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| |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | |  |  |  |  |  | | --- | --- | --- | --- | --- | | **Read the Small Print before Signing up for Zero Interest Financing**  **Free money! What’s not to like? Well, the devil is in the details, and before you agree to zero percent financing, take the time to read and u nderstand the fine print.**  Zero interest financing is a marketing tool. You’ll frequently see 0% APR (annual percentage rate) advertised for credit cards as well as finance deals for cars, furniture, appliances, and other big-ticket purchases. If you’re not careful, you might find 0% financing can become quite expensive.  **What zero percent financing does and doesn’t entail.** Zero percent financing means you don’t pay any interest during the agreed financing period—all your payments go to reduce principal. It does not mean the financing is free of fees and penalties, which can add considerably to the cost. Also, be on the lookout for 0% deferred interest deals. If you don’t repay the entire amount before the deal expires, you’ll have to pay all the accrued interest.  **First you must qualify.** Zero percent financing is not for everyone. Many such offers are contingent upon you having a good credit score. Look for telling words like “offer good for well-qualified buyers” when you see ads for 0% financing. Typically, this means a FICO credit score of at least 720 to 750 and perhaps higher.1 If your score is average or less, you might still qualify for a store credit card that offers a special 0% promotion, but little else.  **Understand credit card introductory offers.** Many cards offer a 0% APR for a specified period after new cardmembers open an account. The period usually ranges from 6 to 18 months, after which the card’s regular APR kicks in. This makes sense if you are financing a big-ticket purchase that you can pay off in time. If you don’t, you’ll be paying regular APRs of 15% to 30% or higher on the balance. Introductory 0% APR balance transfer promotions can be good for credit card consolidation, but beware of the fees charged for each transfer, typically 3% to 5%.2 If you are late making a payment, you may lose the 0% financing and be assigned a high penalty APR.  **Zero percent car financing is often limited.** You’ll often see at least one 0% financing deal at any car dealership, which may be great if that’s the model you want, and your credit is excellent. Before you take that offer, you’ll want to understand any additional costs that could be part of the loan. Origination fees or dealer preparation fees are common costs to look for. It’s important to note if the price of the car has been raised to compensate for the loss of interest income. You will also want to know what happens if you miss a payment, as it might jeopardize the deal and even create a demand to fully pay off the loan all at once.  **A large zero percent credit card deal could hurt your credit score.**A credit utilization ratio (credit used/credit available) above 30% can hurt your credit score. Clearly, there are many things to consider before signing up for a 0% deal. Please contact me if you’d like to discuss a deal you’re considering, and I can help you identify any concerns lurking in the fine print.   |  |  | | --- | --- | | |  | | --- | | [LET'S CONNECT](mailto:##AdvisorEmail##) | |  |  | | --- | | 1 [www.cardrates.com/advice/fico-credit-score-range-and-how-it-applies-to-credit-cards/](https://www.cardrates.com/advice/fico-credit-score-range-and-how-it-applies-to-credit-cards/) [11/16/20] 2 [www.creditkarma.com/credit-cards/i/what-is-a-balance-transfer-fee#:~:text=A%20 balance%20transfer%20fee%20is,you%20transfer%20the%20debt%20to](https://www.creditkarma.com/credit-cards/i/what-is-a-balance-transfer-fee#:~:text=A%20balance%20transfer%20fee%20is,you%20transfer%20the%20debt%20to) [11/5/20] |  |  | | --- | | Tracking # 1-05122124 Expiration 03/24 | | | |