Presentation for Sales Meeting

Why Finance?

Begin by drawing an illustration on the white board like this:

Conventional Finance   6% | 4%   Cash
$20,000 $20,000
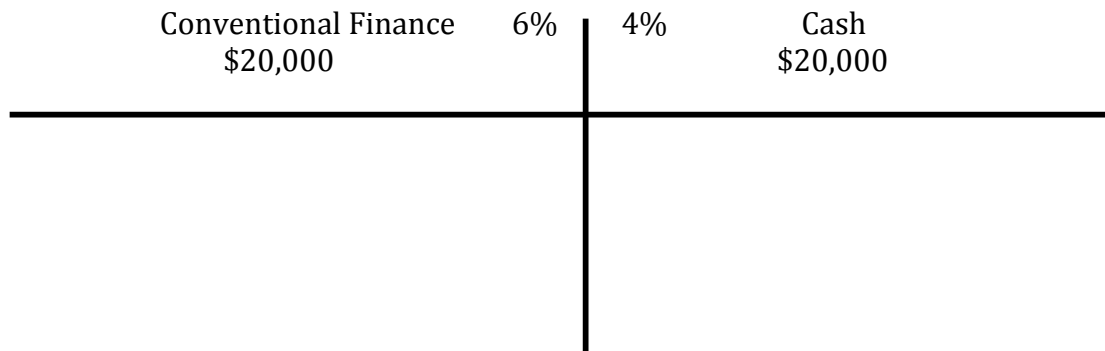
Trainer: If I am making 4% on my money in the bank but I would have to pay 6% interest on a loan which one is the better deal for me, to pay cash or finance?

Salespeople: Pay Cash (I have yet to have a salesperson say finance)

Trainer: Why?

Salespeople: Because you would be losing 2%. You would have to have a rate lower than 4% to make it make sense to finance.

Trainer: Ok, that makes sense. Lets do the math to illustrate why this is. Now, ask if someone has calculator or a cell phone with a calculator. Now you have to call the numbers out to that person and tell them how to figure them.

Start on the conventional finance side:

Take 6 *(rate)* divided by 1.78 = 3.370 now divide that by 100 = 0.0337 *(add on rate)*
Now take .0337 x 20,000 = 674.15 *(interest per year)* x 5 *(years financed)*
$3,370.78 *(Total finance charge for a loan with an amount financed of $20,000)*
(Now we all know that interest is not divided by the year like this it is front-loaded. This is for illustration purposes)

Now on the cash side:

Take $20,000 x 4% = $800 Now add the $800 to $20,000 = $20,800
Take $20,800 x 4% = $832 Now add the $832 to $20,800 = $21,632
Take $21,632 x 4% = $865.28 Now add the $865.28 to $21,632 = $22,497.28
Take $22,497.28 x 4% = $899.89 Now add the $899.89 to $22,497.28 = $23,397.17
Take $23,397.17 x 4% = $935.88 Now add the $935.88 to $23,397.17 = $24,333.05
$4,333.05 (Total interest earned leaving money in the bank for five years)

The difference between interest paid and interest earned = **$962.27**

Trainer: Now which one is the better deal? Be sure and remind them on a finance deal the interest is decreasing (you pay interest on a lower amount of money every month) and on the money in the bank it is compounding.

This is what your final illustration should look like:

Conventional Finance	6%	4%	Cash
$20,000			$20,000
674.15			800
674.15			832
674.15			865.28
674.15			899.89
674.15			935.88
$3,370.78			**$4333.05**

Difference of $962.27

Now ask what happens on incentivized rates as well. How much more money would a customer make?