

Saving for Fuel Oil for the winter

The cost of oil has been up and down recently with dizzying speed. But the fact remains that fuel oil will be more expensive this year--probably as much as one third to one half greater than last winter.

Steve Colt of the Institute for Social and Economic Research at UAA has been doing some recent research on the impact of the rising energy costs on budgets. His forecast, based on \$120 barrel oil showed that prices were expected to range at least one third higher than what was paid in the spring. With prices in the range of \$3.50 last spring, this estimate is nearing \$5 per gallon.

The governor and the legislature are investigating ways to share the state's energy wealth with residents. But no matter where your opinion falls on this political issue, consumers need to be prepared to pay for that fuel when it is delivered. This is probably going to take some tightening of the budget.

What to plan for. Take last year's expenditure for fuel oil, divide it by either 2 or 3 (depending on how optimistic you are) and add this to what was paid last year. For example, last year a family might have paid about \$3600 for fuel, so they should plan for at least \$5000.

Explore your options. Before that fuel is delivered, see what type of programs the fuel oil company offers. Some have discounts if bills are paid immediately (or within a few days), others offer a budget plan that averages the costs of the fuel over several months.

A budget plan has been particularly popular with customers this year. It estimates the cost of the fuel for the winter and divides it by 12 months. Customers paying that amount each month and aren't faced with a large bill all at once. The \$5000 heating expense will cost about \$420 per month.

Plan for the expense. Whether your company has a budget plan or not, consumers can use the same method to be ready for the bill when it comes. Estimate the bill, then divide it by the number of months until the first delivery. Put this money in a savings account or set it aside in the checking account so the money will be ready to pay that big bill when the fuel is delivered. Then after that fuel is delivered, start saving for the next one.

Use your credit card as a last resort. Many people will be charging that fuel on their credit cards, in effect creating their own budget plan. Consider what the cost of this plan will be. If you are charging \$2000 for fuel delivery at 14% and then plan to pay that back in six months, that will add an additional \$140 to the cost. This is a considerable cost. If consumers have a credit card that offers incentive points such as miles, they might want to charge it for the rewards. But be sure to pay the bill immediately. Don't even wait to be billed, just send off a check as soon as the fuel has been delivered.

Don't fall into the trap of ordering only a few gallons at a time. The more fuel that is delivered, the lower the price. In addition, the danger of running out of fuel or having to order another 100 gallons in just a few days will worry many customers.

While saving and preparing for winter, take a good look at your house and see where it needs tightening up. Some well-placed insulation or caulking can make a big difference in what those bills will cost.

Be prepared for the costs as fuel is delivered this winter.