



do more,
spend less



the **NEW** secrets of living the
good life *for less*

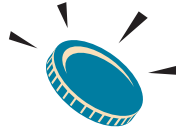
BRAD WILSON

founder of bradsdeals.com



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WILEY

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To Ohio, you have given me so much

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And to all of the difficult moments, past and future, bless them for all they bring.

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.

SECTION 1

Travel

Introduction

We all want more out of life. We are a nation of scrappers and strivers—it is the core of our unique greatness. One thing many of us desire is to travel and see the country or the world. It is a big part of getting more out of life, whether it means more time with family and friends or simple peace and quiet, whether your preference is a tropical paradise, a great city, or a tall mountain. The practical reality is that there is not always a place for this in the family budget. The good news is that there is a way for any of us to routinely travel, often in extraordinary ways to extraordinary places that would otherwise require a seven-figure or larger net worth to justify. Think of this as a free piece of the good life, plus some modest opportunity cost in the form of gaining just a little more awareness and understanding of the tips and tricks required. You will be able to suck a little more of the nectar out of life, enjoying your family and friends while traveling the world. I know; I have lived and loved this myself for several years.

For me, it started when I met my future wife. (Ah, yes, in so many ways!)

Despite a decade of being a professional bargain hunter when it came to shopping, I was not a sophisticated traveler until recently. I would simply book my flight, book my hotel room, and maybe book a rental car if I needed it. Sure, like most of us, I would usually take a few clicks around to make sure I had a decent rate or fare, but I didn't go beyond that. Little did I know how much these normal habits were costing me!

Although this did start with my wife, it was actually despite her. I had enjoyed traveling immensely all of my life. There is nothing better than

being on a plane taking off at dusk. Sit in a window seat, watch the plane rise, see the sun set, and clear your head. There is no better remedy for my ADD-addled brain than the white noise of a pressurized plane. It's incredibly focusing for me.

That enjoyment ended the day I stepped onto an airplane with my wife. She is not a good flier. My scenic, refreshing getaway is to her a claustrophobic, loss-of-control, fear-inducing horror. She doesn't like taking off, landing, waiting on the runway, encountering turbulence, or hearing any communication from the pilot. There is little remedy or rationalization for my otherwise strong, rational, beautiful wife.

The process of getting to the airport is no better: the stress of packing, leaving, navigating traffic, getting there on time, waiting in the lines at the airport, and interacting with everyone's beloved Transportation Security Administration (TSA). It doesn't help that her husband's eternal optimism means he truly believes that *this time* he will get to the airport as fast or faster than whatever his personal record is, even if that was set at 4 AM with no traffic.

It also doesn't help that we are from Chicago and Cleveland, two cold, snowy cities lying flat and unprotected from the great winter winds that whip off our Great Lakes. My first Christmas trip to the in-laws was missed because our flight was canceled. Our second trip was, too. Being a nonstatus peon at the time, we spent the day at the airport, always number 100-something on the standby list with no realistic hope of getting rebooked get until after the holiday.

So how do I indulge in one of my favorite activities with my favorite person?

I knew I needed to find ways to scrub all of the stress, discomfort, and frustration out of the process. I needed miles and status on airlines if I stood any chance of cutting travel costs, getting more perks and access, mitigating some of the risks and discomforts, and overall enjoying the process more.

This sounds great, but how do I do this if I, like many of you, don't fly enough each year to attain even the lowest level of "status" in any of the airline's frequent flier programs?

After flailing around for a while, I starting to see the pieces, and as always, I plowed through with reckless abandon. I have become an aficionado and an expert traveler, with more than 5 million frequent flyer miles in the bank and millions more redeemed. I can travel the

world flying first class and staying in five-star hotels. The best part is that you can learn everything I have learned. Let's get started!

Real-Life Examples

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!

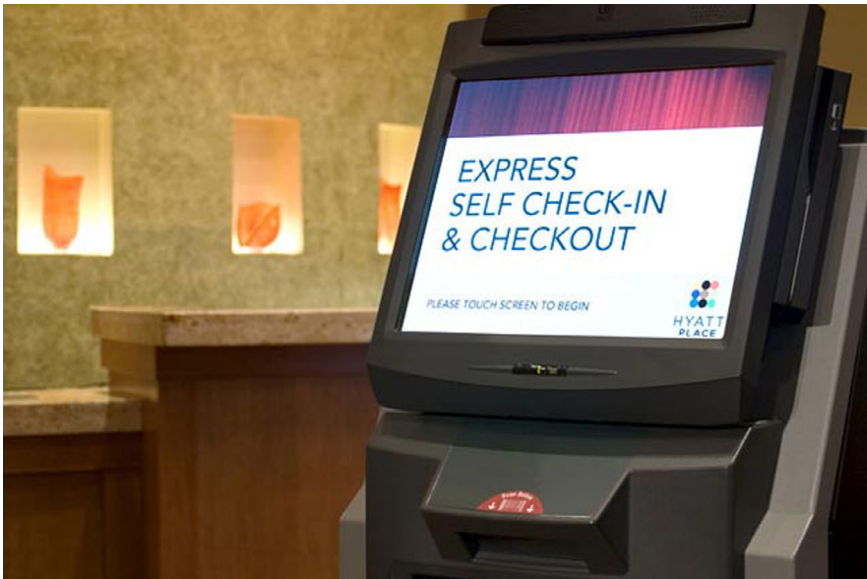


Figure 1.1 A Hyatt Place Kiosk

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 Matakauri 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!

Turning Coins into a Million Miles (Or How I Made the Government \$2 Million)

Most airlines will give you lifetime elite status—meaning upgrades, to first class bonus miles, and shorter lines—for the rest of your natural life if you fly 1 million miles. That's great, but very few people actually fly that much, this side of George Clooney in *Up in the Air*. The great rest of us are relegated to attaining elite status in one-year chunks, if at all. Fly 25,000 miles (or 50,000 or 100,000) on most major airlines, and you'll get a schedule of elite perks through the next calendar year.

What if there is a way to get lifetime elite status without actually spending half your waking hours in a plane? There was.

You see, American Airlines was the only airline that counted miles earned from all sources, not just miles in the air, toward your lifetime miles. Earn a million miles from all the various land-based promotions offering their AAdvantage miles, and you'd be AAdvantage Gold for life. Earn 2 million, and you'd be AAdvantage Platinum for life. (Sorry, 3 million does not an AAdvantage Executive Platinum member make.)

That's right, you could turn credit card rewards miles, new account sign-up bonuses, and other consumer offers into a lifetime of air travel perks. That's great, but you'd have to charge \$1 million on your credit card to get 1 million miles. Or you'd have to apply for at least 10 to 12 different credit card sign-up offers, assuming availability of the rare 100,000-mile sign-up offers, but that would take at least two years, if you were lucky and got approved on a regular basis.

I needed a more direct path. I found one courtesy of the U.S. Mint. Yes, an obscure institution of our government established way back in 1792 was going to ensure that my wife and I sit comfortably in the first-class section of jet airplanes for the remainder of the twenty-first century.

The mint, as is fashionable these days, has an online store. The store lets you order from its catalog of coins and have them delivered to your home. Most are considered collectible and, as such, are priced above face value. For example, 25 \$1 Abraham Lincoln coins cost \$35.95. These didn't interest me since my goal here was not a coin collection.

Little did I know, U.S. government studies (<http://bdeal.me/mintstudy>) had determined that the printing of dollar bills was costing taxpayers \$500 million per year! Apparently, dollar bills wear out in 21 months and have to be replaced. Dollar coins last 30 years or longer. Although coins cost a little more to produce, they are a much better investment for the U.S. Department of Treasury than paper bills.

The Presidential \$1 Coin Act of 2005 authorized the U.S. Mint to begin minting and circulating \$1 coins beginning in 2007. Minting is easy, but circulation has been the eternal challenge with dollar coins. People don't like to carry them in their pockets.

In an effort to increase circulation, the U.S. Mint's online store began selling 250-count boxes—10 rolls of 25 coins each—at the \$250 face value. Plus, shipping was free and you could pay with a credit card. This created an incredible opportunity for miles hounds, because you could order the coins with a credit card, deposit the coins in your bank account, and pay off the credit card bill.

Yes, you could literally buy money on a credit card, put the money in the bank, use it to pay off your credit card charge, and still keep all the points or miles you earned!

This solves the age-old problem of “How do I get credit card reward miles without actually flying somewhere or buying something?” Since you are literally buying currency, if you deposit them in the bank and pay off the credit card debt incurred by the purchase, you essentially get miles for free. Of course, there are many other uses for the coins, including a novel and fun way to pay your bill or leave a tip.

Well, that's great, you say, but the only way this would help you get lifetime status is if you bought 1 million coins!

That is exactly what I did, almost four times over. Over many months, I ordered more than 3 million \$1 coins, deposited them in my

bank account, paid off my many credit card bills, and ended up with almost 4 million American Airlines AAdvantage miles split between my wife's account and my own, which, when combined with miles we already had, put us both over the 2-million-mile threshold that granted us lifetime Platinum status on American.

This discrepancy between “more than 3 million coins” and “almost 4 million miles” brings up some important math. One of the biggest tips from Section 3 on Personal Finance is not to use an airline's credit card because most credit you only on a 1:1 basis, 1 mile for \$1 spent.

Several nonairline credit cards will allow you to accrue miles at a better ratio. For example, the American Express Starwood Card (<http://bdeal.me/starwood>) earns 1 Starwood Starpoint per \$1 spent, but each Starpoint can be transferred into many airlines' frequent flyer programs at 1.25:1 on transfers of 20,000 Starpoints or more. That is, for every 20,000 Starpoints I transferred into my American AAdvantage account, I got 25,000 miles.

This meant for every \$800,000 of coins I bought with one of my many Starwood American Express cards, I would net 1 million American frequent flyer miles, worth a whopping 40 free domestic round-trip flights and lifetime AAdvantage Gold elite status!



Figure 1.10 Me and a Pile of U.S. Mint Dollar Coins

Plus, with each new Starwood card, I would get a 25,000-point bonus. Because I didn't have an \$800,000 credit limit, I had to do this in steps. My wife and I each had two Starwood cards with \$10,000 to \$25,000 limits, so once I got ramped up, I would order \$40,000 to \$80,000 at a time. If you're spending a lot and you have a good history, American Express will often let you go over your formal limits by double. When this happened, I would order additional amounts.

I'm a huge student of opportunity cost, so this had to be something that didn't take up too much time.

I created the most efficient system I could: I rented a box at the UPS Store so the shipments would be safe, so I didn't have to deal with them until I was ready, and because the UPS Store was about 150 feet from one of my banks. The boxes were incredibly heavy—each large UPS box would have 1,500 to 2,000 coins—six to ten 250-coin boxes, each with 10 rolls of 25 coins—and would weigh 40 to 60 pounds.

I wanted to make this as easy as possible on the banks, so I'd go in advance and get bank coin deposit bags, rip the boxes of coins open, and dump the \$25 rolls into the coin bags. I'd get about \$4,000 in each bag and then I'd walk it into the bank. It was sort of like robbing a



Figure 1.11 My Receiving Department aka My UPS Store



Figure 1.12 My Bank a Stone's Throw Away

bank but in reverse: I was trying to lug as much money as I possibly could into the bank!

The money isn't actually counted at the bank, so you get a receipt rather than a deposit slip. Within a few days, I'd see twenty \$4,000 deposits in my account and I'd promptly pay off my American Express bill. (Coin deposits often go to the local Federal Reserve Bank to be counted, so it may not be same day.) Then I'd transfer the 40,000 Starpoints into each of our respective American AAdvantage accounts and get 50,000 miles. Rinse and repeat.

I estimate that I did this about 40 times over about eight months. Since I was obsessed with the opportunity cost and created the perfect ecosystem to follow through with this at scale, I got each round down to about 90 minutes all-in, from ordering to unpacking to depositing in the bank to paying the bills to transferring the points into miles. My 60 hours resulted in almost 4 million American Airlines miles and contributed significantly to achieving lifetime AAdvantage Gold and then lifetime AAdvantage Platinum status for both my wife and me. The miles are worth at least \$40,000, and the lifetime status is priceless.

My wife, friends, family, and I have all benefited tremendously from wonderful, affordable trips and experiences as a result of this outrageous



Figure 1.13 \$2,000 Worth of Coins in a Bank Deposit Bag

stunt that put so many miles in the bank. More important, we recently had our first child, and traveling with the perks of status—better service, expedited security, priority boarding and the space, food and drinks of first class—has been a lifesaver, especially if my wife has to travel with our daughter alone.

Most important, this is something that any of you could have done or could do, the next time there is something like this.

The great fun fact of all of this is that the mint makes a killing on this because of seigniorage, the difference between the value of money and the cost to produce it. In fact, \$282 million of the mint's \$300 million in 2010 profit came from selling dollar coins, according to its annual report (<http://bdeal.me/mintreport>). The mint loses money on most coins

other than the dollar: A nickel cost \$0.092 to make in 2010 and a penny cost \$0.0179 to make, whereas a \$1 coin costs a little over \$0.31, meaning the federal government took home a hefty \$0.684 profit on every dollar coin I bought. By that count, I've made the federal government at least \$2 million!

As for American, it was paid for the miles by Starwood, who was paid for Starpoints by American Express, who makes out well because it got its 2 to 3 percent processing fee from the mint, who is happy to pay it given the seigniorage.

Although this deal had a good run, the eternal challenge of getting Americans to switch from dollar bills to dollar coins proved difficult, so the Presidential \$1 Coin Act was ultimately suspended in December 2011 by U.S. Department of Treasury Secretary Timothy Geithner. So despite the fact that it was a huge moneymaker, the U.S. Mint is not currently producing new \$1 coins. It has restricted access that essentially prohibits ordering at scale. American Airlines has also stopped counting miles from all sources toward lifetime status.

That said, there is always an endless array of opportunities to accrue miles and elite status at little or no cost.

Hacking Together a First-Class Trip to Costa Rica (Or Why Buying Miles Can Be Smart)

A few years ago, a group of friends wanted to get together over the Fourth of July weekend to celebrate our 30th birthdays. We picked Costa Rica as the destination.

A quick review of flight options told me that cash tickets were too expensive and that US Airways was my best bet for finding two award tickets in first class for my wife and me. The problem was that I didn't have too many miles. Economy tickets were \$700 to \$800 and up for the days we needed, with first class costing well over \$1,000. I hadn't flown US Airways much and didn't have status, which didn't help.

I had to start from scratch on this one. The goal was getting 60,000 miles each. I knew that since the table wasn't set and since I didn't have any status I wouldn't get the absolute best deal but I'd still find some huge savings.

We had enough notice, so we both applied for a US Airways credit card with a sign-up bonus that would net us 40,000 free US Airways

dividend miles on the first swipe of the card, which got us more than half the way there.

Then, a promotion caught my eye. You could buy or share US Airways miles and get a 100 percent bonus. Let me explain.

The math was like this:

1. You share 50,000 miles with someone else, you lose 50,000, that person gets 100,000, and there are 50,000 total net new miles. It costs \$567.50 in fees and taxes to do that, so you're essentially paying about \$0.011 per mile, which was very attractive.
2. If you didn't have any miles, you buy them outright but the fees and taxes came to \$0.014 per mile.

Since we were about to have the miles from the credit offer, I put them to work via the sharing promotion. We each shared 20,000 miles with each other, paid about \$225 each in fees but got to the 60,000 mark, after the 40,000 miles we got from the credit card bonus.

It was well worth it when we settled into our first-class seats for the two flights down to Costa Rica!

Even better: US Airways credit cards knock 5,000 miles off the price of award tickets, so they cost us only 55,000 miles. Just like found money, found miles are always welcome!

Although we had a great flight and flew in comfort with meals and drinks, this was far from the best deal I could have had. I could have paid \$1,135 for 100,000 miles and used those for a longer flight to Europe or Asia that typically would have cost 15 times that much!

Airlines often do promotions like this where you can buy or share, and it can be really attractive. They're not free, but they are a helpful tool in living the good life for less.

A Quickie: How to Save \$500 and Fly across the Country for Free at the Last Minute

Recently, a relative of mine called and said, "Hey, Brad, I've got this last-minute flight I need to take across the country, and the fare on American's website is more than \$500. What can I do?"

A quick search for available award seats showed that American had a bunch of available MileSAAver seats in economy that would cost only

12,500 miles. Even better, I knew that all American MileSAAver seats are available for booking on the British Airways website due to their close partnership and involvement in the Oneworld alliance. I also know that due to a quirk in British Airways’ award redemption chart, it would likely cost me less miles than booking on American.

Sure enough, it was only 10,000 miles via British Airways’ BA.com site. British Airways’ prices its award flights by how far they are—flights less than 650 miles flown cost 4,500 award miles to book; 651 to 1151 miles, 7,500; 1,152 to 2,000, 10,000; and so on—so there are big savings for expensive flights at short- or medium-range distance compared with what’s available through most U.S. airlines, which charge 12,500 miles for each domestic one-way flight, regardless of distance.

So I booked my relative a ticket on the same American flight, but because I did it with miles, he saved more than \$500. And because I did it via BA.com and not AA.com, I saved an extra 2,500 miles. With very little effort, I was able to get more than \$0.05 of value for each of the 10,000 miles I redeemed.

I do this routinely for expensive shorthaul flights such as Chicago to Cleveland, Washington, DC, or Buffalo, all of which would cost only 4,500 British Air miles one way for an award ticket on an American flight.

The best part was that because all of my British Airways miles were free from credit card offers, it didn’t cost me or my relative a cent!



Figure 1.14

Bonus: American award tickets booked via British Airways are tagged with PriorityAAccess, so my relative, who had no other elite status on American, was able to cruise through a shorter security line and board in one of the first groups.

Bonus for those with American AAdvantage elite status: If you delete your British Airways Executive Club number during the booking process, your ticket will book just fine but you will be able to pull up your flight via American's website and add your AAdvantage number to the reservation. For me, that means I can book a cheap British Airways award ticket via my BA account but enter my AAdvantage number after the fact to get Executive Platinum perks including access to emergency exit row or bulkhead seating or the ability to standby with priority and at no cost on other flights that day.

How I Spent Weeks at One of the Nicest Hotels in the World for \$20 (Or How to Turn Award Points into \$54,000)

I mentioned when telling the story of our incredible New Zealand and Australia trip that we still had a stockpile of free Hyatt nights and free Hyatt points.

To recap, I had accrued a ton of Hyatt nights and points, plus a big block of United miles during a very generous Hyatt promotion where two stays at any Hyatt earned one free night at any Hyatt. Hyatt has seven brands at different price points, so it presented a big opportunity. My stays consisted of checking in via a lobby kiosk at Chicagoland Hyatt Place locations, the most basic Hyatt brand, and then returning home to my own bed. Those “stays” cost me about \$44 net per night, but for each two, I earned one night in what was likely going to be a \$1,000-a-night (or more) room at one of their Park Hyatt locations, which is the luxury brand. Thanks to combining multiple offers at the same time, I also earned 13,500 United miles for each two stays, which was worth way more—about three times more—than the \$88 cash cost of two nights. Plus, I achieved Hyatt Diamond status, which got me upgrades to suites, free breakfast, free Internet, and other goodies. To redeem the free nights, my wife and I took a long trip to Australia and New Zealand and stayed at the Park Hyatt in Sydney. All told, the trip would have cost more than \$40,000.

The best part? We still had a bunch of free nights and miles left to burn! Time to plan a new trip.

This time we were able to craft the European vacation of a lifetime out of it.

This was the story that I wrote about in the Introduction. I was sitting in Lufthansa first class on our way to Paris (via Frankfurt):

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 a 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 the 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.

Let me tell you how we did it.

The best way to approach award travel is to find cities and hotels that you want to go to but would never pay cash for because they are too expensive. Remember, the idea is to live the good life—in this case a life so good you'd never actually pay out of pocket for it—but then to find ways—because there are always ways and they are much easier than you realize—to do it at little or no cost.

For Hyatt, that means Park Hyatt and specifically their locations such as Sydney (already checked off), Tokyo, Zurich, the Maldives, Moscow, and Paris, the latter of which we chose. We could have broken it up but wanted a long trip there because we wanted a small taste of what it was like to *live* in Paris. We wanted to stay there long enough that we'd settle in a bit.

First things first, I had to get the rooms reserved. The game with award nights or award flights is eternal. There is not limitless capacity, especially at the most desirable places, especially for two and a half weeks straight! With hotels, you usually need to find availability not of any rooms but of their standard room in order to see corresponding award availability. Two and a half weeks was a pretty tall order but I gave myself a few weeks to do it.

One huge tip with booking an award stay at a hotel is to do it one night at a time. Build it. There is no risk because you can always cancel the other nights. I started about four months out and found about half of the 16 nights I wanted were initially available but I checked back over the next few weeks and the remainder opened up one or two at a time.

I was all set with that part of the planning. Now let's look at the flights.

There are just a handful of direct flights from Chicago O'Hare to Paris Charles de Gaulle. All but one are domestic U.S. airlines, which I try to avoid when flying internationally. The one was Air France, but it is part of the SkyTeam Alliance, which Delta is part of. I wasn't set up well for SkyTeam at the time, so I had to take a pass. Besides, I was really aiming for Swiss Air or Lufthansa, two very-well-regarded European carriers. It would then come down to which had two first-class award seats first. I was betting on Lufthansa to open up first, and that's ultimately what happened.

I set up some ExpertFlyer alerts for Swiss Air flights that would work and also monitored Lufthansa flights via the KVS Availability Tool (see the chapter Time-Saving Tools for Advanced Flyers for more details). Two seats opened up in first call on Lufthansa very quickly for both the outbound and return flights, so we went with those.

The Lufthansa first-class experience was fantastic. First was almost empty, so we felt like we had it to ourselves. It was my wife and me plus one other person in the small, eight-seat section, a mute, muscular young gentleman, head shaved, in a black designer suit—exactly what you'd expect from central casting for the role of a Russian mafia hit man.

The service was incredible. We were doted upon, as the attendants had little else to do. The food and wine were very nice. We were offered a second or third round on all food that we liked, so we got stuffed. I pretended to enjoy my caviar and did enjoy my Johnnie Walker Blue Label Scotch.



Figure 1.15 In Germany, about to board our connecting Lufthansa flight to Paris Charles de Gualle



Figure 1.16 A Lufthansa first class seat



Figure 1.17 Our empty Lufthansa first class cabin



Figure 1.18 My caviar, among other things

When we arrived in Frankfurt, we moved on to the first-class lounge, which was a very nice facility with all kinds of food and drinks—all *gratis*—and plenty of space. German efficiency really is impressive. Everything at the airport ran seamlessly.

From there, we went on to our short flight to Paris and the Park Hyatt!

The hotel is wonderfully nondescript. You barely know it is there when you walk up to the modest yet elegant entrance. I have always enjoyed Park Hyatt's clean and contemporary yet warm feel, especially when it is paired with the age and charm that just drips viscerally off of Paris. It is a perfect combination.

The bones of the building are unlike anything they would build today. The rooms are large with enormous windows and high ceilings.

We had two different rooms over the course of our stay. The first was on the interior courtyard, a staple of Parisian buildings. The next was a larger room high above the striking Rue de la Paix, which included a couple of enormous windows you could open and a balcony. The hotel otherwise had a very nice small spa, a few small but nice restaurants, a great



Figure 1.19 The Lufthansa Lounge in Frankfurt

EXPLORE PARK HYATT PARIS-VENTÔME[Explore Hotel](#)

Figure 1.20 A Park Hyatt Paris Montage

EXPLORE PARK HYATT PARIS-VENTÔME[Explore Hotel](#) | [Rooms](#) | [Park Suite](#)**Park Suite**

The Park suite, luxury and comfort in the only contemporary Palace of Paris



Figure 1.21 A Suite at the Park Hyatt Paris

sitting area on the ground floor with a big fireplace, plus a haven of an interior courtyard, olive trees and all.

The breakfasts were incredible, as I've come to expect from Park Hyatt. Thanks to my Hyatt Diamond status, we had the option to go downstairs and share in an incredible buffet or order room service. We mainly did the latter and were treated daily to both incredible meals and fantastic presentations. We sampled everything from champagne to exotic juice concoctions made with Hyatt's on-premises juicer. We gorged on breakfast and then spent the rest of the day eating lightly, channeling our inner *A Moveable Feast* Hemingway.

Paris is not a city in which to stay in your hotel, and we certainly did not. After our gluttonous breakfasts, we were up and out, meandering far and wide, from the Père Lachaise Cemetery (Jim Morrison of The Doors is buried here) to my favorite Montmartre neighborhood up by la Basilica du Sacré Coeur or walking East from the hotel to Le Marais for falafels or West to the Champs-Élysées and everywhere in between. The Park Hyatt's central location is one of its strongest and most underrated attributes.

But, of course, we slowed down. The thing I love the most about Paris is the pace. You can feel the slow enjoyment of life in the air. We



Figure 1.22 An early morning view of the Palace Vendôme from our balcony



Figure 1.23 My wife walking along the Seine



Figure 1.24 Me atop la Basilica du Sacré Coeur, the Eiffel Tower in the distance

didn't want a manic gauntlet of tourist spots. We wanted to settle in, to pretend, for a long moment, as if we lived in Paris.

Paris is not an expensive city if you don't want it to be, and after our breakfasts, the luxury of our hotel, and the first-class treatment with Lufthansa, we were more than covered on the high side. The remainder of our time was spent walking around, enjoying simple things, idling away afternoons drinking cheap red wine in endless parks and gardens, sipping coffee in cafes, sitting quietly in the many beautiful old churches, or walking along the Seine.

Because all of the fancy stuff was free, and because we lived a simple, inexpensive Parisian existence otherwise, we didn't spend much out of pocket, despite being there two and a half weeks.

The best part was at checkout. I went down to the desk to settle up. The gentleman pulled up our records. "Mr. Wilson, I hope you have enjoyed your stay of 16 nights with us. It looks like we have a bill of . . . 20 euros . . . my, that is incredible . . . for your stay. How would you like to pay for that?" I dug into my pocket, grabbed a few euro coins, and settled up. Two and half weeks at one of the nicest hotels in Europe, and I paid for it with the spare change in my pocket. The only charge on the bill was for one room-service dessert we ordered.



Figure 1.25 Enjoying a summer night out in Paris



Figure 1.26 Afternoon reading outside the legendary Shakespeare and Company bookstore

He's right; it was incredible. It is something any of you can do as well. It was not a complicated trip and pretty straightforward to make happen with award nights and flights.

Let's walk through the total economic bottom line here, starting with the value of what we got.

The Park Deluxe King and the Park Suite King rooms we stayed in were going for \$1,000 to \$1,100 per night during our stay. Sixteen nights at the midpoint of that would have come to \$16,800. We had free Internet, a free welcome bottle of wine, and free breakfasts on account of my Diamond status. Let's call it \$400 for the Internet and wine. The breakfasts are another story. Our bills were over 100 euros every day and well over

2,000 euros (approximately \$2,600 USD) over the course of the stay. All told, if we had paid cash, our hotel bill would have been at least \$19,800. The only thing I actually paid for out of pocket for was my 20-euro dessert!

The flights are where it really gets interesting. If we had paid cash for our first-class tickets on Lufthansa, they would have cost approximately \$17,000 each round-trip, or \$34,000 total! Instead, we each transferred 100,000 Starwood Starpoints to US Airways, and with the 25 percent bonus on transfers over 20,000 miles, we ended up with 125,000 US Airways dividend miles. The US Airways miles could then be used on any Star Alliance carrier. I chose US Airways because United, who is also in Star Alliance, would have charged us 135,000 miles for the same tickets. I took our new US Airways miles and booked the first-class seats on Lufthansa in a brief phone call with its good customer service department. The value I got on the Starpoints was incredible: By turning 100,000 Starpoints into a \$17,000 flight, I got over \$0.17 in value for each point! You'll never get more value for points and miles than at the highest echelons of international travel.

What were our costs?

We paid about \$189 each in fees and taxes for the flights.

There was a cash outlay for acquiring the free Hyatt nights (about \$88 per free night), which I've covered earlier, but I was made more than whole with the 13,500 miles I received for every \$88, among other things, so I'm not going to consider that a net cost here.

We put some money to work while we were out in Paris, but as we were long on gluttony already, we were thrifty the rest of the time so we didn't spend much more than we would have at home in two and half weeks.

All in, we paid \$378 in fees and taxes to book our flights plus an extra 20 euros (call it \$26) for my dessert at the Park Hyatt. There you have it: \$404 for a trip that should have cost \$54,000. Woo-hoo! Do more, spend less!

How to Rent 6,000 Square Feet of Steve Wynn's Hotel for Barely \$100 a Person per Night (Or How to Live Like a King without Betting Your Castle at the Tables)

My brother got married a few years ago. As his best man, I had the traditional responsibility of planning a bachelor party. My brother

decided on Vegas, clearly, for those who know him, thinking more about what his friends wanted than what his personal preferences were. His other reason was that he wanted to be in Vegas for the first weekend of the NCAA tournament to see the glorious stretch of 48 games played out over 80 hours.

The task at hand was to not only plan a blowout Vegas weekend for sixteen 20-something guys without breaking anyone's bank but to do it during one of the biggest, busiest, and most expensive weekends of the year in Las Vegas, ranking right up there with the Super Bowl.

I found a way, and in the end, we spent three nights in more than 6,000 square feet of over-the-top extravagant suites at the Wynn Las Vegas, a space so large that we had three different bars and at least two separate in-suite massage rooms, in addition to half-a-dozen bedrooms and dozens of sofas.

The best part? It came at a cost that all of could afford: just a little over \$100 per person per night!

Let me walk you through how I got this deal.

The first part was just stepping back and thinking about this a bit, using the assumption that, as always, the standard approach was likely wrong.

The standard approach in this case, assuming you want to stay somewhere like the Wynn, was to rent eight standard rooms at two people per room at a minimum of \$500 per night (it was a premium weekend for Vegas). For three nights, you're talking about close to \$14,000 after taxes. That's nuts, obviously, but it gives me an overview of the market and what *not* to do.

The first move was strategic: We opened the search up beyond standard rooms. This immediately changed the dynamic. A 600-square-foot room was \$500 but a 2,200-square-foot suite was less than \$1,000. This alone gets us almost quadruple the space for less than double the money.

The next step was trying to figure out how to get a discount on our suites.

There were three main legs here.

The first benefit was via a site called Vegas.com, which is basically a Travelocity but only for Las Vegas. You can book travel, flights, and packages for Vegas-only trips via a standard-looking travel price

comparison type of interface. Vegas.com often has slightly better prices than the hotels directly, plus we got \$175 in room credits and a whopping \$25 off via a coupon code.

The second was that Vegas.com offered additional package discounts. I was able to book my flight and a room *for less than the room itself*. I’ve done this previously on trips to Vegas. I imagine the hotels or the Las Vegas tourism authority is directly subsidizing the package prices. I did this for one other friend’s flight in conjunction with booking another big suite. We each chipped in what our flights would have cost separately and were able to further bring the room cost down an extra \$800 for everyone else.

Table 1.1

Vegas.com Price of Suites	\$8,070.24
Discount code	−\$25.00
Credit for 2 flights	−\$800.00
20 percent off from gift certificates	−\$1,614.05
2 percent off from Costco	−\$161.40
Room credit	−\$175.00
TOTAL	\$5,294.79
Per person (plus free for bachelor)	\$352.99
Per person per night	\$117.66

The third was from good, old, trusty Costco. I could buy \$100 Vegas.com gift certificates at Costco for \$79.99, plus my Costco Executive Membership would net me an additional 2 percent cash back at the end of the year. This proved to be the biggest discount beyond moving to suites from standard rooms. The two Costco discounts saved us almost \$1,800!

All told, we had a ton of fun celebrating my brother’s upcoming wedding, stayed in some of the nicest and priciest hotel suites in Vegas, and paid almost a third as much as if we’d taken the standard approach. More important, we didn’t hit anyone’s wallet too hard in doing so.

Tip: If you’re a sports fan, Lagasse’s Stadium at the Palazzo is must-visit. There is no better place to watch sports.

TSA Precheck (Or How to Make It through Security without Taking Your Shoes Off)

Traveling should be a pleasure! It used to be, but often that isn't the case anymore.

It is too easy to stress out. There are more rules, gotchas, and fees than ever. We rush to the airport to hit the earlier-and-earlier deadlines to check in, check bags, or simply make it through security in a modest amount of time; it seems the airports never quite adjust their workforce to the entirely predictable travel schedules of their customers. If you aren't at the front of the line 45 minutes before your flight, good luck checking a bag or even getting the kiosk to spit out a boarding pass. If you do, you'll likely have to pay a fee to check your bag—the most arbitrary of charges considering that the bag will be on the plane either way. Since we check fewer and fewer bags, we lug the largest regulation-size bags possible through security, piling onto a glacially slow DMV-like experience. Occasionally, our bag that has fit perfectly in the overhead bin 100 times previously catches the arbitrary eye of a misguided worker who makes you check it or who doesn't let you go through security, or perhaps some even less understandable scenario. If your bag doesn't catch some worker's eye, something in it—but rarely the same thing—may. The worker either takes it, makes you throw it away, or makes you miss your flight. Once you stumble through the body scanner—the outrageously expensive but dubiously effective body scanner—and get dressed again, you make your way to the gate and hope the plane is on time. The gate agents—bless them—having borne the brunt of more abuse than I care to catalog, often have too little empathy to be truly friendly or helpful. They line us up like little ants on an ant farm and cram us onto the plane—but only in our predesignated groups and only if we walk on our proper lane of carpet. Once onboard, the once-ennobled crew, half-occupied with the latest union negotiations, has less and less with which to actually provide service and is reduced to mere babysitter status, and the worst, most arbitrary kind possible (surely, if “anything with an on/off switch” could actually take a plane down, a terrorist would have already tried that).

Flying internationally, on the other hand, is a different world. The security is respectful and efficient, the “soft products”—things like people, food, and drinks—are hospitable, gourmet, and generous and the “hard products”—the planes and lounges—are the latest and greatest.

Any stressor when traveling takes away from the experience and makes you less likely to want to leave your house. Eliminating stressors and replacing them with convenience and ease is an ongoing part of my travel routine, especially now that my wife and I have a very young daughter. This means things like access to airport lounges, early boarding, faster security, quick access to U.S.-based customer service, first-class upgrades, and no fees or flak when checking bags, especially heavy ones.

One of my favorite—and one of the least known—is how I get through security with my shoes on and my laptop in my bag. And, of course, how to do this at no cost!

The beloved TSA—in it its infinite bureaucratic wisdom, and with a predictably glacial, 10-years-late pace—has finally moved beyond big, expensive scanners and redundant searches of frequent flyers and designed some intelligent screening processes that let preapproved travelers through security a little more quickly.

They refer to it elegantly as an “expedited screening initiative” that is part of their “intelligence-driven, risk-based approach to security.” About time, guys!

Regardless, what it means to you is that there are special lanes for background-checked travelers, who can walk through a metal detector rather than a full-body scanner and keep their shoes, belt, and jacket on and leave laptops and liquids in carry-on bags.

It’s a great service. I’ve been using it myself for a while, especially out of O’Hare. I actually got it two ways, both for free, via the two avenues of eligibility: (1) select airline frequent flyer programs and (2) the U.S. Customs and Border Protection’s (CBP) Trusted Traveler Programs.

I got it via avenue 1 when American Airlines offered it to me when Precheck lanes opened at O’Hare, likely because of my status with them. There was no cost. If you can achieve top-tier status on an airline, there is a good chance you will get a similar offer.

I actually already had it via avenue 2, namely, Global Entry, one of the U.S. CBP’s Trusted Traveler Programs. The other two are SENTRI and NEXUS.

Global Entry kills two birds with one stone: You can swipe your passport to get through U.S. Customs without filling out forms when flying internationally and you can use TSA Precheck at domestic airport security.



Figure 1.27 The Precheck sign $\neq$ no TSA line, and your shoes stay on. Plus kids are free!

It is a little goofy to start. First, you pay \$100 and then you make an appointment via a 1990s-era government website called GOES (aka Global Online Enrollment System, the user management system for the Trusted Traveler Programs). The earliest appointment for me was two months out, of course. Then you go to the airport, meet with one of their agents, and provide him or her with a bunch of paperwork. Yes, there is no better way for our all-knowing, all-seeing government to approve me for an expedited security lane at the airport than for me to show them paperwork they themselves generated!

