

# Unit 14:

## Consumerism, Fraud, & The Wealthy

### Barber Review

I have been talking all semester about the things you need to do to become financially successful. Things like saving, reducing your debt level, having adequate insurance, etc. Most of what I have been talking about can be greatly hindered by spending too much. An IRS study reported that the #1 cause of financial failure was the "inability to delay gratification." We live in a society that tells us we have to spend to be happy. Unfortunately, too many people believe that. One of the best things you can do for yourself is learn to be happy with what you have. This part of the unit will talk about what consumerism is doing to us individually and as a country.

An article by MP Dunleavy from CNBC on MSN Money talked about having too much stuff. The author talks about SDA, the Senseless Desire to Acquire. The article entitled "The hidden costs of too much stuff" says that the size of the average house has increased nearly 40% from about 1,500 square feet to 2,300, despite the overall decline in family size. When you buy a bigger home to accommodate your stuff, you pay higher taxes, higher heating bills, bigger cooling bills, a bigger mortgage, plus whatever the upkeep costs are for the stuff itself. What do you think? Do you have too much stuff? We will talk about a video next called *Affluenza*. In the video they say, "Everything I own owns me." What does that mean to you? Let me tell you a story. One of my sons kept asking us to go snowmobiling with our neighbors. We finally worked it out. We rented 3 snowmobiles and a trailer and bought lunch and gas. The day cost us over \$400. To me that was a rather expensive day for a family outing. But we had a lot of fun. We talked about the fact that it would probably be cheaper for us to buy snowmobiles than rent if we were going to do that very often. Then we thought a little more. We would not only have to buy the snowmobiles, we would have to buy a trailer and always have a vehicle that could pull it. We would have to buy insurance and license them. We would need to find a place to keep them and we would have to maintain them. I had fun, but not THAT much fun. Suddenly the \$400 for one day didn't seem too bad.

For people who already have the vehicle, storage room, and would use them a lot, it is worth it to buy. For us, it is not worth it. If I owned them, not only would I be paying a lot for them, I would also feel the need to use them. This might even be a stress in my life because I wasn't using them enough to be worth it. I don't need more stress in my life. I'm sure this is a totally bizarre story to those of you who, like my neighbors, are avid snowmobilers and love it. If you need to, just

replace the story with something else to get the meaning. As the article said, ask yourself if it is necessary, if you can afford it, and what would it really cost you. The video I mentioned called *Affluenza* is an excellent video produced by PBS. The definition of Affluenza is

1. The bloated, sluggish and unfulfilled feeling that results from efforts to keep up with the Joneses.
2. An epidemic of stress, overwork, waste and indebtedness caused by the dogged pursuit of the American Dream.
3. An unsustainable addiction to economic growth.
4. A television program that could change your life.

Read the information and take the tests at the following websites:

[What Is It?](http://www.pbs.org/kcts/affluenza/diag/what.html) (<http://www.pbs.org/kcts/affluenza/diag/what.html>)

[Do You Have It?](http://www.pbs.org/kcts/affluenza/diag/have.html) (<http://www.pbs.org/kcts/affluenza/diag/have.html>)

[Tips for Beating Affluenza](http://www.pbs.org/kcts/affluenza/diag/have.html) (<http://www.pbs.org/kcts/affluenza/diag/have.html>)

If you would like some resources on similar topics, you can look at the [Affluenza resource site](http://www.pbs.org/kcts/affluenza/treat/resinter.html) (<http://www.pbs.org/kcts/affluenza/treat/resinter.html>)

# Unit 14:

## What is too much spending costing you?

What is too much spending costing you? It can include stress, too many hours working at a job you don't like, too little sleep worrying about debt, etc. It may also be costing you wealth. Thomas J. Stanley and William D. Danko conducted a study about millionaires. They wrote a book called *The Millionaire Next Door*. In their introduction they said:

"Twenty years ago we began studying how people become wealthy. Initially, we did it just as you might imagine, by surveying people in so-called upscale neighborhoods across the country. In time, we discovered something odd. Many people who live in expensive homes and drive luxury cars do not actually have much wealth. Then we discovered something even odder: Many people who have a great deal of wealth do not even live in upscale neighborhoods.

