Quick Write

You have finally earned enough money to purchase your first car. List four things on a separate sheet of paper that you would consider prior to purchasing a car, and be prepared to share your list with the rest of the class.

Learn About

- shopping issues in daily life
- renting or leasing an apartment
- buying or leasing a car

Shopping Issues in Daily Life

In Chapter 1, Lesson 2, you learned about bank accounts. You’ve also learned how to create a budget. This lesson focuses on the decisions you’ll have to make about buying everyday items such as groceries and clothing. You’ll also learn about making big decisions that don’t come up every day—decisions about such things as renting an apartment or buying or leasing a car. This lesson, in short, is about learning how to be a smart consumer. The smarter you are, the more money you’ll save.

Four Steps to Smart Shopping in the 21st Century

Just as you work hard to earn money, you should also work hard when deciding where to spend it. Apply these steps to any purchasing decision—especially major items—and you’ll be more likely to get products that meet your needs for the best price.

A big benefit of this approach: It helps eliminate impulse buying, which is the quickest route to an empty bank account.

Step 1: Separate your wants from your needs. You may want a new cell phone to keep in touch with your friends. However, will it interfere with your ability to pay for the things that you need, such as gas to get to school or work?
Step 2: Do your research. Purchase wisely. Let’s say you’re in the market for a flat screen TV. First, you need to find out how much your budget will allow. Then, do some comparison-shopping. The Internet is a convenient way to compare brands and models, and to access useful resources such as the Consumer Action Handbook, downloadable at www.consumeraction.gov. Also online, in bookstores, and most libraries, is Consumer Reports, a publication that provides unbiased ratings and recommendations for a wide range of products and services.

Step 3: Make your purchase. Once you’ve decided on the item, decide where to buy it. In today’s high-tech, global economy, you have the opportunity to search online for the best bargains. When shopping in stores, and occasionally online, you may be able to negotiate a better price than the one listed. The key to good negotiation is research. If you know the markup, the price added on above what the dealer paid for the product, you can sometimes convince the seller to reduce the price. If you are paying for your purchase over time, carefully evaluate the financing alternatives. Some stores offer layaway or “90 days same as cash” options, helping you to spread out your payments without incurring interest or finance charges.

Step 4: Maintain your purchase. Smart buying also means maintaining your purchase, which includes physically maintaining what you’ve bought, as well as resolving any complaints or issues about the purchase or product. If you have a problem, the first thing to do is to contact the seller. If that doesn’t resolve the issue, contact the headquarters of the company that made the product. Most large companies have a toll-free 800 number, and almost all companies have a website.
Shopping Online

Internet shopping has become available to almost everyone with a computer. Internet retail sales reached almost $200 billion dollars in 2011. In the same year, growth in Internet sales almost doubled that of other retail sales trends. Since online shopping is so common now, you should understand that retail-shopping convenience on the Internet is sometimes not a good thing. Some bad purchasing decisions have been made because online shoppers have failed to heed certain cautions about untrustworthy business ventures and practices. To ensure you’re shopping safely, you should pay attention to these shopping tips offered by the American Bar Association:

1. Trust your instincts when you shop online—Don’t feel pressured to make an order quickly.
2. Be knowledgeable about web-based auction activities such as eBay®—Understand rules of the site and legal terms about warranties and refunds, for example.
3. Be suspicious of prices that are too good to be true, or overpricing—Compare products online, as you would in normal retail stores.
4. Find and read the privacy policy of any potential seller—If the seller is going to use your information, find out how it will be used, as well as how you can stop the process.
5. Understand fully the return, refund, and shipping policies—Somewhere there should be a link to “legal terms.”
6. Make sure the Internet connection is secure—There should be an indicator that security software is in place on the site.
7. Use the safest way to pay on the Internet—Use a credit card rather than a debit card, when possible.
8. Print or save the terms, conditions, warranties, and all other records of your contact with the online seller—and save them with a record of your purchase.

If you have an item delivered, you should find out if a signature is required so that the package can be delivered to you and not left at the door while you’re away. You should also carefully inspect your purchase immediately, and if there’s a problem, contact the seller as soon as possible. Put the complaint in writing, if necessary, to ask for a repair or refund, and keep the correspondence until the issue is resolved.

