

Save Now, Buy Later

The real-world solution to the flawed 'buy now, pay later' temptations



Money Matters

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As a consumption-focused society, we are constantly bombarded with the message 'Buy Now, Pay Later.' All you need to do to understand how strong this message really is these days is pick up your weekly flyers bag and count how many 'buy now, pay later' ads you find inside. I did the exercise myself a few weeks ago and I found 10 of them!

The underlying message is always the same: you don't have to wait to buy yourself anything. Why wait if you can get it today? You feel enticed to take up their offers, because it's '\$0 down payment' or it's 'zero per cent financing' or some other marketing gimmick.

I can't help but think of us parents who teach our children to be patient, yet we are more lenient with ourselves when it comes to our own financial decisions. We usually justify it by saying 'but I work so hard, I deserve it' or 'you only live once.' Dave Ramsey, one of my favorite money gurus, says 'you don't deserve anything unless you can pay for it.' It might sound harsh but it is a smarter way of doing things. Bottom line is: if you can't pay for it in full today, then you don't deserve it. What you actually deserve is not to put yourself in debt and be financially stressed because of that purchase.

The best solution I have found to ease this challenge is to live by the motto 'Save Now, Buy Later.' For instance, if you need to buy a new couch and it costs \$1,200, you save \$100 every month and in a year, you buy it and pay for it in full. Of course, it requires patience and discipline and it might be difficult not to accept the 12-month financing option that the retailer is offering you. But in the long run, you will be

in a much better financial position, because your income won't be tied up in all the monthly financing payments you have to make.

One system you can use to make the 'save now, buy later' concept work for you is to open a savings account for each big purchase you are planning. Make sure you choose a saving account that your bank offers for free and remove any access to it from your debit card so you are not tempted to use it for your everyday spending. Then, use the online option to nickname each savings account. This will help you differentiate among them. For example, if you are planning a trip to Europe in 2015, open a new savings account and nickname it 'Europe.' Next, estimate how much the trip will cost you, divide that amount by the number of months left before you go on that trip and set up an automatic transfer on payday to cover it. So let's assume the trip will cost you \$5,000 and you plan on going in 15 months, this translates into an automatic transfer of \$333/month or \$166/paycheque (if you get paid every two weeks).

This savings method will require discipline, but just imagine the feeling when you come back from that trip and you know that you already have the funds to cover it in full. You won't have to worry about putting it with your credit card with an interest-rate of 20 per cent or on your line of credit with an interest-rate at 10 per cent. I encourage you to use the same method if you want to buy a new flat TV, a new bicycle or an expensive piece of sports equipment.

Living by the motto 'save now, buy later,' will certainly leave you with a deeper sense of accomplishment. Your consistent efforts will pay off and you will truly and fully deserve it.

Lama Farran is a Pointe Claire resident and a personal finance coach based in the West Island. She helps individuals/families get their finances in order, without selling any financial products. Visit www.SaveNowBuyLater.com or www.maxworth.ca, or call (514) 717-1976.