

5 Numbers to Check Before You Sign Anything

A two-minute check from The Math of Money by Muhammad Babar

Car loans, leases, credit cards, phone plans, pay-later checkouts, mortgages: almost every money agreement is sold with one friendly number. Before you sign, find these five. If anyone won't tell you one of them, that is your answer.

1. The total price

Not the monthly payment. Ask for the **out-the-door** total, including tax and every fee, in writing.

The dealer says \$460 a month. Over 72 months that is **\$33,143** for a \$27,000 loan.

2. The interest rate, per month

Divide the annual rate (APR) by 12. A 24% card charges **2% every month**: \$60 this month on a \$3,000 balance.

3. The total interest

Monthly payment × number of payments – amount borrowed. It takes ten seconds and it is the number lenders rarely say out loud.

$\$460 \times 72 - \$27,000 = \textbf{\$6,143}$ of interest.

4. The length, and the time you'd be underwater

Longer terms shrink the payment and grow the interest. On a car with little or nothing down, a 72- or 84-month loan can leave you owing more than the car is worth for years. Aim for 60 months or less.

5. Every fee, in dollars per year

Annual fees, late fees, account fees, fund fees. Convert each one to dollars per year. A “tiny” 1% fund fee on \$10,000 plus \$500 a month costs about **\$121,000** over 30 years.

The two-minute check

Number	What they told you	What it really is
Total price		
Monthly rate ($\text{APR} \div 12$)		
Total interest		
Length and time underwater		
Fees per year		

Rule of thumb: Shop the total, not the payment.

Every one of these has a free calculator at mathofmoney.mzbacademy.com/toolkit.

For education only; not individualized financial advice. Examples are illustrative.