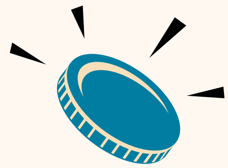

do more spend less

the NEW secrets of living the good life for less

BRAD WILSON

founder of bradsdeals.com

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INTRODUCTION

There I was, just a month past 30—not a millionaire, not a celebrity, not a big-shot corporate executive on an expense account—sitting at 39,000 feet over the Atlantic Ocean, sipping French champagne, enjoying a meal of crab and tenderloin, and pretending I liked caviar.

My wonderful wife and I were on our way to Paris to stay at the Park Hyatt Paris Vendôme, one of the most luxurious hotels in Europe, where we were going to stay for 16 nights in a suite that cost well over $1,000 per night.

I watched Jeff Bridges croon in Crazy Heart on my personal movie screen, enjoyed a glass of $300-a-bottle Johnnie Walker Blue Label Scotch, went to the oversized lavatory to change into their pajamas and slippers, about to get a good night's rest in my own little cocoon of a lie-flat first-class seat.

Staring out the window, I paused to appreciate the moment. We were flying in international first class to a five-star hotel, enjoying a no-expense-spared two-and-a-half week European vacation with the finest services and amenities. The trip, had we paid cash, would have cost more than $50,000. Our cost? Zero.

What a life!

I just knew I had to tell everyone else how they could live this way.

Do More, Spend Less is about how everything you know about being a consumer is wrong. You—anyone—can turn the tables, win at the consumer game, and fill your life with rich experiences beyond what your wallet could afford.

We live in a new age of empowerment. The entire basis for thinking about how best to shop, spend, travel, bank—really any action in your life as a consumer—has fundamentally changed.

The power, transparency, and collective knowledge of the Internet and the commoditization of many services and businesses create a way for us as consumers to finally turn the tables and win in the great game for our hard-earned cash that has long been played by retailers, airlines, grocery stores, credit card companies, and others.

I'm not talking about the basics such as comparing prices online, using Travelocity or Orbitz to check fares, or getting a little cash back from the credit cards you carry. Those aren't helping you win! At best, they're helping you lose by a little less.

Most people aren't yet aware that they can function at this advanced level, but it is accessible to anyone and easier than you think. Yes, you can bake this knowledge into your own life and buy the trips, products, and cars you want for much less than all the other people on the planet. Many times, what you get will be free, or nearly free. And, unlike traditional methods such as clipping $0.50 grocery coupons, you won't question whether the value of your time outweighs the value you receive.

I'll show you how I spent two weeks in a $1,100 five-star hotel room and owed only $20 for room service dessert at checkout. I'll show you how I spend 30 percent less money and use 50 percent less time shopping for groceries. I'll show you how I have 5 million frequent flier miles and why I'll get upgraded into first class on most flights for the rest of my life. I'll show you how to borrow money at an interest rate of 0 percent. I'll show you how 90 seconds will save you 20 to 40 percent on all of your retail shopping. I'll show you how to spend thousands less buying the house or car of your dreams.

Everything you've been taught is wrong. Forget it. This is a new way to shop, spend, and live. You won't go back. You will get more and never pay retail again.

Most personal finance books advocate things such as clipping coupons, skipping your morning latte, and contributing money to your 401k. Those are all fine ideas to consider, but they are all either restrictive (skipping your latte), have significant opportunity costs (clipping grocery coupons), or we've heard of them already (add to your 401k). Doing these things doesn't mean we become winners as consumers; it just means we score a few more points than our neighbors who aren't doing them. There is a different approach. The secrets I will share with you will transform your approach to being a consumer and allow you to emerge victorious in the battle for your wallet. It will enable you to live the good life for less.

I've spent almost every day of the past 10 years of my life finding the best shopping deals on the Internet. I realized in college that I loved the frugality, the game, the hunt, the victory over the larger forces whose brilliant marketing have won the battle for our wallet for at least a generation. I also loved letting my friends and family in on my little secrets. I decided to build a team and a business around perfecting this idea.

I've found deals on everything from plasma TVs to North Face jackets to Nintendo Wii consoles to Dyson vacuums to UGG boots to boxes of chocolate to KitchenAid mixers to Adirondack Chairs to Samsonite luggage to monogrammed Ralph Lauren bath towels to diamond bracelets to designer handbags to coffee to Nike shoes to Cristal champagne. You name it, and I've found a deal on it. Many are deals so good that you would buy three and rush to tell your friends or buy 20 to resell on eBay.

The recession of 2008 changed things for many people, myself included. I was personally spared the myriad issues that the loss of a job, home, or retirement savings brings but saw plenty secondhand, particularly among the Brad's Deals audience.

Despite the inevitable deluge, my e-mail address has always been publicly available. I've long enjoyed the correspondence with readers and appreciated their tips. For years, I've gotten questions, requests, ideas, and more.

In late 2008, the tone of the correspondence started to change, moving from wants to needs. The aspirational e-mails of 2001 to 2007 ("Hey, Brad, how can I get a good deal on a new flat screen?" or "What's the best deal you've seen on a 7-day vacation to Hawaii?") were replaced by needs: school supplies, inexpensive clothes, groceries, and personal care. The idea that I could find a great deal on Cristal champagne and have anyone care was nuts!

