

Consumer Reports Money Adviser™

5 things you
should never
buy at full price
See page 3

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in this issue

CAREERS

Feature Report: Tips on starting a business for would-be entrepreneurs..... 12

CREDIT

Cover Story: The best rewards cards and how to choose one..... 1

Money Lab: How to evaluate auto-financing deals..... 8

RETIREMENT

Feature Report: How to handle required distributions from IRAs 6

Retirement Guy: 8 big surprises for new retirees ... 15

SPENDING

Money Savers: You can beat the high cost of gas 11

Tightwad Tod: Insider tips on outlet shopping..... 13

TAXES

Tax Savers: New rules on cost-basis options..... 7

IN EVERY ISSUE

From the Editor..... 2

This Month's Money Tips .. 2

Reader Quick Poll..... 3

This Just In 10

Savings and Loans 10

Behind the Hype 14

Gimmicks & Gotchas 14

Ask the Adviser..... 16

Credit cards that pay you

People with high credit scores can get sweet rewards.

Credit-card companies are back to stuffing your mailbox with offers for new cards, and the majority of them are for rewards cards, according to Mintel, a company that tracks direct mail. Many of them feature what issuers think consumers want during these tight economic times: more cash back and greater rewards for spending on everyday purchases like groceries.

If you're in the market for a new card, you might be able to score enhanced rewards and perks, such as introductory bonuses of cash, miles, or points. The best offers are reserved for people with the highest credit scores. "We see rewards deals getting sweeter but with the caveat that they're only for people with good to excellent credit," says Bill Hardekopf, publisher of LowCards.com, a credit-card comparison website. "All the credit-card companies are

going after the same customers." He says that a credit score in the mid to upper 700s would usually be needed to qualify for the best deals.

Of course, you have to read the fine print to know if any card is as good as it seems. To find one that makes sense for you, weigh the rewards formulas, fees, and restrictions, along with your spending habits. But if you regularly carry a balance, rewards cards probably won't be a good fit. They tend to carry higher interest rates than standard cards, so you could pay more in interest than you'll earn in rewards.

We sifted through dozens of recent offers to see how they stack up.

UP-FRONT BONUSES

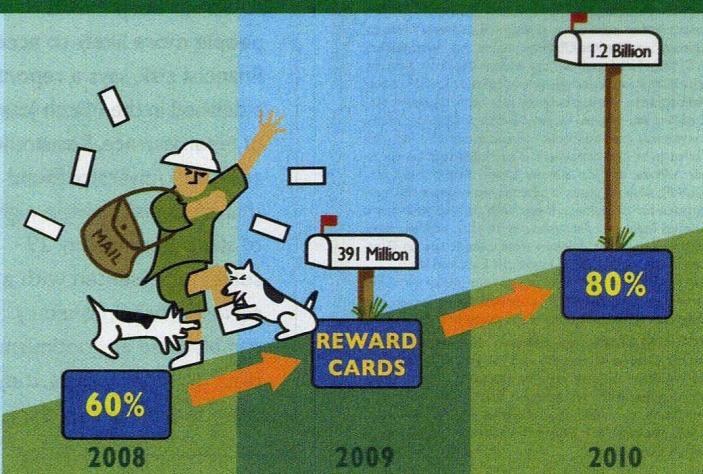
Cash bonuses of \$50 to \$100 just for signing up for a card have become more common in the past few months, particularly from Bank of

Continued on page 4

Why your mailbox runneth over

Credit-card issuers more than tripled the number of direct-mail offers sent between 2009 and 2010, from 391 million to 1.2 billion. The percentage of those offers that were for rewards cards jumped 20 points in two years.

Source: Mintel market research company, December 2010.
Note: All data represent third-quarter totals for the given year.



Want to be your own boss?

You need more than a good idea to run a successful business.

f you think that only young people have the guts and stamina to start a business, think again. The highest rate of American business start-ups is in the 55-to-64 age group, and nearly one-quarter of baby boomers are self-employed, according to the Kauffman Foundation, an entrepreneurship research organization in Kansas City, Mo.

That's not surprising when you consider many Americans are living longer and healthier. By their mid-50s, many people have paid off their mortgage, got the kids through college, and amassed a wealth of business skills and experience.

But becoming a successful entrepreneur isn't easy, even for those with advanced degrees and healthy bank accounts. Here are some steps to becoming your own boss.

