

YOUR MONEY

Purchase Tax on First Apartment to Be Canceled

In an important achievement for chareidi Knesset representatives, the purchase tax on a first apartment could be canceled as of this month, which will mean savings of thousands of shekels for the average family.

The amendment included in the economic arrangements bill, scheduled to be passed Wednesday, would cancel the purchase tax on the first apartment valued up to NIS 550,000 (around \$130,000).

Most apartments in this range are purchased by young couples, discharged soldiers or new immigrants. Purchase tax for an Israeli resident buying a first apartment is 0.5%.

The proposal was raised last year by MK Rabbi Moshe Gafni, but was included in the bill only this year.

Knesset Finance Committee Chairman MK Rabbi Yaakov Litzman, upon bringing up the clause for a vote in his committee, noted that this is an important amendment that would help many young couples purchase apartments.

Though he abstained from all the other budget-related votes, Rabbi Litzman voted to approve this clause, and after he applied pressure on the Finance Ministry representative, the latter also rescinded his objection to the motion.

Both Spouses Must Agree to Secondhand Apartment Sale

Mortgage banks will not approve a loan to purchase an apartment unless the spouse of the seller signs a waiver asserting that he or she has no more claims on the apartment being sold.

Attorney Nurit Fish, a family, inheritance and property law expert, explains that the banks are trying to prevent themselves from being caught in disputes between spouses. As such, any person who is married must have the spouse sign the waiver, even if the apartment is registered only in one spouse's name.

Fish adds that buyers should be aware that it is very important to raise this issue before signing a contract to buy a secondhand apartment. If not, the buyer could find himself open to being sued for breach of contract.

If you do not make it clear that the sale of the apartment is conditional on receiving mortgage approval, which in turn is conditional on the signature of both spouses, the seller may then sue you for late payment if you can't get the mortgage.

Therefore, if you want to buy such an apartment, do not be embarrassed to demand that a clause appear in the agreement requiring the seller to present an affidavit signed by the spouse. If the banks can protect their rights, you can certainly protect yours too.

Bus Fares to Remain Stable for Fourth Year

The fares on public transportation were not raised on Jan. 1, making 2007 the fourth year in a row in which prices have remained static. This is due to a low consumer price index in 2006, Transportation Minister Shaul Mofaz said.

According to a 1997 government decision, public transportation fares are updated twice a year, on January 1 and on July 1, based on the CPI. The last fare hike was in July 2004, the ministry says.

In July 2006, fares were supposed to rise by an average of 2%, but the Finance Ministry appealed to Mofaz to cancel the hike. The minister said he objected to fare hikes because they would affect the weaker sec-

tors, which are the primary users of public transportation.

Gasoline Prices Down

Gasoline prices dropped Monday, with the new price for a liter of 95-octane gasoline NIS 5.40 for self-service and NIS 5.52 for full service. The price for a liter of 96-octane gasoline also fell, to NIS 5.41 for self-service and NIS 5.53 for full service.

The price of natural gas for home use fell by 1.88%, and the price of heating oil dropped by 2.98%. The price of diesel fuel for cars and trucks dropped 4%-5%.

Bank Fees Cost Average Household NIS 1,880 Annually

The average household spends NIS 1,880 annually, or NIS 1,295 per account, on bank fees, says a report issued by the Public Trust consumer group, which was submitted to the Knesset Economics Committee and Bank of Israel Governor Stanley Fischer.

The numbers in the report contradict claims by banks that the total fees amount to only NIS 380-NIS 488 per account or NIS 547-NIS 703 per household.

Because of the huge discrepancy, Public Trust cross-checked its figures against another study, conducted by the Sagi Research Company. Sagi's report shows that the total household expenditures for bank fees is NIS 1,311 per year, which does not include credit card fees, which average NIS 141.7 per household or NIS 98.4 per account.

The report also shows that the difference in fees that banks charge for their services is relatively insignificant and does not make it worthwhile to switch banks.

Whatever the real numbers are, the public is unaware of how much they are really paying, Public Trust said. When asked, most people replied that they pay between NIS 201-NIS 1,000 or less.

Public Trust urges the public to become more aware of how much they are paying, and to negotiate on fees, because they may be able to save hundreds of shekels a year.

Average ATM Withdrawal Rises

ATM machine withdrawals have risen 8.8% last year, while withdrawals inside the bank have dropped by 16%, according to a report by the Bank of Israel's Bank Supervisor's Office.

The average ATM withdrawal amounted to NIS 426, up from NIS 392 in October 2005, while withdrawals at tellers averaged NIS 4,670, down from NIS 5,490 in October 2005.

The total number of customer withdrawals rose a steep 16.2%. During October, a total of NIS 4.42b. was withdrawn from ATMs in 10.4 million transactions. Total ATM withdrawals increased by 26% in 2006, while withdrawals at tellers dropped 5%.

