

LIBRARY, UNIVERSITY FARM

Financial Traps

FOR THE

UNIVERSITY OF MINNESOTA
 SEP 17 1976
 ST. PAUL CAMPUS LIBRARIES

Unwary



MARY MAY MILLER

This archival publication may not reflect current scientific knowledge or recommendations.
Current information available from University of Minnesota Extension: <http://www.extension.umn.edu>

Financial Traps for the Unwary

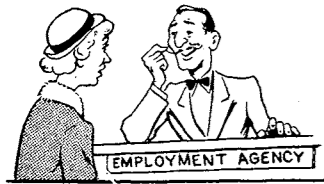
You can avoid financial traps by making it a practice to deal with well-established, reputable firms. Millions of dollars are lost yearly because people like you take chances only to become involved in merchandising frauds, bankruptcy schemes, bootleg insurance, real estate swindles, take charity collections, and loan sharks.

The American public seems to be unable to resist such promotional appeals as "You are one of our favored customers; therefore, we are giving you this unusual offer;" "Be one of the first!" "This offer is good for a limited time. So act now. Be sure to send money order or a certified check with your order."

To be sure, swindlers do not lurk behind every tree—the majority of business concerns are honest in their dealings. Nevertheless, traps for the unwary do exist. Therefore, it behooves you to be cautious and to recognize possible traps awaiting **EVEN YOU**. Caution is particularly necessary when dealing with strangers. The following traps are presented to prove that honest, reliable dealers and salesmen are entitled to your trade.

Employment Bonds

This trap is set to catch you who may be seeking a job. The ad usually depicts in glowing terms available jobs for reliable persons. You answer the ad, fill out a questionnaire, and are finally considered acceptable.

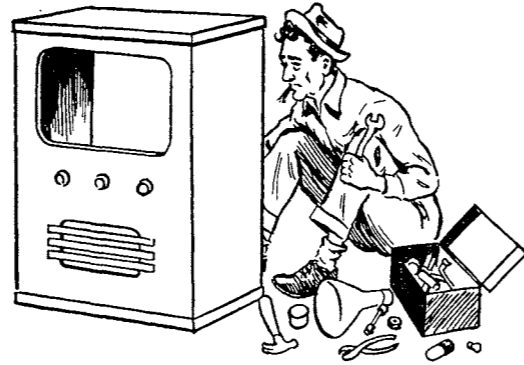


Then you are requested to supply a bond for the protection of the employer. You will probably raid your

savings or borrow from others in order to pay the service fee and bond. After depositing the bond, you will be dismissed with the promise that you will be called as soon as arrangements can be completed.

Alas! Days pass without a call. Finally, you return to the office and find it vacant. The crook who preys on the jobless has skipped with hundreds of collected fees and bonds. Such an agency may make collections and then send job seekers out of town to non-existent jobs:

Motto: check with the Better Business Bureau or your Chamber of Commerce before registering with an employment agency.



Television Tinkers

It didn't take long for tinkering racketeers to appear in the field of TV sales and service. One trick of the trade is to offer a cut-rate price and later step it up to a legitimate price by adding on costs for installation, taxes, and service policy. And then a substitute or even a rebuilt set may be delivered to the unsuspecting customer!

The real racket, however, is in maintenance and repair service. If you purchase a TV set from an unreliable dealer, you may find that you are not adequately protected by the service policy sold with the set.

Be sure to read the service contract and be sure that the number and model delivered are the same as given on the sales contract and the service policy. A reliable dealer will sell you the set that will function best in your home. He will guarantee effective reception and service to back up the service policy sold with the set.

According to the New York Better Business Bureau your contract should cover these (for about \$50):

- Installation labor
- One standard antenna for best reception in your home
- Necessary mounting hardware
- Adjustment and repair parts necessary for normal usage
- Instructions on care and operation

Because of thousands of complaints, Better Business Bureaus, Television Contractors Associations, Radio-Television Guilds, and others interested in reliable service standards to protect consumers have formed the Television Installation Service Association (TISA). Certificates are issued to qualified servicemen giving dependable service.

For many contented hours through television make this Better Business Bureau slogan your motto:

If you don't know your merchandise, know your merchant!