The background check seemed to be the big thing here because the interview turned out to be a bit of a misnomer. It was more shooting the breeze with a bored bureaucrat, and it took less than 10 minutes. My passport gets stamped so that if a Global Entry machine ever breaks, I can apparently show them my stamp. Then, they took a close-up picture of my face and prints of all 10 fingers.

The way it works in practice at Customs is pretty slick: You slide your passport into the machine, and then it scans your face and four fingers from one hand; then the machine prints out a receipt that takes

the place of the standard U.S. Customs Declaration form when you go through the expedited Customs line.

As for domestic flights, once you are approved for Global Entry, you'll be accepted into TSA Precheck at no cost.

Great, I get it, you say. It is a cool service that makes life much easier. How do you get it for free?

It is a perk of the American Express Platinum Card. Simply charge the fee to your card, and American Express will reimburse you. It is one of the many reasons why I advocate getting a Platinum Card as a benefits card but otherwise ignoring it as a credit card. It is basically a discount card that can pay off far beyond the \$450 annual fee. There are better rewards cards for actually charging purchases to, though. Read more about this at <http://bdeal.me/axp>.

In short, Precheck is a way around the stress and inefficiency that is the rest of the TSA security process. It is a little like flying general aviation (on private planes with no TSA and no turning your phone off), but not quite! It can be a huge, huge time-saver, which I find myself needing because I almost never get to the airport with more than 45 minutes until my flight leaves. It is absolutely worth doing, especially since there is an easy way to do it at no cost!

A few notes: Precheck is at 16 airports as of my writing this. Passengers 12 and younger will be allowed through Precheck lanes when accompanied by a member, so you do not need to sign up your young children.

And one thing to never forget: The TSA wanted to bake in some unpredictability to Precheck by being able to randomly pull Precheck members and send them through the normal security. Yes, the inability to actually plan on not going through the normal line when leaving your house is the big value here and does work most of the time, but not all. It has now happened to me *twice*, including once when I really needed it not to. Only the TSA would roll out a product with a great value proposition and then undermine it at the same time!

My Very Inexpensive 1,500-Square-Foot Oceanfront Suite in Hawaii (Or How I Stayed in an Oceanfront Hotel Room Bigger Than My Condo)

My wife and I were expecting our first child in May 2011, so I wanted to try to get away for a bit with her before our lives forever changed.

We had been to Hawaii on our honeymoon and loved it, but as I mentioned previously, we were not experienced travelers at that point—not even near the realm of travel hackers—so we certainly got the worse end of the economic bargain. Not this time!

In standard *Do More, Spend Less* fashion, we were going to fly better but using only points, stay in a nicer hotel room but at less cost, and spend a fraction of what we had previously on food.

For the hotel, I had a stash of Hyatt points plus a Diamond Suite Upgrade that was slated to expire at the end of February, so we looked at the Grand Hyatt Kauai Resort and Spa. With rooms costing around \$400 on a good day and often costing \$600 to \$800 in high season, it was no Park Hyatt Paris or Sydney as far as room rates go but it was an above-average use of Hyatt points. More important, I had my eyes on the resort's 1,500-square-foot oceanfront deluxe suites and was determined to snag one.

These are some suites, with a separate bedroom, a separate dining room with a table for six and a kitchen area, a spacious living room, an entry foyer, and a huge 50-foot or so private oceanfront lanai (balcony) spanning the length of the suite.



Figure 1.28 The lobby of the Grand Hyatt Kauai



Figure 1.29 The dining room of our huge suite

The Diamond Suite Upgrade that I had in the bank was going to help me. I could have rolled the dice and hoped for a friendly agent at reception who would have upgraded me solely on account of my Diamond status, but I figured the likely outcome there was an upgrade to a nicer room, but not the big suite. The catch, though, is that the Suite Upgrades are only for cash rooms. I didn't want to pay out of pocket for the eight-night stay.

I hedged my bet: I made normal reservations for the first two nights at a cash rate of about \$400 and called to apply the suite upgrade to that reservation. Then, I reserved the remaining six nights on an award ticket. In short, I was placing a bet that the hotel would have open availability on that third night and wouldn't absolutely need to kick me out of the suite! I could have tried one rather than two, but that would have been a little too dicey for my tastes this time around. There was no guarantee as it was. It is certainly a roll of the dice. The hotel had no obligation to accommodate us, but I held my breath and hoped for the best.

This time, the bet paid off. We checked in and went to our huge suite for the first two nights. Then on the third day, the front desk called to notify us that we could stay!



Figure 1.30 The balcony off our suite

For flights, I needed to be on either an American or United flight, but I decided to go with US Airways because, at 70,000 miles for a first-class ticket, it was slightly less than the 75,000 miles American would charge or the 80,000 miles that United would charge—but I could book a ticket on United via US Airways.

Compare this all with our honeymoon, for which I paid \$1,086 a pop for two economy seats, then I had to use 15,000 miles each way for both of us to get upgraded, plus a \$150 copay each way! All told, it cost each of us \$1,386 plus 30,000 miles to get to Hawaii in first class in 2009. But by 2011, it cost us \$0 and 70,000 miles, which I got for free anyway!

Because of my obsession with Hyatt's huge oceanfront suite, the hotel had a hard cost for the first two nights of around \$400 plus taxes



Figure 1.31 Grand Hyatt's quiet, white sand beach



Figure 1.32 My wife looking out over Waimea Canyon



Figure 1.33 The open road down from Waimea Canyon

but the remaining nights did not. Since I have Hyatt Diamond status, we ate most of our meals in Hyatt's generous lounge. Plus we were still stung by the high costs on our honeymoon, during which my frugal, Midwestern wife was so offended at the food prices that she started ordering off the kid's menu!

Our all-in cost was a little over \$1,000 given some other meals and drinks we had. Not bad for flying first class to an eight-night stay in a 1,500-square-foot oceanfront suite in Hawaii! The entire vacation would have been closer to zero dollars if I had accepted lower odds of getting upgraded into a suite! I became a big fan of the Grand Hyatt Kauai and expect to return many times. On the surface, it gets a little too close to "big, monstrous American hotel and resort" for what my preferences normally are, but it has a warmth, charm, and lack of pretense about it. In short, it was an easy and nice stay without any major complaints.

Fun fact: If you live near an airport that Hawaiian Airlines or Alaska Airlines flies from and you have Chase Ultimate Rewards Points, you can transfer them to Korean Airways and book a first-class seat (on a two-class plane) on either airline via Korean for only 60,000 points. Yes, Korean Airways is the cheapest way to fly from the U.S. mainland to Hawaii on miles!



Figure 1.34 A view of the Grand Hyatt grounds from our suite



Figure 1.35 Sunset in Kauai from the Grand Hyatt beach

How I Get Executive Platinum and 100,000 Miles for \$1,500 (Or How a Bankruptcy, My Hometown, and Richard Branson Got Me Top-Tier Status on an Airline)

Thanks to my 3 million coins, I was covered for life on American with AAdvantage Platinum status. It was the second-highest of American's tiers and was great, but now I had a taste of the good traveling life and wanted more. Specifically, I wanted top-tier status on a major airline. Now, as I write this, I have it on two and am close with a third. Here is the story of how I got it the first time, at essentially no net cost, of course.

It all was a result of American Airlines filing for bankruptcy, plus a cameo from Richard Branson.

American had long been struggling against Delta, United, and other airlines that had shed legacy costs via bankruptcy or grew stronger by merging with competitors. It was late to the bankruptcy game by the time it finally filed for protection in November 2011.

The funny thing about airline bankruptcies is that they are great for deal-conscious consumers. The airline worries that consumers will worry, that they'll misunderstand the bankruptcy filing and think that the airline is liquidating or frequent flyer miles will be lost. The reality in almost all cases, as with American, is that the airline is merely restructuring its debt and will continue to be an operating entity. This doesn't stop the anxiety, though, and to medicate that, American rolled out incredibly aggressive promotions.

These offers created a huge shortcut that allowed me to reach American's Executive Platinum status. Executive Platinum status normally takes 100,000 butt-in-seat miles on cash tickets in one year. That's a tough one for me, even with how much I increasingly fly. Too little loyalty, too many miles to burn!

But oh is it worth it: unlimited complimentary domestic upgrades, eight systemwide upgrades, a waiver on almost every fee they charge, and a ton of other benefits. I had to go for it.

In total, there were six different layers that I rolled in to make this one deal.

The core offer was a promotion that revolved around elite-qualifying miles, the separate bucket of miles that the airlines use to count elite status. (Miles from credit cards or other bonuses don't normally count toward these; it is only butt-in-seat miles. If you fly 25,000 miles in the air, you have 25,000 elite-qualifying miles (EQMs). It is normally very

straightforward like this, except for a very limited number of promotions that increase EQMs and a handful of credit cards that allow you to earn elite miles from spending.)

This promotion was one of the best I've ever seen. In January 2012, there were two separate but combinable deals where you could earn double EQMs on flights from Chicago to San Francisco or Los Angeles. Because they both applied simultaneously, the effect was triple EQMs.

The second layer was that you also earned double redeemable miles. These are the normal kind that show up in your balance that you can redeem for flights. This wouldn't get me the status I wanted, but they underpinned the economics of the deal. Thanks again to my coins venture, I already earn double redeemable miles from my lifetime Platinum status (referred to as a 100 percent bonus), so I was actually earning triple redeemable miles.

So normally you would fly the 1,846 miles from Chicago's O'Hare to San Francisco International, and you would earn both 1,846 redeemable miles and 1,846 EQMs. Now, you'd earn 5,538 redeemable and EQMs each way. On a round-trip, you'd earn 11,076 miles of each type. That's an impressive haul for a domestic round-trip!

The third layer is that I have a Citi Executive AAdvantage World Elite MasterCard that I earn 10,000 EQMs from. That meant I was shooting for only 90,000 miles. I also had a few thousand miles from other flights, so it was a little less than that.

I was getting to a place where if I could swing eight round-trip flights from Chicago to San Francisco in one month, I would get Executive Platinum status for more than 24 months (from January 2012 through the end of February 2014).

$$\begin{aligned}
 &11,076 \text{ miles } (1,846 \times \text{triple bonus} \times 2 \text{ segments per round-trip}) \\
 &\times \\
 &8 \text{ round-trips} \\
 &= \\
 &88,608 \text{ EQMs and redeemable miles}
 \end{aligned}$$

But who has the time, money, or desire to fly to and from San Francisco eight times in one month? Well, lack of desire has never been my problem, but the time part is hard, and if it cost too much, I wasn't going to do it. I needed to find a few more trips up my sleeve. I did.

Enter Richard Branson.

Sir Richard launched Virgin America in 2007 and chose San Francisco International as its main hub airport. It wasn't until 2011 that the company moved into Chicago, but when Virgin America did, it moved with Branson's trademark boldness, aggressively cutting fares to the bone. The legacy carriers—namely, American and United in the case of this route—had no choice but to do the same lest they be outflanked by the visionary Englishman who had famously defeated British Airways in battle.

My opening on the cost side came in January 2012, when Virgin America was promoting a \$198 round-trip fare from Chicago to San Francisco and American matched them. Eight \$500 round-trip flights would not a great deal have made!

The \$198 fare ended up being \$219.40 after the archaic mess of taxes and fees. So I was looking at \$1,755.20 for the eight flights.

I used an old go-to trick of mine to cut that further for my fifth layer.

As I've mentioned previously, Costco sells a ton of gift cards for less than face value. I've bought gift certificates for everything from Jamba Juice to Hyatt to Vegas.com to American.

The American gift certificates have a \$300 face value but sell for \$269.99, so 10 percent off plus an extra penny to make it sound more appealing. Since I have a Costco Executive Membership, I get 2 percent cash back on all purchases there. That means the \$269.99 gift cards had a net cost to me of \$264.59, equivalent to 11.8 percent off, plus I paid with my American Express Starwood card and got 1 Starpoint for each dollar spent.

The 11.8 percent off via the Costco gift cards meant that my \$1,755.20 in American Airlines flights could be had for \$1,548.03. I'd also get 1,755 Starpoints, which I could later convert into roughly 2,200 American miles if I wanted to.

So, for \$1,548 I would get enough EQMs to hit the 100,000 threshold for AAdvantage Executive Platinum. Plus, I would get 88,608 redeemable miles from the flights and 2,200 miles from the Costco purchase. I value those 91,000-odd miles at roughly \$0.02 each, so I made back my \$1,548 investment just on that. I would also get eight systemwide upgrades for reaching Executive Platinum status. These upgrades are valid on any American flight, including international flights. You can book a cheap economy fare but then upgrade for free to business class on a three-class plane or to first class on a two-class plane. I value them conservatively

at \$250 each, although they can be worth thousands when used well on long international flights. There is another \$2,000 in value. Although I was still at Platinum status, I also earned twelve 500-mile upgrade certificates. Platinum members earn four of these every 10,000 miles they fly. They use these to upgrade to first class. Or, Executive Platinum members use these to upgrade companions who do not have any status. American sells four certificates for \$120, so these are worth \$360.

What about the time element—my beloved opportunity cost? I figured that one out, too. I could leave Chicago on a 2:35 PM CST flight that landed at 5:00 PM PST, stop in the lounge for a snack, and then get right back on the 5:55 PM PST flight that would land at O'Hare at 11:55 PM CST. Most important, the flights had Internet access. I could work in Chicago most of the day, head out at the last minute as always for my 2:35 PM flight, and then work the remainder of the day in the air. No opportunity lost = no opportunity cost!

A huge part of this is personal preference and comfort, of course, but my brain enjoys the decompression and solitude of being up in the air. I find I am more focused and thoughtful on a plane than almost anywhere else. Plus, I viscerally enjoy flying and one day hope to learn the craft myself. All told, flying for me is a pleasure and a productive one at that.

This kind of thing is not for everyone but if you work at home or have a flexible schedule and don't mind the flying, this is a no-brainer.

I'm immensely enjoying the ease, upgrades, and bonuses that come with AAdvantage Executive Platinum status. I've already been paid back many times over and will certainly do this again if something similar pops up in future years. Hopefully next time you will, too!

Little-Known Secrets to Getting Elite Status (Or How to “Challenge” the Airlines and Win!)

One of the great, little-known secrets of the travel business is that there are some back door ways to achieving elite status. Promotions are one; we saw that in its full glory when I got AAdvantage Executive Platinum status on American, but there is a second path that is just huge!

Most of the major airlines either do status matches or challenges.

A status match is when you have status at one airline or hotel, call up another, and say, “I'd love to take my business to your hotel or airline, but I have this super fancy and exclusive elite status at your competitor,

so it makes it hard for me to switch. Can you match the elite status that I have with your competitor to your equivalent status so that I can switch to you?" If the airline has a status match policy, you'll be granted the same status you had with the other airline.

A challenge refers to when you call up, say the same thing, and the airline gives you a "challenge" that you have to fulfill in order to get the status. In some cases, you have to fulfill the requirements in order to keep the status if it was extended to you for the duration of the challenge. This second type is obviously preferred, as you get to enjoy the perks from day one.

Note that in either case you may be asked to substantiate your elite qualification by faxing or e-mailing your membership card or account statement.

I've used both challenges and status matches often, as should you. It is a competitive marketplace, and frequent guests and flyers are valuable. These are effective tactics and a reliable part of the *Do More, Spend Less* traveler's tool kit.

I have leveraged Hilton Diamond status to keep my Hyatt Diamond status when it was running out, simply by asking Hyatt. I've also used my Hyatt Diamond status to get a challenge for Starwood Preferred Guest Platinum status.

I have also used a piddly little free trial of US Airways Silver Preferred to get a challenge with United. I've used American's challenges to get to Platinum status, before I had it *forever*. Most recently, as I'm making more use of the Charlotte Airport, one of US Airways' main hubs, I have purchased a US Airways Preferred challenge (<http://bdeal.me/usch>). I paid the \$600 to participate in their Platinum challenge and went from zero status to US Airways' second best tier immediately.

There were three levels of pricing for the challenge, but regardless of whether I paid \$200 for Silver, \$400 for Gold, or \$600 for Platinum, the level of the initial buy-in only mattered for the 90 days. My ongoing status was going to be determined by how much I flew during the 90 days of the challenge. Paying \$200 only meant that I'd have Silver status during the challenge; paying \$600 only meant I'd have Platinum status during the challenge. If I flew 7,500 miles or 10 segments, I'd earn Silver status for the remainder of the year; if I flew 15,000 miles or 20 segments, I'd earn Gold status; 22,500 miles or 30 segments, Platinum status; and 30,000 miles or 40 segments, Chairman's Preferred status.

Try Preferred Status on for size

Are you new to Dividend Miles? Enjoy the benefits of Preferred status now through the Trial Preferred program. Get priority check-in and boarding, unlimited upgrades to First Class and more during your 90 day trial period.

U.S. AIRWAYS
DIVIDEND MILES
PREFERRED

Here's how to get Preferred status
Choose and purchase your level of Preferred status, then fly with US. It's that easy to get all the benefits of Preferred status.

[Learn more about Preferred](#)

Upgrade to Preferred

Preferred status / cost	Silver - \$200	Gold - \$400	Platinum - \$600
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Then, over the next 90 days, fly a minimum amount of miles on flights operated by US Airways to keep your Preferred status through February 28, 2014.

- Silver: Fly 7,500 miles or 10 segments
- Gold: Fly 15,000 miles or 20 segments
- Platinum: Fly 22,500 miles or 30 segments
- Chairmans: Fly 30,000 miles or 40 segments

Figure 1.36 Details of US Airways’ Trial Preferred Program

US Airways is the only U.S. airline that lets you challenge your way to its top-tier status (Chairman’s Preferred), which normally requires 100,000 miles or 120 segments, so this was a big opportunity.

I don’t toss around \$600 easily, so let’s get back to that. Here was my economic rationale: I was already in for \$200, so that wasn’t on the table anymore. The real question was, do I spend an extra \$200 for Gold or an extra \$400 to have Platinum status for the duration of the challenge?

There were four factors.

The first was miles. As a Silver Preferred member, I’d earn a 25 percent bonus on miles flown as part of the standard US Airways Dividend Miles Preferred benefits. If I flew 30,000 miles, I’d earn 7,500 as a bonus. As a Platinum member flying the same distance, I’d earn 22,500 bonus miles. So Platinum status would be worth an extra 15,000 miles. I like US Airways miles and value them slightly higher than United or American, probably a little more than \$0.02 each, but let’s just call it \$0.02. At that rate, the extra 15,000 miles would be worth at least \$300 to me. So I’m already in for \$200 and paying an extra \$400 means I’d get \$300 in value just from the bonus miles alone. That means I need to find only another \$100 in value.

The second factor made that pretty easy. I had a ton of flying on the calendar—potentially even the 30,000 miles I needed for Chairman’s

Preferred status. If I had Silver status, I wouldn't have great odds of being upgraded until after I've flown the 30,000 miles! With Gold status, I'd have middling odds on routes that weren't heavy on frequent flyers. With Platinum status, I felt I'd have pretty good odds. (Note: This turned out to be right, as I hit on an unbelievable 100 percent.) Let's break down 30,000 flight miles as essentially thirty 1,000-mile segments. It's roughly a flight from Chicago to Denver plus an extra 100 miles—but done 30 times over. Left with no other options, I would have been overjoyed to pay \$10 a pop to get upgraded on each of those 30 flights, so I probably could have supported the full \$400 difference with this, but I needed only \$100 to close the gap.

The third was that with Silver status, I'd get one free checked bag. With our little baby girl, having only one bag is often a thing of the past, so Gold or Platinum status, which allows me to check a second and third bag for free, has newfound value. Since US Airways charges \$25 for the first bag each way, \$35 for the second, and \$125 for the third, the fees add up. The other way to look at baggage fees is this: If I get upgraded in advance of arriving at the airport, I can check three bags for free just because my seat is in first class. The same goes for my wife, simply for being on my reservation with my status. The upgrades that come from status are as helpful as anything with fees like this. Let's look at the alternative: I keep my Silver status and get one bag to check and don't get upgraded. The first time we travel together and have four bags, I get one free but we're out \$85 each way after paying for the other three. For frequent travelers, the savings from avoiding fees can dwarf the cost of the challenge.

The fourth reason and another real kicker is that US Airways has complimentary upgrades for the elite member plus one companion. My wife flies with me a lot, and since she does not have Executive Platinum status on American, we have to pay a modest but aggravating fee of \$30 per 500 miles to upgrade her with me on American flights. If she flew with me on even 10,000 of the miles in my challenge, we'd theoretically be saving \$600 in upgrade fees, assuming we wanted to upgrade every time she flew.

In short, I'm spending \$600 to save \$600 in upgrade fees, save even more in baggage fees, get at least \$300 worth of miles, get \$300 worth of upgrades, and, most important, get the unattainable: top-tier status on a major airline without actually flying 100,000 miles. It was a great deal and well worth it to me!

This begs a great question: If I have 5 million miles and points, why do I bother paying cash for tickets at all? Part of it is that most domestic tickets are a terrible use of miles. If I can book a ticket from Chicago to anywhere for \$200 and sit in first class, why would I burn 25,000 miles for an award ticket on the same flight in coach, when I carry those miles on my personal balance sheet at \$0.02 or \$500 total? I certainly wouldn't burn 50,000 miles to sit in first class on that same flight.

I'd rather use my miles for (1) expensive domestic flights, (2) friends and family, and (3) international flights. I mentioned that I carry most miles at about \$0.02 each on my personal balance sheet. I can easily get more than \$0.10 of value from them when flying internationally.

The passage I've included here covers airlines really well, but let me dive into hotels briefly by using Starwood as an example. Starwood has a challenge of its own, and the best part is that it is retroactive. Because it is also free, you don't need to sweat timing too much. Simply stay 18 nights in any three calendar months at Starwood Hotels—which include Westin, St. Regis, Sheraton, Aloft, Le Meridien, and other brands—and you can become Starwood Preferred Guest Platinum, the highest of Starwood's three tiers. You just have to call them when you are done.

You will read more about challenges in the "Status" heading within "How Do I Do This Myself?" chapter at the end of this section.

Lounges (Or What Are Cuban Cigars and Chauffeured Porsches Doing at the Airport?)

Close your eyes.

Imagine sitting in a sumptuous leather chair in a well-appointed private club. You've just had a five-star meal in the dining room and have retired for an after-dinner drink. The waiter comes over with a selection of complimentary Cuban cigars—Cohiba, Montecristo, and more. You make your choice, it is lit, and then you sit back in your chair and enjoy the rare treat while sipping the perfect single malt scotch.

Then you transition to the billiards room to play a game for a bit. After that, you further your relaxation with a trip to the spa for a full-body massage, followed by some time in the sauna or steam room. When you are done, you return to your private sleeping quarters, step into a beautiful marble shower, and let the warm water from the oversized rainfall showerhead run over you. You sleep deeply, waking up to pressed clothes

and the finest coffees and teas. Your personal assistant stops by to confirm your plans for the day. “Your Porsche is waiting, sir.”

Where are you? A five-star hotel? A luxury ocean liner? Playing Bond in a 007 movie? Las Vegas?

Wrong. You’re at the airport.

It is so far from what you think of a stereotypical airport experience that it doesn’t sync. You are used to the polar opposite, right? But, as always, there is a better way.

Airline lounges are truly an oasis of calm amidst the ever-increasing stress that is air travel. They are quiet; they offer—at a bare minimum—complimentary Internet, drinks, snacks, and newspapers; they also have some of the most capable customer service agents in the airport. If you have a problem with a flight, you want the agents in the lounge helping you. They are usually experienced and savvy and have been spectacularly helpful to me.

Lounges come in two main stripes: those for domestic travelers and those for international travelers.

Domestic airport lounges, although still a huge value and an improvement upon sitting in the terminal and paying for everything, are a more basic version than their international counterparts. You get free beverages (water, coffee, tea, and select beers and wine) and snacks (peanuts, apples, cookies, oatmeal in the morning), plus other perks, such as free Internet and often free newspapers. You also get the higher-caliber agents, as mentioned previously.

International travelers can find a whole other world of complimentary massages; spa services; showers; full-size beds; fine dining; lounges within the lounge exclusively for cigars, whiskey, or wine; personal assistants; mixologists; and rides to your gate in a Porsche or Mercedes. (Yes, seriously, you can get a ride from the first-class lounge right to the plane in a luxury automobile.)

International lounges embody all that is the good life and go a long way to removing stress and, more important, creating a trip of a lifetime.

Here are some highlights from some of the world’s best airport lounges:

- *First Class Lounge of Etihad Airways in Abu Dhabi:* spa with massages, facials, and detoxes; personal showers; clothes ironing and shoe polishing; world-class restaurant with a chef’s table in the heart

of the kitchen; boutique wines selected by a sommelier; family room with qualified nannies; a champagne bar; a cigar lounge with Cuban cigars and fine scotches and cognacs; personal entertainment stations with Bang & Olufsen flat-screen TVs; a library

- *Virgin Atlantic Clubhouse, London*: 12,000 square feet, gourmet food, 40-foot bar, billiards room, big-screen movie room, spa treatments in salon, Grey Goose Loft with mixologists from London's best bars, ceiling-to-floor Japanese water wall, The Den with a start-of-the-art multiscreen TV wall
- *Singapore Airlines Lounge, Changi*: \$30 million structure with beautiful architecture: high ceiling, marble/timber walls, buffet food stations; private driveway to first-class check-in, where porters meet passengers and grab their bags
- *Thai Airways Royal Orchid First Class Lounge, Bangkok*: private living rooms and sleeping areas, salon offering full-body massage, sauna/steam room
- *British Airways Concorde Room at Heathrow*: \$92 million structure that includes dining in private booths with full waiter



Figure 1.37 The spa at the First Class Lounge of Etihad Airways in Abu Dhabi

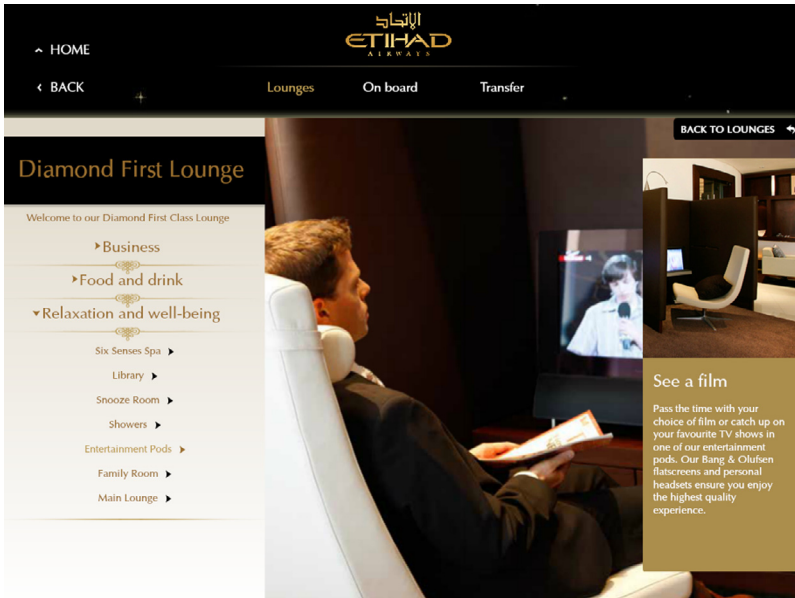


Figure 1.38 An entertainment pod at the First Class Lounge of Etihad Airways in Abu Dhabi

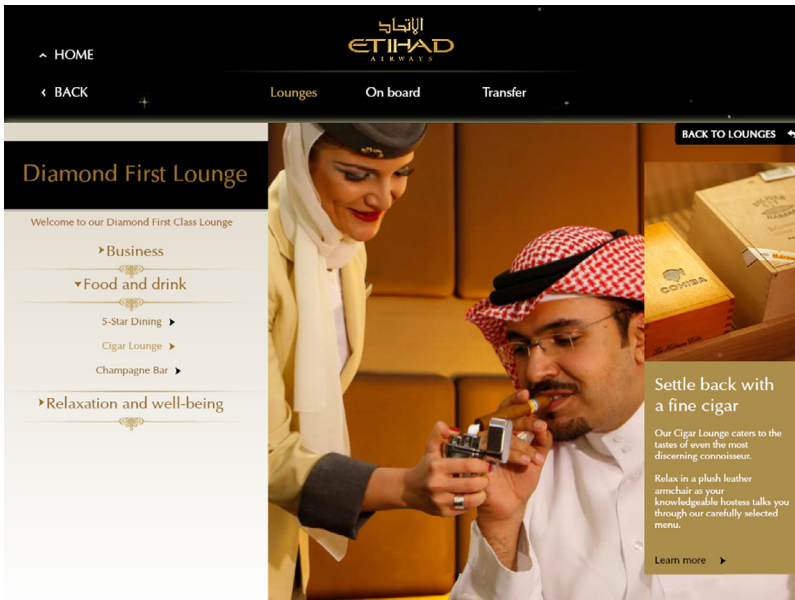


Figure 1.39 The cigar lounge at the First Class Lounge of Etihad Airways in Abu Dhabi



Figure 1.40 A snooze room at the First Class Lounge of Etihad Airways in Abu Dhabi



Figure 1.41 The 40-ft main bar at the Virgin Atlantic Clubhouse in London

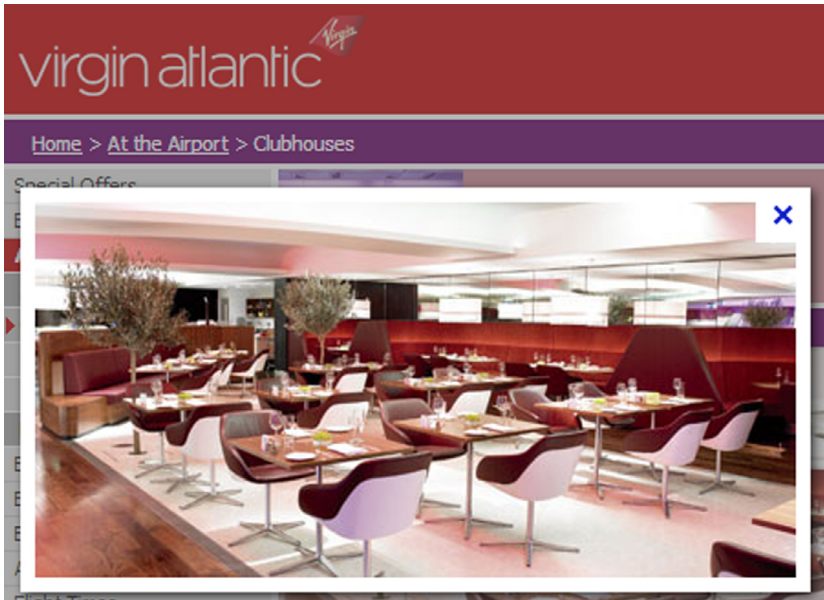


Figure 1.42 Virgin's Clubhouse in London serves everything from full British Breakfast to a burger, all complimentary

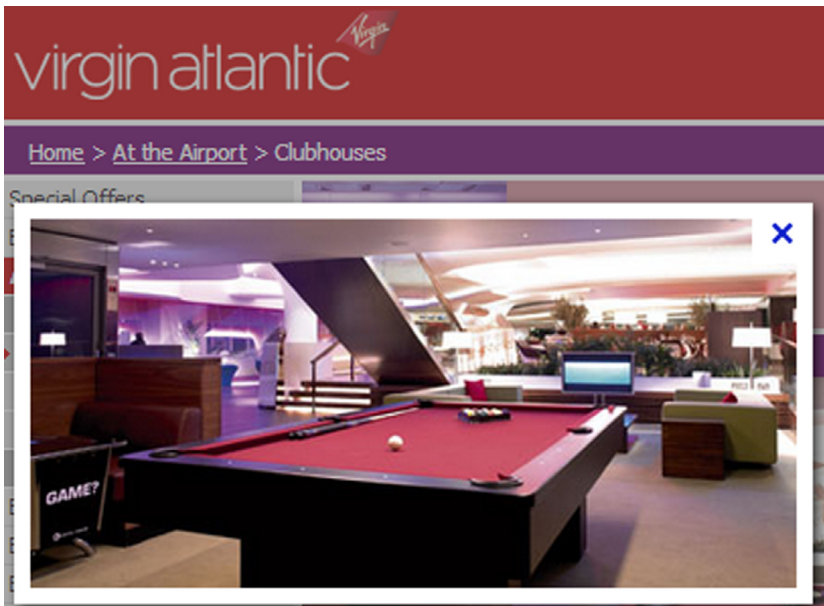


Figure 1.43 The billiards room at the Virgin Atlantic Clubhouse in London

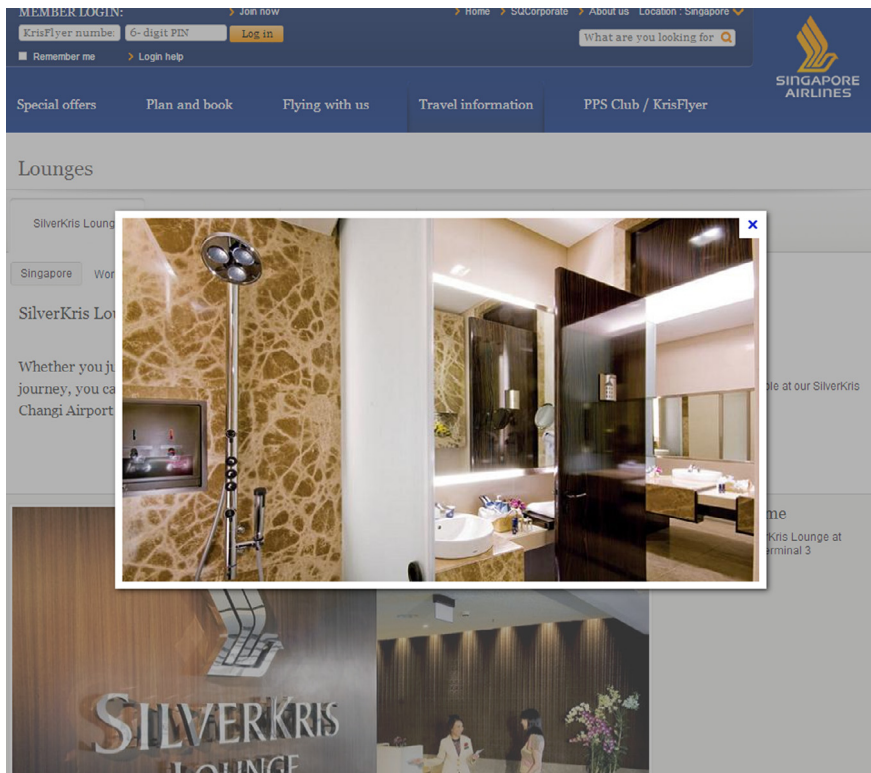


Figure 1.44 The private showers at the Singapore Airlines SilverKris Lounge in Changi

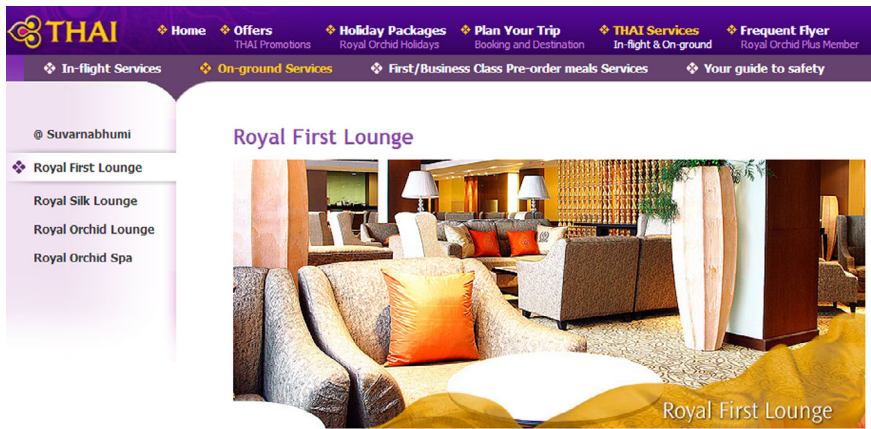


Figure 1.45 The Thai Airways Royal First Lounge in Bangkok

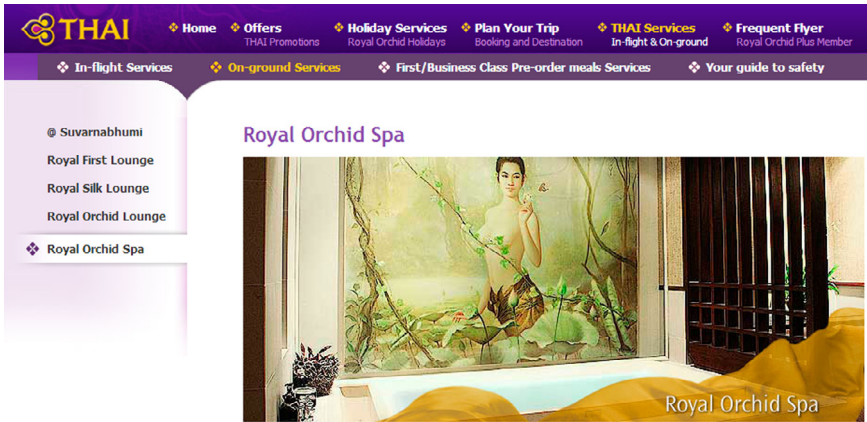


Figure 1.46 The Royal Orchid Spa at the Thai Airways Lounge in Bangkok

service; complimentary champagne, fine wines, coffees, and teas; private cabanas—hotel-style rooms with a daybed and en-suite bathroom; terrace and viewing area; the Elemis Travel Spa; clothes pressing; bars exclusively for wine and champagne; dedicated wine buyer; “gold bar” covered in gold leaf; tons of fireplaces

- *Qantas First Class Lounge, Sydney*: award-winning design; vertical garden with 8,400 plants; complimentary treatments at Payot Paris Day Spa; 48-seat open-kitchen restaurant; plasma TVs with Sony PlayStations; marbled-lines shower suites; video conferencing; concierge; library with chess, backgammon, books, and newspaper
- *Lufthansa First Class Terminal, Frankfurt*: a separate building apart from the main airport available only for first-class flyers; personal assistant assigned to each flyer, private sleeping rooms and offices, specially catered food, cigar lounge, 80 kinds of rare whiskey, bathrooms with shoe shining machines, private shower rooms with rain showers, ride to the plane in a Porsche Panamera or Mercedes-Benz.
- *Cathay Pacific’s The Wing Lounge at Hong Kong*: more than 34,000 square feet; 24 shower rooms; five private “relaxation” cabanas with a bathtub, daybed, desk, and rainforest shower; The Haven restaurant with waiters, seating for 100, and a premium wine list; The Noodle Bar, serving Chinese buns, or “bao,” including the popular Char Siu Bao; The Long Bar (70 feet of white Carrera marble), The Champagne Bar and The Cocktail Bar; The Coffee Loft (coffee, tea, fresh pastries).



