

USAA

MAGAZINE

A MEMBER'S GUIDE TO FINANCIAL SECURITY

RETIREMENT
TOOLS
YOU
NEED

9
INSURANCE
MYTHS
BUSTED

STUNG BY
FEES?

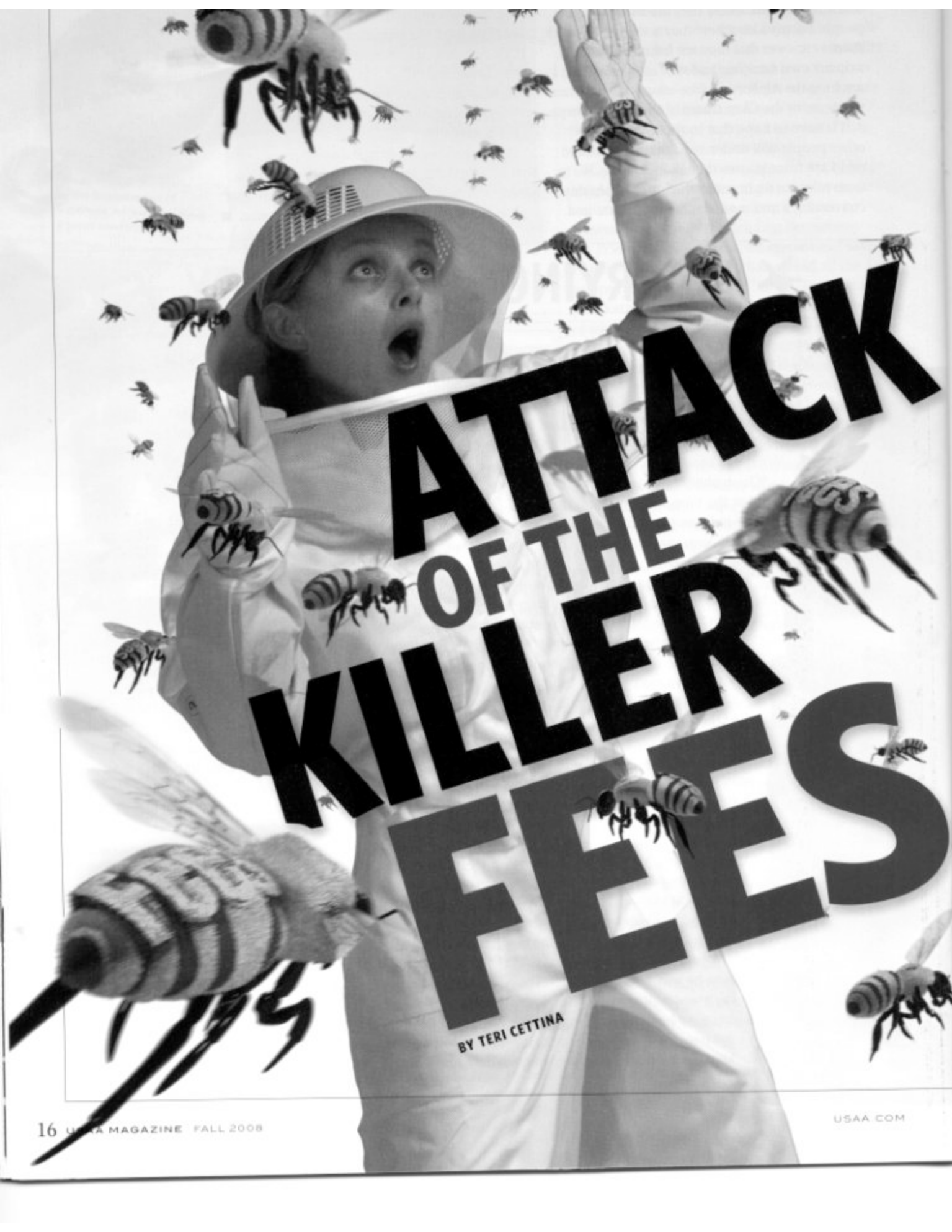
Avoid needless and costly charges



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ATTACK OF THE KILLER BEES

BY TERI CETTINA

They hide in the small print or on the back page — anywhere there's money to be made. Here's how not to get stung

TECHNOLOGY

STINGER: Mobile phone contract termination fees

How they swarm: If your mobile phone provider offers bad customer service or charges you a premium rate for each minute that exceeds your calling plan, or your reception is continually bad, you may want to take your business elsewhere. Problem is, you're probably locked in to a contract (two years is typical). To break free, you'll have to pay a contract termination fee — average cost \$170 — to move on.

