

Decisions, Decisions Work Sheet

Save First, Buy Later? Rent-to-Own? Buy on Credit?

John and Mary want to get a color television with a remote control in time for Christmas. What should they do? Should they buy the TV on credit? Go to a rent-to-own store? Maybe they should wait until next Christmas and save the money each week to pay cash for a new TV. First, they must decide if they have a real *need* for the television, or if they just *want* a new TV. Many people are attracted by the rent to own stores, because they can satisfy their wants immediately. If you are thinking about making a major purchase, it is necessary to weigh the pros and cons of each choice. Included here is a list of the options people have in making such a decision. Review them carefully. Then, when you are faced with this type of buying decision, you will be better prepared for the purchase.

Since rent-to-own stores have become very popular, here are some questions you will want to ask about their contracts before making a purchase.

- What is the total cost? Multiply payment amount times the number of payments.
- Does the company guarantee the item being rented is new?
- Can the customer buy the item outright at a reduced price at some point during the contract, or do they have to make all of the contracted payments to become the owner?
- Even though the company may provide repairs at no charge, does it also provide a substitute at no extra charge or stop payments during the repair period?
- Does the company require a large “balloon payment” at the end of the contract? Can the rent-to-own (RTO) contract be reinstated without the customer losing the investment up to that point?

Managing Money: Types of Credit: What Are Your Choices?
