



OKLAHOMA COOPERATIVE EXTENSION SERVICE

*4-H Fabrics & Fashions*

Consumer Education

Advanced Level (15-19 Years)

**How to Pay for Clothing**

Use credit with caution. When you pay with credit, you are paying the store an extra fee for the privilege of taking longer to pay. It is easy to buy more than you can pay for without realizing it. If you do use credit, be sure the advantages outweigh the disadvantages. It is important that you establish a good credit rating. You can do this by paying each bill each month. If you are unable to pay on time, contact the credit department in the store, and explain the situation. Most stores will help you work out a payment plan.

	<i>ADVANTAGES</i>	<i>DISADVANTAGES</i>
Cash – Pay total amount and take clothes with you.	<ul style="list-style-type: none"> <li>• Get most value for money. Buy only when necessary. Avoid credit charges.</li> </ul>	<ul style="list-style-type: none"> <li>• May miss sales if no cash available.</li> </ul>
30-day charge account – You take items with you and pay at the end of the month.	<ul style="list-style-type: none"> <li>• No interest added if charges paid in stated time.</li> <li>• Not necessary to carry large amounts of money.</li> <li>• Monthly bill gives itemized record for accurate accounts.</li> </ul>	<ul style="list-style-type: none"> <li>• May purchase more than you can afford or need.</li> <li>• May limit comparative shopping.</li> <li>• Store may sell at higher price to pay for this convenience.</li> </ul>
Layaway – Pay the store 10 to 25 percent to hold the clothes for you. Make weekly or monthly payments. When you have paid total cost, you take the clothes home with you.	<ul style="list-style-type: none"> <li>• Able to make purchase when stock is plentiful and pay later.</li> <li>• No extra charge for this service.</li> </ul>	<ul style="list-style-type: none"> <li>• Can't take garment with you immediately.</li> <li>• If you don't pay the total amount by a certain time, the garment goes back on the sales rack, and you receive no refund.</li> </ul>
Revolving charge account – You take items with you and pay a set amount each month.	<ul style="list-style-type: none"> <li>• Can use garment before debt is paid in full.</li> <li>• No down payment necessary.</li> <li>• May receive better service.</li> <li>• Establish credit rating.</li> </ul>	<ul style="list-style-type: none"> <li>• Must pay interest.</li> <li>• May overspend.</li> <li>• May limit comparison shopping.</li> </ul>
Installment plan – A certain percent of interest is added to the total cost of the purchase and then divided by the number of months you will make the payments.	<ul style="list-style-type: none"> <li>• Down payment subtracted and interest figured on remaining balance only.</li> <li>• Can use garment before debt is paid in full.</li> </ul>	<ul style="list-style-type: none"> <li>• Must pay interest.</li> <li>• No monthly statements.</li> <li>• Limits comparison shopping.</li> </ul>

***Cost comparison for a \$60 Jacket***

	CASH	30-DAY CHARGE	LAYAWAY	REVOLVING CHARGE	INSTALLMENT
Price of jacket	\$60	\$60	\$60	\$60	\$60
Down payment	None	None	\$6 (10%)	None	\$12 (20%)
Carrying charge	None	None	None	1½% on monthly unpaid balance	15%
Time to pay	When bought	30 days after store closes books	6 to 8 weeks	6 months with monthly payment of \$10.53	3 months with monthly payment of \$16.40
Total cost of jacket	\$60	\$60	\$60	\$63.18	\$61.20

Some stores offer special credit programs such as charge accounts for teenagers. Under this kind of program you would be expected to make regular payments as a charge customer. Interest may or may not be charged on the unpaid balance, depending

on the policy of the store. Keep in mind that credit is a convenience and that you pay for the convenience in the form of an interest rate. Federal law now requires that you be informed of the true interest rate when you apply for a charge account.

Select a garment and calculate the cost of purchasing it according to different types of credit plans. You may go to the various stores in your area and inquire about types of credit available and the costs of each. If you are unable to visit stores, search for information about credit in newspaper ads or mail-order catalogues.

<i>Type of garment:</i> _____	<i>Initial cost</i>	<i>Cost with credit</i>
Cash		
Regular charge		
Layaway		
Revolving charge		
Installment plan		