



## Want Some Free Money?

The Motley Fool

By Selena Maranjian

The other day, I got something in the mail that looked like it would be another credit card bill. I sighed to myself as I tore open the envelope, resigned and prepared to write another check. But, surprise — it wasn't a bill. It was a check. For more than \$100. From my credit card company! Specifically, from my Fool Visa card.

That's right — as you probably know, some credit cards offer you cash rebates on your purchases, and our Fool card is one of those. I hadn't thought much about it, as I merrily charged my way through the past year (paying the bills off in full each month, of course, like a good Fool). So it felt like a nice gift, getting that chunk of change back.

That made me wonder about what other sources of free money (or seemingly free money) exist. I decided to make a list. Permit me to share it with you.

### **401(k) matching**

When employers match some of your contributions to your 401(k) plan, that's free money. Imagine that your company, for example, matches 25% of your contributions up to \$6,000 per year. If so, you should aim to contribute at least \$6,000 to your account, to grab as many free dollars as possible — in this case, \$1,500. That's not chicken feed.

### **Home appreciation**

Your home can be another source of free money, in a sense. If you bought your lovely hut for \$200,000 and it's now worth \$300,000 some 10 years later, you're worth \$100,000 more, just from your home. It may not qualify as free money on some counts (yes, you probably did have to take out a mortgage on it), but it represents real value that you didn't do much to receive. For most of us, it can take a long time to increase our net worth by \$100,000, through stocks alone or by any other means.

### **Dividends**

Then there are dividends. You buy a stock — ideally one in a strong, growing company — and wait for it to reward you through price appreciation. Perhaps, for example, your shares of **3M** (NYSE: MMM) have doubled in value since you bought them in the summer of 2000. That's terrific — if you'd bought 200 shares for \$7,000, you'd be worth \$7,000 more. But that's not all. The company also pays a dividend. And over those five years, you'd have raked in around \$13 per share in dividends — for a total of \$2,600. (If you'd reinvested that free money into additional shares of 3M stock, those new shares would also be spitting out more free money to you. See whether your brokerage will reinvest dividends for you — some brokerages do. Or look for a better brokerage in our Broker Center.)



Dividends are compelling. There are many times when a terrific company hits a lull, stock-wise, for a while. You may not see much price appreciation during that period, and you may even see price declines — but as long as the company is generally healthy, you're likely to continue receiving dividends. Our *Motley Fool Income Investor newsletter* focuses on significant dividend payers — take advantage of a free trial, and you'll be able to see a long list of recommended stocks.

If, like many people, you don't have the time or energy to chase individual stocks, find a few outstanding mutual funds, some of which generate income. Our *Champion Funds newsletter* has recommended a bunch of funds that are quickly turning in great returns. Grab a free trial of it, perhaps.

**Interest** Your friendly local bank is also a source of free money. Simply let the bank safeguard some of your hard-earned greenbacks, and it'll pay you for the privilege — with interest. Current interest rates aren't very enticing, but that's not always the case. In the 1970s, banks offered CDs with interest rates topping 12%. Plunk in \$5,000 and you'd get \$600 in free money.

Don't resign yourself to low rates today, though. Shop around. A local credit union might offer better rates than your bank does — and so may the bank down the street. Our Savings Center is another resource. Learn all about banking Foolishly.

### **IRA tax benefits**

If you're not familiar with the Roth IRA, you should take it out for dinner and spend some time getting to know it. In a nutshell, it permits you to invest post-tax dollars and later withdraw funds from the account ... tax-free! That's a lot like free money. Imagine that you invest in some stocks or funds in your Roth IRA and they increase in value over a bunch of years by 200%, or \$30,000. If you withdraw that money when you're eligible to do so penalty-free, you won't have to pay taxes on that \$30,000 gain. If the tax rate for capital gains at the time is 15%, you'd be saving \$4,500. (You can save even more when you sell your home.)

Head to our IRA Center to learn much more about IRAs, what the different kinds are, how to choose one, and how to open one. It's surprisingly easy to start saving for your retirement.

### **Tax credits**

Tax deductions are exciting, since they reduce the income on which you're ultimately taxed. But tax credits are even more exciting, since they reduce your tax obligation dollar-for-dollar. For example, imagine that you have the option of taking a \$1,000 deduction or a \$1,000 credit. If you're in a 25% tax bracket, that deduction will save you \$250. But the credit will reduce your total tax bill by \$1,000. Spend some time learning about various tax rules, and you may discover that you can grab a lot of sort-of free money from Uncle Sam.



(By the way, if thinking about this stuff makes your head hurt and you'd like an actual person — a financial pro, no less — to talk to about your specific financial situation, look into our TFM Money Advisor service, which features customized independent advice from a variety of objective financial experts.)

### **Coupons**

Finally, another source of free money is the humble coupon. If you have one that will knock off \$1.00 from that box of Lucky Charms that you were going to buy, and some more that will save 35 cents, 50 cents, 75 cents and more on, say, soup, tissues, and film processing, you'll soon save a decent chunk of change. If you can't be bothered with coupons, just try to buy what you need when it's on sale.

Head over to websites such as [dealcatcher.com](http://dealcatcher.com), and you'll find coupons and discounts that you can take advantage of online, at retailers such as **Amazon.com** (Nasdaq: AMZN), **Overstock.com** (Nasdaq: OSTK), and **Best Buy** (NYSE: BBY), and for items such as **Dell** (Nasdaq: DELL) computers.

### **In sum**

I'm sure that I've overlooked some sources of free money (such as checking the sidewalks), so I invite you to share any other ideas on our discussion boards. Or just drop in to see what others are saying.

If you're interested in money-saving tips, you'll find many on our Living Below Your Means discussion board — drop in to see what folks are saying. (User Reallyalldone recently explained there, for example, how she snagged several free airline tickets.) Be sure to check out the board's incredibly well-organized long list of tips.

*Selena Maranjian's favorite discussion boards include Book Club, The Eclectic Library, and Card & Board Games. She owns shares of Amazon.com. The Fool has a disclosure policy. For more about Selena, view her bio and her profile. You might also be interested in these books she has written or co-written: The Motley Fool Money Guide and The Motley Fool Investment Guide for Teens.*

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