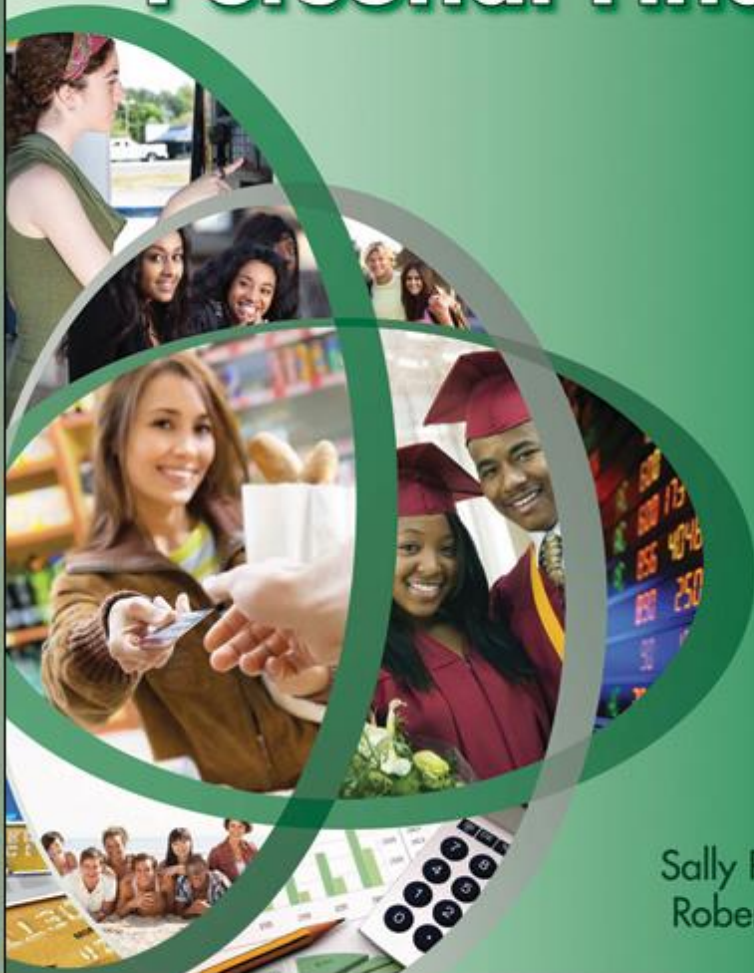


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# Foundations of Personal Finance

Ninth Edition



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*PowerPoint Presentations for*

# Foundations of Personal Finance

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# Chapter 10

## **Consumer Power**

Section 10.1

# **BE AN INFORMED CONSUMER**

# Objectives

- Identify and use reliable sources of consumer information.
- Describe the process of evaluating consumer information.

# Terms

- labeling law
- testing and rating service
- review

# Discussion

Why should all consumers beware of free trial offers or other free products?

# Labeling Law

- A **labeling law** is a government regulation that requires certain information be placed on labels for certain products
- Clothing and textiles must include care information, fiber content, manufacturer, and country of origin
- Food must list ingredients, manufacturer, quantity by weight, number of servings, and nutritional information
- Drugs and cosmetics must list ingredients, directions, and cautions

# Testing and Rating Services

- A **testing and rating service** is a group or organization that tests products and rates them according to certain criteria
- Examples:
  - Seals of approval
  - Certification
  - Ratings in consumer publications
- Seals usually rate products as certified, approved, tested, or commended



# Reviews

- A **review** is a critical report or comments about a good or service
- Salespeople can be a good source of information
- Friends, relatives, neighbors and other consumers are also sources of information

# Reviews

- The Internet can be a source of information:
  - Consumer laws and protection
  - Compare prices, features, and availability
  - Check reliability of seller, file complaints
  - Access private and government agencies that protect your interests
  - Research and buy

# Discussion

Have you ever used the Internet to research a product prior to purchase?

# Evaluating Information

- Is the source reliable?
- What is the purpose of the information?
- How useful is the information?

# Review 10.1

- What is a government regulation that requires certain information be placed on labels for certain products?
  - Labeling law
- What is the name given to a critical report or comments about an item?
  - Review

Section 10.2

# **PROTECTING YOUR RIGHTS**

# Objectives

- Describe the rights and responsibilities of consumers.
- Discuss the importance of consumer laws.
- Identify reliable consumer advocates.
- Recognize and guard against various forms of deceptive practices in the marketplace.
- Outline steps for consumer self-defense.

