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PERSONAL FINANCE

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Pay and Pay and Pay at the Pump



Or hedge against higher gasoline prices.

August 2006 | by [Jeff Dekko](#)

So you've just followed instructions to "insert card, remove quickly" at the gas pump and are standing there watching the money being removed quickly from your bank account. You think, "There has to be a way to get ahead of this curve."

Imagine if you were Metro Transit, which burns 10 million gallons of fuel each year. As is the case with other savvy users of lots of fuel—airlines, bus companies, fleets of taxi cabs—Metro Transit avails itself of the services of a smart guy named Jeff LeMunyon, who heads up a company called Linwood Capital Management LLC in Edina.

LeMunyon is an energy price-risk management consultant, and buys and sells futures contracts for millions of gallons of fuel for Metro Transit locally and other clients around the country. Over the years, he has saved them more than \$4 million by buying diesel futures contracts when prices were low, then cashing in on those gains when it came time to burn the fuel when prices were much higher—thus offsetting the generally skyrocketing price of fuel.

So why should you, reading a column on personal finance, care what someone like LeMunyon does? Because average investors can run with the big boys on this, potentially blunting their own pain at the pump.

In times of inflation, financial assets tend to suffer, because the buying power of a dollar or a yen or a euro declines. But the value of the things those dollars buy—whether it's timber, copper, gold or, yes, oil—tends to go up.

With that said, in Minnesota, it's possible to lock in the price of your fuel, even as ever higher prices get posted at the SuperAmerica down the block. You do it by depositing money at First Fuel Banks in St. Cloud.

First Fuel Banks has been around since 1982. Over the past 24 years, it's grown to operate six locations in the St. Cloud and Monticello area, and attracted media attention from all over the world. For a \$1 lifetime membership fee, First Fuel's nearly 10,000 members can open an account, locking in the price of fuel when they deposit their money.

"To our knowledge, there's nothing like this in the U.S., if not the world," says Jim Feneis, CEO and cofounder with his brother, Dan, of First Fuel Banks. "Basically, you are depositing cash and withdrawing fuel. We've had deposits of as little as \$3 and as much as \$400,000" from customers who are individual consumers and operators of large fleets of commercial vehicles. No small number of his customers, Feneis says, are people from the Twin Cities and environs south, who typically frequent his filling stations during the summer cabin season.

Obviously, the risk is that fuel prices could go down after you've locked in your price, requiring you to buy your fuel at that higher price until your deposit is used up. "If you're bullish and believe that prices are going to go up," Feneis says, "you deposit more. If you're bearish, you deposit less." Lately, he's seen an uptick in new members and deposits in existing accounts; interest seems to jump anytime gas prices go up 30 cents or more a gallon, he says.

While First Fuel's customers can benefit—or not—from higher or lower gas prices, Feneis, like LeMunyon, has had to become highly skilled at buying and selling futures contracts to hedge his own investment in his substantial inventories.

>>> **As always, my advice is to diversify, diversify, diversify.** All of your choices need to fit together in one big, integrated plan. But yes, there's an investment for everything—even for doing battle with the new one-armed bandit: the gas pump.

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