Shopping for Groceries

Studies show that the average person uses at least 15 products every morning before he or she even leaves home. These products include toothpaste, soap, shampoo, and other bathroom products. They also include food—cereal, bread, eggs, juice, and milk, for example. All these products are available on the shelves of your favorite grocery store. Although none of them is expensive by itself, their combined costs quickly add up, especially for a shopper without a list. Therefore, it’s important to shop intelligently. Being a smart shopper takes a lot of thinking, as you’ll find out below.
Starting Off Right: Some Basic Tips

You’ll be a smarter shopper if you follow these basic rules:

- **Plan your meals, and make a shopping list**—Write down items when you think of them. Don’t wait until you’re ready to head out for the store.

- **Watch for sales**—Check the current ads in your newspaper or the flyers at the store for special deals. Compare weekly ads of stores in your community to find the best bargains.

- **Buy store brands rather than nationally known manufacturers’ brands whenever you can**—There’s often little or no difference in quality, but a big difference in price.

- **Have a grocery budget and stick to it.**

- **Don’t go to the store hungry**—If you do, you may buy too much.

- **Don’t buy on impulse**—The spur-of-the moment items you throw into the cart can be budget breakers.

- **Minimize purchases of processed foods, such as instant potatoes**—Instead, buy raw foods, such as real potatoes. Raw foods often cost less than processed foods. They also tend to be more nutritious.

- **If you have a freezer and the prices are right, buy more than you need**—Store the extra items in your freezer. For example, if the store is offering a “buy one, get one free” sale on bread, buy two loaves and stick one in the freezer.

- **Clip coupons from newspapers and magazines**—They are great money savers. Sort the coupons by type (for example, cleaning supplies, canned foods, or pet food). Then place a “C” beside each item on your list for which you have a coupon. This will help you remember the coupon at the checkout counter. Finally, make sure to look at the expiration dates on the coupons. If you have two coupons for the same item, use the coupon with the shortest expiration date first.

Comparison Shopping

Smart shoppers don’t buy the first thing they see. Instead, they make it a habit to do **comparison shopping**, which means comparing the prices and quality of different items to see which one is a better deal.

Consider how Sara handles her grocery shopping. With her shopping list in hand, Sara heads to the frozen-food section to find the first item on the list: corn. She sees that a 16-ounce bag of Brand A corn costs $1.36. A 24-ounce bag of Brand B corn sells for $2.20. Which brand is the better buy?

If you answered Brand A, you are right. How did you know? The bags are different sizes, so you can’t tell which one is cheaper by comparing the prices. To know which brand is the better buy, you must know the cost of one ounce of each brand of corn.
To calculate the cost per ounce, you divide the cost of the item by the total number of ounces.

For Brand A, divide $1.36 by 16 ounces, and you get $0.85 per ounce. For Brand B, divide $2.20 by 24 ounces, and you get $0.91 per ounce. Since Brand A costs less per ounce than Brand B, Brand A is the better buy, at least in terms of price.

You don’t necessarily need to bring a calculator to the store to determine the cost of an ounce of most foods today. Beneath each stack of items on many supermarket shelves is a label that provides the unit price, or cost per serving. The grocer has divided the price of each item by the number of servings, or units, in each package. (Unit pricing also works for nonfood items. The unit price for facial tissues, for example, is the cost of a single tissue.)

Unit pricing is very helpful when you’re comparing two sizes of a product. You’d expect that the larger size would be a better deal, and it often is. This may not always be true; the only way to be sure is to look at the unit price.

Even if you’ve decided that the larger size is a better deal, don’t drop it into your cart too fast. Look at the product expiration date. The product expiration date is the date after which the item will be stale or no longer be at its finest quality. You’ll usually see it stamped on the bottom or side of the package. If you think you won’t use the product by the expiration date, it’s probably better to buy the smaller quantity. Otherwise, you may have to throw away the remaining food and you will not have saved any money.

Price is not the only thing to consider when comparison shopping. Quality is important. You may trust one brand, or distinctive name identifying a product or manufacturer, more than you trust another. Therefore, if you knew, based on experience, that the more expensive brand tasted a lot better, or that it was more nutritious, you might buy it despite the higher cost.

Tips for Buying Particular Food Items

Fruits and Vegetables

Fruits and vegetables, or fresh fruits and vegetables, is an excellent source of vitamins. The rule of thumb is, “The darker the green or brighter the orange, the more the vitamins.” In other words, vegetables such as broccoli and carrots have many times more vitamins than pale vegetables such as celery.