► **Be honest with yourself.** Not everyone is cut out to be an entrepreneur. "The best are risk takers confident in themselves and their ideas," says Bruce Backenheimer, a professor of management at Pace University in New York.

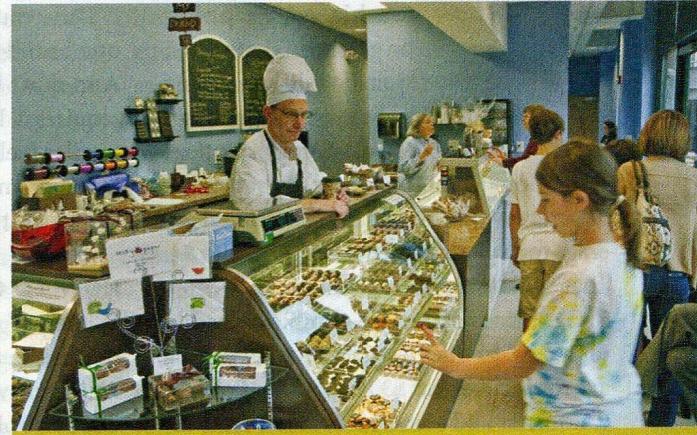
Take time to consider what you're giving up or getting into. Do you need a structured environment? A steady paycheck? "Are you fleeing a boss only to find all customers will be your boss?" Backenheimer asks. "Are you dumping a time clock but

investing 100 hours a week?"

John and Sue Elliott, both 58, were ready to move on from their corporate careers—he as a food-service manager, she as an accountant. "We kept complaining that we each worked 60 to 80 hours a week for someone else instead of ourselves, and never spent time together," John says. "One day Sue said we should start looking or stop talking." They found a shuttered candy shop in Franklin, N.C., and bought the property and equipment for about \$150,000. In 2007 they sold the operation to open Davidson Chocolates in Davidson, N.C., producing truffles, fudge, and other confections. The Elliotts opened a second store in Charlotte last September and now have 12 employees.

"That first year in Davidson was really rough, especially over Christmas week and Valentine's Day," John says. "We still enjoy working for ourselves, although we've had to give up many family activities."

► **Consider diverse ideas.** The most successful ones are innovative, sustainable with a competitive advantage, and able to start small but grow. Assess your skills and



John and Sue Elliott took the skills they honed in corporate jobs to their chocolate business.

interests, but be aware that doing something you love is easier said than done.

As Linda Benninger, 59, prepared to take a buy-out from a telecommunications company in 2006, she evaluated businesses that interested her: dog grooming, a garden center, and a coffee shop. "I realized I couldn't make money on the things I love," she admits. Friends and family were shocked when she bought a small, struggling plumbing company in Norcross, Ga. "It's not the lifestyle I envisioned, but I found I could hire experienced plumbers and teach them customer service, which is my passion," Benninger says.

Buying an existing business can be a good route. "Sometimes owners run out of capital or enthusiasm," Backenheimer says. "You can get a lot of assets, inventory, and a client base." Still, he warns buyers to perform due diligence to prevent getting stuck with someone else's bad debts.

► **Do thorough research.** Go beyond doing a Web search of your target industry or product. "Who are your potential customers, and do you have a product or service worth buying?" says Hedy Ratner, copresident of the Women's Business Development Center in Chicago. Analyze your competition, their strengths, and how you can compete. Check industry groups and trade journals for news and trends.

Nancy Holekamp of Boerne, Texas,

Where to find help

► **U.S. Small Business Administration** (www.sba.gov). Offers loans and grants, and provides resources on starting and managing a business.

► **Association of Small Business Development Centers** (www.asbdc-us.org). Has partnerships with colleges to educate aspiring entrepreneurs through free and low-cost seminars.

► **SCORE** (www.score.org). Offers free, confidential business advice through online and face-to-face mentoring.

► **Association of Community Colleges Plus 50 Initiative** (plus50.org).

(aacc.nche.edu). Offers programs targeted to baby boomers.

► **MIT Enterprise Forum** (enterpriseforum.mit.edu). Specializes in technology startups.

► **Local educational institutions.** Often host workshops for entrepreneurs. College libraries can give you access to specialized research.