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First lounges



Figure 1.47 The dining room at the British Airways Concorde Room at Heathrow in London



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Relax in the award-winning Sydney First Lounge.

Figure 1.48 The vertical garden in the Qantas first class lounge in Sydney

Okay, you say, I get it—free stuff, peace and quiet, and better help. But how do I get in? I will break down how to enjoy airport lounge access at no or low cost in “How Do I Do This Myself?” at the end of this section.



Figure 1.49 A spa treatment at the Qantas first class lounge in Sydney



Figure 1.50 Lufthansa's limo service for first class passengers

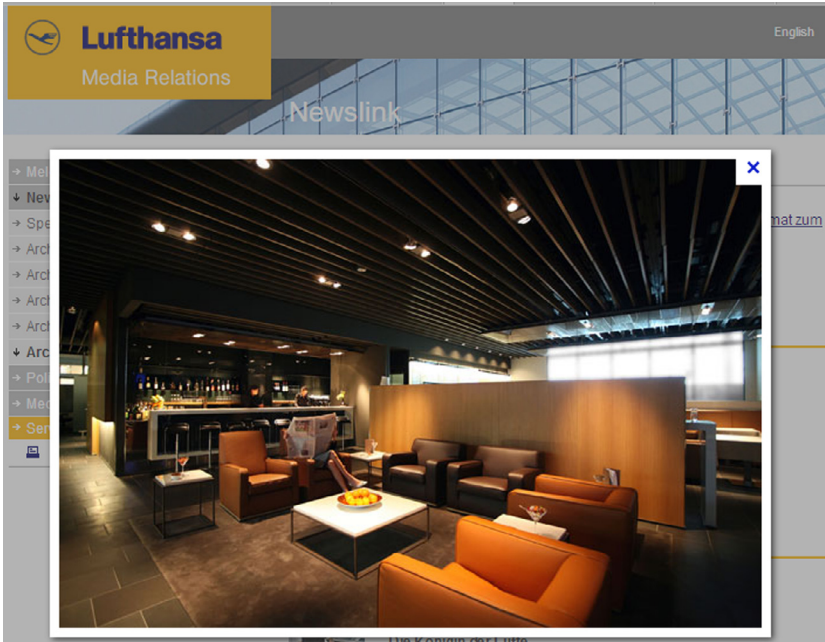


Figure 1.51 The bar at the Lufthansa First Class Terminal in Frankfurt

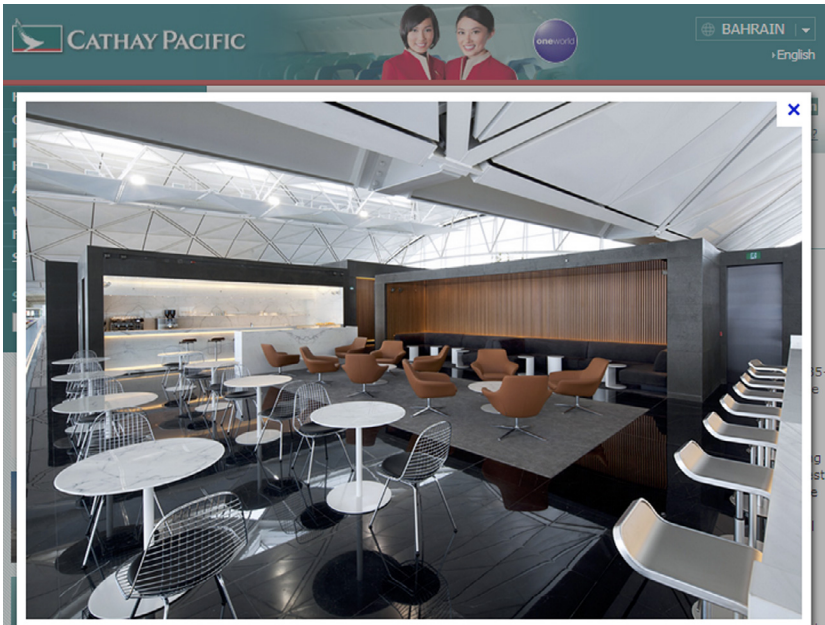


Figure 1.52 Cathay Pacific’s The Coffee Loft

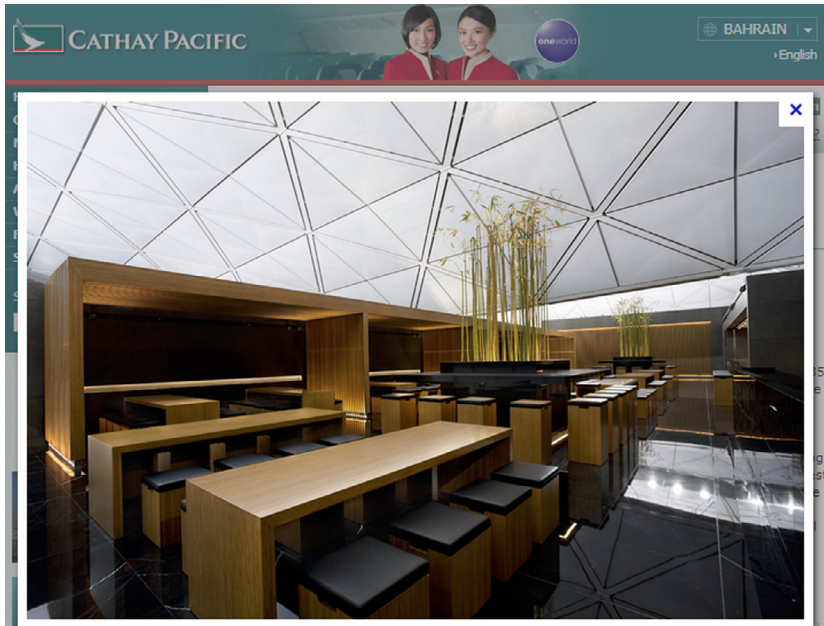


Figure 1.53 Cathay Pacific's The Noodle Bar

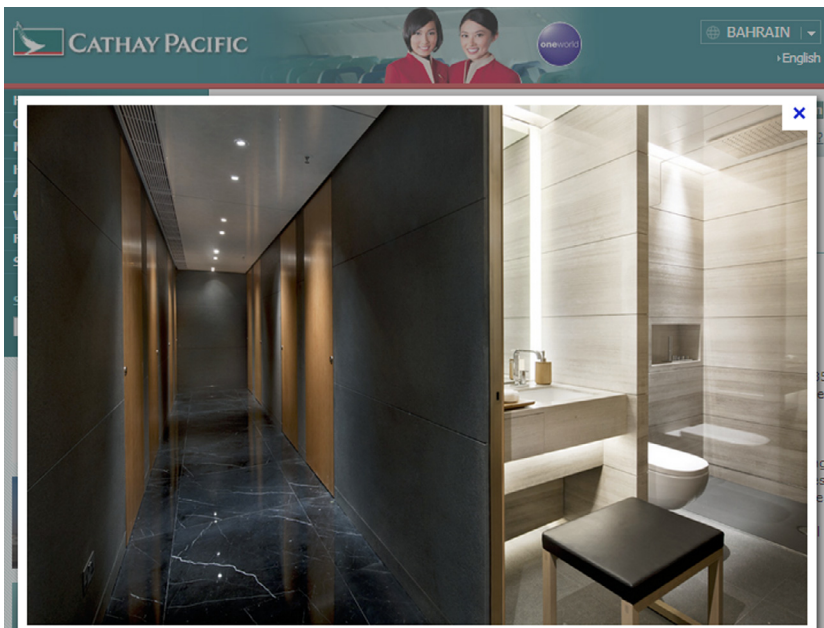


Figure 1.54 A shower suite in Cathay Pacific's The Wing Lounge in Hong Kong

How I Built Up More Than 5 Million Frequent Flyer Miles

Together, my wife and I have, at the time of writing, more than 5 million points or miles. I'm guessing I have earned closer to 10 million, but I have spent several million so far.

So what does 5 million miles look like? Well, we have more than 1 million American Airlines miles and American Express Membership Rewards Points; more than 500,000 each of Starwood Starpoints, Chase Ultimate Rewards Points, US Airways Dividend Miles, and Hilton HHonors points; and over 250,000 each of Hyatt Gold Passport points, United MileagePlus miles, and British Airways Avios. The exact numbers aren't important; neither is the large amount I have, as I've been at this for a while and know it well. The diversification is what's key.

Because I have a diversified portfolio, I can pick any destination, have several options to find availability for award nights or flights, and have several different award charts to price compare with.

The type of points I have are even more important. It is one thing to have United miles; it is another to have points that I can immediately turn into United miles but also immediately turn into 30 other things. That kind of flexibility is invaluable. It means I don't keep most of my points or miles directly with airlines or hotels; rather I like to keep my nest egg in the most flexible "currency" possible. The three flexible currencies I like the most are American Express Membership Rewards, Chase Ultimate Rewards, and Starwood Starpoints.

Chase Ultimate Rewards points can be transferred 1:1 into miles at Southwest Airlines, United Airlines, British Airways, or Korean Air, or into points at Marriott, Hyatt, The Ritz-Carlton, Intercontinental Hotels (Holiday Inn, Intercontinental, and others), or Amtrak. This makes 1 Ultimate Reward Point worth more than 1 United or Southwest mile.

American Express Membership Rewards points can be instantly turned into flights on any airline in the three major alliances (Star, Oneworld, and SkyTeam) by transferring points 1:1 into miles on Air Canada, ANA (All Nippon Airways), and Singapore Airlines (Star Alliance), into miles on British Airways (Oneworld) or Air France and Delta (SkyTeam). Membership Rewards points can also be transferred to Hawaiian Airlines, Jet Blue, and both Virgin Atlantic and Virgin America.

American Express occasionally runs bonus offers where transfers into airlines can earn 25 to 50 percent extra miles.

Starwood Starpoints can be transferred into a ton of airline frequent flyer programs. Plus, in many cases, for every 20,000 Starpoints transferred, Starwood will chip in 5,000 more. If you transfer 20,000 Starpoints to more than 30 airlines, including Air Canada, Air China, ANA, British Airways, Delta, Emirates, Etihad, Singapore Airlines, Thai Airways, US Airways, and Virgin Atlantic, you will end up with 25,000 miles in your account. As with Membership Rewards points, all major alliances are well represented. Starpoints gives your reward one degree of flexibility, the airline alliances give it another. You can turn Starpoints into a ticket on just about any airline.

The only reason I have so many American miles is because of the push for each of us to get to 2 million lifetime miles. Otherwise, I'd prefer to have them in a more flexible currency and will likely not keep as many in the future. I'm currently trying to use them prior to anything else!

Please note that point transfer partnerships come and go. This information is accurate at the time of writing but may not be in the future.

I routinely apply for both personal and business versions of the same type of cards. You should, too. The term *business credit card* is a misnomer. The American Express Platinum Business Card is not a "corporate" card. American Express handles those with a separate sales process, and they are not usually personally guaranteed by an individual. With any business or small business card you see on the market, you are assuming responsibility for the account personally, with your own social security number and credit history. When you apply, if you don't otherwise have a formally incorporated business, simply enter your social security number as the tax ID number and your name as the business name, exactly as an incorporated sole proprietor would.

My wife and I each have our own businesses, so we apply through those. However, I used to apply for business credit cards with my personal information. There is nothing wrong with it, and it will work.

This can be very helpful because it will let you apply for two of the same cards, assuming both a personal and a business version are offered. When you do this in conjunction with your significant other, the benefits and bonuses can really add up—instead of one signup bonus you would have four!

My wife and I each apply for 20 or more cards each year, usually in bursts on the same day, but not always. Assuming an average bonus of 50,000 points or miles with each, this alone nets us each approximately 1 million points or miles each year.

Time-Saving Tools for Advanced Flyers (Or How to Do No Work But Still Get Award Seats)

The game for finding award seat availability is this: At any one moment, it doesn't look like there is a lot of availability. But it is very fluid, with seats coming and going all day long. Consumers are often deterred at this stage, but as usual, they're taking the wrong approach. You don't want to find award seats by just going to an airline's main site and engaging in endless trial-and-error searching. That isn't powerful or automated enough, and there is no quicker killer of a great deal than the opportunity cost of your own time!

There are tools that will make finding award seats a breeze. One of my favorites is called ExpertFlyer. Imagine that you could see all award-fare classes of all flights in a seven-day span all with one click. That's ExpertFlyer. More important, if your ideal flights don't currently have availability, you can set alerts and the system will notify you immediately via e-mail when your desired number of seats is available. This is the real time-saver. I never spend time mindlessly searching for open seats. I just set it and forget it. As long as I give myself a little time and have enough flexibility, seats almost always open up. And when they do, I'm the first to know! See more at <http://bdeal.me/ef>.

Another of my favorites is the KVS Availability Tool. It is another great service that helps you quickly and easily get an advanced view of award seat availability, both for your favorite airline and, most important, for most or all of its alliance partners. It is not as good a user experience as ExpertFlyer, but it is arguably more powerful.

Remember that the value in award seats is most often found in an airline's alliance partners, either because the partners have better service, more availability, or cheaper redemption options.

If you don't have the time or preference for do-it-yourself award booking, consider some of the excellent concierge services that exist solely to help you optimize your award travel booking. These are run by true master craftspeople and can be well worth the trouble saved,

especially on complicated, multisegment, multistopover booking or a round-the-world trip. They will analyze every last possible option to get you the best seat on the best plane in the best class with the best service flying into the best airport with the best lounge—all without a single mouse click on your end. BookYourAward.com is one great place to start, as is AwardTravelConsulting.com.

Airline Alliances = Opportunity (Or How a Travel Hacker Goes Global)

So I speak of airline alliances. Here is what you need to know about them:

Most airlines have allied themselves with a network of global partner airlines to be able to offer a network of connecting international flights so that they can sell us flights anywhere in the world without having to actually have a presence on the ground in all the cities we would conceivably travel. United is not likely going to have a ton of flights to or within Thailand, nor is Thai Airways likely to have many to or within the United States.

These alliances make for a great deal for us: If you have miles on one airline, you can use them to book flights on any combination of alliance flights on the same trip. Your local airline is a gateway to a network of global airlines. Your frequent flyer miles become a universal currency.

The three largest alliances are the Star Alliance, Oneworld, and SkyTeam. Star Alliance includes United, US Airways, Air Canada, Lufthansa, Swiss Air, Singapore Airways, and Thai Airways. Oneworld includes American Airlines, British Airways, Cathay Pacific, Qantas, and Japan Airlines. SkyTeam includes Delta, Air France, Korean Air, and China Airlines.

Oneworld, among others, even offers round-the-world fares (<http://bdeal.me/rtw>) and award tickets that you can use to fly around the world in one direction on the same reservation—with plenty of stopovers permitted—until you arrive home.

Oneworld's round-the-world fares have a redemption chart based on distance flown. For example, a trip exceeding 10,000 miles would require 90,000 award miles for economy class or 150,000 miles for first class; a trip exceeding 20,000 miles would require 120,000 award miles for economy class or 230,000 miles for first class; and a trip exceeding 35,000 miles (the highest threshold) would cost 160,000 award miles for economy class or

AIRLINE ALLIANCES

Extend your Frequent Flyer Miles



Star Alliance	Oneworld	Sky Team
United	American Airlines	Delta
US Airways	British Airways	Air France
Air Canada	Cathay Pacific	Korean Air
Lufthansa	Qantas	China Airlines
Swiss Air	Japan Airlines	AeroMexico
Singapore Airways	Air Berlin	Saudia
Thai Airways	Iberia	Alitalia
& More	& More	& More

Figure 1.55

330,000 miles for first class. United has a round-the-world award ticket via Star Alliance but for 20,000 to 30,000 more miles.

Let’s say I wanted to take a month or two off and fly from Chicago O’Hare (airport code ORD) to Dallas (DFW) to Sao Paulo, Brazil (SAO), to Santiago, Chile (SCL), to Auckland, New Zealand (AKL), to Sydney, Australia (SYD), to Cairns, Australia (CNS), to Tokyo, Japan (NRT), to Hong Kong (HKG) to Johannesburg, South Africa (JNB), to Victoria Falls, Zimbabwe (VFA), to London (LON) to Zurich, Switzerland (ZRH), to Madrid, Spain (MAD), to New York City (NYC), and back to Chicago O’Hare (ORD). I could, on one ticket. It would be a flight of more than 39,000 total miles and would cost thousands of dollars if booked separately in economy class, or tens of thousands if booked in first class, but I could do it for 160,000 frequent flier miles for an economy seat or 330,000 miles for a first-class seat. The best part, as you now know, is if you can do it with miles, you can do it for free!

The concept of stopovers is important. It is a huge point of leverage with award tickets. As far as an international ticket is concerned, if you have less than 24 hours between flights, you are connecting. If you have



ONEWORLD ROUND THE WORLD MILEAGE COSTS

Total Distance Flown	Frequent Flyer Miles Required <i>Economy</i>	Frequent Flyer Miles Required <i>First Class</i>
10,000 miles	90,000 miles	150,000 miles
20,000 miles	120,000 miles	230,000 miles
35,000 miles	160,000 miles	330,000 miles

Figure 1.56

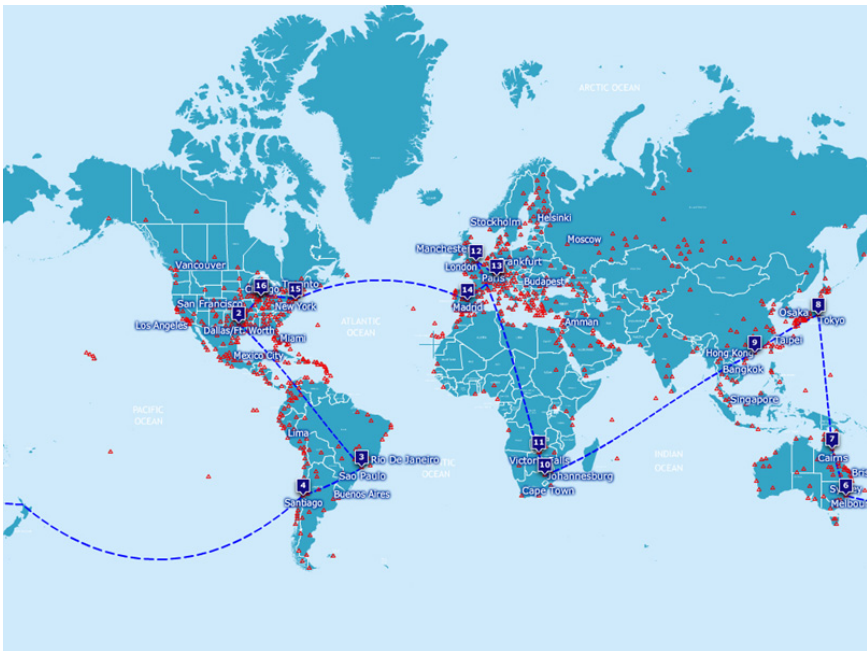


Figure 1.57 A sample Round-the-World Itinerary via the Oneworld alliance

greater than 24 hours between flights, you are stopping over. Most airlines allow for one to four stopovers with each international award ticket. That means you can craft quite a larger journey than simply there and back.

I used a stopover on my Air New Zealand flights. We connected via Auckland on the way to Sydney but then stopped over on the way back and stayed for a week.

Air Canada allows two stopovers, so you could fly to Europe but stop in two additional cities. That three-stop itinerary would cost the same 90,000 miles in business class that just going to one city would. (Note: Western Europe is 90,000; Eastern Europe is 105,000.) Remember: (1) You can easily get Air Canada miles by transferring from American Express Membership Rewards or Starwood Starpoints into Air Canada's Aeroplan rewards program, and because Starwood has a 5,000-point bonus for each 20,000-point transfer, a relatively modest 75,000 Starpoints could turn into a three-stop European vacation, all in business class. (2) You don't need to fly on an Air Canada plane; you need only to book via Air Canada for flights on any Star Alliance airline.

United allows one stopover and one open jaw (you return from a city other than the one you arrived in). This means you could fly into Paris, take the train to Switzerland, and fly home from Zurich with a stopover in Madrid.

ANA, a Japanese carrier, actually allows four stopovers and has inexpensive redemption options relative to other Star Alliance partners, although it adds a fuel surcharge on award tickets, with each segment adding more. Remember, you can use ANA miles to book a flight anywhere in the world Star Alliance flies, not just Japan. Plus, ANA is a Starwood partner, so you can transfer Starpoints into its miles program and get a 25 percent bonus.

There are many other good, specific examples of how you can use stopovers in conjunction with airline alliances to further the value of your miles.

Flying First Class to Hawaii for \$285! (Or How the European Banking Crisis Just Bought You a Vacation!)

What if I told you that in August 2012 you could buy frequent flyer miles from Icelandair so cheaply, because their currency has collapsed,

that for \$285 you could buy enough miles for a round-trip first-class flight to Hawaii via none other than Alaska Airlines? Would you have believed me?

You should. I couldn't have made that up if I tried! This was real, and it was one of the all-time greatest travel deals.

This all started in an obscure corner of the global financial collapse.

Imagine a small country the size of Kentucky that has 300,000 citizens. Now imagine that this little country wanted to be a big player in the global financial markets but was the least sophisticated country at the party—and the last to arrive.

The country's economy grew quickly in the mid-2000s by promising high rates on deposits to European consumers and then writing bad loans with those deposits. Then in 2008, *all* of Iceland's major banks collapsed. Iceland's currency, stock market, and real estate market collapsed along with them. The size of this collapse, relative to Iceland's modest size, is greater than any other economic collapse in economic history.

By 2007 Iceland's stock market, which had incredibly grown 9× what it was in 2003, fell 90 percent. More important, the Iceland Krona collapsed. Where it once cost 60 Krona to buy a U.S. dollar, it now costs more than \$1.20. That is where this deal was born.



Figure 1.58 An Alaska Airlines Jet flying above the Molokai Cliffs

You see, Icelandair was selling 25,000 miles for 39,500 Iceland Krona. This used to cost more than \$660 but then cost only \$328. Plus, for a while, you could get a 20-percent bonus. This meant that for every 25,000 miles you bought, you would actually be credited 30,000. That was perfect because Icelandair is partnered with Alaska Airlines and 30,000 miles was exactly how many you needed to fly first class on Alaska Airlines to Hawaii.

That alone was incredible and was the other big piece here. There was no other U.S. domestic airline that flew first class to Hawaii from the mainland for less than 70,000 miles. The terms of the partnership between Icelandair and Alaska Airlines were extremely generous in that there was one price for the entire Alaska Airlines network, rather than varying prices by destination.

There were five steps to flying first class to Hawaii for less than \$300:

1. *Signing up for the Icelandair Saga Club*
2. *Picking your destination*

You could fly to Hawaii or anywhere in the United States or Canada that Alaska Airlines flies to. See all Alaska Airlines destinations on its route map: <http://bdeal.me/alaskamap>.

Hawaiian destinations serviced by Alaska Airlines include:

- Honolulu (airport code HNL)
- Kona (KOA)
- Kauai (LIH)
- Maui (OGG)

3. *Finding award availability*

Ah, the eternal game.

Flights were easiest from Los Angeles (LAX), San Jose (SJC), Portland (PDX), and Seattle (SEA), because they were nonstop flights. Interior cities such as Chicago, St. Louis, Denver, Minneapolis, and Texas (Houston, Dallas, Austin, San Antonio) required a connection to the West Coast, so they were less easy simply because you needed to find seats on two flights. But there was availability. The East Coast was much more difficult.

Since their search feature is very good, it was just as easy to search for seats by going to AlaskaAir.com and selecting the cities, making sure to check off “use miles,” “award calendar,” and “First/Business Class.”

On the results page, I was looking for flights that Alaska Airlines lists as 37.5k miles one way. The company calls these “Super Saver First Class,” and these were what was bookable for 30,000 Icelandair miles round-trip. Yes, Alaska Airlines would charge 75,000 miles round-trip for the same flight that Icelandair would charge you only 30,000 miles for! This was a big part of why the deal is so good.

Any day that had these seats available would show as green (see Figure 1.59).

Alaska Airlines My Account My Trips Cart En Español Email Deals

HOME PLAN & BOOK DEALS TRAVEL INFO GIFTS & PRODUCTS MILEAGE PLAN™ ASK JENN

FLIGHTS HOTELS CARS VACATIONS GROUP TRAVEL SCHEDULES DESTINATIONS ROUTE MAP

Change Your Search

Available Awards **Green 37.5k Days Only** [Join Mileage Plan Now](#) [Change Search](#)

Awards Selected

ORD to HNL: 37,500
HNL to ORD: 37,500
Total miles: 75,000
Taxes & fees: \$10.00
Per person: 75,000 miles + \$10.00
Base fare charges may apply.

View By

☐ Schedule
☒ Calendar
☐ Price

Filter Results

Award Type

☐ Coach
☒ First Class

Legend

 Selected Dates
 Award Sale
 Lowest Award
 No Availability
k = 1,000 miles

Choose your departing and return dates from the calendars. The lowest available one-way award mileage is displayed for each day. If you are looking for one-way travel only, use the [Change Search](#) link and select One-way.

Outgoing Flights September 2012

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1 37,500 + \$0
2 37,500 + \$0	3 37,500 + \$0	4 37,500 + \$0	5 37,500 + \$0	6 37,500 + \$0	7 37,500 + \$0	8 37,500 + \$0
9 37,500 + \$0	10 37,500 + \$0	11 37,500 + \$0	12 37,500 + \$0	13 37,500 + \$0	14 37,500 + \$0	15 37,500 + \$0
16 37,500 + \$0	17 37,500 + \$0	18 37,500 + \$0	19 37,500 + \$0	20 37,500 + \$0	21 37,500 + \$0	22 37,500 + \$0
23 37,500 + \$0	24 37,500 + \$0	25 37,500 + \$0	26 37,500 + \$0	27 37,500 + \$0	28 37,500 + \$0	29 37,500 + \$0
30 37,500 + \$0						

Return Flights September 2012

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1 37,500 + \$0
2 37,500 + \$0	3 37,500 + \$0	4 37,500 + \$0	5 37,500 + \$0	6 37,500 + \$0	7 37,500 + \$0	8 37,500 + \$0
9 37,500 + \$0	10 37,500 + \$0	11 37,500 + \$0	12 37,500 + \$0	13 37,500 + \$0	14 37,500 + \$0	15 37,500 + \$0
16 37,500 + \$0	17 37,500 + \$0	18 37,500 + \$0	19 37,500 + \$0	20 37,500 + \$0	21 37,500 + \$0	22 37,500 + \$0
23 37,500 + \$0	24 37,500 + \$0	25 37,500 + \$0	26 37,500 + \$0	27 37,500 + \$0	28 37,500 + \$0	29 37,500 + \$0
30 37,500 + \$0						

Not enough miles for a roundtrip?
 • Try using miles one way and money the other.
 • Use miles to get **20% off the lowest price** for your preferred dates and cabin.

Need assistance? [Contact Us](#)
 FontTime ©Calendar4u

[CONTINUE](#)

Figure 1.59 Searching AlaskaAir.com in September 2012 for Hawaii Flights

As an example, ORD-SEA-HNL (Chicago O’Hare to Seattle to Honolulu) and back was available on September 2 with a return on September 10. If I paid cash for that ticket, it would have cost \$1,673 for a first-class seat or \$854 for coach. So we’re talking about more than 80 percent off!

Flights open up for award bookings 330 days out, so you could book into the following summer.

You were allowed one stopover, meaning you could fly from Chicago to Seattle and stop there for as long as you would like before you continue your flight. This added flexibility when trying to find award seats, because you could find one leg one day and the second leg on a future day. The only issue this presented was that you needed to keep an eye on your connection. Icelandair cannot ticket a round-trip flight that has two connections longer than 4 hours, even if they are on the same day, because both will count as stopovers.

This worked for coach seats as well. They cost 20,000 miles rather than 30,000, so it worked out to be one-third less.

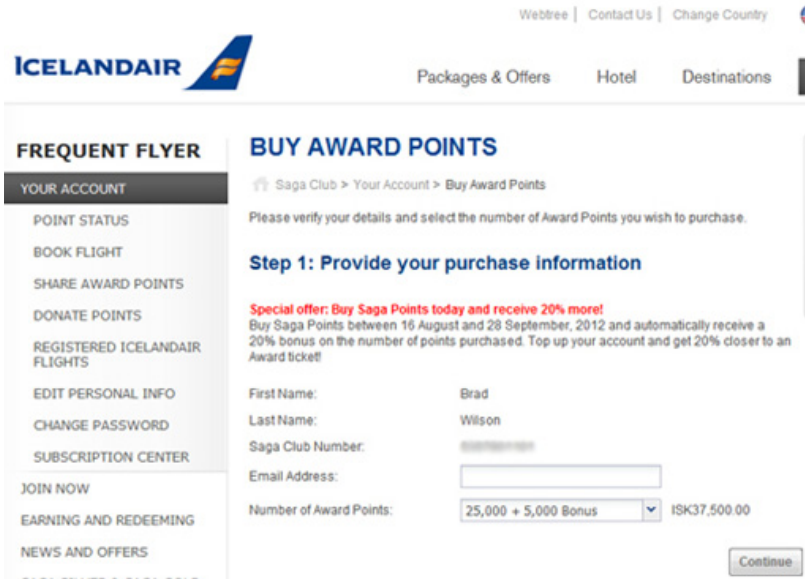


Figure 1.60 Icelandair’s site pricing out 30,000 miles at approximately \$328

4. Purchasing miles

If you did this for just yourself or one other person, you could keep it simple. Buy 25,000 miles plus a 5,000-mile bonus for 39,500 Krona, or approximately \$328.

If you were trying to take the family, you could add in a step that would save you a few hundred extra:

Start by buying 42,000 miles (plus 8,400 bonus miles) for 65,000 Krona, or approximately \$540.

Then do that again. You'd have had a little more than 100,000 miles in your account.

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FREQUENT FLYER

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- POINT STATUS
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- SAGA SILVER & SAGA GOLD
- ABOUT THE PROGRAM
- SPECIAL CHILDREN TRAVEL FUND
- REGISTER MISSING POINTS

SHARE AWARD POINTS

Saga Club > Your Account > Share Award Points

Step 1: Provide your purchase information

Please verify your details, enter your recipient's details and select the number of Award Points you wish to share. All fields must be completed.

Special offer: Share Saga Club Points today and receive 20% more!
Share your Saga Club Points with a friend or family member between 16 August, 2012 and 28 September, 2012 and your recipient will automatically receive a 20% bonus on the number of points you have shared. That is 20% closer to an Award ticket!

Your Information

Your First Name: Brad

Your Last Name: Wilson

Your Saga Club Number:

Your Email Address:

Your Password:

Number of Award Points to Share: 50,000 + 10,000 Bonus ISK3,000.00

Your recipient's information

First Name:

Last Name:

Saga Club Number: *

Email Address:

Figure 1.61 Sharing Icelandair Miles Cost \$25 but netted 10,000 Extra Miles

At that point, you would share 50,000 miles with a friend or relative. What was great about this is that the fee was a flat rate of 3,000 Krona, or \$25, regardless of the number of miles shared, plus you will still get a 20-percent bonus.

Then you would do that again, too.

At that point, you would have had 120,000 miles in the account, enough for a family of four to fly first class to Hawaii, and the flights would have cost you only \$1,140 total, or \$285 each!

Remembering to use a credit card that didn't have a foreign transaction fee would have saved you a fee of as much as 3 percent of the purchase. Chase Sapphire, the British Airways Visa that many BradsDealers have, and the American Express Platinum Card are all examples.

5. *Calling Icelandair to book*

The last step was that you had to call Icelandair to book. There was a charge of about \$40 in taxes for each ticket, so your net price was around \$325 per ticket if you did the sharing double-dip or about \$368 if you did not.



Figure 1.62 At the Grand Hyatt Hawaii

Great, you say. That was an incredible deal on a flight to Hawaii, but I would have had to spend a small fortune to stay there. Not so fast!

I'm a big Hawaii fan and long ago stopped paying dearly for the privilege of a visit. If you and a significant other or friend signed up for the following hotel credit card offers available at the time, you could have stayed free for a week via four free nights at the Grand Hyatt and three at the St. Regis Princeville (a Starwood Hotel), both in Kauai and both absolutely gorgeous. Take my word for it! The credit card offers were:

- Hyatt Visa, with a sign-up bonus of two free nights each at any Hyatt per card (<http://bdeal.me/hyatt>)
- The Starwood American Express card, which credited cardholders with 35,000 Starpoints as part of a sign-up bonus valid in August and September 2012 (bdeal.me/starwood)

How Do I Do This Myself?

In a few short years I've leveraged my expertise as a bargain hunter to uncover some simple secrets that have empowered me as a consumer and have enabled me to travel my way around the globe in as easy and stress-free way as possible, living the good life at no or low cost, truly doing more and spending less. You can, too, so let me walk you through what you need to do to live the exact same life, starting today.

I now fly a ton because I've laid the groundwork for it to be low or no cost. You can do the same. Here's how.

There are four main things you want to focus on getting: free miles, elite status, lounge access, and the right credit cards.

Free Miles Stashed in Different Places Your quickest path toward building a nest egg of miles and points like I have is via credit card sign-up bonuses and everyday spending using the right cards.

Right now, you should put this book down and sign yourself and your significant other up for several of the top cards with the best current sign-up bonuses. I keep an updated list, here is a shortcut: <http://bdeal.me/ccbonus>. If you are aggressive, I'd say go for up to 8 to 10 applications each. (As you'll see in "Why More Credit Always Trumps More Credit Inquiries" later on in this book, I have applied for as many as 17 cards on

one day!) If you're a little less aggressive, three to five applications per person should suffice in building a little piggy bank of points and miles for free travel. On the low end, a couple should be able to assemble 300,000 to 500,000 points with this plan and double that on the high end. Plus, this is just the beginning!

