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1 (40s):

<inaudible>,

2 (47s):

It's my pleasure to welcome you here to the Clark Howard show our mission to serve and empower you. So you make better financial decisions in your life. In today's episode, I'm going to tell you about some myths around money. I want you to be aware of also Extended warranties. Are they ever worth it? Well, we got to talk because there's something over the years that has puzzled me where I've had, it's gotta be in the hundreds of times, I've had people say to me that they leave balances open on their credit cards because they want to raise their credit score.

2 (1m 30s):

And it shows that there's a lack of some level of understanding about how credit reporting works and credit scores so much so that a survey that lending tree did in January found that just a whisker under half of people think that that's true, that you don't want to, even if you can afford to pay the balance on a credit card in a month to zero, or you don't want to do it because, well, I'm gonna buy a house or I'm going to do this or that or the other. And I got to raise my credit score, and I don't know where this urban legend started, but the reality is there is a zero benefit to leaving a balance open on a credit card because you're paying two average credit card, somewhere around 18% interest.

2 (2m 25s):

And when you have an open balance, the charges he may going forward, the interest is accruing right away, daily interest. When you pay the balance in full on a card, you have a grace period, and then you pay that balance that you developed during that billing cycle in full, you got an interest free loan from the credit card company. Now, I like that. So whatever, wherever, however, that legend started, that is good for you to run a balance, forget it, you know, something else. The third of people believe that using credit cards is bad for you, that you always want to use a debit card.

2 (3m 14s):

So I don't know where that one started. The reality is if you've listened to me for any period of time, you know what? I call a debit card, a piece of trash, fake visa, a fake MasterCard, the credit card. It developed as a product during a time that the Congress was not corrupt bought and paid for by who they got money from.

And so Congress wrote into law consumer protections for credit cards. There was no thought no idea of a debit card. When those rules were developed in the 1960s, you fast forward, the debit card is a product really the tens 50 years later.

2 (4m 3s):

So the debit card in an era that the Congress has controlled by corporate contributions, the debit card has no consumer protections at all. That's why you see all those endless ads from visa, trying to con you into using the debit card from the banks, pushing you to use the debit card, because it is such a powerful win for them. When you use that debit card, because let's say you buy something online, use that debit card and the merchant never sends you the merchandise.

2 (4m 45s):

What happens to your money? It's gone. What happens if the merchant lies to you about the goods and sends you something very different than what they represented with a debit card, you're done your money's gone with a credit card under the federal law. I'm talking about it. It was designed in the 1960s. You have these protections and no, there were not dinosaurs roaming the earth in the 1960s. Like my kids think, but you have protections to dispute a purchase with a credit card, no such right exists under the law near the banks could of gone to Congress when they came up with the idea of debit cards and not fought having these protections.

2 (5m 35s):

But consumers never even got a fair hearing on having any protections with debit cards, but wait, it gets worse. So what happens if a crook duplicates your credit card number or steals your credit card and they're using it, they're using your car and they're using your number, that in possession of your card, you don't even know how they got your number, but they're using it. What's your risk. What's your liability with a credit card, generally zero maximum \$50 in the worst circumstances. But again, no money is left your hands.

2 (6m 16s):

You just dispute those charges with a debit card. What happens? Well, the criminal empties, your checking account. You have overdraft. The AMT that too, you can have checks bouncing all over the place in the bank is even allowed a while to collect all those bounced check charges. And you were a victim of a crime, but wait, it gets worse under the rules. Wait, there's more under the rules. The bank is the judge, jury and executioner on the determination. If you committed the fraud are, it was done by a fraudster.

2 (6m 57s):

They are given two weeks to decide. And after two weeks they can say tough. We think you did it. And you're out the money. You're out the money, or they can issue you a temporary credit and then continue whatever their fake investigation is. Or after two weeks, they can give you your money back. And I'll get calls from people who say, Hey, you know, my credit union gave me the money back right away. I don't know what

you're talking about. Or my bank gave me the money back after a day, you don't know what you're talking about.

2 (7m 38s):

Just because some credit union or some bank went beyond the law and went ahead and took care of you doesn't mean they have to. It's just, they did better there be full legal protections under the law. So be aware of this and know that a debit card, the only roll, it really plays. Is. If you are someone who knows, if you have credit cards, you'll Spend yourself into oblivion and the debt in that one circumstance, a debit card likely could be preferable because you can't spend money.

2 (8m 18s):

You don't have Krista

3 (8m 21s):

Patron. And Connecticut says, how many payments can you be behind on a credit card before it affects your credit score?

