The New York Times

MANAGING YOUR MONEY, WORK AND SUCCESS

Spending Well

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Talking Points

YOUTUBE

The Technology Is Evolving Faster Than the Drivers

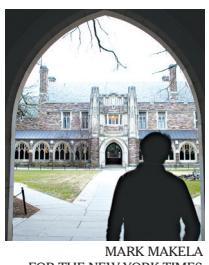
Before the first reported fatal crash involving a self-driving car, there was a fair amount of skepticism among consumers. That was true even among younger people. According to a Nielsen study, roughly three out of four drivers of high school age would prefer to drive themselves, and one-third said self-driving cars were unnecessary.

Don't Look for a Deal Here

Amazon, which built its business by offering bargains, is quietly changing its sales approach: On many items, it has dropped any mention of a reduction from a list price. The new approach comes as discounts both online and offline have become the target of consumer lawsuits for being much less than they seem. And given Amazon's success, said Larry Compeau, a Clarkson University professor of consumer studies, the company no longer needs "to seduce customers with a deal."

A Small Break for College

College students will get a bit of a break for the coming academic year: Interest rates on new federal student loans are dropping. The new rate on direct loans for undergraduates will be 3.76 percent, down from 4.29 percent. The rate on direct loans made to graduate students will be 5.31 percent, down from 5.84 percent. The rate for Plus loans, made to the parents of undergraduates or to graduate students, is 6.31 percent, down from 6.84 percent.



MARK MAKELA FOR THE NEW YORK TIMES

Works for Twinkies, And Broccoli Too

Marketing techniques that get children to eat junk food are effective in promoting fruits and vegetables too, according to a study in Pediatrics. Researchers set up schools in four groups: one with vinyl banners around the salad bar depicting cartoon vegetable characters with "super powers"; one with television cartoons of the characters; one with both; and a control group with neither. In schools with the banners alone, 90.5 percent more students took vegetables, and in those with both the banners and the TV advertisements, the number increased by 239.2 percent.

JEFF SWENSEN FOR THE NEW YORK TIMES

TRUSTING "RANDY" **Fred Schindler, who used a reverse mortgage to pay off his original mortgage and get a line of credit, worked with a local banker.**

Revival of the Reverse Mortgage

YOUR MONEY
RON LIEBER

For some, home equity may be biggest asset to draw on in retirement.

PITTSBURGH — If you don't have a reverse mortgage and don't know anyone who does, your familiarity with the product probably comes from television commercials. There, often late at night, Pat Boone and Henry Winkler have peddled them with great sincerity.

Sound sketchy? The loans, which allow people age 62 and older to pull some of the money from their home equity without having to make monthly payments on the debt, have a pockmarked history. Financial con artists have persuaded borrowers to put the proceeds in inappropriate investments, and some spouses who weren't on the mortgage have lost their homes. But some community bankers are quietly offering the loans, too, bringing a kind of Main Street respectability to a product that has long lacked it.

In an ideal world, everyone pays for their expenses in old age from Social Security and retirement savings and keeps any home equity intact for their heirs or for nursing home care. But nearly every week brings new signs that many millions of Americans will not have enough money to retire comfortably — or at all.

Many of those people do manage to buy a home, however, and they may have paid off much of their mortgage. Home equity may end up being the biggest asset that many people have to draw on in retirement. That is where reverse mortgages come in.

If you are 62 or older, you can apply to extract some of that equity, including through a lump sum or a line of credit. The main feature — which gives the product its name — is that instead of you paying the bank as you would with a traditional mortgage, the bank pays you.

You are still responsible for the money, though (and have to keep up with home maintenance, taxes and insurance). The lender keeps a running tab of the interest and (often expensive) fees, and once you die or move to a nursing home or sell the property, the bank takes back its money (or your heirs write a check to settle the debt and keep the home). Borrowers never have to pay additional money.

Reverse mortgages are complicated, and things can get messy for borrowers with surviving spouses or heirs who hoped to inherit the home. Federal regulators have tried to fix many problems, and in May, the Federal Housing Administration announced its latest attempt to tighten the rules. Still, anyone considering a reverse mortgage should dig deep into educational material from the Department of Housing and Urban Development, the National Council on Aging and the Consumer Financial Protection Bureau.

Fred Schindler, 72, had done his homework by talking to a friend who had used a Philadelphia lender for a reverse mortgage. "But I don't like to do big business through the mail or email," he said. "And Randy was local."

Tapping Into a House

Who Qualifies: A homeowner who is 62 or older who has paid off much of his or her mortgage.

How Much: Bank will determine the amount based on a borrower's age, prevailing interest rates and amount of home equity.

How It Works: The bank pays you, which you can take as monthly payments or a line of credit for the lump sum.

When the House Sells: The lender takes back its money if you die, sell the house or move into a nursing home.

