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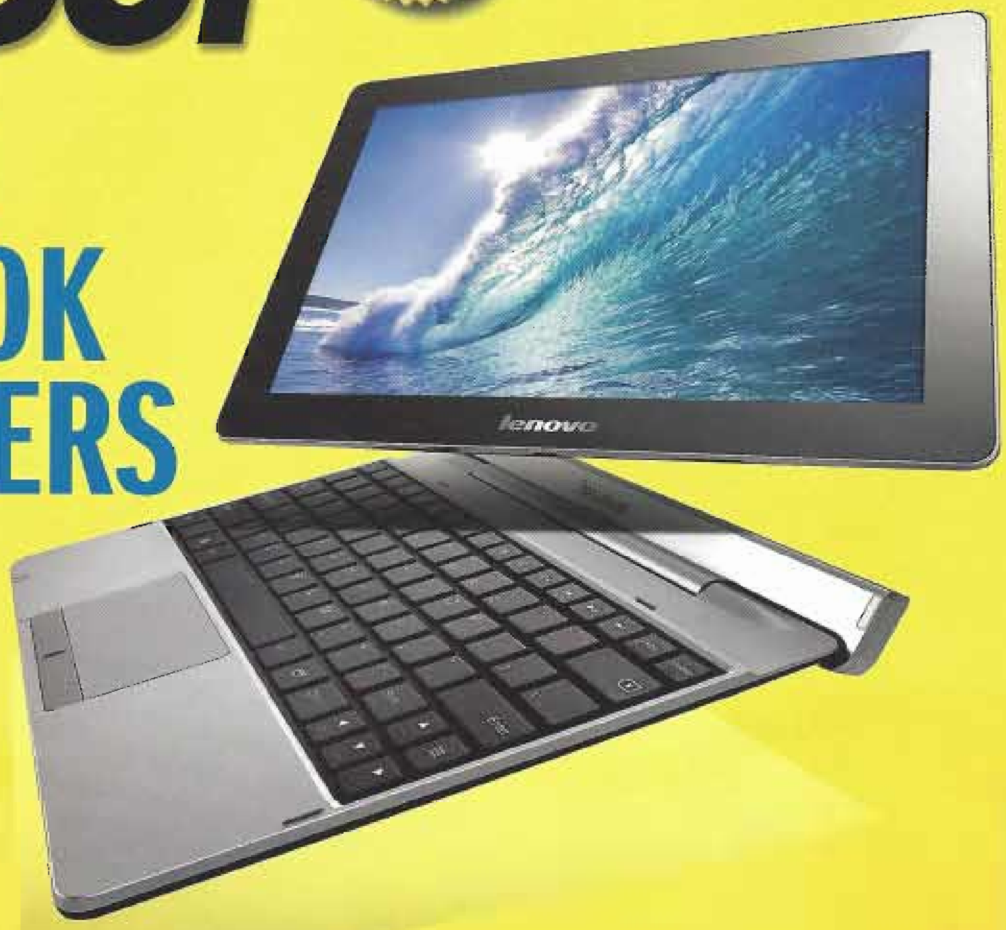

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Your Money

By Tina Orem

HIDDEN COST OF SCHOLARSHIPS

Applying for a *private scholarship*—a scholarship that doesn't come from your college or university—isn't always worth the time, according to a September 2013 study from National Scholarship Providers Association. That's because when students receive private-scholarship money, 29 of the 61 universities surveyed effectively penalize these students by taking away the university's grants or scholarships. Consequently, you might get no financial gain from the school even if you win a private scholarship.

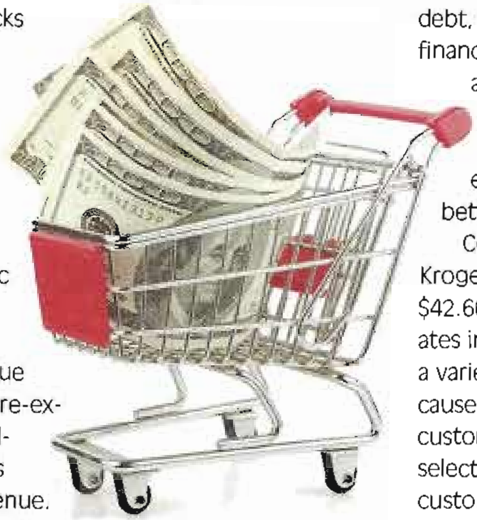
Penalties depend on the university. About 80 percent of them reduce loans and work requirements, but private universities that cost more than $18,000 per year are twice as likely to reduce grants and scholarships first, according to the study.