2 (8m 29s):

So the credit card company can report you 30 days late. So a single light payment that goes beyond 30 days will potentially be reported on your credit report. A single 30 day late is not in and of itself devastating unless you're somebody who has what's called a golden credit score. If you had a score that was somewhere between eight and eight, 50 than a single 30 day late would really eat you up for others with more normal earthling credit. Score's a single over 30 would hurt you for a while, but would not be devastating.

2 (9m 11s):

But if you end up going over 60, where you have a 30, you have a, a 60 year overdue like that, then it starts to be a real problem for you moving forward. And so the important thing is for you to stay in touch with your credit card company and let them know you're having financial difficulty and see if they can work with you and hopefully avoid too many bad marks on your credit.

3 (9m 43s):

Mindy and Georgia says I have a great credit score and no debt. I fell prey to a store credit card in December while Christmas shopping, just because they offered me 20% off, my purchase turns out it was actually a MasterCard, not just a store credit card. I did activate it because I returned something in needed to request a refund. I have no need for another credit card I already have to do with a total credit line of \$23,000. This one has a credit limit of 2,500. Should I cancel it or just let it sit

2 (10m 12s):

Mindy. I'm so excited to tell you, this is your lucky day. You One the store credit card lottery. It's actually

vastly superior for you that it had a MasterCard logo on it and making it what's known as a general purpose credit card instead of a store card store cards are considered to be junk credit and can harm your credit standing. The fact that you already have this store MasterCard is to your advantage in your credit reporting and your credit mics. You took a small hit for a new application for credit with it. And it was a hard inquiry on your credit minor number of points.

2 (10m 54s):

But now having that third card is good for you. I know it's weird, but it's good for you to have it. And it will increase your total available credit, which by itself will raise your credit score.

3 (11m 13s):

Jonny and Georgia says I'm interested in a car warranty for my twelve-year-old vehicle, and I'm very confused about which reliable auto warranty to purchase. Help me please, John

2 (11m 24s):

Money, I'm going to address the warranty stuff and just a couple of moments here. And I want to tell you for a 12 year old vehicle, you actually can't by a legitimate car warranty, 12 year-old vehicle, your really on your own. You want to put money into instead of spending what you would spend, the few thousand dollars for a car warranty. You want to put that money into a savings account or mad money account or emergency account to deal with the unexpected repair that may come at a later time. So coming straight ahead, I'll address head on the issues with Extended warranties and how you play that game.

4 (12m 14s):

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2 (12m 60s):

Johnny just moments ago asked about buying an extended warranty on a 12 year old car. If I remember the length that age of the vehicle, and this is an area of so rife with fraud that I got to make sure you know, what's up. I think about how many of us get those bogus phone calls. A lot of people multiple times a day, or get a letter saying the warranty on your vehicle will soon to expire or has expired or whatever. And they're trying to sell you a piece of trash fake warranty. They're all the ads on TV for buying the Extended warranties on cars.

2 (13m 43s):

And almost always, these are either out now frauds or just really bad deals. Usually they're out now fraud's and my TV work. I've done a sad story after story about people who bought these trashy fake warranties paid the thousands of dollars and then turned out that there was no real coverage. Lot of these Are organized crime activities, where they set up what looks like an impressive warranty, operation collect millions of dollars in premiums. And then they vanished into the night and what's referred to as a bust out. So I know that this is an area with a lot of hoodlums, and you've got to be very aware that the possibility that you are buying a good, legitimate, extended warranty, sadly, even from a car dealer is probably a fraction of a percent.

2 (14m 46s):

Maybe, maybe even you might have a 5% chance that you're buying a One from a car dealer, or the reality is the car dealers don't talk about it because they don't make the markup on them. The only legitimate Extended warranties that you can have peace of mind with on a vehicle or the one sold by the manufacturer itself. Again, the dealers typically won't quote you those because their commissions are so tiny on those versus these third party warranties that they can make thousands of dollars on. And then you're left holding the bag when something goes wrong with your vehicle.

2 (15m 28s):

So if your whatever brand you're buying, normally the manufacturer itself will offer an extension of a warrantee. And then it is legit. It will be expensive. It will be expensive, but it will be the real deal. The question though is should you even buy one at all? Okay, here's a shocking stat. It was Just in a column by David Lazarus, the consumer writer, extraordinary with the Los Angeles times, okay. This is crazy. More than half of people who've bought Extended warranties on vehicles.

2 (16m 12s):

Even more than one more than half

3 (16m 16s):

Have never, ever, ever, not ever.

