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# Consumer Issues

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## African American Views on Financial Planning: What Are Today's Trends?


Over the past few decades, the number of African Americans with high annual incomes (over $50,000) has steadily increased. However, the percentage of African Americans with this income participating in financial planning and investing has not seen the same increases. In an effort to increase awareness and participation by African Americans in financial planning, the Black Investor Survey has been conducted annually since 1997. The survey is a joint effort between Ariel Mutual Funds and Charles Schwab & Company.

The results of the surveys reveal trends in African American financial planning as well as reasons why many African Americans with annual incomes of $50,000 or more are apprehensive about financial planning. Following are highlights from The Black Investor Surveys conducted from 1997-2000:

- ♦ Although African American participation has increased, compared to their white counterparts, African Americans are underinvested in the stock market.
  - √ 64% of African Americans are investors in the stock market today, compared to 57% in 1998.
  - √ 82% of whites are stock market investors today, compared to 81% in 1998.
- ♦ There are 2 major barriers to African American investing.
  - √ ***Lack of trust:*** more African Americans, compared to their white counterparts, don't trust financial advisors, the stock market, and investing.
  - √ ***Lack of exposure:*** fewer African Americans, compared to whites grew up with stocks and checking accounts, and fewer African Americans inherited or were gifted stocks.
- ♦ When African American investing reached an all time high in 1999, African Americans were more likely than whites to have:
  - √ Read books about savings and interest
  - √ Attended an investment seminar
  - √ Joined an investment club
  - √ Made investing their top New Year's resolution
- ♦ African Americans save less for retirement than whites, and save more for their children's college education.

Source: (2000). Ariel Distributors, Inc. Investing 101 Black Investor Survey. http://www.arielcream.com/investing_survey.htm

## What's Inside

## Decoding The Stock Market Ticker Tape


Stock markets use codes to make it easier for traders to place their orders. Some of the codes are easy to "decode," such as the New York Stock Exchange's (NYSE) code for IBM— International Business Machines or CAT for *Caterpillar*. You can determine which market a stock is likely to be traded on by the symbols used on the ticker tape. Below are some tips for decoding various stock market codes.

- ***The NYSE -New York Stock Exchange*** (NYSE) uses combinations one to three letters long

> ***Examples***: T = AT & T Corporation
> HD = Home Depot
> MCD = McDonald's Corporation

- ***The American Stock Exchange*** (AMEX) uses combinations two to four letters long

> ***Example***: KPG = King Power International

- ***The National Association of Security Dealers Automated Quotation System*** (NASDAQ) and the over-the counter (OTC) markets uses combinations four to five letters long

> ***Example***: MSFT = Microsoft

- ***Mutual funds*** usually use five letter codes, always with the last letter as "X"

> ***Example***: AGRFX Ariel Fund
> VFIAX Vanguard 500 Index

Many financial Web sites have search features that allow you to search for ticker symbols if you know the company name.

Adapted from: (2000, Summer). Moneywise: reading the ticker tape. A Christian Perspective.

***Nothing grows faster than the unpaid balance on a revolving charge account.***

## William Boyle, Founder of the Credit Card

Credit cards are considered the world's third greatest economic invention, second only to money itself (invented around 650 BC), and installment plan buying (began in the early 1900s).

Early in the 20th century, banks provided "installment loans" for qualified consumers to make major purchases. In 1951, William Boyle of the Franklin National Bank in Long Island developed the Franklin Charge Card in response to consumer needs for fuel. The charge card was the first of its kind, combining the ideas of individual charge accounts and lines of credit. By 1952 the charge card expanded to include 750 local merchants.

Credit cards served by local banks were first made available to consumers in the 1960s. A decade later, Visa and MasterCard were born. Today, thousands of merchants offer lines of credit in the form of credit cards including gas stations and retail stores.

So the next time you "charge it," think of William Boyle and say thanks, perhaps. William Boyle died on April 30, 2000 at age 88.

Adapted from: (2000, Summer). He created the credit card, the top economic story of the century. A Christian Perspective and This is True, http://www.thisistrue.com/honors00.html

**Credit Card Insurance:
Do You Need It?**


There are many credit card protection programs on the market today. Before deciding to invest in one of these programs it is useful to review the advantages and disadvantages of different credit card insurance policies. This will help you make the best decision as an informed consumer.

*Insurance to pay your credit card bills if you become disabled or lose your job*

Advantages

- May be handy if sources of income are not sufficient to cover your monthly debts if you were disabled or unemployed.

Disadvantages

- There is often a waiting period before receiving your first benefit payment.
- Your benefit payments may only cover the minimum card payment each month.
- Unless you are disabled or unemployed for a long period of time, the cost of premiums may exceed monthly benefits.

*Insurance to pay your credit card balance if you die*

Advantages

- Useful if you have a lot of credit card debt and little or no other life insurance.

Disadvantages

- A better way to protect yourself against income loss or death may be purchasing regular disability or life insurance instead of credit insurance.

