

Millennial Money: How to stem 'subscription creep'

By Gregory Karp
NerdWallet

From Netflix, Spotify and Amazon Prime to Blue Apron, Birchbox and beer of the month, your debit or credit card statements are likely littered with subscriptions that are costing you dearly.

Not that all subscriptions are bad.

You might be happy to pay a monthly fee to work out at the gym or type in Microsoft Office 365. But maybe the benefits of subscribing to credit monitoring or razors by mail were, uh, more fleeting.

Recurring charges can be insidious, some eating away at your wealth when you don't value the subscription anymore. Three \$30-per-month subscriptions don't sound like much until you realize they total nearly \$1,100 per year.

Inertia leads to a dozen free trials morphing into

mainstays on your Mastercard. (Maybe not much longer, though. Mastercard has said it will require merchants to get your approval to proceed with charges after a free trial ends, although it applies only to physical-product subscriptions, like home-delivered sampler boxes.)

"The situation with subscriptions could end up being death by a thousand cuts when it comes to your budget," says Bruce McClary, spokesman for the National Foundation for Credit Counseling.

Adding to the problem are so-called gray charges, deceptive and unwanted credit and debit card charges that stem from misleading sales and billing practices. They total more than \$14 billion a year among U.S. cardholders, or \$215 each, per a 2013 study by industry research firm Aite Group.

Here's how to spring-clean recurring charges so you can spend on things that matter to you more.

— Subscription audit. Job No. 1 is to identify recurring charges. Scan recent payment statements, including credit cards, debit cards or online accounts, like PayPal. Go back 12 months to catch auto-renew annual subscriptions. Don't ignore the analog world: lawn mowing, home security monitoring, pest-control service and memberships in social and professional organizations. Some credit card issuers, like Citi, identify recurring charges in your online account.

— Multiply by 12. A frog in a stovetop pot of water will complacently boil to death if you raise the temperature slowly, the saying goes. Accumulating monthly subscriptions is similar. To feel the full impact, multiply monthly charges by 12 to get

an annualized idea of what you're spending. If you see yourself keeping the subscription five years, do that math too. Then, a seemingly insignificant \$30-per-month expense becomes \$1,800.

"On the surface, subscription costs may seem minimal, but when you add them up it can really pinch your monthly budget," says Paul Golden, spokesman for the National Endowment for Financial Education. "If you're putting subscriptions on your credit card, is that hindering your ability to pay off your balance each month? If so, this is a red flag."

— Reassess Value. Do you use and value the subscription? A gym membership is perhaps the best example of a noble subscription gone wrong — when you quit going but continue paying.

Ask yourself if a subscription saves you money or time. Has it lived up to its

promise? Does a delivered subscription box bring you joy or guilt?

"It's a good idea to do a subscription evaluation on a regular basis — perhaps a couple of times a year," Golden says.

— Is it redundant? If you have cable or satellite TV, plus Netflix, YouTube TV and Amazon Prime Video, you have overlap. "There are so many redundancies across those platforms that you're more or less paying for the same service over and over again," McClary says.

The same assessment goes for streaming music services, cloud storage and phone services. Are you hanging on to a landline for no reason?

— Opt to share. Can you legitimately share a subscription? "Some of these subscriptions offer a buddy pass," McClary notes. YouTube TV allows family groups to share subscriptions, and certain

New York Times subscriptions come with a bonus subscription to share. Some families choose to group their wireless phones on a single plan to lower costs.

Don't forget about freebies at your local public library, which can substitute for subscriptions: digital access to books, audiobooks, movies, music and magazines.

— Downgrade. Downgrading or subscribing seasonally can work, too. Can you downgrade from the premium to free version of software or website access?

Are you getting value from your credit card's annual fee? You can probably downgrade to a fee-free card with the same issuer and keep your long credit history.

— Cancel. Liberally pause or cancel services. You can always restart and re-subscribe later. You might even receive a discount offer to return.

MOVIES

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Yet none of that has kept this humble franchise in an Oregon strip mall from thriving as the advent of on-demand movie streaming laid waste all around it. When a Blockbuster in Australia shuts its doors for the last time on March 31, the Bend store will be the only one left on Earth.

"It's pure stubbornness, for one. We didn't want to give in," said general manager Sandi Harding, who has worked at the franchise for 15 years and receives a lot of the credit for keeping it alive well past its expiration date. "We did everything we could to cut costs and keep ourselves relevant."

The store was once one of five Blockbusters owned by the same couple, Ken and Debbie Tisher, in three central Oregon towns. But by last year, the Bend franchise was the last local Blockbuster standing.

A tight budget meant no money to update the surviving store. That's paying off now with a nostalgia factor that stops first-time visitors of a certain age in their tracks: the popcorn ceilings, low fluorescent lighting, wire metal video racks and the ubiquitous yellow-and-blue ticket stub logo that was a cultural touchstone for a generation.

"Most people, I think, when they think about renting videos — if they're the right age — they don't remember the

movie that they went to pick, but they remember who they went with and that freedom of walking the aisles," said Zeke Kamm, a local resident who is making a documentary about the store called "The Last Blockbuster" with a friend.

