

Name _____

Buy Now, Pay Later

A thinkLaw Math Lab

thinkStarter (Perez v. Rent-A-Center, New Jersey, 2005)



Hilda Perez needed some items for her home. Hilda went to a Rent-A-Center.

Rent-A-Center is a store that allows people to rent items. A customer can rent furniture or electronics for a weekly or monthly fee. People can eventually own the items after they've paid the full cost of the items. Or people can return the item to the store and stop paying rent.

Hilda rented used furniture, a used washer and new dryer, a used DVD player and television, a new computer, and a used large screen television and cabinet. Hilda agreed to pay weekly rental payments.

Total Cash Prices of the Items \$9,301.72	Final Cost to Own Items \$18,613.32
How much extra did Hilda need to pay for renting-to-own the items?	What is your gut reaction? Why?

thinkStarter Summary

Hilda had to pay a significant amount of money to use a payment plan. How do you know if a payment plan is a fair deal? In today's thinkLaw lesson we will look at some offers and determine if they are a fair deal.

How Do Payment Plans Work?

A **payment plan** is when a person buys an item but instead of paying the full price immediately, they make smaller payments until they pay off the full price.

It's almost always cheaper to pay the whole amount for an item up front. If you make smaller payments, you usually end up paying more than the original amount.

<p>Why would a company charge people extra money to make smaller payments on an item?</p>	<p>Do you think that's fair? Why or why not?</p>
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Payment plans are important.

Making smaller payments over time can be a way for people to get items they need. There are many items that most people cannot buy without a payment plan. Items like cars, houses, and other large purchases can be too expensive to pay for all at once. If there were no payment plans, most families would never be able to buy cars, houses, and other expensive items.

You can look at a deal and have a **gut reaction** if the offer is a good deal or a bad deal. But you can use math to move from a gut reaction to an **informed opinion!** Using your math skills will help you make better decisions with your money. Let's look at a few deals together.

COUCH FOR SALE

\$429.94 Now

SAVE NOW
BUY LATER

DON'T MISS OUT!

\$40 a month for 20 months



Is it a good deal?

What is your gut reaction?

- ☐ Good Deal
- ☐ Bad Deal

How much more will you pay with the payment plan?

What is your informed opinion?

- ☐ Good Deal
- ☐ Bad Deal

Why or why not?

TV FOR SALE

\$369.99 Now

SAVE NOW
BUY LATER

\$75 Downpayment
\$15 a week for 20 weeks

Great Deal Alert!



Is it a good deal?

What is your gut reaction?

- ☐ Good Deal
- ☐ Bad Deal

How much more will you pay with the payment plan?

What is your informed opinion?

- ☐ Good Deal
- ☐ Bad Deal

Why or why not?

CAR FOR SALE
.....
\$10,000 NOW

No money
down!
\$250 a month
for 5 years

**SAVE
NOW**
BUY LATER



Is it a good deal?

What is your gut reaction?

- ☐ Good Deal
- ☐ Bad Deal

How much more will you pay with the payment plan?

What is your informed opinion?

- ☐ Good Deal
- ☐ Bad Deal

Why or why not?



TRUCK FOR SALE
\$15,000 NOW

\$5,000 down
\$280 a
month for 3
years

**SAVE
NOW**
BUY LATER

Is it a good deal?

What is your gut reaction?

- ☐ Good Deal
- ☐ Bad Deal

How much more will you pay with the payment plan?

What is your informed opinion?

- ☐ Good Deal
- ☐ Bad Deal

Why or why not?

thinkAdvice

Imagine your cousin is thinking about agreeing to this payment plan. What advice would you give them? Why?



This seems like a pretty good deal. What do you think I should do?



Your Advice:



I saw this ad for a TV.
What do you think?
Should I buy the TV?

Your Advice:







What is the **MOST IMPORTANT** advice you can give someone about a payment plan? Why?

thinkBigger

People often agree to payment plans after speaking with a salesperson. A salesperson's job is to get someone to agree to accept a deal.

Pretend you are a salesperson; what would you say to convince someone to take the deal?

 <p>CAR FOR SALE \$10,000 <small>NOW</small></p> <p>No money down! \$250 a month for 5 years</p> <p>SAVE NOW BUY LATER</p> 	 <p>TRUCK FOR SALE \$15,000 <small>NOW</small></p> <p>\$5,000 down \$280 a month for 3 years</p> <p>SAVE NOW BUY LATER</p> 
<p>What would you say?</p>	<p>What would you say?</p>

Do you think salespeople should be allowed to make sales that they know are a bad deal? Why or why not?