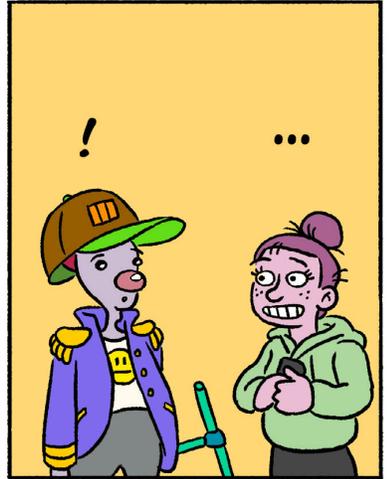


PERSONAL
FINANCE
in a **FLASH**

BUY NOW! PAY LATER

FEDERAL RESERVE BANK OF KANSAS CITY • FEDERAL RESERVE BANK OF NEW YORK





WHAT HAPPENED WAS...

YOU WERE ABLE TO "BUY NOW"...

...WHICH WAS THEN.

BUT YOU FORGOT ABOUT THE "PAY LATER" PART...

...WHICH IS NOW.

OOF.

BUY NOW PAY LATER (BNPL)

Loans that are payable in four or fewer installments and carry no finance charge.
Source: Office of Comptroller of the Currency (OCC)¹

BNPL DEFINITELY HAS ITS APPEAL. IF YOU REALLY WANT OR NEED SOMETHING, IT ENABLES YOU TO MAKE A PURCHASE AT THAT MOMENT — AND SPACES OUT PAYMENTS SO THE ENTIRE BILL ISN'T DUE AT ONCE.

IT DOESN'T REQUIRE ANY SORT OF CREDIT CHECK, AND AS LONG AS YOU MAKE PAYMENTS ON TIME, THERE ARE NO EXTRA FEES INVOLVED.*

*IN A TYPICAL BNPL TRANSACTION, THE SELLER WILL PAY THE BNPL CREDIT PROVIDER, AND FEES ONLY GO TOWARDS THE BUYER WHEN PAYMENTS ARE LATE.

IT SOUNDS LIKE A WIN-WIN. BUT! THAT ALL DEPENDS ON NOT GETTING CARRIED AWAY...

BNPL PAYMENTS WILL EVENTUALLY HAVE TO BE MADE, AND KEEP IN MIND THAT THESE PAYMENTS WILL BE IN ADDITION TO OTHER EXPENSES, LIKE RENT AND GROCERIES.

IT'S EASY TO LOSE TRACK OF PURCHASES MADE THROUGH BNPL, AND THAT CAN LEAD TO OVERSPENDING...



ALL OF THIS IS TO SAY BUY NOW, PAY LATER CAN BE A USEFUL TOOL — AND CAN HELP YOU UNDERSTAND OTHER FORMS OF CREDIT — BUT LIKE ALL THINGS INVOLVING MONEY AND DECISION-MAKING, YOU HAVE TO BE RESPONSIBLE.

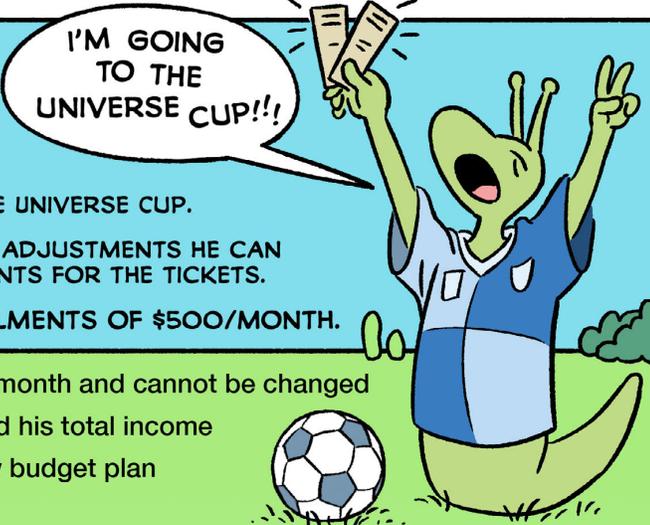
IT'S *JUST*. SOOO. TEMPTING. BUT I GET IT, I NEED TO BE MORE CAREFUL. MY BNPL'ING REALLY SNOWBALLED HERE.

SURE DID. WANNA DO AN ACTIVITY TO BETTER PREPARE YOU FOR FUTURE BNPL'ING?

DON'T WORRY, IT'S FREE.

¹libertystreeteconomics.newyorkfed.org/2024/02/how-and-why-do-consumers-use-buy-now-pay-later/

Budgeting FOR BNPL



MEET GLIX. HE JUST USED BNPL TO PAY FOR TICKETS TO THE UNIVERSE CUP.

REVIEW GLIX'S MONTHLY BUDGET PLAN BELOW, THEN DECIDE WHAT ADJUSTMENTS HE CAN MAKE IN THE NEW BUDGET COLUMN TO INCLUDE THE BNPL PAYMENTS FOR THE TICKETS.

THE TICKETS COST \$2,000, TO BE PAID IN FOUR EQUAL INSTALLMENTS OF \$500/MONTH.



- ✓ Fixed expenses (highlighted) stay the same every month and cannot be changed
- ✓ Make sure Glix's new budget total does not exceed his total income
- ✓ You must include ALL current expenses in the new budget plan

| GLIX'S MONTHLY BUDGET PLAN | | NEW BUDGET | EXPLANATION DESCRIBE THE CHANGES YOU MADE IN GLIX'S BUDGET AND HOW EACH CHANGE MAY IMPACT HIS LIFE. |
|-----------------------------|---------|------------|--|
| INCOME | \$3,650 | \$3,650 | |
| MONTHLY EXPENSES | | | |
| Rent | \$1,110 | \$1,110 | |
| Bills & Utilities | \$340 | \$340 | |
| Groceries | \$600 | | |
| Transportation | \$270 | | |
| Insurance | \$255 | \$255 | |
| Student loans | \$390 | \$390 | |
| Restaurants | \$225 | | |
| Subscriptions | \$85 | | |
| Clothing/Shoes | \$115 | | |
| Personal Care | \$110 | | |
| Savings | \$150 | | |
| Universe Cup Tickets (BNPL) | \$500 | \$500 | |

1. HOW DOES THE NEW BUDGET ILLUSTRATE THE CONCEPT OF TRADE-OFFS (OR GIVING UP ONE THING WE LIKE TO GET ANOTHER THING WE LIKE)?

2. WHAT WOULD HAPPEN TO THE NEW BUDGET IF GLIX MADE ANOTHER BNPL PURCHASE BEFORE PAYING OFF THE TICKETS?

3. ECONOMISTS OFTEN SAY THAT THE "CONSEQUENCES OF CHOICE LIE IN THE FUTURE." HOW ARE BNPL PURCHASES AN EXAMPLE OF THIS?