The Hidden Cost of Purchases

Think that rock-bottom, factory-closeout price is a great deal? Think again.
By Suzanne Gerber

If you learned to speak Minnesotan from Garrison Keillor on his iconic radio show, "A Prairie Home Companion," you might know the difference between "not a bad deal" and "a heckuva deal." But for the large swath of the population who don't speak Minnesotan, it's easy to think you're getting a great deal when all you're getting is taken.

Even if you're the type who does your research and crunches your numbers before you buy anything and never fall for fancy sales pitches or marketing hype, once you dig beneath the surface to get at the true cost of something, often what seems like a heckuva deal actually isn't.

Unanticipated Costs
There are a few general categories where the unseen or unanticipated costs can really add up and turn a bargain into a bummer. These include interest or finance charges, contract renewals, upselling, planned obsolescence and maintenance expenses.

Take the cost of a new car—the American dream machine. Before you sign on the dotted line, inquire what each of these will add to the sticker price: sales tax; finance charges; shipping and destination costs; plus a whole universe of "fees," including dealer preparation, manufacturer, floor plan, documentation, compliance, emissions testing and advertising. And think long and hard before saying yes to dubious add-ons like extended warranties, credit insurance and anti-theft devices. The real bottom line might tempt you to reconsider public transportation.

Interest Rates
Another deal-buster is interest charges. If you pay your credit card bills in full every month, take a gold star out of petty cash and skip the next paragraph. But if you're among the 42.4 percent of Americans who carry monthly credit card debt, you may find it helpful. (Here's a fun cocktail-party stat: The average amount of that household debt is $15,607, according to Nerdwallet.com.)

Let's look at an extreme example. Say you go a little overboard on Black Friday and Cyber Monday and charge $10,000 worth of holiday gifts to a card with an interest rate of 21 percent (the American average).

Thanks to unforeseen circumstances next year, you only make minimum monthly payments (typically the interest plus 1 percent of the balance), and you fall into this pattern. According to Bankrate.com's nifty compoundinginterest calculator, it will take you *29 years* to pay off the debt in full—and you'll have shelled out an unthinkable $95,700. Bah humbug indeed.

It's unlikely you'd take that long to pay off the balance, but even if you took just two years, your interest charges would total $2,080.

If It Sounds Too Good to Be True…

You don't need a crystal ball to anticipate future costs. You just have to be realistic—and ask the right questions. You might get a heckuva deal on membership to an elite gym, but how long is that good for? How much will it cost to renew? Are there fees on top of joining, like court time, parking or renting a locker or towels?

Likewise, other clubs or organizations might make an irresistible membership offer, but how much will they cost in the long run? Are there minimums you need to spend to stay in, like corporate boxes at new ball stadiums? What about requisite annual donations and tips to the staff?

Two other things to beware of are upselling and planned obsolescence. The former happens when you buy a product or service at the lowest base price, which usually *is* a great deal. But quickly you realize it doesn't have the features you need (or need now that you have the product), and suddenly you've entered a very expensive world of add-ons and upgrades.

Planned obsolescence, or "a method of stimulating consumer demand by designing products that wear out or become outmoded after limited use," relates to a number of categories but none so much as technology. That cutting-edge gizmo you bought last month? Chances are it's already been updated or replaced by a faster, smaller, cooler gizmo.

Some of us are happy keying away on a device from 2009, but technology—with all its rings, pings and dings overloading our opioid receptors—is a slippery slope. And, as your credit card statements probably show, a pricey one. Sometimes the best tech deal is just sticking with what you've got.