



Small weekly payments CAN ADD UP TO A WHOLE LOT MORE

Don't be rash when purchasing big ticket items. Take your time. Do your maths, and consider how much you can really afford to splurge.

My neighbour has a plasma TV and every night, four generations of her family gather to watch popular TV shows together. As I enviously note the collection of slippers, big and small, outside her flat on my way home, I am momentarily convinced of the returns from this investment - hours of family bonding and don't we all spend less because we don't need to go out any more for entertainment?

Maybe not. Family bonding is undeniably important but it shouldn't be something we get into debt over.

Buying a plasma TV can be an expensive business. Most of us would find it difficult to afford the big price tags they come with. We already have our home loans, car loans,

children's education and retirement to think about. If there is anything left over, it should really be used to boost our retirement and general savings.

On Saturday, while turning the pages of my newspaper, a large advertisement of LED and plasma TVs grabbed my attention. As I scanned the models, I found one I liked. But it was a two day sale and there were only five sets of the model I wanted at a store on the other side of town. I called a taxi and I was off.

I arrived 10 minutes after opening time and was dismayed that all the sets were gone. But might I consider other models? The polite salesman asked. Might as well, since I was there and had already spent a fair amount on my taxi fare. It did not take long before I settled for another model.

It was a 55" full HD LED TV, slashed from \$6,500 to \$5,200. A 20% markdown from the original price seemed reasonable, I thought. But then, indecision set in - it was still a big expense after all. I am not earning that much and sometimes my income doesn't go far enough. Yet, surely the family and I deserved something to look forward to after a hard day at work or school?

The attentive salesman sensed my reservation and suggested that perhaps I should consider an instalment plan. Each instalment was just \$44.90 per week and payments would be stretched over 48 months.

My heart raced, perhaps we could squeeze a little more out each week so that our lives were just that much more pleasant? Suddenly, paying out \$44.90 per week for a 48 month period seemed much more achievable than paying \$5,200 at one go. It would be less of a drain on my tight resources.

I signed on the dotted line. The plasma TV was ours.

But what had I done? Let's look at the math:

I had committed to paying \$44.90 per week for 48 months. This comes up to \$8,620. This is \$2,120, or almost 33%, more than the usual price of \$6,500, and \$3,420, or almost 66%, more than the sale price of \$5,200.

HOW SHOULD I FEEL NOW?

The instalment plan seemed like a good deal at the time. The weekly instalments seemed affordable. But now, after looking at the maths, I realise that I am committed to paying a much higher price than the sale price of \$5,200. The extra \$2,000 - \$3,000

that I have committed to could have been used for something else - another TV, more savings for my retirement, for the kids' future education, or for a rainy day. I wish I had kept to our smaller screen TV, and saved up for the plasma TV instead.

So now, I am deeper in debt than I wanted. And I will need to set aside enough to fork out the regular repayments for the next 48 months, on top of my already long list of repayments for the home, car, credit cards, and so on. I suppose it's a small consolation that at least I own a 55" full HD LED TV. And yes, family members hang out round the screen regularly. But honestly, I reflect, the family bonding wasn't bad when all we had was our smaller TV!

Lessons learnt? If I ever consider an instalment plan again, I'll think twice and do the maths first to work out the full cost of the plan. It is too easy to commit to a seemingly small amount per week, but in the end, find out that these 'affordable' repayments add up to whole lot more. Saving up to pay for an item in full means you won't have to pay interest costs, and is far more money-sensible.

On a final note, not all instalment plans by retailers come with high interest rates. In fact, there are genuine interest-free plans, but always watch out to see if there may be a catch. Also, if you pay for instalments via credit cards, and then cancel your credit card before the instalment plan expires, there may be penalties or fees to pay. Always remember to check the terms and conditions which apply and make your payments on time or interest charges will apply. 