Here's exactly what I recommend:

- An American Express Card (likely a Gold Card or the Platinum Card) that has a good sign-up bonus in Membership Rewards Points (<http://bdeal.me/axg> or <http://bdeal.me/axp>)
- An American Express Starwood Card with a bonus of 25,000 or more Starpoints (<http://bdeal.me/starwood>)
- A Chase credit card that has a good sign-up bonus in Ultimate Rewards points (right now, this likely means the Sapphire or Ink Bold cards, see more at <http://bdeal.me/chase>)
- One card for your favorite airline (see all: <http://bdeal.me/ccair>)
- One card for your favorite hotel chain (see all: <http://bdeal.me/cchotel>)
- One card for your second favorite airline (optional)
- One card for your second favorite hotel chain (optional)

This will get you started with a good portfolio of Starpoints, Membership Rewards points, Ultimate Rewards points, and the points or miles of your favorite airlines and hotels, as well as special access and discounts on things such as baggage fees or Internet access at the hotel.

Remember that you can also apply for business credit cards. All of the cards I specifically mentioned here offer both business and personal versions, so you can and should double your haul that way.

Most cards have bonuses of 25,000 to 40,000 points or miles on an ongoing basis, but there are often times where bonuses are available for 50,000, 75,000, or even 100,000 points or miles. Even at the 25,000 to 40,000 range, it doesn't take much for one person to assemble 150,000 points via personal cards or 300,000 if you double-down with the business versions. A couple should be able to easily sock away half-a-million points or miles in one fell swoop with this approach.

If you don't yet have good credit (see "How I Got My Credit Score from 400 to Almost 800" in the next section), if you are leery of credit

cards, or if you simply want more points and miles, you can approach your initial effort from other angles; for example, you can build a nest egg of rewards solely by opening bank and brokerage accounts.

BankDirect.com has a program where you earn 100 American AAdvantage miles for every \$1,000 you have on deposit in your checking account there, up to \$200,000. Earning 20,000 miles each month or 240,000 miles per year by depositing \$200,000 in the bank is arguably the best bank interest you can find. Even if you value the miles at only \$0.01 each, you're getting a 1.2 percent return on that cash, which handily beats the average bank account these days. BankDirect.com also offers several bonuses, such as 10,000 miles for setting up direct deposit, 5,000 miles for using its bill pay service, and 5,000 miles for using its debit card.

In 2010 and 2011, you could get up to 25,000 United, American, Delta, or US Airways miles for opening a TD Ameritrade brokerage account.

As I write this, you can get up to 50,000 United, Delta, or American miles for opening a fidelity account. Although a fidelity account technically imposes a minimum of \$25,000 deposited to get 15,000 miles, \$50,000 deposited to get 25,000 miles, and \$100,000+ deposited to get 50,000, Fidelity has a funny way of doing math: you don't need \$100,000 in net deposits, you just need \$100,000 in deposits. You can deposit money, then withdraw it, then deposit it again, and it will count both times. A very small amount of capital can be deployed in this strategy to pick up an easy 50,000 miles. See an updated list of brokerage account signup bonuses here: <http://bdeal.me/brokerage>.

Whatever your preference—be it new credit cards, bank accounts, or brokerage accounts—these can all help you get on your way to being an expert traveler, with several thousand dollars of travel spending money in your pocket.

You are going to want three basic tools to help you:

1. Use a simple spreadsheet to track your account info. In addition to obvious things, you should track the date the account was opened and whether it has a fee, so you know when it will come due. Also, I track the estimated statement closing date for each card so I can know when to pay the balance down. I don't mean the payment due date.

2. Set up a service like Yodlee (my favorite) or Mint to aggregate all of your account balances and transactions on your new accounts. This gives you a one-stop view of all your accounts and lets you scale the effort very easily.
3. Use a service that keeps track of your miles. Yodlee can do this as part of its repertoire but UsingMiles is laser focused on it. Similar to what a Mint or Yodlee do for personal finance, UsingMiles organizes all of your point and mile balances in one easy online dashboard and via monthly e-mails. The one-stop view saves you a ton of time. I currently track more than 20 programs via its service. Get a free premium membership via <http://bdeal.me/usingmiles>.

Status, as Much as Possible, for Airlines, Hotels, and Rental Cars The next step in becoming an elite travel hacker is to start to gain some elite status. Here are some shortcuts I've used that you can start with immediately:

- Pick your favorite airline.

If it is American, there are three moves:

1. Call 1-800-882-8880 and sign up for American's challenge. The current fees are \$120 for a Gold Challenge or \$240 for a Platinum Challenge, although I have been able to talk my way out of the fees in the past. You'll need to earn 5,000 or 10,000 elite-qualifying points (EQPs), respectively, in a three-month period. EQPs are not the same as EQMs. EQPs also factor in the fare of your ticket. In short, cheap tickets earn 0.5 EQP per mile flown; average tickets earn 1.0 EQP per mile flown, and expensive tickets earn 1.5 EQP per mile flown. It is pretty straightforward: If you earn 5,000 EQPs in three months, you'll get a shortcut to AAdvantage Gold status, without having to meet the more stringent annual requirement. Start before June 16 and meet the requirements, and you'll have status through February of the next year. Start after June 16, and you'll have it for the remainder of the current year, the entire following year, and through February two years out.
2. Consider whether it is worth getting the Citi Executive AAdvantage World Elite MasterCard. If you spend \$40,000 on

the card, you'll earn 10,000 EQMs. If you can spend that much, and if the extra 10,000 EQMs are valuable enough, this is the only credit card that you can earn American EQMs from. It is a big ask, though. Plus, it comes with a \$450 annual fee, but you get a 25,000-mile sign-up bonus, an annual Admirals Club lounge membership, and waived domestic baggage charges on the first and second bag for you and *up to eight people*, among other benefits. See more at <http://bdeal.me/citiexec>.

3. Keep your eyes peeled—the TravelHacks.com newsletter will help you—for any of American's generous EQM promotions, especially the double and triple kinds that I have used. One came again in November and December 2012. There will be more.

If it is United, you have only two options right now, as United is no longer accepting new applications for any credit card that offers EQMs, such as the old Continental Presidential Plus MasterCard that I have.

1. You can ask for a challenge by e-mailing premiermatch@united.com with your name, address, MileagePlus number, and either a statement or a copy of your membership card for an airline you have status with. United had an explicit challenge in place during 2012 where if you flew 10,000 miles or 15 segments, you could achieve Premier Silver status; 17,500 miles or 22 segments, Gold status; or 25,000 miles or 30 segments, Platinum status. The good news is that there's no cost to do the challenge. The not-so-good news is that United's top-tier Premier 1K status was not on the table, its tiers are somewhat high, Premier Silver benefits have been cut severely, and if you have any other Star Alliance status, such as on US Airways, you are technically ineligible, though I would still try as there is no obvious way for them to know that minus you volunteering the info.
2. United runs a ton of EQM promotions. In fact, when American was running its multiple double EQM offers that I leveraged to gain Executive Platinum status, United was running similar double EQM offers on similar routes to stay competitive. Keep your eyes peeled for more offers like that in the market that you live in.

If it is US Airways, you have a whopping five options:

1. There are occasionally free trials of Silver Preferred floating around. Grab one if you can. If you can't, find someone who has status and ask that person if he or she has one to give out—people often do. I have *one* to give out as I write this—while sitting in a US Airways first class cabin, no less—but my wife has first dibs.
2. Consider paying for a challenge. This is all about how much you will fly both during and after the challenge and what the benefits are worth to you. I broke down how I approached my challenge previously. For me, comparing the amount of flying I was going to do with the benefits—upgrades, huge fee savings, extra bonus miles, ongoing status—and with the cost made the decision easy for me. See more at <http://bdeal.me/uschallenge>.
3. Both of the two main US Airways credit cards, the US Airways Premier World MasterCard and the US Airways Business MasterCard, will give you 10,000 preferred-qualifying miles (PQMs) if you spend \$25,000 in a year. This is obviously a big chunk of change, so going this route depends on your priorities and your household's or business's expenses. If you can shift preexisting spending to it, great, but obviously don't do anything beyond that. Note that the 10,000-PQM bonus is stackable to 20,000 if you have both the personal and the business card and spend \$25,000 on both. These are solid cards otherwise. The personal card has an \$89 fee, but it currently comes with a 40,000-mile sign-up bonus, two \$99 companion tickets annually, a 5,000-mile discount on award tickets (25,000 flights would cost 20,000), preferred check-in and boarding, and one complimentary US Airways Club day pass annually. See more at <http://bdeal.me/usaircards>.
4. You can literally purchase Preferred status from US Airways with its Buy Up to Preferred offer. This is the only major airline that offers this. Not only can you purchase status outright, but you can purchase PQMs in any amount to top up your account at year-end. So if you are 4,000 miles short, pay \$399 and you are in at the next level. The big story here is that

First, confirm your comparable status with the SkyMiles program:			
Delta SkyMiles Medallion Status	Silver	Gold	Platinum
American AAdvantage Status	Gold	Platinum	Executive Platinum
United Mileage Plus Status	Premier Silver	Premier Gold	Premier Platinum/Platinum 1K
Then, determine the MQMs or MQSs needed to retain status:			
Delta SkyMiles Medallion Status	Silver	Gold	Platinum
Flight Requirements on Delta or Delta Connection	8,000 MQMs or 10 MQSs	16,000 MQMs or 20 MQSs	26,000 MQMs or 35 MQSs

Customers who enroll in the Challenge and meet the flight requirement within a 90-day period from enrollment will retain their matched Medallion status through February 28, 2014 (2013 if you

Figure 1.63 A Breakdown of Delta's SkyMiles Medallion Status Challenge

you can actually buy a full year of Chairman's Preferred top-tier status for \$3,999. It is rare to see an airline put a price on that. I obviously don't think an outright purchase is a good value, given the many other options, but the ability to top up on 12/31 can be very helpful. See more at <http://bdeal.me/usbuy>.

5. US Airways often has PQM promotions, such as its popular Grand Slam, where you get both redeemable miles and elite miles for performing tasks such as signing up for the US Airways e-mail newsletter. Target PQM promotions are also done between various cities. Also, they did a double PQM offer in the Fall of 2012 for anyone with one of their credit cards.

If it is Delta, you have four options:

1. Delta has gone public with its SkyMiles Medallion Status Match Challenge, which is currently available through at least June 30, 2013. It is a straightforward 90-day challenge. The flight requirements are a little on the high side (8,000 miles for Silver, 16,000 for Gold, and 26,000 for Platinum), plus they don't match to their top Diamond tier. You will have to prove your comparable elite status to get a challenge.

MQM Price	# of MQMs	Sample Roundtrip MQMs
\$295	2,500	Atlanta/Albuquerque
\$495	5,000	Minneapolis/Anchorage
\$695	7,500	New York/Frankfurt
\$895	10,000	Portland/Amsterdam

Figure 1.64 Delta’s Pricing for Medallion Qualifying Miles

Status Qualification	Silver	Gold	Platinum	Diamond
Medallion Qualification Miles (MQMs)	25,000	50,000	75,000	125,000
Medallion Qualification Segments (MQSs)	30	60	100	140

Figure 1.65 Delta’s Elite Tiers

2. Delta generously gives out 10,000 medallion-qualifying miles (MQMs) to anyone who pays \$450 for the Delta Reserve Credit Card and makes one purchase. This is Delta’s premium card, and it comes with Delta Sky Club lounge access. For many, the \$450 cost can be justified from one of several angles. Aside from lounge access, you get a free checked bag for up to nine people on your reservation. In addition, the card offers the unique ability to earn up to 30,000 extra MQMs and redeemable miles via spending on the card. If you spend \$30,000 in a year, you get 15,000 of each; if you spend \$60,000, you get 30,000 of each type of miles. The Reserve is the only credit card that you can get 40,000 EQMs from. It is the only one you can get more than 10,000 from! This can get you automatic Silver status and 80 percent of the way to the 50,000 miles needed for Gold. It is a unique and valuable offering for a Delta flyer.
- Other benefits of the Delta Reserve include a free domestic U.S. companion ticket on your anniversary and the unique perk that cardholders are higher on the upgrade list for

a flight than all other Delta SkyMiles members with the same status. See more at <http://bdeal.me/deltaR>.

3. Delta has, in years past, offered the option to buy MQMs. The pricing shown in Figure 1.64 is what was offered at year-end 2011. With 10,000 MQMs priced at \$895, it makes other options, such as the Delta Reserve Credit Card, look much more attractive. This does have its place, though, and can be useful to top off an account at year-end.
4. Delta periodically offers MQM bonuses or promotions. In 2010, Delta did double miles from select cities (Raleigh, St. Louis, Pittsburgh, and Nashville). In 2011, you could earn double redeemable miles plus 250 MQMs for stays at Hilton Hotels, for example. There are lots of these, so keep your eyes peeled (the TravelHacks.com newsletter will help).
5. Delta rolls over excess MQMs. Any MQM you have over your current qualification level will be tossed ahead into the next year. This is particularly helpful for Platinum members because the jump up to Diamond is the largest gap on the chart. For example: If you end the year with 120,000 miles, a full 45,000 of those miles will roll over into the following year. If you can also get 40,000 miles just from one credit card, you are at 85,000 miles without any flying. It is a huge shortcut to Diamond status, which at 125,000 miles looks like the hardest top-tier status to attain, but in practice can be easy!

- Pick your favorite hotel or two:

If it is Hyatt, you have several options:

1. Although in 2010, Hyatt stopped directly matching your status from other hotels, it now has a Hyatt Gold Passport Diamond Trial. If you stay 12 nights in 60 days, you keep your Diamond benefits (30 percent point bonus, best available room, free breakfast or lounge access, welcome amenity, free Internet, 4 PM checkout, and more). Sign up after May 31, and your status is valid for the remainder of the current year, all of the next year, and through February of the year after that. Signing up on June 1, 2013, and hitting the challenge goals would mean you

keep your status until February 28, 2015. This means that the trial can net you up to 21 months of Diamond benefits.

The Diamond Trial is free, and the next best part after that is that the company actually gives full-fledged Diamond benefits during the trial. This is great for many reasons, not least of which is because you even get the four suite upgrades valid on stays up to seven nights. These suite upgrades are fantastic—the best in the business—and I have used them often. You can upgrade a cash reservation for a standard room at an eligible rate (no Priceline, Hotels.com, etc.) and confirm into a suite in advance, as long as there is one available at the time of your request.

The only catch is that you need to have achieved one of the following elite statuses to qualify:

- Starwood Preferred Guest Platinum
- Hilton Gold or Diamond
- Marriott Gold or Platinum
- Priority Club Platinum

Send an e-mail to goldpassport@hyatt.com asking for the challenge. A representative will write back asking you to send proof of your other status.

An extra: You'll earn a 1,000-point bonus for each of your first six nights during the challenge. These 6,000 points are worth at least \$100 or potentially \$250 if used on a 22,000-point redemption at a location like the Park Hyatt Paris, Sydney, Tokyo, or Maldives, where rooms can go for more than \$1,000 a night.

2. You will get free Hyatt Gold Passport Platinum status for the life of your account with a Hyatt Visa Card, which means room upgrades, a 15 percent bonus on earned points, free Internet, 2 PM late checkout, and other benefits. Also, Hyatt offers the ability to earn a few extra stays or nights toward your Gold Passport elite status purely from spending on the card:

- \$20,000 = 2 stays and 5 nights toward Gold Passport Elite status
- \$40,000 = 5 stays and 10 nights toward Gold Passport Elite status

This benefit was added only in October 2012 and is an invaluable benefit if you're a little short of the 25 stays or 50 nights required for Diamond status. However, if that's not the

case, this is not a huge opportunity given the large spending requirement and the fact that you could acquire Hilton's Diamond status outright with \$40,000 in annual spending on their Hilton HHonors Surpass Card from American Express (<http://bdeal.me/surpass>).

The card is solid otherwise, with 3 Hyatt Gold Passport points earned per \$1 spent at Hyatt and 2 points earned per \$1 spent at restaurants, on airlines, and on rental cars. Even better, there are often fantastic signup bonuses, include two free nights valid at any Hyatt, including Park Hyatt. Check here for the latest offer: <http://bdeal.me/hyatt>.

Consider applying for Hyatt's card once you have Diamond status, if possible, whether the status was earned the hard way or via a trial. If there is a two free nights sign-up bonus, it is increased to two free nights in a suite if you apply while are you are a Diamond member!

3. Keep your eyes peeled for promotions that offer a shortcut to Gold Passport status (as always, the TravelHacks.com newsletter will help you with that). In 2012, anyone with a Visa Signature card could get a free 90-day Platinum Trial with a fast-track to Diamond status if he or she stayed a mere eight nights during that time frame. And there are a *ton* of cards that are technically classified by Visa as "Signature." When I crafted the memorable trip I wrote about in "How I Got a \$40,000 Trip to Australia and New Zealand Almost for Free," I hit Diamond status early on because of a promotion at the time that dropped the threshold for Diamond status from 25 to 15 stays.

If it is Marriott, at first glance, Marriott requires more than other hotel companies, requiring 50 nights for Gold status and a whopping 75 nights for Platinum status. But Marriott's "nights" are easier than most to achieve, especially for those of us in the know.

1. Marriott has its own sort of trial and challenge combo, which it often calls Marriott Taste of Silver (or Gold or Platinum). You can ask for one via rewards.procedures@marriott.com or elite.member@marriott.com. You will not be required to show proof of other elite status, although mention it if you do have it and otherwise make a case for why it should be given to you,

because Marriott representatives can be finicky. You may have to try twice. You might as well ask for Platinum, especially if you have corresponding top-tier status, because Gold and Silver status don't carry as much value.

Marriott's challenge ends the fourth month after you sign up, assuming you don't sign up on the first day of the month. Sign up on the second day of the month, and your trial benefits will last for the remainder of the current month plus three additional months. Almost four months is the longest trial I am aware of, which always helps.

Depending on the challenge you get, these are the thresholds required to retain your status through February two years hence:

- Silver: 3 stays
 - Gold: 6 stays
 - Platinum: 9 stays
2. Marriott has several credit cards that outright give you nights toward elite status. The Marriott Premier Visa starts you off with Marriott Silver—free Internet, bonus points, late checkout—plus you get an automatic 15 nights toward elite status each year on your anniversary and you earn 1 extra night for each \$3,000 spent on the card. You start needing only 35 nights for Gold or 60 for Platinum.

The card also comes with a sign-up bonus (currently 50,000 bonus points via <http://bdeal.me/marriott>) after your first use. Plus, you get one free night just for being a card member every year. Per Marriott's reward chart, 50,000 points gets you as many as 10 nights free if you book 8 nights at 6,000 each in a PointSavers category 1 room because the fifth night is free on award stays. With the card member bonus, that's 11 nights! Alternatively, you could make out with seven nights in category 3 rooms or four nights in category 4 rooms. The card also has strong spending bonuses. You earn 5× points per dollar at Marriott; 2× on car rentals, flights, and dining; and 1× elsewhere. There is no fee for the first year (\$85 after that), and there are no foreign transaction fees. There is also a Marriott Rewards Visa with 10 elite nights, 3× points per dollar at Marriott, a 30,000-point bonus, and a \$45 annual fee. Only one card per person counts toward elite nights.

3. Marriott is unique among hotels in that it rolls over any excess nights above your current elite status threshold. If you have Silver status and have more than 10 nights, Gold status and have more than 50 nights, or Platinum status and have more than 75 nights, the excess will count toward the next year. If you have 74 nights, you will roll over 24 into next year. If you have 49, you will roll 39 into next year! When played well and combined with the 15 nights plus the 1 per \$3,000 spent with Marriott's Premier Visa, this can make it incredibly easy to qualify for Platinum status in your second year. Note: You can only roll over nights earned in the current year; nights that were themselves rolled over do not continue to roll over.

This is great for those of us who do a challenge to get Platinum status for a year via a shortcut but can't hit the 75 nights needed to maintain it. Stop at 49 nights, for example, so you roll 39 into next year. Add 15 more from the Premier Visa anniversary present and you are at 54. Spend \$30,000 on the card and you get 10 more nights. You are already at 64 nights before your first stay!

4. Marriott gives out 10 elite nights for planning an event at a Marriott via its Rewarding Events program. Because an event can be a modest 1-hour meeting in a small room and no one really cares if you are the only one who shows up, you can essentially buy 10 elite nights for \$75 to \$100. This means you could outright buy 80 nights toward Platinum status for \$800 or less, although that would be at least a little unnecessary given the other options for earning elite nights. This does, however, offer a great, quick way for someone who already has a bunch of nights to top up to the next elite tier. See more at <http://bdeal.me/meeting>.
5. Marriott offers lifetime Platinum status. You need to achieve *each* of the four:
 - 12 years of membership
 - At least one year at Platinum status
 - 1,000 qualified hotel nights
 - 2 million points

This is a high hurdle but may be useful to a few of you.

Also, don't forget that Marriott now owns Ritz-Carlton. You can earn and redeem points interchangeably at both brands.

If it is Hilton, you have a few options, but the choices are starker.

1. Although very stingy and difficult with challenges, Hilton does offer them. If you have a year-end statement from a major chain (Hyatt, Starwood, Marriott, InterContinental, Fairmont, Choice, and Accor) that shows enough stays or nights for top-tier status, then Hilton will “consider” your request. Otherwise, no consideration will be given. Fax it over to 1-972-788-1818 or e-mail it to hhonors@hilton.com.

Odds are that you will not get an outright match to Hilton Diamond but rather will get Gold status plus a not-so-generous 21-night challenge over 90 days to then bump to Diamond status. This is one of the weakest challenge options.

2. Fortunately, the second path is Hilton’s credit cards, which are much more generous. The Hilton HHonors Surpass Card from American Express and the Hilton HHonors Reserve Card from Citi are both very compelling. See more at <http://bdeal.me/surpass> or <http://bdeal.me/reserve>.

The Surpass gets you automatic Gold status for the first year and automatic Silver status beyond that. Of note: Hilton HHonors Gold is the best second-from-best status of any hotel or airline, in large part because it includes free breakfast, something that top-tier hotel status does not always include. You stay Gold if you spend \$20,000 on the card, or if you spend \$40,000, you move to Diamond status. You also earn 9 points per \$1 at Hilton; 6 points per \$1 on groceries, gas, and phone/Internet; and 3 points per \$1 elsewhere. Plus, there is usually a sign-up bonus of 60,000 or more points to be had.

The most underrated feature of the Surpass card is that you can book discounted four-night stays at category 5 to 7 hotels via an exclusive American Express discount called AXON that can be booked only by calling 1-800-920-5649. As you can see in Figure 1.66, a four-night stay in a category 7 location normally requires 200,000 total points. But for Surpass cardholders, the requirement is dropped more than 25 percent to only 145,000 HHonors points:

- Category 5 (AXON5) = 125,000
- Category 6 (AXON6) = 125,000
- Category 7 (AXON7) = 145,000

Conrad Hotels & Resorts, Hilton Hotels & Resorts, DoubleTree by Hilton, Embassy Suites Hotels, Hampton Inn, Hampton Inn & Suites, Hilton Garden Inn, Homewood Suites by Hilton and Home2 Suites by Hilton							
Hotel Category	1	2	3	4	5	6	7
Points for One Free Night (Standard)	7,500	12,500	25,000	30,000	35,000	40,000	50,000

Figure 1.66 The Hilton HHonors Redemption Chart

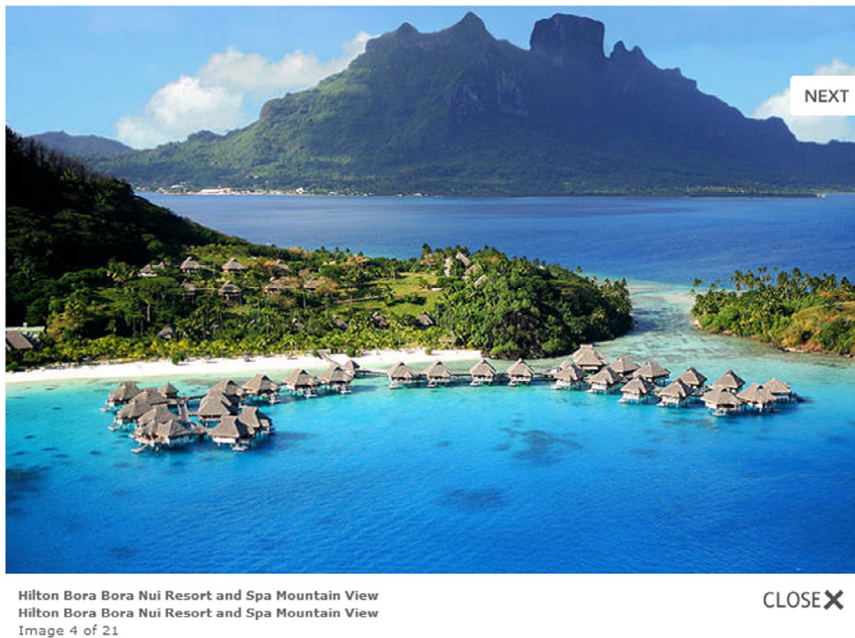


Figure 1.67 A view of the Hilton and Mt. Otemanu, Bora Bora's towering signature cliff

This means that a four-night stay at the Hilton Bora Bora Nui Resort and Spa could be had by Surpass cardholders for about 36,000-plus HHonors points per night. Since 3 Hilton points are roughly worth 1 Starwood Starpoint or Hyatt Gold Passport point, this is equivalent to a mid-tier 12,000-point redemption in those programs and, as such, is a great deal. Plus, if you went in your first year, you'd get Gold treatment. Or if you spent \$40,000 on the card, you'd receive Diamond benefits!

The new Reserve Card, launched in 2012, has a similar but slightly different set of benefits. You earn 10 points per \$1 on Hilton charges; you get complimentary Gold status as long as you remain a cardholder (Gold, as mentioned previously, is a sweet spot with HHonors and means free breakfast plus room upgrades); the card has a sign-up offer at <http://bdeal.me/reserve>, valid as of the time I write this, that nets you two free weekend nights at any Hilton property. Similarly, you can spend \$40,000 and achieve Hilton HHonors Diamond status.

3. Hilton periodically has promotions that can help you get to elite status. For example, the offer at <http://bdeal.me/hhonors>, valid through December 31, 2013, can net you Hilton HHonors Gold after just four stays.

If it is Starwood, you have five different things that can help you get and keep elite status within the Starwood Preferred Guest (SPG) program. SPG Gold (10 stays or 25 nights) is solid with a 4 PM late checkout, upgraded rooms, 3 Starpoints per dollar, and a free welcome amenity (Internet, points or beverage). SPG Platinum (25 stays) adds to that with the available room, free continental breakfast, and free Internet. SPG has recently added three additional layers: stay 50 nights and earn 10 suite night awards redeemable for confirmed upgrades into suites; stay 75 nights and earn 4 Starpoints per dollar and get Your24 check in (check in at 9 PM means check out at 9 PM the next day); stay 100 nights and get a personal Ambassador who handles everything from room preferences to restaurant reservations to special occasions.

1. Starwood offers a Starwood Preferred Guest Platinum Challenge. It used to match status outright but has recently gotten stingier in 2011 and 2012, starting first with a 15-night challenge and then moving to the current 18-night challenge over three months.

The good part is that you can choose your months retroactively. Wait until you have hit or are close to hitting 18 nights and then e-mail platinum.liaison@starwoodhotels.com to make your request. If you miss it, you will be allowed to change it. There is no cost.

You don't need any status with competing hotel brands, but you can't qualify if you have previously had Starwood

Platinum status. If you have, you could always go through a new SPG account. If you complete the challenge after March 1 of a given year, you will have it through February two years later. Doing a challenge from January to March is the best way to maximize the timing, as you'll have Platinum status for 24 months, even if you don't requalify.

2. The renowned American Express Starwood Preferred Guest Credit Card, one of my favorite daily spenders, offers two ways to help with status. One is that all cardholders get two stays and five nights toward elite status. I have the personal and business Starwood cards (you should too), so I start out with four stays and 10 nights each year. You also get Starwood Preferred Guest Gold status if you spend \$30,000 in a year. Read more at <http://bdeal.me/starwood>.
3. You get automatic Starwood Preferred Guest Gold status with an American Express Platinum Card. No spending, no waiting—you just have it. See more at <http://bdeal.me/axp>.
4. Starwood is unique in that both paid and award nights count toward elite status, although not during a challenge. This is an enormous benefit, especially for those sitting on a cache of Starpoints! Normally you have to choose between redeeming points or miles and accruing flights or stays that count toward elite status. Not so with Starwood!
5. Starwood launched lifetime status in 2012, and it is the most achievable of any hotel company:
 - Lifetime Gold: 250 nights plus 5 years of Starwood Preferred Guest elite status
 - Lifetime Platinum: 500 nights plus 10 years of Starwood Preferred Guest Platinum status

Lounge Access The four main ways are of getting into an airport lounge: with a paid membership, with an international ticket in first or business class, through elite status within an airline alliance, or with a credit card that includes some sort of free access.

1. *Paid memberships* aren't attractive to me. For one, my favorite four-letter word is *free*, not *paid*. Annual memberships cost around \$450 to \$500 for one year or a little less—down to \$300

or \$350—if you have elite status on that airline. Day passes are steep, at around \$50.

It is important to note that the annual memberships usually include all families traveling with you or one to two other guests. They cannot be shared with a spouse when you are not traveling with him or her.

(Fun fact: “Lifetime” lounge access used to be widely available. A few decades ago, it could be had for just a few hundred dollars and in hindsight was a very good investment. Continental was the last carrier to offer it and was charging a not-insignificant \$4,600 until September 2011, when its offer ended due to its pending merger with United!)

2. *International tickets* in premium cabins are a great free way to get into the best international lounges across the globe, because award seats on international flights in business or first class can be had for free and are the best use of frequent flier miles. Plus they come with built-in lounge access. I have personally been in fantastic lounges like the Lufthansa First Class Lounge in Frankfurt and the Air New Zealand lounge in Auckland with this approach, at no out-of-pocket cost, of course!

Airlines can have as many as three levels of lounges: a basic one for all members, a business-class lounge, and a first-class lounge, each with a higher level of amenities. As such, most of the top lounges in the world—think private sleeping rooms, rare wines, personal assistants, and Porsches—are for first-class passengers only.

But, most important, these perks are available for free when redeeming your frequent flyer miles for first-class international travel. They are one more reason why the best use of miles is to fly internationally.

3. *Elite status* can be a very effective way to get free access to lounges, although this is most relevant with international destinations. The elite status you can gain with a domestic airline equates to a similar status that is recognized within your domestic airline’s international alliance.

For example: I am an American AAdvantage Executive Platinum member. That means I am also a member of Oneworld Emerald, the highest tier within Oneworld. With Oneworld

Emerald status, I can get access, along with a guest, to a first-class lounge—or any other of the 550 airport lounges within the Oneworld system across the globe—as long as I am departing on a Oneworld flight, regardless of the class of service my ticket is in that day. I could be flying on an economy ticket and would still get access to the first-class lounge. Also, if I was flying in business class, I would get access to any Oneworld first-class lounge.

If my American status was one step down and I was an AAdvantage Platinum member, I would then be a member of Oneworld Sapphire. This would allow me access to any business-class Oneworld lounge. Anyone with Oneworld Ruby status, the first-tier status, does not get free access to Oneworld airport lounges.

I mentioned that this is most relevant when flying internationally. That's because having status on an airline doesn't get you into *that airline's* lounge, but it will get you into the lounge of their alliance partners. My American status doesn't help me in Chicago, but it would if I was outside the United States. Yes, it is a goofy system, but that's also why there are so many opportunities for educated travelers to do more but spend less.

4. *Credit cards* that include lounge access are a big opportunity here, especially for domestic U.S. lounges. Many cards offer day passes to cardholders, but several offer the full, annual access. The cards that come with full access usually come with a sizeable annual fee. That's okay—this is still the least expensive approach. These cards offer tons of other valuable benefits. Plus, it is relatively easy to find a no-fee offer for the first year, negotiate away the fee in future years, and/or get a big sign-up bonus that negates the fee and then some.

I have an American Express Platinum Card and a grandfathered Continental Presidential Plus Card (it is similar to the current United MileagePlus Club Card) for this reason.

The Platinum Card is literally three lounge memberships in one, with full annual lounge access to American Admirals Club, Delta Crown Room, and US Airways Club. I use both American and US Airways lounges routinely, so having the Platinum Card saves me the \$800 to \$1,000 I'd otherwise have to spend on that lounge access. It might as well be called the American

Express Lounge Access Card, though there are plenty of other benefits I detail later.

Fun fact: US Airways will admit you with your American Express Platinum Card whether you have a same-day US Airways ticket or not. US Airways is the only airline to do this. It is a good backup plan if you are at an airport without a lounge for the airline you are flying on.

My Platinum Card (<http://bdeal.me/axp>) came courtesy of a sign-up bonus worth 50,000 American Express Membership Rewards points. It has a \$450 annual fee but the 50,000-point bonus—worth at least \$1,000 to me—and the \$200 annual credit toward airline fees—justify and help reduce the cost of the card. The fee credit alone cuts the effective cost to \$250 per year. The \$1,000+ value of the points buys me four years or more of that at no net cost to me. The 50,000-point bonus is not common so even if you have to settle for 25,000, that is worth \$500+ to me and still justifies the economics for those who will use the benefits.

Even if I'm excluding the \$1,000+ value of my bonus points and if I'm deriving no other benefits from the card, I'm essentially paying \$125 each for annual membership in the American Admirals Club and US Airways Club, a fantastic deal.

There is, as always, a ton of other value to derive, though. I think of the American Express Platinum Card as a big discount card. I don't use it much as a credit card—there are often better cards to charge purchases to—but I always carry it with me for its benefits, such as free airport lounge access.

The Platinum Card includes a plethora of other goodies as well:

- For travelers, you get things such as free Emerald Club Executive status with National Rental Car—this includes the “Executive Selection,” where you rent a mid-size car at a mid-size rate but pick any full-size or larger car to drive off with, as well as free Hertz #1 Club Gold membership—with discounts, bonuses, upgrades, and a handy 4-hour grace period (28 hours = 1 day), complimentary Starwood Preferred Guest Gold elite status, and, at the 600+ “Fine Hotels and Resorts,” special benefits such as upgrades, late checkouts, and credits. You also get your \$100

back if you sign up for Global Entry—the shortcut to getting TSA Precheck—if you pay with your Platinum Card.

- There are also a variety of invaluable safety and security features, all of which are complimentary. You get up to \$3,000 in loss or damage coverage for your checked or carry-on bags. You get a whopping \$10,000 per item in Purchase Protection that will reimburse you the original charge amount if you have stolen or lose or break anything you've bought within 90 days on the card. You also get a warranty extension of up to one year on products purchased with the card. Note that some other American Express cards offer lesser levels of similar features.

The United MileagePlus Club Card, which is the updated version of the Continental Presidential Plus MasterCard that I have, is similar except it has a \$395 annual fee and comes with access to the United Club, as well as hundreds of Star Alliance partner lounges when traveling on a Star Alliance ticket.

Perks include getting my first and second bag checked for free for me and one other person—a savings of up to \$240 on a single round-trip—and elite status at Hyatt (Gold Passport Platinum status, which I have otherwise) and Avis (President's Club). I use the latter a ton and have grown to love it. President's Club means I can rent a really cheap car and walk out of there with something really nice. So far, I've had BMWs, Infinitis, Lincoln Town Cars, and Jeep Grand Cherokees!

The most under-rated perk with my Continental Presidential Plus MasterCard is that I earn United EQMs. It is one of the few cards across all airlines that do this. I earn 1,000 EQMs for every \$5,000 I spend on the card. Think of it like a piggy bank, where you are stashing away EQMs for a rainy day when you're a few short of next year's desired elite level. You crack open the piggy bank and you're in. Invaluable! Unfortunately, United did not roll this feature into the MileagePlus Club Card so it is not currently attainable.

Credit Cards to Get Double/Triple Points You should always have the credit card of your favorite and second favorite airline and credit card company. You will likely save money on fees alone (free Internet or breakfast at hotels; free checked bags with airlines), but you will also earn

extra points by paying with these cards. So if you like American, Delta, Starwood, and Hyatt, get the Hyatt Visa from Chase, the American Express Starwood Preferred Guest Card, and whichever American or Delta card you think is best. We covered the merits of many of these in the status section previously. Beyond that, other credit cards can offer even more rewards for traveling than even the airline and hotel cards.