The need for frugality was greater for consumers than at any other point in my life. Witnessing this made me think very hard about how to help our audience in all aspects of their consumer lives, beyond retail shopping. Brad's Deals has since expanded to include tips and deals on a wide variety of consumer decisions, ranging from travel to personal finance, but it is still short-form content and doesn't address this crucially important broader theme as I wanted.

As I sat there falling asleep over the Atlantic Ocean, I thought about how tough it has been to be a consumer and how many of us have been losing but, most important, how the game is changing. The playing field is tilting in our favor. We can do more. I have. And if I have, you can and will, too.

That is why I wrote this book.

Unsophisticated Honeymoon Turns Me into a Professional Traveler

Another turning point on the path to becoming an expert travel consumer was my honeymoon. I've been so focused on Brad's Deals that I didn't have much down time and hadn't taken a ton of trips as an adult. I was woefully unprepared and unsophisticated. Although we had a wonderful time, we certainly did not get the better end of the deal. As a professional bargain hunter, I was almost embarrassed and vowed to find a better way.

I could see other people getting things I wasn't—free upgrades, quicker lines, access to the lounge, larger rooms, free breakfast or Internet, a larger rental car, and so on—and I wanted to know how to get those, too. I was determined to find the easiest possible way, one with profitable opportunity cost. Most likely, I needed a shortcut since I don't travel enough to earn these things the hard way. These shortcuts are available to all of you.

For my honeymoon I paid just over $1,000 each for two flights to Hawaii. Then I had to burn 30,000 miles per person round-trip to get us upgraded. I also had to borrow the miles from my brother because I didn't have any! Then we spent about $600 per night at hotels (ouch!). It was fun but, again, far from the best deal. We had nice but basic rooms without the best views or location. We paid cash for all of our meals, which really added up. I remember asking about a complimentary upgraded room on account of the honeymoon and the relatively empty hotels, but the reality was that I was a new, unknown customer for each of the hotels and they had no vested interest in rewarding me. In short, the hotels had no reason to care because we didn't register in their ecosystem; as a result, we paid a lot more for the trip and throughout the trip, which really cut into our enjoyment.

Compare that with my most recent trip to Hawaii, where I spent 70,000 miles per person for a full ticket (read: no cash) to fly first class. (More details about this trip are provided later.) Even better, the miles weren't borrowed from my brother this time. They were from credit card sign-up bonuses, so my first-class flight was essentially free! Our room was a free 1,300-square-foot oceanfront corner suite with a dining room, two bathrooms, and a balcony that stretched the entire width of the suite. Breakfast was free, plus we had all-day access to a hotel lounge with drinks and light snacks, which we used often. We had just as wonderful a time, but enjoyed it even more knowing we weren't getting ripped off every day we were there!

When we returned from our honeymoon, I was determined to learn from my mistakes. I wanted to find easy shortcuts that would enable me to travel well. It turns out there are always a ton floating around.

I needed miles, hotel nights, and elite status at a hotel. I found those and was able to create a trip of a lifetime, valued at $40,000, at a very modest cost (about $1,600) and reasonable time investment to myself. Learn how in the next section.

How I Got a $40,000 Trip to Australia and New Zealand Almost for Free!

This is the story of how my wife and I "stayed" 40 times at a Hyatt, spending $1,690 in cash but getting a free trip of a lifetime by earning 270,000 United miles and 20 free nights at any Hyatt in the world.

The two-week trip to Australia and New Zealand this year would have cost more than $40,000 if I had paid cash for it, but I spent less than $2,000! Here's how.

The Deal

It all starts with an incredible Hyatt deal in October 2009 that I took *full advantage* of! The main idea was that two stays at any Hyatt earned you one free night at any Hyatt. Since there are seven different Hyatt brands, the two stays can be as little as $50 each at Hyatt Place, the most affordable Hyatt brand, while the free night can be in a $1,000-a-night Park Hyatt room! But that is just the beginning. Every two "stays" at Hyatt I was stacking offers and getting:

- 1 free night at any Hyatt
- 13,500 United miles
- 1,000 Hyatt points (Diamond members get 500 points on every stay)

I also:

- Earned Hyatt Diamond status (http://bdeal.me/diamond) after a promo lowered the threshold to 15 stays
- Paid for "stays" with $100 Hyatt gift certificates I bought for $79.99 at Costco
- Got a 2 percent rebate on the $79.99 for being a Costco Executive Member
- Got a 2 percent rebate via my credit card

All in all, 20 "stays" each cost about $845 and earned each of us 135,000 miles, 10 free Hyatt nights, and Hyatt Diamond status. The $845 math is an average of $55 per stay minus 20 percent from the gift certificates, 2 percent from Costco, and 2 percent from credit cards. Also, you're probably asking, "Why does he keep putting 'stays' in quotes?" Well, because Hyatt Place uses kiosks in the lobbies. I would just drive over, check in via the kiosk, get my room key, and get right back in my car and go home!

Figure 1.1 A Hyatt Place Kiosk

The Flights

We spent some time in the lounge at O'Hare, then flew first class from Chicago to San Francisco on United. There we hung out in a great Air New Zealand lounge before boarding an Air New Zealand 747 for an incredible flight to Auckland and then another Air New Zealand flight to Sydney. The flight to Auckland was in the "executive business" section of a two-class plane. We had seats 1A and 1K, which were in the nose of the plane since the pilots are in the upper deck! It was better than any first-class experience I've ever had. Row 1 is private and perfect for two people traveling together.

