

Unit 8:

Major Purchases

STEPS FOR PURCHASING MAJOR ITEMS

Making wise purchases over a life time can save a lot of money and frustration. Following are some steps to take when making those major purchases.

Avoid impulse buying. Many purchases are made because the buyer thinks it is a wise purchase at the time but regrets it later. My husband has a 24 hour rule that has helped us make smarter decisions. The rule is that we don't make any major purchases until we have thought about it at least 24 hours. One time we had a salesman at our house and we were thinking about buying his product. My husband said we wanted to think about it for a day. The salesman said that he would only be in the area that day and we needed to get it now. That was a red flag and we decided not to make the purchase. We found out later we could buy a similar product for a fraction of the price the salesman was selling it for. Salesman can be very convincing. It is good to get away from them and think about it for a while.

List wants and needs and prioritize them. I like to write down what I want when looking for an item and how important each feature is to me. For example, if I was looking for a used car I may say that I NEED four doors, one that runs well, gets good gas mileage, and is affordable. I may WANT one that has air-conditioning, a good stereo, four-wheel drive, and is red. Then I can give points to my needs list based on which ones I want the most. If I want air-conditioning the most it could have 4 points. Next would be a good stereo for 3 points, four-wheel drive 2 points, and red only 1. When I look at a car I first make sure it has ALL of my needs. Then I can give it points based on my wants list. If it has air, stereo, and is red, it gets 8 points. This helps me decide which car best fits my needs and wants list. Remember that it needs to have ALL the needs. If it has all of the wants but doesn't have something on the needs list, like it is not affordable, it gets tossed out.

Do pre-shopping research. There are many ways to research products. You can look at a Consumer Reports magazine or other similar magazines (available in most libraries), talk to people who have owned one, talk to experts, and look up websites. With magazines and websites, try to find out who sponsors them. Sometimes the articles will be biased by who the sponsors are. A good thing about Consumer Reports is that it doesn't have sponsors.

Go comparison shopping. Find out who has what for the best price. Sometimes generic type items can have just as good of quality as the big name brand items. This is not always true though. With quality, consider the cost per use.

Sometimes an item that costs more but is better quality gets used more and ends up costing less for each time it is used.

Decide on your payment method. Of course cash is great, no interest. We have already discussed a lot about credit cards. If you decide to finance the item make sure you understand all of the conditions. For example, the "6 months same as cash" program usually has some catches. If you do pay off the loan in the 6 month time, you won't pay interest. But if you extend payments at all, you will then be charged interest even for the 6 months that you thought you weren't being charged interest. Also, it is best to know what you can afford before you talk to a salesman. Be sure to talk overall price, not just the monthly payments. Some salesmen will lower the monthly price to what you can afford by extending the length of the loan. You will end up paying more in interest this way.

Unit 8:

Things to Consider

Read the information on the following website:

[Tips for Purchasing Appliances](http://www.urbanext.uiuc.edu/thriftyliving/tl-appliances.html) (<http://www.urbanext.uiuc.edu/thriftyliving/tl-appliances.html>)

The questions to ask found in that article are important. I heard of a family that built a new house. They had an attic playroom and found a great deal on a couch for that room. However, it wouldn't fit up the stairs and they had to hire a crane to get it in the window. So much for the great deal!

Along with the article's suggestions also consider family needs, convenience features, cost of operation, and warranties. You don't want to pay for feature you won't use. Look at your family needs to decide if certain features are worth the cost. For me, I need an extra big, mega- capacity washing machine. Many of you would not want to pay for that feature. However, some features don't cost extra and others may be beneficial to you in the future.

Some appliances have an energy feature that can greatly reduce the cost of operation. Even if they cost a little more, they may save you money in the long-run. Finally, an important point to consider is the warranty. We will talk about those later.

Unit 8: Vehicles

There is so much to learn about purchasing a vehicle that it gets to have its own section. It is good to follow the same basic steps as mentioned earlier. Then you need to decide on a lot of issues such as leasing or buying, new or used, trade in or sell yourself.