To determine whether pursuing a private scholarship is worth it, the study says you should find the university's scholarship policy (90 percent have it online, according to education-resources website Edvisors.com) to understand what aid that universities will cut.

You can ask the scholarship provider to argue on your behalf to retain both your scholarship and the school's financial aid. To do that, you have to complete a Family Educational Rights and Privacy Act waiver, which allows private-scholarship providers to discuss, and perhaps influence, your scholarship with the university.

That's an effective tactic for providers of larger scholarships, which have more resources to advocate on behalf of their scholars, says Mark Kantrowitz of Edvisors.com. Large-scholarship providers see their role as more than just a source of funding. Often they provide academic and emotional support, mentoring and training, he says.

TAKE IT TO THE MARKET



Grocery-store stocks were up about 44 percent in 2013 as of press time. Chuck Cerankosky of Northcoast Research says anticipated economic growth in 2014 means that consumers will continue to trade up to more-expensive food products, which boosts grocery-store revenue. Further, Kantar Retail, which is an analysis and consulting firm for the retail industry, expects that grocery stores will capture almost 20 percent of all the growth in consumer spending through 2018.

A good measure of evaluating grocery-store stocks is to target those that have growing sales per square foot, he advises. You typically can find this data in the company's quarterly and annual filings. To detect companies that have too much debt, he says, look at the financial statements for an *interest coverage ratio* (a ratio of cash flow to interest costs) of 5:1 or better.

Cerankosky likes Kroger (NYSE: KR; Price: $42.66), which operates in 31 states under a variety of brands because of how well that it customizes its product selection to produce loyal customers. Cerankosky also likes Safeway (NYSE: SWY; Price: $34.52) for its steady cash flow compared with the rest of the industry. Safeway's announcement in fall 2013 that it would close unprofitable Dominick's stores only will strengthen its cash flow, he says.

SOCIAL MEDIA, CREDIT SCORES LINK OVERBLOWN

You might have heard that a few lenders and credit-reporting agencies now evaluate your social-media activity to determine your creditworthiness, but credit experts say such headlines aren't likely to apply to you.

Three lending startups—Kabbage, Kreditech and Lenddo—say their software evaluates creditworthiness by finding out whether you use social media to associate with people who have a low credit score. However, the startups have little to do with everyday consumers; according to their own descriptions, they primarily lend to small businesses and people who are outside of the United States.

Consequently, Gerri Detweiler, who is the director of consumer education at Credit.com, which is a credit education site, says the evaluations are unlikely to affect your credit scores. John Ulzheimer, who is a consumer credit expert at CreditSesame.com, which helps consumers to evaluate credit and lending options, agrees. The Equal Credit Opportunity Act requires U.S. lenders to use information that's derived empirically and is statistically sound, he says. "I think a bank would be out of their mind to use social-media data for anything other than marketing" because of the penalties that it would face, Ulzheimer says.

TIPS ON MAKING TIPS

Internal Revenue Service on Jan. 1, 2014, began to count automatic tips—those 15 percent, 18 percent or even 20 percent charges that restaurants often tack onto a bill when at least six people dine together—as wages. If you're one of the 13 million Americans who work in the restaurant industry, that might mean more money for you.

The IRS rule, which was announced in 2012 and then delayed by a year, means that employers now have to add money from automatic tips (deemed "service charges" by IRS) to their servers' hourly wage rates. This affects what restaurants pay for overtime.

Under the new rule, a server's hourly wage rate could be higher on days when large parties visit the restaurant and pay the automatic tip. That means that any corresponding overtime at "time and a half" would be more lucrative. Hourly wages typically are paid every 2 weeks, which means waiting longer to collect your share of the tip money compared with getting it at the end of a shift.