For example, both the American Express Premier Rewards Gold Card (<http://bdeal.me/axg>) and the American Express Business Gold Rewards (<http://bdeal.me/axgb>) offer 3 Membership Rewards points per \$1 spent on airlines. Most airline cards only offer 2 points per \$1—and that’s only on *their* airline, not any airline.

Both the Chase Sapphire and Ink Bold cards offer 2 Ultimate Rewards points per \$1 spent on any travel. While this is nice, most hotel credit cards offer 3× more points per dollar spent at their hotel, in addition to other benefits. The American Express Starwood Card is surprisingly actually short here, with only 2 Starpoints per \$1 spent at Starwood properties. But many Marriott, Hilton, and Hyatt cards are essentially 3 points per \$1.

The Best Offers Finding the right offers and doing so without devoting your life to it is normally one of the hardest parts. I’m trying to make it easy. I started an e-newsletter to find, research, organize, and explain the best travel hacks, offers, and deals for my friends, family, and select others—hopefully now including you. We intentionally keep it a very small group and limit access. Currently, you can join only via an invitation from another member or if you have read this book (woo-hoo!). We do this so we don’t ruin all the best deals by throwing too many people at them. It goes out two or three times a week. We normally charge a modest subscription amount to limit the reader base, but anyone who bought this book gets their first three months free. See TravelHacks.com/DMSL for more info.

SECTION 2

Shopping

Introduction

Very few people know the real root cause of why I am now writing this book. It's funny, now.

When I was three, my father had the foresight to sock away enough money in a college fund that by the time I was 18, it had ridden the great bull market of the 1980s and 1990s to the point that it was almost exactly enough to pay for four years of room, board, and living expenses at your average state school. The only problem was that at the last moment, the relative who had kept watch over it refused to give me any of it.

I discovered later, of course, that he had stolen it all many years before. My relative oddly retained the records of his theft; I'll never forget discovering the proof in the form of dozens of canceled checks he had kept meticulously organized. Perhaps he had intended to right his wrong. It was too late at that point as he was as gone as the money.

It is funny to me now only because you have to find humor in these situations to endure them. For example, I also found this amateur's credit card bills detailing how he spent my college fund globetrotting at fancy hotels for which he paid full price. If only he had this book to read! Knowing that I've indirectly paid some huge travel bills always adds a little sugar on top when I'm enjoying one of my incredible and always low-cost trips.

I imagine that these early difficulties often yield a lifetime of then-unknown dividends. For me, I spent my college years much more open to worldly lessons in frugality than to the classroom lessons of History and English. The frugality certainly sunk in the better, judging from my

unremarkable and incomplete academic record, as well as how I have spent my time these past dozen years. While my father's prudence was not rewarded and his trust betrayed, I am the better for it.

I'd be lying if I said it was easy. I was always low on cash and had plenty of basic needs and no shortage of wants.

I looked for any way to save money that I could.

I often wore my younger brother's hand-me-down clothes. Luckily, he was bigger than I was despite being younger, there was always a good inventory of clothes he had just shed! I did this well into my 20s.

Internet was expensive, so I bought a router and a bunch of cheap wireless cards (this was back when computers didn't all have Wi-Fi!). All of my friends in the same apartment building pooled together, went through one account, and saved a ton.

When I had to buy books, I looked on Amazon, eBay, or BN.com. Then I discovered Amazon.ca, Amazon's Canadian site. Back then, the dollar was so strong that many items on the Canadian site were 30 to 50 percent less, so I'd buy them there. Unfortunately, that's not the case anymore.

I read most of the classics by buying dozens of Dover Thrift's \$1 line of great books. (Yes, the library is free, but they're not your books to stuff in your pocket, dog-ear, mark up, and go back to over the years.)

Some of my efforts at making or saving money were really out there: One time, I literally bought a bunch of Cristal champagne for \$80 a bottle at the airport duty-free shop in Germany on my way back from visiting my brother studying abroad. I flew home and sold each bottle on eBay for around \$200 a piece. It more than paid for the trip, which would have been an almost irresponsible extravagance otherwise, as I had yet to learn the value of frequent flyer miles!

I started having experiences that ultimately seared on my brain that the default path in any consumer decision is usually the wrong one and that if you just step back and look at it from a different angle you can open up a ton of value. This was on display one year when fall classes were starting up at the University of North Carolina. I was in the school store, and the prices were terrible. The school store pushed an IBM laptop that ran to \$1,800 or more when everything you needed was added. Absent my unfortunate experience, I probably wouldn't have

thought twice about it and just bought the laptop they told me to buy, that my friends were buying. I knew even then that the real reason the store pushed that laptop was because some bureaucrat was sold an IBM contract without thinking about how bad it was for students. That was the tip of the iceberg. The books were too expensive. The calculators were too expensive. The supplies were too expensive. Even the school spirit fan gear was too expensive! Yet parents and students alike, awash in too many other changes and decisions, followed instructions, went to the school store, and bought what they were told to buy. They took the default path and paid a premium for it.

There had to be a better way!

I went home, went online, and found much better deals on the computers, supplies, gear, and more. Out of a combination of fury and civil disobedience, I printed up flyers that read, “Don’t Shop at the School Store!” and explained how to get the big savings I’d found online.

I ferociously went to events around campus to pass out flyers and then posted them all over town at dorm rooms, Greek houses, and apartment buildings.

I still have people come up to me to say, “Hey, you were the guy who put the goofy flyers up in my dorm room or frat house, right?”

But it worked. People were interested and started to change. Many of them were in similar situations or ones more difficult, as so many of us are otherwise. I realized that if I could continue to show people that there was a better way, they would never go back to the default path of paying retail without giving it much thought.

Every day since then—now more than 10 years—I have found, researched, curated and explained and published each of the day’s best online shopping deals into a brief digest served up on a platter and spoon fed to Brad’s Deals readers, who, in the course of their busy lives, can come stop by and review each of that day’s best shopping decisions. Think of it as the daily newspaper for savvy consuming.

At this point, we’ve helped a lot more people—literally millions—become better consumers, arming them through the depths of the recent economic collapse with tips and tricks that level the playing field in the David vs. Goliath battle that is modern retail. Here are some of the best stories from along the way and some actionable steps to help your family’s bottom line.

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:

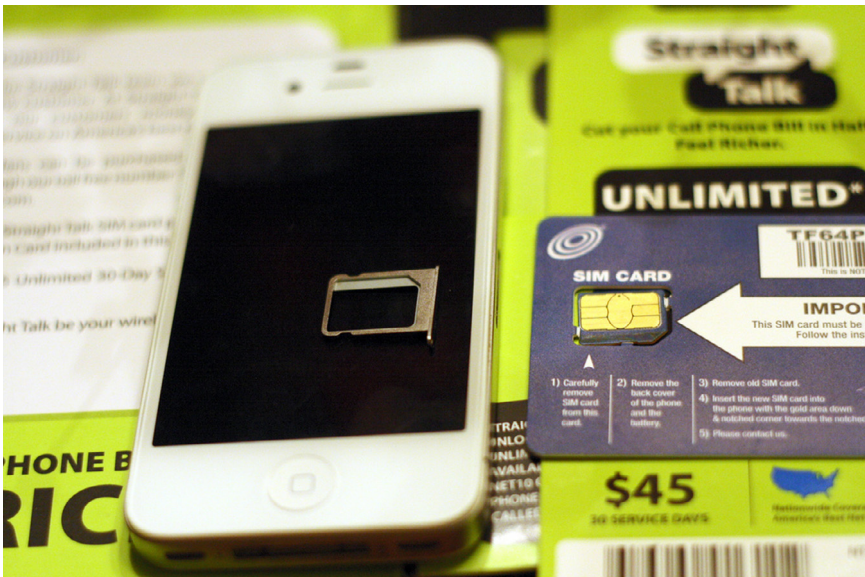


Figure 2.1 My iPhone, SIM card, and service card from StraightTalk

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

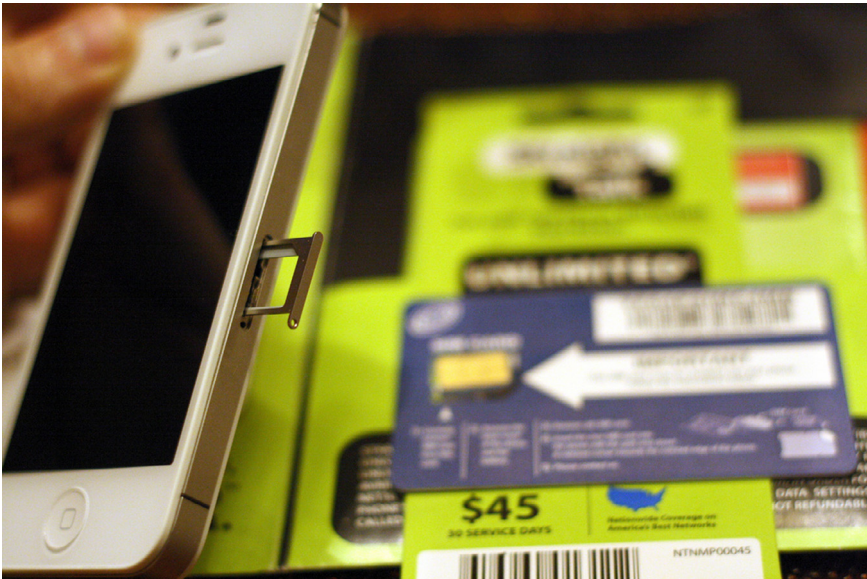


Figure 2.2 The Removeable Tray to Insert myStraightTalk SIM into my AT&T iPhone

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.

All the Free DVDs a Kid Could Ask For (Or How to Get Banned from eBay)

During college, I was the only kid I knew who had a flat-screen TV. Not the thin-panel 1-inch deep TVs like we have now—it will still as deep and heavy as an old TV—merely a screen that wasn't rounded like they had been for years. I remember getting an absolutely incredible deal on this TV. It was so good that it almost seemed like a price mistake, and it even came with a DVD player. I wish I could remember or find the details as it was a legendary purchase, but I can't.

I had this TV and DVD player, but I didn't have any DVDs. I let that sit for a while, but after I had watched *Happy Gilmore* (literally my only DVD) 87 times, I knew something had to change.

At the time, DVDs were somewhat new and, as such, were very expensive. I knew I wanted to get a bunch, but I needed a novel approach. I couldn't afford to just walk in to Best Buy and pay \$30 a pop!

After a ton of research, I stumbled upon Half.com, the fixed-price marketplace that eBay acquired and eventually shut down. The products—mainly books, music, and movies—weren't store-bought-new but were often new-in-box or in like-new condition. They were priced at a discount since they weren't being sold retail.

Turns out that there were a lot of DVDs for sale priced at \$10 or slightly higher. What made it great was that Half.com had a \$5 off \$10 coupon code then. The company also had a "sign up a friend" referral scheme where you could get \$5 for sending someone their way. I ordered a DVD for a shade over \$10, paid about \$1 to have it shipped USPS Media Mail but got \$10 off after the two \$5 savings. Sure enough, it arrived in the mail shortly.

Rinse and Repeat?

I was a little more mischievous in my youth, so I decided to see if I could scale this admittedly aggressive strategy. Over a few weeks I ordered

about 300 DVD titles from Half.com, all priced around \$10, all with \$1 to \$2 shipping, all discounted \$5 via the coupon code, all with the \$5 referral payment.

The trick was that I needed a new account every time. That meant I needed a new e-mail address for every order. Normally, that's all you need to have for an account to be considered new, but Half.com was clever: A unique credit card was required to pull that off. Stymied! What to do now?

That's when I discovered that Citibank has a fantastic virtual credit card number tool that lets you generate one-time-use alias credit card numbers. It was designed as a security precaution for consumers: You give out the one-time-use alias when you're worried about who you're giving your number to. It also works great when signing up for free trials or subscriptions you know you don't want to keep since these numbers won't work after the first charge. It came in handy here. I generated a new number for every order I placed.

In no time, I went from one DVD to over 300, with most having an all-in cost of just less than \$2!

Several years later I got 300 different e-mails from eBay, who then owned Half.com, canceling all of my accounts for "gross coupon abuse"!

Selling and Profiting from DVDs I Didn't Own (Or How Amazon's Canada Store and International DVD Arbitrage Helped Me Pay for College)

I was so excited about my new DVDs that I wanted more. The main hole in the collection was that there weren't any box sets. A total of \$10 off doesn't mean much on \$100. At the time, this included titles such as the James Bond collection, *The Godfather* set, and *The Sopranos*. I needed a better way to buy those than just walking into Best Buy like everyone else.

I found it north of the border. At the time, the U.S. dollar was strong—ah, the good old days—so every dollar was worth more than \$1.50 in Canadian dollars. Conversely, \$100 in Canadian was close to \$60 USD. As I write this, they are essentially equal and convert at \$1 each.

Amazon.com had recently launched a Canadian store, Amazon.ca, and for some reason the pricing was better up there relative to U.S. dollars. I could find DVDs that were selling for \$60 USD on Amazon.com but only \$75 CAD on Amazon.ca. Amazon's well-known free shipping did not apply to international orders—mine were being sent

from Canada to the United States—but costs were reasonable, between \$4 and \$5 CAD. Better yet, Amazon.ca had a generous \$10 off \$50 coupon code at the time, so instead of \$75 + \$4 to \$5, I could pay less than \$70 CAD, which meant less than \$45 USD.

Although not as cheap as the \$1 to \$2 DVDs I'd bought previously, I acquired a few of the box sets I wanted to test my theory. All went well.

The bigger opportunity lay in arbitrage, one of my favorite sports.

Arbitrage, a term primarily used on Wall Street, is the practice of taking advantage of a price difference in two different markets. Think of it in terms of oil being traded in London for \$101.25 a barrel and in New York at \$101.50 a barrel. That is a small difference, but if you bought a ton of oil in London and sold a ton in New York before the price changed, you'd make a fortune. And if you bought and sold equal amounts, there would be no risk!

I've always loved inefficiencies and found it fun to see anomalies in a market and then plow through them until they go away. A financial friend of mine once called Brad's Deals "consumer arbitrage." I suppose I'm lucky I didn't end up on a trading desk!

The arbitrage opportunity here involved eBay. The DVDs I was buying for less than \$45 USD on Amazon.ca were selling on the auction site for closer to \$60. Yes, almost retail. eBay is rarely the source of great deals. That said, I usually view eBay as a pain. I don't want to have to buy boxes, tape, and lug a bunch of stuff to the post office or UPS Store, only to then have to worry about tracking and delivery.

That's not true arbitrage, either, because you're placing capital at risk. Not that I had any to worry about then anyway.

What I did was set up eBay listings for all of the box sets on Amazon.ca. If one sold, I'd get an e-mail and then spend all of about 1 minute clicking to order it, with shipping directly to my buyer on eBay. I'm sure they were all baffled by the Amazon Canada box but were pleased to not have the quality concerns you normally have when buying on eBay.

I did this for a long time. It was one of the most efficient arbitrages I've set up in my life. I reliably made \$10 to \$15 net of fees for a few minutes of work dozens of times a day before prices converged and Amazon.ca's coupon codes dried up. I paid a lot of tuition and expenses with that money!

To encourage other unique approaches to paying for college, I have started the Shop Smart Scholarship to recognize, encourage, and reward students whose college experience is enabled by remarkable frugality, ingenuity, effort, and thrift. I give out \$2,000 each to a set of worthy students every year. If you know of anyone who you think is a strong example of this, please encourage him or her to apply: <http://www.bradsdeals.com/scholarship>.

When Too Good to Be True Is Just Good (Or How I Got a Free \$70 Coffeemaker)

I can't tell you how often we post a great deal on Brad's Deals and then get comments from our readers asking if it is real. I get it; there is a natural hesitation when it seems like you're getting something for nothing. In reality, the "something" is more than likely being used as bait to reel in customers who will come back and buy something else that will be profitable. It is a marketing cost, and the marketer has his or her eye on the lifetime of value of a pool of new customers, regardless of whether you personally came back and bought again or not.

Gevalia is a coffee company that, among other things, offers a subscription service where it bills you for regular shipments of a few boxes of coffee. To reel people in, the company needs people to hear about or try its service. The company knows that for every 100 people who try it, enough will stick with it to offset the marketing costs. Gevalia does a lot of no-obligation trials where you can sign up for very little, get a nice shipment of coffee or equipment, and, remarkably, cancel prior to paying for your next shipment. At times, the offers have verged on too good to be true. For example, the company once offered three boxes of coffee plus a travel coffee mug for \$3 shipped. The postage cost alone was more than the \$3 you paid for it, but that wasn't the point Gevalia was concerned about. For Gevalia, it was likely a cost-effective way to get new customers to try its product.

The coffeemaker that I'm using as I write this was from one of Gevalia's offers. I had to pay \$10 for an initial shipment of 2 pounds of its good coffee, which signed me up for recurring shipments. But the company offered me a \$70 stainless steel coffeemaker to do so. Since I am always the human guinea pig for these deals, I canceled the recurring shipments soon after I received it just to see what the process was like, so I could feel comfortable recommending it to Brad's Deals readers, or not. It was remarkable easy; less than a 3-minute phone call.

Restaurant.com is another great example of this. Its entire business model is something consumers have a hard time wrapping their heads around. The company sells discounted dining certificates for more than 18,000 local restaurants. Its most common certificate has a \$25 face value but sells for \$10. How can Restaurant.com do this? It gets the certificates for free from local restaurants that want more diners to fill extra tables. (In the restaurant business, incremental revenue is crucial because you've already paid for your food, facilities, and team.) Often, but not always, you have to spend some amount more than \$25, such as \$35 or \$50, to redeem the certificate. Often, but not always, there is plenty of other fine print, too. It isn't a free meal, but it is a real discount, even if it seems too good to be true. The ability to trust that you aren't somehow getting ripped off gets even harder when the certificates are discounted further. On a handful of days in the past several years, Restaurant.com has actually offered an additional 90 percent discount on its \$25 certificates, meaning the normal \$10 price dropped further to just \$1. It was an incredible deal. You can't beat the 25 $\times$ return on investment! As far as Restaurant.com was concerned, the certificates were free, so why not sell them for \$1? Although I followed the logic, it was still hard to believe that this was all on the up and up, but it was. I have taken advantage of these offers myself and enjoyed many discounted meals as a result.

Another example is 4Checks.com. This company can print customized or basic checks for your checking account for less than what your bank will charge you. The regular prices start at around \$15 per box, but on occasion, deals for one box of checks at a price as low as \$4.05 plus free shipping can be had. That is another situation where you almost wonder if the shipping charges are more than all of what you're paying them. It sounds fishy.

4Checks.com's bet, however, is that breaking even or perhaps taking a little hit on the first orders will result in enough consumers sticking around and becoming loyal customers, buying refills at \$15 or more per box, to offset the cost. This bet is likely not a hunch but rather a sophisticated, data-driven decision on where best to allocate marketing costs.

That concept is the root of many a fantastic deal.

I've occasionally seen books being sold for \$0.00 on Amazon for this same reason. The publisher is trying to juice the popularity of

these books so that they will move up in the Amazon rankings, which means more people will see and buy them. The publisher is chalking up its losses on the \$0 books as marketing costs that will hopefully be offset over the long term by getting the book more exposure and higher rankings. The publisher has decided that this is the most cost-effective approach relative to other ways to invest dollars in marketing the book.

In the great deals corner of retail, almost anything could *look* too good to be true. These offers are often very intentional and the product of very savvy marketing and analysis. More often than not, the saying most relevant to these deals is, “Don’t look a gift horse in the mouth!”

How I Stumbled into \$1,000 When My TV Broke (Or What You NEED To Have In Your Wallet)

When I moved into my current home in the spring of 2006, I went out and spent what was in hindsight a significant amount of money on a fancy 46-inch flat-screen TV. I spent exactly \$2,093.67. At the time, I thought I’d gotten a great deal on it, and likely did, which goes to show you how far TV prices have fallen.

However you slice it, it was a big purchase, perhaps not the brightest, but I did enjoy it, which *is* of value.

You can imagine my panic when in the early spring of 2008 it started to have problems and then ultimately stopped working altogether. It would turn on—sort of—but you couldn’t see anything. I knew very well that the manufacturer’s warranty was for one year and would be of no help to me. I also knew to never buy the store’s extended warranty. The math on those was so obviously bad that if you could self-insure on even just a handful of purchases, you would effectively save enough money to cover the replacement cost if one broke.

I was busy and somewhat in denial so I didn’t do anything at first. I kept thinking that it would just get better. I had never actually seen a TV simply die, especially not *my* new fancy one.

I started to come to terms that I had essentially wasted a big chunk of money. I sat there commiserating. I literally added up that the \$2,093.67 would have been something like \$100,000 in retirement, thanks to compound interest. I had decided to spend that instead on a TV and now that was dead!

Somehow, somewhere, my brain eventually made the connection that I had charged the TV to an American Express card. I had a loose idea of a variety of purchase protections the card offered, but I had never used or paid much attention to them. I used to keep all of my original envelopes from credit card companies—the ones with the endless lines of single-space tiny font on almost delicately thin and light pages of paper—before I realized all of the terms were online. I rushed into my files and ripped into the tiny font, searching for anything that would help.

Sure enough, my card had American Express's Extended Warranty protection (<http://bdeal.me/warranty>), which meant that American Express would double the manufacturer's warranty, up to one year, on any new product that I had purchased on the card that had a valid manufacturer's warranty.

My salvation had arrived. I had twice as much warranty as I first thought—a full 24 months. Best of all, it was free!

I called American Express. The customer representative sent out a technician who determined that the TV was unfixable (if it had been fixable, they would have paid to fix it). Once American Express got the word, it couldn't have been simpler. The card company didn't replace my TV; rather I received a credit to my account for *my full original two-years-ago purchase price!* Normally, this isn't a big deal, but the price of a TV drops quickly. I was able to go out and buy a similar TV for under \$1,100.

Not only did I get my TV replaced, but I actually made more than \$1,000 in the process!

I'm going to guess that every personal finance book ever written advises you to never buy the store's extended warranty. That's right: over time and over a number of purchases, it works out incredibly poorly for you but is a huge profit center for stores. The salespeople often get bonuses if they upsell the most customers. The good news is that there is a better option. My experience with my broken TV couldn't demonstrate the value or the ease any simpler.

Take a moment and open your wallet or purse right now and make sure that you have an American Express or Visa Signature card. If so, you should already have this at your disposal. If you don't, you should get one or any other card that offers this kind of free warranty protection. You should consider the method of payment as much as any other detail when researching and making a big ticket purchase.

Why Buy \$10,000 Worth of Bose Products (Or How Red Envelope's Bankruptcy Got Me My Headphones)

Red Envelope is an online store that specializes in gifts that it ships in a red box (yes, the name doesn't totally make sense). The company hit some troubling times in 2008 and filed for bankruptcy protection, but in the months prior to that, it was doing very aggressive discounting. It is a last-ditch effort that we see often when retailers start to spiral out of control.

What was interesting about Red Envelope is that around this time, the retailer started to sell Bose products for the first time. Naturally, I checked to see if Red Envelope's coupon codes worked on Bose items. I wasn't expecting much, as Bose is one of those brands that usually prohibits retailers from discounting its products. In fact, it is often listed as a specific exclusion to coupons. Red Envelope's coupon codes did work, though. At first it was 15 percent off. Then we saw 20 percent off. Finally, toward the end, we saw a curious coupon for 24 percent off. It was certainly well below cost, but at that point, in hindsight, it was clear that turning inventory into any amount of cash was the only goal. Every coupon worked with the Bose products, such as the Bose SoundDock and QuietComfort 3 (QC3) Acoustic Noise Cancelling headphones.

I started to get really interested. The Bose SoundDock Portable was almost universally \$399, even on eBay. Most retail outlets that had it also collected sales tax, so the average consumer was paying \$425 to \$440 for a SoundDock.

With 24 percent off at Red Envelope, I could buy one for \$303 plus no sales tax. Or I could buy 20. I still have an e-mail to my then-girl-friend (now my wife), asking:

What do you think about my buying like 10 or 20 or 50 of these and us (read: you) selling them on eBay?

She kept me in check somewhat, so we bought only 20, plus we added 15 of the QC3 headphones, which were universally \$349 but which I could now buy for \$265. I still remember the enormous boxes they were delivered in.

In all, we spent just a hair over \$10,000, but we made back more than \$11,000 reselling them, even after we kept one of each for good measure.

We charged them to a credit card, so it required no actual money to do this yet we netted a cool thousand and change in cash plus got two great products for free that we still use five years later. I should have bought 50 or 100!

Almost every day there are items listed via deals on Brad's Deals that could be immediately turned around and sold on eBay, Amazon, or Craigslist for a profit.

Can You Buy Everything Online? Almost. I Do!

I am often asked how many different things I buy online. The answer is that *I buy almost everything online*. Why? Well, the deals are better than anywhere offline (yes, even warehouse clubs), there is often no sales tax, and it is more convenient for me.

I buy most of the nonperishable food I eat—everything from peanuts, oatmeal, rice, cereal, milk, and vitamins to a 10-pound bag of organic goji berries (beat that for obscurity!)—and drinks such as bottled water, milk (soy, almond or coconut can come shipped room temp, somehow), and tea. I'm two years into trying, at least, not to eat meat, dairy, or any



Figure 2.3 Some of the many nonperishable food items that I buy online for less, including oatmeal, rice, milk, tea, and vitamins



Figure 2.4 Some of my personal care products purchased online for less, including soap, shampoo, deodorant, and shave gel

processed foods. That means lots of obscure things. Normally, that means expensive obscure things, but the Internet really helps me even that out. I even buy some perishable items that I like if the timing works, if it is made by a company that has a website and can ship, and if the price is right.

I buy all soap, shampoo, and personal care items in bulk online (think Amazon.com, Drugstore.com, and Soap.com) for less than I could anywhere locally. This includes everything from paper towels to toothpaste to deodorant to razors to shaving cream to contact lenses. Amazon's "subscribe and save" is brilliant both because it knocks an extra 5 to 15 percent off but also because it keeps me stocked of things I don't want to run out of.

For my baby daughter, we buy everything we can online, especially toys and diapers, although we occasionally run through the latter more quickly than we planned! The pricing and sales tax is unbeatable for both versus what we'd find at local stores.

But How Good Are the Deals?

My checks were \$4, my Gevalia coffeemaker was free after a great deal, my water costs less than \$0.20 a bottle and is delivered (no heavy



Figure 2.5 My bed, mattress, sheets and pillows, all purchased on the Web

lifting!), my awesome mattress was 40 percent off after I found a rare “employee discount code” for the W Hotel Store, and the wickedly good Scottish travel pictures on my wall were 35 percent off via an exceptionally large AllPosters.com coupon. Even my HP laser printer was more than half-off retail and cost me \$65 to \$115 less than what most people typically pay.

I set up an entire bar full of expensive lead crystal glasses that cost me only \$2 each, and then I stocked it with a bunch of solid mid-shelf alcohol for pennies on the dollar after finding an outrageously good deal to buy Captain Morgan’s, Jose Cuervo, and Smirnoff for about \$1 a bottle.



Figure 2.6 My bar with glasses and alcohol bought with incredible discounts found online



Figure 2.7 My remaining Bose Sounddock; I bought 20 after a rare discount, sold 19 for a profit and kept this as a bonus!

As you now know, the only reason I own a Bose SoundDock or Bose QC3 headphones is because I found a rare coupon code that took, curiously, 24 percent off Bose products and I had to see if it would work! It did, so many others got to save, as well.

I've bought several pairs of my favorite \$90 to \$110 Nike Free shoes for under \$50, my winter down jacket for half-off, and my brother's college graduation present for more than 60 percent off.

I've also bought my sheets, silverware, the music I listen to (when not listening for free), my TV and DVD player, my desk and desk chair, my iPhone, and all computer products (computer, mouse, monitor, printer, paper, ink, etc.) online at significant discounts and usually without the retailer charging me sales tax.

My wife and I bought our wedding bands on Blue Nile using a coupon code. We've bought stamps from Stamps.com (in fact, I bought so many years ago when they were giving away free postage when you signed up that I still have some left), super-cheap semidecent wine from Wine.com after coupon codes and sans local liquor taxes, sheets from Overstock and SmartBargains, rugs from Overstock, and a variety of dog food, supplies, and vitamins from a mix of online pet stores.



Figure 2.8 Scotland via AllPosters.com



Figure 2.9 My 101 energy-efficient light bulbs, only \$0.99 online

I even bought my lightbulbs online. Several years ago, I bought 101 60-watt energy-efficient lightbulbs from Lowes.com for \$99.99 (yes, there were \$0.99 each). They were typically selling for more than \$5 each. One hundred was a bit much. With 8,000 hours of light each, I've gone through only about 40 in five years!

Why You Should Never Buy a Mac at the Apple Store (Or Reason 1,343,206 That Everything You Know about Being a Consumer Is Wrong)

There's nothing special about a Mac purchased from the Apple Store. Steve Jobs didn't sprinkle magic iDust on it, and the Geniuses haven't loaded it up with bonus software. It's exactly the same computer as one purchased at any other authorized source. The difference is the price. On any given Mac laptop or desktop computer, you'll always find the highest price at the Apple Store. Furthermore, with very few exceptions, the price for a Mac at the Apple Store will remain consistent from the day it is released to the day it is discontinued.

Apple's done a great job catering to Mac fans with stores that are monuments to aesthetically pleasing design and staff that are as

Apple-focused as the shoppers. By all means, go, check out the newest models, and take care of your repairs there. But you should never actually *buy* a computer in the Apple Store, no matter how cool the hipster Genius makes you feel. So where is the best place to buy a Mac? You'll always find a better deal by getting online and checking out the alternatives in the form of Apple Authorized Resellers and Apple's own special pricing departments.

Apple Authorized Resellers

Apple Authorized Resellers frequently have the best deals on Mac computers and laptops. The big names in the game include MacMall, MacConnection, B&H, Buy.com, Best Buy, J&R, and Abt Electronics. There are a number of advantages to shopping at these stores. First, they provide discounts off the retail price. For instance, MacMall recently had the current lowest price on a new 11-inch MacBook Air. At \$948.99, it is 5 percent off the retail price, plus at times Brad's Deals readers have received an exclusive \$40 discount that dropped the price further.

The next big advantage is free software and rebate offers. B&H recently offered Parallels 6 Desktop for Mac for free with your Mac purchase, and MacMall has offered a whole slew of rebates for free or discounted printers and free or discounted software. Finally, you can save on sales tax from many of these resellers, depending on your location, whereas you always have to pay at an Apple Store. And most of the time, shipping is free (or the price is discounted enough to make up for it).

A quick note: If the website you are looking at has a shoddy design and the prices are too low to be believed, it probably isn't an Apple-authorized site and may not be a trustworthy business. Any site you see on Brad's Deals is safe.

Apple Education Store

Students, teachers, and education staff get 8 percent off Macs by purchasing through the online-only Apple Education Store. Plus, Apple Education often adds an additional discount; for example, the 2012 offer was for a \$100 Apple gift card that could be redeemed in the App Store, the iTunes Store, or the iBookStore when buying a Mac during the back-to-school season. If you can combine multiple offers, buying through Apple can be a good deal, even though you will pay sales tax. Ground shipping is always free with a Mac purchase (from any of the Apple Stores). The best time for a student to purchase is in the summer months, because the back-to-school promotion is usually an annual thing for them.

Apple Refurbs

The Apple-Certified Refurbished Mac Department is the other big way to buy from Apple and save. Getting a great deal on a refurb can have a lot to do with timing. Apple refurbs are current or previous generation models that have been tested, refurbished, and recertified. More important, they carry the same one-year, extendable warranty as regular Macs. Even better, students can purchase refurbs through the Education Store and qualify for an education promo like the \$100 gift card.

Refurbished iPads are even cooler in many ways than refurbished Macs. A refurbished iPad from Apple is actually fitted with a brand new case and battery, which means that it is pretty much indistinguishable from a brand new one. There have been refurbished iPad 2s for as low as \$319 and refurbished iPad 3s for as low as \$379. Those prices are very competitive with 10" tablets from other makers.

Apple's Black Friday

This is the exception to the rule. The one time of year you can find variations in pricing at the Apple Store is on Black Friday. Of course, you can expect discounts at other retailers during this time as well, so you'll want to compare the different deals being offered. In years past, Apple's Black Friday sale has tended to be \$101 off Macs, which isn't great, although there were some good deals on other products, including a very rare discount on iPads. Even on Black Friday, you have to resist the siren's call coming from the Apple Store and search out the best deal online.



If you want to participate in Apple's paid One to One training program, you must purchase your Mac from the Apple Store, or the Apple Store online (including the Education Store and refurbs). You cannot take part in the program if you purchase from an authorized reseller.

Why It Is Smart to Buy a Diamond Sight Unseen over the Internet (Or How Tiffany Stole Your Kid's College Fund)

I know several men—my brother among them—who have gone online and paid thousands of dollars for engagement rings, sight unseen. If it sounds nuts, it shouldn't. It is an incredibly smart and safe move, one I

would have made in a heartbeat had I not had my grandmother’s engagement ring.

This is one more example where the default move—heading to Zales at the mall or, worse, heading to Tiffany & Co.—is incredibly flawed. The part of our brain that has been marketed to all these years wants to still believe those choices are best, but the rational part of our brain knows better. It knows that a diamond is the ultimate commodity, no different than gasoline or milk, and should be priced as such.

Tiffany and Zales buy the same diamonds through the same age-old wholesale channels that, well, everyone else does, but then they trick us. They outmarket us, and we start to believe that their diamonds are better. They play on male ego and female irrationality by making us question whether a diamond without a light blue box is as nice of a diamond or whether it represents less of a statement of eternal love. We believe this so strongly that each company can buy their commodity in the wholesale market it and then mark up the price more than 100 percent.

Yes, the diamond jewelry that you bought at Zales or Tiffany cost them less than half what you paid them for it. Each company has gross profit margins exceeding 50 percent. This would be no different than your local gas station somehow being able to charge you twice what the current global price of gasoline was because it had convinced you that its portion of the commodity was somehow different.

The Tiffany® Setting

Since its creation over a century ago, the Tiffany Setting has been the world’s favorite engagement ring. The ring of rings, as it has been called, is the most brilliant ring ever. It is also the most beautiful.

CARAT WEIGHT

Priced from \$11,000*

*Subject to availability

- NOTE ABOUT PRICING
- LEARN MORE ABOUT TIFFANY DIAMONDS
- LEARN ABOUT THE TIFFANY PAYMENT PLAN
- PRINT CARAT SIZE GUIDE

 PRINT  EMAIL  SAVE FOR LATER

 SPEAK TO A DIAMOND EXPERT ABOUT THIS RING

 SCHEDULE AN IN-STORE CONSULTATION



Figure 2.10 Tiffany & Co.’s Vague and Expensive Experience

That is not even the worst part. The worst part is dealing with the salesperson and going through the sales process—a process geared toward subjective nonsense such as, “Which diamond appeals to you the most?” Appeals? I’m about to spend thousands of dollars. I want data points. I want to be educated!

What if there was a new way to go online, get educated, see data, skip the salespeople, pay only 30 or 35 percent above wholesale, and get some strong assurances with your purchase? This is possible at leading jewelry websites such as BlueNile.com.

Blue Nile buys diamonds from the same wholesalers that Tiffany and Zales do. In fact, the website gives you transparent access to the entire wholesale diamond marketplace and has a Build Your Own Ring option. You get to see stats and pricing for tens of thousands of different diamonds. You educate yourself, see a ton of data, and then when you are done identifying your favorite setting and your ideal combination of shape, cut, color, clarity, and carats, you get a fair deal, as Blue Nile’s gross profit margins are between 15 and 20 percent, rather than above 50 percent.

Blue Nile built a lean, innovative business model that makes it possible to keep prices low but keep service, experience, and trust high. Not only does the jeweler not have the significant fixed costs of grandiose stores that look like vaults (in fact, there are no physical stores at all), it doesn’t even inventory diamonds. The tens of thousands of diamonds you see available are actually owned by wholesalers. When you buy one, the wholesaler overnights it to Blue Nile. Then Blue Nile sets it and overnights it to you.

Instead of wasting money on fancy stores and compelling marketing designed to trick you into paying a higher price, Blue Nile keeps things simple and straightforward. The company respects that consumers are smart and getting smarter. The new age of consumer empowerment has no greater contrast than in the diamond business.