The pods we were in were a great experience, with solid in-flight entertainment and comfortable seats that convert to lie-flat beds. The flight was about 12 hours long, which basically equates to 3 hours of wine/dine/movie, 8 hours of sleep, and 1 hour for breakfast. The meals were first rate, and the service was as friendly as, well, everything else New Zealand. Of note, the Air New Zealand lounge in Auckland is incredible and has free massages!

Flight Math We redeemed 110,000 miles for a multisegment trip that would have cost about $12,500 each at the time, or about *$25,000 total.*

Figure 1.2 Our Double-Decker Air New Zealand 747

Figure 1.3 The Executive Business Cabin (Shot from My Seat in the Nose)

Figure 1.4 The Sydney Opera House with Park Hyatt at Left

It included first-class seats on United from Chicago to San Francisco and executive business seats on the rest of the legs, from San Francisco to Auckland to Sydney to Auckland to LAX, and then first-class seats again on United back to Chicago. The Air New Zealand tickets were possible because they are in the Star Alliance with United (http://bdeal.me/star). Of note, one of the benefits of a Star Alliance award ticket is that many alliance airlines allow for one or more stopovers beyond your destination. This allowed us to go to Sydney and Auckland on the same ticket. Also of note, redeeming "business class" mileage for a ticket on a two-class (as opposed to three-class) international flight is a great deal. Air New Zealand "business class" is better than first class on most carriers.

The Hotels

In Sydney, we stayed at the Park Hyatt Sydney, which is on a pier in Sydney Harbour across from the Opera House and just underneath the Sydney Harbour Bridge. It is one of the best urban hotel settings in the world. We had a large upgraded room with a view overlooking the Opera House that would have cost approximately $1,100 USD per night! Even better, as Hyatt Diamond members, we had free breakfasts, free Internet, and were able to check in very early (around 11 AM). The

Figure 1.5 Posing Like Tourists Near Bondi Beach!

free breakfasts were huge because our bill would have exceeded $100 every day!

After a long stay in Sydney, we left the Park Hyatt and flew back to Auckland on Air New Zealand, where we checked into in a free suite at the Hyatt Regency.

Hotel Math We redeemed 10 of our free nights (yes, I have another trip to come!) for the $1,100-per-night room plus got breakfast and Internet (both exorbitant) for free. In Auckland, the suite was about $1,600 total, plus we had access to the club lounge, where we found all we needed for breakfasts and dinners. *The total cash value was about $15,070.*

Also, we got off the Hyatt kick for a bit and stayed at a small resort near the far northern tip of New Zealand near Matauri Bay. I couldn't redeem free nights there, but I'm glad we mixed it up.

We had a wonderful trip. Sydney was gorgeous, livable, and warm. I was amazed at how many people lived within walking distance from the sprawling harbor waterfront. It's a top 20 global modern city but has colonial British charm. The people are warm, fun, and friendly. Incredibly, their real estate market makes the U.S. market circa 2006–2007 look

Figure 1.6 View of Opera House and Harbor from Botanical Gardens

Figure 1.7 My lovely wife at dusk at a beachfront vineyard on Waiheke Island

old-fashioned. The Park Hyatt Sydney is one of the great hotels of the world, surprisingly intimate, modern-yet-warm, and with the service Park Hyatt is known for. Breakfast was an incredible buffet in a beautiful waterfront room.

I will never forget the early morning runs around Sydney Harbour, the Harbour taxis, lunch at Icebergs at Bondi Beach, the coastline trek from Bondi Beach to Coogee Beach, having lunch at Jonah's near Whale Beach, and visiting Manly Beach and the Royal Botanical Gardens.

As for New Zealand, it is my new favorite place on the planet. We weren't in Auckland proper much. It was a little sleepy compared with the rest of New Zealand. Waiheke Island was an incredible spot (think Hawaii + Napa!). Northern New Zealand is gorgeous. Words fail. It is proverbial summer with Irish rolling hills, sheep, beaches, virgin rain forests, volcanos, black lava flows, 1,000-year-old trees, topography on steroids, and very few people. It's one of the most remote places on earth—and you feel that, in the best possible way—but yet it's a friendly, modern, Western, English-speaking, first-world country. Incredibly, we never set foot on the South Island, which people say is more scenic and which is where *Lord of the Rings* was filmed.

