Delray Credit Counseling, Corp

DCC DOLLARS & $ENSE

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Special points of interest:

- Vacation Savings
- Understanding the Fed Rates.
- Ask DCC?
- For answers to your questions, email *questions@delraycc.com*

Summer Vacation and Your Finances

Summer time is one of the busiest times of the year for travel. Good weather, a variety of holidays and unused vacation days are all reasons that people choose to travel during the summer months. Whatever the reasons for your vacation plans, you'll want to take some time to properly plan financially and maximize your experience.

One of the easiest ways to save money in traveling is to do it on an off-weekend. Although there are many holidays over the summer months that give you an automatic break from your daily grind, there are millions of consumers that are planning the same thing and businesses know this. During a holiday weekend, airfare is substantially higher and you're less likely to catch a deal that would otherwise be available so plan ahead!

Proper planning of a vacation can help to avoid this problem and save money for activities on your trip. Although you can't avoid travel companies increased prices for major holidays, if you plan your vacation ahead of time you can plan to take time off from work on an off-weekend. This will save on you travel expenses getting where you want to go. Once you arrive, you'll be on vacation at a slow time for tourism. For example, you may find it hard to swim with the dolphins in Orlando if you plan your Florida vacation over the fourth of July. If you were able to get in, the cost would be severely inflated.

Another savvy savings option would be to take a trip outside of the mainstream vacation destinations. The summer weather usually prompts people to take advantage of the outdoors. Whether visiting the Grand Canyon or Yosemite National Park.

Consumers can save by avoiding the major parks, and visiting areas that are less frequently visited. For example: taking a trip to a secluded camp-

Fed Rates and You

Anyone reading the paper recently has seen an article or two on the Fed increasing interest rates. This is an important factor for consumers, however if you've read any of these recent articles you're most likely left with more questions than answers.

An increase in rates by the Fed means there would be an increase in the prime rate. The impact this will have on consumers will range from credit card rates to the rates on home equity lines of credit.

Currently the Federal Funds Rate is 1%. That is the rate that Banks are able to

Summer Vacation and Your Finances Cont.

ing area within the national park service instead of one the better known vacation hot spots. You'll find the cost substantially less when you're not paying site fees and charges for accessing the areas around you.

You'll be able to see and do all the same activities that you would in an area like Yellowstone or Yosemite such as camp, hike, canoe, swim or fish, and be less hindered by other vacationers and additional costs.

Fed Rates and You Cont.

borrow from each other at the Reserve level. (these are the funds they lend to you)

The Prime Rate is currently set at 4%. This is the interest rate the most desirable candidates for lending will receive. All variable interest rates are based on the prime rate.

If the prime rate is increased and you have a variable rate credit card, you will see in the following billing cycle that your interest rate has been increased. When the Fed Funds Rate increases, the costs of borrowing for the banks increase and in turn those costs are then passed on to you. Of course the opposite is true if the Fed Fund Rate *decreases*, then the banks will pass along any savings to you.

For consumers with fixed rate cards, do not think that you're immune to an increase in the prime rate. Even on fixed rate accounts, lenders can change from a fixed to a variable rate so long as they allow a 15 day notice. So if you have a fixed rate, you're still vulnerable to the affects of a Fed Rate Hike.

Home equity lines of credit are also tied to the prime rate. When the prime rate goes up so will your interest rate and payment amount. However consumers with a home equity loan, which are a fixed rate loan, will not be affected.

One major concern for consumers is going to be that with an increase in finance charges each month will come an increase in their payment amount. This will be the largest effect that most consumers will see as it will be the most apparent. The rate of decline on current balances will remain the same as the increase in payment will be applied toward the higher interest rate. That would leave the same amount applied towards principle.

Ask DCC

Question: What is the difference between an IRA and Roth IRA, aren't they both individual retirement accounts?

Kelly R. Michigan

Answer: The answer to your question is yes and no. They are both individual retirement accounts, however they're not the same. The primary difference between the two is that contributions to a Roth IRA are made post-tax. Meaning that you make contributions from net income. Since you're paying taxes on the contributions from your regular deductions out of your paycheck, you'll pay no taxes on any withdrawals in retirement.

Comparably to a traditional IRA, your savings will grow tax free which will allow for improved growth in your savings.