Pay in 4: The Real Cost

Name _____ Date _____

"Pay in 4" apps split a price into 4 equal payments: one the day you buy, then one every 2 weeks. One plan looks easy. What happens when you stack four?

Your money: you earn $100 every Friday. After gas and lunch, **$60 a week** is left for payments. **The catch:** this app charges a **$7 late fee** for every payment you miss.

Step 1. Fill in every payment on the calendar. Headphones are done for you ($160 ÷ 4 = $40). **Step 2.** Add each week. Mark ✗ if it's over $60.

	Wk 1	Wk 2	Wk 3	Wk 4	Wk 5	Wk 6	Wk 7	Wk 8	Wk 9	Wk 10	Wk 11
Headphones $160 · starts wk 1	*$40*		*$40*		*$40*		*$40*				
Hoodie $80 · starts wk 2											
Game controller $120 · starts wk 4											
Sneakers $200 · starts wk 5											
Week total											
Over $60? ✗											

1. Which weeks are over $60, and by how much?

2. If you miss one payment in each of those weeks, how much do late fees cost?

3. All four items cost $560. Eleven weeks of $60 is $660. So why are you still short?

4. Fix the plan. Change ONE start week so no week is over $60.

MY MONEY CHOICE

Would you split a $200 purchase into four? When is it OK, and when is it a trap?

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The quick lesson (read aloud, about 1 minute)

> **Buy now, pay later** (pay in 4) splits a price into four payments, often with no interest if you pay on time. That is a form of **credit**: you get the item now and owe the money later. One plan is easy. Several at once can bunch up in the same weeks, and missed payments bring **late fees**.

Two teaching points

1. Track every payment on one calendar before you add a new one.
2. Waiting a few weeks often fixes the problem. Here, waiting until week 9 for the sneakers means no week goes over $60.

Answer key

Week totals: Wk 1 $40 · Wk 2 $20 · Wk 3 $40 · Wk 4 $50 · Wk 5 $90 · Wk 6 $50 · Wk 7 $90 · Wk 8 $50 · Wk 9 $50 · Wk 10 $30 · Wk 11 $50.

1. Week 5 and week 7, $30 over each. 2. Two late fees = **$14**. 3. Timing: payments bunch up in weeks 5 and 7 even though the total fits. 4. Wait to buy the sneakers until week 9 (payments in weeks 9, 11, 13, 15): no week goes over $60. Week 11 or 12 also works, and so does buying the headphones last (week 12). Waiting is the fix.

10-minute run

1. Fill in the calendar (5 min).
2. Find the weeks over $60.
3. Fix the plan; compare fixes.

Ask

"Why do pay-in-4 apps make it so easy to stack purchases?"

Goal

Stacked buy-now-pay-later plans can cause late fees even when the total looks affordable.

Take it further

Ask: "What if your hours at work were cut one week? Which plan would you protect first?"

Standard: National Standards for Personal Financial Education (Council for Economic Education and Jump$tart), area: **Managing Credit**. Print double-sided: the activity on the front, this teaching side on the back.

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