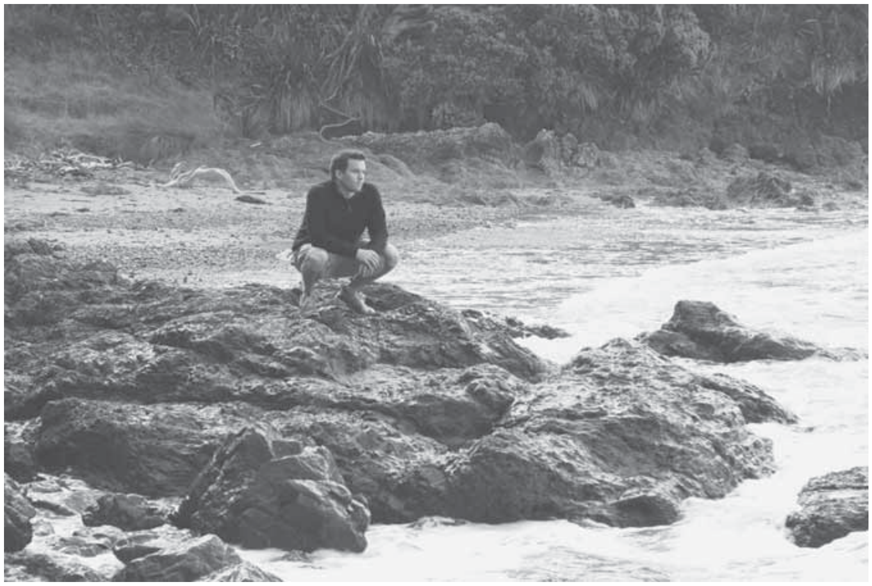


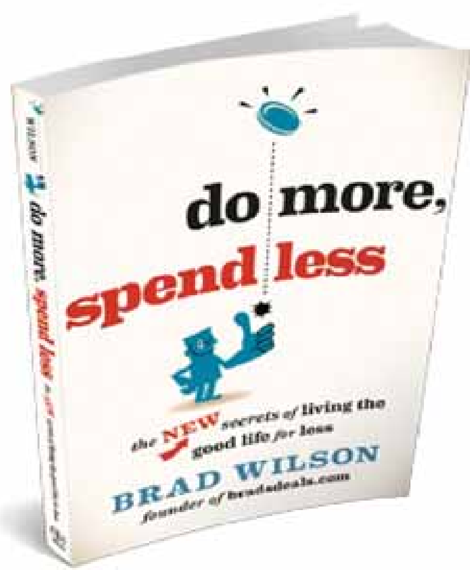
Figure 1.8 On a beach in Northern New Zealand

Figure 1.9 View of the Matauri Bay Area in NZ

Wow! It is hard to believe that 20 days of modest effort (less than 30 minutes?) netted me a $40,000 vacation of a lifetime for less than $2,000. Other than at our free, gluttonous breakfasts, we ate very modestly, and since my wife and I are pretty simple tourists (we just like walking around), we didn't incur any other significant costs beyond what we would have at home.

The point of all of this, though, is that I want to help all of you take trips like these!

Many of my friends and family have indulged and so can you. Since this trip, there have been other Hyatt offers, a deal to get 100,000 British Airways miles, and a 100,000-mile Citi American Airlines bonus. There's a lot of this stuff out there, and there will be more to come!



Real-Life Examples

How My iPhone and Service Plan Cost Half What Everyone Else's Does (or How to Get Smarter About the Biggest Purchase Most of us Make)

Your cell phone and its contract is one of if not the largest purchase you'll make in any two-year period but you probably don't realize it.

The iPhone is the biggest culprit. Many of us desire one but Apple is notoriously hard to discount and the plans are expensive. All in, taking the default path to buying *an iPhone will cost you about $3,000 over two years*! This is assuming $199 plus tax for the phone, an activation fee, and $110 or so per month for an average talk, text, and data plan including all the taxes. This also assumes you don't incur *any* overage charges.

I knew there had to be a better way!

I took a step back and broke everything down. The real cost wasn't the $199 for the phone—it could be $100 more or less and not really move the needle. The real cost was the plan. It was $2,800 of the $3,000 most people dump into their iPhone. So how could I get the plan down from $110 to something much lower?

I looked at the different plans for the major carriers. AT&T and Verizon were about the same. Sprint likely had the best value because they still offer unlimited data plans to new customers while Verizon, which has the highest network quality rating and the highest customer service ratings for a carrier according to J.D. Power and Associates, is slightly more expensive. But this kind of basic price comparison doesn't really move the needle. It was a little like using Travelocity or Orbitz to compare airline fares: I may find a fare that is $10 less than another one but I'm still paying 100 percent of that fare.

My next step was to think of ways I could actually get discounts on a plan. I made some progress here and ultimately assembled a list of secret discounts that cell phone carriers offer to employees of many companies and members of some organizations (see the full list at http://bdeal.me/celldiscounts). For example, if you work at Hewlett-Packard or Home Depot you can get 25 percent off your Verizon bill each and every month. If you work at Time-Warner or Boeing, you can get 25 percent off your AT&T bill. If you work at Citibank or UPS you can get 25 percent off your Sprint bill. There are literally hundreds of other companies and organizations on the list.

This started to move the needle, for some people, but not for most people, including me. Also, some of these discounts only apply to parts of your bill or to certain plans.

I took another step back. I had dug into the big carriers and the best I could do was 25 percent off some plans for some people. That wasn't good enough and, as mentioned, didn't help me one bit!

So what did that leave? It left small carriers and prepaid carriers.

Small carriers weren't an option because I travel too much and need a strong nationwide network. The prepaid carriers didn't even sell iPhones so that wasn't going to work. Or was it?

I was doing some reading about StraightTalk Wireless, which is a prepaid wireless carrier owned by Walmart. I'd heard previously that none of the prepaid carriers actually owned their own network infrastructure, rather they buy extra minutes in bulk from the big carriers at wholesale prices and resell them at higher prices, but usually quite a bit less than the big carriers.

There are actually only six U.S. carriers that own a network: AT&T, MetroPCS, Sprint, T-Mobile, U.S. Cellular, and Verizon Wireless. My reading mentioned that StraightTalk Wireless bought their bulk minutes from AT&T. This means that when you have service through StraightTalk, you actually have it through AT&T. Your calls, text, and data are routed over AT&T's network even though you're technically paying StraightTalk.

More important, this means an AT&T iPhone will work via StraightTalk, even though StraightTalk doesn't have a contract with Apple to sell them to you directly.