How not to get stung: Read the contract carefully. You may find provisions that allow you to cancel your contract penalty-free if the provider makes "material changes" to your service after you signed your contract. Examples include changes to the provider's calling or coverage area, rate hikes, or changes to fees for add-on services, like text messaging, according to Kent German, senior editor at CNET.com. "You may have to argue with them a little about what is considered a 'material' change, but it could be worth it," he says. Another option: Legally swap contracts with another mobile phone owner who wants to change providers. Companies like celltradeusa.com serve as intermediaries.

But there may be relief on the way. FCC regulators have been working with wireless providers to give consumers a grace period to opt out of their service and to lessen some of the hefty penalties imposed.

STINGER: Cable TV, phone & Internet charges

How they swarm: That bundled phone,

Internet and cable price looks great. But if the low price is only for an initial promotional period, you'll get a big surprise when your monthly bill soars.

How not to get stung: "Make sure you know what the nonpromotional monthly rate will be before you sign up for that great deal today," advises Bob Sullivan, MSNBC.com reporter, USAA member and author of *Gotcha Capitalism: How Hidden Fees Rip You Off Every Day — and What You Can Do About It*. Also, keep track of when your promotional period ends: A few weeks before it's over, call and ask your cable company to extend your deal. They might — if they think they'll lose you as a customer. Another "gotcha fee": "Free" installation isn't always free, particularly now that many folks have complex digital and high-definition setups at home," says Sullivan.

BANKING

STINGER: Bank ATM fees

How they swarm: Fees to withdraw cash from an ATM not owned by the bank you do business with are at an all-time high — averaging \$1.78 per transaction, according to Greg McBride, senior financial analyst for Bankrate.com.

How not to get stung: These are avoidable charges. Use your own bank or credit union's ATM whenever possible. If you're traveling, ask your financial institution to provide you with a list of non-fee ATM locations. Better yet, pick a bank such as USAA that will reimburse you for ATM fees.¹ Then, wherever you are, you can avoid these fees. USAA does not charge for the first 10 ATM withdrawals and refunds up to \$15

in other banks' ATM fees each month.

STINGER: "Courtesy" overdraft fees

How they swarm: You paid by debit card for \$112 of groceries and your rent check is in transit. After the bank processes your rent check, you're left with only \$2.50 in your account — leaving your grocery transaction uncovered. Your bank approved the debit transaction because at the time it was made there was enough money in the account, then charged you \$34 in an overdraft fee when your account fell short.

How not to get stung: Don't waste a moment and sign up for real overdraft protection with your bank. Overdraft protection is a service that allows your bank to transfer money from your savings or credit card to your checking account to cover a transaction. If you bank with USAA, this overdraft protection is free. And keep track of your account balance — it's easy to do online. Many financial institutions now make it easy to stay updated when you're on the go, with text message or e-mail alerts when your account balance dips below an amount you define. Sign up for USAA alerts on USAA.COM.

STINGER: Pay-by-phone fees

How they swarm: Your credit card payment is due today. If you pay by phone, it will post immediately — but you may pay \$15 or so for the convenience.

How not to get stung: Some credit cards, like USAA's, don't charge this fee. If your credit card does, plan ahead. If you pay by mail, plan to mail your payment at least 10 days ahead of the due date. Paying online? It may post the same day, or you may need to schedule the payment a day or two out. Plug reminders into your PDA or circle them on your calendar, suggests McBride. A no-brainer

pay through your institution's Web site.



