

## A Few Examples of How Deceptive Numbers Impact Personal Finances

based on the book, *The Two Headed Quarter* by Joseph Ganem

- A “rebate” on a new car is often nothing more than a prepaid finance charge. If you are considering a car with a \$15,000 price tag and are told that you will get \$2,000 back if you pay cash, that car costs \$13,000. If you are told that the car cost \$15,000 and instead of the cash back they will finance it at 0% for three years, the car still costs \$13,000 and you are being asked to pay a \$2000 financing charge up front.

- From a nutritional standpoint, colas are healthier drinks than many brands of fruit juice. Both consist of water, corn syrup, and flavorings. The difference is that most fruit juices have substantially more calories per fluid ounce mostly from additional syrup. This fact is often cleverly disguised in the nutritional labeling by selective use of sample size. The “serving size” for fruit juice is 8 oz. while for colas it is 12 oz. That choice of serving size makes the caloric content per serving less for the fruit juice even though on a per ounce basis it is more.

- Studies have shown that the rate of return for average investors between 1984 and 2003 (a time period that included one of the greatest bull markets in history) did not even keep pace with inflation. This dismal outcome is partly the result of a psychological effect called “loss aversion,” that causes most people to do the opposite of what is mathematically required for success in the stock market.

- Extended warranties are mostly pure profit for the seller. If you make it a rule to always decline offers for extended warranties you will save more than enough money in the long run to pay for the few repairs that are actually needed.

- There are three conditions that must be met to profit from gambling:

- 1) You must place bets with *positive* expected values,
- 2) You must place many, many bets so that the long-term results do approach the averages, and
- 3) You must have a bankroll sufficiently large in relation to the size of the bets placed so that normally-occurring losing streaks do not wipe it out.

Casinos and state governments realize large profits because their gambling activities meet all three of these conditions. The average person cannot profit from gambling because it is usually difficult to meet any one of these conditions, let alone all three.

- Women can be treated “equally” and still lag behind men on the company pay scale. If a woman starts her career with a slightly smaller salary than the men, future raises that give everyone the same *percent* increase in pay will cause that small salary disparity to actually grow. She can never catch up if everyone is treated “equally” in this manner. Under these circumstances, a small difference in starting pay can add up to hundreds of thousands of dollars over an entire career.