Eating a variety of fresh fruits and vegetables may be expensive, however, unless you are careful to purchase produce when it’s in season in your area. In other words, buying a watermelon in July is cheaper than buying it in December. It’s usually less expensive to buy canned or frozen fruits and vegetables in the winter months, when prices of fresh produce increase. Frozen fruits and vegetables have the benefit of consistent quality, and they will keep longer than fresh fruits and vegetables. Dried fruits are also an option.
Other ideas for saving money on produce include:

- Buy certain items in bulk. For example, buy potatoes in five- or 10-pound bags, not by the piece or by the pound. However, when you buy in bulk, don’t overdo it. Potatoes, for example, may spoil if you keep them more than two weeks.
- If you buy produce in bulk, keep it refrigerated. Store produce in plastic bags so they will not dry out.
- Don’t be put off by appearance. For example, did you ever notice the dark-brown bananas that the grocer puts in bags and sells half-price? They may not look great, but they taste fine. Buy them and store the extras in the refrigerator. Although the cold will darken the skin, the fruit is not affected.
- Test green beans for freshness by snapping one in half. It should break easily.
- Buy oranges not by their color (most oranges are dyed) but by their firm skin.
- Lemons are best when they’re slightly green on the ends and with a smooth skin. Store lemons in a sealed container of water to keep them moist. If you need just a few drops of juice, puncture the lemon and squeeze them out; don’t slice the whole lemon.
- Wash and drain salad greens, then refrigerate them in a plastic container or bag. Tear the greens; don’t cut them. They’ll stay fresh longer. A bag of salad greens will remain fresh in the refrigerator for several days. However, don’t try to save time by making a whole salad in advance. If you add tomatoes or cucumbers to the bag, the salad will become soggy. Add these extras just before serving.
- Store strawberries in the refrigerator in the plastic basket the grocer provided. This allows air to circulate around them and keep them firm. To make sure that strawberries keep their sweetness, don’t wash them until just before serving.

**Meat Products**

As a US Department of Agriculture (USDA) bulletin states, “Consumers buy meat because they like its taste and flexibility for being prepared in a variety of ways for just about any occasion.” The USDA oversees the safety of America’s meat through regular inspection of facilities where meat is prepared.
Fresh and frozen meats require cooking before you can eat them. It is important to cook meats to the appropriate temperature. You can find information on these temperatures on the package or in a good cookbook.

Processed meats, such as cold cuts, do not require cooking. They contain several added ingredients, such as salt and preservatives. They also have a high fat content. If you’re watching your salt or fat intake, you might want to avoid them. You can store processed meats in the refrigerator up to a week or in the freezer for up to a month. Always check the product expiration date and read the label when you buy processed meats.

The most popular types of meat sold in the United States are beef, pork, and lamb. Here are some details on each of these types of meat.

**Beef**

Beef is a popular red meat for grilling and broiling. Whether you are shopping for hamburger, steak, roast, or other cuts of beef, you do not have to be an expert to choose the right grade of beef, since many cuts of meat, from hamburger to steaks to roasts, are labeled with a USDA grade.

The best grade is prime, *a cut of beef that has the greatest degree of marbling, or flecks of fat, that help make meat tender, juicy, and flavorful.* It is the most expensive cut of beef. You can find prime beef in restaurants and better grocery stores.

Choice and select grades are *less expensive grades with less marbling in select than in choice grade.* The protein, vitamin, and mineral content of beef are similar regardless of the grade.

**Pork**

The most popular cuts of pork are ribs, roasts, and chops. All these cuts come from the loin, the meat that runs along either size of the backbone. The tenderloin is a strip of choice meat that is cut from the center of the loin. Pork chops come from the rib. The shoulder is cut from the front leg. The lower section of a shoulder cut is often labeled a picnic cut. The upper section of the shoulder is pork butt or Boston butt. The ham is cut from the back leg. Shoulder cuts and hams are sold both fresh and smoked. Bacon and spare ribs come from the underside of the animal.

**Lamb**

The most popular cuts of lamb are leg, chops, rack, and loin. Leg of lamb, a choice cut, comes from the hind leg of the animal. Lamb chops come from the rib. The rack is the rib section of the lamb. Lamb loins run along either side of the backbone.

**Poultry**

The word poultry refers to a farm-raised bird, as opposed to one that a hunter shoots in the wild. The main types of poultry are chicken and turkey. Most chicken is sold fresh; turkeys are sold both fresh and frozen. The USDA oversees the safety of poultry. Poultry is a nutritious, economical food. It is generally less expensive than meat.
You can buy a chicken whole and roast it in the oven or cook it on the grill. You can also buy chicken parts, such as breast, legs (drumsticks), thighs, and wings. Breast meat is white and is the most expensive cut. Chicken wings, which have little meat, have become a popular snack item. Turkeys are usually sold by the whole bird, although you can buy turkey breast, legs, and frozen ground turkey.