CREDIT CARDS

STINGER: Annual fees

How they swarm: Even if you pay your bill in full every month and never incur interest charges, a \$60 annual fee — usually for a rewards or frequent-flier-miles card — leaves a stinger in your wallet.

How not to get stung: The best option is to pick a credit card that doesn't charge an annual fee. If you already have the card, ask the company to waive the fee — but chances are slim. Your best bet: Compare the cost of the card with the rewards you earn. For instance, if you racked up 3,000 miles, what was the actual cost benefit to you? Could you purchase frequent-flier miles from your favorite carrier for the same or better price? Do the same comparison for other rewards.

STINGER: Over-limit fees

How they swarm: It used to be that if you tried to purchase something that took you over your credit limit, your card would be declined. No more. As with debit cards (see "Courtesy" overdraft fees), card issuers now approve the transaction, charging you the over-limit fee each time you make a purchase that exceeds your available credit. Then they hit you with an additional fee at the end of your billing cycle. And it might not have been a spending spree that started the swarm: Gas stations and hotels can place temporary holds on your credit card — higher than your actual purchase — to ensure payment.

How not to get stung: When making a major purchase or traveling, ask your card issuers if you qualify for a credit limit increase. You can also request that they send text message or e-mail alerts when you approach the limit. Of course, the simplest solution is to never get that close to the credit

keep an eye on every transaction. USAA does not currently charge an over-limit fee.

HOME & FAMILY

STINGER: Mortgage prepayment fees

How they swarm: You need to sell your home sooner than expected. Or your Aunt Gertrude left you an inheritance and you'd like to use it to pay off your mortgage. If your mortgage has a prepayment penalty clause, you may owe the lender a fee equal to up to six months of interest just to get out of the loan, according to April Lewis-Parks, director of education for the nonprofit Consolidated Credit Counseling Services Inc.

How not to get stung: Avoid mortgages that carry these penalties. If yours has a prepay clause and you need to sell your home, you're probably out of luck. However, if you inherit money or want to use a tax refund, an option would be to make a large payment on the loan principal. Just be very specific that the extra payment is for principal only. "You can usually pay up to an additional \$20,000 per year with no incurred fees. But all mortgages are unique," says Lewis-Parks. Meaning: Read your loan papers carefully. USAA does not charge mortgage prepayment fees.

TRAVEL

STINGER: Hotel resort fees

How they swarm: You may not know you're paying these fees until you check out. These charges — approximately \$15 per guest per day — cover amenities that you used during your stay: the pool, the towels at the pool and use of the fitness center. All you have to do is dip your toe in the water, and it counts as use of the amenity. "Once upon a time, hotels

any more," says Sullivan.

How not to get stung: Ask before making a reservation about all taxes, charges and surcharges and demand to know the total room rate. If you book online, read all terms and conditions (they include fee disclosures) before confirming your stay.

STINGER: Flight change fees

How they swarm: If your travel dates change or your mother needs you to stay an extra day, it's gonna cost you.

How not to get stung: If you need flexibility, use airlines with reasonable change fees, such as JetBlue, Southwest or Alaska. Many carriers charge you as much as \$100 or more to change a domestic flight and double that for changes to an international flight.

STINGER: Rental car fees

How they swarm: The rates in rental car ads typically don't include airport concession fees, vehicle licensing fees, and tire and battery recovery fees.

How not to get stung: Call and ask for the all-fees-included rental rate so you're not surprised at the car pickup counter. One rental fee you usually can decline is the collision damage waiver. "A lot of people still don't realize that if they have a personal automobile, their own auto policy usually covers damages to a rental car. A lot of extra rental car waivers, including the collision damage waiver, may not be necessary," says Robert Sinclair, spokesperson for AAA of New York. Check the auto policy coverage or call your insurance company before renting a car. Some rental car fees, such as loss of use coverage, may be worth it. See rental car section, page 24. ■



» WHEN IT PAYS

Want to know when to fight fees? Visit USAA.COM/USAAMag and read our story.