Normally, if a carrier doesn't have a contract with Apple, you have to pay the full \$649 retail price for the phone. The \$199 price that Verizon, Sprint, and AT&T offer for the iPhone is merely a marketing ploy. They're still paying Apple closer to \$649 but are trying to make it sound more affordable to you, knowing they will more than make it up from the \$2,800 they'll bill you for the next two years of your contract. The carriers know that more of us will buy iPhones at \$199 regardless the cost of our plan than buy them at \$649 with a plan that is \$15 or \$20 less.

StraightTalk Wireless is no different in this regard. There is no way to buy a subsidized phone from them for their service. You have to pay full retail or close. The crucial difference is that their plans, and those of most prepaid carriers, are dramatically less expensive than the big carriers.

I could get a plan with unlimited talk, text, and data for $45 per month or $41.67 if I prepaid for 6 months at $249.99.

This means that I could more than afford the full price of the iPhone.

So here is what I did: First, I ordered a refurbished iPhone 4S from Newegg.com for $479.99. Being in Illinois, Newegg did not collect sales tax on my purchase, whereas AT&T would have for a new phone. I considered just paying $649 for a new phone so it would be under warranty but I chose not to because if anything happened to my phone I could always just pay $199 to Apple for an out-of-warranty replacement. Paying $170 more plus having to pay sales tax on the $649 would have cost over $200 so it was a sure bet to save more than $200 now and risk only $199 later.

Second, I ordered a StraightTalk AT&T Compatible Micro SIM card from straighttalksim.com for $14.99. I would have to pop this SIM card into the iPhone to activate service and get it to actually make calls.

Third, I bought an initial 180-day unlimited service card for StraightTalk for $249.99. This works out to $41.67 per 30 days and roughly $1,000 for two years of service. I ordered this via Walmart.com and it was delivered via e-mail. There is a little glitch in their system:

Figure 2.1 My iPhone, SIM card, and service card from StraightTalk

Walmart still asks for a shipping address even though it is being delivered via e-mail. If you designate a shipping address in a state such as New Hampshire that doesn't have sales tax, you'll save the extra $20 or so that you would otherwise be charged.

My Do More, Spend Less iPhone Math:

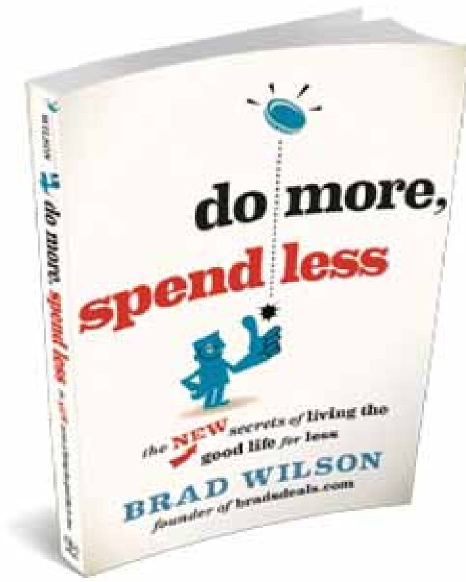
$999.96	for almost two years of service (technically for 180-day service cards at $249.99)
$479.99	for a refurbished Apple iPhone 4S
+$14.95	for initial SIM card
$1,494.90	**Total for an iPhone plus 2 years of talk, text, and data from StraightTalk Wireless**

Normal iPhone Math:

$215	for an iPhone plus tax
$36	activation fee
+$2,750	approximate average for two years of average iPhone plan
$3,001	**Total for an iPhone plus two years of plan from major carrier**

Figure 2.2 The Removeable Tray to Insert myStraightTalk SIM into my AT&T iPhone

All told, I'm spending about half what I would be if I was took the default path. In this case, I'm saving about $1,500. That is real money any way you slice it! There is nothing I hate more than recurring costs. This cuts my monthly cell phone plan from over $100 to under $50 and I didn't need to compromise and get a less popular phone.



The Awesomeness of Credit Unions (Or How a 25-Year-Old Can Have Twice as Much Money in Retirement)

Two of our strongest big banks, JPMorgan Chase and Wells Fargo, have $2.3 trillion and $1.3 trillion in assets, respectively, as of December 31, 2011. Total U.S. credit union assets reached $1 trillion as of March 2012. So, in a sense, credit unions as a whole are a close equivalent to any one of our five largest banks.

The big difference is that the banks have to see a return (read: a profit) on their assets, whereas credit unions do not. A back-of-the-envelope way of thinking about this is that a good bank would expect at least a 1 percent return on every dollar of assets, meaning a bank with $1 trillion in assets would expect to make $10 billion in profit annually. Another way of thinking about this that may make it hit closer to home is that for every $100 *you* put in a bank, the bank expects to make at least $1 in profit from *your money* each year. Good banks in good times, such as the 15-year period from 1993 to 2007 can make $1.25 or even $1.50 for each $100 you deposit with them. A bank's assets are, of course, your assets, so you'd rather the bank didn't skim 1 percent or more off the top each year.

Now imagine that the bank could take that $10 billion in annual profit and apply it to higher rates on deposit accounts, such as checking and savings, or lower rates on loan accounts, such as mortgages, home equity lines of credit, or car loans. It would obviously be great for us as consumers. The $1 or $1.50 of every $100 of ours that banks are taking as profit could get returned to us. We'd literally make an extra 1 or 1.5 percent on our money every year, which means that a saver starting out at age 25 would have twice as much wealth at age 75, thanks to the beauty of compound interest.

