Layaway

Objectives

In this lesson you will:

- ✓ learn how layaway plans and agreements work
- ✓ calculate the deposit amount for a layaway plan
- ✓ find the additional cost of using layaway

When you make a **layaway** purchase, you pay part of the price of an item and the store holds it until you pay the purchase price in full. When you buy an item on layaway, the store may require you to sign an agreement. Layaway agreements state that you pay the full price within a certain amount of time, such as 60 or 90 days.

Layaway plans were once very popular, especially near "going back to school" time and at Christmas, since they allowed customers to choose items while there were still a lot of choices of color, sizes, and availability of popular items even though they could not immediately pay for them.

In the last few years, layaway plans have become less popular. The world's largest retailer (Walmart) discontinued layaway plans as of December 31, 2006. They cited less customer participation and increased costs associated with their layaway plans as the reason to no longer offer them in U.S. stores.

Layaway plans can be an easy way to hold a purchase that you can't pay for in full yet. However, before you agree to a layaway plan, you should know how the plan works, when payments are due, and how much you are paying total.

Look at the layaway agreement below. For this purchase, the customer had to make a deposit of 30% ($58.80) of the sales price. Then the customer had to pay the rest—including a layaway charge—within 3 months. Carefully read the refund policy to see what will happen to the customer's deposit if she decides to cancel the layaway plan.

**Formal Occasions
Layaway Agreement**

Customer Name _Mireya Martinez_ Date _3-4_

Address _821 West 149th St_ Layaway # _63310_

Anytown, USA 01223 Phone # _555-2953_

Description of Item _Black dress, size 8, style # A-1490_

Your payments of at least $_54.27_ are due on the first day of each month, for 3 months, beginning _4-1_ and ending _6-1_.

We will remove your merchandise from the sales floor.

Sales Price	$ _195.99_	
Layaway Charge	$ _25.62_	
Total Price	$ _221.61_	
Less Deposit	$ _58.80_	
Balance Due	$ _162.81_	

REFUND POLICY
You may cancel this layaway plan at any time before your last payment is made by notifying us in person. If we do not receive your final payment by the final payment due date, we will automatically cancel your layaway purchase. In the event of cancellation, we will credit all money you have paid toward a future purchase.

TRY IT! **Use the form on the previous page to answer the following questions.**

1. What is the name and address of the customer?

   _____

   _____

   _____

2. Describe the item that she is buying on layaway.

   _____

   _____

3. What is the monthly payment?_____

4. How many months does the customer have to make this payment? _____

5. What is the sales price for the item? _____

6. What is the total price for the item? _____

7. If the customer cancels the layaway purchase, what happens to the money she has already deposited toward the purchase?

   _____

   _____

Example 1

Enrique is buying a new coat on layaway. The sales price is $175.00. The store requires a deposit of 30% of the sales price. How much will Enrique have to pay for the deposit?

Solution

Convert the percentage to a decimal.

30% = .30

Multiply the sales price by the decimal. Round to the nearest cent.

$175.00

x   0.30

$52.50

Enrique must pay $52.50 for the layaway deposit.

TRY IT!

Find the amount of the layaway deposit.
Round to the nearest cent.

8. Sales price: $245.00

Deposit: 30% of purchase price

9. Sales price: $146.57

Deposit: 50% of purchase price

MASTERS Math for Living

Most stores charge customers an additional fee to use layaway. This fee is in addition to the sales price, so it does not go toward paying off the purchase. With Mireya Martinez in the earlier example, the layaway charge was $25.62. Find out the layaway charge before you commit to buying something on layaway.

Example 2

John placed purchases of $345.00 on layaway to take advantage of sales prices. He made a deposit of $86.25 and 4 monthly payments of $71.25. If John had paid in full instead of using a layaway plan, how much would he have saved?

Solution

Find the total that John paid with monthly payments.

$71.25 — amount of monthly payment

x   4 — number of monthly payments

$285.00

Add the amount of the deposit.

$285.00 — total for monthly payments

+ 86.25 — deposit

$371.25

Subtract the sales price from the total that John paid.

$371.25

– 345.00

$26.25

John would have saved $26.25.

TRY IT!

If the following two customers had paid in full instead of using a layaway plan, how much would they have saved?

10. Cecilia bought boots and jeans on layaway at a sales price of $135.50. She made a deposit of $40.65 and 3 monthly payments of $37.20.

11. Wanda bought a television on layaway at a sales price of $375.00. She made a deposit of $150 and 5 monthly payments of $51.00.
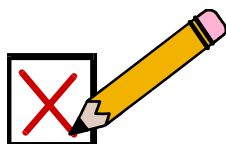
Review

1. Locate and highlight the vocabulary words and their meanings in this lesson.

2. Write one new thing that you learned from this lesson or one question that you would like to ask your mentor.

Practice Problems

Directions: Use a piece of scrap paper or any space available on these pages to work out the answers to these questions. Better yet, see if you can do them in your head – good practice for shopping.

Set A

Find the amount of the layaway deposit. Round to the nearest cent.   **Answer**

1. Sales price: $339.00   Deposit: 20% of the sales price   _____

2. Sales price: $214.00   Deposit: 30% of the sales price   _____

3. Sales price: $385.00   Deposit: 20% of the sales price   _____

4. Sales price: $144.00   Deposit: 40% of the sales price   _____

Set B

If Chris had paid in full instead of using a layaway plan, how much would he have saved?

1. Chris bought a table saw on layaway at a sales price of $559.00. He made a deposit of $139.75 and 3 monthly payments of $145.50.

      Answer   _____

2. Chris bought a leather jacket on layaway at a sales price of $285.00. He made a deposit of $71.25 and 5 monthly payments of $49.50.

      Answer   _____

3. Chris bought hockey equipment on layaway at a sales price of $566.00. He made a deposit of $113.20 and 4 monthly payments of $121.40.

      Answer   _____

ANSWERS TO TRY IT

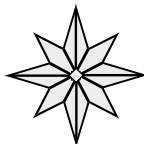1. Mireya Martinez
   821 West 149th Street
   Anytown, USA 01223

2. Black Dress
   Size 8, Style #A-1490

3. $54.27

4. 3 months

5. $195.99

6. $221.61

7. It goes toward a future purchase.

8. $73.50

9. $73.29

10. $16.75

11. $30.00

Answers to Practice Problems

Set A		Set B	
1.	$67.80	**1.**	$17.25
2.	$64.20	**2.**	$33.75
3.	$77.00	**3.**	$32.80
4.	$57.60		

End of Lesson