



## Making Consumer Decisions

### **An unrelenting barrage**

Have you ever counted all of the consumer decisions you need to make every day? How about every week and every year? Can you imagine how many consumer decisions you must make in a lifetime? If you averaged only four a day during your adult years, it would come to about 90,000 decisions. These would include everything from deciding what loaf of bread to buy to what retirement plan to invest in.

Some decisions are fairly easy, but many are not. And the sheer number of decisions makes it difficult to ignore their accumulated impact on both your financial and personal well-being. If you sometimes feel barraged by the number of decisions you must make and overwhelmed by their frequent difficulty, here is some advice.

### **Consider the total package**

Typically, consumer experts stress the importance of price and quality in making purchases. This means that you should strive for the best quality at the best price. But sometimes you may not need the best quality. For example, a beginning golfer can do quite well with a used set of clubs, and a newly married couple might get by just fine with furniture bought at garage sales or discount stores..

Sometimes, too, convenience is more important than price. An elderly consumer might like the price advantage of buying food items in larger packages, but problems with storage, spoilage, and transportation might make smaller sizes a better choice. To make sound consumer decisions, you need to consider all aspects of your purchases and make compromises that fit your needs and resources.

### **Beware of unnecessary diversions**

Perhaps the most difficult thing about making any consumer purchase is losing sight of your goals. It is not uncommon to hear of people buying a car mostly because they loved its color and style. Only later perhaps do they discover the vehicle's problematic repair record, crash-test results, performance rating, and insurance costs. So, too, when buying insurance policies, it is not uncommon for consumers to be swayed by features, options, and illustrations. They forget to look at how expensive the policy is



with respect to similar policies sold by other companies, or they fail to compare it to other types of policies that might serve their needs better at less cost.

### **The dangers of a little knowledge**

Commercials showing consumers tracking the latest stock market moves on their computers and placing buy and sell orders at a moment's notice remind me of

the saying that a little knowledge can be a dangerous thing. This is not to say that more knowledge and greater access are necessarily bad. But consumers might easily be tempted into over-assessing their knowledge and making investment decisions too quickly. When it comes to investing, it is best to abide by proven principles—invest broadly with adequate diversification, invest with a long-term view, and invest in keeping with your goals, resources, and tolerance for risk.

### **Avoid vendors you can't trust**

Exactly how long is a lifetime guarantee? How good is a money-back guarantee? You may find that the lifetime guarantee on products sold by short-lived (i.e., fly-by-night) mail-order companies is a lot less than the life span of the average mouse. Guarantees are only as sound as the companies that offer them. You may also find that a money-back guarantee requires enough inconvenience and expense on your part to be hardly worth the effort. Not convinced yet? Well, just think how messy it might be straightening out your credit card account if these fly-by-night operators decide to make unauthorized use of the credit card numbers you gave them when you made your purchase.

### **Make sure it's a great deal for you**

Is there someone in your family who is always coming back with great buys from great sales? I think you know who I mean. A great buy is not simply saving money—even on a shirt or blouse that is two sizes too big and looks like it was painted by an entire kindergarten. Great buys are only great if they serve a real need well.

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