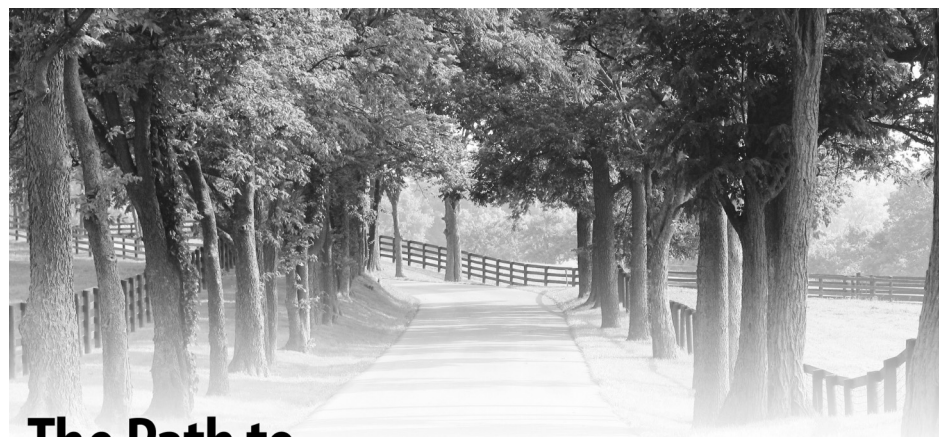
Where the Safest Checks Are

According to figures released last week by Leumi Check, a check guarantee company, checks originating in Nes Tziona are least likely to bounce. By contrast, checks from Hadera were 84% more likely to be returned than the national average rates.

Bnei Brak is also considered a relatively safe check source, while Tel Aviv's returned check rate is similar to the national average.

For those receiving checks, the safest day for a check to be dated is the 31st of the month, because most people's salaries enter their bank accounts on the first, the next day,

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The Path to STABILITY

Navigating Contemporary Financial Challenges

I was taken aback by the way you answered the woman who wished to set up a basement portrait studio and wanted to know if she had what it takes to succeed. You gave a daunting list of required personality traits, then advised her to take a business course, hire a professional consultant, do market research and create a business plan. Any aspiring entrepreneur would have been discouraged by this advice.

Why couldn't you have simply told her to start small and see how it goes? If the studio is successful in bringing in some side income, then she could start dreaming of entrepreneurship.

Had I read your column 20 years ago, when I was thinking of starting my business, I would have been very discouraged. Yes, I made mistakes along the way, but, baruch Hashem, my business has survived quite nicely — without market research, without a business plan and without professional business consultants.

Mesila welcomes questions and feedback, and we appreciate the opportunity to further clarify our position on opening a small business.

The questioner you refer to indicated clearly that she wished to open a business and specifically asked how to determine whether she was cut out for it. We therefore responded by describing the necessary ingredients for successful entrepreneurship.

The list of personality traits we provided was not meant to be daunting, but to show aspiring entrepreneurs what is involved in opening and running a business so that they can make informed decisions whether to make the attempt.

As you pointed out, we did *not* recommend that the questioner simply begin small and charge people for portraits, to see what happens. This is because we do not believe that there is such a thing as an income-producing hobby. Once you begin to charge people money for a service that you provide, you irrevocably cross the line from hobby to business. And once you are in any business, no matter how small, there are risks.

What kind of risks does a small, home-based portrait studio have? Portraits cost money to develop and print. Photographic equipment is fragile; it needs to be maintained, repaired and upgraded frequently. Even if no money is to be invested in advertising or corporate identity, there are other sales and marketing tools that may need to be created or purchased, like receipt books, computer hardware and software, stationery, business cards and envelopes.

An accountant will almost certainly have to be hired. And there is always the question of what the person could be doing during the time she devotes to the portrait studio. If she would be working at another job, the lost income would also be a risk factor.

Regardless of how small the operation is, protocols will need to be established for hours of operation, inquiries, receipts, speed of delivery, setting up and canceling appointments, price setting and satisfaction guarantees.

When the questioner took portraits for a hobby, client satisfaction was not a very sig-

nificant consideration. No one, for example, would have expected a refund if they were disappointed with the way their portraits turned out or with the amount of time it took for their portraits to be ready.

However, clients' expectations will invariably be much higher when they are required to pay for their portraits, and the level of professionalism, quality and service will come under close scrutiny.

If a portrait studio is charging people money, it is in effect competing with larger portrait studios — including department stores. It is pointless to charge people money for portraits unless you have something to offer that other portrait studios do not. This is called a niche, or an edge, and it can be anything from originality of poses to personalized attention. (Low prices can also be a niche; however, it is unlikely that a small, home-based portrait studio can offer better prices than Sears or Wal-Mart specials.)

Finding a niche requires market research and the help of a business consultant. This does not mean that the portrait studio has to be "grandiose"; it just means that it has to follow the rules of business.

Advising someone to jump into a business venture of any size and "see how it goes" is, in Mesila's view, very bad advice. The fact that some people do succeed in business without market research, a business plan or a business consultant is no justification for encouraging a person to go it alone and be unprepared.

We would also like to point out several things:

1. You opened your business 20 years ago — when terms like e-commerce, offshore and outsourcing were not very popular. The business environment today is incomparable to what it was two decades ago, and the cards are stacked much more heavily against aspiring business owners today than they were then.

2. You write that you did make some mistakes. These mistakes probably cost you quite a bit of money and heartache. Instead of learning the hard way, as you did, why should an aspiring business owner not learn from professionals — before making the mistakes?

3. Just because you succeeded does not mean that others will. As we pointed out previously, statistically, most small businesses fail within a few years, usually leaving their owners with debts and other headaches.

Mesila encourages people to find ways to turn their business dreams into reality. Our objective is not to discourage people from opening businesses, but to take steps to increase their chances of success.

MESILA
Providing The Path to Financial Stability

Mesila is a nonprofit organization dedicated to helping families and businesses in Israel achieve financial stability and independence. With over 25 chapters across Israel, Mesila's three-pronged approach of education, counseling and financial assistance is rescuing hundreds of families and businesses from the cycle of poverty and debt. Readers are invited to submit questions and feedback to homodia@mesila.org.