



5.5 The Lure of Credit Terms: The Merchant Profits

Skill 2



- Which plan yields the highest profit for the company?



	Plan 1	Plan 2	Plan 3
Interest	0	\$3296.16	\$1292.13
Rebate not paid	0	\$1500	\$2500
Profit	0	\$4796.16	\$3792.13

Plan 2 is most advantageous for the company. This represents the profit ***“over the profit built into the price of the car.”***

How could they get you to select this plan?

Offer the car salesmen incentives to encourage you to select this plan.

Skill 3

- How much money would you save if you financed a \$1800 Samsung LN46C750 46 in. 3D LCD TV at 9% for 3 years rather than accepting a rent-to-own plan for which you pay \$65 per month for 3 yrs?



Skill 3



- With the rent-to-own plan you will pay
 - $65(36) = \$2,340.00$
- With the installment loan your total payment is:
 - $57.23951879(36) = \$2,060.62$
- Your savings would be:
 - $2340 - 2060.62 = \$279.38$





- When is a common time for people to use a rent-to-own plan?