Fish
The National Oceanic and Atmospheric Administration (NOAA) oversees the management of fisheries in the United States. It also maintains a voluntary seafood-inspection program. Fish that has passed NOAA inspection bears a special mark that may read “US Grade A,” “processed under federal inspection (PUFI),” or “lot inspection.” Nevertheless, the sale of seafood, unlike that of poultry and meat, is not regulated by the US government.

The two main types of fish are fin fish and shellfish. Fin fish include salmon, cod, halibut, flounder, tuna, trout, catfish, and many others. The two main cuts of fish are steaks and fillets. A steak is cut crosswise across the fish’s body. A fillet is cut down the length of the body of the fish. Popular shellfish include shrimp, lobster, crabs, clams, scallops, and oysters.

Most fish is sold fresh or frozen. Both are equally nutritious and tasty, provided they have been properly stored and handled. Beware of fish that smells “fishy.” Fish should have a fresh, natural aroma. Some fish, such as salmon and tuna, may also be sold canned.

Canned and Packaged Goods
Canned goods have a long shelf life. The product expiration dates may be one year or more from the date of purchase. This means that you can stock up when these items are on sale. Again, buying food in quantity will not save you money if you never eat it.

When buying canned or packaged goods take the time to read the labels. Federal law requires that every package of food display the name of the product, the name and address of the manufacturer, net amount of contents by weight (or by weight and volume if it’s a liquid), a Nutrition Facts label, and a list of ingredients.
The Nutrition Facts label is full of valuable information. If you check out this label before you make a purchase, you can make better decisions about healthy eating. At the top, the label shows serving size (for example, one cup for dry cereal) and the amount of servings per container (a 15-ounce box of dry cereal has around 14 servings). The label then lists the calories, as well as total amount of fat, carbohydrates, and protein, in a serving. Finally, the label has information on the product’s vitamin and mineral content. It tells you what percentages of your daily requirements of these nutrients are in one serving. For example, a cup of oat cereal provides 3 percent of your daily recommended fat content, 7 percent of your daily recommended carbohydrate intake, and no protein. It contains 45 percent of your daily requirement of iron and 10 percent of your daily requirement for vitamin C, as well as other vitamins and minerals. Add milk to the cereal, and those percentages go up considerably, as the label for cereal also shows.

The ingredients list may be quite informative for both your physical health and the health of your budget. By law, it must begin with the main ingredient and then move on, item by item, to the ingredient used least. For example, suppose you’re comparing two bottles of pasta sauce. Both contain 28 ounces of sauce, and both cost $2.99. The first ingredient on one label is water. The first ingredient on the label of the other bottle is tomato puree. Which do you think is the better deal? The ingredients list also tells you what chemical additives and dyes are in the food.

**Dairy Products**

Milk is a low-cost source of calcium, important for healthy bones. However, some types of milk have more fat than others. If you’re concerned about consuming too much fat, check out the fat content. Milk with the highest fat content is labeled “4 percent butterfat.” Skim milk, at the other extreme, has no fat.

You can also find eggs, cheese, butter, sour cream, and other products in the dairy section. Eggs come in several sizes. Check the price of each size. If the price difference between two sizes of eggs, say medium and large, is less than five cents per dozen, buy the larger size. Always check the expiration date before buying eggs.

You can buy cheese in several forms; for example, in blocks, sliced, and grated. Sliced or grated cheese may have a higher unit price than block cheese does. Save money by buying cheese in blocks and slicing or grating it yourself. Hard cheeses may turn green as they age. This is a natural process. Just cut off the mold before eating. Store extra cheese, butter, or margarine in the freezer to reduce spoilage.
Frozen Foods

Americans today have less time to cook than ever before, and sales of frozen foods have increased dramatically. The frozen-foods section in the grocery store has fruits, vegetables, breads, and desserts, as well as main dishes and low-calorie meals. Although frozen meals are usually more expensive than home-prepared meals, people depend on them because they are so convenient—particularly when you have a microwave oven.

You can save money buying these foods by comparing ads from various stores. Since frozen foods are so popular, many grocers regularly put them on sale to increase business. You can also use manufacturers’ coupons to reduce the cost of these items.

Other Foods

You can buy breads fresh off the shelf, frozen, or partially baked. Many supermarkets have in-store bakeries. These bakery products vary in cost, depending on their quality and other factors. Compare costs by reading labels and determining the cost per serving.

