

Buying The Things You NEED



Decisions...

Decisions...

Decisions



UNIVERSITY *of* NEW HAMPSHIRE
COOPERATIVE EXTENSION

Do you have enough money to get all the things you want? Probably not. Think about the last time you wanted to buy something. Did you ask yourself... *do I really need it? Or do I just want it?* Many of us don't take the time to ask these questions before we buy. Taking the time to figure out whether you really need something has to be the first step.

Let's say you've decided you need a color TV.

You would really like a 27-inch screen. *How much money do you have to buy the TV?* You may find you only have enough money for a 19-inch screen. Think back to the questions of *do I need it?* or *do I want it?* The TV is what you need, the size is what you want. You may have to settle for a 19-inch screen or wait until you have the money for a 27-inch TV. The point is... **you will have what you need — a TV — and you also will be able to afford it.**



CHOICES

There's a choice of **buying new or used.**

NEW

Where could you find a new TV? There's discount stores, electronic stores, department stores and rental stores. Price will vary and it's always helpful to wait for a sale. You can find a new 19" TV for \$239.

USED

Where could you find a used TV? You might find it at a yard sale, in a newspaper ad (look at a newspaper in a library if you don't subscribe), asking a friend, in rental stores, a thrift shop, on bulletin boards, or on a radio program. You can find a used 19" TV for as little as \$50.

How do you buy the TV? Choices are:

- **Save** money each month until you have the right amount.
- Take out a **loan** and pay the monthly payment.
- Buy it with a **credit card** and make a payment each month.
- Make payments at a **rent-to-own store** until you own it.



Let's compare the costs of buying a \$239 TV with a 19-inch screen and a remote control using the different choices.

SAVING

By putting aside \$20 every month for 12 months, you'll have enough money to buy the TV.

Total Cost = **\$239.00***

Some stores have layaway plans, in which you pay gradually, then get the TV at the end. You may need to pay a small layaway fee.

LOAN

You take out a 12-month loan at 18% annual interest rate. You would pay \$22 each month. You can get a loan at a bank or at a store selling TVs. If you miss some payments, the lender will take the TV back. You'll need a good credit rating to take out a loan.

Total Cost = **\$262.85***

* When comparing prices, always multiply the amount of your payment times the number of payments you'll have to make before you own it. This will give you the total amount that you'll pay for the item. Prices accurate as of 7/96.

RENT-TO-OWN STORE

You could make monthly payments of \$40 every month for 1 year and 7 months to own the TV. You may be paying weekly (\$10 a week) or monthly (\$40). The payment sounds low, but the payments add up to a high total cost. If you miss a payment, the store will take the TV back.

Total Cost = **\$760.00***

If you can afford \$40 a month for the rental store then you could save the \$40 and own the TV in 6 months.

CREDIT CARD

You charge the \$239 on a credit card with a 16% annual interest rate and make a monthly payment of \$12 each month. It would take you 2 years to pay for the TV.

Total Cost = **\$279.64***

Questions to ask before renting, charging, or taking out a loan:

- Is there a down payment? If yes, how much is it?
- How much are the regular payments?
- Do I pay by the week, every other week or by the month?
- On what day do I make the payment?
- How many payments do I have to make before I own the item?
- Are there fees or charges (insurance, handling fees, delivery fees or service charges) added to the price I pay for the item?
- What is the total cost to own the item?
- If I am late with a payment, how many days do I have to get my payment to you before I pay a penalty?
- How many payments do I need to miss before you'll take the item away?
- If I don't make the payments and break the contract, what do I have to do to get the contract back?
- Can I pay off the contract early? Is there an extra charge?
- If I decide to return the item, will I have to pay a penalty?
- Is the item new or used?
- Will I get a manufacturer's warranty and an owner's manual?
- Who is responsible if this item is lost or stolen?
- Who pays for repairs if the item breaks?

What is the best way to buy the item?

The next time you need to buy something, use this chart to help you with your decision.

Price of Item: _____

	Payment	Term	Total Cost
Saving			
Loan			
Credit Card			
Rent-to-Own			

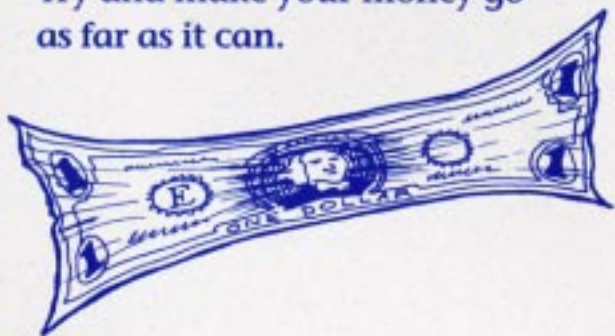
Decisions...

Save now, buy later? Own today but pay later by buying with a credit card or loan? Make rental payments and own later?

Take the time now to think about whether you really need something or just want it. Then decide which payment choice works best for you. It may mean waiting to buy something but it will mean paying less money for it.

There may not be enough money for all the things that you need.

Try and make your money go as far as it can.



Written by Suzann Enzian Knight M.O.E., M.S., CFP, UNH Cooperative Extension Specialist, Family Resource Management. This publication was funded by USDA Food and Consumer Service and the NH Food Stamp Program. The University of New Hampshire Cooperative Extension is an equal opportunity educator and employer. University of New Hampshire, US Department of Agriculture and NH counties cooperating. 8/96