Well, that is *exactly* what credit unions do. They are nonprofit cooperatives owned by their members. They need their revenue to cover their operating costs, but they do not have shareholders like the for-profit banks do and, as such, do not need to turn a profit beyond that. This is not any kind of charity or a handout. Rather, it is smart consumers banding together at scale to run their own organizations that, in turn, provide them with higher interest on deposits, lower rates on loans, and lower fees. Credit unions are a great example of independent problem solving and self-reliance that our country is uniquely known for.

Let's walk through a variety of products you may have in your financial life, and you'll see why most or all are more attractive at credit unions.

Car Loans

The best deals on new car loans are usually the subsidized rates (for example, 0, 0.9, or 1.9 percent) from manufacturers. The credit unions are usually the best deal on used car loans but also give the manufacturer's a run for their money on new car loan rates.

As of August 2012, Pentagon Federal Credit Union (PenFed) is at 1.49 percent for up to 60 months for new or used, or only 0.49 percent

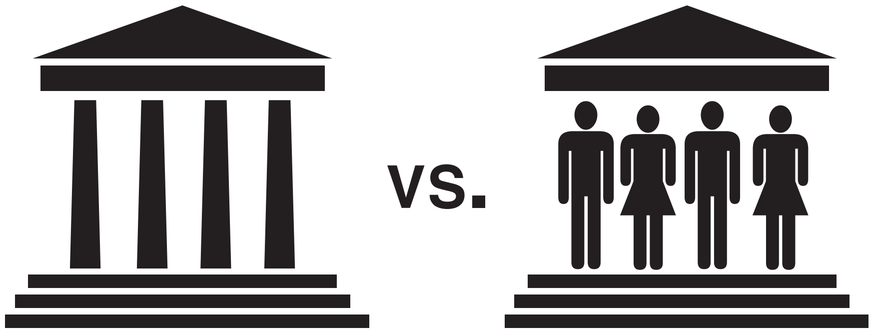


Figure 3.4

if you use its car-buying service. Agriculture Federal Credit Union (AFCU) starts at 1.49 percent for 24 months and 1.99 percent for 60 months. Hanscom Federal Credit Union is 1.49 percent for 24 months or 2.49 percent for 60 months. Navy Federal Credit Union starts at 1.79 percent for up to 60 months. Citizens Equity First Credit Union (CEFCU), Patelco Credit Union, AA Credit Union, Digital Federal Credit Union (DCU), and Alliant Credit Union start at 1.99 percent.

Meanwhile, the for-profit banks' interest rates are much higher. Chase starts at 2.53 percent, Bank of America starts at 2.54 percent, and Wells Fargo starts at 3.4 percent. Is that 1 percent return on assets obvious yet? It is almost exactly the margin here. The for-profit banks need to pad their pricing to make money. Credit unions do not.

Savings or Interest Accounts

Let's look at interest paid on deposit accounts.

For example, as of August 2012, Alliant Credit Union's savings account pays 0.80 percent annual percentage yield (APY) on any balance, Hanscom Federal Credit Union's higher-yield savings pays 0.80 percent on $25,000 or more, DCU's money market account pays 0.20 percent APY on $5,000 and its LTD savings account pays 0.85 percent APY on $50,000. Patelco's Treasury income account pays 0.74 percent but has a minimum balance of $25,000. Navy Federal Credit Union's money market savings account pays 0.45 percent APY on $5,000 or 0.60 percent APY on $50,000. The AA Credit Union pays 0.50 percent APY on all amounts.

By contrast, the Chase Plus savings account pays 0.01 percent on $5,000 and 0.05 percent on $50,000 or 0.20 percent if you qualify for "relationship rates." Wells Fargo's high-yield savings pays 0.05 percent

CAR LOAN RATES
As of August 2012

Credit Union	Rate	Time
Pentagon Federal	1.49%	up to 60 months
Agriculture Federal	1.49% 1.99%	24 months 60 months
Navy Federal	1.79%	60 months
Chase	starts at 2.53%	
Bank of America	starts at 2.54%	
Wells Fargo	starts at 3.4%	

Figure 3.5

on $5,000, 0.10 percent on $50,000, or 0.20 percent if you qualify for the bank's bonus rates. Bank of America's personal money market savings pays 0.10 percent on $5,000, 0.25 percent on $50,000, or 0.30 percent if you have other products of theirs.

Again, that 1 percent return on assets requirement is lurking in the shadows. *You* are paying for it if you have your money parked at these banks.

Home Equity Loans

The logic behind avoiding the big banks for mortgages, which I discussed previously in "Why You Should Never Get a Mortgage or Home Equity Line from Your Bank," is also true for home equity lines of credit (HELOCs) and home equity loans (HELs).

To refresh, a HELOC is a revolving line of credit secured by your home that you can access and pay down as needed. It usually has a variable rate, which is typically based on the prime rate (currently 3.25 percent), so you could speak of the rate as prime plus 1 (for example, 3.25 percent + 1 percent = 4.25 percent) or prime minus a half (for example, 3.25 percent − 0.5 percent = 2.75 percent). Meanwhile, HELs are more like mortgages. You borrow the full amount of the loan

SAVINGS ACCOUNT RATES

As of August 2012

Bank	Rate (Annual Percentage Yeild)	Dollar Amount Required
Alliant Credit Union	0.80%	any balance
Digital Federal's Money Market Account	0.20%	$5,000
Patelco's Treasury Income Account	0.74%	$25,000 minimum
Chase Plus Savings	0.01%	$5,000
Wells Fargo High Yield Savings	0.05% 0.10%	$5,000 $50,000
Bank of America Personal Money Market Savings	0.01% 0.25% 0.30%	$5,000 $25,000 with other products

Figure 3.6

at closing and pay it off over a scheduled period time, often at a fixed rate of interest.

