. The results were surprising, at least to me: This means it doesn't matter if you are making \$50k or \$150k; what

“ **Income only explains about 5% of the net worth of the households studied.** ”

**Those who made it a priority to save built wealth, regardless of their income level, individual circumstances, or choice of investments.**

does matter is what you do with your money once it's yours. MSN Money also summarized the study:

- There's a huge variation in wealth at every income level. Many low-income families have almost nothing. But the same is true of many high-income families.
- Income alone doesn't explain wealth disparities. Some of the lowest-earning households had managed to accumulate significant wealth.
- In fact, income differences explain just 5% of the wealth dispersion the researchers found.
- What the researchers called chance events - inheritances, medical bills, marital status, number of children - explained about 4% of the dispersion.
- Investment choices explained about 8% of the variations.

In other words, about 8% of building wealth is choosing the right stock, 4% is about raw luck, 5% is about income — but a good 75% of it is to just save money. **Deciding to save is over half the battle.** This directly supports the philosophy here at UD Cooperative Extension: **Rich is a choice.**

*Adapted from an article by Luke Erickson, University of Idaho Cooperative Extension.*

## RESOURCE CORNER

Here are jobs Pippidis finds well-suited to younger teens and “tweens”:

- **Wash Your Car.**

Regular car washes cost about \$15; full detailing can bring that cost up to \$85. You probably have most supplies – paper towels, a hose, sponge, chamois cloth – on hand already. Even after buying wax and car-wash cleaner and paying your kid, you will come out ahead by doing the job at home.

- **Sell Used Items**

**Online.** You’d love to unload your designer handbag or collectibles online but never can seem to find the time to go to an auction site and hawk your wares. Show your kid how it’s done – they may be so tech-savvy they end up showing you – and offer him or her a hefty commission for being the “broker” of your sale.

- **Weeding and Mulching.**

Four cubic yards of mulch – at \$125 – were dropped in one reader’s yard during the 4<sup>th</sup> of July weekend. Working in fits and starts, it took her tween almost two weeks to get the mulch spread, but his fee (\$100) was considerably less than that of a landscape company. Weeding is another good job for the tweens.

## “Hire” Your Kids to Do Household Jobs

By Margo McDonough

The unemployment rate for young people, ages 16 to 24, is close to 25 percent this summer. Which means there are a lot of teens in Delaware, and throughout the nation, sitting around the house with empty wallets.

Meanwhile, there are a lot of parents who are cringing every time they see the bill for the grass service or pay \$15 at the car wash.

Smart families are finding it pays big to “hire” their own kids to do household chores, such as grass cutting, car washing, house painting, weeding, mulching, and house cleaning.

“It’s mid-summer, and for many unemployed teens, the joy of hanging around the house has long ago worn off,” says Maria Pippidis, a family and consumer science educator with University of Delaware Cooperative Extension. “Giving youth an opportunity to be productive and make pocket money is positive in itself. But when you couple that with the cost-savings of “hiring” your teen for household jobs, it’s a win-win for everyone.”

Here are some jobs particularly suitable to teens:

- **Mowing.** Consider that you can pay a commercial lawn service \$40 per week for a half-acre lawn. If you have a larger property, in the 1 ½ to 2 acre size, \$100 to \$125 per cut is not uncommon. Even when you factor in the gas, blade-sharpening and oil for your home mower, paying your teen ½ of what you would pay the pros will bring in real savings. For safety’s sake, do not “hire” your younger child to cut the grass; wait until he or she is well into their teens.



- **House painting.** Either the whole house or just doors, trim and other small jobs. One Delawarean told us she was given a quote of \$4,500 to paint the exterior of her house. Instead, she used her son to do the job and spent just \$1,300 on paint and \$1,000 on labor.

- **Power washing and staining.** Another Two Cents reader tells us she got a quote for \$450 to power wash and stain her deck. She paid her teen \$100 to do it (and supplies cost her another \$125). Net savings were \$225!

**Pool care.** If you have your own pool, you know that a service can charge up to \$165 a month to check water levels, adjust chemicals and backwash the filter. Let your kid be the pool tech and save big.



**Have you got a Two Cent Tip for Delawareans? Send us an email at: [TwoCent-Tips@udel.edu](mailto:TwoCent-Tips@udel.edu) with your favorite resources or savings tip. If we use it in our newsletter, you’ll get credit and a special gift.**

## Laws of Financial Freedom

1. Manage Spending
2. Prevent Financial Emergencies
3. Become Debt Free
4. Prepare For Retirement
5. Teach Kids About Money
6. Pay Off Your Home Early
7. Build a Legacy



**Cash has no personality in and of itself, but rather takes on the personality of the user, and greatly amplifies it.**



## Laws of Financial Freedom

By Maria Pippidis

Economic pressures at home and in our communities have forced many of us to rethink our financial values and beliefs. We're working on changing how we spend, what we invest in, how much debt we carry and how we spend our time. We're working on reducing our stress related to finances and are seeking financial freedom. But what does that look like?



I think some of us have found we cannot judge a person's financial freedom status based on outward appearances. In fact, outward appearances can often be a negative indicator. For example, to the untrained eye, large houses and expensive vehicles and other signs of prosperous living indicate financial freedom. But those who understand the laws of financial freedom know that most millionaires (or at least those who will remain millionaires) are those who live in modest houses and drive used cars. And they have no debt. (This is not merely an observation, but is based on research; see [The Millionaire Next Door](#) by Thomas J. Stanley and William D. Danko).

Having money means you can buy any of the things you think you want, and having possessions can mean you know how to get into debt. But having financial freedom means knowing *why* you want those things in the first place, what you are giving up to have them, and if your financial decisions will truly bring you closer to achieving your life goals. This kind of freedom does not come through obtaining large amounts of cash or debt, but rather through understanding what that cash and other resources can do.

What's more, these financial laws all work together, and in a specific order. It doesn't take too much imagination to visualize a lottery winner who squanders all of his winnings in a year because he violated the first financial law: manage spending.

Likewise, imagine a billionaire whose kids grew up dependent and selfish, and were secretly happy when he passed away so that they could squander his lifetime of earnings on frivolous living, all because he violated law five: teach kids about money.

Consider a young couple who bought an extremely large home as an investment, with no plans for actually paying it off, who later had a job loss. Sadly, they had to refuse other out-of-state job offers because they couldn't sell the house, and eventually lost their home to foreclosure. This is a violation of law six: pay off your home early (which includes "never buy a home without actual plans and goals of paying it off").

You see wealth is not the winning or inheriting of cash or getting rich quick through real-estate-flipping. Wealth is the ability to abide by the laws of financial freedom. Large amounts of cash do not solve problems. Cash in the hands of individuals who understand the laws will add joy to their life and to those around them. Cash in the hands of those who refuse to abide by these laws will be the source of conflict, greed and discontent in their own life and the lives of others.

Living by these laws requires you to be very different from most people you know because most people don't manage spending, most people don't prepare adequately for financial emergencies, most people don't live debt-free, and most people won't become as financially free as you will. It's not easy. If it were, everyone would do it.

Make no mistake, once you start living by these laws, people around you will say you've gone bananas or they will complain that you're being frugal. They'll repeat statements like, "a new car will have a warranty" or "mortgage interest is tax deductible" or some other nonsense statement that sounds catchy but has nothing to do with the big picture of financial freedom. But you'll feel the stress recede, you'll know you've built your wealth on sound principles, and you'll feel financially free to accomplish your goals now and in the future.