Cereals appeal to kids, and they’re heavily advertised. You can save money by clipping coupons. You can also buy store brands rather than name brands. The packaging of the store brand may not be as glitzy, but the product is often just as good as the name brand.

Baking needs such as flour, sugar, spices, and oils usually are in the same aisle of the grocery store. Again, look for store brands, which vary little from national brands in quality. When selecting flour, consider the unbleached variety, even though it costs a bit more. The nutritional content is higher.

Rice and pasta are good sources of carbohydrates. They supply quick energy. Some people call them “meat extenders” because they satisfy hunger but cost less than meat. Pasta comes in various forms, both fresh and dried. The labels provide excellent cooking ideas. Rice and pasta store well. Buying them in large quantities can save money.

Condiments include pickles, sauces, and spreads. These items add zest to meals, but they are usually expensive. Again, compare the national and the store brands for quality and price. Consider mixing your own salad dressings. It doesn’t take long, and the result is often more flavorful and less expensive per serving.

Many shoppers spend a large percentage of their grocery budget on snack foods and soft drinks. These items provide little or no nutritional value, but they may have lots of calories. If you include these on your grocery list, look for specials and volume discounts. Since they are popular items, grocers tend to offer competitive prices.
Eating on a Budget—The US Department of Agriculture’s 3 Ps

PLAN
- Plan meals and snacks for the week according to an established budget.
- Find quick and easy recipes online.
- Include meals that will “stretch” expensive food items (stews, casseroles, stir-fried dishes).
- Make a grocery list.
- Check for sales and coupons in the local paper or online and consider discount stores.
- Ask about a loyalty card at your grocery store.

PURCHASE
- Buy groceries when you are not hungry and when you are not too rushed.
- Stick to the grocery list and stay out of the aisles that don’t contain items on your list.
- Buy store brands if cheaper.
- Find and compare unit prices listed on shelves to get the best price.
- Purchase some items in bulk or as family packs, which usually cost less.
- Choose fresh fruits and vegetables in season; buy canned vegetables with less salt.
- Pre-cut fruits and vegetables, individual cups of yogurt, and instant rice and hot cereals are convenient, but usually cost more than those that require a bit more prep time.
- Good low-cost items available all year include:
  - Protein—beans (garbanzo, black, cannellini)
  - Vegetables—carrots, greens, potatoes
  - Fruit—apples, bananas

PREPARE
- Some meal items can be prepared in advance; pre-cook on days when you have time.
- Double or triple up on recipes and freeze meal-sized containers of soups and casseroles or divide into individual portions.
- Try a few meatless meals by substituting with beans and peas or try “no-cook” meals like salads.
- Incorporate leftovers into a subsequent meal.
- Be creative with a fruit or vegetable and use it in different ways during the week.

Nonfood Items
Supermarkets are “super” because they offer more than just food. You can rent movies, buy flowers, medicines, and cosmetics, or even buy furniture, tires, and appliances in some supermarkets. Buying nonfood items while grocery shopping may save you a trip to another store. Remember, impulse purchases are tough on the budget. Avoid browsing and stick to your list.
Shopping for Clothing

When you have your own money, you may be tempted to spend a lot on clothing. Dressing well is important: It makes a big difference in how you feel. You also need to dress well to get a good job. However, clothing can be expensive. When shopping for clothing, keep these tips in mind:

- Don’t overspend—Think about the gaps in your wardrobe and buy only what you need.
- Buy pieces you can mix and match—A shirt or blouse that you can wear with several outfits is more economical than one you can wear only with a certain skirt or pair of pants.
- Shop at discount stores rather than at malls whenever possible—They often have good clothes at bargain prices.
- Shop online to save time and money—But be careful to shop at secure sites. The American Bar Association’s informational site at http://www.safeshopping.org/ will help you order safely when shopping.
- Don’t buy something just because it’s the latest fashion—The best bargain is what looks good on you, not what’s trendy.
- Even if you find a good sale, be careful—You don’t want to fill your closet with things you can’t use. Sale items also may be of lower quality than items not on sale.
- Don’t shop just for shopping’s sake—Some people shop just to feel good—that’s an expensive way to calm your nerves.
- Try to buy clothing at the end of a season—For example, the best time to find a winter coat at a bargain price is in February, not November.