Leasing vs. Buying

Leasing has become a popular alternative to buying. Sometimes all you hear on commercials is a leasing price. If you are considering leasing, it is important to understand the conditions. Read the information on the following websites:

[A Consumer Guide to Vehicle Leasing](http://www.federalreserve.gov/pubs/leasing/)

(<http://www.federalreserve.gov/pubs/leasing/>)

[Leasing a Car FAQ](http://www.nolo.com/lawcenter/ency/article.cfm/objectID/96E9AB4E-8C60-4ECA-9CB0FB04A38A41A1/catID/0303DFBE-D323-4C30-B540C900462CD64F)

(<http://www.nolo.com/lawcenter/ency/article.cfm/objectID/96E9AB4E-8C60-4ECA-9CB0FB04A38A41A1/catID/0303DFBE-D323-4C30-B540C900462CD64F>)

New vs. Used

Sometimes it is hard to decide whether you want to buy a new vehicle or a used one. Some of the benefits of a new one are that they are likely to break down less, they may have a higher resale value, you don't have to worry about a previous owner's care, you can often get very low financing. The biggest disadvantage is the depreciation. Also, even if you buy a new car you may get a lemon that still has a lot of mechanical problems or it may get in a wreck and never be quite the same. Some people prefer to buy used cars because of the cost. Go to the following websites and read over the information (you can skip the parts that talk about the services you can use online):

[10 Steps to Buying a New Car](http://www.kbb.com/kb/ki.dll/ke.kb.sp?kbb.UT;;UT005;&84335&&1;email/progressive)

(<http://www.kbb.com/kb/ki.dll/ke.kb.sp?kbb.UT;;UT005;&84335&&1;email/progressive>)

[10 Steps to Buying a Used Car](http://www.kbb.com/kb/ki.dll/ke.kb.sp?kbb.UT;;UT005;&84335&&article_buying_a_used_car_1;article)

(http://www.kbb.com/kb/ki.dll/ke.kb.sp?kbb.UT;;UT005;&84335&&article_buying_a_used_car_1;article)

Trade in or Sell

With vehicles it is often hard to decide if you want to sell a car on your own or trade it in. Some people prefer to sell on their own because they usually make more than trading it in. Others prefer to trade it in because they don't want the

hassle of selling it on their own. Make sure you read the information in the following website (it was part of Buying a New Car):

[Trading vs. Selling](#)

(<http://www.kbb.com/kb/ki.dll/ke.kb.sp?kbb.UT;;UT005;&84335&2287&8;email/prgressive>)

Renting

There are also important things to understand when renting a vehicle. It is good to compare prices at different companies and look for discounts. Ask about fees along with the basic cost. Usually you will be quoted the basic price but not the fees. Look at the insurance options. You may already be covered under your own auto insurance or with your credit card and may not need to get insurance through the rental company. Finally, be sure to inspect the vehicle before you leave. If there is a dent or stain and it is not noted, you may be responsible for that damage. Make sure they have it written down before you leave the lot.

Unit 8:

Warranties & Service Contracts

WARRANTIES

A warranty can be an important part of a major purchase. Be sure to find out as much as you can about the warranty.

Implied warranty - an implied warranty does not need to be written. It means that the item is suitable for sale and will work effectively. All merchandise comes with an implied warranty unless it says "as is". Then there is no warranty.

Express warranty - this can be written or oral. It is voluntary and offered by the manufacturer. It must be classified as either a full or limited warranty (below).

Full warranty - if an item has a full warranty it states that the item:

1. will be fixed at no cost to the buyer within a reasonable time.
2. the owner will not have to undertake an unreasonable task to return the product for repair.
3. a defective product will be replaced or money refunded if the product can't be repaired.

Limited warranty - offers less than a full warranty. It may only cover parts or just labor.

If you have a complaint about your product, start by talking to the business that sold you the product. You can start with the salesperson, but if you don't get help, try the supervisor or manager. If you don't get enough help there, you can go to the manufacturer. If you still don't get help you can try consumer action agencies and finally small claims court. Hopefully you won't need to go that far.

It is also good to call the Better Business Bureau to find out about companies and report problems you have had. Reporting problems you have had can save someone else the same frustration you experienced.

SERVICE CONTRACTS

Service contracts are similar to insurance. You pay to have a problem fixed that might not happen. They may also be called "extended warranties" or "buyer protection plans". You may have a warranty that covers your product for 2 years and then you have the option to pay for 2 additional years. As the book says, "they are almost always unwise economically." They don't seem to pay well. I have had students tell me that their product broke and they went to have it repaired under an extended warranty and found out that it did not pay what they

expected it to. It may only cover parts, or the repair was less than the service contract cost to purchase in the first place. Some people prefer to put that money in savings and use it to pay for repairs if they come up. If they don't, they still have the money. Again, salesmen are often very convincing when talking about service contracts. They may make you think that it is the only wise thing to do. You will need to make your own wise decision.