2 (16m 19s):

You used that warranty for a claim. So you're paying thousands of dollars for suppose that peace of mind, but you never, ever even use. You may have bought a very reliable car, or it may have had things that go wrong with it while it's under manufacturer's original warranty, any of a number of circumstances. This is one of those things that I've been neutral about all through the years. Why am I neutral? Because the cost of a repair on a vehicle can be very expensive. And if you don't have money to deal with emergency expenses, there's a forced way of paying for it through an extended warranty.

2 (17m 7s):

But no, the math is not in your favor. And that's why it's best for you to put money regularly and to an emergency fund for anything in your life. That becomes a smaller, big, oops, rather than buying these warranties. But remember the rule, note it to you in your memory. Always, always when you buy one of these, make sure it's from the manufacturer of your vehicle itself. And no one else, Krista

3 (17m 43s):

Clark Tina and Connecticut says I have a brokerage account, but one of the big banks, I know, I know I need get it out of there. Especially with this particular bank. The advisor is someone my parents have also used for years and out of loyalty. We've followed him to a couple of places he's worked. He has recently created his own company, kind of he's the president at asset advisors, part of the big bank, financial advisors network. So do you know how this works? My hope is that at some point this person would be independent of the bank or do I just need to break free so I can go with one of your favorite investment children.

2 (18m 20s):

Okay. So we have a new write up for you at Clark dot com on how you know, whether or not this person is safe for you to use. I mean, they work at a bank that has had multiple scandals, including on their financial advisor side. So the individual, if they are somehow independent, they need to sign a legal agreement with you that they are. In fact, a fee only fiduciary fee, only fiduciary with that means is that they get no commissions for any product that they would recommend.

2 (19m 4s):

Second, it means that they legally bind themselves to only doing what is in your best interests. Now, this bank does not operate under those principles normally, and they have had a checkered and hideous history of cheating their customers on the brokerage side, as well as the banking side. So this is an individual, you know, well, you have family history with, and that only takes you so far. If they are not legally a fiduciary who is doing business fee only, I think you've got to make that painful break

3 (19m 51s):

Jann and Idaho says my 11 year old grandson was given a female dog from a family friend slash dog breeder. With the understanding that any money made from the puppies will go into a college fund. His mother would like it to go into an account that can be accessible to her in case of emergency. She's a single mother of two and also in healthcare, which is unpredictable during the pandemic. This account can be added to every year for the next five years at a possibility of up to \$20,000 per year. What kind of accounts should this money go into? Save from taxes and easy to ex access and whose name should it be? Would an online savings account, be the answer.

2 (20m 34s):

Wow. Wow. And wow. Okay. So a five 29 college savings plan is a tax free account. We grow tax-free and we'll protect the money for this child's future use for college, you through a complete curve ball with the idea

that the mom may actually help herself to this money that her son would earn off of the breeding of this dog. Let me tell you her Sign is gonna work his rear end off with those puppies. That is a serious, serious, all consuming work and time consuming work, taking care of those puppies.

2 (21m 20s):

So I'm very, very concerned about your question because it blows apart the whole purpose of why he would have this female dog and what the result would be in terms of being able to pay for college. Odds are the mom would repeatedly find reasons that the money is needed to pay for life. And although that is legitimate, it was not the goal. What are the purpose and other uses would not be tax-free

3 (21m 55s):

Joseph from Indiana says on Airbnb and saw some places I would consider renting, but had some concerns from horror stories. I've heard about owners spying on the renters. Also, what is a Superhost would it be better to rent from someone with that title?

2 (22m 11s):

So I'll deal with your questions and reverse. So a super host is somebody who may have multiple properties that they rent on Airbnb. They rent very high volume. It will usually be someone who has a string of very, very, very good reviews and many reviews as well. It will not always mean that sometimes it will just mean that they have high volume of properties and bookings on Airbnb, but it gives you the more assurance that this is somebody who is not an amateur. They are a essentially a professional landlord, a professional host on the thing about the cameras.

2 (22m 55s):

There has been a lot of stuff that has run around every time. There's a rental unit where the owner has spy cameras in it. And people feel that legitimately they are being completely violated. And a lot of these cameras are ultra small. I don't know a way for you to vet that specifically to see if a property does have cameras in it that are being used to spy on you. I still believe though, that it is an isolated issue and isolated problem and running on Airbnb is a legitimate way to take a vacation.

2 (23m 36s):

I will tell you though, because of the pandemic hotel rates have been very depressed and hotels generally are cheaper to stay in per right now than Airbnb rentals. I want to thank you so much for joining us on today's podcast. And I want you to know that we serve you around the clock, check out our websites. If you've not been to both Clark dot com and Clark deals.com. And we also have free newsletters available, you decide what newsletters you want, how many times you'd like to see them per week. And we are there to educate you, to empower you and to serve you.

1 (24m 15s):

<inaudible>.