Spending on Entertainment

Many teenagers spend a good deal of their money on entertainment, such as movies, CDs, downloading music, and video games. The key issue here is budget: Decide how much you can afford to spend each month on entertainment, and then stick to it. Do not get distracted by what’s new or in the mall, what your friends have, or what you see on TV or the Internet.
Renting or Leasing an Apartment

While you are in high school, you probably live at home with your parents or guardian and don't pay any rent. However, even if you still are one or two years from graduation, it is important for you to learn the ropes of finding a place of your own—one of life's most important personal and financial decisions.

Renting or leasing an apartment is often less expensive, at least over the short term, than buying a house. Renting is often necessary for young people who are just starting out and don't have enough money for a down payment on a house. Renting is also a good idea if you're not sure whether you'll be staying in an area for more than a year or two.

Apartments are often clustered in complexes on a large piece of property. Apartments offer amenities such as tennis courts, pools, clubhouses, and laundry facilities for their tenants. A tenant is a person who rents an apartment. Tenants pay a monthly fee to the landlord, or apartment owner. Tenants are responsible for keeping their units safe and clean, but they are not responsible for the maintenance of the apartment. If something goes wrong, they call the landlord, who arranges for the repair.

If you've decided to rent an apartment, the next thing to do is to choose where you want to live. Explore various neighborhoods. Think about such factors as neighborhood safety, as well as access to public transportation, shopping, libraries, and other community services.
Determine what size apartment you want. The smallest apartment is called a studio or efficiency. It has one large room, a bathroom, and a kitchen. Landlords typically refer to apartments based on how many bedrooms, and in some cases bathrooms, they have.

Rental fees of apartments vary widely. They can range from a few hundred dollars a month to thousands, depending on where you live and how upscale the building is. One important thing to think about before you even start looking is how much you can afford to spend on rent. Experts recommend that you pay no more than 30 percent of your gross income, or income before taxes and other deductions, on rent, gas, heat, and electricity. This will allow you to have enough extra money for other living needs.

To find an apartment, look at newspaper and online advertisements. These are usually the best sources of information on apartments currently available. Some apartment complexes have professionals on the property who can show and rent apartments. Another option is to call a real estate agent. A real estate agent is a professional who helps people buy, sell, or rent homes and apartments. Many real estate agents prefer to deal with people who are buying rather than renting. If you are interested in using a real estate agent, ask which type is his or her primary focus. If the agent doesn’t usually help renters, you may want to find another agent who does. If you use a real estate agent, he or she may charge a fee. Be sure to inquire what the fee is before you use the agent.

If you are interested in a particular apartment building, try to find out information about the landlord from the previous tenant or other people in the building. For example, does the landlord fix things promptly? Does the landlord have a habit of showing up unannounced to inspect the apartment? If so, living there could be difficult.

When you agree to rent an apartment, you will sign a lease, or an agreement to pay rent and fulfill other obligations for a certain length of time. A lease is usually for one year, but it can be longer. Some apartments have monthly leases, but this is relatively rare.

A lease is a legal document. When you sign it, you are legally bound to its terms. Read it carefully, and ask about any terms that you do not understand. The lease will spell out your responsibilities and those of your landlord. If you break the lease and move out early, do not pay your rent, or don’t follow the terms of the lease in any other way, the landlord has grounds for taking legal action against you. Items covered in a lease may include the amount of the rent, the security deposit and utilities (see below), the number of people who may live in the unit, where you can park your car, responsibilities for maintenance of the apartment, a policy on pets, and similar items.
One of the terms of the lease may be that you leave the apartment in good shape when you move out. If you have not kept the apartment in good shape (for example, if there are spills on the carpet, holes in the walls, or structural damage), the landlord may withhold some or all of your security deposit. A security deposit is a payment to make sure you meet your obligations as a tenant. Deposits vary widely. Some landlords require a first and last month’s rent; some require only one month’s rent. The landlord will refund your security deposit at the end of the lease if you have met the terms of the lease.

Young people often share an apartment with one or more roommates. This helps cut the cost of living. If you and a friend want to rent an apartment together, ask yourself, and each other, two big questions:

1. Who will sign the lease? If you both sign, you are both legally responsible for fulfilling all its terms. If everything goes as planned, you’ll both save money. However, if your roommate decides to move out early or breaks one of the requirements of the lease, you will be responsible for the rent and other obligations. If one of you expects to leave earlier, it might be best for the one who intends to stay longer to sign the lease alone. The bottom line is to have a roommate you can trust.

2. Do you have similar living habits? For example, if you like to have loud parties on weekends and your roommate values privacy, you may have problems. If dirty dishes in the sink, a messy bedroom, and dust and grime don’t bother your roommate but you’re a very organized person, watch out.

