

YOUR MONEY

Car Prices to Drop – Operating Costs to Rise

The Finance Ministry is planning to reduce the prices of automobiles, while simultaneously increasing the cost of operating them, in an effort to raise revenues from taxes for the Treasury.

According to the plan, which will span a few years, the purchase tax on new cars will drop significantly. Meanwhile, the cost of gasoline will rise, as will the taxes on company cars. New toll roads will open and a congestion fee will be charged to enter certain cities as well.

Purchase tax on new cars is currently 84%, and the plan is to drop it to 72% within three years. (In Europe, purchase tax on cars averages 40%.)

It is thought that dropping the purchase tax would make it easier to push the company-car tax reform through the Knesset, where it has met with fierce opposition.

Treasury officials explain that reducing the cost of the car while raising operating costs are not contradictory; on the one hand, it will encourage the purchase of newer, safer and less polluting cars, while also encouraging people to use public transportation more often.

High-mindedness aside, the primary motivation behind the plan is to increase revenues from taxes. New car purchases funnel billions of shekels every year to state coffers, and increased purchases of new cars will raise those revenues.

Israel has 300 cars for every 1,000 residents, compared to 600 for every 1,000 residents in Western Europe. In the United States there are 800 cars for every 1,000 residents.

IEC Wants Additional Sharp Rate Hike

The Israel Electric Corp. (IEC) has asked the Public Utilities Authority — Electricity for a 13%-16% rate hike.

The IEC is demanding compensation for what it claims is erosion in electricity rates caused by the delay in updating them. The company is also demanding reimbursement for investments made in recent years.

The Public Utilities Authority is due to discuss the IEC's request over the next two weeks, and has set up a special team for this purpose. Sources close to the authority said that the IEC's demands were outrageous and unjustified, because it ignored the huge savings anticipated at the IEC when it begins using natural gas in the coming years.

The IEC's demand does not include the expected costs of the company's restructuring, which the new Electricity Law stipulates will be financed from electricity rates. IEC CEO Uri Ben Nun has said in the past that rates would go up by 7%-10% as part of the restructuring.

Together with the company's latest demand for an additional rate hike, rates could theoretically rise by more than 20% over the coming years.

Buyers Seeking Larger Apartments

A survey by specialist mortgage broker AMG Financial Models Ltd. revealed that 29% of the apartments sold in June were 130 square meters and larger.

A further 24% of the apartments sold, both new and secondhand, were 100-130 square meters, and the number of applications for new mortgages in June rose by 8% compared with May.

Apparently, not only has the size of apartments increased, but also the size of the mortgages available. The average monthly mortgage repayment rose by 7% to NIS 3,151

in June, from NIS 2,950 in May.

The survey also found that the highest demand for new properties in June was for four-room apartments, while the highest demand for secondhand properties was for three-room apartments.

The cities with the highest demand for housing in June were Tel Aviv, Ramat Gan, Rishon Letzion and Holon, while the highest demand in May was in Netanya, Ashdod, Ramat Gan, Ness Tziona and Modiin.

Milk Prices to Rise

After approving a major hike in the price of flour last month — the direct cause of the current bread crisis — the Treasury's price regulation committee has approved a 4% rise in the price of wholesale milk.

Milk prices are expected to rise between 6% and 8% by the end of the month. Also affected will be cheese, yogurts, dairy desserts and ice cream, all of whose prices will rise accordingly.

School Fees Set by Knesset

The Knesset Education Committee on Monday approved the fees public schools will be permitted to charge parents for the upcoming school year.

The sums range from NIS 238 for a kindergarten pupil to NIS 1,291 for a twelfth-grader — slightly lower than those approved last year.

The other fees are: grades 1-2, NIS 552; grades 3-4, NIS 571; grade 5, NIS 683; grade 6, NIS 756; grades 7-8, NIS 844; grade 9, NIS 859-984; grades 10-11, NIS 981. Although these fees have legal force, overcharging is widespread.

Swindler Alert!

Many readers are well aware of scams that allow swindlers to make phone calls abroad on the victims' account: The swindlers call people and inform them that a family member has been injured in an accident and is hospitalized. They then ask the person to dial a certain number to be able to speak to the patient.

Dialing this number causes all calls made to be charged to the victim's phone number.

Now there is a new scam going around: The fraudsters call people and ceremonially announce that they have won half an hour of free phone minutes abroad and they should "dial 1."

Anyone receiving such a call should immediately hang up.

Attias: 1-800 Should Be Toll Free From Cell Phones

The Communications Ministry is working toward making 1-800 numbers toll free from cellular phones, so that cellular companies can compete for this service against Bezeq and Hot.