"Most people have it all wrong about wealth in America. Wealth is not the same as income. If you make a good income each year and spend it all, you are not getting wealthier, you are just living high. Wealth is what you accumulate, not what you spend.

"How do you become wealthy? Here, too, most people have it wrong. It is seldom luck or inheritance or advanced degrees or even intelligence that enables people to amass fortunes. **Wealth is more often the result of a lifestyle of hard work, perseverance, planning, and, most of all, self-discipline.**"

The authors also state that 80% of America's millionaires are first-generation rich. I think a lot of us tend to think that most millionaires had it handed to them. This study says otherwise.

Now, please don't think that the only thing important to me is wealth. I think that it can be overdone also. My husband had an uncle that was a rancher. They lived in a tiny little shack without running water for YEARS. His wife had to cook on a hot plate or the wood burning stove. They finally built a new, small log cabin. When he died, we were told that he had 2 million dollars in the bank. I think the best thing to do is to reach a happy medium. I think I will spend the time and money to go snowmobiling with my family occasionally. The key is to budget for recreation, clothing, and other items, live within your means, and save as best you can for future purchases and retirement. Just don't get caught up in the consumerism trap.

# Unit 14:

## Fraud

Besides getting caught in the consumerism trap, another fast way to ruin your finances is to be a victim of fraud. The best way to avoid it is to become educated about the ways fraud is happening and try to protect yourself from it.

One of the newest and most frustrating types of fraud is identity theft. This is when someone uses your social security number to get credit. It can cause major damage to your credit history and cause a lot of stress in your life. The following article is a bit long, but I think it is worth reading. [Take Charge: Fighting Back Against Identity Theft](http://www.ftc.gov/bcp/online/pubs/credit/idtheft.htm) (<http://www.ftc.gov/bcp/online/pubs/credit/idtheft.htm>)

Some people try to make some fast money and get involved in pyramid schemes. These are different than legitimate multilevel marketing companies. One of the easiest ways to tell the difference between the two is what they focus on. If they are focusing on getting new members, that can be a warning sign. If they focus on selling good products to the public, they may be a good company, but is not likely to make you rich over night. Read the information at the following website:

[The Bottom Line About Multilevel Marketing Plans](http://www.ftc.gov/bcp/online/pubs/alerts/pyrdalrt.htm)  
(<http://www.ftc.gov/bcp/online/pubs/alerts/pyrdalrt.htm>)

Investment fraud is also a problem with people who try to get rich quick. Some people have made it rich quick with investments and that makes the rest of us want to do it too. However, there aren't as many of those people as the ones that have made it rich with slow, steady investments over time. Read the information on the following websites:

[Investment Risks](http://www.ftc.gov/bcp/online/pubs/invest/invrisks.htm) (<http://www.ftc.gov/bcp/online/pubs/invest/invrisks.htm>)

[How to Avoid Losing Your Money to Investment Frauds](http://www.ftc.gov/bcp/online/pubs/alerts/invalrt.htm)  
(<http://www.ftc.gov/bcp/online/pubs/alerts/invalrt.htm>)

It is also easy to think you can make it rich with a sweepstakes. This is an area that has also been hit with fraud. Read the following information for tips on avoiding sweepstakes fraud:

[Sweepstakes & Prize Offer Tips](http://www.fraud.org/tips/internet/sweepstakes.htm) ([www.fraud.org/tips/internet/sweepstakes.htm](http://www.fraud.org/tips/internet/sweepstakes.htm))

There are many, many other types of fraud, but the last one we will talk about is credit card fraud. I have mentioned a few things along the way. Read the information on the following website for more information:

## Credit Card Fraud

(<http://www.aarp.org/money/consumerprotection/scams/Articles/a2002-10-01-FraudsCreditCards.html>)

Try to protect yourself from fraud as best you can. Remember the saying, "If it sounds too good to be true, it probably is." I think being educated is one of the best ways a person can protect themselves.