

The Truth About 'Zero Percent Finance' - Natloans

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The Truth About 'Zero Percent Finance'

By Mary Nebotakis, Managing Director, Natloans, B. Eco, Dip. Financial Services

What's The Deal?

"Zero Percent Finance". Sounds amazing, right? Right; and that's because it's supposed to. The deal with 'zero percent finance', or 'zero percent interest rates' is basically that from any particular automotive company, or car dealership, one will be able to take home certain vehicles, using loans which have no interest rate attached. This means that the price at which you purchase will not be compounded upon over time.

What's The Catch?

The catch here is that when you participate in these deals, not only are you not saving money for value, but more likely than not you're spending way too much money, relative to the value of the product in question. In order to make a profit through this practice, dealers need to inflate the upfront cost of the car. Often, when this has been done, the amount of money which one pays for the car will be higher than if they had bought it with a loan. For example:

Consider a car with the value of \$15,000, with an interest rate of 5.00%, paid back over the course of three years. All in all, even with interest, the total cost of the car is only \$16,184, when all is said and done.

In contrast, when a dealer offers you the same car for \$17,000, with so-called 'zero percent interest rates', it leaves you out of pocket significantly, whilst simultaneously seeming to be, at a glance, a seductive offer.

How To Avoid Getting Scammed

There are several steps which one can take to avoid falling into the trap of 'zero percent finance'.

Firstly, always make sure to take time and evaluate whether the seemingly perfect deal that you're being offered is actually as profitable as it appears. A great resource for evaluating the repayments on a loan is the Natloans Repayment Calculator, which will do the maths for you on a car, or any other item which you may be interesting in purchasing.

Secondly, don't succumb to the pressure which fast-talking wheeler-dealers can apply. It can be very easy to get swept up in the charms, and promises of an experienced dealer, and certainly, you wouldn't be the first person to have a car sold to you on the spot, if they really are worth their salt. With this in mind, it is probably wise to remember that no matter how good the deal may seem, there is always a catch, and moreover, you were satisfied of where you were and what you had, long before the salesman alert you otherwise.

Thirdly, if you're confused about interest rates, car loans, repayments, or anything else; make sure to speak to a finance broker as soon as possible. Our team at Natloans would be more than happy to speak to you and address each and every of your qualms, and ensure that you walk away from any situation with the best deal possible. For all your car finance, and insurance needs, call Natloans today at 1300 955 791, we look forward to hearing from you!

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