

Confession: I'm a Sucker for 0% Interest Offers

Not too long ago I came clean about [my love affair](#) of ten years. Today, I'm back at you with another confession. Please don't be too quick to judge me until you read through the details.

I'm a sucker for 0% interest.

There. I said it.

Well, I'm not a sucker for just any 0% interest offer – it has to be the right offer. My first experience with a 0% offer was back in college when I signed up for a credit card that came with 12 months of 0% interest. This was back when my savings account was paying 5%. So for 12 months, I played the arbitrage game and charged everything I could (tuition, books, groceries, gas, etc) to my interest-free credit card. My cash continued earning 5% in my savings account. I didn't charge anything I wasn't already planning to buy and could pay for in full with cash. I figured I would do what the banks do and make the spread.

I played this game a few times, rolling balances to new interest-free cards until the rate earned in a savings account eventually went to zero in the depths of The Great Financial Crisis.

More recently there have been a few purchases that Mrs. GYFG and I have financed with 0% interest. We didn't finance the items because we couldn't afford to pay cash for them; we financed them because I couldn't resist an opportunity to make the spread. Why wouldn't I finance something with 0% interest? If you tell me that I can pay \$2,200 today or \$2,200 over the next 33 months at 0%, I will take the financing option all day every day, especially on a significant outlay. This is exactly what we have done for the following three purchases in the past 18 months:

- (1) The massive **couch** we bought for our movie room. Labor Day weekend (2017) the furniture store was running a sale for 35% off plus 0% interest for 33 months (if approved). The total cost was \$2,200 after the discount and taxes. Hmm...pay \$2,200 upfront or spread it out over 33 months. I think you already

know my answer – I took the 0% with payments spread out over 33 months.

(2) A **Sleep Number bed**. My wife and I like different levels of firmness in our mattress and after 13 years together we decided it was time to invest in a bed that would cater to both of our preferences. This wasn't a cheap purchase. Anyone who has bought a Sleep Number bed knows what I'm talking about. We ended up spending almost \$9,000. We had been thinking about buying one of these beds for about two years before we were finally ready to pull the trigger. Knowing that Labor Day weekend was [the best time to buy](#) a mattress, we wanted to time this right to take advantage of their annual sale. We ended up getting 40% off our part of our purchase. On top of this, they were offering 0% financing for 24 months. I was again presented with a decision to pay \$9,000 the day of the purchase or to spread it out evenly over the next 24 months for no additional cost. 24 monthly payments please.

(3) Our **electric bikes**. As I shared in my [2019 goals post](#), I decided to buy the family electric bikes to start a weekly family bike ride tradition. There is also an added side benefit and that's the alternative form of transportation to and from work the bikes provide. I've wanted to add extra physical activity into my daily routine and an electric bike is perfect for commuting the five miles each way to my office and home. The total cost financed at 0% was \$2,800.

The Time Value of Money principle says this is a no-brainer. Even if that cash that I didn't have to pay up front sits in a savings account earning 2.45% ([CIT's high yield savings account](#)) it makes sense to do this. To be honest, it makes sense to do this as long as you're earning more than 0%. But I only recommend *guaranteed returns* when playing this arbitrage game, especially if your monthly cash flow couldn't pay the debt off in one fell swoop (in fact, do not use credit cards if you cannot to pay in full every month).

The GYFG household has taken advantage of these arbitrage opportunities to continue plowing [significant funds into the mortgage in order to have it paid off by July of 2019](#). We have also been maintaining a minimum cash balance of \$30,000 earning 0.5% or greater. That's not all. We have continued to build our investment in [Rich Uncles](#), which earns a 7% annual dividend, and [PeerStreet](#) which is earning us about 7% as well.

All said, we have financed about \$14,000 worth of goods over the past 18 months. This currently represents a monthly payment of ~\$641/month. Our monthly cash

flow at an average of \$37,500 per month is more than adequate to not only make this interest-free monthly payment, but also to choose to pay the outstanding debts in full anytime we want (through our monthly cash flow or idle money sitting in our savings account). Instead, we choose to play the arbitrage game on purchases we were going to make anyway.

In a future post, I will dive into how to stack some credit card churning to make this arbitrage activity even sweeter (focusing on our electric bikes purchase mentioned above).

Do you ever take advantage of 0% financing? Do you think I'm crazy to be doing so?

- Gen Y Finance Guy



Gen Y Finance Guy

Hey, I'm Dom - the man behind the cartoon. You'll notice that I sign off as "Gen Y Finance Guy" on all my posts, due to the fact that I write this blog anonymously (at least for now). I like to think of myself as the *Chief Freedom Officer* here of my little corner of the internet. In the real world, I'm a 30-something former C-Suite executive turned entrepreneur turned capital allocator. I am trying to humanize finance by sharing my own journey to Financial Freedom. I believe in total *honesty* and *transparency*. That is why before I ever started blogging, I decided that I would share all of my own [financial stats](#). I do this not to brag, but instead to inspire motivate, and also to hold myself accountable. My goal is to be a beacon of hope, motivation, and inspiration for *you*, the reader, by living life by example and sharing it **all** here on the blog. My sincere hope is that you will be able to learn from me - both from my successes and my failures! [Read More](#)