Here is a specific example: Tiffany sells a 1-carat diamond in its signature Tiffany Setting for, well, I’m not quite sure how much. The website says it is “from \$11,000.” And remember, that is \$11,000 before sales tax. The site isn’t much clearer on the quality of diamond either. There is literally no info on what quality the \$11,000 will buy you. Nor is that a point Tiffany wants to stress, because once it has you thinking

too much about the purchase and you start to become even a slightly discerning consumer, the game would be up.

I tested out building an identical ring with Blue Nile’s Build Your Own Ring process. Before I made any selections, more than 124,000 diamonds were available. When I selected round cut, that dropped to 97,400.

By the time I had a nudged the color over to a minimum of H (“Color difficult to detect unless compared side-by-side against diamonds of better grades. An excellent value.”), there were 80,971 left.

When I pushed clarity up to a minimum of VS2 (“Imperfections are not typically visible to the unaided eye.”), it dropped to 58,394.

Selecting a minimum cut of Ideal (“Represents roughly the top 3 percent of diamond quality based on cut. Reflects nearly all light that enters the diamond. An exquisite and rare cut.”), I had only 40,408 diamonds left.

Finally, I zeroed in on carat, selecting between 0.97 and 1.03 carats. That left me a mere 103 diamonds in the entire wholesale ecosystem to choose from. I picked the least expensive VS1-clarity, G-color in the bunch and went with it.

This 1.03-carat, round, ideal-cut, G-color, and VS1-clarity diamond for \$6,599 is what I selected (see Figure 2.11).

I moved on to settings, picking one similar to the simple, six-prong platinum setting that Tiffany thinks it has a monopoly on. That added \$520.

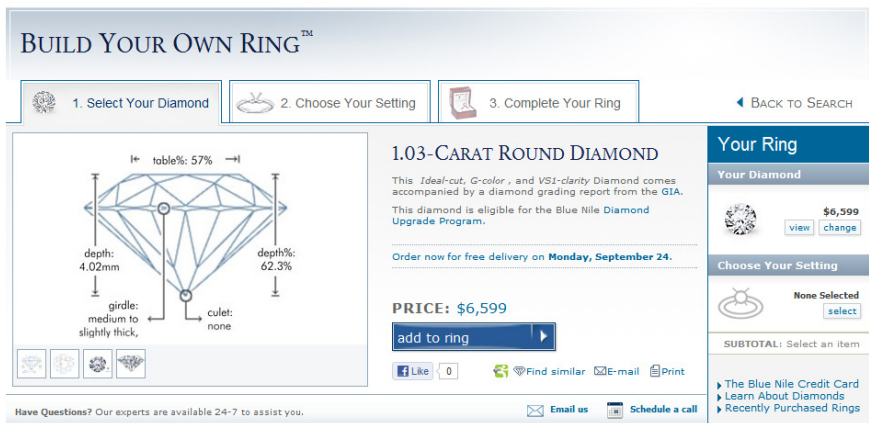


Figure 2.11 Selecting a Diamond in Blue Nile’s Build Your Own Ring Tool

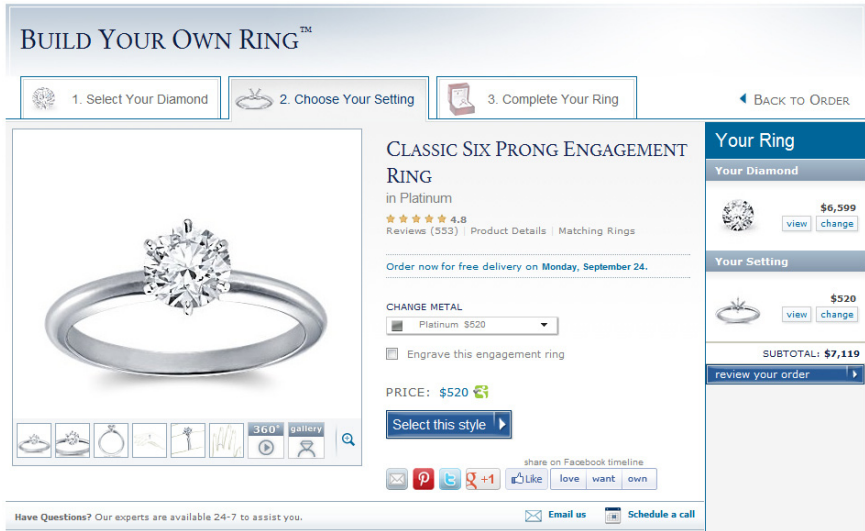


Figure 2.12 Choosing a Setting in Blue Nile’s Build Your Own Ring Tool

If I ordered by 4 PM Eastern time, I would have the ring delivered in the morning three days later via FedEx Priority Overnight service. I could look at it in person in the comfort of my sales-pitch-free home, and if I had any issues or concerns, the 30-day money back guarantee would cover me.

If my budget at the time of the purchase was less than I liked, I could always come back and use the clever Diamond Upgrade Program in the future, where I’d give them back the diamond and get a credit of 100 percent of my original price toward the purchase of any new diamond that was for sale for at least double the price of the diamond being returned.

My Blue Nile total was \$7,119, plus no sales tax would be collected on my purchase (unless I was a resident of Washington State). My Tiffany & Co. total would be “from \$11,000” plus sales tax, so at least \$12,000 in Chicago. For that price, I could step up my Blue Nile ring to a 1.50-carat diamond or save \$5,000 that would be much better applied to a down payment on a house or as the start of a college fund.

You can almost see the triangulated wholesale price. It is so obviously around \$5,500. Tiffany marks that up 100 percent or more; Blue Nile, 30 percent or so.

The bottom line: I could go online, get more guidance, shop from companies with better policies, and either buy a larger diamond or save \$5,000. Or I could take the default path into a Tiffany & Co. vault-like store, the last flickering light of a dying age of consumer unempowerment, and get tricked into buying the same thing for more money, pure and simple.

Coupons with No Threshold (Or Why I Own a Closet Full of Brooks Brothers' Clothes I Wouldn't Have Bought Otherwise)

Coupons—be it online coupon codes or printable in-store coupons—are almost always a smart move.

Often, they result in tremendous savings. Maybe it's a \$2,500 home gym for \$999, maybe it's 50 percent off an Xbox, maybe it's a Dyson vacuum for \$80, maybe it's a queen size AeroBed for \$39.99, maybe it's a 1.25-pound box of chocolates for \$7, maybe it's a 2-carat diamond bracelet for \$45, maybe it's a designer handbag for \$11, maybe it's 25 percent off an iPod, maybe it's \$25 restaurant certificates for \$1, maybe it's a five-piece Samsonite luggage set for \$120, or maybe it's Ralph Lauren bath towels for \$6.

Occasionally, they present tremendous opportunities.

Such was the case with a Brooks Brothers coupon I once stumbled across. It was an online coupon code valid for \$25 off but it had no other qualifications or fine print, such as a minimum order amount or threshold over which it was valid, such as \$25 off orders over \$100.

Regular-priced Brooks Brothers items are protected because shirts and pants usually start closer to \$100, but for sale and clearance items, this presented a huge opening. One at a time, I bought practically everything Brooks Brothers had in my size priced between \$25 and \$40, used the \$25 off code and then paid \$5.95 shipping. These were items with retail prices between \$60 and \$100 that were already marked down heavily. I got them for as little as \$6 each shipped!

Who Would Order an Out-of-Stock Item?

Another tried-and-true yet counterintuitive tactic for getting a great deal is to order a well-priced item that is listed as out-of-stock in the hopes that it will ship at that same price when it comes back in stock. More

often than not, these items that are out-of-stock and their prices long forgotten. There's no need for the store to pay attention to them. Most shoppers don't think there is a need to pay attention to them.

That changes if a store allows you to place an order when an item is out of stock. If so, your order will likely go through and get shipped at the lower, prior price, even though the store corrected its price once the new inventory came in.

I did this a few years ago on a big plasma TV. They were much more expensive then. A plasma TV that sold for close to \$1,500 even with a great deal was out of stock but listed for sale at Buy.com for only \$899. At the time, I was able to place an order despite it not being in stock, so I did and promptly forgot about it. But, sure enough, a few weeks later I got an e-mail saying it was shipping. I got an incredible deal!

The other lesson learned was that I should have ordered two . . . or more!

As always, challenge yourself to question the obvious and the status quo in your life as a consumer. You never know what it will unlock!

Broken iPad and iPhone? No Problem

Earlier, we touched on the extended warranty protection that many credit cards offer, but there are several other free protections that you already have in your wallet that should be a routine weapon in your retail shopping arsenal.

One is return protection, which means that if you buy something and the store will not accept it for a return in the first 90 days after purchase, the credit card will refund you the full original purchase price. Visa Signature and American Express cards both offer this.

Another is purchase protection, which means that your purchases are covered against both theft and damage for 90 days.

In my case, I have cracked the screen on both my iPhone and iPad in the past few weeks. I don't normally lose or break things, so I'm not sure what gives, but it has caused me to learn more than I knew before about these plans. Apple itself has a relatively generous program where you can replace a broken iPhone for \$199 or an iPad for \$299. This is favorable because it would otherwise cost more than \$600 to buy either outright, assuming no contract for the iPhone and cellular service for the iPad. Regardless of the specifics, and regardless of whether Apple even

had its generous program, your credit card would pick up any replacement costs if it has purchase protection. It might already, so check your wallet and your card's website! If it doesn't have it, get at least one that does for big-ticket purchases.

To Extreme Coupon or Not to Extreme Coupon (Or How to Save Money but Lose Time)

I am not a fan of extreme couponing. Call me a heretic, but I question the all-in savings. The opportunity cost of your time—be it the advance research; the long trip to the store; managing your “hoard” of 200 toothbrushes, 900 cans of green beans; and so on—and the underrated soft costs of gas and more miles on your car subtract too much from the entire proposition.

I am a minimalist when it comes to grocery shopping. I like my trips as infrequent and as fast as possible. If I lose anything around the edges in dollar costs, I more than make up for it in opportunity costs.

At this point, only about 40 percent of the average American's food is bought at your standard grocery store. This figure will decline only further. Warehouse clubs have absorbed much of the difference, as their pricing is much better. Extreme couponers are stuck in a time warp, optimizing a game at traditional grocery stores that is over for many of us.

Costco is a well-deserved part of the new routine. I am personally a big fan. The pricing at Costco can't be beat, and the bulk buys mean the trips are infrequent. Costco actually makes no profit on their sales; their entire net profit is roughly equal to their total annual membership dues. Once you've paid that, you literally are paying wholesale as Costco is merely breaking even on your other purchases. Another is Amazon Grocery, which if you aren't a customer, is the largest grocery store you've never heard of. Amazon obviously doesn't sell perishable items—yet—but it maintains a vast and aggressively priced inventory of nonperishable foods.

Amazon Grocery's clever “subscribe & save” plan further cuts both costs and time by setting up your staple items on a customized, automated schedule of recurring shipments, plus a 5 to 15 percent discount. Shipping is lightning fast (always one or two days) and getting faster as distribution centers are added seemingly everywhere (more than 40 existed in the United States at the end of 2012). Manufacturers can and do offer coupons via Amazon. They are incredibly easy to use. No scouring, clipping, and carrying; just one click.

Bottom line: I'd rather cut half my grocery shopping time than half my grocery shopping cost though services like Amazon Grocery and Costco can help you do both.

Who Buys Water over the Internet? (or How to Get Someone Else to Carry Your Water for You!)

I don't always do this, but occasionally I'll see a really good deal on bottled water online and buy a bunch. It is a great example of something that would not normally occur to you to search for on the Internet, but it is there—and often the deals are very good. In fact, this is true about an incredibly long list of other everyday products. This is one of those habits we all need to continue to change.

OfficeDepot.com occasionally has Nestle Pure Life Water 24-packs on sale for \$4.99. If you add 16 to your cart, you can then use a \$20 off \$75 coupon code (if there is one active) to pay just \$59.84 total, or \$3.74 per case. That's very good but not great. The kicker is that Office Depot delivers it promptly—on the next business day. A very good price plus no heavy lifting at the store and no heavy lifting at home, and not even going to the store, is a good deal to me!

How Do I Do This Myself?

The main idea here is to always stop just for a moment and make sure you're fully deprogrammed and are not taking the default path. It will cost you money and time! It may take a while to sear on your brain but there is a better alternative with literally every consumer decision you make.

With retail shopping, this usually but not always means avoiding brick-and-mortar stores when possible. The prices are higher, the coupons are harder to come by, and the sales tax is unavoidable. If you are out at the mall or walking down your city street because you're enjoying the day—great—just know that you aren't getting the best deal.

With that said, here are three important aspects of saving on shopping:

1. The Layers

The best deals always have multiple legs to stand on. I call them “layers” and they include:

Sale Prices; but Not Necessarily the Lowest

Great deals have to start with a basic understanding of what current market prices are. Do some price comparisons and attempt to identify the handful of stores with the lowest prices but don't just stop and go with the store with the lowest listed price. It is rarely the best deal after you factor in other layers!

Free Shipping; It Is the Rule

Many big stores like Amazon.com, Walmart.com, and Target.com are automatically doing free shipping right now on most items. If your store is not, there is most likely a coupon code for it. Worst case, some stores, like Nordstrom, offer price-matching *and* free shipping on all orders. So before you shell out an additional shipping charge, check to see if a store with free shipping will match a price you found elsewhere.

Sales Tax; Online Shopping Can Save 10 Percent off the Top

Amazon.com, Overstock.com, Buy.com, Zappos.com, Shoes.com, and many other big online stores don't collect sales tax from shoppers in states they don't have a physical presence in (read: most states). This is a controversial subject because you still technically owe tax and are obligated to report it. Also, this loophole will likely not be around forever, as there is now a move toward a national online sales tax.

Coupon Codes; Don't Forget The Codes!

I estimate that 90 percent of stores have an active coupon on any given day. We constantly maintain a list of active coupons on Brad's Deals, and on the average day, we have about 10,000 that are active and verified to be working properly. See more here: <http://bdeal.me/codes>.

Rebates; Everyone Loves Found Money

In December 2011, there was a deal on an Oral-B Professional Care Electric Toothbrush where it was on sale for \$39.99 at Walgreens.com, down by half from \$79.99. A 20-percent-off coupon code moved it to \$31.99 but the deal was made by a \$20 mail-in rebate that cut the net price to a mere \$11.99! When the toothbrush was priced at \$80, the \$20 off was only a 25-percent-off discount. When the price dropped to \$31.99, it became a discount of over 60 percent!

Store Credit Cards and Store Cash

In September 2012, there was a deal where you could have gotten a Keurig B60 Special Edition Coffee Brewer with a retail price of \$190 for only \$55 at Kohls.com. It was on sale for \$149.99 but Kohl's cardholders could get 30 percent off (approximately \$45) via a coupon code. There was also \$20 in Kohl's Cash valid on a future purchase, in addition to a \$30 mail-in rebate. The two store-specific offers added \$65 in discounts and made the deal!

Credit Card Bonuses; a Lucrative Last Layer

A very underutilized way to get additional savings on retail shopping is to sign up for a credit card that has a great signup bonus offer. Take for example the Chase Freedom Card offer from November 2011 for \$300 in cash back after spending \$500 on the card after signup. That is literally an extra \$300 discount that many consumers were able to apply to their December 2011 holiday shopping. This is *after* sale prices, free shipping, sales tax savings, coupons, and rebates. It means that a savvy consumer who purchased items worth \$1,000 for only \$500 after several layers of discounts could have only really spent \$200 after the \$300 offer from Chase!

2. The Concepts***Have Patience***

The best way to score the best deal is to give yourself a few weeks to wait for it to pop up. The best deals are fleeting and are rarely there the first moment you are looking. A few weeks, or even a few days, can easily result in finding an extra 10 or 20 percent off.

Use Shopping to Pay for Shopping

I've discussed above how I have done this with DVDs and Bose products by buying excess quantity of a great deal and re-selling them on Amazon, eBay, or Craigslist. This can also be used for gifting. In 2009 when I found a 1.25-lb "tower" of chocolates at Fannie May Candies for only \$7.49 after a \$25 off \$30 coupon code eviscerated the \$32.49 price, I sent out a ton as gifts to people who I would have otherwise spent \$30 to \$50 on. In essence, I saved some of the money I had budgeted for their gifts so I felt comfortable buying several boxes for myself!

Shop on Product Brand and Price, But Not Retail Brand

A KitchenAid mixer is a KitchenAid mixer, as a Samsung TV is a Samsung TV, as a pair of Nike shoes is a pair of Nike shoes. The name of the store selling these commoditized products should not affect our purchase decision, assuming we're only discussing stores above a certain size and reputation. You will get the same product from the same UPS driver either way!

Even if You Have to Head to the Local Stores, You can Go Online to Save Offline

I'm not talking about \$0.25 grocery coupons but large 20-percent or higher coupons on retail purchases that can quickly be worth tens of dollars or more. The average BradsDeals.com visitor looking for a printable coupon takes less than 90 seconds to find a coupon that results in a savings of \$24.

3. The Tools***Credit cards with friendly policies; at least one or two***

I've mentioned my luck with extended warranty, purchase and return protection plans that come free just for swiping certain credit cards at purchase. I dive deeper into the right credit cards elsewhere in the book but they can be an important part of being the best consumer because of these protections but also for many other reasons.

Apps

If you have to shop offline, at least download Amazon's Price Check tool (it scans bar codes at stores and shows you their online price) so that you can see how much it is costing you.

Store rewards programs

Plan ahead and sign up for any free rewards programs at stores you shop. I just got a free University of North Carolina sweatshirt because for every \$200 I spend at Finish Line I get a \$20 gift certificate. Many other stores do this including Drugstore.com and Moosejaw.



Beyond this advice, the big game is getting in front of the best deals. There is more noise than ever in the marketplace—more stores, more local daily deal sites, more flash sale sites—which makes it really difficult to stay on top of everything. All the information is out there, if you're up for it. If you're not, something like the Brad's Deals daily e-mail, which includes only the 20 or so best deals each day as determined by myself and our team of deal experts, is an easy route.

Remember, you don't need to sacrifice getting what you want. You just need to get a great deal on it. I'm super frugal but I'm also a prodigious consumer. I only have my frugality cake when I can eat it too, but that happens a lot! In this chapter alone, we've discussed my flat-screen TV, my huge DVD collection, my expensive but free coffeemaker, my awesome W Hotel mattress, my Bose speakers and headphones, my Brooks Brothers clothes, and on and on. The point isn't to limit you to things that you can afford but rather to change your habits and your approach so that you can afford the things you want.

SECTION 3

Personal Finance

Introduction

We live in a world of inefficient markets. The market for our personal finances is no exception. It might even be the poster child.

I touched on credit cards in Section 1 regarding travel. They are certainly a big key to unlocking many things. The reason for this is how much money the credit card companies make off of you. It's a great business. Think about it this way: Would you like 3 percent of all the money that someone who you trust spends during the year? Of course you would. Assuming you could get your friend to agree to that deal, odds are that someone else would come along, see the sweetheart deal you cut for yourself, and try to get in on the same. This new person may even start to bribe your friend with a share of the anticipated 3 percent. Perhaps the new person would offer cash back or points that can be redeemed for travel. You'd probably do the same to stay competitive. At some point, this competition might even turn the tables, with your friend, if he or she is savvy, getting more for his or her business than you are. Welcome to the present-day credit card industry.

All the other industries within personal finance share similar pitfalls and opportunities. *Rather than being a victim of banks, car dealers, credit card companies, and mortgage lenders, beat them at their own game to enrich your life, not theirs.*

As always, this will require that you take a fresh, 180-degree view of your financial decisions and shed the default habits that have been drilled into your head by a generation of effective marketers. You will need to question where you bank, how you think of and manage your credit

score, what type of credit cards you carry and how many, where you buy a car, and how you borrow money.

These aren't your mother's personal finance tips, such as clipping coupons, avoiding debt, and contributing to a 401k. Those are smart moves, but we're playing a new game and those aren't the keys to victory.

You'll learn how to drive a \$60,000 Mercedes for the same price as a \$30,000 Toyota, how to save \$30,000 on your mortgage, how to routinely cut hundreds of dollars off your monthly bills in minutes, how to quickly and easily add 60 to 120 points to your credit score, and how to borrow money at 0 percent.

The results for me have been life changing. Advanced consumers who can identify the most inefficient pockets in the market can either save or profit significantly. The best part is that anyone can become an advanced consumer. Here are some examples of highly inefficient corners of the personal finance market that I have discovered and that will help you on your path to becoming an advanced consumer.

Real-Life Examples

How to Easily Buy Cars below the Factory Invoice Price (Or Why Invoice Price Is Meaningless When Shopping for a New Car)

Let me shout loudly from the mountains: Do not think that researching prices on the Internet to merely negotiate a price above the factory invoice price is a good deal. Disavow yourself of this old, flawed thinking!

Let's start with a little history. There have been three evolutions of how we as consumers buy new cars.

The first was haggling.

It was almost primitive, Neanderthal versus Neanderthal competition. You would walk stridently into a car dealership, short on details and research but long on willpower and unfounded confidence, convincing yourself that *you* could go 15 rounds with the experienced car salesperson and his or her army of henchmen with their bag of dirty tricks.

Even if you avoided the "Well, I don't know but let me talk to my manager" attempts, you would likely catch a backhand full of administrative fees and charges well after you thought the game was over.

The least among us got thoroughly convinced that rust protection was worth a \$500 investment, unaware that to the dealer, that meant nothing more than a \$3 can of Rust-Oleum, or they were swayed by the monthly payment, rather than the all-in price.

You saw the sticker price on the window and were certain *you* could get a sizeable discount off of that but you were not empowered by knowing the “invoice price,” the dealer’s cost of buying the car from the factory.

You likely came away thinking you prevailed. Most of us do. That is called cognitive dissonance. We all have a natural bias to affirming our consumer decisions, whether they were good or not. Most of us think we got a good deal when in reality we probably did not.

The second evolution was information.

Thanks to the Internet, the invoice price of all cars has been freely available on the Web since the 1990s. This was initially empowering. We knew exactly what a good deal was because the Internet told us exactly how close to the dealer’s cost we were paying.

Most people still talk this way: “I got a great deal, only \$500 above invoice!”

With this, we saw also saw the dawn of “no haggle” pricing at chains like CarMax. You were giving up on getting the best deal but were going to get a decent value, so the thinking went, plus saving on the opportunity cost of spending your entire Saturday afternoon with a car salesperson.

The problem was that car manufacturers and dealers, knowing that their pricing was as easy to come by as the latest celebrity gossip, changed their model on us. The invoice became meaningless. It is now almost as arbitrary as the sticker price. It no longer reflected the dealer’s cost of the car, but all the insiders in the car business were happy to perpetuate the myth because it helped them sell cars to falsely confident consumers.

The third evolution is what I call post invoice.

Manufacturers make the invoice price meaningless by baking costs into the invoice price that are rebated to dealers later. This is called trunk money in the business. Some we know about and can be researched; some are secret, and we don’t know about them.

One form of this is called dealer holdback. Most manufacturers now rebate 2 to 6 percent of the price of a car to a dealer this way. So a dealer

can sell a car “at invoice” for \$25,000 and still make \$750 with a 3 percent holdback.

Another form of this is via factory-to-dealer incentives, which can run from \$500 to more than \$5,000. If you bought a car “at invoice” for \$25,000, the dealer likely made \$750 via dealer holdback and maybe \$1,500 or \$2,000 via incentives. Your great deal may have been a \$2,500 windfall for the dealer.

Bottom line: If you are paying anything “above invoice” on the purchase of a new car, you are not a smart consumer; you are getting ripped off because even at invoice, a dealer is likely making thousands on your purchase.

As there is in all situations, there is a clear path to great deals and consumer success in this post invoice landscape, although most consumers don’t know about it yet!

The core of getting a great deal on a car in this environment is getting access to exclusive below-invoice pricing available to select member-based organizations that, much like credit unions (see the section “The Awesomeness of Credit Unions” for more info), few of us know about but most of us can join—and then combining that with lucrative consumer incentives. Taken together, you can often get 15 or 20 percent below the manufacturer’s suggested retail price (MSRP) and 5 percent or more below invoice.

What are these exclusive prices and incentives that you speak of?

Let me explain by walking through five major car companies—the Big Three (Chrysler, GM, and Ford) plus Mercedes-Benz and BMW—and showing you how easy it is to buy new cars from all of them far below the invoice price, via an incredible variety of little-known discounts that each has. It will change how you approach buying a new car, as well as enhance the value proposition of doing so.

Chrysler

There are at least three little-known but easy-to-use discounts when buying a new Chrysler vehicle (Chrysler, Dodge, Fiat, Jeep, and Ram). The first is via a nonprofit called Tread Lightly!, which has “a mission to promote responsible outdoor recreation through ethics education and stewardship.” You can pay \$60 at <http://treadlightly.org> to become a member for three years, and one of your benefits is the ability to buy Chrysler vehicles at a prenegotiated Chrysler Affiliate “preferred price” of 1 percent below factory invoice.

Once you're signed up, you couldn't script an easier experience. You simply find a vehicle, bring your Tread Lightly! member letter and corresponding control number to the dealership, and tell the salesperson that you'd like to buy the car. If you don't know the numbers already, ask to see the factory invoice and the "preferred price" will be listed. Pay it, and you're out the door!

Oh but I can do you one better. This Tread Lightly! discount, which quickly and automatically gets you 1 percent below invoice, can be combined with factory incentives. For 2012, these incentives ranged from \$1,000 to \$4,000 on eligible vehicles (not all are eligible). See the full list at <http://bdeal.me/jeep>.

Let's price out a base model 2012 Jeep Liberty as an example:

2012 Jeep Liberty

MSRP:	\$23,395
Invoice:	\$22,722
Tread Lightly! price:	\$22,495
Factory incentive:	-\$4,000
Your price:	\$18,495

So with zero haggling, your price is 21 percent below MSRP and a whopping 18 percent below invoice. This is why you are no longer getting a deal buying a car at invoice.

In addition to Tread Lightly!, USAA offers its members a discount of \$500 to \$1,000 on select Chrysler vehicles. All you need do is head to the car discounts page (<http://bdeal.me/usaa>) and print out a certificate. The terms of the certificate state that the USAA offer is combinable with both the Tread Lightly! affiliate offer and Chrysler's other cash incentives. To stick with the Jeep example, the 2012 Liberty would not qualify but the 2012 Jeep Patriot and Jeep Compass qualify for an extra \$500 "bonus cash allowance" via this offer.

Of note on USAA: as of 2009 *anyone* can join, not just members of the military and their families. Individuals who join on their own can get checking and savings accounts, certificates of deposit, credit cards, life insurance, IRAs, all investment products, and all shopping and services discounts. Military members do get extra access to certain products, particularly auto and property insurance that is specially priced because of the membership requirements. Spouses, former spouses, widows and

widowers and children of USAA members can also become full-fledged members. If your grandfather was in the military and in USAA, one of your parents can join as a full member and once they are in so can you.

Ford

With Ford, we have an option that includes below-invoice pricing plus cash incentives in one. Plus, it's one of the wonderfully random and obscure sources that we occasionally see in the best deals.

The National Association of RV Parks & Campgrounds (ARVC, for short) sells individual memberships for \$100 (<http://bdeal.me/arvc>). Among other things, joining the ARVC gets you access to special, prenegotiated Ford fleet pricing with discounts of \$500 to \$4,500 below invoice, plus up to \$1,300 in additional cash incentives.

Most Ford and Lincoln models qualify. If you review ARVC's Ford pricing (<http://bdeal.me/ford>), you will see that you can get an Explorer for \$1,800 below invoice, a Mustang for \$1,950 below invoice, a Fusion for \$2,300 below invoice, a Ford F-Series Pickup Truck for \$2,800 below invoice, a Lincoln MKS for \$2,800 below invoice, and a Lincoln Navigator for \$3,800 below invoice, among others.

Let's take a look at the 2012 Ford F-150 XL two-door with four-wheel drive:

2012 Ford F-150

MSRP:	\$28,140
Invoice:	\$26,301
National fleet pricing discount:	-\$2,500
Additional association incentive:	-\$300
Your price:	\$23,501

Your savings total is \$4,639 (or 16.5 percent) below MSRP and \$2,800 (or 10.6 percent) below invoice. An F-150 normally depreciates about \$4,200 in its first year—this is the “drive it off the lot cost” we hear so much about—so this deal actually offers more than that in savings based on MSRP. Most people pay \$27,000 or \$28,000 and have a vehicle worth \$23,500 or \$24,000 after one year. You would be paying \$23,500 to begin. In short, your purchase price is so good that you're paying less than you would for a one-year-old version of the same vehicle!

Note: see more details on the ARVC program here: <http://bdeal.me/arvc1>.

GM

Rounding out the Big Three, General Motors (GM) also has several strong paths that lead to easy below-invoice pricing.

The first is via credit union membership, which I cover in “The Awesomeness of Credit Unions,” and this benefit only adds to their glory.

In short, all credit union members can buy new GM vehicles at the supplier price, a special discounted price that is less than the MSRP that is normally reserved for GM’s preferred suppliers. GM even has a Build Your GM Vehicle website (<http://bdeal.me/gm>), which lets you build out a vehicle with options and then see the discount from the supplier price and how it stacks up. There is also a website called lovemycreditunion.org that details the offer.

Another path to a GM discount is via GM’s credit card offering.

The GM Card (<http://bdeal.me/gmcard>) offers 5 percent cash back on spending toward the purchase of eligible new GM vehicles, up to redemption limits per vehicle. This is a solid deal—\$0.05 of rewards per \$1 spent is very good—that nets you an easy \$1,000 to \$3,000 off a new GM car (see 2012 chart that follows). It does not combine with the credit union discount, unfortunately, but its GM Business Card and its GM Extended Family Card earn you 1 percent toward GM vehicles, which does combine with the credit union discount. However, this is not a good deal because there are much more valuable credit cards rewards to be had.

For instance, limits on 2012 models include:

- Up to \$1,000 on the Chevrolet Cruze, Volt, Camaro, or Equinox or Buick Verano
- Up to \$1,500 on the Chevrolet Silverado or Malibu; Buick Lacrosse or Enclave; GMC Acadia, Sierra, or Canyon; or Cadillac CTS or SRX
- Up to \$2,000 on the Chevrolet Suburban, Avalanche, or Tahoe or GMC Yukon
- Up to \$3,000 on the Chevrolet Corvette or Cadillac Escalade

Because the 1 percent isn’t a good deal and the 5 percent doesn’t combine with the supplier pricing that you get with credit union

membership, the card works best in two scenarios: (1) if you willfully ignore my broader advice on the value of credit unions and decide not to join or (2) if you can negotiate your own below-invoice price that gets close enough to supplier pricing that you get below it after adding the extra discount from the card.

It's worth noting that the card discount should itself be discounted. Let's say you want to buy a GMC Yukon. You can get \$2,000 off the price by spending \$40,000 over time on the main GM Card. Because you could have easily earned \$0.02 in other rewards per \$1 of spending, versus the \$0.05 via GM, I'd say that \$2,000 discount is really worth only about \$1,200 in cash; you are essentially contributing the value of the other rewards that you did not earn. I would value only the incremental discount. Still, if you could negotiate a price within \$500 or \$1,000 of the supplier price and then apply the \$2,000 off, you'd be getting a great deal. To some, the no-haggle credit union pricing will be understandably preferred regardless.

Here is an example:

2012 Chevrolet Malibu 1LT

MSRP:	\$24,230
Preferred price:	\$23,474
Invoice price:	\$23,057
Consumer cash incentive:	-\$3,250
Chevy Confidence cash incentive:	-\$500
Your price:	\$19,724

Note that GM's "supplier pricing" is usually a little above invoice and rarely gets below it without the help of cash incentives that are available to the general public. You may be able to negotiate a better price yourself and then add the incentives on top of that. If you negotiate yourself, then you get to add in the GM Card discount, if you have one.

Here is an alternative version of the preceding scenario, this time assuming you negotiate the price down to equal the preferred pricing, which you should be able to do with a little effort. Now, you also get to add up to \$1,500 in savings via the GM Card. It makes a big difference!

2012 Chevrolet Malibu 1LT

MSRP:	\$24,230
Prenegotiated price:	\$23,474
Invoice price:	\$23,057
Consumer cash incentive:	−\$3,250
Chevy Confidence cash incentive:	−\$500
GM Card discount:	−\$1,500
Your price:	\$18,224

Your savings total is \$6,006 (or a whopping 24.8 percent) below MSRP and \$4,833 (or 21 percent) below invoice. A Malibu normally depreciates a not-insignificant \$6,500 in its first year, so the \$6,006 in savings offsets most of that.

Mercedes-Benz

You may be surprised, but great deals and below-invoice pricing on new vehicles are not limited to domestic cars or particular price points. For example, Mercedes-Benz and BMW both have several ways to really cut up the price of their luxury vehicles, even on models exceeding \$100,000. Better yet, many of the discounts can be combined.

One easy Mercedes-Benz example is via the Mercedes-Benz Club of America (MBCA). Join the MBCA for \$49 per year (<http://bdeal.me/mbca>), and you get a \$1,000 certificate toward a purchase or lease. This is in addition to whatever price you have negotiated, so don't bring this up until after you have settled on price.

A second example is via a whole world of associations, groups, and companies that offer significant Mercedes-Benz discounts to their members. Most do not have backdoors that the general public can sneak in through, but they are of note because more of you qualify for one of these than you realize. Associations and groups include the American Bar Association (<http://bdeal.me/aba>) and the Professional Golfers Association (<http://bdeal.me/pga>), which offer \$2,000 to \$4,000 incentives to their members and employees. These discounts are similar to what corporations get via Mercedes-Benz's Executive Allowance Bonus program (<http://bdeal.me/eab>), which is basically fleet pricing that is open to companies that buy 15 or more cars each year, as well as to their executives. I didn't realize this before, but some companies have thousands of cars in

their total fleet and hundreds of Mercedes-Benz vehicles for their executives. Automotive-fleet.com's "Top 50 Executive Fleets" list shows that United Technologies, FedEx, Novartis Pharmaceuticals, and Eli Lilly each have more than 200 Mercedes just for their executives!

A third example is via the American Express Platinum Mercedes-Benz Card (<http://bdeal.me/axmb>). You get a \$1,000 certificate toward a purchase or lease if you spend \$5,000 on the card, plus you earn 5× Membership Rewards points on eligible Mercedes-Benz purchases and get up to 2,000 excess miles waived at lease-end. And this is in addition to a full boat of other standard American Express Platinum Card benefits, including airport lounge access for American Airlines, US Airways, and Delta, plus a \$200 credit toward airline fees. It does come with the \$475 annual fee, however. Unless you want the Platinum Card—and I've made the case that you should in "Lounge Access" in Section 1—you'll likely save money just paying \$49 to the MBCA and getting a \$1,000 certificate there. You can use only one of these certificates per vehicle. Note: The 5× Membership Rewards points is so lucrative (I value Membership Rewards points at more than \$0.02 each, so this means at least \$0.10 or rewards per \$1 spent) that if you happen to be paying cash for a new vehicle, you should try to get the dealer to let you charge it to your card, even if you have to pay the dealer's credit card fees to do so.

A fourth example is via the aptly named Mercedes-Benz Conquest Program, which as of late 2012 offers \$1,000 to \$4,000 off to owners of competitor's vehicles. Mercedes-Benz uses the term *competitor* loosely, so many other manufacturers are included. In fact, almost all cars on the road in America qualify at the moment. It is \$1,000 off for C- and M-Class vehicles, \$3,000 for E-Class, \$4,000 for S-Class, and \$2,000 for all others.

A fifth example is from our old friend, the USAA, which offers \$2,000 to \$5,000 off to its members on the purchase or lease of a new Benz. See details here: <http://bdeal.me/usmb>.

The sixth example is that Mercedes-Benz provides a \$2,000 loyalty credit if you have previously purchased a Mercedes.

Keep in mind that these six discounts are on top of your negotiated price with a dealer, and there is nothing stopping you from negotiating a below-invoice price on your own and using that as a *starting point* before any of these other discounts. Also, as mentioned, several of them can be combined on the same purchase.

For example, the \$2,000 loyalty credit and the \$1,000 MBCA member certificate can be combined with either the \$2,000 to \$5,000 USAA discount or the \$1,000 to \$4,000 Conquest Program discount, and that will get you \$4,000 to \$8,000 below the price you negotiate for yourself. Note that multiple “certificate programs” cannot be combined, meaning you cannot use the \$1,000 MBCA member certificate with the \$1,000 American Express Platinum certificate.

