

Mary Rowland Answers Members' Questions

Mary Rowland Personal Finance Column – May 2007

Q: I have the summer off. How should I weigh the benefits of working the summer job I had last year, which would bring in about \$2,500 vs. taking a course that I've waited to take for years. The course costs \$650 and is being offered in my area for the first time.

My girlfriend says this is easy math: take the \$650 cost of the course, add it to the \$2,500 I won't have from the job and we're in the hole to the tune of more than \$3,000, which could buy a nice engagement ring. Besides, the course sounds too "new agey" for her and she doesn't see that it would help me to earn more money.

A: The kind of decision you're trying to make, which weighs spending money vs. earning money, is difficult. If you had to decide how much to spend on a lawn mower and whether to get a push mower or riding mower, it would be easier. You could consider how big your lawn is, how much time you have and so forth. As you say you could "weigh" the costs and benefits. Most of us have been raised to do that and to refrain from impulsive purchases.

Your decision involves a trade off that you can't yet measure: a short-term benefit vs. a long-term benefit, maybe even a change in the direction of your life. Who knows? Piling up as much money as possible is not the measure of a successful life. Completing yourself as a person is.

I don't know what the course is about but I have a clue: you've been focused on it for years. Now you need to do some research. Find out how you can talk with people who have taken the course or to an instructor. Check online. Read about it. Is it possible that you could work part-time or tutor and still take the course? Perhaps you could earn enough over the summer to pay for the course.

Sometimes family members and friends have their own agenda for how you should spend your money. You must make your own decision.

Q: We need a new car. We're always hearing about the great deals and discounts but we don't find them on the lots. What's going on?

A: Do you need a new car or would a car off the lot—say a left-over 2006—be acceptable? Ordering a car from the factory to meet your specifications is the most expensive way to go. Also, options come in large packages and you may need to order several different options to get an option you want. You have no room to deal if you are ordering a new factory-made car with the color and option package you choose.

Instead, sit down with your family and decide what things you care about and what isn't all that important. A six-disc changer? A satellite radio? Leather seats? Is color important? I have some friends who bought a bright orange Audi because they got it for such a good price. But my husband keeps his cars for 10 years or 200,000 miles so he'd rather have a more sedate navy blue or grey. Do you have teenagers? Have them look online for deals and to find out what dealers in your area have in stock. Maybe you can send the kids around to screen them, too.

Q: We would like to plan a special vacation with our kids when they are old enough to appreciate it but not old enough to complain about being bored to death. How far in advance should we plan it?

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A: Two years. I was the family vacation planner in my family and I learned a lot. Plus our kids thought we had great vacations. We would start to talk about a “big” vacation a couple of years in advance. Even a lake or beach vacation needs planning early in the year you plan to take it because many cabins and resorts fill up by March.

Our two three-week vacations were to California and to the Southwest. I got books a couple of years in advance and read them, figuring out where to stop, how far to travel each day, how many nights to stay in each place. I planned no one-night stays and at least one long stretch of five to six days with something special for each person in each place.

I learned, for example, that some places require reservations a year or more in advance. For example, the hotels at Yosemite National Park open reservations one year and a day before you plan to stay. You might luck into a room later—even on the day you arrive—but my husband doesn't like to travel without reservations. If we wanted to stay at Yosemite, we needed to make reservations one year and one day in advance. Advance reservations were also required for the one motel at Mesa Verde, an ancient home of the Pueblo Indians and their spectacular cliff dwellings.

Reading books and talking to the family about options also gets everyone excited. I found out-of-the way restaurants and things to do that I knew the kids would enjoy. For example, they went to an artist in San Francisco's Chinatown who painted them pictures of their Chinese birth years.

If you're planning to use frequent flyer miles, you should also book your flights very early on. The airlines say that people book vacations a year in advance. And your kids will have a chance to learn ahead of time about the places they will visit. When we went to Savannah and Hilton Head Island, our daughter did a school project on South Carolina. When we went to the Southwest, our son did a project on New Mexico.

The best reason to plan far in advance, though, is that kids love the anticipation. The planning is a huge part of the excitement and the fun. And a big part of the memories, too.

Q: Should we buy mortgage insurance when we get our first mortgage?

A: No. People say that if one spouse died, they would be happy to have the house paid off. But when you buy insurance, always think as broadly as possible. Do not buy insurance for special needs like airline travel and cancer and mortgage payoff. Instead, get the most comprehensive life policy you can afford for as much coverage as you can afford.

Mary Rowland is a nationally known business and finance writer. The former personal finance columnist for The New York Times and former co-host of a nationally syndicated radio show, Ms. Rowland is the author of several investment books and speaks regularly to consumers and financial planners about investing and personal finance.