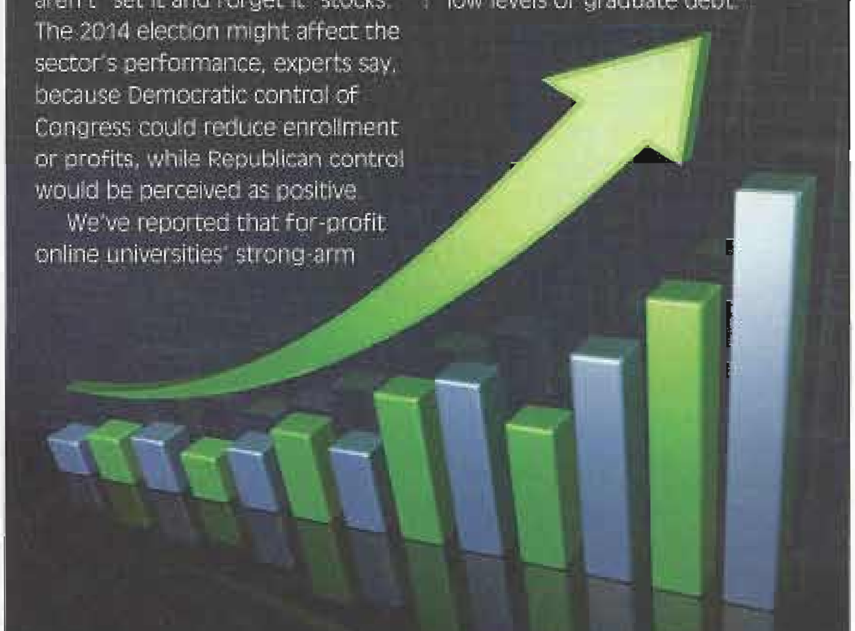
EDUCATED INVESTMENTS

Stocks that are in the education sector, which includes for-profit colleges, online degree programs, primary-school online learning tools and training companies, posted double-digit gains as of press time in 2013 and still have room to grow in 2014, according to Trace Urdan of Wells Fargo Securities.

Urdan and Timo Connor, who is a research analyst at William Blair, say pent-up demand, particularly among vocational schools, should fuel a spike in enrollment in 2014. Any enrollment growth for two quarters in a row is enough to be a buy signal, Urdan adds.

Both analysts warn that these aren't "set it and forget it" stocks. The 2014 election might affect the sector's performance, experts say, because Democratic control of Congress could reduce enrollment or profits, while Republican control would be perceived as positive.

We've reported that for-profit online universities' strong-arm marketing tactics seem to stress generating revenue more than providing a valuable education. (See "The Truth About Online Universities," at ConsumersDigest.com.) From an investment perspective, however, Urdan and Connor both like Grand Canyon Education (Nasdaq: LOPE; Price: $45.83), because it has shown consistent earnings growth. The experts also like Capella Education (Nasdaq: CPLA; Price: $66.17), which Urdan says has a large cash cushion to help it to withstand dips, develop the business or fund acquisitions. Connor adds that both schools have "high graduate incomes and relatively low levels of graduate debt."



FAMILY MATTERS: CURTAILING MEDICAL IDENTITY THEFT

To avoid the potential of medical-identity theft, you shouldn't share your insurance information with family members and friends.

A September 2013 survey from Ponemon Institute, which is a privacy-research organization, found that 48 percent of victims of medical-identity theft said they knew the thief but didn't want to report him/her. Further, 30 percent of victims who were surveyed admitted that they let a family member use their medical identity to get treatment.

Ponemon says 1.8 million people had their medical identity stolen in 2013, which is up 21 percent from 2012. The theft is a pain in your wallet, too: Out-of-pocket costs as a result of the crime averaged $18,660 for legal counsel, credit-report fixes and paying for one's own medical bills because of a resulting loss of health insurance, the study says.

PAYROLL CARDS HAVE DRAWBACKS

Companies increasingly pay employees via payroll cards—plastic cards that function like debit cards—but you should be wary of this form of payment.

Research firm Aite Group projects that employers will issue 8.1 million payroll cards representing $56.9 billion in salaries by 2015, compared with an estimated 5.8 million cards holding $42.8 billion in 2013. However, convenience aside, these cards can eat into your paycheck through high annual fees and transaction fees, Consumer Financial Protection Bureau warns.

CFPB says your boss can't require you to draw your wages via a payroll card. That would violate the Electronic Fund Transfer Act.

If you decide to sign up for a payroll card, you should know that you're entitled to receive written disclosures about the fees that are involved in accessing your money. You also are entitled to account statements and aren't responsible for card activity if your card is reported lost or stolen, CFPB says.