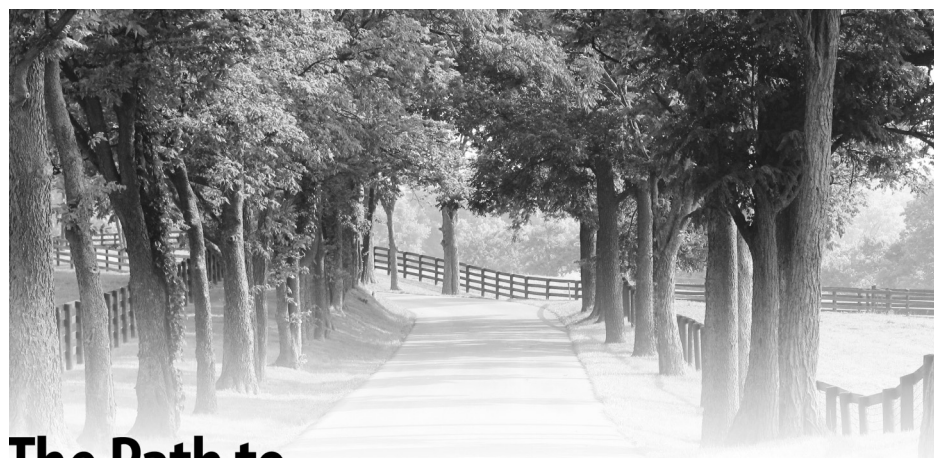
Currently numbers with a 1-800 prefix are toll free for callers from a landline phone, but cell phone users have to pay a fee for dialing this prefix.

Communications Minister Ariel Attias says that no customer should have to pay for calls that are supposed to be toll free.

Jewelry a Monthly Expense For Many

The average monthly household expenditure on jewelry items is NIS 254, according to

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The Path to STABILITY

Navigating Contemporary Financial Challenges

We made aliyah from the United States with our five children several months ago and are still looking to establish ourselves financially in Israel.

I am an engineer and my wife is a medical technician. She is looking for a job in her field, but I am thinking about going into business, since I have worked as an engineer for the past 20 years and I feel it's time for a change. I also don't think I know Hebrew well enough to work as an engineer in Israel.

We have rented out our home in the States and we are renting an apartment in Israel. Now we are thinking of selling our U.S. home to buy something here, so we can feel more settled.

Before I go into business or sell my house, I would like to know what Mesila has to say about these two courses of action.

While we would not categorically rule out either possibility, our recommendation is that you postpone these weighty decisions to a later date, when you are indeed more settled in Israel.

As new immigrants, you and your children have to get used to a new language, an unfamiliar culture, and a different standard of living. You also have to make new friends, get to know your neighbors, learn how to navigate your surroundings, and help your children adapt to their new environment and a different educational system.

There is so much change going on in your lives at this point that we do not think it is a good idea to introduce any more change. In Mesila's view, both you and your wife should start seeking work in your respective fields. Even if you came with some savings to tide you over at the start, worrying about *parnassah* can hamper people's ability to make level-headed decisions, and it is therefore important for you to begin earning a steady income as soon as possible.

You say that your Hebrew is not good enough to work in engineering, a field in which you have decades of experience. Why, then, do you think your Hebrew will be good enough to become an entrepreneur, an area in which you do not have experience?

If you are serious about earning a living in Israel, whether as an engineer or as an entrepreneur, it is critical that you attend an *ulpan* to upgrade your knowledge of Hebrew. Knowing the language well will increase your chances of landing a good job, give you greater confidence at work and in general ease the acclimatization process.

Many people who move to Israel make the mistake of thinking that "everyone knows English nowadays" and that they will be able to manage without much Hebrew. But that is rarely the case in the work world. Even if you are in a field where fluent English is an advantage, most everyday work conversations, meetings and reports are in Hebrew. Job seekers who stumble

over their Hebrew during telephone calls and interviews are far less likely to land the jobs they want.

You need not put your job hunt on hold while attending *ulpan*; even if prospective employers are concerned about your ability to speak Hebrew, they will probably be satisfied when you tell them that you are in the process of studying it.

Once you have established your income and established yourself in Israel, you can re-evaluate going into business.

There are a number of reasons why we think it is unwise for you to go into business at this point:

1. Any new business venture carries the risk of failure, and you are too new in the country to experience business disappointment or failure.

2. Before entering the business world, you need to assess whether you are cut out to be an entrepreneur. If, indeed, you possess the qualities of successful entrepreneurs — ambition, vision, self-discipline, flexibility, persistence, optimism, good communication and negotiation skills, and so on — then you can begin to study the market, learn the rules of business and develop the skills necessary for entrepreneurship. This is a process that takes time.

3. The Israeli business environment is unforgiving, to say the least. To survive in the battlefield of Israeli business, you need to be a warrior, and it is very difficult to be a warrior on foreign territory.

With regard to buying a new home, we encourage you to delay the decision to purchase a home in Israel for a few years. Because your home in the United States is rented out and is earning you income, you have no reason to rush to sell it. First get used to life in Israel, and be sure that you are able to make it here.

The reality is that many "Anglo" *olim* return to their countries of origin within a few years of making aliyah. We are not trying to discourage you about the prospects for your future in Israel, but we are cautioning you not to make hasty decisions that you may regret.

Until you are firmly settled in the country — financially and emotionally — it makes sense to keep your options open.

We wish you a *yishuv tov*.

MESILA
Providing The Path to Financial Stability

Mesila is a non-profit organization dedicated to helping families and businesses in Israel achieve financial stability and independence. With over 25 chapters across Israel, Mesila is rescuing hundreds of families and businesses from the cycle of poverty and debt through its three-pronged approach of education, counseling and financial assistance. Readers are invited to submit questions and feedback to hamodia@mesila.org or by fax to (02) 500-0478.