► **Your neighborhood library.** One of the best places to find basic research materials on starting a business. Many town libraries also offer free or nearly free computer classes.

tightwad tod

owned stores that sold framing services, party supplies, and home-décor items before back problems sent her looking for new options. "I met this beautiful woman with long fingernails who said she ran a home-cleaning business," she recalls. "I could tell she wasn't mopping floors, so I pumped her for information."

Holekamp's research showed a dearth of cleaning services in her area. With a few classified ads she lined up workers and clients. Maid in Texas was born in 2007 and now averages 70 jobs a week. She joined the Association of Residential Cleaning Services and takes advantage of its seminars and networking. "Without that support I would have quit many times," says Holekamp, who aims to have a \$1 million business by 2017. "I think that's achievable. I'm adding new services, such as construction cleanup, windows, and maybe carpet cleaning."

Smart entrepreneurs surround themselves with even smarter experts. Find a financial consultant or lawyer for advice, but choose advisers carefully. "Don't pay hucksters to do things that are free—like obtaining an employer identification number," Backenheimer says. "Anyone can sell themselves as an expert, so get references and proposals."

► **Be realistic about money.** Before you start looking for financing, prepare a business plan. Without one, few lenders will consider you serious or credible. At a minimum include a summary of your business objectives, an analysis of the market and competition, a description of your service or product, three-year financial projections (including cash flow, profit and loss, and a balance sheet), an estimate of how long it will take to build a clientele, and a marketing plan. Build in a



Linda Benninger bought and turned around a struggling plumbing company.

margin for adjustment if necessary.

It sounds obvious, but ask yourself if you can afford your own business. How much financial risk are you willing to take? Do you have the money to survive as your business grows? As a rule, most entrepreneurs don't draw a salary until they reach the break-even point. While some businesses can be started on a shoestring, typically you'll spend \$15,000 for something small and home-based to \$50,000 or more for a larger operation.

Before you embark on your new adventure, set aside at least a year's worth of living expenses plus double what you estimate it will take to run your business. Many small companies go out of business because they grow rapidly and don't have the money to meet customer demand. "Being undercapitalized is the kiss of death," says Rick Vycital, a regional director of the Idaho Small Business Development Center.

Funding will probably come from your own bank account, not from some wealthy venture capitalist. Even bank loans are tough to get these days. "Your best asset is your home," Vycital says. Arranging a home-equity loan or line of credit is usually quick and inexpensive for qualified borrowers, but don't borrow so much that you put your home at risk. Another option is borrowing from friends or family. Once your business has some cash flow, you might find it easier to get a small-business loan, Backenheimer says.

► **Don't expect smooth sailing.** Entrepreneurs face difficult challenges every day. Holekamp learned the hard way after three employees quit in a row, taking clients with them. "It was a huge setback," she says. "But it forced me to create a strong noncompete contract and employee handbook."

If the adage is true—with age comes wisdom—then boomer entrepreneurs might be the most likely to succeed. "Older Americans have the experience and education, and most important, understand the realities of ownership," Ratner says. Holekamp, 57, agrees. "Sometimes when I go to association meetings I wish I was younger," she says. "But age gives me credibility. Sure, setbacks make you crazy, but if you stick with it, you can get there." \$

Insider tips for outlet shoppers



Outlet malls can lure even the most disciplined shopper to overspend. The main draw, of course, is that everything is on sale every

day. Outlets advertise regular discounts of 25 to 65 percent. But don't assume every sports shirt or pair of sneakers is a steal. To get the good deals:

► **Plan your attack.** Before you head out, go to the mall's website to download a map and plan your shopping route. It's easy to wander from store to store and miss the shops you came to visit.

► **Join the clubs.** Outlet malls often have frequent-shopper programs, many of them free, that you can join on their websites. You'll get goodies like a voucher for a free coupon book (otherwise \$5 to \$10), printable online coupons, and e-mail updates about sales.

► **Know regular prices.** Some items cost nearly the same at outlets as they do at regular stores. Use a comparison website like Nextag.com or Google.com/shopping to find out the going price. If you have a Web-enabled smartphone, check prices as you shop.

► **Go for the good stuff.** Many manufacturers produce items specifically for their outlets, and the quality tends to be a notch lower than the real deal. To identify regular goods, check the label or ask a sales clerk. You can find deep discounts on irregulars and returns. Just inspect them carefully before you buy.

Tod Marks has covered shopping trends for CONSUMER REPORTS for 20 years.