DECIPHERING COMPANIES' EARNINGS CALLS

Analysts and investors eagerly anticipate *earnings calls*—quarterly conference calls in which a public company's executives discuss its latest financial performance. However, a September 2013 study found that understanding how companies conduct these calls can boost your portfolio returns.

The key is the question-and-answer session at the end of the call, when analysts ask the executives questions. Often, companies decide ahead of time which analysts may ask questions. (The study calls this "casting the call.") A company might cast a call even if the news is positive, but the study says the pattern of choreographing question-and-answer sessions when the news is negative is "systematic" across all companies. The study, which was published by researchers from Harvard University, London School of Economics and National Bureau of Economic Research, found that companies that don't cast their calls perform about 12 percent better per year than do companies that cast calls even occasionally.

You should listen to earnings calls of the companies in which you invest (they typically are available on companies' websites) and note which analysts ask questions. The study found that companies that barely meet or exceed earnings expectations are more likely to cast their calls, because they don't want to be pressed by skeptical analysts. If the only analysts who ask questions are those who gave a stock a high recommendation, then you should consider selling.

Tina Orem has been a freelance business writer and editor for 11 years. Her work has appeared in Advisor Today, StreetAuthority.com, InvestingAnswers.com, PCWorld and other publications. Before writing, she was a corporate-finance executive.

Stock prices reflect the prices that were available at press time and are subject to change.

CHOOSE COMPONENTS

Economic recovery and new technologies made the consumer-electronics sector hot for investors—the sector was up 36 percent in 2013. However, as industry analyst Jeff Kagan puts it, most companies that are in this sector aren't "hitting it out of the park." Consequently, a safer play is to look for companies that supply components to consumer-electronics companies, says Steve Frankel, who is an analyst at investment bank Dougherty. For that reason, Frankel likes Universal Electronics (Nasdaq: UEIC; Price: $37.00), whose customers are the electronics companies that sell to consumers.

Universal Electronics beat profit expectations in 2013 and should remain a good bet in 2014, Frankel says, because the company provides wireless control devices and chips for home entertainment equipment. As Universal Electronics customers introduce cable boxes, DVR technology and high-definition technology, "that pulls through a new remote control for Universal Electronics," he says.

MENOUNOS: STAY WITH WHAT YOU KNOW

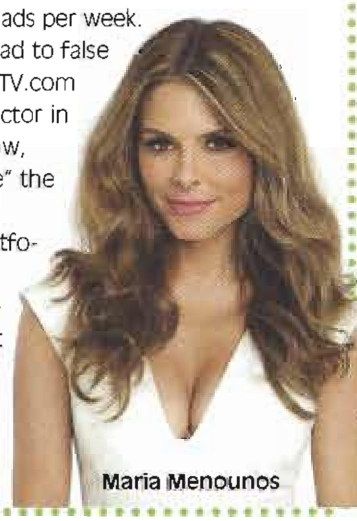
Maria Menounos, who is a film producer and the co-host of the Hollywood news show "Extra," calls herself a cautious investor who has an occasional appetite for risk. Her specific strategy: Capitalize on your personal experience by focusing on investments in the industry in which you work.

As a result, Menounos makes most of her serious investing gambles in the media industry, because her life on both sides of the camera taught her about the industry's financial risks. For example, when Menounos thinks about investing in a film, she makes sure that she evaluates the actors' work ethic and passion.

"I'd rather bet on someone I know is really going to carry the torch to the finish line and really give it everything they have than to invest in someone who's going to make this kind of a vanity project, that isn't going to work as hard," she says. Consequently, when Menounos launched AfterBuzzTV.com in 2012, she scrutinized work ethic and passion to decide whom to put in charge of day-to-day operations. AfterBuzzTV.com provides webcasts that discuss prime-time series immediately after they air. The website now handles 25 million downloads per week.

Her sense of being "in the know" can lead to false security and mistakes, however. AfterBuzzTV.com needed more funds, because she didn't factor in the expense of buying more bandwith. Now, she says, "we have ad revenue to subsidize" the website's cost.

Menounos keeps 20 percent of her portfolio in assorted stocks, bonds, commodities and other instruments that she trades frequently to capitalize on short-term market shifts. She couldn't say what percentages of each were in that mix. The rest of her portfolio is 35 percent real estate, 25 percent bonds and 20 percent stocks.



Maria Menounos

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