As always, do not mention the specifics of any incentives until after you settle on a bottom-line price, but do specify that any and all incentives or credits go to the buyer on top of this amount. These extra discounts do not cost the dealer anything—they are from Mercedes corporate—so negotiate the price without them.

Here’s an example:

2012 E350 Sport Sedan with BlueTEC

MSRP	\$56,565
Invoice:	\$52,667
Estimated negotiated price:	\$52,667 (at invoice should be possible with this model)
Conquest discount:	−\$3,000
Loyalty discount:	−\$2,000
MBCA discount:	−\$1,000
Your price:	\$46,667

Your savings total is \$9,898 (or 17.5 percent) below MSRP and \$6,000 (or 11.4 percent) below invoice. An E350 normally depreciates \$12,700 in its first year, so the \$9,900 in savings makes up for a lot of that. Read the next section (How to Play and Win at the Car Leasing Game) for some more info on how to negate that depreciation and make this E350 BlueTEC deal even better.

BMW

Like Mercedes-Benz, BMW has a surprising numbers of ways to heavily discount vehicles, allowing you to pay a below-invoice price. These include a great USAA deal, a car club discount, and a loyalty discount.

BMW’s USAA deal means from \$1,000 to \$6,000 off for members. This alone results in very competitive pricing. See details here: <http://bdeal.me/usaabmw>.

The BMW Car Club of America (BMW CCA) provides its members with \$500 to \$1,500 off new vehicles. This can't be combined with the USAA discount, though. It costs \$49 to join for one year (or \$220 for five), and you have to be a member for one year before you can claim a certificate. See details here: <http://bdeal.me/bmwcca>.

BMW's loyalty discount means an extra \$750 or more (this varies month to month) for anyone who has another Bimmer in the household.

In 2012, BMW also offered \$1,000-off certificates to anyone who attended BMW Drive for Team USA Events, due to its ongoing partnership with the Olympics. This Team USA allowance was good toward the purchase or lease of a new 2012 or 2013 BMW.

Similar to the USAA deal, BMW also offers a \$1,000 BMW Mission to Drive credit for anyone who finances a vehicle through BMW Financial Services. Since its rates are as low as 0.9 percent and you have to make only five payments to avoid a penalty, this is a low-risk savings that combines with others.

BMW often has incentives on its hybrid or diesel vehicles as well. For example, the BMW X5 diesel, the X5 xDrive35d, has had a \$4,500 "eco credit" for most of 2012.



Figure 3.1 Me with the 2012 BMW X5 xDrive35d

BMW routinely has seasonal events—the last two months of 2010 had \$1,500 in “holiday cash”—as well as discounts related to options. In 2012, it had a navigation credit of \$1,730 for vehicles that added this as an option (it was a 100 percent discount), and in 2010, the Steptronic automatic transmission had a rebate of approximately \$1,400. Always keep your eyes peeled for more of both of these.

BMW also has a unique European Delivery program where you can pick your car up in Munich, Germany, at the renowned BMW Welt and pay about 10 percent less than U.S. MSRP by doing so. You get a tour of the factory and museum, can drive at your leisure through Europe, and then drop it back off with BMW, who pays to transport it to the United States for you. The European Delivery discount is applied before most other discounts and incentives, so the savings can really add up. See details here: <http://bdeal.me/bmwed>.

Many of the preceding discounts can be combined. For example, here is an incredible deal that could have been had during most of 2012 on the twin turbo diesel version of the BMW X5 sport utility vehicle:

2012 BMW X5 xDrive35d

MSRP:	\$56,700
Invoice:	\$52,165
Estimated negotiated price:	\$52,665 (\$500 above invoice should be possible with this model)
USAA discount:	−\$2,500
Eco discount:	−\$4,500
Loyalty cash:	−\$750 (only valid for current BMW owners)
Your price:	\$44,915

Your savings total is \$11,785 (or 20.7 percent) below MSRP and \$6,250 (or 13.8 percent) below invoice. An X5 xDrive35d normally depreciates only \$5,073 in its first year, so the \$11,785 in savings is a phenomenal deal. In theory, it should be worth more one year in the future than on the day this was purchased.



Having seen these five examples of how to get fantastic deals at five of the major car companies, I hope it is seared on your brain that haggling is out



Figure 3.2 An Alpine White 2012 BMW X5 xDrive35d

and merely looking up a factory invoice price online does not help you do anything more than *think* you're getting a good deal. The availability and ease of use of so many different ways to get below-invoice pricing and other discounts and incentives is today's smart move in new car buying.

These new deals actually reframe the debate about buying a new or preowned car. If you stack up a bunch of great discounts to get a price far below invoice and near or at what you think the future resale value will be, you can avoid most of the depreciation that makes buying a new car such a bad consumer decision.

When several of these great offers are combined, it can create a price so low that the old adage that a car loses value the minute it drives off the lot may no longer even be true. It loses value only if you made the default moves that consumers have been making for too long. Change your habits and you can change the rules of car buying.

How to Play and Win the Car Leasing Game (Or How to Lease a \$60,000 Mercedes for the Same Price as a \$30,000 Toyota)

Car leasing math can get complicated, but it really boils down to this: You are paying the difference between the sticker price today and the

estimated value (the “residual value”) at some date in the future, plus interest.

If you can get a price far off the sticker price (aka the MSRP), get a really high residual value, or get a very low interest rate, you can get a good lease deal. Better yet, if you can combine all three of those in one purchase, you can get an outrageously good lease deal.

If the MSRP is \$30,000 and the invoice is \$28,000 but you’re paying only \$24,000, perhaps because of the pricing and incentives discussed in the previous section, your lease will have \$6,000 less depreciation it needs to account for than the person who paid the \$30,000. If the residual value at lease-end is \$18,000, your monthly payment will be approximately half as much at \$24,000 than it would be at \$30,000. That is why you always negotiate price first, then talk lease terms.

Even better, imagine that your residual value was \$21,000. Your depreciation would be cut in half again. It would get even lower if the interest rate was 2 percent rather than 6 percent.

All of this is possible. We see it all the time in great lease deals.

Let’s break down a few more details and then look at some examples.

There are only three parts to lease math: depreciation cost, financing cost, and sales tax.

Depreciation = (Net Cap Cost – Residual Value) ÷ Term of Lease in Months

Financing Cost = (Net Cap Cost + Residual Value) × Money Factor

Sales tax is simply whatever your local rate is.

This is the equation used to calculate the monthly payment of a lease:

Depreciation: (Net Cap Cost – Residual Value) ÷ Term

+

Financing Cost: (Net Cap Cost + Residual Value) × Money Factor

×

Sales Tax

Net cap cost (net capitalized cost) is your negotiated price, plus any fees, minus any incentives. In this scenario, let’s assume you’re paying the \$28,000 invoice price plus you get \$4,000 in incentives and the lease has \$1,000 in fees (an activation fee and a documentation fee totaling \$1,000 is actually “market” here). Your net cap cost would be \$25,000.

Residual value is the estimated value at the end of your lease. Cars that have the least depreciation make for the best lease deals, because they should have high estimated residual values. Also, manufacturers occasionally assign artificially high residual values to certain models to support their sales; these can be fantastic lease deals. Let's stick with the example and say the residual value is \$21,000.

The money factor is a shorthand method that dealers use to do really complicated lease financing math. This is because, with any lease, you are actually paying interest on both the residual value *and* the entire net capitalized cost of the car, as you can see in the previous equation. Each lease has a money factor, which represents an interest rate. Multiplying a money factor by 2,400 gives you the interest rate. For example:

Money Factor to Interest Rate

$$0.0025 \times 2,400 = 6 \text{ percent}$$

$$0.0020 \times 2,400 = 4.8 \text{ percent}$$

$$0.0015 \times 2,400 = 3.6 \text{ percent}$$

$$0.0010 \times 2,400 = 2.4 \text{ percent}$$

$$0.0005 \times 2,400 = 1.2 \text{ percent}$$

You don't actually negotiate the interest rate; you negotiate the money factor rate, but only after you've settled on price! Let's say the money factor is 0.0010. Also, let's say sales tax is 7 percent and the term is 36 months. This would be the monthly payment math:

$$(\$25,000 - \$21,000) \div 36 = \$111 \text{ Depreciation}$$

+

$$(\$25,000 + \$21,000) \times 0.0001 = \$46 \text{ Finance Costs}$$

×

$$1.07 \text{ Sales Tax}$$

=

$$\$168 \text{ Total Monthly Payment}$$

That would be a fantastic deal.

Contrast that with what many other people are paying, assuming a \$30,000 price, \$18,000 (or 60 percent) residual value, the same \$1,000 in fees, and a 0.0025 money factor:

$$(\$31,000 - \$18,000) \div 36 = \$361 \text{ Depreciation}$$

+

$$(\$31,000 + \$18,000) \times 0.0025 = \$123 \text{ Finance Costs}$$

×

1.07 Sales Tax

=

\$517 Total Monthly Payment

The same car with very different but still mainstream lease math would cost you *three times as much!*

Let me show you a real deal from 2012 as an example. We are going to circle back to the 2012 Mercedes-Benz E350 Sedan we discussed previously. We already walked through the potential economics of paying invoice price and then getting up to \$6,000 in cash incentives, for those who qualify, for a total of 17.5 percent off MSRP:

2012 E350 Sport Sedan with BlueTEC

MSRP:	\$56,565
Invoice:	\$52,667
Estimated negotiated price:	\$52,667 (at invoice should be possible with this model)
Conquest discount:	−\$3,000
Loyalty discount:	−\$2,000
MBCA:	−\$1,000
Your price:	\$46,667

Now let's talk about how leasing it makes the deal even better. This model has a BlueTEC Clean Diesel fuel-efficient engine (it gets about 32 miles per gallon). Mercedes-Benz had a hard time selling these, so in some months it had the residual value pegged at an incredible 77 or 78 percent of MSRP, depending on the month, on a 24-month, 10,000-mile lease.

This is where the magic happens. If you're paying 82.5 percent of MSRP (17.5 percent off) to buy it and the residual value at lease-end is 77 percent, the lease has to absorb only 5.5 percent of the sticker price of the car, which is incredibly good!

Let's again assume \$1,000 in fees, and we'll use the August 2012 Mercedes-Benz E350 money factor of 0.0021 reduced to 0.0013 by two easy discounts (more on this later). The net cap cost is your price of \$46,667 plus the \$1,000 fees, and the residual value is 77 percent of the \$56,565 MSRP, or \$43,555.

Here is the full math:

$$\begin{aligned}
 &(\$47,667 \text{ Net Cap Cost} - \$43,555 \text{ Residual}) \div 24 \text{ Months} = \$171 \text{ Depreciation} \\
 &\quad + \\
 &(\$47,667 \text{ Net Cap Cost} + \$43,555 \text{ Residual}) \times 0.0013 \text{ Money Factor} = \$119 \text{ Finance Costs} \\
 &\quad \times \\
 &\quad 1.07 \text{ Sales Tax} \\
 &\quad = \\
 &\quad \$309 \text{ Total Monthly Payment}
 \end{aligned}$$

It works out to a payment of \$309 per month for 24 months with no down payment. This is a fantastic price. To give you some context, Toyota was advertising a \$369 per month lease on its \$33,000 Avalon, but only after a \$1,699 down payment (or capitalized cost reduction in lease lingo). Yes, you could drive a \$57,000 Mercedes for \$60 less per month than you would a \$33,000 Toyota! (And that is not a shot against Toyota, which makes great cars.)

Note that although almost anyone who owns any other car qualifies for the \$3,000 Conquest discount, but not everyone will qualify for the \$2,000 loyalty discount or the \$1,000 discount from the MBCA (you have to be a member for a year) or from American Express. This means the price would adjust upward, but it would still be a great deal, without any of those.

Demystifying Multiple Security Deposits and the Money Factor Game

I mentioned reducing the money factor, which is essentially the interest rate that is baked into your lease. This is one of the big games with leasing. A go-to way to get the money factor lower is to put down multiple security deposits (MSDs), even if you have great credit. This is a great hack because the car companies use formulas where the money factor automatically goes down if there is a security deposit—plus they will let you put down more than one, and the money factor drops each time!

In Mercedes-Benz's case, you can actually put down 10 security deposits, as odd as that may sound. Many dealers aren't even aware of this, but Mercedes-Benz Financial Services is. For each security deposit, your money factor will drop by 0.00007. For 10, it will drop by 0.0007, which equates to a roughly 1.5 percent lower interest rate.

A security deposit is different from a down payment (also known as a cap cost reduction). A down payment is gone once paid and is a fatal but common error with a lease. You should never pay anything to reduce the capitalized cost. You'll be out the money if the car is totaled or stolen. A security deposit, on the other hand, is just money that you are temporarily lending to the manufacturer. You shouldn't automatically do this, but you should if the savings you receive makes it more than worth the opportunity cost of that money.

The security deposit on a lease is the monthly payment rounded up to the nearest \$50. So a \$309 monthly payment would make for a \$350 security deposit, or \$3,500 for 10 security deposits.

In the case of the E350 lease, the money factor would have been 0.0020 rather than 0.0013 without the MSDs. The lease payment would have been \$68 higher each month, and the lease would have cost more than \$1,600 more over the two-year term. Would you lend \$3,500 to Mercedes-Benz for two years to save \$1,600? You should. It's a return of more than 40 percent. You can't beat that anywhere else these days.

Mercedes also drops your money factor by 0.0001 for using automatic payment. That is the second discount I reference. Between automatic payment and MSDs, you could have cut Mercedes-Benz's base rate money factor down from 0.0021 to 0.0013, or about 3.1 percent.

In contrast, BMW currently has a base rate money factor of 0.00145 for its leases. It lets you make seven security deposits, also worth 0.00007 each, which would drop the money factor to 0.00096, or about 2.3 percent.

As you can see, just between these two close competitors, the money factor can vary, which in turn affects how good a lease you can get. Note that some models have their own money factors, which are below the base rate. Usually, you can lower only the base money factor, not a promotional money factor.

Dealers make a ton of money by inflating the money factor with unsuspecting car buyers. People focus too much on the monthly payment and not enough on the underlying details. Merely getting a payment that is within your budget does not mean you're getting a good deal!

Where can you learn more about money factors and residual values? There are many sites that publish this information every month. Two good bets are ridewithg.com and any forum dedicated to your specific car company or model. There is likely an ongoing conversation about exactly this.

One last, big lease hack to mention is including a prepaid maintenance plan as a “feature” of the car. If your dealer can do this, it means the maintenance plan will be included in the MSRP and residualized in the lease just like the car. Said differently, if you include a \$1,000 maintenance plan in the MSRP of a car with a 77 percent residual value at lease-end, you will actually pay only for 23 percent (or \$230) of the plan, even if it is a two-year, 20,000-mile plan. Mercedes-Benz is a great example of a company that makes this possible.

Note that leasing is not attractive in Illinois or Texas because both states charge sales tax on the entire price of the car, not merely the lease payments. On a \$30,000 car, this can easily add more than \$1,000 to the total payments on a 36-month lease.

In short, the way to get a great car at a great lease price is to get to the lowest possible net cap cost, the highest possible residual value, and the lowest possible money factor.

Fortunately, there are lots of ways to optimize those three. Every year, several incredible lease deals pop up. Having patience to wait for those is the best way to lease a great car for less.

Why You Should Never Get a Mortgage or Home Equity Line from Your Bank (Or How I Got a Sub-Prime Mortgage but Avoided Foreclosure)

I have had more than a dozen mortgages in the past seven years between the original mortgages and any refinances for our home plus rental properties.

My first mortgage was absolutely terrible. My credit was not finished getting cleaned up, plus I had no idea what I was doing. I knew little beyond that I wanted to own my home. My approach was the equivalent of jumping into the deep end to learn how to swim. It might kill me quickly, but if not I would have figured out how to swim.

I had trouble getting approved at a few obvious places and ended up with the kind of mortgage broker you get sent to when everyone else in the

area turns you down. I had made another rookie mistake and put down way too much earnest money, but because it was a huge chunk of my net worth at the time, I ignored the concept of sunk cost and plowed ahead.

I ended up with a two-year adjustable mortgage, amortized over 30 years, with an awful 7.65 percent rate, which was at least 2 percent higher than market. I was charged more than \$1,000 in fees by the mortgage broker plus he was paid \$5,000 by the lender. Basically, he raised my rate even farther above market so he could get paid more. I was clueless and didn't ask the right questions, plus a HUD-1 settlement statement—the summary form that you get at a real estate closing—might as well have been written in a foreign language for me at that point.

I've gone back and looked through all of the paperwork. The broker had me apply for a NINA (no income, no asset) loan, meaning the lender did not require any documentation of my income or my assets. The thinking here, as we all know, was that real estate prices had never gone down, so lenders would always have the house as collateral. No one realized that if you start lending money to people who don't qualify, they would enter the market and artificially raise the prices of homes. The loan was originated by BNC Mortgage, an aggressive California-based subprime mortgage lender that Lehman Brothers had acquired and ultimately shut down barely a year after I obtained my loan—and not long before Lehman itself collapsed under the weight of toxic debt written to totally unqualified borrowers like myself.

So yes, I of all people was suckered into a subprime loan. More seriously, my unbelievably bad decisions not too long ago combined with my relative sophistication today goes to show you (1) how complicated and opaque the process is, especially at first glance and (2) how easy it is for anyone to get up to an intermediate or advanced level. That was my takeaway. I paid a well-deserved price, but the good thing is that I learned a valuable lesson and started on the route to gathering a ton of even more valuable knowledge.

Given the punitive interest rate and the gratuitous fees I was charged, I was a prime candidate for foreclosure—and soon. With monthly payments that were starting to hurt, I figured things out quickly.

The first thing I realized is that the mortgage payment doesn't tell the full story. In the first month of a \$150,000 30-year mortgage at 7.65 percent, your payment of \$1,064 is almost entirely interest (\$956), with very little going toward paying down the principal (\$108). Over the

course of the loan, I'd pay more in interest (\$233,138) than I ever did for the house! And this doesn't even touch the fact that I had a rate that was resetting in two years.

I knew I had to get a much lower rate, but I also had to get a fixed rate because I planned on owning the home forever and didn't want the risk of rates going up.

First, I went with a 30-year mortgage at 6 percent. Then I refinanced again to 4.5 percent and am currently working on another at 3.5 percent, less than half of where I started!

To close out my earlier point that the payment doesn't tell the full story, I want to point out that at 3.5 percent on a \$150,000 30-year loan, the payment drops from \$1,064 to \$674 (a \$390 difference) but the interest portion actually drops even further, from \$956 to \$438 (a \$518 difference). The portion of the first month's payment that gets applied to reducing the balance on the mortgage jumps more than double, from \$108 to \$236.

So not only would you keep \$390 more each month, but you would go from paying \$233,138 in interest over the life of the loan to only paying \$92,484, almost a third as much and a total savings of more than \$140,000!

But these are relatively basic tips, the kind I cringe about including here because they have been rehashed elsewhere for too long. They are a good way to set the table for the real advice, though.

The name of this section says that you should never get your mortgage from your bank. That's true. The default move for most people is to walk into their local Chase, Bank of America, or Wells Fargo, where they are already doing their banking and ask the friendly people there about a mortgage. Big mistake!

You will almost always find significantly better rates going through a good mortgage broker or going through one of the other large mortgage originating companies, rather than going through one of the large national banks. The difference is meaningful, often 0.5 percent lower of a rate.

On the day I write this, the three largest national banks are all quoting 4.0 percent for a 30-year mortgage. Meanwhile, wholesale mortgage rates are averaging 3.33 percent (see today's wholesale mortgage rate here: <http://bdeal.me/mtg>). Oddly, wholesale rates are offered by the large national banks to mortgage brokers so that they can buy the brokers' loans. Yes, you can end up with a loan that is owned or at least serviced by Wells Fargo or Chase both by going to them directly or by going through

a mortgage broker. But if you go through a broker, your borrowing costs will likely be much lower. (Note: I've never actually figured this one out. The big banks are more competitive with loan rates in the wholesale market than the retail market. Given the questionable quality of banks' other recent decision making, I'm assuming there is probably not a reason for this discrepancy but take advantage of it while it lasts!)

With wholesale rates at 3.33 percent today, mortgage brokers could probably quote you 3.5 or 3.375 percent with a tiny bit of points. In fact, setting aside the handful of biggest banks (Chase, Bank of America, Wells Fargo, Chase, U.S. Bank), many of the lesser-known big residential lenders are quoting rates less than 3.5 percent.

Examples of these large but lesser-known lenders at lower rates include Provident Funding, at 3.375 percent with 0.125 percent points; Amerisave, at 3.375 percent with 0.5 percent points; and First Internet Bank, at 3.375 percent with 0.815 percent points (or 3.5 percent with no points). This difference between the 4.0 percent quote by the large banks and the 3.375 or 3.5 percent quoted by other large players in the market is huge!

On a \$150,000 mortgage, the difference between a rate of 4.0 percent and a rate of 3.375 percent is that you have a payment of \$778 with the former and \$663 with the latter. Over the course of the loan, this little, boring 0.625 percent will cost you \$30,000 in additional interest charges that



MORTGAGE RATES

As of August 2012

Brokers	Rate
Provident Funding	3.375%
Amerisave	3.375%
First Internet Bank	3.375%
Chase / Citi / Bank of America / Wells Fargo	4.0%

Figure 3.3

could have gone toward better things, such as retirement, college savings, or a boat. Remember, banks consider loans to be assets, just like they do deposits. They need their 1 percent on that. In the case of a mortgage, they need it *every year for 30 years*, so you are left taking a huge, needless hit.

Even some of the big credit unions who—the poor souls!—actually write their mortgages with the expectation that they will hold them to maturity oh so many years from now merely to earn interest are offering lower rates (3.625 percent at Agriculture Federal Credit Union, 3.875 percent at Pentagon Federal Credit Union, and 3.875 percent at the Digital Federal Credit Union) despite the playing field being tilted against them. The credit unions don't merely originate loans; they are the permanent lenders. Most of the big banks merely originate the loans and then, using the broken system we still have and have yet to fix, go and get a stamp of approval from Fannie Mae, now owned by the U.S. Department of the Treasury, that allows them to easily package them up into bonds and sell them off to someone else for a lower rate than the market would otherwise support.

I said that I had gone through a mortgage broker with my first loan. In the interest of not getting called out as a hypocrite, I should clarify that he was neither a good broker nor focused on prime borrowers, and there is an enormous difference with both. Find a good broker by researching online or asking hard questions of friends (“On the day you locked in your interest rate, did the broker share the wholesale rate sheet with you?” is a good one). And don't ever get a mortgage if you're a subprime borrower, not that these mortgages exist these days.

As with all things, just remember not to go the default route when looking for a home loan because there are several better options.

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

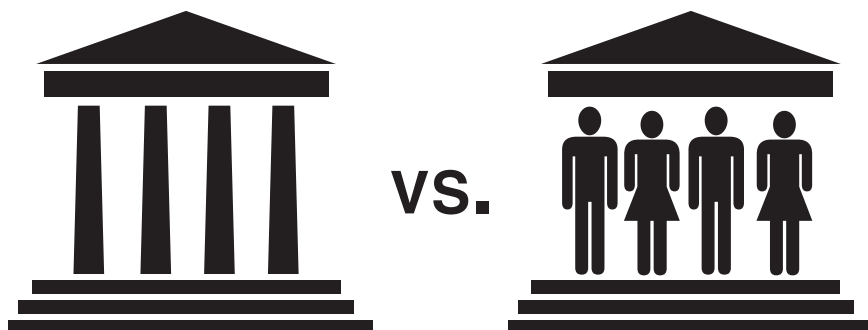


Figure 3.4

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

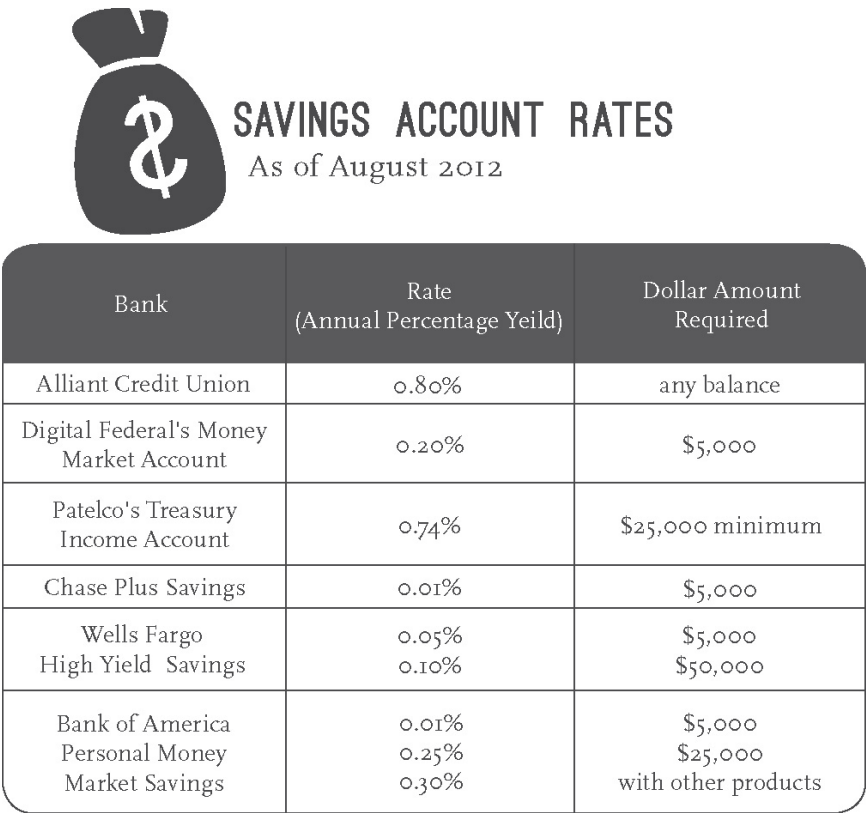


Figure 3.6

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

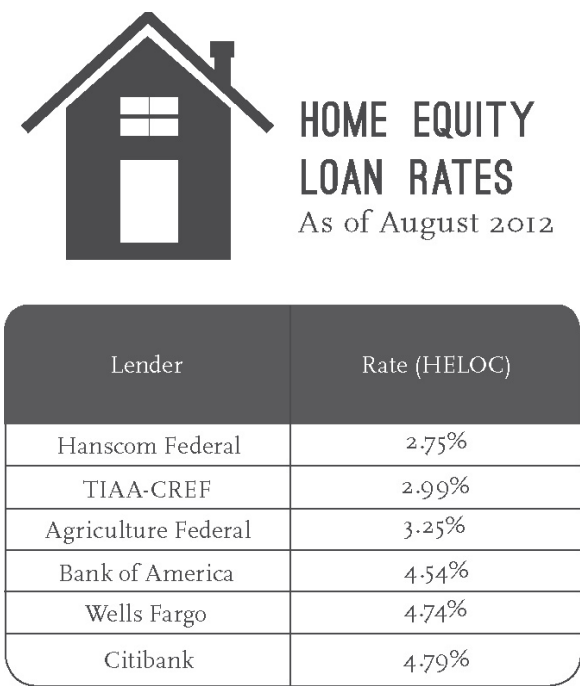


Figure 3.7

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 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.

The Four Types of Credit Cards (Or the Four Good Types of Credit Cards Plus a Fifth You Can Ignore)

In practice, a good consumer should look at credit cards as being of one of five different types:

1. Benefits cards
2. Rewards cards
3. Sign-up bonus cards
4. 0 percent introductory rate cards
5. Lower-interest cards

You should never have the fifth type, lower-interest cards, so we can dispense with that immediately. If you already have credit card debt and can get approved for other cards, you should shift your balance from a high-interest card to a 0 percent card, which removes any reason for these cards to exist.

Benefits Cards

Think of a benefits card as less of a credit card and more like a AAA membership card. You pay an annual fee in the expectation that the discounts, access, service, and protection will more than make up for

the cost of the card. In many cases, there are sign-up bonuses involved. I don't use these types of credit cards as my everyday spenders because the rewards are not sufficient on most purchases; that said, I do carry them in my wallet. Examples of benefits cards include the American Express Platinum Card, the Citi Executive AAdvantage World Elite MasterCard, and the United MileagePlus Club Card, each of which has a potentially lucrative set of benefits, including airport lounge access. There are also several airline and hotel cards that double as both rewards and benefits cards by providing access, free service, or discounts when used at the given hotel chain or on the airline.

Rewards Cards

Rewards cards are for everyday use because they offer points, miles, or cash back to you for every dollar spent. A simple example is a card that offers you 1 percent back on all your purchases, meaning you will receive a rebate of \$0.01 of every dollar spent and \$1 of every \$100. There are a few cards that offer 1.25, 1.5, or even 2 percent cash back on everything. There are also cards that offer quite a bit more than that from specific retailers or on purchases in specific categories; for example, there is an American Express card that offers 6 percent cash back on groceries.

Cash back is straightforward but usually less lucrative than points or miles because it is a fixed value. The \$0.01 of cash you get back from spending a dollar will never be worth more than that, whereas 1 point can easily be worth a few cents and in some cases worth \$0.10, \$0.20, or more.

Exceptions to “everyday use” for rewards card include (1) if you have to make the purchase on a benefits card to get the desired benefit; (2) if you are trying to qualify for a sign-up bonus with another card; or (3) you'd rather have the 0 percent introductory offer for your purchase (although you could probably find a card that had both rewards and a 0 percent offer).

Sign-up Bonus Cards

Sign-up bonus cards are simple: You use them while you are trying to qualify for a bonus—such as \$300 cash on \$500 in spending or 100,000 frequent flyer miles—but no longer. Remember, if you eat while the carrot is in front of you, you can win; if you keep eating after the carrot is gone, ignoring better options elsewhere, you will lose the battle for

your wallet. For example, I usually have one or more Citi AAdvantage cards because of the perks with American Airlines and the 2 miles per \$1 I get when booking American flights. These aren't otherwise the best everyday cards for me. When they have offered great 75,000- or 100,000-mile bonuses in the past, I have jumped—but only to eat the carrot (read: I used the card to hit the threshold for the bonus). I then go back to a better everyday card like the American Express Starwood card, which allows me to earn more rewards: 25,000 American miles for each \$20,000 I charge, versus simply 1:1 with the Citibank cards.

0 Percent Introductory Rate Cards

Cards with a 0 percent introductory rate are for use only when you are trying to shift balances from higher-interest cards, when you are doing something proactive such as balance transfer arbitrage or building your own line of credit, or when you are trying to get 12 to 18 months of no interest charges on a big-ticket item you are about to buy.

If you are doing anything related to balance transfers, your focus here is on which company has 0 percent offers with no fees or with capped fees (for example, a \$75 maximum fee); from there, you look for the company with the longest term. If you are making a purchase, you are focused on the term, whether there is a sign-up bonus that you can capture with your purchase, and whether the card offers rewards for the purchase and how those stack up versus other cards.

Balance Transfer Arbitrage (Or the Easiest \$10,000 I Ever Made)

Warning: This is an intermediate or advanced maneuver that can result in great benefits relatively easily, but it has tons of pitfalls, which take rigorous discipline to avoid.

I have applied for well over 100 credit cards in my short life. I literally have a drawer full of old cards that I no longer use.

My first love was not miles, points, and elite status for traveling but something called balance transfer arbitrage. It is the antithesis of “you need to have money to make money.” I didn't have any when I got started with this so it is perfect for anyone who is in same position!

We have all seen the 0 percent APR introductory rates that credit cards offer. Sometimes they are for purchases—you can charge a big-ticket

item to a credit card and pay the credit card bill off over the term of the introductory rate at little or no interest—but sometimes they are for balance transfers. A balance transfer is when you transfer your balance from a high-interest credit card to a card with no or a low interest rate for an introductory period, usually 12 months.

The way this works is that if you are approved, you can have the new credit card company either send a check to your old credit card company, send you a blank check that you can send to your credit card company, or simply deposit the cash into your bank account. Usually, with these types of offers, you get a few blank checks in the mail as well. They are meant to encourage you to engage. If you have a blank check from a no-interest account and have high-interest credit card debt elsewhere, it is hard not to use the check to clear away the high-interest debt, right? It can be similarly difficult to have a blank check from a no-interest account at the same time there is something that you want to buy.

New customers can be worth thousands of dollars to a credit card company. Think about that trusted, responsible friend of yours and the scenario I put forward earlier where you are able to capture 3 percent of all of his or her household and/or business spending in a given year.



Figure 3.8 A selection of credit cards I've used just in the past few years

Then imagine being able to do that for all of your trusted, responsible friends. Now imagine charging some of them an annual fee for the privilege. Now imagine that if a few of them miss a payment or two, or don't pay off their entire balance at once, you can charge them 20 percent in the interim. Not a bad deal, huh?

This lucrative relationship is what allows the banks to dangle legitimately large carrots in front of us to get started. Sometimes, they offer a bunch of carrots, or even a whole field.

These checks can be the first free hit of the drug that the dealer gives you. They are one of many reasons why most of us have been losing with credit cards for a long time. I used to lose with them, too. Then I learned that if I was careful with them, and I had the right plan, I could use these same methods meant to entice me into a potentially money-losing relationship to my advantage—and actually make money for myself. You can employ this kind of financial jujitsu to your advantage, too.

If you simply eat the carrot and stop—or if you find something even more valuable to do with the carrot—you can come out ahead.

If not, the banks have lined up plenty of things to get in your way so that they can profit off you. If you're not careful, you'll end up paying more in penalties and interest than you ever saved from the carrot.

What are the catches?

1. Miss a payment and interest starts, often at a penalty rate. This isn't different from where you are coming from, so is not a deal-breaker for me.
2. They may charge an upfront fee of 3 to 4 percent for the privilege of doing a transfer. If you're coming from standard 10 to 30 percent credit card interest rates, it is still a good deal. But it is also something you can avoid. I usually wait for offers that have a capped fee, such as 3 percent or \$75, whichever is higher, or that have no fee at all.
3. You have to make minimum monthly payments even during the introductory period. This is also not different from where you are coming from, so is not a deal-breaker for me.
4. The 0 percent APR rate is truly introductory and will go away when the initial term is up. Balance transfers require a ton of discipline. If you will have a balance after the end of the

introductory period you should tread more carefully as there is no guarantee that you'll be able to find or get approved for a new offer to roll your balance into.

Balance transfers have many purposes. On one hand, it is a power move on the path to ridding yourself of credit card debt. On the other hand, via balance transfer arbitrage, it is a power move to making easy money if you are free of debt and interest rates on savings accounts are worth your while.

If you remember, *arbitrage*, a term primarily used on Wall Street, is the practice of taking advantage of a price difference in two different markets. In our case here, it is taking advantage of the difference between the 0 percent interest rate on your debt and whatever the greater-than-zero interest rate is on your savings account. Talk about turning the tables, this lets *you* take the bank's money and earn interest on it rather than the other way around!

The idea with balance transfer arbitrage is for people without credit card debt to sign up for the same 0 percent introductory rate credit card offers that people with credit card debt are signing up for to take advantage of no interest on purchases or balance transfers for 12 months or more, but to instead write the checks to yourself instead of to a store or another credit card company. There is no restriction against this, and it is well within the bounds of fair play.

Then, you deposit the checks into the highest-interest account you can find so that you can use the bank's free 0 percent money to help you earn interest.

The main questions are, as always, Can this scale, and what is the opportunity cost?

As for scale, you are not going to derive tremendous benefit from applying for one no-fee, 0 percent introductory APR credit card, getting a \$5,000 limit, transferring that \$5,000 to a savings account that earns 1 percent, and watching that account make you \$50 over the next 12 months.

However, if you got 20 no-fee, 0 percent introductory APR credit cards, with an average limit of \$10,000 each, then you have a different story. You can transfer \$200,000 to a savings account that earns 4 percent and sit back while that earns you almost \$8,000 over the next 12 months.

It is certainly possible. I have done this several times for more than \$100,000 at a time, including once for over \$250,000 in one fell swoop, in which case I earned over \$10,000 in a year in interest from relatively little effort!

Here is the routine: I would spend a few hours one day identifying and prioritizing all of the available offers via the Web. Prioritizing is important, because you have better odds of getting an approval with your first applications than your last. I do this via a spreadsheet, so I can track my success and remember basic details about the accounts and their websites. Then, a few days later, I would spend a few hours applying for the offers, because if you can group the “inquiries” generated by the applications on your credit report to one day, they are thought to have less effect on your credit score. Then, I would spend a few more hours after the cards came in coordinating either direct deposits into my account or taking checks to the bank. I would also add the account log-in URL, as well as my details, such as my user name, password, statement date, payment date, credit limit, and the date the account was opened.

