



I am in the process of buying a computer for about \$1,000 and the retailer offered to finance it at only \$12 per week for 3 years. Is this a good deal?

Alison, Millfield

Don't finance through them Alison - they are trying to rip you off. Did you know that they are effectively trying to charge you a ludicrous 47% interest on this finance arrangement? At these rates it would be cheaper to use a credit card to purchase the computer and we all know how high their rates are. If you can afford to purchase outright then that would be the best option.

It is quite common for people to get suckered in on these deals. Whilst \$12 per week may seem like a nice small number that is quite manageable, you are actually paying them another \$872 on top of the original purchase price (total payments = $\$12 \times 52 \times 3 = \$1,872$).

That is a whopping mark-up of 87%!

And don't get caught out either if they say that it could be tax deductible if you use it for work. Assuming that you are on the marginal tax rate of 31.5% and have work related usage of 50%, this finance deal still leaves you \$1,577 out of pocket.

Whilst it seems a simple solution to purchase and finance at the one place, you are better off shopping around for a better finance deal and getting a more affordable (and realistic) interest rate.