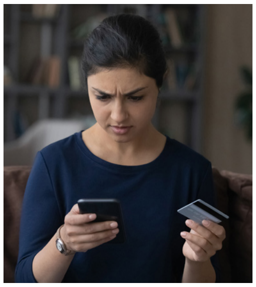
TD TOP DOLLAR®

Helping You Make the Most of Your Money.

7.2023

Spotlight on Dark Patterns



Last year, the Federal Trade Commission (FTC) released a report detailing how companies use sophisticated practices, called *dark patterns*, to trick or manipulate consumers into sharing personal information and buying products. The FTC highlighted the four most common dark patterns to watch out for:

Misleading consumers and disguising ads: Be aware of comparison-shopping sites. Some rank products based on how much compensation they receive from the product's seller, even though they claim to be neutral. Another example is an offer advertised as valid for a limited time only to pressure you to buy when there's no deadline. These offers often use a fake countdown timer to create a false sense of urgency. An ad designed to look like independent editorial content is another tactic.

Difficulty canceling subscriptions: The company may require you to call (to offer you a deal) or make the cancel option hard to find when a free trial has expired. Before you sign up for a free trial, check the company's cancellation policy. Also, check to make sure you aren't charged after you have canceled.

Hiding key terms and miscellaneous fees: Companies bury important information, including miscellaneous fees, in pages of fine print, knowing that few consumers check this information. Consumers won't see these terms and conditions until after they buy the product or service. Companies will also not mention additional fees (also called **junk fees**) until the consumer is almost ready to click on the buy button.

Sharing data: Companies hide notice of consent for sharing personal information with outside parties deep in the privacy policy section, which many people are unlikely to read. Another tactic: Making sharing personal information with third parties the default in electronics, such as smart TVs. Always check the default settings when you set up online accounts, install apps and buy smart devices.

QuikQuiz™: Check Your Financial Literacy

Answer the following questions to test your financial smarts.

1. You have $500 in a savings account and the interest rate is 3% per year. After five years, how much will you have in the account if you left the money to grow?

   a. More than $515.
   b. Exactly $515.
   c. Less than $515.

2. Imagine the interest on your savings account is 3.5% per year and inflation is 8% per year. After one year, how much will you be able to buy with the money in the account?

   a. More than today.
   b. Exactly the same.
   c. Less than today.

3. If interest rates fall, what will typically happen to bond prices?

   a. They will rise.
   b. They will fall.
   c. They will stay the same.
   d. There is no relationship between bond prices and the interest rate.

4. A 15-year mortgage typically requires higher monthly payments than a 30-year mortgage, but the total interest paid over the life of the loan will be less.

   True False

5. Buying a single company's stock usually provides a safer return than a stock mutual fund.

   True False

ANSWERS

1. a **2.** c **3.** a **4.** True **5.** False

TOP DOLLAR TIP:
DETERMINE COST PER USE BEFORE YOU BUY

One method of determining if an item is worth the price tag is the *Cost Per Use* method, found by dividing the purchase price by the number of times you will use the item. Even though the formula is simple, knowing exactly how many times you will use an item may be difficult, although many consumers have a decent idea. For example, how often do you wear your favorite pair of jeans? Two times per week, or 104 times per year? If those jeans are $250, the cost per use would be $2.40 per wear. You can use this formula to decide if a particularly expensive item is worth the cost.

Virtual Currencies: Know the Risks

The Commodity Futures Trading Commission labels virtual currency as a commodity. This label is noteworthy because, by definition, a commodity is a basic good, such as a barrel of oil, that is interchangeable with another product of the same type. This means virtual currency is the same no matter who is selling it.

Virtual currencies are not backed by any government or central bank, and their value is completely driven by supply and demand. While trendy, it is critical for potential investors to know the risks associated with using and holding virtual currency. Here are a few:

- You have high exposure to cyber risks, such as wallet hacking.
- Virtual currency is an unregulated market without protection or supervision of government agencies (e.g., no recourse if your virtual currency is stolen).
- The market can have volatile swings.
- Platforms trading virtual currency can manipulate the market by selling their own accounts and driving the value down.

If you are considering virtual currency as an investment, watch out for these potential scams:

- Offers that promise high guaranteed returns with little or no risk. Investments with higher returns typically are riskier than those with a lower return.
- Unlicensed sellers. Check for license and registration status at **investor.gov**.
- Pressure to buy during an immediate time frame. Take time to research the investment before transferring any money.

Q: What is reverse budgeting?

A: Reverse budgeting, also known as *pay yourself first*, is putting money into savings and toward goals before you fund any other budgeting categories, including bills. The concept involves these steps:

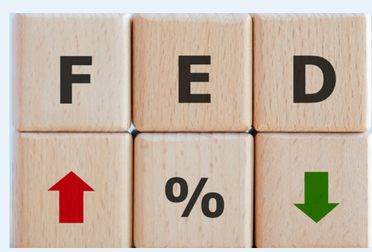
1. Receiving your paycheck.
2. Funding your emergency fund and savings accounts.
3. Funding any other goals-based accounts (travel, cars, big gifts).
4. Paying necessary bills (electricity, phone, internet, rent, or mortgage).
5. Spending the remaining money as you wish.

Reverse budgeting supports the concept of saving part of each paycheck. However, what if you don't make enough money to pay bills in the fourth step? Saving is important and should be in every budget. If you have difficulty saving each month, have the money automatically deposited into your savings account or ask your employer to split your direct deposit between your checking and savings accounts. Automation removes the temptation to skip months.

It is important to find a budget that works for you. Here are some income stretchers:

- Resist impulse spending.
- Avoid debt and using credit cards to spend money.
- Spend wisely on everyday expenses by comparison shopping and using coupons.
- Track spending; record every purchase.
- For every nonessential purchase, ask yourself if the purchase is worth more than reaching your goals (e.g., paying off debt, saving for a large purchase).
- Save more as you earn more.

TOP DOLLAR DICTIONARY: Federal Reserve



The Federal Reserve (Fed) is the central bank of the U.S. While it may seem like the Fed has little impact on our day-to-day finances, it plays a big role in personal finance. By controlling interest rates, the Fed impacts borrowing, saving, investing and inflation. These four activities trickle down to consumers in several ways.

How? The Fed sets the federal funds rate, which is the short-term interest rate banks charge each other to lend funds overnight. The federal funds rate is tied to the prime rate, which impacts rates for credit cards, HELOC (home equity line of credit) and auto loans. When the Fed cuts rates, borrowing money becomes less expensive because lenders also lower rates on their credit products. Higher interest rates from the Fed typically slow consumer spending, home sales and borrowing.

The Smart Moves Toolkit, including this issue's printable download, **At Risk: Heat-Related Illness,** is at **personalbest.com/extras/23V7tools.**