

Is Instant Gratification Creeping Up On You?



Buy now, pay later is growing in popularity as an alternative payment method to credit cards and other interest free term deals. If you are one of the over 2 million¹ users in Australia who do use this payment system, we recommend following these 4 tips to avoid fees, charges and credit creep.

Our 4 tips to tame your buy now, pay later spending

1. Spend within your budget

Buy now, pay later payment options may be a means to pay off a large necessary purchase that hadn't been budgeted for, such as replacing a broken washing machine or fridge, but be careful not to continue the convenience spending on wants, rather than needs.

You may have great intentions of just replacing that broken washing machine, but when there is an Afterpay or Openpay account ready and waiting, the temptation may be too great and send you over your budget and capacity to repay.

2. Avoid late payment fees

Payments are automatically deducted from your chosen credit or debit card, so make sure you keep up to date with your repayments. We highly recommend you have the payments taken from your **DEBIT CARD NOT CREDIT CARD** to avoid credit card interest accruing and adding even more financial difficulty to your situation.

3. Keep your credit clean

Although customers are quickly approved and accounts swiftly set up, third parties such as credit reporting bureaus may check your credit history².

Plus, when it comes time to seek finance for a loan or property, each credit limit can make a difference to your application and your borrowing capacity. A lender will take into account your total credit limit as it will impact your capacity to repay a new loan. We recommend a reduction in the credit limits and the number of cards held by you.

4. Build up an emergency fund to limit buy now, pay later

To prevent the need for using buy now, pay later, we recommend you build up a savings or emergency account. Then if the washing machine or fridge breaks down, you have the cash buffer to use. If you take our advice on step 4, you won't need to worry yourself about steps 1 to 3!

AVOID the credit limit creep and don't let instant gratification catch up with you. PLEASE spend within your budget.

¹ Canstar, Is 'buy now, pay later' the new credit card? December 2018

² finder.com.au/afterpay