These aren't really the forte of mortgage brokers, so you're mainly talking about direct lending from financial institutions. The only question is whether it is a for-profit institution or a not-for-profit one. Let's break down HELOCs as an example.

At the time of this writing, in August 2012, the best deals on HELOCs are at credit unions. *The best credit union HELOC rate is almost a full 2.0 percent below the best for-profit large bank rate.*

Hanscom Federal Credit Union charges only 2.75 percent for a HELOC on loans up to 75 percent of the value, also known as 75 percent loan-to-value (LTV). Hanscom Federal charges 3.75 percent for an 85 percent LTV loan and also offers HELs as low as 2.99 percent for a 5-year fixed-rate loan. TIAA-CREF, which started as and still stands for the Teachers Insurance and Annuity Association—College Retirement Equities Fund and is essentially a credit union combined with a broader array of financial services, offers a 2.99 percent rate on HELOCs of $125,000 or more on loans of 75 percent LTV or better. Agriculture Federal Credit Union has a 3.25 percent HELOC on loans up to 80 percent LTV, and Pentagon Federal offers 3.75 percent for the same. PenFed also offers an incredibly low 1.99 percent rate for a 5-year fixed HEL. Many other credit unions, including Navy Federal, offer HELOCs at 3.99 percent.

Contrast these rates with the current rates of the large for-profit banks. Bank of America has a HELOC at 4.54 percent, or 3.79 percent if you are a current customer who qualifies for each of three 0.25 percent discounts. Wells Fargo charges 4.74 percent for its HELOC, or 4.24 percent if you qualify for 0.50 percent discounts. Wells' HEL clocks in at a rich 6.87 percent for a mere 5-year loan. Citibank offers 4.79 percent for its HELOC.

Let's just take two middle-of-the-road examples. If you get the 3.25 percent HELOC from Agriculture Federal Credit Union, you'll have seven years to draw on the loan while paying only interest, versus 15 years of scheduled payments to pay off the remaining balance. Let's say you get a $200,000 line but that you have $100,000 of it drawn on average. This means you'll pay a total of $3,250 in interest each year. If you have the Wells Fargo 4.74 percent rate, you're paying 1.49 percent more interest each year. Once again, the for-profit banks have to charge an extra 1 to 1.5 percent to earn the appropriate return on assets expected of them. This time, the difference will cost you $1,490 more each year than the $3,250 you would have paid at 3.25 percent. That adds up to $32,780 over the full 22-year course of the line and repayment. I'm sure you have lots of better things to do with that money!

That covers a variety of loans and deposit accounts. The last two points to make are that (1) credit unions charge far fewer fees to open, maintain, or close accounts and (2) credit unions are generally more flexible with credit, so if you have been turned down by a bank, try a credit union.

It may be hard to get your head reprogrammed enough to make the switch to credit unions, but it is the best economic decision, by far. This is banking, after all, so a logical economic decision is what is appropriate.

There is a good reason why "all banks" scored a 75 on the 2011 American Customer Satisfaction Index Score and "all credit unions" scored 87. You will hopefully come to realize this, too. Remember, a 25-year-old who uses credit unions and saves the estimated 1 to 1.5 percent that banks take each year as a percentage of their assets will have twice as much money at age 75 than if he or she had been using for-profit banks. That will make for a much better, or quicker, retirement!

My Favorite 10 Credit Unions and the Secret Backdoors into 8 of Them (Or How to Climb in the Great Trojan Horse of the Banking System)

Counterintuitively, credit unions can't just let anyone in the door. Federal regulatory agencies have limited the membership of any given credit union to a given segment of the population. This makes about as much sense as the government banning co-op grocery stores and farmer's markets. It will inevitably change when someone smart and

HOME EQUITY LOAN RATES
As of August 2012

Lender	Rate (HELOC)
Hanscom Federal	2.75%
TIAA-CREF	2.99%
Agriculture Federal	3.25%
Bank of America	4.54%
Wells Fargo	4.74%
Citibank	4.79%

Figure 3.7

willful enough decides to do away with it with the stroke of a pen, although the for-profit banks, which actively promote anti credit union legislation, will not go quietly into the night. They are certainly happy with this, because it hinders credit unions' ability to compete at scale.

The for-profit banks remain better able to compete because of things like having a better branch network, with more locations closer to more of us. Because credit unions can't yet let anyone who walks in off the street become a member, they are stripped of one incentive to expand their branch network.

They offset this through collaboration, both on ATM machines and with branches.

Bank of America has 18,000 ATM machines; Chase, 15,000; Wells Fargo, 12,000; and Citibank, 9,000. Credit unions have banded together and have more than any of the for-profit banks. They created their Co-op Network, which consists of almost 30,000 surcharge-free ATMs across the United States and Canada, including at retailers such as 7-Eleven, Walgreens, and Costco. Of their ATMs, 9,000 let you make deposits directly to your home branch. They also offer a mobile app to find ATM locations.