# Terms

- bait and switch
- pyramid scheme
- Ponzi scheme
- chain letter
- sweepstakes
- lottery
- skill contest
- caveat emptor
- consumer advocate
- binding arbitration
- small claims court
- class action lawsuit
- lawsuit



# Consumer Rights and Responsibilities

- Consumer Bill of Rights (endorsed by the United Nations and Consumers International)
  - Right to safety
  - Right to be informed
  - Right to choose
  - Right to be heard
  - Right to satisfaction of basic needs
  - Right to redress
  - Right to consumer education
  - Right to a healthful environment

# Safety: Rights and Responsibilities

- The Food and Drug Administration deals with health and safety issues related to food, drug, and cosmetics
- The Consumer Products Safety Commission handles problems involving hazardous products
- The consumer is responsible for reading and following directions for the safe use, care, storage, and disposal of products

# Consumer Laws

- Some examples of federal consumer laws are:
  - Consumer Product Safety Act develops safety rules and recalls for products
  - Federal Trade Commission Act regulates trade and prevents unfair competition
  - United States Do Not Call Registry
  - Fair Credit Reporting Act (FCRA) regulates sharing of consumer data
  - Health Insurance Portability and Accountability Act (HIPAA)

# Consumer Advocates

- If you find your rights denied or diminished, and you are unable to settle differences directly with sellers, it may help to contact a consumer advocate
- A **consumer advocate** is a group or an individual who promotes consumer rights

# Consumer Advocates (Continued)

## Government Agencies

- United States Department of Agriculture
- Consumer Product Safety Commission
- Environmental Protection Agency
- Federal Trade Commission
- Food and Drug Administration
- Health and Human Services
- Housing and Urban Development
- National Institutes of Health
- United States Postal Service
- United States Department of Justice
- United States Department of Transportation
- Securities and Exchange Commission
- Social Security Administration

# Other Organizations

- Better Business Bureaus (BBBs) are nonprofit organizations that promote ethical business practices
- Consumer organizations, such as the Consumers Union, which publishes Consumer Reports
- Trade associations and dispute resolution programs such as the Major Appliance Consumer Action Board that helps resolve home appliance consumer complaints
- When you cannot get satisfaction at the point of sale, try contacting the consumer affairs or customer relations department at the company headquarters

# Consumer Deception

- **Bait and switch** is illegally advertising one item and then substituting another item
- **Pyramid scheme** is a situation in which each participant invests a certain amount of money and must recruit new participants who will recruit others
  - Eventually, the pyramid will collapse
  - Those at the bottom end up paying money to the few at the top
  - Pyramid schemes are illegal

# Consumer Deception (Continued)

- **Ponzi scheme** is an illegal investment operation in which money from new investors is used to pay earlier investors
- **Chain letters** are US letters or e-mails that promise a big return for a small investment
  - If you start or send one of these letters that involves money or valuable items, you are breaking the law
  - You are not likely to receive what is promised
  - If you receive a chain letter scam via e-mail, contact your service provider and the FTC



# Sweepstakes, Lotteries, and Skill Contests

- **Sweepstakes** are promotional offers that give participants the chance to win prizes
- Lottery prizes are awarded to participants by chance in exchange for payment
- Skill contests offer the opportunity to win prizes by skill instead of chance and may require an entry fee or purchase to enter

# Seeking Resolution

- **Binding arbitration** is a method of settling disagreements through an objective third party, the arbitrator, whose decision is final and legally binding
- **Small claims court** is a court where consumers normally represent themselves

# Seeking Resolution (Continued)

- **Class action lawsuit** is a legal action brought by a group of individuals who have been similarly wronged to sue for damages on behalf of the entire class or group
- A **lawsuit** is a civil action brought by a person (a plaintiff) against another party (the defendant) to seek a legal remedy

# Review 10.2

- What is the name for the eight consumer rights that have been endorsed by the United Nations?
  - Consumer Bill of Rights
- What is the name for an illegal activity that involves a business advertising one item and then attempting to sell a substitute item?
  - Bait and switch