Bootleg Insurance

Insurance provides many valuable services: security for old age, college education, and financial support for widows and children. It is unfortunate that there are bootleg insurance companies that snatch life savings from trusting buyers of insurance. The following statement presents such a case:

"My policy states that at 65 I shall begin to receive a monthly income of \$50 for life. I am now 65 but have received word from the insurance company claiming that the 'State Insurance Department' has ruled that the clause providing life income be cancelled. A check for \$70 was enclosed. What shall I do? If I cash the check, I revoke my right to receive life income under the policy."

What could he do? He had been caught by one of those bootleg insurance companies.

He should report his case to the State Insurance Commission, which may bring about favorable action.

Although the majority of states do not issue licenses to bootleg insurance companies, an investigation in one state alone revealed the existence of 150 such companies. Just think, many of these companies had assets as low as one or two thousand dollars! If a policy holder should refuse a small settlement, the company would probably go into bankruptcy; or if criminal charges should be pressed, the insurance officers would close up shop and disappear.

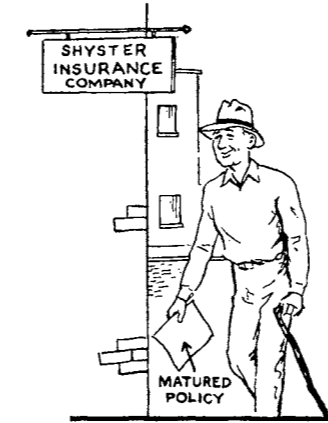
Why invest in companies that do not possess well-established, good-faith records? Reliable agents will show you the size and rating of their companies in "Best's Insurance Guide" and will explain the policy.

Motto: protect your family by consulting the State Insurance Commission for information on insurance companies and the state's insurance regulations.

Door to Door Selling

Lucrative commissions are frequently offered to persons who agree to sell from house to house. A deposit of \$10 will be charged for a selling kit worth about \$3. Since the company clears \$7 per kit from a stream of applicants, they do not care whether goods are sold.

Motto: be suspicious when an advance payment is required for a selling kit.



The Lost Wallet

Don't expect something for nothing. Every once in a while you read of someone who has been duped out of a large sum of money, hoping to get rich quick. Just the other day a woman shopper spied a wallet on a street in downtown St. Paul. Just when she discovered that it contained a huge sum of money, a lady stepped up—and then a second one—suggesting that they share the contents. The finder was requested to draw money from the bank to prove her good intentions.



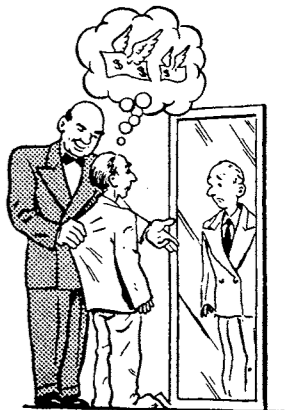
Fortunately this finder remembered reading about a similar situation. While she was glancing around for a policeman, the accomplices escaped in a taxi—with wallet and contents, of course. Although the planted wallet is an old, old story, the public continues to be duped by it.

Moral: be suspicious of strangers when money is involved.

The Suit Club Racket

This trap, a combination of installments and lottery, seems to be set for groups of young men—especially students. The victims are led to believe that handsome suits await them for only \$25 apiece. Each person pays one or two dollars a week over a stated period. Drawings are made now and then so that a lucky winner can secure a suit and cease making payments.

At the end of the period of 12 to 25 weeks, those who are still in the pool receive credit slips of \$25 entitling each one to a suit or credit toward a better suit. The catch is that the



suit is worth only about \$12. A suit valued at \$50—toward which the \$25 can be used—is worth about \$35. (Credit slips cannot be used elsewhere.) Therefore, many of the better suits will be purchased by the “club members” because of the shoddiness of the \$25 suits. There are similar rackets in other merchandise.

Motto: buy from legitimate established dealers.

Nailed-to-the-Floor Samples

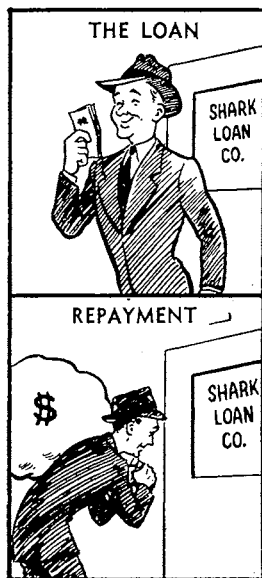
The same type of dealer as those mentioned in above cases will draw you into his store by the use of “nailed-to-the-floor” samples. Items used as drawing cards are advertised at extremely low prices. When seen, they are either poor in quality or you are told that the supply is exhausted—the dealer being unwilling to sell the floor sample. Frequently the sample shown is not the same as the one advertised in the paper. If an attempt to switch you to a higher priced item fails, you may be taken over by a more tricky salesman. There are many varieties of this selling technique.