Randy is Randy Davis, the sole reverse mortgage loan officer in the Pittsburgh area for Dollar Bank, a local bank. So it now originates about 100 reverse mortgages a year in Pittsburgh and Cleveland.

Mr. Schindler used his reverse mortgage to pay off his original mortgage on his condo and to open a line of credit. By tapping it, he built a sizable enough down payment to get a better interest rate on a car loan. The reverse mortgage gives him time, so he does not have to tap retirement money from an annuity that will be worth more if he waits longer to use it.

One hundred loans a year is not many for a bank with dozens of branches, and the caution appears to be purposeful. Dollar pays Mr. Davis a salary, not a commission. "You don't have an environment where people have to get that loan closed or they won't be able to pay their own mortgage next month," said Mike Henry, senior vice president for residential lending.

The bank talks people out of using reverse mortgages, too. Mr. Davis described an older woman who was living with her adult son. "What's his intention when she is no longer alive?" Mr. Davis asked her. The son wanted to stay in the house, but if his mother ran up a big reverse mortgage bill, he would have to pay the balance once she died to stay, or figure out how to borrow enough on his own to eliminate the debt. So, no reverse mortgage.

Fulton Bank, in Lancaster, Pa., got into the reverse mortgage business right about when many finance types were predicting that the reverse mortgage market would melt down the same way that subprime mortgages did. "Where people were going to be taken advantage of," said Jill Carson, who runs the bank's mortgage unit. "We thought it made sense to have an alternative for our customers."

One question that comes up often with reverse mortgage deliberations is: If you are so hard up for money, shouldn't you just sell and downsize? To Ms. Carson, the answer isn't always clear. Is there a serious illness? Is family nearby who can help you stay at home a bit longer? These questions don't lend themselves to hard and fast rules, and neither do reverse mortgages.

"They are the right product for the right customer for the right reason," she said. "But if any of those things aren't right, then you're better off not taking the product."

The Best Way to Help a Grandchild With College

EDUCATION
JOHN F. WASIK

A college education was once regarded as a relatively affordable route to lifelong prosperity, but it has become a financial burden for many families. Older generations are often helping. According to a Fidelity Investments survey of its investors, more than half of grandparents "are saving or plan to start saving to help pay for college costs."

Sandra Schiff, who is retired and lives in Denver, has set up accounts for each of her eight grandchildren. She started funding the plans with her husband, Ronald, to see their grandchildren graduate from college debt-free. "My husband and I didn't go to college," Ms. Schiff said. "But we heard about this opportunity to fund 529 plans and thought it would be wonderful for our grandchildren."

The desire for one generation to help another with college has become more urgent. According to the College Board, private colleges averaged more than $40,000 in total expenses for the most recent academic year; state schools averaged around $17,000 for in-state students.

One of the best vehicles for multigenerational college funding is a 529 college savings plan. Offered by states and managed by large mutual fund companies, these plans allow investment for future educational expenses, and the proceeds accumulate tax-free. Many states provide a tax write-off for at least a portion of a contribution.

But there are some potholes to avoid to maximize the value of their contributions and minimize the cost of sending a student to college.

Grandparents can set up these plans, naming grandchildren as beneficiaries. If the grandchildren decide not to go to college, the money can be kept in the accounts or used for another educational opportunity. Since the children do not control the account, the assets are not in their names. That means if grandparents need to withdraw the assets for themselves, they can do so, although they must pay a penalty and income taxes if the assets are not used for educational purposes.

However, the 529 plans can complicate a child's chances of qualifying for financial aid. Money from the 529 plan will appear as income in the student's name, which must be reported on the Fafsa, the form most colleges require for financial aid when a student applies and every year he or she is in school.

To avoid a potential reduction in aid, grandparents could postpone sending 529 proceeds until the last two years of college, said Gary E. Carpenter, executive director of the National College Advocacy Group. "Distributions from grandparents' 529 plans are seen as student income, and could reduce aid by 50 percent," he said.

Another strategy is for grandparents to give money to the parents. In the early years of college, 20 percent of a student's assets are "assessed" in the federal formula, compared to only 5.64 percent of parental income and nonretirement assets. Most college websites have aid calculators, and the government's aid calculator can be found online. A completed Fafsa provides applicants with the "expected family contribution," the family's total out-of-pocket expenses. Sending money directly to the grandchild could increase the family's expected contribution. But the situation is different if the family is unlikely to receive financial aid. Then, 529 proceeds and gifts from grandparents are possible options.

"Grandparents may want to pay college bills outright," said Fred Amrein, a fee-only financial planner in Wynnewood, Pa. "Gifting may be a better strategy if the family won't qualify for aid."

NICK COTE FOR THE NEW YORK TIMES

COLLEGE PREP **Sandra and Ronald Schiff set up 529 college accounts for their eight grandchildren.**