Discuss both questions in advance. If you can’t agree, you’d better decide to live alone or find another roommate. Saving money is important, but it’s not your only consideration. You don’t want to risk losing a friend or getting into the legal problems that a broken lease might create.

**Tips for Apartment Hunting**

Shopping for an apartment is a big deal. Here are some tips to help you succeed.

- Don’t rush into anything. Spend enough time searching for an apartment to be sure you will be happy.

- Know whether utilities are included in your rental rate. Utilities are electricity, heat, gas, and water. They can be expensive. If they are not included in your rent, you will need to pay for them separately (Try to find out from the landlord or the previous tenant how much utilities will cost.) You will always have to pay separately for things such as your telephone and cable TV. You may also have to pay a deposit to the telephone company or another utility company. You’ll get your deposit back when you move out, as long as you have paid your bills, but you need to count it in when you are planning your budget.
Before you sign the lease, figure out your monthly rent and utilities expenses. Make sure they total no more than 30 percent of your gross income. For example, if you’re earning $24,000 a year, your rent and utilities should total no more than $8,000. A rent of $650 a month ($7,800 per year) is too high.

Apartments usually have basic kitchen appliances, such as a refrigerator and oven. Many, however, do not include a microwave or laundry facilities.

Most apartments are unfurnished. If you need to buy your own furniture, figure that into your budget. Rental fees for furnished apartments are usually higher than fees for unfurnished apartments.

Calculate the costs associated with moving. If you have some furniture, you will probably want to rent a truck, get some friends, and move it yourself. Moving companies can be expensive. Check their rates, and do comparison shopping. Also, be sure to see if the building has specified move-in times.

Bring someone with you to look at apartments you are thinking of renting. Sometimes a second party can point out things you may not have noticed.

If you are concerned about safety, you might want to rent an apartment on the second floor or above. Make sure the locks are strong and that they work well. Better yet, install a new lock. This is because the previous tenant might have given out keys to other people. If being in the neighborhood makes you nervous, no matter how good a deal the apartment is, you should probably rent somewhere else. You want to be able to walk around outside without fear and sleep peacefully.

**Pets**

Many apartment buildings don’t allow their tenants to have pets. Ask about this when you visit the apartment. If you have a pet, don’t lie about it. Instead, find an apartment with a “pet-friendly” policy. Some landlords require a pet deposit or an extra security deposit to cover damage that your pet could cause.

**Lesson 3  Real-Life Issues in Buying and Selling**
Buying or Leasing a Car

Getting a car is a major goal for many young people. When you’re ready to take this step, you’ll need to decide what kind of car to get, how much you can afford to pay, and whether to buy or lease.

Selecting a Car

When you’re ready to choose a car, think about the following questions:

- What kind do you need? The car you need may be different from the car you want. Be realistic. Do you need a small car that is easy to park and gets good gas mileage? Do you need an SUV that holds lots of people and equipment? The SUV will use much more gas, but if you really need a big car, then you’ll have to be willing to pay for fuel. As gas prices climb, that becomes an even more serious consideration.

- How much can you afford? Stay within your budget. Don’t buy or lease a car that will require you to get a second job or borrow more money than you can afford. Remember, if you borrow money to buy the car, you will probably be making monthly payments for the next several years. A good rule of thumb is to spend no more than 20 percent of your net income, or income after taxes and other deductions, on monthly car payments.

- Should you get a new car or a used one? New cars require less maintenance, but they’re much more expensive than used ones. A compromise may be a well-maintained car that is a few years old.

- If you’ve decided on a used car, what kind of condition is it in? Check the outside: Is the paint worn or chipped? Is it rusty? Is there body damage? Are the tires in good shape? Then check the inside: Is the upholstery worn? Do the electronic devices work? Finally, look under the hood: Does everything work, particularly the engine? If you don’t have the knowledge to inspect the engine, hire a mechanic to do it for you. This will cost you some money, but if it prevents you from buying a car that needs lots of repair, it will be worth it.

- What kind of insurance will you need? Insurance rates for some cars, usually more-expensive ones, sports cars, or models that are popular targets of car thieves are higher than rates for other cars. Get an insurance estimate before buying a car.
• What kind of resale value will the car have? You cannot perfectly predict the resale value of a car, but you can get a rough idea from various websites, such as the Kelly Blue Book site at www.kbb.com. Compare cars and choose the one that has a good resale value.

• How much will repairs cost? Some cars cost more to maintain than others do. Generally, the more expensive the car when it is new, the more expensive it is to repair. It usually costs more to fix a Mercedes, for example, than a Chevy.

