

Delayed Payments

What do you do if you don't have all of the money that you need to purchase something at one time?

One option is to pay in installments. An installment is a sum of money that is less than what the item costs overall. It is offered as multiple equal sums paid over an agreed upon period of time.

For example, the Peloton workout bike costs \$2,495.00 This is a large sum of money to pay at once! A fitness video company that wants many of this type of bike pays for them in installments. Peloton offers the fitness company the opportunity to pay \$264.00/month. They will pay this amount each month for three years and three months until the total amount for the bikes are paid.

Answer the following questions about paying in installments:

- A bank employee needs to buy a car to help them get to work. The car they want costs \$29,500.00 The employee makes \$60,000.00/year but gets paid \$5,000.00 monthly. They do not have the money right now to pay for the car all at once. After paying in equal monthly installments, they will fully pay off their car in four years. How much does each installment cost?
 - Can they afford this based on their monthly salary?
 - What if they want to finish their car payments in two years? Will they have enough money?

- A bookstore employee just moved to a new apartment and needs to buy a sofa. They found a nice and comfortable sofa, but it costs a little more than they are comfortable spending at one time. The sofa cost \$7,860.00 Help the bookstore employee come up with an installment plan so that they can get the sofa of their dreams. Give them two options: one where they pay more at a time, but finish the total payment faster, versus one where they pay less and take longer to complete the payments.

Another option is to pay with a deposit. This means that you pay one sum at the start, as a first installment. The balance, or remaining amount of the money, is paid in full later. This initial payment, or deposit, is considered a commitment to paying the rest later.

For example, when a traveller books a stay in a hotel or an Airbnb, they can pay with a deposit. They might find a weekly stay that costs \$1,610.00 The traveller can pay an initial \$230.00 (the value of one night) when they book their stay, and the remaining \$1,380.00 when they check out.

Answer the following question about paying with deposits:

- A teacher is planning to go on vacation on a cruise ship in the Caribbean with their partner. It costs \$8,250.00 for four nights for both. They paid a deposit of \$500.00 How much will they still need to pay?

