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Ask the Biz Brain

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How do "zero percent financing" and "no payments until 2010" really work?

-- Skeptical in LedgeWood Financial deals always have been popular, but no doubt, you're going to see more of them as retailers use everything in their arsenals to draw in buyers.



The most important part of these offers is fully understanding the terms and reading the fine print. If you follow the terms, you can save money.

"If you are late on a payment or don't pay off the balance before the due date, then you are usually charged back interest from the start date and the rates are high, so be careful," says Andy Tupler, a certified financial planner with Tupler Financial in Raritan.

Zero-percent financing is different. For car purchases, you might have a choice of zero-percent financing or a cash back benefit.

If the car costs \$20,000 and you can choose \$2,000 cash back or zero percent financing, it's like you're paying \$2,000 up front in financing charges because the car only costs \$18,000 with the cash back option, says Marnie Aznar, a certified financial planner with Aznar Financial Advisors in Morris Plains.

"It may turn out that the financing is still a good deal, depending on the amount of cash back and the number of years over which you are offered the zero-percent financing," she says.

Review loan options to see if you could get a better deal by taking the cash back and financing the \$18,000 instead, Aznar says. Also, make sure the zero-percent offer doesn't come with a higher down payment requirement or other fees.

For credit cards, remember zero percent rates are typically teaser rates that will increase significantly at the end of the teaser period, she says.

-- Karin Price Mueller

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