After I had the cash and it was earning interest, I’d spend a few more hours setting up online accounts, assuming I didn’t have them already, and setting up automatic payments to my new credit cards from the account that had the cash in it. If the deposit account is a savings account, it won’t be quite that simple, thanks to archaic Federal Reserve rules that limit savings accounts to six or fewer withdrawal transactions per month. You will have to set up one main transfer from your savings account into an intermediate account like your checking account. Then, set up your credit cards to make automatic minimum payments that pull from your checking account.

I take periodic high-level glances at the accounts via a service like Yodlee or Mint to make sure that the cash is moving as intended, but beyond that, if this is set up well, it should truly be a “set it and forget it” kind of operation where you should not have to touch a thing!

Of course, there are not always infinite 0 percent offers without any fee or with capped fees. These are largely a product of how confident banks feel about extending consumer credit and how aggressively they are competing in the market for new customers. In 2005 and 2006, they were very competitive but they were less so in 2009, for example.

Note: *Capped fees* mean something like a charge of 3 percent or \$75, whichever is highest, such that on a \$10,000 transfer, you’re cutting into 0.75 percent of your annual interest profit. Or on a \$25,000 transfer,

you're cutting into 0.3 percent of your annual interest profit. They are usually manageable but are more so when interest rates on savings return closer to historic norms.

There are also not always savings accounts that pay 4 percent. There are not any at the time of writing this, but there likely will be again soon. As recently as 2007, ING Direct and others were paying out more than 4 percent interest on their savings accounts.

Even at 1 percent, if you set up a system of transfers and payments and can set it and forget it, the \$2,500 you'd make from the preceding scenario is likely worth the opportunity cost of your time in making it happen.

Bottom line: Credit card balance transfer arbitrage can be a strong tool to enable someone with discipline and good credit to make money without having much to begin with. It will become only more lucrative as higher interest rates return.

How to Create Your Own Business Line of Credit at 0 percent

In "Balance Transfer Arbitrage," I touched on one way to use credit card balance transfer offers beyond simply paying off old, high-interest credit card debt.

It is also the best hack you will ever find to create your own business line of credit, at 0 percent interest, of course.

I started my business, Brad's Deals, in 2001 as a small service for friends and fellow students when I was in college. We have grown quite a bit since then and are now competing against companies that have small fortunes of venture capital behind them, which is usually an advantage, although not always. Several years ago, I had a bunch of things that I wanted to get out of my head and into reality quickly.

Until that point, we had grown gradually out of our own cash flow, but the recession had hit and the advertisers we work with started to stretch out their payments to us, which were not fast to begin with. But this was a natural time for us to expand (Warren Buffett's "Be fearful when others are greedy and greedy when others are fearful" was reverberating through my thoughts). So what could I do? Since we had a ton of accounts receivable that we knew were coming in, a basic form of bank collateral, I made the default move and walked into my local Chase branch, where I knew the staff well.

I had a bunch of conversations with them but was getting a really curious vibe. Finally I said to them: “How many new business lines of credit did you open up in the branch last month?” “Zero” was the answer. I got the picture. This was the worst of the panic, and all of the big banks, weak and strong, were hoarding capital while under a mandatory Troubled Asset Recovery Program (TARP) umbrella. No matter how established or rock-solid the company or its assets, loans weren’t being made.

The banks were, however, still approving consumers with exemplary credit for credit cards. This was my opening.

Luckily, as you will see in “How I Got My Credit Score from 400 to Almost 800,” I finally had a perfect credit report because that was the only way into the market. I knew I didn’t want to merely use my existing credit cards and run up balances that would get hit with big interest charges while I was waiting for our accounts receivable to return to their normal schedule. That was the other default move, practically a proverbial one for a small business. And I had learned by that point that the default move was *always* wrong and that there was a better alternative out there if I could only find it. It was right under my nose. I’d been playing the balance transfer arbitrage games for ages. This time, I wouldn’t do it for the interest—although I might make a little—but rather to rip right out of the ether enough cash to create my own lending facility. If my business needed to borrow, I would lend to it. You can’t beat it for self-reliance. Need your own line of credit? Make it!

Not only was this a money-saver in that I had no fees or interest from a bank or my other credit cards, but it was, as these things usually are, a monumental time-saver. Bankers are not quick to lend money, especially to 20-somethings with Internet companies who don’t have fancy investors. I would have burned a tremendous amount of time satisfying them and convincing them that they would be repaid.

It turns out I needed the extra cash for less than six months, but it made a difference. It also let us move forward and take advantage of opportunities others may have missed, all because the primary default move was impossible because the banking system was frozen. The second default move was to pay 20 percent interest on credit cards, which I knew I had to avoid. Bottom line: By taking the road less travelled, we were able to push forward at an opportune time, which has led to more than 1,000 percent growth since.

How to Save \$312 in 13 Minutes Every Six Months

I have a tried-and-true method that I have used often to save several hundred dollars. I do it often.

I call Comcast—I literally have their phone number memorized—and tell the representative that I’m going to cancel my TV and Internet service to get a dish and DSL because Comcast’s pricing is not competitive. I get transferred to the retention department, and that representative invariably cuts my bill \$50 to \$60, just enough for me to stick around.

One recent call cut my bill from the \$134 it was about to be in 5 days to \$82 for the next 6 months.

Comcast also added channels and gave me free HBO. The whole call took 13 minutes and 26 seconds. Most likely, until I drop cable TV altogether (and I’m close), I’ll be calling again in the future.

Some qualifications on this example: Yes, \$82 is still probably too much, but it’s better than \$134. Roughly \$20 for Internet, \$50 for a ton of TV, and \$10 for a DVR is tolerable to me for now. Taking 13 minutes to save \$312 is more likely at the moment than my taking 10 to 20 hours to figure out how to remove cable TV from my life entirely and get set up with everything new I need. I am, though, using a Roku and am very close to cutting out cable TV for good. Paying less than \$100 once for the device, then about \$15 total per month for Hulu Plus and Netflix, plus getting Amazon Instant Video for free because of my Prime membership, makes it a no-brainer. What about live sports, you ask? The fancy, late-model HDTV you own can pick up high-definition broadcast TV via its antenna for free.

Why is this so easy, and how do I know it will work for me? Let’s look at the core economics of the cable and Internet industry.

In 2011, Cablevision had average monthly revenue of \$152 per subscriber. Comcast had \$138, Charter had \$136, Time Warner had \$134, DirecTV had \$93, and Dish Network had \$79.

An even better way to look at this is by calculating how much you, as a single subscriber, add to the total value of a cable or satellite company. The numbers will astonish you.

The six biggest cable and satellite companies are public companies, so this is easy math. Let’s take the total enterprise value of either their entire company or their U.S. cable operations (if most applicable) and divide it by the number of subscribers each has.

Cablevision has a total enterprise value per subscriber of \$4,200 (\$13 billion/3.2 million subscribers). Charter is \$3,700 per subscriber (\$17.3 billion/4.1 million subscribers). Comcast (\$77 billion/21.6 million subscribers) and Time Warner are both \$3,500. DirecTV is \$1,300 (\$26 billion/20 million U.S. subscribers), and Dish Network is \$850 (\$12 billion/14.7 million U.S. subscribers).

Yes, this means that by having you as a subscriber, Comcast is worth \$3,500 more as a company or Cablevision is worth over \$4,000 more as a company! Likewise, losing you theoretically reduces these companies' value by that much.

This is why the cable and Internet companies will spend a small fortune acquiring you as a customer. The data for cable companies is not available, but DirecTV spends more than \$800 in cash costs to acquire a subscriber and Dish Network spends more than \$700 in cash costs.

This also means that they will spend a small fortune retaining you as a customer. Just as they are using you to their advantage, you should use this knowledge to yours. Call and renegotiate your rates with any companies you have recurring plans with. If you can shift even half of the \$4,000 or so you are worth to them back to you, you will have saved a ton of money.

More important, this Comcast example that I use to save on my cable and Internet should be applied to any other industry where you are a recurring customer. Simply call them up, tell them you are considering taking your business elsewhere, wait while they put you on hold and secretly transfer you to a retention specialist, and then renegotiate with them. It won't work every time, but the downside is 5 to 10 minutes of your time and the upside is hundreds of dollars.

The Quickest Way to Make \$1,000 (Or Sign-up Bonus Success Stories)

I have a method that I've used many times in my life to make at least \$1,000 very quickly. You can, too.

I sign up for multiple new credit cards and bank accounts that have cash sign-up bonuses, all on the same day. Often, my wife does it at the same time, and we get double the bonuses.

There are always a good bunch of offers from the major banks and credit card companies that change to varying degrees—and I keep track of

the current best offers for everyone at <http://bdeal.me/bonuscash>—but the end result remains the same. Someone doing this at the time of this writing could quickly make \$1,290 just for signing up for six credit cards and could make \$500 more by opening five bank accounts. That \$1,790 payday would double to more than \$3,500 if a spouse or significant other did it in parallel.

There are two ways to look at this. One is as an additional layer of savings to a great deal you're getting. For example, you buy a \$1,000 TV for \$500 after a bunch of discounts, plus you save an extra \$100 by charging it to a new credit card with a \$100 cash bonus for spending \$500. The other is simply as a way to outright make money.

Here was the November 2012 path to a quick \$1,000-plus from credit card bonuses and a quick \$500-plus from bank accounts. Six cards, two each from Chase, American Express, and Citi, alongside one account each at four major banks plus one at ING Direct, were the best path, although there were plenty of other options.

Anyone could have made \$1,290 via the following six credit cards:

- \$440 on \$3,000 with the Chase Sapphire Card (<http://bdeal.me/sapphire>)
- \$250 after your first purchase with the Chase Ink Bold Card (<http://bdeal.me/ink>)
- \$200 on \$1,000 with the American Express Blue Sky Preferred Card (<http://bdeal.me/bskyp>)
- \$150 on \$1,000 with the American Express Blue Cash Card (<http://bdeal.me/bluecash>)
- \$150 on \$1,000 with the Citi Thank You Preferred Card (<http://bdeal.me/typ>)
- \$100 on \$500 with the Citi Dividend Platinum Card (<http://bdeal.me/divp>)

And anyone could have added an extra \$500 or more with these five bank accounts:

- \$150 at PNC with one direct deposit and one bill pay (<http://bdeal.me/pncbonus>)

- \$150 at Chase with one direct deposit (<http://bdeal.me/chasebonus>)
- \$100 at Bank of America with a direct deposit with 90 days (<http://bdeal.me/bofabonus>)
- \$50 for getting balance to \$1,000 at U.S. Bank, plus another \$50 for maintaining it for 12 months (<http://bdeal.me/usbankbonus>)
- \$50 at ING Direct for using the debit card three times (<http://bdeal.me/ing>)

This could have been doubled to \$3,580 with a participating significant other.

For the bank accounts, as you can see, you usually have to do something, such as initiating a bill pay, getting to a certain balance, or receiving a direct deposit. Note that you don't actually have to go to human resources and have them change your work payroll information. Most banks count any incoming electronic transfer that was initiated at another institution (so it was "pushed" to your bank) as a direct deposit. This means that you can often send money from PayPal, ING Direct, or even another bank account, and the receiving bank will count it toward your direct deposit requirement. Any bill pay requirement is easy; worst case, you can always send something to yourself. Any requirements based on holding a certain balance are based on your personal preferences and ability, as well as the opportunity cost of tying up that money.

For credit cards, a bonus is usually paid out either on the first purchase, after hitting a spending threshold, or both. In this case with these six cards, you would have to spend \$6,500 to collect the full bonus. The approach here is to shift spending that you would have already made to these cards, be it utilities, cell phone bills, groceries, gas, and other everyday expenses. It goes without saying, but if you actually spend more to hit one of these thresholds, it defeats the purpose.

This is just the tip of the iceberg. I once used five \$200 offers to open five business accounts (for different business entities), all at the same bank at the same time!

This is a very effective way for consumers to actually make a bit of money once or twice a year while also expanding their available credit. Be careful to close any accounts that have fees after the promotional period if you are not getting enough value to keep them open.

How to Manage an Extra 100 Points on Your Credit Score (Or Why Downgrading, Bumping, and Reallocating Can Get You a 740+ Score)

The idea here is to introduce concepts that will help you achieve and maintain a credit score of 740 or higher at all times. This section is geared toward those who have credit scores roughly in the range of 650 and up. I will discuss in another section how I got from below 400 to almost 800.

We all know that credit scores are important, so I won't rehash that. I'd like to make one, brief point, though. If you ever get the chance to see a wholesale rate sheet (you *should* ask your mortgage broker for this), you will see that only a borrower with scores above 740 can get the lowest rate. Assuming a situation with a 20 percent down payment on a conventional loan of \$417,000 or less, even someone with scores of 720 to 739 would have to pay an extra 0.25 percent in discount points to get the same rate. Some with a score of 700 to 719 would pay 0.75 percent; 680 to 699, 1.5 percent; 660 to 679, 2.5 percent; 640 to 659, 3.125 percent; and 620 to 639, 3.375 percent. Of course, instead of paying upfront discount points, the lender can also just adjust the rate upward, likely 1.5 to 2 percent in this case, but you end up losing either way.

For a \$200,000 mortgage, someone with a credit score below 640 would have to pay \$6,750 in upfront fees ($0.03375 \times 200,000$) to get the same low rate as someone with a 740 or higher credit score. One hundred points is an enormous difference, so learning a few tricks that can manage your score is crucial!

Let's talk about what some of those tricks are. The first one is really easy.

Why Would You Ever Pay Your Credit Card Bill Early? There are many odd and archaic things about credit reports. One in particular is each month they report the balance as of the statement closing date, not as of the payment due date. You may be free of credit card debt in the sense that you aren't rolling over balances from month to month, but your credit report doesn't reflect that. It treats all balances equally, even those that are about to get paid down. It would make lot more sense for credit card companies to report to credit bureaus your

balance as of the payment due date and to confirm whether you paid your account off in full or are merely making the minimum payment.

The reason this hurts your score is that it adjusts the ratio of credit used to credit available, which I think is the *second most important thing on your credit report* (first is not having bad debts). If you have \$100,000 in available credit across many cards and have zero balances, you are golden. If you have \$100,000 in available credit and have used \$50,000 of it for whatever reason, from balance transfer arbitrage to buying coins from the U.S. Mint to simply having old credit card debt, you're going to take a pretty good hit on your report until you pay it off. The same is true if you have \$3,000 in credit and are reporting balances of \$1,500. That's a killer and is holding you back from more or better credit.

My scores routinely drop 20 to 40 points simply by showing any balance, but if I pay down my balances on the statement date so that zero gets reported to credit bureaus, they will stay higher. Since there is no way to automate this (all of the automatic payment options are based on the due date), I miss this occasionally and see my scores drop.

If you think you will be applying for credit any time soon, or if you're like me and you see value in always applying for credit, it is well worth it to set a few calendar alerts for the statement closing dates of any card you expect to have spending on in a given month. Twenty to forty points often makes the difference between an approval or not or, in the case of a mortgage, explicitly affects your rate. This is the easiest way to buy yourself 20 to 40 points more of credit score.

The Three No-Brainer Moves to Make before Canceling a Credit Card Another easy move that will add points to your score is to avoid canceling cards unless you have exhausted all other options. Most people don't realize there are other options, so this is a common mistake they make, especially with cards that have annual fees. They pay the price with their credit score, by losing seasoned accounts and decreasing their available credit and their ratio of credit used to credit available. Preventing closures is another way to save 20 to 40 points or more over time.

There is no question that the fight against annual fees is a big part of the battle, especially with so many cards offering a fee-free first year. It is important to me, especially with the number of cards in my portfolio at any given time, so after my first statement, I log the expected closing date

of the twelfth statement in my spreadsheet and set an alert in my calendar for 10 days prior. At that point, I break out three big weapons for my fight:

The first is *reallocation*. This applies only if you have more than one card at a given institution, but it is really powerful if you do.

The ability to reallocate your credit limits varies among credit card companies. What's the advantage? You get a higher limit on your favorite card, allowing you to rack up your preferred points more easily and make larger purchases. Also, if you have a ton of cards like I do, you can reallocate from little-used cards that have annual fees and then consider closing them while retaining most of the credit on your credit report.

Still a little confused?

Here's an example: Let's say I have three American Express cards, each with a \$5,000 limit. I want to close two for some reason, perhaps because, as mentioned, I don't use them and they have annual fees. I'm tempted not to because then I lose \$10,000 of available credit on my credit report. Now, I can reduce the credit limit of the two I don't like down to \$1,000 and "reallocate" the difference to the one card I want. So now I have \$13,000 on one card I like and \$1,000 each on two cards I don't. It's much easier to shut those two down or just keep them around if I want. As a bonus, the card I like has much more purchasing power.

Table 3.1 shows the before and after.

For a long time, I've had the highest limit on the American Express card I liked the least and lower ones on the others. I moved \$20,000 away from the high-limit card onto the one I like the most. Now I can rack up points and reap the benefits of my much preferred card.

The second is *downgrading*. This is a nifty trick where you call the credit card company and say you'd like to keep your account open but switch to a card that has no fee, even if it has little or no rewards. More often than not, the institution will accommodate this request if there is an available card. Why bother? The core concept here is that by keeping

Table 3.1 Reallocating Credit Limits Across Multiple Credit Cards

	Amex 1	Amex 2	Amex 3	Total Credit
Original credit limits	\$5,000	\$5,000	\$5,000	\$15,000
After reallocation	\$1,000	\$1,000	\$13,000	\$15,000

the credit line open, you avoid having to reduce the available credit on your credit report and the all-powerful ratio of balances to available credit does not come down. If you can keep the account open with no fee by switching to a lesser card, it is a no-lose situation. I've done this many times, for example, downgrading from a Citi AAdvantage Platinum Card with an \$85 annual fee all the way to the Citi AAdvantage Bronze Card, which has no fee. The Bronze actually has some limited rewards, although the odds of my using the card for purchases are not high.

The third is simply *asking* for the fee to be removed in exchange for your continued loyalty as a good customer who presumably pays his or her bill on time. Since we've seen how valuable customers are to credit card companies, you will likely have good luck with this. I have been successful in doing this get the fee reduced or, more often, to get points credited to my account that are worth more than the cost of the fee.

Wouldn't It Be Nice If You Could Remove All Those Pesky Inquiries from Your Credit Report? You can. I've done this several times after applying for tons of cards and flooding my credit report with inquiries.

Believe it or not, the databases for TransUnion and Equifax are so archaic that they hold only a finite amount of your inquiries. (The other major credit bureau, Experian, does not have this issue.) When they fill up, they remove them according to a first-in, first-out rule (oldest first), and they don't discriminate between hard and soft pulls when they remove the oldest inquiry off your report. This means that if you could generate enough soft inquiries, you could literally bump all of the hard inquiries off your report. It is an incredible loophole in a credit reporting and scoring system already fraught with issues.

So explain to me again what these soft inquiries are, how I generate them, and why I would bother?

Hard inquiries are exclusively applications for credit. Soft inquiries are all other scenarios in which your credit report can be accessed, such as when you're checking your own report, when a company that you have accounts with gets an update on your report, or when third parties go to a credit union to buy information on people they want to market to.

Soft inquiries don't count against your credit score. Hard inquiries do. That is the opportunity here. If you could somehow load your TransUnion and Equifax credit reports up with soft inquiries, you would overwhelm their archaic systems, bump all of your hard inquiries

Company Information	Date of Inquiry
PRM-AMERICAN INTERNATIONAL ADVERT.	11/07/09
PRM-AMERICAN TRUST CAPITAL LENDING	02/20/09
ANDERA	06/12/09
CIC/EXPERIAN ALRTS	12/18/09, 09/16/09
CIC/EXPERIAN ALRTS	10/23/09
CIC/EXPERIAN RPTS	10/29/09, 09/12/09, 08/25/09, 07/29/09, 05/30/09, 04/09/09, 03/29/09, 02/25/09, 01/22/09, 12/31/08
CREDITEXPERT 1-866-673-0140	01/08/10, 01/07/10, 01/06/10, 01/04/10, 01/03/10, 01/01/10, 12/30/09, 12/29/09, 12/28/09, 12/27/09, 12/22/09, 12/21/09, 12/20/09, 12/18/09, 12/17/09, 08/25/09, 06/01/09, 04/09/09, 03/24/09, 02/23/09, 01/30/09, 12/31/08
PRM-DIRECTV-PRESCREENS	10/27/09, 09/29/09, 09/11/09, 05/19/09, 04/07/09

Figure 3.9 Building Up Soft Inquiries on My Credit Report Day After Day Removed the Evidence of My Prior Credit Applications

off your report, and improve your credit score in the process. Because prospective lenders usually use your middle of three scores, it would be very valuable to boost two of them, even if the third, Experian, was not able to be improved.

So how do you load up on soft inquiries? The best approach is to sign up for multiple credit monitoring services that allow “daily pulls” of your credit report. Then you go and pull your reports each day, one time each via the three services. This generates three soft inquiries that get added to each of your credit reports. According to the masters at creditboards.com, it takes 85 new soft inquiries to bump off old hard inquiries at Equifax and 65 or so at TransUnion. This means that if you pulled a new report each day or so (each has to be 24 hours plus 1 minute after the next), you would bump off all of your old hard inquiries from two of your credit reports.

Figure 3.9 is a screen shot of my credit report from early 2010 in the midst of some bumping I was attempting. You can see soft inquiries for CreditExpert most days from December 17 to January 8.

CreditExpert was via an American Express service I was using at the time, although it no longer works.

The list of credit monitoring services that you can use for bumping is always changing, but three I have used that work as of this writing are:

- My Privacy Matters: \$1 for the 1st month then \$12.95/mo (<http://bdeal.me/mpm>)

- Equifax Complete: \$16.95/mo (<http://bdeal.me/eq>)
- USAA CreditCheck Monitoring Premium: \$12.25/mo (<http://bdeal.me/ccmp>)

For about \$40 per month and a few minutes a day, you can add 20 to 40 points to two of your three credit scores. You'll see in the next section how adding a bunch of inquiries dropped 38 points from my credit score. This is a great way to remove them, although any inquiry more than 90 days old doesn't carry a ton of value.

The three approaches here—paying your bill early, rethinking whether to close credit accounts, and bumping inquiries off your credit report—can each be good for 20 to 40 points on your report, in my experience. If you are already in the ballpark of good credit (call it 650 scores or higher), the 60 to 120 total points you can gain here should help you push or solidify your scores above the 720 to 740 range that is considered excellent credit. If you aren't in the ballpark, this may help you get in. Regardless, these tactics will help you benefit from both cheaper access to credit and easier access to the great deals that are offered via credit card companies.

More important, *you* have much more ability to aggressively and proactively manage your credit score than you probably realized. Take back that control and use it to your advantage.

Why More Credit Always Trumps More Credit Inquiries (Or Why Credit Inquiries Don't Actually Hurt Your Credit Score)

I am sure that many of you have read portions of this book and dismissed them out of hand because of concern for your credit score. As the human guinea pig for most of the deals in this book, I am here to tell you that your fears are misplaced; you do not need to worry so much about this. In fact, although you should worry about it a little for a few months, over the middle and long term, the advantage of having more credit greatly outweighs the disadvantage of more inquiries.

Let's take a look at one of the most extreme examples. Believe it or not, I applied for 17 credit cards on October 27, 2008. When I woke up that day, I had a TransUnion credit score of 722, which is very good but not great (this was a long time ago, before I knew what I know now). My scores with Equifax and Experian were in the same ballpark.



Figure 3.10 I've had more than 10 each of Citibank AAdvantage cards and American Express Starwood cards

One month later, on November 26, my score was 684. It had fallen 38 points as a result of the inquiries. By December 9, it was on the march, back up to 705 as some of the new accounts started to report, lowering my all-powerful ratio of balances to available credit. By February 23, it had come full circle and was 741, a full 19 points above where I started. More important, I was above 740 and into prime lending territory for the first time since I was a college student.

I did something that most people think would destroy their credit. Why did my score, in practice, only go down a relative little and why did it bounce back to new highs so quickly?

There is no way to say for sure, but I believe it was the combination of the inquiries aging plus having all of my new credit—in this case it was more than \$140,000 of new available credit—on my report. The inquiries initially cost me 38 points, but that started to dissipate as they got older. By December, more than half of the lost score had returned. By February, I had bumped them all off my report. Meanwhile, the new credit pushed my scores 19 points higher than when I had begun.

Even if you don't bother with bumping, 90 days is a big turning point for inquiries. The whole point of even tracking inquiries in the

first place is because the whole credit reporting system, which is very suboptimal and much more rickety than people realize, is far from real time. One of the few parts that is real time is inquiries. New accounts are not reported in real time. They are often not reported until after the first statement, so at least 30 days and easily as many as 45 days or more from the date of application. Because new accounts are by definition new extensions of credit, this hole rightly makes prospective lenders nervous. What if you went and did a bunch of stupid things that they can't see yet? The only protection they have is to overrely on inquiries, at least initially. After 90 days, their relevance to the credit process fades quickly as new accounts have long been established on your report. The credit bureaus appropriately rely on inquiries less at this point when trying to score your report. In my experience, my score reliably goes up once I hit the 90-day mark on a big chunk of inquiries.

It was credit jujitsu. I took what most people view as a weakness and turned it into strength. Additional available credit is worth more than inquiries any day of the week, so don't let irrational fear of the short-term pain caused by inquiries get in the way of broader credit progress.

One thing to point out here, and one reason why inquiries are less of a big deal than people think, is that each application usually pulls your credit report and score from only one bureau; thus an inquiry is generated at only one credit bureau, not three. American Express (or Chase or Citi) pays TransUnion (or Experian or Equifax) for your data with each application. It would cost too much to *always* go to three places, but it should be noted that they occasionally do. For my 17 applications, six companies pulled TransUnion, seven pulled Equifax, and four pulled Experian. The burden of the inquiries was diffused over three credit bureaus. There would be even less concentration if I had not been as extreme, applied for something like five cards and had two, two, and one on each of my reports. You're almost never going to see all 17 at the same bureau, and if you did, it would actually be great. Prospective lenders usually judge you by your middle score. If TransUnion is 722, Equifax is 712, and Experian is 702, they consider you 712. Experian just as well could be 652; it wouldn't change things.

What's the bottom line here? Applications for credit hurt you less than you may have thought and are offset over the middle and long term by getting you more credit. Don't go and generate a bunch of inquiries within 90 days of an important credit application like a mortgage,

because, as we saw in “Why You Should Never Get a Mortgage or Home Equity Line from Your Bank,” little moves of 5 to 20 points can cost you a lot unless you’re comfortably above 740. If you don’t have something big on the horizon, you can step up to the plate and let it rip, knowing that ultimately—that is, 4 to 6 months and beyond—your credit score will gain more from new credit than it will lose from more inquiries.

The Best Place to Buy a Used Car (Or Why Your State Doesn’t Want You Buying and Selling Cars)

Dealer auctions are the best place to buy used cars, but the world of dealer auctions is incredibly bizarre . . . and fascinating.

Car dealerships have pushed for a ton of monopolistic legislation, usually tied to excessive and complicated licensing requirements. This is to protect their turf, pure and simple; it’s to solidify their hold on the market and make it difficult for anyone other than established dealerships with physical lots and the ability to jump through dozens of hoops to get the proper legal authority to sell a car. What’s even more interesting is that states literally legislate who can become a car dealer and under what circumstances. They take it one big step further by actually making it a crime. In most states, it’s a misdemeanor to buy and sell cars without a license!

I’m not sure why you would even need a license to sell a car anyway. One isn’t needed to sell heavy equipment such as tractors. Even the ones for aircraft appear to be simpler, less about keeping people out of the business and more about a way for someone to buy a plane for resale without having to pay sales tax on the purchase.

This means that dealer auctions, as opposed to public auctions, are essentially a closed world where dealers can quickly buy or sell cars from one another at wholesale prices without the public knowing—because if we did, we’d gag on the retail prices we were paying.

I had no idea how intentionally closed the market for car dealers was, but it should come as no surprise after seeing what’s happening with start-up taxi company Uber, which is trying to take on the entrenched powers in the taxi business. (If you haven’t used Uber, try it and take \$10 off your first ride with code *uberbradsdeals*.) Liquor distribution in some states is another example that still has archaic laws on the books about who can sell

what to whom and when. Credit unions, as discussed previously, are in the same boat. Obviously, the days are inevitably numbered for such a system, but the powers that be—mainly the big car dealership franchises in each state—lobby for ever more restrictions as they hang on tight to the inflated prices that their closed market brings them.

Other than legislatively, there are two big ways to combat the information and pricing power they still have.

One is to hire a broker with a license to help you research and buy a car at a dealer auction. Ideally, you'd find someone with experience in the specific make or model you are looking for. That experience will be invaluable. You may even get that person to take you or give you his or her online access to the auction companies' websites so that you can research their mounds of historical market and pricing data. The charge is normally a flat \$500 to \$700, but the savings can be significant, particularly in the high-end and upper-middle-end bracket of cars, for which the auction savings can be \$5,000 to \$10,000 or more.

Dealers go to auctions to buy vehicles to fill their lots. Often, you can see a car on a dealer's site for \$15,000, on eBay for \$13,000, and at Manheim Auctions for \$10,000.

If you are thinking about bidding on a used car at a dealer and the Carfax history says that the dealer just acquired it at auction, find someone who, even for a modest fee, will look up the auction history by the vehicle identification number (VIN) and tell you exactly what the dealer paid for it. You can't beat that for leverage!

Misdemeanor or not, you can do a brisk business by buying cars at dealer auctions and selling them on Craigslist. I know people who do.

Regardless, if you don't want to pay retail or even private party price for your next vehicle, consider using an experienced auto broker to help you score a deal at a dealer auction.

How I Got My Credit Score from 400 to Almost 800 (And How You Can, Too)

In 2003, my credit score was brutal. I had signed up for some credit cards the day I turned 18, merely to establish credit. At first, I did a great job with it. Then, a few years later, things got a little tight and I tripped up. It was relatively minor. I certainly didn't blow it out, but I had a couple thousand dollars in debt that I couldn't turn the corner on. It ultimately

got charged off and went into collections. I wasn't much of a consumer yet, so I started to pay it down while it was with the collection agencies, ultimately paying it all off at for \$0.30 or \$0.40 on the dollar, which was very dumb for two reasons, given how our goofy credit reporting system is set up.

Debt disappears from your credit report seven years from when it went into default or from when you last made a payment, whichever is later. Since I was already a few years into default—and since there was no way to get the default off my credit report—my best long-term economic move was actually to not pay the debt, as morally counter-intuitive as that may be. By paying it off, I reset the seven-year clock. Oh, what a huge mistake. I regretted it for ages. My relatively minor scrape hurt my score for almost 10 years!

I ignored the reality of the situation for many reasons, including my immaturity about the repercussions. I didn't realize this would haunt me for so long. Now that it is over, I'm glad it happened. It was a positive formative experience in all regards. There is no better way than to sear something on your synapses.



Figure 3.11

Here is a high-level historical overview of my TransUnion credit score. In 2003, it was at its worst. My credit report was bleeding red. The original 1999–2000 era mistakes had gotten doubly worse as the same debts now appeared a second time, this time for collection agencies. If I had done nothing, I would have turned the corner on those by 2006 or so and my 627 score in October 2006 would have been at least 100 points higher. It took me a few more years to get to that point. In the interim, I paid much higher rates when borrowing. It cost me dearly (see “Why You Should Never Get a Mortgage or Home Equity Line from Your Bank” for more on how bad my first mortgage was).

My point here, however, is not to simply sit on your hands and let the time pass here. I took aggressive action to limit my time in purgatory, as well as get my credit stronger while I was there so that it was at least a semifunctional level. Nothing will solve this today, but you can get stronger quickly and exit from purgatory years earlier than you otherwise would.

Aggressively Acquire New Credit The game here is to build up an arsenal of new credit, ideally available but unused, that will come to tower over your bad debts. You have no chance of looking anything but weak if you have a bunch of late or defaulted accounts and little or nothing else active on your report. If you pair your weakness with \$100,000 of unused, available credit, you start to give off strength again. This won’t be easy, but tackle it gradually. Credit cards are an easy path here. Get as many as you can, even if they’re bad, even if it is the sub-optimal secured credit cards. You will quickly see that the more credit you have, the more you can get. The idea isn’t to carry balances, or even get points and rewards. Ideally, you’d have a variety of credit so that you can swing decent terms on things such as car loans and mortgages, assuming you’re making a good purchase decision.

I did this to get from 406 to above 600, but I could have done it quicker. Do whatever it takes to make this work. This is your strongest weapon!

Dispute Anything You Have a Right to on Your Credit Reports You have a right to get your credit reports for free once a year. Do that. Print them out and go through them thoroughly. It will shock you what you will find. I had an entire student loan appear that wasn’t mine on one of

my reports, among so many other debts that weren't mine, amounts that didn't update, or items that should have fallen off years prior. Dispute them. If they stay, get on the phone and dispute them again.

Manage Your Way Home Then, when you're getting close, start employing the three tactics I outlined in "How to Manage an Extra 100 Points on Your Credit Score": pay your bills early, rethink canceling any open cards, and bump off all your hard inquiries. This will add the 60 to 120 points that you'll need.

Bottom line: I got from 400 to above 700 in less than five years when it should have taken seven, but I didn't know what I know now. A similar improvement could probably be made in three years or less if you're aggressive. Plus, your interim credit will be much more useful and beneficial. You will at least have some access to the market. That will let you play the bigger game of using credit cards to your advantage: to do more and spend less.

How Do I Do This Myself?

The overarching theme, as always, is to remember to always take a step back and question whether you are simply plodding down the default path in your consumer decisions or whether you have found the optimal path that is always out there.

For new car buying, I have already covered specifics for five of the major car companies, but there are several universal themes, including joining the car clubs of brands you like, in advance; getting the manufacturer's credit card, if there is one and if it is good; looking for any member-based organizations that have special relationships with your desired car company; and of course, joining USAA by any means possible!

For car leasing, the main thing you want to know is what the manufacturer's current residual rates and money factors are. This will allow you to spot the inefficiencies and keep your dealer honest. One great site that does a reliable job listing these each month for most manufacturers is ridewithg.com.

As for credit unions, at the very least you should start to join a few of the best credit unions that you think are players in the market for financial products you may need. You never know when you will need them. Because membership is a lifetime thing, if you can qualify now

you might as well join before that changes. You should also consider transitioning to them as your lead financial institution. Remember, if you don't, the for-profit banks will literally make you half as wealthy.

As for credit cards, you should try to assemble your ideal portfolio of rewards cards and benefits cards, based on what kind of experiences you personally want. Everyone should have at least one great rewards card and one great benefits card. At the same time, always keep your eyes peeled for great sign-up bonus offers or 0 percent offers, as needed. The TravelHacks.com newsletter will help.

I laid out how I have approached balance transfer arbitrage in the past. Now is not a great time for that, but the time will come again. You can and should still use balance transfers to expedite your own way out of credit card debt or to create your own line of credit, like I did for my business.

CONCLUSION

I hope you enjoyed the book and have opened your eyes to the new possibilities in front of you as a consumer.

Please keep in mind that many of my real-life examples are no longer active promotions but are meant to illustrate what does occur from time to time. If you'd like an easy way to stay on top of the best of these offers in real time, I'd recommend that you subscribe to my daily Brad's Deals e-mail (<http://bradsdeals.com/my/subscribe>) for the best of shopping and finance or the TravelHacks.com e-mail for travel. *Do More, Spend Less* readers can get exclusive access to the private, invite-only service via <http://travelhacks.com/dmsl>.

I know I've thrown a lot of information at you. Remember that I have been at this awhile. If you're intimidated, don't be. I knew nothing when I got started. It's easy for me now. You can get there, too. Let it soak in. Make a point of doing a few things. Baby steps are okay. Focus on the parts that excite or are most important to you. Do you want to get upgraded when you travel, do you want to optimize your personal finances, or do you want to buy new cars at great prices?

Whatever it is, there is a new approach that will unlock tremendous value for you. We are at the dawn of a new era of consumer empowerment. I look forward to your feedback and to helping you adopt the *Do More, Spend Less* lifestyle!

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