• What is the financing rate? If you’ll need a loan to pay for your car, visit several dealers and banks and see which one will give you the best interest rate, the seller’s or lending institution’s charge on borrowed money. You may have to make trade-offs: For example, one dealer may charge a lower price for the car but charge a higher interest rate.

Should You Lease or Buy?

For some drivers, leasing is an attractive option. An advantage of leasing is that you may not need a down payment, or partial payment that you make when purchasing something. Your monthly payment may be less than a loan payment would be. Another advantage is that you return the car to the dealer at the end of the lease period, so you don’t need to worry about finding a buyer.

However, leasing a car also has serious disadvantages. Since you do not own the car, you do not have equity in it, or the difference between the market value and the unpaid balance, though you are still responsible for maintenance costs. You will have to pay for repairing any damage to the car over the lease period. You will have to pay an extra fee if you drive more than the maximum number of miles specified in the lease. You may have to pay a fee if you return the car before the end of the lease. In addition, you may be charged “lease acquisition fees” or “lease disposal fees” of several hundred dollars to cover costs of obtaining a credit report, verifying insurance coverage, and other administrative costs to process your lease. One authoritative source, the nonprofit magazine Consumer Reports, says that for many reasons it usually costs more to lease than to buy a car.

Let’s say Stephanie is considering whether to buy or lease a car. The model she wants costs $18,000. As you see in Figure 1.4, if she purchased the car, she would make a down payment of $1,000. If she had no other money to put down on the car at that time, she’d need to take out a $17,000 loan. To pay off that loan, she would make payments of $412 per month for 48 months. Considering these expenses, and the fact that she would not be able to collect the $160 in interest that she would earn if that $1,000 remained in her savings account, the car would cost her $20,936.

In this example, if she leased the car, Stephanie would not have to make a down payment. She would give the dealer a security deposit of $800, which she would receive back at the end of the lease period. She would not collect $128 in interest on that $800. She would make monthly payments of $300 for the 48 months. Her cost would be $14,528.
However, the story isn’t complete. At the end of the lease period, Stephanie would have to return the car to the dealer. She would not be able to sell it. If Stephanie had bought the car and could sell it for $10,000, her total cost for purchasing would be $10,936. In this case, buying would be a better deal. It would save Stephanie more than $3,500.

### COST OF PURCHASING THE CAR

1. Down payment
   - Cost = $1,000

2. Down payment of $1,000 results in foregone interest income:
   - Forgone Interest:
     Income per Year = Down Payment × Annual Interest Rate
     Income per Year = $1,000 × 0.04
     Income per Year = $40

   - Forgone Interest over Four Years = $40 × 4
     Forgone Interest over Four Years = $160

3. Total monthly payments are:
   - Total Monthly Payments = Monthly Payment × Number of Months
   - Total Monthly Payments = $412 × 48
   - Total Monthly Payments = $19,776

   - Total
   - Minus: Expected amount to be received when car is sold in four years
   - Total Cost
   - Total Cost = $20,936
   - Minus: Expected amount to be received when car is sold in four years
   - Total Cost = $10,936

### COST OF LEASING THE CAR FOR FOUR YEARS

1. Security deposit of $800 results in forgone interest income (although she will receive her deposit back in four years):
   - Forgone Interest:
     Income per Year = Down Payment × Annual Interest Rate
     Income per Year = $800 × 0.04
     Income per Year = $32

   - Forgone Interest over Four Years = $32 × 4
     Forgone Interest over Four Years = $128

2. Total monthly payments are:
   - Total Monthly Payments = Monthly Payment × Number of Months
   - Total Monthly Payments = $300 × 48
   - Total Monthly Payments = $14,400

   - Total Cost
   - Total Cost = $14,528

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**Comparison of the Cost of Purchasing Versus Leasing a Car**

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Lesson 3 Review

Using complete sentences, answer the following questions on a sheet of paper.

1. What are the four steps to smart buying?
2. What is comparison shopping?
3. What are the three Ps for eating on a budget?
4. What are three ways you can make sure you are spending wisely on clothing?
5. What are three of the most important things to consider when renting an apartment?
6. What are the advantages of buying a car? What are the advantages of leasing a car?

APPLYING BUYING AND SELLING SKILLS

7. Look online or in the classified section of your newspaper and find two apartments that sound like great places to live. On the basis of the ads, compare the apartments. Consider their prices and features (such as air conditioning, size, parking), plus what you know about their location. Which one sounds better to you?