*Credit card protection plans: Notification Services*

This type of program typically offers one of two services:

1) contacting your card issuers if your cards are lost or stolen, and arranging for the issue of new cards;
2) periodically sending you a copy of your credit report so that you can review it for accuracy.

Advantages

- Helpful in reducing credit card fraud, and keeping you informed about your credit status.

Disadvantages

- You can do items 1 and 2 at less cost and with minimum effort. Before signing up for a notification service, ask your card issuers if they offer similar services. Often times they do, and it will cost you less than a credit protection policy, or nothing at all.

*Credit card protection plans: Insurance for Fraudulent Use of Credit Cards*

Disadvantages

- This type of credit card insurance is typically unnecessary, according to consumer credit experts, because federal law limits a consumer's liability for credit card fraud to the first $50 per account. As long as you notify your card issuers of the fraud within a reasonable amount of time, you will not be held responsible for more than the first $50 of fraudulent use on your account. Many card issuers waive this requirement.

If you decide to invest in credit card insurance, be sure to keep in mind the following tips:

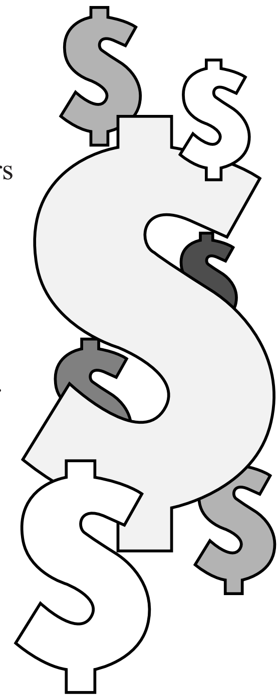
- Never give your credit card numbers to anyone selling credit card insurance over the telephone. You may be speaking with a con artist who could make unauthorized charges on your cards.

FDIC credit card specialist Janet Kincaid suggests asking the following questions:

- Why do I want this type of protection?
- What benefits will I gain from it, and how much am I willing to pay?
- Does the extra insurance make sense for my spending and borrowing habits?
- Am I sure I am dealing with a legitimate company?
- Contact your state government's insurance commissioner or office of consumer affairs regarding doubts or suspicions you have about an insurance plan or the company offering the plan.

Source: (2000, Fall). <u>It pays to ask questions before paying for credit card insurance.</u> FDIC Consumer News.

**You Find "Proof" of an Old Account or Safe Deposit Box: Is It Treasure or Trash?**



Have you ever searched through old family documents and turned up an old bank statement, certificate of deposit (CD) or receipt for a safe deposit box you didn't know anything about?

Each year, the FDIC -Federal Deposit Insurance Corporation, receives hundreds of calls and letters from people trying to solve mysteries about old bank accounts. Sometimes people get the answer they've been hoping for—that a bank, a state government or the FDIC has these forgotten assets, and they're available to claim. But FDIC officials say that, in most cases, there is no treasure waiting because the original owners withdrew the money or cleaned out the safe deposit box long ago.

Often adding to the confusion is that bank customers don't have to turn in an original passbook or certificate in order to close an account or receive an FDIC insurance check when a bank fails. "Old passbooks and CDs at home can become a source of confusion in the future.

*Suggestions for keeping assets out of the lost-and-not-found department at a bank or government agency.*

√ If you discover evidence of an old account or safe deposit box, find out if the institution is open or closed. The bank or savings institution may still exist under the same name or under a different name (common after bank mergers), or it may be closed. Search the FDIC's Web site (www.fdic.gov) for the bank name or call toll-free 877/275-3342, 800/925-4618 (TDD).

√ If the financial institution is still open, ask for a status report on your old accounts. Among the possible outcomes:
- The original owner closed the account or removed the valuables.
- The account or safe deposit box may still be at the institution and available for withdrawal.
- Because of years of inactivity, the account became "dormant" under state law and the assets were "escheated" (transferred) to the unclaimed property office in the state where the owner lived or did business.

√ Start your search for assets at the Web site of the National Association of Unclaimed Property Administrators (NAUPA) at http://www.naupa.com. If a state has your funds, and you provide satisfactory proof of ownership, the funds will be released. Even if a state has already sold an asset (because it's impossible to store and maintain all the unclaimed items received), the original owner or heirs generally have the right to claim the proceeds from the sale, according to the NAUPA.

√ If the bank was closed by the government, find out if the deposits and safe deposit boxes were transferred to another institution or to the FDIC. Start by searching the FDIC database described previously or by calling the FDIC. In most cases, there is an acquiring institution for the failed bank's deposits and safe deposit boxes. If not, the FDIC will mail insurance checks to depositors and send letters to renters of boxes about how and when to remove the contents.

√ The contents of any safe deposit box left unclaimed with the FDIC will be sent to state unclaimed property offices. Prevent assets from getting lost or forgotten. If you move or change names, notify your bank and other financial institutions. Dispose of (shred) old passbooks, savings account records or safe deposit box information.

Source: FDIC Consumer News, Spring 2002.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