As for branch banking, Wells Fargo, Bank of America, and Chase each have around 6,000 branches. U.S. Bank and PNC have around 3,000 each. Credit unions have 5,000 branches. In addition, because they operate with a concept of "shared branching" via their CU Service Centers platform (http://bdeal.me/cu), you can stick with your standard branch banking routine—things such as making deposits or withdrawals, paying down a loan, transferring money, or purchasing travelers checks or money orders—at any of these 5,000 locations, regardless of how far you are from your home credit union. I have seven within a 5-mile radius of my home in Chicago.

Someday, you will be able to walk into the door of any credit union and become a member. Until legislation really blows open the front door of credit unions, there are plenty of ways to get in the backdoor of many great credit unions.

The front door for a credit union, also known as the "field of membership," is usually a specific geographic area or has ties to a company (for example, Caterpillar) or an organization (for example, the U.S. Navy). Most credit unions let family members join.

The common backdoors into a credit union are via membership in affiliated organizations or by including those who work, live, *or worship* in a specific geographic area. The affiliated organizations path is easy. You pay $10 to $30 to a nonprofit, and you are in for life at the credit union. As for worship, because it is inherently subjective and hard to define—theoretically anyone who has stepped into a house of worship in these areas qualifies—this is a low hurdle. There is no guarantee here, but it has certainly been done before.

Here are 10 of my favorite credit unions, how to qualify, and how to get in through a backdoor if you don't qualify:

1. *The Pentagon Federal Credit Union, widely known as PenFed:* Your first instinct is to think, "Gosh, I don't work at or live near the Pentagon." Maybe you haven't ever even seen it. That doesn't matter. You can still join. You can join PenFed if you are in the U.S. Military & Uniformed Services, an employee of the federal government, a relative or housemate of someone who is eligible, or an employee or member of a qualifying organization or association. The last item—member of a qualifying association or organization—is the key here and in many other cases. On the sign-up page of PenFed's website there are dozens of qualifying organizations, ranging from the American Red Cross to Voices for America's Troops to the National Military Association (NMFA). If you aren't already a member of any of the other qualifying organizations, civilians can join NMFA for a one-time $20 donation.
2. *DCU:* Donate a minimum of $10 to one of its participating organizations (http://bdeal.me/dcu).
3. *Alliant:* Live in the Chicagoland area or join any PTA or PTO anywhere; the charge is likely a few dollars.
4. *Patelco:* Live in one of California's many eligible cities, work at one of 1,100 eligible companies (including AT&T and Walgreens), or donate $10 to the Youth Leadership Institute. See more details: http://bdeal.me/patelco.
5. *AFCU:* Employees and retirees of a long list of organizations, including the U.S. Department of Agriculture (USDA), are eligible, as are those who donate $20 to Friends of CityDance Association, a process neatly tucked within the AFCU sign-up process (http://bdeal.me/afcu).

6. *Hanscom:* This is a pretty small base group. It basically includes federal employees who live in Massachusetts. You can also donate $35 to the Nashua River Watershed Association to become eligible.
7. *CEFCU:* This credit union appears tough. You have to live or work in Peoria, Illinois, or in the area south and east of San Francisco (Santa Clara, Alameda, or Campbell Counties); work for a company that belongs to the chamber of commerce in select cities in Silicon Valley, such as Sunnyvale, Cupertino, or Santa Clara (Yahoo! or Apple employees, for example); or have personal or family ties to Caterpillar. CEFCU's backdoor is that you can also become a member if you "worship" in Santa Clara, Alameda, or Campbell County. See details at: http://bdeal.me/cefcu.
8. *BECU:* The requirements appear tough, but because you can live, work, *or worship* in Washington State, most people can manage their way into what was formerly the Boeing Employees Credit Union.
9. *AA Credit Union:* This one is tough. It is open only to those in the air transportation industry and their families. There is no backdoor into the American Airlines credit union . . . yet!
10. *Navy Federal:* This is the largest credit union but far from the easiest to join. There is currently no backdoor. You have to be Department of Defense (Army, Marine Corps, Navy, and Air Force) uniformed personnel, a reservist, a civilian employee, an officer candidate (for example, a student at West Point), a contractor assigned to U.S. government installations, or a family member of any of these. This does include grandparents, parents, spouses, siblings, grandchildren, children (including adopted and stepchildren), and household members. The only backdoor in the past has been when Navy Federal merged with another credit union that had looser membership requirements.

Membership lasts a lifetime, so joining a credit union is a one-time thing. You can and should join multiple credit unions and choose the best product for you from each.

Credit unions are a great example of our American tradition of self-reliance. Independent citizens saw a problem and created a better solution. Banking is the ultimate commodity. The core value propositions of any financial institution, for-profit or not-for-profit, are trust, service, and the competitiveness of its rates and fees. None of that is proprietary like the iPhone is to Apple. A credit union can offer these just like a for-profit bank can. For-profit banks have to make their 1 to 1.5 percent return on assets, so you are inevitably getting that much less on your assets at those institutions, paying that much more, getting service that has had corners cut, or being subjected to experiences that don't engender trust. Credit unions have an inherent advantage in offering better service or rates, one that a banker can certainly appreciate: They can afford to. Also, since they are owned by their members, they have no excuse not to.

I strongly urge you to consider getting off the default path, the one we are programmed to follow by a generation of smart marketers, and look at whether the corner bank that runs commercials all the time is really the best place to entrust your financial life to or if it is just shouting the loudest.