Motto: know your needs and don't accept a poor substitute.

Loan Sharks

Some day you may find it difficult to meet obligations when your creditors become insistent. If you have no security, you may decide to borrow money and may accidentally visit a “loan shark” company because it offers loans at supposedly low interest rates. You will be required to give a mortgage on personal property such as household goods and the family car. The loan company will then be in a position to seize the property if you fail to meet a payment at a specified time. The interest rate may be from 2½ to 30 per cent a year. By various tricks interest charges have been as high as 260 per cent.

Motto: choose your loan agency with as much care as you would your banker.



Death Vultures

These vultures—without wings—watch the death columns in newspapers so as to prey on bereaved relatives. Soon after the funeral a vulture will call on



the widow and ask for the husband. Surprised to hear of the husband's death, he will tell the widow about the purchase of a city lot or some other business deal of her husband.

Papers will be presented to show payments—perhaps up to \$1,000—with a balance of \$1,500 due on the mortgage. She will be urged to carry out her husband's wishes. If the papers are unsigned, she will be told that the originals are in the vault.

The caller will offer to accept a note for the balance due. The catch is that the lot is worth about \$200. If the widow is shown the lot, it will probably be a lovely one located in a desirable section of the city. If she falls into the trap her future security will go to a stranger probably unknown to her husband.

Another type of vulture is one who will try to deliver a C.O.D. package, claiming that the deceased member of the family ordered it previous to death. You are not obligated to accept such a package.

Motto: investigate before investing.

Interest on Amounts Paid

Do you actually know whether you are paying interest on the amount paid on a loan as well as on the unpaid balance? Suppose you borrow \$100, agreeing to pay it off in \$5 installments over a 20-month period—the interest rate to be 2½ per cent (\$2.50 on the \$100 borrowed). At the end of 10 months you will have paid off one-half of the loan. Therefore, you should now begin paying only \$1.25 (2½ per cent of the \$50 balance on loan). Why should you continue to pay \$2.50 when you have reduced the debt by one half?

Motto: do not go into debt without knowing the true interest rate and the exact carrying charges to be paid.

Fake Charities

Swindlers have collected many many millions of dollars a year from the public for fake charities and through unauthorized collections for existing charities. Such collections are usually made in person or by some one with a convincing voice over the telephone

giving an address to which the donation is to be sent. But—the address isn't that of the real charity office.

Motto: be sure that your donation is given to those authorized to make collections for a charity organization.

Unclaimed Freight

Auctions are frequently held to dispose of freight out-of-sight, unseen. Our American public likes to participate because of the gamble involved. One “gambler” purchased a sealed box which had a special appeal because of its size, three by five feet. When he opened the box, he found shoes galore—all for the left foot.



Motto: don't spend money for concealed goods if you expect to get your money's worth.

Why Take a Chance?

The above cases have been presented so that you will not squander hard-earned money. You can save yourself time, trouble, and money if you remember these points:

- Patronize reliable dealers and do not divert your personal or family income into fraudulent dealings.
- Try filling a scrapbook with clippings about swindles and consumer traps; your scrapbook may help protect unsuspecting persons from financial traps.
- Be suspicious of strangers who pretend to have “a good thing” or are in a magazine contest and ask a down payment for a subscription.
- Remember that Better Business Bureaus exist in more than 50 cities in the United States to keep unsuspecting consumers out of financial traps. These bureaus are always glad to cooperate with your local Chamber of Commerce and police department in securing convictions.
- Never pay money to strangers—no matter for what purpose. Establish the habit of trading with responsible persons in your community and others who are known to be well established in the business world.

UNIVERSITY FARM, ST. PAUL 1, MINNESOTA

Cooperative Extension Work in Agriculture and Home Economics. University of Minnesota. Agricultural Extension Service
UNIVERSITY OF MINNESOTA
operating, Paul E. cultural Extension
15M-10-50



3 1951 D02 390 427 0