"In a lot of towns, the Blockbuster was the only place that was open past nine o'clock, and a lot of them stayed open until midnight, so kids who weren't hoodlums would come here and look at movies and fall in love with movies."

The Bend store had eight years under its belt as a local video store before it converted to a Blockbuster in 2000, a time when this high desert city was still a sleepy community with a

small-town feel to match.

Customers kept coming back, drawn by special touches like staff recommendations, a "wish list" for videos to add to the rental selection and even home delivery for a few special customers who couldn't drive in. Dozens of local teens have worked there over the years.

Then, in 2010, Blockbuster declared bankruptcy, and by 2014, all corporate-owned stores had shuttered. That left locally owned franchises to fend for themselves, and one by one, they closed.

When stores in Anchorage and Fairbanks, Alaska, shut down last summer — barely outlasting a Redmond, Oregon, store — Bend's Blockbuster was the only

U.S. location left.

Tourists started stopping by to snap selfies, and business picked up. Harding ordered up blue-and-yellow sweat shirts, T-shirts, cups, magnets, bumper stickers, hats and stocking caps from local vendors emblazoned with the words "The Last Blockbuster in America," and they flew off the shelves.

Then, this month, she got a phone call: The world's only other Blockbuster, in Perth, Australia, would soon close its doors. A new T-shirt order went out — this time with the slogan "The Last Blockbuster on the Planet" — and the store is already getting a new wave of selfie-snapping visitors from as far away as Europe and Asia.

On a recent weekday, Mi-

chael Trovato of Melbourne, Australia, stopped by while visiting his twin sister in Bend.

After posing for a photo, Trovato said he misses a time when choosing a movie meant browsing hundreds of titles and asking a video clerk for insight instead of letting a movie-streaming service recommend one for him based on a computer algorithm.

"I miss quite a bit being able to walk into a Blockbuster or CD store and have that social experience and see people looking at stuff and talking to people," Trovato said. "It's something you don't get from the slick presentation of a music service or, you know, from the internet."

HIKES

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even contemplating trying to fire Powell, who had been his hand-picked choice to lead the Fed.

But after the December turmoil, the Fed in January began sending a more comforting message. At an economic conference soon after New Year's, Powell stressed that the Fed would be "flexible" and "patient" in raising rates — a word he and other policymakers have invoked repeatedly since — and "wouldn't hesitate" to change course if necessary.

In the subsequent weeks, the Fed has gone still further,

with Powell signaling that the central bank is close to announcing a plan to end its bond reduction program. This has helped cheer investors because it would likely mean that bond rates would remain contained and some investors would shift money into stocks.

Powell, appearing last week on CBS's "60 Minutes," denied that pressure from Trump had influenced the Fed's policy shift. Private economists generally agree that a slowing economy and a sinking stock market, which eased Fed worries about any possible stock bubble, were more decisive factors.

"Conditions changed

dramatically in December with the stock market collapsing and global growth slowing," said David Jones, an economist and author of several books on the Fed. "Everything came together, and 'patient' became the Fed's new watchword."

Because the change in Fed policy happened so fast, some analysts say the chairman may use his news conference Wednesday to explain the changed outlook.

"I believe Powell will want to provide a justification of why the Fed has done a 180-degree turn in the last few months," said Sung Won Sohn, chief economist at SS Economics.

SMITH

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beneficial. By the same token, negative word of mouth or bad online reviews may cause serious damage.

There are many other marketing and advertising options available to entrepreneurs depending on dollars and time available. Identifying, budgeting for, executing, and evaluating a strategy is important, but nothing replaces first putting an emphasis on providing an exceptional customer experience.

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WESTON

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who turn to them for advice. Blaming people for their money problems is popular sport on internet forums, as well. But blame and shame rarely succeed in getting people to change their behavior, Somers says.

"That leaves the person feeling trapped or disempowered, or really, really bad about themselves," she says. So they shut down, and your advice — like that fruitcake — is quickly discarded.

Warmth, encouragement and empathy are better ways to reach people, she says. Even if you haven't been in the same position, you've undoubtedly made mistakes with money, so you can tap into that to understand how they might feel.

"People need to feel encouraged and buoyed," Somers says.

Reduce the friction

Many people with money problems are cognitively overwhelmed, Somers says. They may be too paralyzed to take action. Good advisers ask questions to better

understand the barriers their clients face, she says.

"People can ask curious questions like, 'That's something that you seem to be putting off. What about this is hard for you? How can I be of help?'" Somers suggests.

Once you know their challenges, you can look for ways to reduce the friction that keeps them stuck.

That could mean breaking a task down into simpler steps. To help overspending clients, for example, Somers first asks them to turn off one-click ordering on all their devices. When they confirm they've done that, she asks them to get online access to all their bank accounts. When that's done, she asks them to start reviewing their transactions each day. This 1-2-3 approach works a lot better than telling people they have to track their expenses for a month.

Supervision or support also can help people follow through. A parent worried about an adult child's debt may offer to go with them to see a credit counselor, or set up an appointment with an empathetic financial adviser, Somers says.

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