



# MONEYWISE

VALUING PEOPLE. VALUING MONEY.

DECEMBER 2021

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## THIS MONTH'S TOPIC: CELEBRATE NOW, PAY LATER? CONSIDER CAREFULLY.

Consumer holiday spending is projected to be up this year, as a larger percentage of U.S. adults plan to celebrate Christmas, Hanukkah, and Kwanzaa, according to the National Retail Federation (NRF). This year, 90% of adults will celebrate with average spending expected to approach \$1,000 on gifts, food, decorations, and other holiday-related purchases for themselves and their families.



In addition to having more plans to buy, there now are more ways to pay for purchases. One of these newer options is “buy now, pay later” plans, also known as “point-of-sale loans.” These opportunities may be offered through credit card companies, through particular retailers, or through apps. The big question is, are they worth it?

“Buy now, pay later” products are like a digital update of a layaway program. Retailers expect this market to grow, especially among Gen Z customers. This means higher sales for retailers and higher spending for consumers because many point-of-sale loans carry interest and fees. As with any decision to buy something, it is a good idea to first pause and ask yourself two things: One, do I need this? And two, is it worth the added expense to have it now?

### WHAT ARE “BUY NOW, PAY LATER” PLANS?

With “buy now, pay later” or point-of-sale loans, individual purchases can be financed right from a retailer’s website or at store checkout. The customer chooses a payment plan that breaks the purchase into several payments. Some require monthly payments for three, six, 12, or more months. With others, the payments are due every two weeks for a total of four payments. The annual percentage rate (APR) for these loans can range from 0% introductory offers to 30%.

Terms are often based on the size of the purchase and the customer’s credit, which may be determined with a soft or hard credit check. A soft credit check does not impact credit score, but a hard credit check can. Read through the fine print to understand if and how the loan may impact your credit score.



## **“BUY NOW, PAY LATER” PLANS BREAK A PURCHASE INTO SEVERAL PAYMENTS. RATES AND FEES CAN VARY.**



### **THE GOOD ...**

These financial products can be a convenient way to pay for a big-ticket item, especially if the rate offered is lower than your typical credit card or installment loan rate. Additionally, these loans might be easier to obtain if you don't have established credit. However, it may not help you build credit either. Whether it helps or hurts your credit depends on several factors including whether it is reported to the credit bureau, whether you pay the installments on time, and more.

### **THE BAD ...**

As with any loan, you should not consider it if you cannot afford the payments. Interest and fees can add up quickly. The ease of access may tempt people to spend more than they can afford. These loans can make returning an item complicated or could lead to not getting a full refund. Point-of-sale purchases may or may not show up on your credit report, but anything sent to debt collections can negatively affect your credit rating.

### **BE A CAUTIOUS BORROWER**

Credit is not inherently good or bad. However,

the choice to finance something might be a good or bad decision based on your financial situation. Know yourself and your capacity to pay it back before taking out any kind of loan. In particular, understand the APR, late fees, and potential impacts to your credit score.

And remember, it is usually more cost-effective to save up for something than to finance it. What you put off paying for now will be due later. This will affect how much money you have to spend on other things in the future.

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