

WTNS Radio OSU Extension Update for June 7, 2021 Healthy People. Healthy Finances. Healthy Relationships.

Ellen: Emily Marrison is joining me for today's OSU Extension Healthy Living Update. Every Monday you talk with us about a topic that relates to Healthy People, Healthy Finances or Healthy Relationships.

Emily: Yes, and today I'd like to go the financial direction and talk about something that folks may have been noticing in the past few months. Ellen, do you do much online purchasing? Has it changed at all in the last 15 months?

Ellen: (answer)

Emily: According to Econsultancy.com, global ecommerce sales rose from 16 percent to 19 percent of all retail sales in the past 15 months. Walmart alone saw US ecommerce sales increase 37 percent from first quarter 2020 to first quarter 2021. Lots of analysts are trying to figure out what this means for the future of online sales compared to in-person shopping. One thing that is very likely, even if online sales decline, it will not be to pre-pandemic levels.

One thing you may have notice when making purchases online are additional payment options at the checkout. Besides the usual option to enter your credit card information, there are often options to select a point-of-sale loan, commonly referred to as a "buy now, pay later" payment plan or POS financing. We have heard these for years during our favorite infomercials, "only 4 easy payments of \$29.99." It sounds much more appealing, and more affordable, than \$120.

Ellen: How does a point-of-sale loan work? Is it the store you are buying from that allows you to make these payments or is this another company?

Emily: It is another company that is actually a lender. So, the first step is to create an account with the lender. There are several available, but some of the most popular are Affirm, Afterpay, Klarna, and Quadpay. These firms partner with specific retailers, so chances are there will be only one available at check-out. The application process is pretty simple. It includes basic personal details and usually involves only a soft credit check that will not impact credit score.

Ellen: How does payment work – are there a lot of choices?

Emily: You have options to pay with a credit card or to link a checking account to directly make the payment. The terms for installment, like four payments every two weeks for two months, will be established when you check out. The payment options available depend on the POS company.

Ellen: I know there are some people concerned about building their credit. Can this help at all with someone's credit score?

Emily: If you do not have a credit card and you are trying to build credit history, then a POS loan may help. Some companies will report your payment information to credit bureaus. This could be useful for someone with a low credit score due to a thin credit file, typically a young person, or for someone who is struggling with a poor credit score looking to improve.

Ellen: What is the interest rate? Is it outrageous like some credit cards can be?

Emily: In some cases, the interest can be as low as 0 or as high as 30 percent. This is where doing a little homework can be beneficial. Sometimes the “no” or “low” interest rate companies may charge late payment fees.

Ellen: A lot of this actually doesn't sound too bad, so what's the catch? Is there one?

Emily: If you do your homework and decide to utilize one of the payment options that charges 0 percent interest and carefully make sure to pay the installment payments on time to avoid late fees, then there really isn't a downside. That may not be what you expected to hear. However, the main warning is to understand why this system is appealing in the first place.

It is all about brain games. Breaking a large payment into a few smaller payments makes us feel like we are paying less. This is fine until that false reality causes us to spend more on a retail site than we should, only because we have the option to pay for it over two months or more rather than in one lump sum. It is using our affinity for procrastination to encourage us to spend more in the long run, even if it seems like less at the time.

Ellen: Thanks for the info (any other follow up comments about it...) Are there any OSU Extension programs we should know about?

Extension is offering a series of food preservation webinars on Tuesday afternoons at 4:00 PM. There are two webinars left which are “Freezing” on June 15, and “Drying” on June 29. Also, the ServSafe® Manager Food Safety Training series will be offered on Thursdays, July 8-22 with the proctored exam July 29. And a ServSafe® Person-in-Charge certification training will be Monday, August 2. Registration is required for these programs at coshocton.osu.edu.